INVITATION TO

ACQUIRE SHARES IN ELTEL AB

ELTEL

JOINT GLOBAL COORDINATORS AND JOINT BOOKRUNNERS

BNP PARIBAS

Morgan Stanley

SEB

CO-LEAD MANAGER

Pohjola

Important information

INFORMATION FOR INVESTORS

This prospectus (the "Prospectus") has been prepared in connection with the offer to the public in Sweden and the application for admission to trading on Nasdaq Stockholm of the shares (the "Offer Shares") in Eltel AB (a Swedish public limited liability company) (the "Offer"). "Eltel", the "Company" or the "Group", depending on the context, refer to Eltel AB, the group of which Eltel AB is the parent company or a subsidiary of the Group. The term "Principal Shareholders" refers to 3i Europartners Va LP, 3i Europartners Vb LP and 3i Group plc, together referred to as the "3i Shareholders" and BNP Paribas S.A. Niederlassung Deutschland ("BNP"). The term "Selling Shareholders" refers to all shareholders in the Company who will sell shares in the Offer. The term "Joint Global Coordinators" refers to BNP Paribas ("BNP Paribas"), Morgan Stanley & Co. International plc ("Morgan Stanley") and SEB Corporate Finance, Skandinaviska Enskilda Banken AB ("SEB"), acting as joint global coordinators and joint bookrunners, the term "Co-Lead Manager" refers to Pohjola Bank plc ("Pohjola") and the term "Managers" refers to the Joint Global Coordinators and the Co-Lead Manager. For more defined terms, please refer to the section "*Definitions*".

Figures reported in the Prospectus have in some cases been rounded and therefore the tables do not necessarily always add up exactly. All financial figures are presented in Euro ("EUR") unless otherwise specified. While the Company's audited accounts are denominated in EUR, certain other figures in the Prospectus have been converted from Swedish Krona ("SEK") to EUR, such as net proceeds from the Offer and Swedish legal costs incurred in connection with the Offer. In all such instances where SEK figures are converted into EUR, the exchange rate used is SEK 9.4410 = EUR 1.00.

The Offer is not intended for the public in countries other than Sweden. Nor is the Offer intended for persons whose participation requires additional prospectuses, registrations or other measures other than those required by Swedish law. The Prospectus, the application form and/or other documents connected to the Offer may not be distributed in any country where the Offer requires measures as described above or contravenes the rules of these countries. No measure has been or will be taken in any jurisdiction other than Sweden that would allow an offering of shares to the public, holdings of shares, distribution of the Prospectus or other information relating to the Offer, the Company or the shares in a jurisdiction where action for that purpose is required. Applications to acquire shares in violation of the above may be deemed invalid. Persons receiving copies of the Prospectus are required, by the Company and the Managers, to inform themselves about, and comply with, such restrictions. None of the Company, the Principal Shareholders nor any of the Managers assumes any legal responsibility for any violations of such restrictions, irrespective of whether such violations are made by a potential investor or anyone else.

The Managers are acting for the Principal Shareholders and the Company and no one else in relation to the Offer. The Managers will not be responsible to anyone other than the Principal Shareholders and the Company for providing the protections afforded to clients of the Managers or for providing advice in relation to the Offer.

The Offer Shares have not been recommended by any United States federal or state authority. Moreover, no such authority has confirmed the correctness or reviewed the suitability of the Prospectus. Any representation to the contrary is a criminal offence in the United States. The Offer Shares have not been registered and will not be registered in accordance with the United States Securities Act of 1933, as amended (the "Securities Act"), or any state securities legislation. The Offer Shares are only being offered and sold in the United States to qualified institutional buyers, as defined in Rule 144A under the Securities Act ("Rule 144A") in reliance on Rule 144A under the Securities Act, and are being offered and sold outside the United States in compliance with Regulation S of the Securities Act ("Regulation S").

Prospective investors are hereby notified that the sellers of the Offer Shares may be relying upon the exemption from the registration requirements of section 5 of the Securities Act, as provided by Rule 144A. The Offer Shares may not be offered, sold, pledged or in any other way transferred in the United States, except in reliance on an exemption from, or in a transaction not subject to, the registration requirements in the Securities Act, and in accordance with potential applicable state securities legislation. In the United States the Prospectus is provided on a confidential basis exclusively for the purpose of enabling potential investors to consider acquiring the specific securities described herein. The information in the Prospectus has been provided by the Company and other sources as identified herein. Distribution of the Prospectus to any persons other than those designated by the Managers or their representatives, and persons having been appointed to give advice to such receiving persons concerning the Prospectus, is prohibited, and the disclosure of the contents of the Prospectus without prior written consent from the Company is prohibited. Reproduction and distribution of the Prospectus in whole or in part, in the United States, as well as disclosure of its contents, is prohibited. The Prospectus is personal to each offeree and does not constitute an offer to any other person or the public in the United States to acquire shares in the Offer.

The Offer and the Prospectus are regulated by Swedish law. Disputes arising from the Offer or the Prospectus shall be settled exclusively by Swedish courts.

No representation or warranty, express or implied, is made by the Managers or, except for what follows from applicable rules and regulations, anybody else as to the accuracy or completeness of any information contained in the Prospectus. In making an investment decision, investors must rely on their own assessment of Eltel and the terms of the Offer, including the merits and risks involved. No person is or has been authorised to give any information or make any representation in connection with the Offer or sale of the Offer Shares other than those contained in the Prospectus and, if given or made, such information or representation must not be relied upon as having been authorised by the Company, the Principal Shareholders or the Managers and none of them accept any liability with respect to any such information or representation.

Neither the delivery of the Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this Prospectus or that the information contained herein is correct as of any time subsequent to its date. In the event of any changes to the information in the Prospectus that may affect the valuation of the Offer Shares during the period from the date of announcement to the first day of trading, such changes will be announced in accordance with the provisions of Chapter 2, Section 34 of the Swedish Financial Instruments Trading Act (1991:980) (Sw. *lagen (1991:980) om handel med finansiella instrument*) (the "Trading Act"), which, among other things, governs the publication of prospectus supplements.

The Swedish language version of the Prospectus has been approved and registered by the Swedish Financial Supervisory Authority in accordance with the regulations in chapter 2 sections 25 and 26 of the Trading Act. Approval and registration does not imply that the Swedish Financial Supervisory Authority guarantees that the factual information in the Prospectus is correct or complete.

Certain sections contained in the Swedish version of the Prospectus have been omitted from the English version of the Prospectus. Other than in respect of these omissions, in the event of discrepancies between the versions, the Swedish version shall prevail.

Unless otherwise specified, when calculating ownership shares in the Prospectus, it has been assumed that the Offer will be fully subscribed and that the Over-allotment option as described in the Prospectus will be exercised in full, and that the current ownership structure of the Company, including shareholder loans, preference shares and common shares, has been converted to a one-class share structure based on an assumption of the price in the Offer (the "Offer Price") corresponding to the mid-point of the price range for the Offer. For further information, see section *"Share capital and ownership – Dismantling of previous ownership structure"*.

STABILISATION

In connection with the Offer, the Joint Global Coordinators may engage in transactions that stabilise, maintain or otherwise affect the price of the shares for up to 30 days from the date of public disclosure of the Offer Price. Specifically, the Managers, the Principal Shareholders and the Company have agreed that the stabilising manager on behalf of the Managers may over-allot shares or effect transactions with a view to support the market price of the shares at a level higher than that which might otherwise prevail. The stabilising manager will be identified in the pricing press release, which is expected to be published on 6 February 2015. The stabilising manager and its agents are not required to engage in any of these activities and, as such, there is no assurance that these activities will be undertaken; if undertaken, the stabilising manager or its agents may end any of these activities at any time and they must be brought to an end at the end of the 30-day period mentioned above. Save as required by law or regulation, the stabilising manager does not intend to disclose the extent of any stabilisation transactions under the Offer. For more information, see the section *"Legal considerations and supplementary information – Plan of distribution"*.

FORWARD-LOOKING STATEMENTS

The Prospectus contains certain forward-looking statements that reflect the Company's views with respect to future events and anticipated financial and operational performance. Forward-looking statements as a general matter are all statements in the Prospectus that do not refer to historical facts and events, and statements other than statements as to historical facts or present facts or circumstances. Forward-looking statements can be identified by the words "believe", "anticipate", "intend", "aim", "assess", "expect", "assume", "predict", "can", "will", "shall", "should", "according to estimates", "consider", "may", "plan", "potential", "calculate", "as far as is known" or in each case, their negative, or similar expressions suitable for identifying information that refers to future events. Other forward-looking statements can be identified in the context in which they are made.

Forward-looking statements appear in a number of places in the Prospectus, including, without limitation, in the sections entitled *"Summary", "Risk factors", "Dividends and Dividend Policy", "Operating and Financial Review", "Industry Overview"* and *"Business Description"* and include, among other things, statements relating to: the Company's strategy, outlook and growth prospects; the Company's operational and financial targets and dividend policy; the Company's liquidity, capital resources and capital expenditures; the Company's planned investments; the expectations as to future growth in demand for the Group's services; general economic trends and trends in the Infranet industry; the impact of regulations on the Company and its operations; the competitive environment in which the Company operates; and the outcome of legal proceedings.

Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, it can provide no assurances that such statements will materialise or prove to be correct. Because these statements are based on assumptions or estimates and are subject to risks and uncertainties, the actual results or outcome could differ materially from those set out in the forward-looking statements as a result of many factors, including:

- lack of outsourcing of technical services in industries in which the Group operates;
- failure by the Group to comply with applicable regulations;
- significant economic disruptions;
- loss of market share or inability to grow as a result of competitive pressure;
- inability to win competitive bids;
- failure to adjust to rapidly changing market conditions and customer demands;
- noncompliance with competition laws;
- harm resulting from the actions of the Group's employees or subcontractors;
- failure to successfully implement the Group's acquisition strategy;
- adverse outcomes of litigation, administrative or arbitration proceedings;
- risks associated with doing business in certain countries in Africa, Southeast Asia and in other countries;
- inefficient or unsuccessful project management and/or forecasting;
- loss of business from customers on which the Group is particularly dependent;
- failure by the Group to obtain required financing; and
- other factors identified or discussed under *"Risk Factors"*.

The Company expressly disclaims any obligation or undertaking to update these forward-looking statements to reflect any change in its expectations or any change in events, conditions or circumstances on which such statements are based, unless required to do so by applicable law or the Nasdaq Stockholm's Rule Book for Issuers. Accordingly, prospective investors are cautioned not to place undue reliance on any of the forward-looking statements herein.

SECTOR AND MARKET INFORMATION

Information provided in the Prospectus on the market environment, market developments, growth rates, market trends and on the competitive situation in the markets and regions in which the Company operates is based on data, statistical information and reports by third parties and/or prepared by the Company based on the Company's own information and information in such third-party reports. In particular, the Company has sourced information on the market size, market outlook and market growth from a market study report that the Company has commissioned from PwC.

While the Company has accurately reproduced such third-party information, neither the Company nor the Managers have independently verified the accuracy of such information, market data or other information on which third parties have based their studies. As far as the Company is aware and is able to ascertain from information published by these third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. Market studies are frequently based on information and assumptions that may not be exact or appropriate, and their methodology is by nature forward-looking and speculative.

The Prospectus also contains estimates of market data and information derived therefrom that cannot be gathered from publications by market research institutions or any other independent sources. Such information is prepared by the Company based on third-party sources and the Company's own internal estimates, including studies of the market that the Company has commissioned. In many cases there is no publicly available information on such market data, for example from industry associations, public authorities or other organisations and institutions. The Company believes that its estimates of market data and information derived therefrom are helpful in order to give investors a better understanding of the industry in which the Company operates as well as its position within the industry. Although the Company believes that its internal market observations are reliable, the Company's own estimates have not been reviewed or verified by any external parties. While the Company is not aware of any misstatements regarding the industry or similar data presented herein, statements regarding the industry or similar data involve risks and uncertainties and is subject to change based on various factors, including those discussed under the heading *"Risk Factors"* in this Prospectus.

IMPORTANT INFORMATION RELATING TO SALE OF SHARES

Please refer to section *"Terms and conditions – Listing on the stock exchange"*.

Contents

THE OFFER IN BRIEF

Indicative timetable

Application period (for the public in Sweden):	26 January – 4 February 2015
Book-building period (institutional offering):	26 January – 5 February 2015
Listing on Nasdaq Stockholm:	6 February 2015
Settlement date:	10 February 2015

Miscellaneous

Trading symbol at Nasdaq Stockholm:	ELTEL
ISIN:	SE0006509949

Number of shares offered

The Offer comprises up to 33,942,758 shares, assuming that the Offer Price is set at the midpoint of the price range. The Principal Shareholders have reserved the right to increase the Offer by selling up to an additional 7,455,797 existing shares. The Principal Shareholders have granted an option to the Managers to purchase up to 6,209,783 additional shares from the Principal Shareholders to cover any potential over-allotment in connection with the Offer, assuming that the Offer Price is set at the midpoint of the price range and the Offer is fully increased.

Price range and the final Offer Price

The Offer Price is expected to be set within the range SEK 55–70 per share. The final Offer Price will be determined through a book-building process. The final price in the Offer is expected to be announced through a press release on 6 February 2015.

Summary

The summary is made up of disclosure requirements known as "Elements". These elements are numbered in sections A – E (A.1 – E.7).

This summary contains all the Elements required to be included in a summary for these types of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of "not applicable".

SECTION A – INTRODUCTION AND WARNINGS

A.1	*Introduction and warnings*	This summary should be read as an introduction to the Prospectus. Any decision to invest in the securities should be based on consideration of the Prospectus as a whole by the investor. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the member states, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities.
A.2	*Financial intermediaries*	Not applicable. Financial intermediaries are not entitled to use the Prospectus for subsequent trading or final placement of securities.

SECTION B – ISSUER

B.1	*Legal and commercial name*	Eltel AB, corporate registration number 556728-6652. Trading symbol on Nasdaq Stockholm is ELTEL.
B.2	*Domicile, legal form, legislation and country of incorporation*	The issuer is a Swedish public limited liability company, domiciled in Bromma, Sweden, founded in Sweden under Swedish law and operating under Swedish law. The Company's form of association is governed by the Swedish Companies Act (2005:551).
B.3	*Current operations and principal activities*	Eltel is a leading European provider of technical services to the Infranet industry, which consists of companies who own and operate critical infrastructure networks in the areas of *Power, Communication* and *Transport & Defence*. Eltel mainly operates throughout the Nordic and Baltic regions, Poland, Germany, the United Kingdom and Africa. Eltel provides a broad and integrated range of services spanning from project planning and execution to installation services and services related to maintenance and operation. Eltel has a focus on markets offering non-cyclical and long-term structural growth, a powerful and scalable services model, a loyal and growing customer base and diverse contract portfolio, as well as a platform for value creating through selective M&A-driven growth and resilient cash flow generation. Due to these key strengths, Eltel has become a leading provider of technical services to the Infranet industry. Eltel's strategic priorities for continued profitable growth include growing organically, by maintaining leadership in its core markets, focusing on high growth segments and strengthening its services platform. Furthermore, the strategic priorities also include growth through selected M&A and outsourcing, further improvement of operating performance and continuing to build a winning culture.

B.4a	*Recent trends in the industry*	Driven by ageing networks, rapid technological change and regulatory pressures, European countries have commenced and are expected to continue making substantial investments to build, upgrade and maintain the next generation of infrastructure. According to the European Commission, estimates point to investment needs in the range of between EUR 1.5–2 trillion by 2020 across the EU's energy, communication/IT and transport sectors. Infrastructure networks, or the so-called 'Infranet', are at the centre of these significant investment needs. The scope of these investments in the Infranet industry is going beyond modernisation and capacity expansion, further increasing society's reliance on emerging intelligent infrastructure networks, which aim to be more efficient, cheaper to operate and maintain and environmentally-friendly. The Group's addressable market is expected to grow in aggregate at an estimated compound annual growth rate (CAGR) of 4% in 2013–2017, while its addressable core market is expected to grow slightly faster at 5%. The outlook also varies across the end-markets. In particular, the *Power* market is expected to show strong growth with a CAGR in excess of 6% during the forecast period of 2013–2017. The anticipated future market growth of the Infranet technical services market is underpinned by several favourable fundamental trends. These trends include (i) increasing regulatory requirements, (ii) continued increase in the level outsourcing, (iii) ageing power infrastructure, (iv) increased use of renewable and energy-efficient solutions, (v) technology-driven shifts in consumer demand and (vi) convergence of networks.
B.5	*Group structure*	Eltel AB is the parent company of the Group, which consists of 42 directly and indirectly owned subsidiaries.
B.6	*Notifiable interests, different voting rights and controlling interests*	As at the date of the Prospectus, i.e., prior to the dismantling of the current share structure, the Company has 115 shareholders. The 3i Shareholders and BNP own 62.6% and 29.5%, respectively, of the Company's shares prior to the Offer. Members of the Group's current and former management own 7.9% of the Company's shares prior to the Offer. As at the date of the Prospectus there are no other physical or legal persons who hold more than 5% or more of the shares or votes. Zeres Capital, the Fourth Swedish National Pension Fund, Swedbank Robur Fonder and Lannebo Fonder (the "Cornerstone Investors") have agreed to acquire at the final Offer Price (and at any such price throughout the price range in the Offer) a number of Offer Shares equivalent to the percentage of the Company's shares following completion of the Offer set out next to its name below: ■ Zeres Capital 10.5%; ■ The Fourth Swedish National Pension Fund 7.5%; ■ Swedbank Robur Fonder 6%; and ■ Lannebo Fonder 5%. Each Cornerstone Investor's commitment is subject to, among other things: (i) listing of the Offer Shares occurring no later than 10 February 2015; (ii) such Cornerstone Investor being allocated in full the Offer Shares relating to its commitment; and (iii) the Company achieving a free float (defined as the percentage of the Company's shares not owned by shareholders owning at least 10 per cent of the Company shares and not subject to lock-up undertakings following the Offer) of between 39.6% and 66.4% at commencement of trading. In the context of the arrangements with the Cornerstone Investors, BNP and the 3i Shareholders have committed to vote their shares at the Company's 2015 annual general meeting to support the election to the Company's Board of Directors of a candidate nominated by Zeres Capital, provided that Zeres Capital does not sell any of its shares in the Company prior to that annual general meeting.

B.7	*Selected historical financial information*	The selected consolidated historical financial information presented below has been derived from the Group's audited consolidated financial statements as of and for the years 31 December 2013, 2012 and 2011, which were prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS-EU") and audited by PwC, as set forth in their audit report included elsewhere in the Prospectus. Selected financial information has also been derived from the Group's consolidated financial statements as of and for the nine months ended 30 September 2014 and 2013, which were prepared in accordance with IFRS-EU and reviewed by PwC as set forth in their audit report included elsewhere herein. The unaudited interim consolidated financial statements have been prepared on the same basis as the Group's audited consolidated financial statements.

Selected consolidated income statement data[1)]

	For the nine months ended 30 September		For the years ended 31 December		
Group Income Statement	**2014 (EUR million)**	**2013 (EUR million)**	**2013 (EUR million)**	**2012 (EUR million)**	**2011 (EUR million)**
Net sales	889.8	801.6	1,153.7	1,149.0	1,011.4
Cost of sales	(772.1)	(701.1)	(1,010.3)	(1,008.9)	(883.6)
Gross profit	**117.7**	**100.5**	**143.4**	**140.1**	**127.8**
Other income[2)]	1.8	7.9	8.6	2.9	2.8
Sales and marketing expenses	(8.6)	(8.4)	(12.8)	(12.2)	(12.8)
Administrative expenses[3)]	(81.3)	(59.6)	(84.1)	(82.9)	(73.3)
Other expenses	(1.8)	(1.3)	(2.7)	(1.9)	(0.8)
Share of profit/loss of joint ventures	(0.2)	–	–	–	–
Operating result before acquisition related amortisations (EBITA)	**27.6**	**39.2**	**52.4**	**46.1**	**43.7**
Amortisation of acquisition-related intangible assets	(9.4)	(13.5)[4)]	(16.7)[4)]	(15.2)	(15.0)
Operating result (EBIT)	**18.3**	**25.6**	**35.7**	**30.8**	**28.7**
Finance expenses – net	(14.8)	(14.6)	(20.6)	(21.1)	(22.4)
Profit Before Taxes	**3.4**	**11.0**	**15.1**	**9.7**	**6.3**
Taxes	(1.0)	(3.1)	(3.6)	2.2	7.0
Net Profit	**2.4**	**7.9**	**11.5**	**11.9**	**13.3**

1) The Group has applied the revised IAS 19 Employee Benefits standard as of 1 January 2013. The comparative information for the years ended 31 December 2012 and 2011 has been restated accordingly. The unaudited interim consolidated financial information as of and for the nine months ended 30 September 2014 including 2013 comparative information has been prepared on the same basis as the Group's audited consolidated financial statements for the years ended 31 December 2013, 2012 and 2011, except for the following IFRS amendments. The Group has applied the new IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities as of 1 January 2014 which are reflected in the Group's interim consolidated financial statements as of and for the nine months ended 30 September 2014 and 2013. The adoption of IFRS 11 Joint Arrangements is a change in the Group's accounting principle for jointly controlled entities. The Group previously recognised its interest in jointly controlled entities using the proportionate method of consolidation. Under IFRS 11, jointly controlled entities are divided into joint operations and joint ventures. More information on the effect of the adoption of IFRS 11 can be found in the note titled "*IFRS Joint Arrangements*" to the Group's unaudited interim consolidated financial statements and in note 30 *"Effect of change in accounting principles for IFRS 11, Joint Ventures"* to the Group's unaudited consolidated financial statements in "*Historical Financial Information*". Eltel has adopted IFRS 8 Operating Segments from 1 January 2014. Comparative information is presented accordingly.
2) Other income 2013 includes EUR 6.6 million gain on sale of the Aastra and Avaya business lines in Denmark.
3) Administrative expenses for the nine months ended 30 September 2014 include non-recurring expenses of EUR 15.0 million relating to a provision taken for Eltel's management incentive program and costs for advisors relating to the Offer. The Company expects costs for advisors to amount to approximately EUR 13 million. The maximum cost of the incentive program amounts to EUR 20.0 million. Based on the price range in the Offer, the Company expects to pay the maximum amount of EUR 20.0 million.
4) Amortisation of goodwill related items EUR 16.7 million includes EUR 3.3 million derecognition of goodwill that is allocated to the sold Danish Aastra and Avaya business lines. Total impact of the sale in the consolidated income statement is EUR 3.3 million.

B.7	*Selected historical financial information (cont.)*	Selected consolidated balance sheet data

Group Balance Sheet	As of 30 September 2014 (EUR million)	As of 31 December 2013 (EUR million)	2012 (EUR million)	2011 (EUR million)
ASSETS				
Non-current assets				
Goodwill	429.2	433.9	445.4	434.9
Intangible assets	93.0	104.3	121.7	132.3
Property, plant and equipment	34.2	37.4	35.7	33.1
Available-for-sale investments	0.1	0.3	0.4	0.4
Retirement benefit asset	0.2	0.2	0.1	0.3
Deferred tax assets	15.4	14.3	19.4	19.0
Trade and other receivables	0.7	0.1	0.3	0.2
Total non-current assets	**573.0**	**590.5**	**622.9**	**620.2**
Current assets				
Inventories	11.6	12.1	14.4	15.1
Trade and other receivables	332.6	296.2	263.4	248.1
Cash and cash equivalents	42.2	26.2	16.6	16.2
Total current assets	**386.4**	**334.5**	**294.3**	**279.4**
Total assets	**959.4**	**925.1**	**917.3**	**899.6**
EQUITY AND LIABILITIES				
Equity				
Shareholders' equity	254.0	261.8	252.9	242.4
Non-controlling interest	6.0	5.5	4.9	4.3
Total equity	**260.1**	**267.3**	**257.7**	**246.7**
Non-current liabilities				
Debt	6.9	288.7	337.6	332.7
Liabilities to shareholders[1]	–	11.6	11.3	5.8
Retirement benefit obligations	15.1	10.0	23.9	15.7
Deferred tax liabilities	15.8	18.2	22.5	27.9
Provisions	2.4	2.4	1.9	2.1
Other non-current liabilities	0.1	0.1	0.1	0.0
Total non-current liabilities	**40.3**	**331.0**	**397.4**	**384.3**
Current liabilities				
Debt	334.0	58.8	23.9	29.9
Liabilities to shareholders[1]	14.5	–	–	–
Provisions	17.2	2.5	3.0	3.1
Advances received	60.5	41.2	37.4	42.0
Trade and other payables	232.9	224.4	197.9	193.6
Total current liabilities	**659.0**	**326.9**	**262.2**	**268.6**
Total liabilities	**699.3**	**657.8**	**659.6**	**653.0**
TOTAL EQUITY AND LIABILITIES	**959.4**	**925.1**	**917.3**	**899.6**

1) Liabilities to shareholders includes management shareholder loans and shareholder loans in the form of so called PIK notes, issued for the payment of a dividend on preference shares. The PIK notes will be converted to common shares in connection with the Offer and other shareholder loans will be repaid in full using part of the net proceeds of the Offer.

B.7 *Selected historical financial information (cont.)*

Selected consolidated cash flow data

Consolidated cash flow data	For the nine months ended September 30		For the years ended December 31		
	2014 (EUR million)	2013 (EUR million)	2013 (EUR million)	2012 (EUR million))	2011 (EUR million)
Cash flows from operating activities before interest and taxes	**40.3**	**31.6**	**57.8**	**39.9**	**54.0**
Net cash flow from financial items and taxes	(18.2)	(14.9)	(19.8)	(19.6)	(27.9)
Cash flow from investing activities	(6.2)	(1.6)	(6.7)	(13.2)	(10.2)
Cash flow from financing activities	0.9	(9.9)	(21.9)	(6.6)	(17.8)
Net change in cash and cash equivalents	16.8	5.2	9.4	0.6	(1.9)
Cash and cash equivalents at beginning of period	26.2	16.6	16.6	16.2	18.4
Foreign exchange rate effect	(0.7)	0.2	0.2	(0.2)	(0.2)
Cash and cash equivalents at end of period	**42.2**	**22.0**	**26.2**	**16.6**	**16.2**

Selected key performance indicators

Group Key Performance Indicators	For the nine months ended 30 September		For the years ended 31 December		
	2014 (EUR million)	2013 (EUR million)	2013 (EUR million)	2012 (EUR million)	2011 (EUR million)
Net sales	889.8	801.6	1,153.7	1,149.0	1,011.4
Net sales growth (%)	11.0%	(2.3)%	0.4%	13.6%	18.1%
Operative EBITA[1)]	43.6	36.6	52.0	47.8	46.2
EBITA	27.6	39.2	52.4	46.1	43.7
EBITA margin	3.1%	4.9%	4.5%	4.0%	4.3%
EBIT	18.3	25.6	35.7	30.8	28.7
EBIT margin	2.1%	3.2%	3.1%	2.7%	2.8%
Result after financial items	3.4	11.0	15.1	9.7	6.3
Net result	2.4	7.9	11.5	11.9	13.3
Earnings per share (EUR)	0.00	0.01	0.01	0.01	0.01
Operative cash flow[2)]	42.0	32.2	56.6	30.1	50.2
Cash conversion, (%)[3)]	152%	82%	108%	65%	115%
Number of personnel (end of period)	8,538	8,641	8,459	8,495	8,064

1) Operative EBITA is calculated as operating result before acquisition related amortisations (EBITA) excluding non-recurring items which management does not consider to form a part of the ongoing business of the Group.
2) Operative cash flow is calculated as the sum of (a) operating result before acquisition related amortisations (EBITA), (b) depreciation and (c) change in net working capital less (d) net purchase of property, plant and equipment (capex).
3) Operative cash flow, as a percentage of EBITA.

B.7	*Selected historical financial information (cont.)*	**Segment key performance indicators**

Segment key performance indicators	For the nine months ended 30 September 2014 (EUR million)	For the nine months ended 30 September 2013 (EUR million)	For the years ended 31 December 2013 (EUR million)	For the years ended 31 December 2012 (EUR million))	For the years ended 31 December 2011 (EUR million)
Power					
Net sales	373.3	335.2	487.4	456.6	366.7
Operative EBITA[1]	24.1	19.4	29.2	25.4	20.9
Operative EBITA, margin[1]	6.5%	5.8%	6.0%	5.6%	5.7%
Number of employees	3,321	3,257	3,160	3,082	3,001
Communications					
Net sales	415.6	388.5	551.3	568.8	510.7
Operative EBITA[1]	15.7	14.4	19.8	20.0	23.7
Operative EBITA, margin[1]	3.8%	3.7%	3.6%	3.5%	4.6%
Number of employees	4,645	4,842	4,764	4,759	4,340
Transport & Defence					
Net sales	108.8	83.8	122.6	120.8	95.1
Operative EBITA[1]	9.7	9.1	13.1	13.1	6.4
Operative EBITA, margin[1]	8.9%	10.8%	10.7%	10.8%	6.7%
Number of employees	548	500	504	565	568

1) Operative EBITA and operative EBITA margin are non-GAAP measures.

Reconciliation of operative EBITA and operating result before acquisition-related amortisations (EBITA)

The following table provides a reconciliation of operative EBITA and operating result before acquisition related amortisations (EBITA) for the Group.

Reconciliation of operative EBITA and operating result before acquisition related amortisations	For the nine months ended 30 September 2014 (EUR million)	For the nine months ended 30 September 2013 (EUR million)	As of 31 December 2013 (EUR million)	As of 31 December 2012 (EUR million)	As of 31 December 2011 (EUR million)
Operative EBITA, *Power*	24.1	19.4	29.2	25.4	20.9
Operative EBITA, *Communication*	15.7	14.4	19.8	20.0	23.7
Operative EBITA, *Transport & Defence*	9.7	9.1	13.1	13.1	6.4
Items not allocated to operating segments[1]	(5.9)	(6.3)	(10.0)	(10.6)	(4.8)
Operative EBITA, Group	**43.6**	**36.6**	**52.0**	**47.8**	**46.2**
Non-recurring items[2]	(15.9)	2.6	0.3	(1.8)	(2.5)
Operating result before acquisition-related amortisations	**27.6**	**39.2**	**52.4**	**46.1**	**43.7**

1) Items not allocated to operating segments include Group management functions, other group level expenses and closed business units.
2) Non-recurring items are items which management does not consider to form part of the ongoing operative business, which during 2011–2013 arise in connection with Eltel's decision to close down certain parts of the operating business, primarily in Norway, Denmark (the Aastra and Avaya business lines) and Finland. For the nine months ended 30 September 2014, non-recurring items primarily arose from a provision in the amount of EUR 15.0 million for Eltel's management incentive program and advisory and other fees related to the preparations for the Offer.

B.7	*Selected historical financial information (cont.)*	**Reconciliation of operative cash flow to cash flow to operating activities before interest and taxes** The following table provides a reconciliation of operative cash flow to cash flow to operating activities before interest and taxes for the Group.

Reconciliation of operative cash flow to cash flow to operating activities before interest and taxes	For the nine months ended 30 September		As of 31 December		
	2014 (EUR million)	2013 (EUR million)	2013 (EUR million)	2012 (EUR million)	2011 (EUR million)
Operative cash flow	42.0	32.2	56.6	30.1	50.2
Less net purchases of property, plant and equipment	6.4	8.2	13.3	13.1	10.2
Gains on sales of assets	(1.1)	(6.7)	(6.7)	–	(0.2)
Items recognised through o ther comprehensive income	(1.2)	(1.9)	(3.9)	(2.6)	(3.2)
Other non-cash adjustments	(5.7)	(0.2)	(1.4)	(0.7)	(3.2)
Cash flow from operating activities before interest and taxes	**40.3**	**31.6**	**57.8**	**39.9**	**54.0**

Significant changes since 30 September 2014
There has been no material change in the financial and trading position of the Group since 30 September 2014.

B.8	*Selected pro forma financial information*	Not applicable. The Company has not presented any selected pro forma financial information.
B.9	*Profit forecasts*	Not applicable. The Company has not presented any profit/loss forecast.
B.10	*Audit report qualifications*	Not applicable. There are no remarks in the audit reports.
B.11	*Working capital*	Not applicable. It is Eltel's opinion that its available working capital is sufficient to meet the Group's requirements for the period of twelve months from the date of the Prospectus.

SECTION C – SECURITIES

C.1	*Securities being offered*	The Offer is in respect of existing and new shares in Eltel AB (ISIN SE0006509949).
C.2	*Currency*	The shares are denominated in Euro (EUR).
C.3	*Number of issued shares and par value*	As at the date of the Prospectus, there are 43,181,789 shares of the Company, each with a quota (par) value of EUR 2. In connection with the Offer, assuming that dismantling of the current share structure, including conversion of shareholder loans in the form of so called PIK notes and reinvestment of incentive payment takes place, and assuming an Offer Price corresponding to the midpont of the price range, there will be 43,170,327 shares of the Company, each with a quota (par) value of EUR 2. All issued shares are fully paid up.
C.4	*Rights attached to the securities*	After the dismantling of the current share structure in connection with the Offer, each share of the Company will entitle the holder thereof to one (1) vote at general meetings. All shares will carry equal rights to the Company's assets in the event of liquidation and to dividends. The shares will carry the right to dividend for the first time on the record date for a distribution that occurs after the listing of the shares. Rights to dividend will accrue to persons registered as owners in the share register maintained by Euroclear on the record date determined by the general meeting of the shareholders.
C.5	*Transferability restrictions*	Not applicable. As at the first day of trading, the shares will not be subject to any restrictions on transferability.
C.6	*Admission to trading on a regulated market*	Nasdaq Stockholm's listing committee has decided to admit Eltel to trading on Nasdaq Stockholm, subject to customary conditions, such as that the dispersion requirements in respect of the Company's shares are fulfilled not later than the first day of trading. Trading is expected to begin on 6 February 2015.
C.7	*Dividend policy*	Dividend of 50%, with some flexibility with payout ratio, of the Company's consolidated net profit. The dividend shall take into account the Company's financial position and future growth opportunities.

SECTION D – RISKS

D.1	*Key risks specific to the issuer and its industry*	The Company is subject to risks that are wholly or partly outside the Company's control and which affect or may affect the Company's operations, results, financial position and future prospects. The following risk factors, as described in no particular order and with no claim to be exhaustive, are considered to be the main risk for the Company's future development. These risks, related to the Company's operations and the market, are: ■ The Group's revenue growth is to a certain extent dependent on continued de-regulation and outsourcing of technical services, both in the public and private sector, by the power, communication and transport and defence industries. If the pace of outsourcing is slower than expected or if the market for outsourced services fails to develop in the industries and countries in which the Group has a presence, it could have a material adverse effect on the Group's business, financial condition and results of operation. ■ The Group holds different competitive positions in each of the markets in which it operates and the Group faces competition from a variety of competitors in each of these markets. Competitive pressures may result in the Group's loss of current market share or inability to capture increased market share, which could have a material adverse effect on the Group's business, financial condition and results of operation. The Group's ability to secure favourable contracts and achieve its growth targets may be limited as a result of competitive bid processes and pressure on prices, which could have a material adverse effect on the Group's business, financial condition and results of operation. ■ While the Group has adopted internal procedures and policies to ensure, and thus believes, it is in compliance with competition laws (including with respect to its customer contracts), instances of non-compliance may have occurred in the past and may occur in the future. To the extent the Group does not comply with applicable competition laws, it may be adversely affected by regulatory sanctions and remedies as well as inability to enforce contractual terms that are found to be anti-competitive. ■ The infranet industry in general, and the telecommunications industry in particular, is rapidly changing, and if the Group is unable to adjust its strategy and resources effectively to meet changing market conditions and demand, it may not be able to compete effectively, which could have a material adverse effect on the Group's business, financial condition and results of operation. ■ The Group's business strategy includes strategic acquisitions of complementary businesses and service lines. The Group may be unable to complete acquisitions or integrate the operations, products, technologies or personnel gained through any such acquisition, which could have a material adverse effect on its business, financial condition and results of operation. ■ The Group is, from time to time, involved in litigation, administrative and arbitration proceedings. The proposal of fines by the Finnish Competition and Consumer Authority to the Market Court, with respect to the Group's Finnish power transmission line business, for example, could result in legal or administrative proceedings and claims from third parties, which could be material. ■ The Group's current and future international operations in countries in Africa, Southeast Asia, the Commonwealth of Independent States ("CIS") and other emerging markets involve political, economic, military and other risks that could negatively harm the Group's business. ■ The demand for the Group's services is subject to seasonal fluctuations and volatility across quarters. Negative fluctuations in seasonal or cyclical variations could have a material adverse effect of the Group's business, financial condition and results of operations. ■ The Group generates a significant portion of its sales, and expect to continue deriving a large portion of its sales, from a limited number of customers and any significant loss of business from these customers, or failure by such customers to pay for the Group's services, could have a material adverse effect on the Group's business, financial condition and results of operation. ■ Several of the Group's agreements with customers are non-exclusive and several contracts do not provide for a fixed-volume of work, both of which could lead to an unexpected loss of revenue and a reduction in backlog. ■ The Group may be adversely affected by risks associated with joint ventures.

D.1	*Key risks specific to the issuer and its industry (cont.)*	■ The Group is subject to complex tax law in the jurisdictions in which it operates and changes in tax legislation, disagreement by tax authorities with the Group's interpretations, retroactive adjustments to the Group's previously assessed taxation or a challenge to the Group's tax situation by relevant authorities could have a material adverse effect on the Group's business, financial condition and results of operations. The risks described above are not the only ones applicable to the Group. Additional risks that are not presently known to the Group, or that it currently based on its regular risk assessment considers to be immaterial, may also impair the Group's business operations and have a material adverse effect on its business, financial condition and results of operations.
D.3	*Key risks specific to the securities*	Any investment in securities involves risks. Any such risks could cause the trading price of Eltel's shares to decline significantly and investors could lose all or parts of the value of their investment. Risks related to the Company's shares include the following risks: ■ There may not be an active, liquid trading market for the Company's shares and the price of the shares may be volatile, which may limit or prevent investors from readily selling their shares and investors may not be able to resell their shares at or above the Offer Price. ■ The Group's ability to pay dividends in the future may be constrained and depends on several factors. There is a risk that no dividend will be proposed or declared in any given year in the future.

SECTION E – OFFER

E.1	*Net proceeds and expenses*	Eltel expects to receive net proceeds amounting to approximately SEK 1,202.3 million from the Company's issue of new shares after deduction of costs related to the Offer, including commissions and fees (fixed and discretionary) payable by the Group to the Managers and other advisors that are estimated to be EUR 13 million, of which 11 million is expected to be recognised in 2014 and 2 million in 2015. Approximately 70% of the EUR 13 million will have an effect on the profit and loss statement and the remainder will be booked against equity. In addition, certain expenses in relation to the Offer, including, but not limited to, commissions and fees to be paid to the Managers, are payable by the Principal Shareholders proportionally based on the number of existing shares sold in the Offer.
E.2a	*Reasons for the Offer and use of proceeds*	In order to further support Eltel's strategy and future progression of Eltel's business, Eltel's board of directors and the Principal Shareholders deem that a listing of the Company's shares is the logical next step for the Group, enabling access to capital through the Swedish and international capital markets. Furthermore, a stock exchange listing is expected to contribute to increased recognition and brand awareness of Eltel as a technical services company among current and potential customers. For these reasons, the board of directors has applied for a listing on Nasdaq Stockholm. In addition, the purpose of the Offer is to reduce and refinance the Company's indebtedness using the net proceeds from the share issue.
E.3	*Terms and conditions of the Offer*	■ The Offer comprises a maximum of 37,554,616 shares, of which 24,090,909 newly issued shares and 13,463,707 existing shares, of which up to 12,802,837 existing shares are being sold by the Principal Shareholders and 660,870 existing shares are being sold by the Management Shareholders, assuming an Offer Price corresponding to the low-end of the price range. ■ At the discretion of the Principal Shareholders, the total number of shares sold by the Principal Shareholders in the Offer may be increased by up to 7,455,797 existing shares. ■ At the option of the Managers, the Offer may include up to an additional 6,751,561 shares, in order to cover potential over-allotment, corresponding to 15.0% of the number of shares in the Offer, assuming that the Offer is increased in full (the "Over-allotment Option"). ■ The net proceeds from the sale of up to 6,007,909 existing shares in the Offer, including all shares sold by the Management Shareholders, will be contributed on or before the closing date to an escrow account established by the Selling Shareholders, the Company and Skandinaviska Enskilda Banken AB as escrow agent. Subject to certain conditions, the funds in the escrow account may only be released to pay a fine, if any, levied against the Company by the Finnish Market Court. ■ The allotment of shares for each part of the Offer will be based on demand. The allotment will be determined by the Company's board of directors and the Principal Shareholders in consultation with the Joint Global Coordinators. However, the Cornerstone Investors, having undertaken to subscribe for shares in the Offer, will be given priority in relation to other investors up to the full amount of Offer Shares which they have undertaken to acquire.

E.3	*Terms and conditions of the Offer (cont.)*	■ The Offer is addressed to the general public in Sweden, as well as to institutional investors in Sweden and internationally. ■ The price range is set at SEK 55–70 per share. ■ The application period is between 26 January – 4 February 2015 for the general public in Sweden, and between 26 January – 5 February 2015 for institutional investors. ■ The final price in the Offer is expected to be announced through a press release on 6 February 2015. ■ Applications from the general public for acquisition of shares within the terms of the Offer shall be made by using the special application form which can be obtained at offices of SEB, or can be ordered from Eltel. Application can also be made through SEB's internet bank. Application forms are also available on Eltel's website (www.eltelgroup.com) as well as on SEB's website for prospectuses (www.sebgroup.com/prospectuses). ■ Applications from institutional investors in Sweden and from abroad shall be submitted to BNP Paribas, Morgan Stanley, SEB Equities or Pohjola Bank. ■ Decision on allotment of shares is made by Eltel's board of directors and the Principal Shareholders after consultation with the Joint Global Coordinators, whereby the goal will be to achieve a good institutional ownership base and a broad distribution of the shares among the general public, in order to facilitate a regular and liquid trading in Eltel's shares on Nasdaq Stockholm. ■ With respect to the offer to the general public, information about allotment is also expected to be provided from 09:00 a.m. on 6 February 2015 via telephone +46 (0)8 639 27 50, alternatively via SEB's internet bank. ■ Institutional investors are expected to receive information regarding allotment in a particular order around 6 February 2015, after which contract notes will be distributed. ■ Settlement is scheduled to occur on 10 February 2015.
E.4	*Interests material to the Offer*	The Managers provide financial advice and other services to Eltel and the Principal Shareholders in connection with the Offer, for which they receive customary remuneration. The total compensation will be dependent on the success of the Offer. From time to time, the Managers have provided, and may provide in the future, services within the context of their day to day operations to the Principal Shareholders and to parties related to them, in connection with other transactions. The Company has entered into management incentive agreements with 51 of the Company's managers, including the managing director and certain other members of the senior management team, as well as one of the members of the board of directors. Incentive payment will be paid upon settlement in the Offer. The minimum amount of the aggregated incentive payment to the managers is approximately EUR 9 million and the maximum amount of the aggregated incentive payment is approximately EUR 20 million. All members of the senior management team entitled to incentive payment, as well as the participating member of the board of directors, have agreed to reinvest an amount corresponding to 50% of the incentive payment to which such persons are entitled, net of tax, in shares in the Company through set-off in connection with the Offer, at the Offer Price.
E.5	*Seller of the security and lock-up agreements*	The Selling Shareholders, i.e. BNP, the 3i Shareholders and the Management Shareholders (through three newly incorporated limited liability companies) will sell shares in the Offer. The Company will agree with the Managers that it will not, except as set forth below, for a period of 180 days from the first day of trading and official listing of the Offer Shares, without the prior written consent of the Managers: (i) issue, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of (or publicly announce such action), directly or indirectly, any shares or any securities convertible into or exercisable or exchangeable for shares; (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the shares, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of shares or such other securities, in cash or otherwise; or (iii) submit to the Company's shareholders a proposal to effect any of the foregoing. The foregoing sentence shall not apply to: (i) the issue and sale of new shares in the Offer (including in connection with any share investment made by employees using incentive payments received in connection with the Offer), and (ii) issues of shares or other securities pursuant to employee incentive plans that will be approved by the board of directors and/or the shareholders' meeting of the Company.

E.5	*Seller of the security and lock-up agreements (cont.)*	The Principal Shareholders will each agree with the Managers that they will not, except as set forth below, for a period of 180 days after the first day of trading and official listing of the Offer Shares, without the prior written consent of the Managers: (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, cause the Company to issue, or otherwise transfer or dispose of (or publicly announce such action), directly or indirectly, any of its Lock-up Shares, or any securities convertible into or exercisable or exchangeable for such Lock-up Shares; (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such Lock-up Shares, whether any such transactions described in clause (i) or (ii) above are to be settled by delivery of such Lock-up Shares or such other securities, in cash or otherwise; or (iii) propose any general meeting of the Company, or convene or take action to convene any general meeting, for the purpose of proposing any resolution of the Company authorising the issue of any shares or warrants to subscribe for shares. The foregoing sentence shall not apply to: (i) the sale of the Offer Shares in the Offer; (ii) the lending of shares under the Underwriting Agreement; (iii) the transfer of shares to the direct or indirect shareholders or limited partners (as applicable) of the Principal Shareholders in connection with or arising out of any dividend or other distribution, or any liquidation, dissolution, reorganisation or other similar event affecting the Principal Shareholders or any of their affiliates; (iv) the acceptance of a public tender offer made to all holders (or substantially all holders) of shares of the Company made on terms that treat all holders of shares alike, or the execution and delivery of an irrevocable undertaking to accept such public offer; or (v) the transfer of shares or other securities of the Company acquired in open market transactions after completion of the Offer provided that, in the case of (i)–(iii) above, as a condition to such transfer and receipt of shares, including through dividend or other distribution, or any liquidation, dissolution, reorganisation or other similar event affecting the relevant Principal Shareholder or any of its affiliates, each such shareholder or limited partner (as applicable) has agreed to assume the obligations of the Principal Shareholder under the Underwriting Agreement and has validly executed a deed of succession in the form specified in the Underwriting Agreement to effect the same. In addition, the current shareholding members of the Company's board of directors, senior management and key employees that hold shares, directly or indirectly, in the Company as of the date of the Prospectus, will agree with the Managers that they will not, for a period of 360 days from the first day of trading in, and official listing of, the Offer Shares, without prior written consent of the Managers: (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of (or publicly announce such action), directly or indirectly, any Lock-up Shares or any securities convertible into or exercisable or exchangeable for such Lock-up Shares; (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such Lock-up Shares, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of such Lock-up Shares or such other securities, in cash or otherwise; (iii) publicly announce any intention to enter into any transaction described in clause (i) or (ii) above; or (v) propose any general meeting of the Company, or convene or take action to convene any general meeting for the purpose of proposing any resolution of the Company authorising the issue of any shares or warrants to subscribe for shares. Certain former shareholding members of the Company's senior management will agree with the Managers that, for a period of 180 days from the first day of trading in, and official listing of, the Offer Shares, they will be subject to the same restrictions as the current shareholding members of the Company's board of directors, senior management and key employees that hold shares, directly or indirectly, in the Company as of the date of the Prospectus, in respect of any shares held directly or indirectly by them. The foregoing paragraph shall not apply to: (i) a transfer of any or all of the Lock-up Shares to a related party, provided such individual or entity agrees in writing to be bound by the lock-up agreement and executes a deed of adherence in the form specified in the lock-up agreement; (ii) acceptance of a public tender offer made to all holders (or substantially all holders) of the shares of the Company and made on terms that treat all holders of shares alike, or from executing and delivering an irrevocable undertaking to accept such public offer; or (iii) a transfer of shares or other securities of the Company acquired in open market transactions after completion of the Offer.
E.6	*Dilution*	The issue of new shares in connection with the Offer may result in the number of the Company's shares amounting to a maximum of 67,314,150, which correspond to a dilution of 35.8%.
E.7	*Expenses charged to the investor*	Not applicable. Brokerage commission will not be charged.

Risk factors

An investment in the Offer Shares involves a high degree of risk. Investors should carefully consider each of the risks described below and all of the other information set forth in the Prospectus before deciding to invest in the Offer Shares. If any of the following risks actually occurs, the Group's business, financial condition and results of operation could be materially adversely affected. In such case, the trading price of the Offer Shares could decline and investors may lose all or part of their investment. The risks described below are not the only ones applicable to the Group. Additional risks that are not presently known to the Group, or that it currently, based on its regular risk assessment, considers to be immaterial, may also impair the Group's business operations and have a material adverse effect on its business, financial condition and results of operation. The order in which the individual risks are presented does not provide an indication of the likelihood of their occurrence nor of their severity or relative significance.

The Prospectus also contains forward-looking statements that are based on assumptions and estimates and are subject to risks and uncertainties. The Group's actual results could differ materially from those anticipated in these forward-looking statements as a result of many factors, including, but not limited to, the risks described below and elsewhere in this Prospectus.

RISKS RELATING TO THE GROUP'S INDUSTRY AND MARKETS

The Group's revenue growth is to a certain extent dependent on continued de-regulation and outsourcing of technical services, both public and private, by the power, communication and transport and defence industries.

De-regulation of the power, communication and transport and defence industries has resulted in increased outsourcing of services in these industries. De-regulation has historically been advantageous to the Group's development as outsourcing initiatives have allowed the Group to expand its business and to enter into new markets that were previously restricted. The Group was formed as a result of outsourcing in 2001, when Fortum outsourced its field service organisation, and the Group has grown as a result of de-regulation and outsourcing. For example, from 2001–2007 Eltel completed 33 bolt-on acquisitions and/or outsourcing transactions across multiple segments and countries, including Sweden, Denmark, Norway, Finland, Poland, Estonia and Lithuania.

The pace of de-regulation and outsourcing has historically varied among industries and from country to country. The Group's *Communication* segment, for example, operates in a mature market with regards to de-regulation and outsourcing, however management believes that considerable outsourcing opportunities remain in many of the Group's addressable markets, and the Group's power distribution services have been outsourced to a significant degree in Sweden but to a much lower degree in Norway. In other markets and segments, however, outsourcing of technical services is in its infancy.

The Group believes that outsourcing levels in the public sector in its segments, primarily *Power* and *Transport & Defence*, are driven by a focus on cost savings by government-owned operators and decisions with respect to public expenditure levels that may be influenced by political and administrative approaches. In recent years, economic pressures in Europe have significantly affected the resources of governments and other public entities and have led to an increased political focus on cost savings. In the *Power* segment, outsourcing by government-owned distribution system operators ("DSOs"), particularly of power distribution services, is becoming more prevalent as initiatives to upgrade and expand power distribution infrastructure are increasing. Public sector outsourcing is less prevalent in the *Transport & Defence* business segment, though there is a trend toward increased outsourcing in the rail market, which is an industry that typically involves government-owned or government-affiliated operators. The Group's business with rail operators is particularly dependent upon government funded projects, such as electrification of rails, the replacement of older tracks and the implementation of new signalling systems. The Group's business with power distribution service operators is also, though to a lesser extent, dependent on the continued government-driven rollout of smart meters. Should government support for these or other regulatory initiatives decrease, many of the Group's current projects may be subject to delay or termination, and growth prospects would suffer.

In other industries in which the Group operates, particularly *Communication*, private-sector industrial players have been outsourcing functions with a view to focusing on their core businesses, raising their operational efficiency and improving both their productivity and reliability while achieving cost-savings, which has resulted in widespread outsourcing across the industry. As a result of the relatively mature state of the outsourcing market, there are fewer new outsourcing opportunities in the Group's *Communication* segment than other segments.

A key component of the Group's strategy is to expand its operations by taking on additional maintenance functions and services outsourced by both the public sector and private sector. If the pace of outsourcing is slower than expected or if the market for outsourced services fails to develop in the industries and countries in which the Group has a presence, then these and other developments could have a material adverse effect on the Group's business, financial condition and results of operations.

Failure or inability to comply with applicable regulations could subject the Group to penalties and result in a loss of its contracts, which could reduce revenue, profit and cash flow.

The services the Group provides in each of its segments are subject to regulation and supervision by various regulatory bodies, in particular in relation to industrial, health, safety and environmental standards as well as anti-bribery and anti-corruption. In addition, the Group is contractually obligated to comply with relevant laws, regulations and standards under many of its contracts with customers and other parties. Existing laws and regulations, as well as potential future changes in such legal frameworks or in the interpretation or enforcement of such, strongly influence how the Group operates its business. The Group must comply with, and is affected by, these various regulations, which may impact its operating costs, profit margins and internal organisation. The Group may also be affected by retroactive effects of previous laws and regulations, where the implementation of such laws and regulations is delayed as a result of appeal. Also, any acquisition, merger or corporate restructuring may increase the level of regulation and supervision by regulatory bodies. The Group's failure to comply with these regulations, rules and approvals, in particular those relating to competition, anti-bribery and health and safety, could result in the imposition of penalties, reputational damage and the loss of contracts, which could have a material adverse effect on the Group's business, financial condition and results of operation.

The Group's failure to comply with environmental laws and regulations could increase the Group's operating costs and decrease its profit and cash flow.

The Group is subject to a variety of environmental regulations relating to the use, storage, discharge and disposal of hazardous materials in the course of its projects. Any failure by the Group to comply with current or subsequently enacted environmental regulations could subject the Group to liabilities, fines, the suspension of services or projects or other punishments, which would decrease the Group's cash reserves and could harm its profitability, which could have a material adverse effect on the Group's business, financial condition and results of operation.

The Group is exposed to the effects of significant economic disruptions and, to a lesser extent, the general market environment and levels of economic activity in Northern and Central Europe, particularly in the Nordic region.

The Group's results of operations are susceptible to the effects of significant economic disruptions in Denmark, Sweden, Norway and Finland and, to a lesser extent, the UK, the Baltic Region and Central European countries like Poland and Germany. Adverse economic developments and severe economic contractions, like, for example, the economic downturn that began in 2008, have had and are likely to have an adverse effect on the Group's business, as customers generally decrease their level of expenditure, which adversely affects the demand for the Group's services. For example, in 2009–2010, one of the Group's key telecommunication customers in Sweden cancelled previously planned investments in infrastructure as a response to the economic crisis. This reduction in investment directly impacted the Group's revenue and led the Group to cut its labour resources and minimise other costs in response to the decline in volume.

The Group is also exposed, to a lesser extent, to the general market environment and levels of economic activity in Northern and Central Europe, particularly in the Nordic region. Although demand for the Group's services is not typically affected by minor variations in economic activity, prolonged periods of low economic growth, high unemployment levels, and other negative economic developments in Europe, and uncertainty generally in the Eurozone, could have a material adverse effect on the Group's business, financial condition and results of operation.

Competitive pressures may result in the Group's loss of current market share or inability to capture increased market share.

The Group holds different competitive positions in each of the markets in which it operates and faces competition from a variety of competitors in each of these markets. The market for power transmission services is fragmented, with numerous international and local players serving TSOs while the competitive landscape in power distribution services is more local in nature. The market for communication services is fragmented, and as a result of intense competition a number of players have left the market in recent years due to poor profitability. The market for *Transport & Defence* is characterised by a variety of international and local players. In a competitive tender, local competitors may underbid contracts because their workforce is not fully utilised, while international competitors may be able to compete by pushing timeframes and other elements of the contract. Some of the Group's present and potential future competitors may have substantially greater financial, marketing, technical or manufacturing resources. The Group's competitors may also be able to respond more quickly to new technologies or processes and changes in customer demands. They may also be able to devote greater resources to the development, promotion and sale of their services than the Group can. In particular, the Company perceives an increasing trend among customers to consolidate their supplier bases in order to increase efficiency and benefit from scale and scope advantages. In addition, the Group's current and potential competitors may make strategic acquisitions or establish cooperative relationships among themselves or with third parties that increase their ability to address the needs of the Group's customers. The inability of the Group to maintain its current market share or to capture increased market share could have a material adverse effect on the Group's business, financial condition and results of operation.

The Group's ability to secure favourable contracts and achieve its growth targets may be limited as a result of competitive bid processes and pressure on prices.

In order to secure contracts with customers, the Group is often required to participate in competitive bid processes, in the form of call for tenders. Whether a contract is awarded depends in part on customer perception with regard to prices and quality of the services offered by the various bidders. As a result, the Group may lose tenders if it is unable to successfully demonstrate its strengths relative to its competitors or be competitive on price.

The calls for tender often require the commitment of significant time and financial resources and regardless of the amount of time and resources committed, it is possible that the Group will not be awarded the contract. Even in cases where the Group is awarded the contract, the profits realised may be lower than initial projections, or sales could prove insufficient to make the project profitable. The conditions under which the Group performs a contract may prove different from those provided for at the time when the bid was prepared, because such terms depend on many variables that are sometimes difficult to foresee. These include accessibility of the work site, availability of qualified personnel and inclement weather. The difficulty in foreseeing the final costs and performance conditions could adversely affect the Group's profit margins in connection with a particular contract, which could have a material adverse effect on the Group's business, financial condition and results of operation.

The infranet industry in general, and the telecommunications industry in particular, is rapidly changing, and if the Group is unable to adjust its strategy and resources effectively to meet changing market conditions and demand, the Group may not be able to compete effectively.

The infranet industry in general, and the telecommunications industry in particular, is changing rapidly due to technological improvements, availability of alternative services such as, in the telecommunications industry, mobile, broadband, DSL, Internet, VoIP, and wireless DSL through use of the fixed wireless spectrum, and the globalisation of the world's economies.

Change in consumer demand for streaming technologies and HD-TV has increased service providers' focus on developing fibre networks, which allow for greater bandwidth and better delivery of services. Given the maturity of the overall fixed telecommunications market, the Group must secure contracts for the deployment of fibre networks in order to maintain or increase its market share in the telecommunications market. In addition, as copper usage declines and networks become more automated, reduced field service will be required, which may have a negative effect on the Group's net sales.

Achieving successful financial results will depend on the Group's ability to anticipate, assess and adapt to rapid technological changes, and offer, on a timely and cost-effective basis, the services that its customers demand. If the Group is unable to anticipate, assess or adapt to such technological changes at a competitive price, maintain competitive services or obtain new technologies on a timely basis or on satisfactory terms, it could have a material adverse effect on its business, financial condition and results of operation.

The Group is exposed to competition law risks.

The Group is subject to competition laws in the jurisdictions in which it operates. Contractual conditions and price arrangements in agreements that are used in the Group's operations may be subject to restrictions under such competition laws. Competition authorities have the power to initiate procedures pursuant to existing regulations, and can require a party to cease applying contractual terms and prices that are found to be anti-competitive. Competition authorities also have the power to impose fines and other sanctions as a result of non-compliance with relevant regulatory requirements.

While the Group has adopted internal procedures and policies to ensure, and thus believes, it is in compliance with competition laws (including with respect to its customer contracts), instances of non-compliance may have occurred in the past and may occur in the future. To the extent the Group does not comply with applicable competition laws, it may be adversely affected by regulatory sanctions and remedies as well as inability to enforce contractual terms that are found to be anti-competitive. Furthermore, the Group's strong position in certain markets may result in the Group being considered by the regulatory authorities to have significant market power in such markets. Significant market power in one or more markets may result in regulatory restrictions on the Group's ability to act freely in these markets and its ability to grow through acquisitions, which could have a material adverse effect on its business, financial condition and results of operation, and on the Group's ability to achieve its financial targets, which could have a material adverse effect on the Group's business, financial condition and results of operation.

The Finnish Competition and Consumer Authority (the "FCCA") has issued a proposal to the Finnish Market Court (Fin. "*Markkinaoikeus*") to impose a fine of EUR 35 million on the Group based on the alleged infringement by the Group in its power transmission line building and planning business in Finland during the period 2004–2011. The amount of any fine imposed is subject to the determination of the Finnish Market Court and could exceed the EUR 35 million sought by the FCCA. As described in *"Legal considerations and supplementary information – Disputes"*, the Selling Shareholders have agreed to contribute an amount not exceeding EUR 35 million to the Company to cover any such fines payable to the FCCA. However, such contribution may not be adequate to cover the entire amount of fines imposed on the Group, which could result in the Group paying an amount of fines in excess of the contribution. In addition, the contribution agreement is conditional upon the Company consulting with, and following reasonable written instructions from, a steering committee (comprising representatives from the Company and the Principal Shareholders) in relation to the FCCA Case. Should the actual amount of the contribution be insufficient for any reason, this could have a material adverse effect on the Group's business, financial condition and results of operations.

RISKS RELATING TO THE GROUP'S BUSINESS

The Group's business depends on its ability to identify, attract and retain highly skilled personnel.

The Group is largely dependent upon the skills, experience and efforts of its senior management team and key operational leaders. Given their expertise in the industry generally, and within the Group in particular, the loss of the services of one or more of the senior management members could have a material adverse effect on the Group's business, financial condition and results of operation.

The Group is also dependent on the continued ability to hire and retain highly skilled technical personnel with the level of expertise necessary to conduct its operations and activities. For example, the Group depends on highly qualified technicians to perform services, which involve cabling, installing and maintaining networks. Such work involves numerous employees working in varying and sometimes difficult conditions, often involving heights. Technicians working in such conditions must be highly qualified and adhere to the requisite safety standards. In some regions, competition for qualified employees is significant, and as a consequence employee turnover is high. Despite existing or future incentive arrangements or succession planning for senior management and competitive compensation packages for other employees, the shortage of qualified employees in certain regions could adversely affect the Group's business. If the Group fails to continue to attract and retain highly qualified management and other skilled employees on acceptable terms it may not be able to sustain or further develop its business, which could have a material adverse effect on the Group's business, financial condition and results of operation.

The Group is subject to risks relating to the actions of its employees, subcontractors and temporary workers.

In general, the Group's employees provide services at premises and other locations belonging to or operated by its customers and regularly handle valuable plant and equipment that is not owned by the Group. As a result, the Group could be subject to claims relating to damage caused by, or wrongful behaviour or any illegal act committed by, its employees or by any other person entering customer premises in an unauthorised manner in connection with the performance of the Group's services. Such claims could be significant and could affect the Group's reputation, which could have a material adverse effect on its business, financial condition and results of operation.

For certain of its activities the Group uses a number of temporary workers. This could result in a decrease in the quality of services or a higher rate of work-related accidents, which could negatively affect the Group's reputation and have a material adverse effect on its business, financial condition and results of operation.

The Group also relies on the use of subcontractors (both internal and external) in all of its segments in order to perform its services, and the Group expects to increase its reliance on such subcontractors as part of its growth strategy. The Group maintains responsibility for the work performed by its subcontractors. Consequently, the Group is exposed to risks relating to managing subcontractors and the risk that such subcontractors may fail to perform their obligations satisfactorily and on a timely basis. In addition, such subcontractors may fail to adhere to the Group's rigorous safety standards. Failures by the Group's subcontractors could adversely affect the Group's ability to perform its obligations to its customers and to comply with applicable regulatory requirements. In extreme cases, underperformance, non-performance or other deficiencies on the part of the Group's subcontractors could result in a customer terminating its contract with the Group. Such a situation could expose the Group to financial liabilities, damage its reputation and impair its ability to compete for new contracts, which could have a material adverse effect on the Group's business, financial condition and results of operation.

An accident or incident involving the Group's employees, subcontractors or other third parties could harm the Group's reputation, affect its ability to compete for business, and if not adequately insured or indemnified, could have a material adverse effect on its business, financial condition and results of operation.

The Group's operations are subject to hazards inherent in the industries in which it operates. Services performed in the *Power* and *Communication* business segments regularly involve working at heights in relation to work performed on towers and antennae, which require the Group's employees and subcontractors to adhere to strict safety procedures. The Group's employees and subcontractors are also subject to hazards related to electrified and power lines, particularly in relation to power lines in the *Power* segment and electrified railway lines in the Group's *Transport & Defence* business segment. The Group's customers depend on the Group's safety, quality and environmental expertise for the services and projects it carries out, and the Group in turn depends to a degree on subcontractors and other third parties to execute these services and projects. Some of the Group's contracts with customers contain provisions relating to compliance with health and safety standards, and breaches of such provisions could result in loss of reputation, customer trust, fines and loss of contracts and could have an impact on future business opportunities.

The Group has implemented employee policies, procedures and training to ensure a safe work environment, and it expects that all subcontractors do the same; however, such subcontractors or other commercial partners may not comply with the requirements of the Group's policies and procedures. Failure by the Group, its employees, subcontractors or other third parties to comply with health and safety standards could expose both them and the Group to risk, and can cause personal injury and loss of life, business interruptions, property and equipment damage, pollution and environmental damage. Failure to effectively cover the Group against these risks through insurance or indemnification arrangements could expose the Group to substantial costs and potentially lead to material losses. Actual or alleged accidents at projects, safety defects, defective performance, quality defects or environmental damage resulting therefrom could affect the demand for the Group's services, result in reputational damage and have adverse financial consequences, including the imposition of significant fines and the loss of authorisations and qualifications required to conduct its business. Any such accidents or events could do lasting damage to the Group's reputation, even if the Group was not actually responsible and no fault on the part of the Group has been proven. This could have a material adverse effect on the Group's business, financial condition and results of operation.

Revocation of the Group's employees' or subcontractors' safety accreditations and/or a loss of security clearances, could adversely affect the Group's results of operations and ability to compete.

Under certain of the Group's contracts, the Group is required to deliver its services using a certain minimum number of individuals (whether employees or subcontractors) who hold applicable safety accreditations. The individuals holding these safety accreditations may fail to retain their safety accreditations (for example as a result of violation of the safety policies), may be dismissed by the Group or may terminate their employment or engagement voluntarily. If the Group is unable to employ or engage the required minimum number of safety-accredited individuals, the Group may be unable to fulfil its contractual obligations, which could have a material adverse effect on the Group's business, financial condition and results of operation. In the *Transport & Defence* business segment, the Group is also regularly required to meet certain minimum standards for safety accreditation and security clearance. For example, in air transport, the Group must maintain applicable security clearances to be eligible for certain contracts. These accreditations and clearances are essential for the Group to conduct its business in the *Transport & Defence* business segment and could be lost as a result of breach of the applicable rules by the Group. Any loss of, failure to maintain or inability to renew, accreditations and clearances necessary to carry on the Group's operations or any changes in government policy and legal or regulatory oversight, could have a material adverse effect on the Group's results of operations and ability to compete in the *Transport & Defence* business segment.

The Group's business strategy includes pursuing strategic acquisitions of complementary businesses and service lines, which the Group may be unable to achieve or successfully integrate.

Part of the Group's continuing business strategy is to make acquisitions of, or investments in, companies that complement the Group's current package of services, enhance its market coverage, technical capabilities or capacity, or offer growth opportunities. In particular, acquisitions in Germany and investments in the UK are key to growing in Germany and the UK and achieving the Group's overall growth strategy. There is a risk that the Group will not find attractive acquisition opportunities on favourable terms or at all and, the Group may face competition for attractive acquisition targets which may increase the price of the target. The Group may also be restricted from making acquisitions over a certain amount as a result of covenants in its financing agreements. Competition for acquisition targets has driven up the price of larger acquisitions, for instance where the sale is conducted by auction; however, smaller, bolt-on acquisitions have not been so affected. If the Group cannot complete an acquisition on favourable terms, it could adversely impact the Group's ability to execute its growth strategy. In addition, future acquisitions could pose numerous risks to the Group's operations, including:

- the Group may have difficulty integrating acquired operations, products, technologies or personnel;
- the Group may incur substantial unanticipated integration costs;
- assimilating the acquired businesses may divert significant management attention and financial resources from the Group's other operations and could disrupt its ongoing business;
- acquisitions could result in the loss of key employees, particularly those of the acquired operations;
- the Group may have difficulty retaining, or developing the relationship with, the acquired businesses' customers;
- the Group may fail to realise the potential cost savings or other financial benefits and/or the strategic benefits of the acquisitions; and
- the Group may incur liabilities or other claims from the acquired businesses, and it may not be successful in seeking indemnification for such liabilities or claims.

In connection with these acquisitions or investments, the Group could incur debt, amortisation expenses related to intangible assets, large and immediate write-offs, assume liabilities, or issue shares that would dilute its current shareholders' percentage of ownership. In addition, such acquisitions could divert management attention. The Group may be unable to complete acquisitions or integrate the operations, products, technologies or personnel gained through any such acquisition, which could have a material adverse effect on its business, financial condition and results of operation.

The Group is involved in litigation, administrative and arbitration proceedings.
In the ordinary course of business, the Group may be involved in a number of legal, administrative or arbitration proceedings relating in particular to civil liability, competition, intellectual and industrial property, taxation, employment and environmental matters. In connection with some of these proceedings, monetary claims of a significant amount have been or could be made against one or more of the Group's subsidiaries and the legal and other expenses, as well as management attention, associated with administering these proceedings can be significant. The corresponding provisions that the Group could be required to record in its accounts could prove insufficient. Claims involving customers, suppliers and subcontractors may be brought against the Group, and by the Group, in connection with its project contracts. Claims brought against the Group by customers could include back charges for alleged defective or incomplete work, breaches of warranty and/or late completion of the project and claims for cancelled projects. The claims and back charges can involve actual damages, as well as contractually agreed liquidated damages. Claims brought by the Group against customers include claims for additional costs incurred in excess of current contract price arising from project delays and changes in the agreed scope of work. Claims brought against or by the Group and its suppliers, subcontractors and vendors include claims like any of those described above. These project claims, if not resolved through negotiation, are often subject to lengthy and expensive litigation or arbitration proceedings. The Group is also subject to legal proceedings in connection with regulatory regimes to which the Group is subject, including claims by customers and other third parties for damages arising from the Group's non-compliance with regulatory regimes. If the outcome of legal, administrative or arbitration proceedings involving the Group were to be unfavourable, it could have a material adverse effect on the Group's business, financial condition and results of operation. The violation of competition law alleged by the FCCA to have occurred with respect to the Group's power transmission line building and planning business in Finland could result in additional legal or administrative proceedings as well as claims by customers and other third parties for damages resulting from the Group's alleged violation. Based on the public nature of the FCCA Case and similar earlier FCCA proceedings involving other companies, as well as certain preliminary correspondence relating to potential claims, received by the Company, the Company believes that such claims can be expected and could be material, although the ultimate outcome of any such claims or administrative proceedings, will be highly dependent on the final resolution of the FCCA Case. Such proceedings or claims could result in the Group being required to pay penalties, fines or damages, plus interest. In the event that the Group was required to pay penalties, fines or damages to a third-party as a result of a third-party claim or administrative proceeding, such penalties, fines or damages would not be covered by the contribution agreement with the Selling Shareholders and could, individually or in the aggregate, have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's current and future international operations in countries in Africa, Southeast Asia, the Commonwealth of Independent States ("CIS") and other emerging markets involve political, economic, military and other risks that could negatively harm its business.
The Group operates in countries in Africa, Southeast Asia and the CIS that have different general conditions and in some cases considerably lower levels of economic, political and legal stability compared to Northern and Western Europe. This lack of stability could have a material adverse effect on sales and revenue trends and growth opportunities in these regions. The aforementioned political, economic and other risks might, individually or in the aggregate, have a material adverse effect on the Group's business, financial condition and results of operation. Risks associated with certain areas in which the Group operates, in particular, emerging market countries such as Sub-Saharan Africa, include uncertainty in enforcing contracts, challenges in obtaining legal redress, particularly against state or state-owned entities, implementation of restrictions on imports and bribery and corruption risks, which can lead to reputational damage and impair the Group's ability to win and retain contracts. The Group's operations are subject to many of the risks inherent in business activities in emerging markets, including, among others:

- differences and unexpected changes in regulatory environments, including environmental, health and safety, local planning, zoning and labour laws, rules and regulations;
- exposure to different legal standards and enforcement mechanisms and the cost of compliance with those standards;
- limited legal protection and enforcement of intellectual property rights;
- being subject to multiple taxation regimes, including regulations relating to transfer pricing and withholding tax on remittance and other payments by or to subsidiaries;
- longer payment terms for debtors on the Group's accounts receivables and difficulties of collecting accounts receivables;
- inability of the Group's customers to obtain financing to fund planned projects and services;
- tariffs, duties, export controls, import restrictions and other trade barriers;
- labour unrest;
- foreign exchange controls and restrictions on repatriation of funds;

- consistency and predictability of local permitting processes;
- risks associated with fraud, bribery and corruption, instances of which are more common in some of the jurisdictions in which the Group operates;
- policies, measures, controls and other actions implemented by various authorities, which may delay or prevent planned investments; and
- political and social instability and pandemics.

For example, the recent conflict in Ukraine and the outbreak of Ebola virus in Liberia required the Group to suspend operations in those areas and evacuate its personnel. Work in these areas will not recommence until operations can safely resume. If the suspension continues for a long period of time, projects may be terminated which may have an adverse effect on the Group's results of operations.

The Group signed two contracts in 2013 with the national grid company in Tanzania and the power company in Zambia. Pursuant to these contracts, the Group expects to build 880 km of 132 kV transmission lines and eight transformer stations. Preliminary site work on both projects has commenced. However, in Tanzania the Group has not yet received the necessary local permits and authorisations, which presents a risk of delay and a risk that work may not proceed in line with the timetable currently envisaged. Furthermore, it is possible that, once commenced, the Group may experience unexpected delays as a result of changes in the regulatory environment or any of the other factors listed above.

The Group may not be able to develop and implement systems, policies and practices to manage the above mentioned risks or comply with applicable regulations without incurring additional costs. If the Group is not able to do so, its sales and operating results may suffer. Any of the international operations risks the Group faces could have a material adverse effect on its business, financial position and results of operations.

The demand for the Group's services is subject to seasonal fluctuations and cyclicality.

The Group's business is subject to seasonal fluctuations and volatility across quarters. Generally, during the winter months (primarily the first quarter), demand for new projects and maintenance services are lower due to reduced construction activity during inclement weather. Additionally, in the Nordic region frozen ground during winter months severely limits the ability to conduct work that involves digging, for example digging trenches to lay cable. However, demand for electrical service and repairs may be higher (primarily in the first and fourth quarters) due to damage caused by winter storms. As a result of these and other factors, the Group's quarterly results of operations may vary significantly, both during a particular year and when compared to the Group's historical results of operations. While the Group believes that it has substantial visibility into its customers' expected full-year capital expenditure plans, and thus expected Group revenue for the respective year, it is exposed to the risk that revenue expected to be booked in a particular quarter may not be realised until a later reporting period, if at all. As a result, the Group's operating results for any particular quarter may not be indicative of the results that can be expected for any other quarter within the same year, for the entire year, or for the corresponding quarter of any other year.

The Group's industry can also be highly seasonal over the course of the year. Because many customers' annual capital expenditure budgets are approved at the beginning of their fiscal year, tenders are often conducted during the early months of the year, and customers push to complete their budgeted capex spending by the end of the year. As a result, some customers spend nearly their entire annual budgets in the fourth quarter. The Group's volume of business may be adversely affected by declines in new projects. Seasonal fluctuations may affect the Group's results of operation and cash flows on a quarterly basis, but tend to even out over the year. However, years with weather conditions that on full-year average are unusually inclement or mild or characterised by heavy or little precipitation may affect operating results and cash flows for that year. Negative fluctuations in seasonal or cyclical variations could have a material adverse effect on the Group's business, financial condition and results of operation.

The Group's cashflows are dependent on the timing of payments received by the Group for the services it provides. Payment schedules for a project may be revised as a result of delays in the project's timetable caused by a number of factors, including inclement weather, delays in obtaining equipment and materials or unforeseen complexities in executing planned works. Delays in payment schedules result in delays in the Group's expected cash inflows. For large-scale projects, these delays can adversely affect the Group's working capital position, which could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group relies on its customer-integrated information technology systems for the operation of its business. If the systems suffer breakdowns due to hacking, systems failure or computer viruses, the Group's sales and profits could be adversely affected.

The Group relies on its technology systems and operations to perform critical functions such as gathering, processing and communicating information efficiently, securely and without interruptions. The Group's systems are often integrated with its customers' systems for purposes of order processing and invoicing, particularly in *Communication* and power distribution services. To the extent the Group experiences system interruptions, errors or downtime, the Group's customers' systems may experience similar disruptions, which could result in the loss of work orders and reputational damage to the Group and have a material adverse effect on the Group's business, financial condition and results of operations. The Group is currently in the process of introducing a new information technology support system for the whole Group, which typically implies an increased risk of interruptions, errors or downtime.

If the Group's or its customers' systems are disabled, not adequately maintained, or if the systems are unable to support new or developed products or services, it could have an adverse effect on the Group's ability to receive new work orders from its customers and invoice for completed work. As the telecommunications sector has become increasingly digitalised, automated and online-based, the Group has also become exposed to increased risks of hacking and general information technology system failures. Unanticipated information technology problems, system failures, computer viruses, hacker attacks or unauthorised access to the Group's systems could affect the quality of the Group's services, compromise the confidentiality of its subscriber data or cause service interruptions, which could harm its reputation and could have a material adverse effect on the Group's market share, business, financial condition, results of operation and growth prospects.

The Group's business may be adversely affected by catastrophes, natural disasters, adverse weather conditions, unexpected geological or other physical conditions, or criminal or terrorist acts at one or more of its sites.

The Group's business may be adversely affected by catastrophes, natural disasters, adverse weather conditions, unexpected geological or other physical conditions, or criminal or terrorist acts at one or more of its project sites. If one or more of the Group's project sites were to be subject to fire, flood or a natural disaster, adverse weather conditions or other catastrophe, or if unexpected geological or other adverse physical conditions were to develop at any of the Group's project sites, the Group may not be able to carry out its business activities at that location or such operations could be significantly reduced. Although the Group would not typically be liable for *force majeure* occurrences under its contracts, such occurrences could result in lost revenue at these sites during the period of disruption and costly remediation, which could have a material adverse effect on the Group's business, financial condition and results of operation. In addition, despite security measures taken by the Group, it is possible that its project sites could be affected by criminal or terrorist acts. Any such acts could have a material adverse effect on the Group's business, financial condition and results of operation.

Inefficient and unsuccessful project management and/or forecasting may result in significant losses if costs are greater than anticipated.

Many of the Group's project delivery service contracts are fixed-price contracts that contain inherent risks because the Group agrees to the price of the project at the time it enters into the contract. The price is based on estimates of the ultimate cost of the contract and the Group assumes substantially all of the risks associated with completing the project, as well as the post-completion warranty obligations. In order to ensure that its projects are conducted efficiently and on-cost, the Group relies on significant project management and site-management expertise, particularly with respect to pricing its services and optimising performance during the term of the contract. 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 (in particular, human 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. In practice, poor project management, errors in calculating costs or defective bids by subcontractors engaged by the Group can generate significant additional performance costs and delays, leading to delays in payment for the Group's services and/or damaging its reputation.

Warranty obligations can range from re-performance of services to modification or replacement of equipment. In cases where the Group agrees to fixed-price contracts, it also assumes the risks related to revenue, cost and gross profit realised on such contracts, which can vary, sometimes substantially, from the original projections due to changes in a variety of factors, including but not limited to:

- changes in the cost of components, materials or labour;
- difficulties in obtaining required governmental permits or approvals;
- changes in local laws and regulations;
- changes in local labour conditions;
- project modifications creating unanticipated costs;
- delays caused by adverse weather conditions;
- fraud and corruption by suppliers or subcontractors; and
- project suppliers' or subcontractors' failure to perform.

These risks may be exacerbated by the length of time between signing a fixed-price contract and completing the project because most of the projects that the Group executes are long-term. Additionally, the Group sometimes bears the risk of delays caused by unexpected conditions or events. The Group may be subject to delay penalties if portions of the long-term, fixed-priced projects are not completed in accordance with agreed-upon standards in the agreed-upon time limits. The materialisation of any such risks, conditions, events or penalties could have a material adverse effect on the Group's business, financial condition and results of operation.

Certain of the Group's contracts contain performance undertakings that could adversely affect its profitability.

The Group enters into certain contracts under which it undertakes to reach a particular result in connection with the project. For example, with respect to certain technical services contracts, the Group undertakes to provide a level of service quality measured by certain performance indicators. Any failure to comply with such performance undertakings could result in a decrease or loss of fees payable under the contract, or to the early termination of the contract and could have a material adverse effect on the Group's business, financial condition and results of operation.

The Group generates a significant portion of its sales, and expects to continue deriving a large portion of its sales, from a limited number of customers and any significant loss of business from these customers, or failure by such customers to pay for the Group's services, could have a material adverse effect on the Group's business, financial condition and results of operation.

The Group relies on a limited number of customers in each of its segments for the majority of its net sales. The Group's top three customers accounted for 30% of its consolidated net sales for the nine months ended September 30, 2014 and 29% of the Group's consolidated net sales for the year ended December 31, 2013. Frame agreements comprising 6% of the Group's consolidated net sales for the year ended 31 December 2013, including one of its top five customer contracts are due to mature in 2015 and will be re-negotiated. In order to secure these contracts, the Group may be required to agree to terms not favourable to it and which may reduce the profitability of these contracts. Loss of major frame agreements with customers may require restructuring of local operations in impacted geographies. Failure to secure the renewal of a significant portion of these contracts on the same or more favourable terms could have a material adverse effect on the Group's business, financial condition and results of operation.

Several of the Group's agreements with customers are non-exclusive and several contracts do not provide for a fixed-volume of work, both of which could lead to an unexpected loss of revenue and a reduction in backlog.

Several of the Group's maintenance and upgrade service contracts are non-exclusive, such that the Group's customers may effectively terminate the contract at will or engage a service provider other than the Group. In some of the Group's contracts, the Group is an exclusive service provider to a customer, but there is no fixed minimum volume commitment, which means that the customer can easily reduce the Group's volume of work under that agreement without the Group's consent. Several of the Group's contracts are both non-exclusive and do not provide for a fixed minimum volume.

In addition, the Group's customers may reduce the value of existing contracts through partial termination, delay or withholding of the payment of invoices, or audit the Group's contract-related costs and fees. The Group's customers may exercise their rights to use other service providers, reduce the volume of services the Group provides or exercise termination rights. Any exercise of these contractual rights could have a material adverse effect on the Group's business, financial condition and results of operation.

Certain of the Group's contracts cover standby fault repair maintenance. In order to fulfill its obligations under such contracts, the Group needs to be able to mobilise its workforce with limited notice and in difficult conditions.

Under the terms of certain of its contracts with customers, the Group provides standby fault repair maintenance. Such maintenance may be required in the event that there is a major storm which disrupts power lines and networks. Under the terms of these contracts, the Group may be required to have workers on-site within 12–24 hours. The Group may face difficulty in doing so if challenging weather conditions persist or other factors prevent it from mobilising its work force in the prescribed period of time. Should the Group fail to substantially meet its obligations, the Group may be subject to penalties or fines under the agreement and may suffer reputational damage as a result, which could have a material adverse effect on the Group's business, financial condition and results of operation.

Securing contracts with defence and aviation authorities involves lengthy review processes as well as comprehensive security procedures and compliance checks.

The Group manages and maintains radio, telecommunication and data communication systems for the defence industry and at airports, including air traffic control systems. In order to secure contracts for these services, the Group is subject to lengthy review processes, comprehensive security procedures and compliance checks. The Group is dependent on skilled personnel, including specialised IP engineers, to ensure its ability to deliver under the contracts which may include fault management and security management for these systems. The Group's failure to attract and retain such personnel could have a material adverse effect on its business, financial condition and results of operation.

The Group may be adversely affected by risks associated with joint ventures.

The Group has made investments in certain strategic development projects with third parties. In certain cases, these projects are developed pursuant to joint venture agreements and involving jointly owned companies over which the Group only has joint control. In 2014, the Group formed a 50/50 joint venture with Sønnico in relation to its telecommunications activities in Norway. Investments in projects over which the Group has partial or joint control are subject to the risk that the other shareholders of the joint venture, who may have different business or investment strategies than the Group or with whom the Group may have a disagreement or dispute, may have the ability to block business, financial or management decisions, such as the decision to distribute dividends or appoint members of management, which may be crucial to the success of the project or the Group's investment in the project, or otherwise implement initiatives which may be contrary to the Group's interests. The Group's partners may be unable, or unwilling, to fulfil their obligations under the relevant joint venture agreements and shareholder agreements, for example by contributing working capital or other resources, or may experience financial or other difficulties that may adversely impact its investment in a particular joint venture. In certain of its joint ventures, the Group may also be reliant on the particular expertise of its partners and, as a result, any failure to perform its obligations in a diligent manner could also adversely impact the joint venture. If any of the foregoing were to occur, such occurrence could have a material adverse effect on the Group's business, financial condition and results of operation.

Uninsured losses arising from third party claims brought against the Group could result in payment of substantial damages, which could adversely affect the Group's business.

The Group's business is exposed to the inherent risks in the markets in which the Group operates. Although the Group seeks to obtain appropriate insurance coverage in relation to the principal risks associated with its business, such insurance coverage may not be sufficient to cover all of the possible losses the Group may face in the future. The products or equipment used in the services the Group provides could result in serious bodily injury or death should such products or equipment be misused or malfunction. In addition, insurance coverage may not continue to be available to the Group or, if available, may be at a significantly higher cost, in particular with regard to some of the emerging market countries where the Group operates. If the Group were to incur a serious uninsured loss or a loss that significantly exceeded the coverage limits established in its insurance policies, the resulting costs could have a material adverse effect on the Group's business, financial condition and results of operation.

For certain project delivery services, the Group depends on certain suppliers in order to fulfil its contractual obligations.

For certain project delivery services, the Group depends on certain suppliers in order to fulfil its contractual obligations. Any shortage or significant increase in prices by such suppliers, as well as any deterioration or changes in relations with such suppliers or any breach of obligations by such suppliers, could adversely affect the Group's ability to provide project delivery services. In the event that materials or related services the Group receives from suppliers are defective, it may be difficult or impossible to enforce recourse claims against such suppliers, especially if warranties included in contracts with suppliers have expired or are exceeded by those in the Group's contracts with its customers, in individual cases, or if the suppliers are insolvent, in whole or in part. In addition, the Group may not be able to obtain what the Group needs for the operation of its business, in a timely manner, at competitive terms and in adequate amounts. The occurrence of any of these risks could create technical problems, damage the Group's reputation, result in the loss of customers and have a material adverse effect on its business, financial condition and results of operation.

The financial targets included in the Prospectus may differ materially from the Group's actual results and investors should not place undue reliance on them.

The financial targets set forth in the Prospectus under "*Business Description*" are the Group's expectations for the medium to long term, including revenue growth, EBITA margin, cash conversion, leverage and payout targets. These financial targets are based upon a number of assumptions, which are inherently subject to significant business, operational, economic and other risks, many of which are outside of the Group's control. While Eltel has detailed the key assumptions management has made when setting its medium-term targets in the "*Business Overview*" section, these assumptions may not continue to reflect the commercial, regulatory and economic environment in which the Group operates. Accordingly, such assumptions may change or may not materialise at all. In addition, unanticipated events may adversely affect the actual results that the Group achieves in future periods whether or not its assumptions otherwise prove to be correct. As a result, the Group's actual results may vary materially from these targets and investors should not place undue reliance on them.

Disruption of business operations due to changes in labour laws, work stoppages, strikes, the negotiation of new collective bargaining agreements and other industrial actions could adversely affect the Group's business.

The Group is dependent on a mobile workforce that involves the movement of employees from certain jurisdictions to perform work in other jurisdictions. Such a mobile work force allows the Group to achieve certain cost efficiencies, but also exposes it to certain risks. The Group is required to understand and comply with local labour requirements (including in relation to minimum salary levels as well as employment conditions) in both the jurisdiction where the employees are coming from and the jurisdictions where employees are going to work, which requires a good understanding of local labour laws and good coordination among jurisdictions. In addition, the Group must comply with applicable labour laws related to transfers of undertakings, particularly when it wins new outsourcing contracts or expands existing frame agreements to cover new geographies or services. The enactment of labour or tax laws in any of the jurisdictions in which the Group operates could restrict its ability to use employees outside of their home jurisdiction, result in increased labour costs, including increases due to healthcare reform or minimum wages increases, all of which could have a material adverse effect on the Group's business, financial condition and results of operation.

The Group estimates that a significant portion of its employees in the Nordic region are members of trade unions. The Group has entered into a written agreement with the trade unions in certain jurisdictions, which essentially governs its duty to consult and inform the trade unions about significant changes in its business, operations, development and future plans, etc. The Group is a member of employer and trade organisations in several countries, and is thereby bound by the collective bargaining agreements with the corresponding trade unions in those countries. The collective bargaining agreements provide for annual salary increases and include general terms and conditions on, among other things, vacation entitlements, notice periods, working hours and insurance benefits. The Group may in the future experience lengthy consultations with trade unions, strikes, work stoppages or other industrial actions called by the trade unions according to law, which could result in delays in the Group's ability to serve customers in a timely manner. Strikes and other industrial actions, and the negotiation of new collective bargaining agreements or salary increases in the future, could disrupt the Group's operations and make it more costly to operate its facilities, which in turn could have a material adverse effect on the Group's business, financial condition and results of operation.

The Group carries significant goodwill and other intangible assets on its balance sheet.

The Group carries significant goodwill and other intangible assets on its balance sheet. As of September 30, 2014, the Group's goodwill and intangible assets amounted to EUR 429.2 million and EUR 93.0 million, respectively. The Group monitors relevant circumstances, including customer investment plans, its financial performance and general economic conditions, and the potential impact that such circumstances might have on the valuation of the Group's goodwill and other intangible assets. It is possible that changes in such circumstances, or in the numerous variables associated with the Group's assessment, assumptions and estimates used in the valuation of the Group's goodwill and other intangible assets, could in the future require the Group to write down a portion of its goodwill and/or other intangible assets and record related non-cash impairment charges.

The majority of goodwill and other intangible assets on the balance sheet as at December 2014 originated from the purchase price paid for the Group in 2007. The additional goodwill and other intangible assets on the balance sheet are attributable to the Group's acquired businesses and companies since its inception in 2001.

The value of intangible assets with indefinite lives (goodwill and brands) acquired up until 2014 was calculated for the year ended 31 December 2014 based on all of the information available to the Group up to that date, on the basis of the assumptions set out below. A separate impairment test (as required by accounting standards) was completed in 2014 and will be subject to review by the Group's auditors in the first quarter of 2015.

The discount rates used are a weighted average cost of capital, including a risk assessment for each business unit. The terminal growth rate used has also been individually assessed for each business based on long term growth prospects for each business unit.

While the Group believes that the assessments and assumptions it has made are correct and prudent based on currently available information and current business performance as well as assumptions about future business performance, should the Group's actual business performance deviate from the assumed performance or should the long term growth prospects of the Group materially change, a write down may be required. If the Group were required to write down a portion of its goodwill and/or other intangible assets and record related non-cash impairment charges, it could have a material adverse effect on the Group's business condition and results of operation.

The Group may not be able to obtain financing or guarantee facilities at favourable terms, or at all, or perform payment obligations due to insufficient liquidity.

The Group may be required to raise new financing or refinance parts of or all of its outstanding debt in the future. The Group's ability to successfully raise new financing or to refinance its existing debt is dependent on a number of factors including the conditions of the financial markets in general, the Group's creditworthiness and credit rating, and its capacity to assume more debt at such time. As a result, the Group's access to financing sources at a particular time may not be available on favourable terms, or at all. Disruptions and uncertainties on the capital and credit markets may also restrict access to the capital required to conduct the Group's business. Although the Group believes that it has access to adequate financing, it cannot be ruled out that the Group may come to require additional financing in the future. The Group is also regularly required to source guarantees from banks, insurance companies and other institutions in connection with its contracts as described in "*Operating and financial review – Guarantees*". The Group's inability to raise additional financing, to refinance its debt obligations on favourable terms, or at all, or to obtain adequate guarantees could have a material adverse effect on the Group's business, financial condition and results of operations.

In addition, even if the Group currently has access to long-term financing, it cannot be ruled out that, in the future, the Group could breach its restrictive covenants or other obligations in its credit agreements, which may result from a number of factors both within and outside the Group's control. The Group's inability to comply with the terms of its credit agreements or other financing arrangements could result in the finance providers requiring immediate repayment of all or a portion of the Group's outstanding debt, which could render the Group insolvent, which in turn would have a material adverse effect on the Group's business and financial condition.

The Group may be subject to increased finance expenses if it does not effectively manage its exposure to interest rate and foreign currency exchange rate risks as well as inflation.

The Group is exposed to various types of market risk in the normal course of business, including the impact of interest rate changes and foreign currency exchange rate fluctuations. Some of the Group's indebtedness bears interest at variable rates, generally linked to market benchmarks such as EURIBOR. Any increase in interest rates would increase the Group's finance expenses relating to its variable rate indebtedness and increase the costs of refinancing its existing indebtedness and issuing new debt. Concurrently with the Offer, the

Group will refinance certain of its existing indebtedness using an EUR 210 million term loan facility and a EUR 90 million revolving credit facility (the "Credit Facility") which is conditional on the closing of the Offer. The refinancing will impact the Group's net interest expense going forward so that the Group will have significantly lower financing costs under the Credit Facility than it has under its existing senior facilities agreement.

In addition, the Group conducts its business and incurs costs in the local currency of the countries in which the Group operates. The results and financial positions of its subsidiaries are then translated into EUR for inclusion in the Group's consolidated financial statements, which are stated in EUR. As the Group continues expanding its business into existing and new markets such as the United Kingdom, it expects that a large and increasing percentage of its net sales and cost of sales will be denominated in currencies other than EUR. As a result, the Group will become subject to increasing currency translation risk, whereby changes in exchange rates between EUR and the other currencies in which the Group does business could result in foreign exchange losses.

The Group enters into interest rate options and swaps to hedge against interest rate risk and future currency sale and purchase contracts and foreign exchange rate swaps to hedge against foreign exchange rate risk. If the Group's risk management strategies are not successful in limiting its exposure to changes in interest rates and foreign currency exchange rates, the Group's business, financial condition and results of operation could be materially and adversely affected.

The Group is also impacted by inflation-linked increases in salaries, wages, benefits and other administrative costs. As a result, the Group's operating expenses may increase faster than associated revenue, which could have a material adverse effect on its business, financial condition and results of operation.

The Group is exposed to risks relating to taxation.

The Group is subject to complex tax laws in each of the jurisdictions in which it operates. Changes in tax laws could have material adverse consequences on the Group's corporate income tax situation, its effective corporate income tax rate and the amount of taxes it pays. For instance, there is currently political pressure to change the international tax environment. In light of the Base Erosion and Profit Shifting (BEPS) Action Plan, launched by the OECD and supported by the EU, and its rapid development, there are indications that there is support for global tax coordination among jurisdictions, which could have a significant impact on the international taxation landscape in which the Group operates.

The Group also engages in a significant number of intragroup transactions between legal entities in different jurisdictions and although the Group believes that it follows generally acccepted transfer pricing practices, the Group's interpretation may be challenged.

Tax regulations in the various countries in which the Group operates may be interpreted in various ways, and the relevant tax authorities may not agree with the Group's interpretation of applicable regulations. The Group is also subject to possible retroactive adjustments to its previously assessed taxation. A challenge to the Group's tax position by the relevant authorities, including with respect to tax-structured acquisition financing, could lead to payment by the Group of additional taxes, reassessments and potentially fines, which could be significant, or to an increase in the cost of its products or services in order to collect such taxes. This could have a material adverse effect on the Group's business, financial condition and results of operation.

As a holding company, the Company's principal assets consist of its direct and indirect shareholdings in its subsidiaries.

The Company is the Group's parent company. As a holding company, its principal assets consist of direct or indirect shareholdings and loan receivables from the subsidiary companies which generate the Group's cash flow. As a result, the Company's revenue essentially comes from intra-group interest and loan repayments by subsidiaries, possible contributions and dividends from subsidiaries and also from management services income. The ability of the Company's subsidiaries to make these payments to the Company may be at risk depending on the changes in their activities or regulatory limits. Group contributions, dividend distributions or other financial flows may also be limited due to various undertakings such as credit agreements entered into by such subsidiaries or by reasons of tax constraints making financial transfers more difficult or expensive. The Group's ability to pay dividends in accordance with its dividend policy depends on the dividend distributions it receives from its subsidiaries.

Certain customer and other agreements contain change of control clauses.

Some companies within the Group are parties to agreements with customers and other parties that contain change of control clauses. For instance, pursuant to several of the Group's customer agreements, a subsidiary must notify the customer if changes take place in the ownership, control or management of the subsidiary, its parent company or Eltel. Change of control clauses in certain of the Group's current customer or other agreements will or may be triggered by the Offer and could, in some cases, result in an early termination right for the counterparty. Should the Group not comply with the notification or other requirements pursuant to such change of control clauses, the relevant subsidiary may be deemed to have breached the relevant agreement and may be liable for contractual damages as a result. These damages could have a material adverse effect on the Group's business, financial condition and results of operation.

Certain customer agreements lack limitations of liability or have high monetary caps.

Many of the Group's customer agreements are based on standard forms of contract that are widely used within the industry and such standard forms typically provide for a balanced allocation of risk between the parties. However certain subsidiaries of the Group have entered into, and may in the future enter into, customer agreements that lack satisfactory limitations of liability and/or have high or no monetary caps on the Group's liability. Should any of the Group's subsidiaries incur liability under an agreement with unsatisfactory limitations of liability or a high monetary cap on the Group's liability, the Group may be obliged to pay damages, including punitive or consequential damages, which could have a material adverse effect on the Group's business, financial condition and results of operation.

RISKS RELATED TO THE COMPANY'S SHARES AND THIS OFFER

There may not be an active, liquid trading market for the Company's shares and the price of the shares may be volatile.

Prior to the Offer, there has been no public market for the Company's shares. The Group cannot predict the extent to which investor interest in the Group will lead to the development of a trading market on the Nasdaq Stockholm or how liquid that market may become. If an active trading market does not develop, investors may have difficulty selling any of the Company's shares that they purchase. The Offer Price of the Company's shares will be determined by Eltel's board of directors in consultation with the Joint Global Coordinators and the price may not be indicative of prices that will prevail following the completion of this Offer. The market price of the Company's shares may decline below the Offer Price, and investors may not be able to resell their shares at or above the Offer Price.

The trading price of the Company's shares is likely to be volatile and subject to wide price fluctuations in response to various factors, including:

- market conditions in the broader stock market in general, or in the industry in which the Group operates in particular;
- actual or anticipated fluctuations in the Group's quarterly financial and operating results;
- introduction of new products and services by the Group or its competitors;
- issuance of new or changed securities analysts' reports or recommendations;
- sales of large blocks of its shares;
- additions or departures of key personnel;
- regulatory developments;
- litigation and governmental investigations; and
- economic and political conditions or events.

These and other factors may cause the market price and demand for the Company's shares to fluctuate substantially, which may limit or prevent investors from readily selling their shares and may otherwise negatively affect the liquidity of the Company's shares. In addition, in the past, when the market price of a share has been volatile, holders of that share have instituted litigation against the company that issued the shares. If any of the Group's shareholders brought a lawsuit against it, the Group could incur substantial costs defending the lawsuit. Such a lawsuit could also divert the time and attention of the Group's management from its business.

The trading market for the Company's shares will also be influenced by the research and reports that industry or securities analysts publish about the Group or its business. If one or more of these analysts cease coverage of the Group or fail to publish reports on it regularly, the Group could lose visibility in the financial markets, which in turn could cause its share price or trading volume to decline. Moreover, if one or more of the analysts who cover the Group downgrade its shares, or if the Group's results of operation do not meet their expectations, the Group's share price could decline.

The Principal Shareholders will continue to have substantial influence over the Company after the Offer and could delay or prevent a change in control over the Company.

After completion of the Offer, the Principal Shareholders will own in aggregate approximately 42.5% of the shares in the Company, based on an Offer Price at the midpoint of the price range, and assuming that the Offer is not increased and the Over-allotment option is not exercised. Assuming that the Offer is increased in full and the Over-allotment option is exercised in full, the Principal Shareholders will own in aggregate approximately 21.3% of the shares in the Company after the Offer (based on an Offer Price at the midpoint of the price range). Thus, the Principal Shareholders are likely to continue to have a significant influence over the outcome of matters submitted to the Group's shareholders for approval, including the election of directors and any merger, consolidation or sale of all or substantially all of the Company's assets. In addition, the Principal Shareholders will continue to have significant influence over the Company's management and affairs. Accordingly, this concentration of ownership could have a material adverse effect on the market price of the Company's shares by, among others: delaying, deferring or preventing a change in control; impeding a merger, consolidation, takeover or other business combination involving the Group; or discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control of the Group.

The interests of the Principal Shareholders may differ significantly from or compete with the Group's interests or those of the other shareholders, and the Principal Shareholders could exercise influence over the Group in such a manner that is contrary to the interests of the other shareholders. For example, there could be a conflict between the interests of the Principal Shareholders on the one hand, and the Group's interests or the interests of its other shareholders on the other hand with respect to distribution of dividends. Such conflicts could have a material adverse effect on the Group's business, financial condition and results of operation. If a substantial number of shares become available for sale and are sold in a short period of time, the market price of the Company's shares could decline.

Future sales of shares by existing shareholders after the end of the Lock-up Period could cause the share price to decline.

The market price of the Company's shares could decline if there are substantial sales of the Company's shares, particularly sales by its directors, executive management, and Principal Shareholders, or otherwise when a large number of shares are sold.

The Principal Shareholders, shareholding members of the board of directors and certain shareholding employees within the Group, including executive management, have each agreed, subject to certain exceptions, for a certain period of time, not to sell their shares or enter into transactions with a similar effect without the prior written consent of the Managers. After the expiry of the relevant Lock-up Period, the shareholders subject to lock-up will be free to sell their shares in the Company. Any sales of substantial amounts of the Company's shares by the Principal Shareholders or the Group's other current shareholders, or the perception that such sales might occur, could cause the market price of the Company's shares to decline.

Investors with a reference currency other than EUR will become subject to certain foreign exchange risks when investing in the Offer Shares.

The Group's equity capital is denominated in EUR, and dividends on the shares will be paid by the Group in EUR. Investors whose reference currency is a currency other than the EUR may be adversely affected by any reduction in the value of EUR relative to the respective investor's reference currency. In addition, such investors could incur additional transaction costs in converting EUR into another currency.

Subscription undertakings

The Cornerstone Investors have agreed to acquire at the final Offer Price (and at any such price throughout the price range in the Offer) a number of Offer Shares equivalent to 10.5%, 7.5%, 6% and 5%, respectively, of the Company's shares following completion of the Offer. The Cornerstone Investors' undertakings are conditional on, among other things: (i) listing of the Offer Shares occurring no later than 10 February 2015; (ii) such Cornerstone Investor being allocated in full the Offer Shares relating to its commitment; and (iii) the Company achieving a free float (defined as the percentage of the Company's shares not owned by shareholders owning at least 10 per cent of the Company's shares and not subject to lock-up undertakings following the Offer) of between 39.6% and 66.4% at commencement of trading. If such conditions are not satisfied, the Cornerstone Investors will not be required to acquire their Offer Shares. In addition, the Cornerstone Investors' undertakings have not been secured through a bank guarantee, blocked funds or pledge of collateral or similar arrangement. Accordingly, there is a risk that payment of the purchase price and settlement of the Offer Shares for the Cornerstone Investors may not occur in connection with the closing of the Offer as anticipated, which could have an adverse effect on the completion of the Offer. In addition, the Cornerstone Investors' shares will not be subject to any formal lock-up arrangement, implying that it is possible that the Cornerstone Investors divest part or all of its shareholding at any time. Any sales of substantial amount of the Company's shares could cause the market price of the Company's shares to decline.

New issues of additional shares may impact the price of the outstanding shares and affect U.S. and other non-Swedish holders of shares who may not be able to exercise pre-emptive rights to participate in rights offers or buy-back offers.

The Group may issue additional new shares or securities which can be converted to shares in the future. Such issues may have a material negative impact on the price of the Company's shares and could cause the earnings per share and net asset value per share to decline. Under Swedish law, existing shareholders will have certain pre-emptive rights in respect of certain issues of shares, unless those rights are disapplied by a resolution of the shareholders at a general meeting or the shares are issued on the basis of an authorisation to the board of directors under which it may disapply the pre-emption rights.

Securities laws of certain jurisdictions may restrict the Group's ability to allow participation by shareholders in such jurisdictions in any future issue of the shares carried out on a pre-emptive basis in a rights offer. Shareholders in the United States as well as certain other countries may not be able to exercise their pre-emptive rights to participate in a rights offer or a buy-back offer, as the case may be, including in connection with an offer below market value, unless the Group decides to comply with local requirements, and in the case of the United States, unless a registration statement under the U.S. Securities Act is effective with respect to such rights or an exemption from the registration requirements is available. In such cases, shareholders resident in such non-Swedish jurisdictions may experience a dilution of their holding of the Company's shares, possibly without such dilution being offset by any compensation received in exchange for subscription rights. Local requirements may not be complied with and registration statement may not be filed in the United States so as to enable the exercise of such holders' pre-emption rights or participation in any rights offer or buy-back offer.

The Group's ability to pay dividends in the future may be constrained and depends on several factors.

The Group's dividend policy is subject to its performance and financial condition, investment, possible future acquisitions, expected future results of operation, cash flows, terms of indebtedness, other means of distribution and other factors. Holders of the Offer Shares may be entitled to receive future dividends resolved upon after listing on Nasdaq Stockholm, including any dividends declared in respect of the financial year 2015 and in respect of any subsequent period. In the Credit Facility, the Group has, among other things, agreed to meet certain leverage tests which could affect its ability to redeem its shares or to declare or pay dividends. In addition, Swedish law limits the Group's ability to propose and declare dividends to certain funds legally available for that purpose. As the amount of future dividend payments the Group may make, if any, will depend upon its future earnings, financial condition, cash flows, working capital requirements, the terms of the Group's outstanding indebtedness and other factors, there can be no certainty whether a dividend will be proposed or declared in any given year.

Invitation to acquire shares in Eltel

Eltel and the Principal Shareholders have resolved to diversify the ownership of shares in Eltel through a new issue and sale of existing shares. Accordingly, Eltel's board of directors has applied for listing of the Company's shares on Nasdaq Stockholm. The new issue and sale of existing shares are expected to support Eltel's future growth and operational strategy, provide financial flexibility by reducing leverage through the repayment of certain outstanding indebtedness and give the Company improved access to capital markets as well as a diversified base of new Swedish and international shareholders.

The price per share in the Offer will be determined through a book-building process and is expected to be set within the range SEK 55–70. The price is set by the board of directors of Eltel and the Principal Shareholders in consultation with the Joint Global Coordinators. The price per share to the general public will not exceed SEK 70. The final price in the Offer is expected to be made public through a press release on 6 February 2015.

The board of directors of Eltel intends to propose that the extraordinary general meeting to be held on 5 February 2015 resolves on a new share issue to the general public in Sweden and institutional investors in Sweden and abroad. The new share issue is expected to provide Eltel with approximately SEK 1,325 million in gross proceeds, before issue costs[1)], by issue of not less than 18,928,571 and not more than 24,090,909 new shares, depending on the final Offer Price. Based on the assumption that the Offer is carried out at a price per share corresponding to the midpoint of the price range in the Offer, SEK 62.5, the Company's share capital following the Offer would be EUR 129 million divided into 64,370,327 shares, of which the newly issued shares will represent a total of approximately 32.9% of the total number of shares in the Company.

Furthermore, the Principal Shareholders, as well as the Management Shareholders[2)] (through three newly incorporated limited liability companies), jointly, the Selling Shareholders, have decided to offer the general public in Sweden and institutional investors in Sweden and internationally up to 13,463,707 existing shares comprised by the Offer. The total number of shares in the Offer may be increased at the discretion of the Principal Shareholders by up to 7,455,797 additional existing shares. In order to cover overallotments, if any, in connection with the Offer, the Principal Shareholders have undertaken, at the request of the Joint Global Coordinators, to sell up to 6,751,561 additional existing shares corresponding to maximum 15.0% of the number of shares comprised by the Offer (the "Over-allotment option"), assuming that the Offer is increased in full.

You are hereby invited to acquire up to 37,554,616 shares in the Company in accordance with the terms and conditions in this Prospectus, corresponding to up to 55.8% of the total number of shares in the Company, if the Offer is carried out at the lowest price within the range. If the Principal Shareholders make full use of the right to increase the Offer, the Offer will comprise up to 45,010,413 shares, corresponding to up to 66.9% of the total number of shares in the Company, if the Offer is carried out at the lowest price within the range. If the Principal Shareholders make full use of the right to increase the Offer and the Over-allotment option is fully exercised, the Offer will comprise up to 51,761,974 shares, corresponding to up to 76.9% of the total number of shares in the Company, if the Offer is carried out at the lowest price within the range. Provided that the Offer is increased in full and the Over-allotment option is exercised in full, the value of the Offer amounts to approximately SEK 2,847–3,104 million before issue costs.

The Cornerstone Investors agreed, to acquire at the final Offer Price (and at any such price throughout the price range in the Offer) a number of Offer Shares equivalent to the percentage set out next to its name below of the Company's shares following completion of the Offer:

- Zeres Capital 10.5%;
- The Fourth Swedish National Pension Fund 7.5%;
- Swedbank Robur Fonder 6%; and
- Lannebo Fonder 5%.[3)]

Each Cornerstone Investor's commitment is subject to, among other things: (i) listing of the Offer Shares occurring no later than 10 February 2015; (ii) such Cornerstone Investor being allocated in full the Offer Shares relating to its commitment; and (iii) the Company achieving a free float (defined as the percentage of the Company's shares not owned by shareholders owning at least 10 per cent of the Company shares and not subject to lock-up undertakings following the Offer) of between 39.6% and 66.4% at commencement of trading.

Stockholm on 23 January 2015

Eltel AB *(Board of Directors)*	**The 3i Shareholders and BNP**

1) Costs related to fees to Managers and other estimated transaction costs, which the Company will incur, are estimated to amount to approximately EUR 13 million.
2) In addition to the Principal Shareholders, the Management Shareholders will also sell shares in the Offer in order to fund the contribution which the shareholders have agreed to make in relation to cover fines that may become payable in relation to the case with the Finnish Competition and Consumer Authority as further described under *"Legal considerations and supplementary information – Disputes"*. Formally, the shares will be transferred to three newly incorporated limited liability companies that will sell the shares in the Offer.
3) Lannebo Fonder AB on behalf of Lannebo MicroCap, Lannebo MicroCap II, Lannebo Sverige, Lannebo Sverige 130/30, Lannebo Utdelningsfond and Lannebo Mixfond.

Background and reasons

Eltel is a leading European provider of technical services to the Infranet industry, which consist of companies that own and operate critical infrastructure networks in the areas of *Power*, *Communication* and *Transport & Defence*. Eltel offers services related to construction, installation, maintenance and operation of critical infrastructure to its blue-chip customer base. Eltel mainly operates throughout the Nordic and Baltic regions, Poland, Germany, the United Kingdom and Africa.

The Group was established in 2001, during a period when de-regulation and privatisation, combined with needs of efficiency improvements among electricity utilities and telecom operators, started to shape the industry. Since 2001, Eltel has grown rapidly and for the financial year ended 31 December 2013, the Group generated net sales of EUR 1,153.7 million and reported an EBITA of 52.4 million.

With a solid platform in place, Eltel's strategy for continued profitable growth is based on driving organic growth and pursuing selective acquisitions, thereby maintaining leadership in the Group's core markets Finland, Sweden, Norway, Denmark, the Baltic region and Poland (the "Core Markets") as well as strengthening its position in markets which the Group has only recently entered, mainly Germany and the United Kingdom ("the New Markets"). Eltel also aims to continue improving its operating performance and efficiency. A key factor in achieving this is the Company's business service model, the "Eltel Way", which is implemented throughout the organisation. Eltel believes that this uniform model allows the Company to diffrentiate itself from its competitors in the Infranet technical services industry, by enabling growth as well as profitability.

As of the date of the Prospectus, Eltel's ownership structure includes the two key groups of Principal Shareholders, the 3i Shareholders and BNP, who hold approximately 62.6% and 29.5% of the Company's shares, respectively, and 111 of the Company's current and former employees, who hold approximately 7.9% of the Company's shares.[1)] The current ownership structure, put in place in 2007, was equity financed by the 3i Shareholders, composed of certain 3i managed funds: 3i Europartners Va LP and 3i Europartners Lb VP and 3i Group plc, an international investment manager listed on the London Stock Exchange which is focused on mid-market private equity, infrastructure and debt management with operations in nine countries across Europe, Asia and North America. In 2010, BNP became a minority owner. BNP is a leading bank in the euro zone and an international banking institution, focusing on retail banking, corporate and investment banking, private banking and asset management, with nearly 185,000 employees and a presence in 75 countries.

In order to further support Eltel's strategy and future progression of its business, Eltel's board of directors and the Principal Shareholders deem that a listing of Eltel is the logical next step for the Group, enabling access to capital through the Swedish and international capital markets.

Furthermore, a stock exchange listing is expected to contribute to increased recognition and brand awareness of Eltel as a technical services company among current and potential customers. For these reasons, the board of directors has applied for listing on Nasdaq Stockholm.

The Company expects to receive gross proceeds from the Offer of approximately SEK 1,325 million, corresponding to EUR 127.3 million, after deducting transaction costs payable by Eltel of approximately EUR 13 million, in aggregate.

The Company expects to use the net proceeds from the new issue portion of the Offer, together with draw-downs under the Credit Facility, to refinance certain of its indebtedness outstanding as of the date hereof and thereby reduce its leverage. Specifically, the Company intends to use net proceeds in the amount of:

- EUR 112.3 million together with draw-downs under the Credit Facility, to repay in full the existing senior credit facility. As of 30 November 2014, the outstanding amount under the existing senior credit facility was EUR 322.3 million; and
- EUR 5.6 million to repay in full the existing management shareholder loans. For additional information on the management shareholder loans, see note 26 on Page F-36.

The remaining net proceeds from the Offer will be used for general corporate purposes.

The Principal Shareholders will hold significant stakes in the Company following the Offer, and will thereby continue to contribute to the Company's future development. The Principal Shareholders will receive proceeds from the sale of the existing shares after deduction of fees and expenses. The Company will not receive any proceeds from the sale of the existing shares offered by the Principal Shareholders in the Offering. In addition to the Principal Shareholders, the other Selling Shareholders,

1) For more information on the ownership prior to the Offer, please refer to the section *"Share capital and ownership"*.

consisting of current and former employees, will also sell shares in the Offer in order to fund the contribution which the shareholders have undertaken to make in relation to cover fines that may become payable in relation to the case with the Finnish Competition and Consumer Authority, as further described under *"Legal considerations and supplementary information – Disputes"*. Apart from this, the current and former members of Eltel's board of directors and management will not sell any shares in the Offer.

The board of directors of Eltel AB is responsible for the content of the Prospectus. The board of directors hereby declares that, having taken all reasonable care to ensure that such is the case, the information in the Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

The board of directors of Eltel AB alone is responsible for the content of the Prospectus in accordance with what is set out herein. However, the Principal Shareholders confirm their commitment to the terms and conditions of the Offer in accordance with what is set forth in *"Terms and instructions"*.

Stockholm on 23 January 2015

Eltel AB
(Board of Directors)

The 3i Shareholders and BNP

Terms and instructions

To facilitate the description of the Offer, this section does not distinguish between the newly issued shares and the shares offered for sale.

THE OFFER

The Offer comprises a maximum of 37,554,616 shares, of which 24,090,909 newly issued shares and 13,463,707 existing shares, of which 12,802,837 existing shares are being sold by the Principal Shareholders and 660,870 existing shares are being sold by the Management Shareholders (through three newly incorporated limited liability companies), and is divided into two parts:

– The offer to the general public in Sweden[1)]
– The offer to institutional investors in Sweden and internationally[2)]

The outcome of the Offer will be published through a press release 6 February 2015.

INCREASE OF THE OFFER

At the discretion of the Principal Shareholders, the total number of shares sold by the Principal Shareholders in the Offer may be in increased by up to 7,455,797 shares.

OVER-ALLOTMENT OPTION

The Offer may include up to an additional 6,751,561 existing shares, corresponding to 15.0% of the number of shares in the Offer, assuming that the Offer is increased in full, if the Over-allotment option is exercised by the Joint Global Coordinators to cover possible oversubscription to the Offer, as described in the section "*Legal considerations and supplementary information – Plan of distribution*".

ALLOTMENT OF SHARES

The allotment of shares for each part of the Offer will be based on demand. The allotment will be determined by the Company's board of directors and the Principal Shareholders in consultation with the Joint Global Coordinators.

BOOK-BUILDING PROCESS

To achieve market-based pricing of the shares in the Offer, institutional investors will be afforded the opportunity to participate in a form of book-building process by submitting expressions of interest. The book-building process will take place during 26 January – 5 February 2015. The selling price for all shares in the Offer will be determined through this process. The book-building process for institutional investors may be terminated earlier. Announcement of such possible termination will be made through press release via one or more international news agencies. Refer to the section "*The offer to institutional investors*" below.

OFFER PRICE

The Offer Price is expected to be set within the price range SEK 55 to SEK 70 per share. The price range has been set by Eltel's board of directors in consultation with the Joint Global Coordinators, based on the anticipated investment interest from institutional investors. However, the selling price in the offer to the general public will not exceed SEK 70 per share. No brokerage commission will be charged. The finally determined selling price will be announced through press release 6 February 2015.

APPLICATION

The offer to the general public in Sweden

Applications for acquisition of shares within the terms of the offer to the general public should be made during the period 26 January – 4 February 2015 and relate to a minimum of 150 shares and a maximum of 16,000 shares[3)] in even lots of 50 shares each. Application can be made through SEB's internet bank or by using the special application form which can be obtained at offices of SEB, or can be ordered from Eltel.

Application forms are available on Eltel's website (www.eltelgroup.com) as well as SEB's website for prospectuses (www.sebgroup.com/prospectus).

The application must have been received by SEB no later than 4 February 2015, by 5:00 p.m. Note that certain bank offices close before 5:00 p.m. Applications received late, as well as incomplete or incorrectly filled-in application forms, may be discarded. No amendments or additions may be made to pre-printed text. Only one application per person may be made and only the application that SEB receives first will be considered. Note that the application is binding.

Applicants applying to acquire shares must have a securities account, a service account, a securities depository account with a securities institution of their choice or an Investment Savings Account with SEB. Applicants who do not have a securities account, a service account, a securities depository account with a securities institutions of their choice or an Investment Savings Account with SEB, must open such an account prior to submission of the application form. Please note that it may take some time to open a securities account, a service account, a securities depository account or an Investment Savings Account.

Applicants with a securities depository account or Investment Savings Account with specific rules on securities transactions, such as endowment insurance, must check with the bank or institution managing the account, or providing insurance, if acquisition of shares within the terms of the Offer is possible. Note that the application must be submitted via the bank or institution with the account.

1) The offer to the general public refers to the offer of shares to private individuals and legal entities who subscribe for a maximum of 16,000 shares.
2) The institutional offer refers to private individuals and legal entities who subscribe for more than 16,000 shares.
3) Parties who wish to subscribe for more than 16,000 shares must contact SEB Equities in accordance with what is stipulated in section "*Application – The institutional offer*".

Applicants must also have a bank account with SEB. If the shares are to be registered in a securities depository account, a service account or a depository account in an institution that is not SEB, a bank account with SEB must be specified. The account with SEB must be a Privatkonto, Enkla Sparkontot, Företagskonto or Enkla sparkontot företag. No bank account must be specified for a deposition account or an Investment Savings Account with SEB.

Only one account may be specified for payment and the account holder must be the same person applying for acquisition of shares. In connection with the acquisition of shares that are to be registered in an Investment Savings Account, payment must always be made using the funds available in the Investment Savings Account.

Customers of SEB's internet bank that have a so-called Digipass, BankID or Mobilt BankID can also apply via SEB's internet bank. Instructions for participating in the Offer via SEB's internet bank are available on www.seb.se.

In other respects, the application shall be made using the specific application form and handed in at one of SEB's offices in Sweden or sent by post to:

SEB
Emissioner R B6
SE-106 40 Stockholm

The balance on the bank account with SEB or the securities depository account or the Investment Savings Account with SEB stated on the application form must correspond to not less than the amount referred to in the application, calculated on the basis of the maximum price in the price interval, for the period from 00:00 a.m. on 5 February 2015 until 24:00 p.m. on 10 February 2015. Accordingly, the funds must be available in or deposited in the specified bank account, securities depositary account or Investment Savings Account no later than 4 February 2015 to ensure that the necessary amount is available in the stated bank account, securities depository account or Investment Savings Account. This means that the account holder undertakes to keep this amount available in the specified account, securities depository account or Investment Savings Account for the aforementioned period and that the holder is aware that no allotment of shares will be take place if the amount is insufficient during this period. Note that the amount may not be withdrawn during the stated period.

As soon as possible after allotment has taken place, the funds will be freely available for those who do not receive allotment. Funds which are not available will also give the right to interest during the specified period in accordance with the terms and conditions of the account, securities depository account or Investment Savings Account specified in the application.

For SEB customers with an Investment Savings Account, SEB will, if the application results in allotment, acquire the corresponding number of shares in the Offer for further sale to the customer at the Offer Price.

Application via Avanza

Securities depository account and internet customers of Avanza Bank AB (publ) should apply via Avanza's internet service. Instructions are available on www.avanza.se. Applications via Avanza's internet service can be made from 26 January 2015 until 4 February 2015 at 15:00 pm.

The institutional offer

Institutional investors in Sweden and internationally are afforded the right to participate in a form of book-building process from 26 January – 5 February 2015. Applications from institutional investors in Sweden and internationally shall be submitted to BNP Paribas, Morgan Stanley, SEB Equities (+46 (0) 8 522 295 00) or Pohjola Bank.

ALLOTMENT

Decision on allotment of shares is made by Eltel's board of directors and the Principal Shareholders after consultation with the Joint Global Coordinators, whereby the goal will be to achieve a good institutional ownership base and a broad distribution of the shares among the general public in Sweden, in order to facilitate a regular and liquid trading in Eltel's shares on Nasdaq Stockholm. The allotment does not depend on when the application is submitted during the application period. Only one application per person will be considered.

The offer to the general public

In the event of oversubscription, allotment may take place with a lower number of shares than the application concerns, at which allotment wholly or partly may take place by random selection. Allotment to those persons receiving shares will occur, in the first place, so that a certain number of shares are allotted per application. In addition thereto, allotment takes place with a certain, the same for all, percentage share of the excess number of shares that the application concerns and will only take place in even lots of 50 shares. Note that to qualify for allotment, the balance of the bank account, securities depository account or Investment Savings Account with SEB stated on the application form must correspond to the lowest amount the application concerns, calculated based on the highest price in the price interval. In addition, certain related parties to Eltel as well as customers of SEB may be considered separately during allotment. Allotment may also be made to employees of the Managers, however, without prioritising them. In such cases, the allotment takes place in accordance with the rules of the Swedish Securities Dealers Association and the Swedish Financial Supervisory Authority's regulations.

The institutional offer

Decision on the allotment of shares within the framework of the offer to institutional investors in Sweden and internationally will, as mentioned above, be made with the aim of achieving a good institutional ownership base in Eltel. Allotment among institutions that have submitted expressions of interest will made on a wholly discretionary basis.

However, the Cornerstone Investors, having undertaken to subscribe for shares in the Offer, will be given priority in relation to other investors up to the full amount of Offer Shares which they have undertaken to acquire.

INFORMATION REGARDING ALLOTMENT AND SETTLEMENT

The offer to the general public

Allotment is expected to take place 6 February 2015. Shortly thereafter, a contract note will be sent to those that have received allotment in the Offer. Those persons who have not been allotted shares will not be notified.

Information about allotment is also expected to be provided from 09:00 a.m. on 6 February 2015 via telephone +46 (0)8 639 27 50 or alternatively via SEB's internet bank. To receive information regarding allotment the following information must be provided: name, personal identity number/corporate registration number, securities account, service account, Investment Savings Account or securities depository account number with the bank or securities institution.

Acquired and allotted shares shall be paid in cash in accordance with instructions on the contact note, however not later than 10 February 2015. Where applicable, payment is expected to be deducted from the bank account stated on the application form around 9 February 2015 and from the specified securities depositary account and from the Investment Savings Account, respectively, around 10 February 2015.

Insufficient or incorrect payment

If sufficient funds are not available on the bank account, securities depository account or Investment Savings Account on the settlement date or if full payment is not made in due time, allotted shares may be transferred and sold to another party. The party who initially received allotment of shares in the Offer may bear the difference, should the selling price in the event of such a transfer be less than the Offer Price.

The institutional offer

Institutional investors are expected to receive information regarding allotment in a particular order around 6 February 2015, after which contract notes will be distributed. Full payment for allotted shares shall be in cash no later than 10 February 2015. Note that if full payment is not made in due time, allotted shares may be transferred to another party. The party who initially received allotment of shares in the Offer may bear the difference, should the selling price in the event of such a transfer be less than the selling price in the Offer.

REGISTRATION AND RECOGNITION OF ALLOTTED AND PAID-UP SHARES

Registration with Euroclear Sweden of allotted and paid-up shares is expected to take place around 10 February 2015 for both institutional investors and the general public, after which Euroclear Sweden will distribute a notice stating the number of Eltel shares that have been registered in the recipient's securities account. Shareholders whose holdings are nominee-registered will be notified in accordance with the procedures of the respective nominee.

LISTING ON THE STOCK EXCHANGE

The board of directors of Eltel has applied for a listing of Eltel's shares on Nasdaq Stockholm. Nasdaq Stockholm's listing committee decided on 10 December 2014 to admit Eltel to trading on Nasdaq Stockholm provided that the dispersion requirements in respect of the Company's shares are fulfilled.

Trading is expected to begin 6 February 2015. Paid-up shares will be transferred to the securities depository account, service account, securities account or Investment Savings Account, specified by the acquirer, following processing of the application by the Managers. The time that is required to transfer the payment and shares to such accounts as specified by the acquirer implies that the acquirer will not have such shares available in the specified securities depositary account or securities account until around 10 February 2015.

In the event that shares are not available on the acquirer's securities depository account, service account or securities account before around 10 February 2015 it could mean that the acquirer cannot sell these shares on Nasdaq Stockholm on the day the trading in the share begins, i.e. around 6 February 2015, but at the earliest when the shares are available on the securities depository account, service account, securities account or Investment Savings Account. Moreover, trading will commence before the terms and conditions for the completion of the Offer have been fulfilled. Trading will be conditional on completion of the Offer and should the Offer not be completed, any shares supplied shall be returned and any payments cancelled. Trading which takes place on 6 February 2015 is expected to occur with delivery and settlement on 10 February 2015.

In connection with the Offer, Joint Global Coordinators may carry out transactions on Nasdaq Stockholm with a view to stabilising the market price of the share or maintain the price at a level that deviates from what would otherwise prevail in the market. Refer to the section "*Legal considerations and supplementary information – Plan of distribution*".

ANNOUNCEMENT OF THE OUTCOME OF THE OFFER

The final outcome of the Offer will be announced through a press release which will be available on Eltel's website, www.eltelgroup.com, around 6 February 2015.

RIGHT TO DIVIDEND

For acquirers, the shares carry a right to dividend for the first time on the record date for dividend that occurs immediately after the completion of the Offer. Payment will be administered by Euroclear Sweden or, for nominee-registered shareholdings, in accordance with the procedures of the individual nominee. The board of directors does not intend to propose any dividends to be decided by the annual general meeting to be held in 2015. For more information, refer to the section "*Share capital and ownership*" *– Dividends and Dividend Policy*".

TERMS AND CONDITIONS FOR COMPLETION OF THE OFFER

The Selling Shareholders, the Company and the Joint Global Coordinators intend to enter into an agreement on the placing of shares in Eltel on 5 February 2015 (the "Underwriting Agreement"). For information regarding terms and conditions for completion of the Offer and the Underwriting Agreement, see *"Legal considerations and supplementary information – Plan of distribution"*.

OTHER INFORMATION

The fact that SEB is acting as issuer agent does not imply that SEB regards the person that has applied for shares in the Offer (the "Acquirer") as a client of the bank for the investment. For the investment the acquirer is only regarded as a client of the bank if the bank has advised the acquirer about the investment or has otherwise contacted the acquirer individually about the investment or if the acquirer has applied via the bank's office or internet bank. The outcome of the bank not regarding the acquirer as a client for the investment is that the rules for protecting investors under the securities market laws will not be applied to the investment. Among other things, this means that neither so-called client classification nor so-called suitability assessment will be applied to the placement. As a result, acquirers are themselves responsible for having adequate experience and knowledge to understand the risks associated with an investment.

INFORMATION ABOUT HANDLING PERSONAL INFORMATION

Anyone acquiring shares in the Offer will submit information to SEB. Personal information submitted to SEB will be processed in data systems to the extent required to provide services and administer customer arrangements. Personal information obtained from sources other than the customer may also be processed. The personal information may also be processed in the data systems of companies or organisations with which SEB cooperate. Information pertaining to the treatment of personal information can be obtained from SEB's offices, which also accept requests for the correction of personal information. Address details may be obtained by SEB through an automatic procedure executed by Euroclear.

Capitalisation, indebtedness and other financial information

The tables in this section describe the Group's capitalisation and net indebtedness as of 30 November 2014. All information in the tables below comprise unaudited financial information. The information presented below should be read in conjunction with *"Operating and Financial Review"* and the Group's consolidated financial statements and the notes related thereto included elsewhere in the Prospectus.

CAPITALISATION

EUR million	30 November 2014
Current interest-bearing liabilities	
Guaranteed[1)]	0.1
Secured[2)]	335.5
Unguaranteed/unsecured	14.7
Total current interest-bearing liabilities	**350.2**
Non-current interest-bearing liabilities	
Guaranteed	–
Secured[3)]	6.7
Unguaranteed/unsecured	–
Total non-current interest-bearing liabilities	**6.7**
Shareholders' equity	
Share capital	86.4
Legal reserve	–
Other reserves	171.7
Total	**258.1**

NET INDEBTEDNESS

	EUR million	30 November 2014
(A)	Cash	21.0
(B)	Cash equivalents (detail)	–
(C)	Trading securities	–
(D)	**Liquidity (A)+(B)+(C)**	**21.0**
(E)	**Current financial receivables**	**1.1**
(F)	Current bank debt	15.5
(G)	Current portion of non-current debt	318.4
(H)	Other current financial debt	16.3
(I)	**Current financial debt (F)+(G)+(H)**	**350.2**
(J)	**Net current indebtedness (I)-(E)-(D)**	**328.1**
(K)	Non-current bank loans	–
(L)	Bonds issued	–
(M)	Other non-current loans	6.7
(N)	**Non-current financial indebtedness (K)+(L)+(M)**	**6.7**
(O)	**Net financial indebtedness (J)+(N)**	**334.8**

1) Guarantee of an overdraft amount of Eltel Networks AS, Estonia, by its parent company Eltel Group Oy.
2) Consisting of security over shares in the Company's material subsidiaries and certain other assets granted in connection with Eltel's existing credit facility.
3) Consisting of security granted in connection with leasing liabilities over underlying leased assets, primarily fleet and other tools and equipment.

CAPITAL STRUCTURE IN CONNECTION WITH THE LISTING

Prior to the listing, the Company's capital structure consists of a mix of senior credit facility loans and shareholder loans, including management loans and shareholder loans in the form of so called "PIK notes", in an aggregate principal amount as of 30 November 2014 of EUR 336.9 million. The existing senior credit facilities and shareholder loans, including management loans, will be repaid in full, together with refinancing fees and expenses of EUR 2.1 million using net proceeds in the amount of EUR 117.9 million and drawdowns under the Credit Facility (as defined below). The PIK notes will be converted to ordinary shares. See "*Share capital and ownership – Development of the share capital*" for information regarding the Company's share capital structure prior to and in connection with the Offer.

Upon closing of the Offer and listing of the Company's shares on Nasdaq Stockholm, the Group's loan financing will consist of (i) a EUR 210 million multi-currency term loan facility, which will be drawn in tranches of EUR (50%), SEK (35%) and PLN (15%). All tranches will have a final maturity date falling five years after the date of the signing of the facility agreement (the "Term Loan Facility"); (ii) a EUR 90 million multi-currency revolving credit facility with the same final maturity as the Term Loan Facility (the "Revolving Credit Facility" and, together with the Term Loan Facility, the "Credit Facility"); and (iii) other interest bearing loans in the aggregate principal amount of EUR 8.5 million. The Group entered into a binding commitment undertaking regarding the Credit Facility on 12 December 2014 with Skandinaviska Enskilda Banken AB, Danske Bank A/S and Pohjola Bank plc acting as lenders thereunder (the "Lenders"). The effectiveness of the Credit Facility is conditional on the closing of the Offer. The Group will draw the Term Loan Facility in full concurrently with the closing of the Offer and does not expect to draw the Revolving Credit Facility at closing of the Offer.

The Credit Facility will bear interest at a rate per annum equal to the relevant IBOR plus a variable margin, which will be based on the Group's net debt to EBITDA ratio. The Group is also required to pay a customary commitment fee, in arrears each financial quarter during the availability period, on undrawn commitments under the Revolving Credit Facility. The Credit Facility will impact the Group's net interest expense going forward. See "*Operating and financial review – Effect of the Offer, Credit Facility, new guarantee facilities, repayment of existing indebtedness*".

The Credit Facility will be able to be drawn upon the satisfaction of certain conditions precedent, including evidence that the shares of the Company have been or will contemporaneously with the Credit Facility's first utilisation be listed on Nasdaq Stockholm, and evidence that the net proceeds from the Offer (together with funds from the Credit Facility) will be used to repay and discharge the outstanding indebtedness under the existing senior credit facility in full, concurrently with the closing of the Offer.

The Credit Facility contains customary representations and warranties made as of the signing date and as of certain subsequent dates. In addition, the Credit Facility contains certain customary undertakings (subject to certain agreed exceptions and limitations), including, amongst others, those with respect to maintaining authorisations, complying with laws (including environmental laws and sanctions), restrictions on mergers, restrictions on disposals and on acquisitions exceeding an amount equal to 7.5 per cent of the Group's gross assets for the previous financial year, negative pledge, restrictions for subsidiaries to incur financial indebtedness, not changing the general nature of the business and maintaining appropriate insurance cover.

The Credit Facility further contains customary financial covenants relating to the net debt to EBITDA ratio and interest cover (EBITDA to net finance charge) of the Group. The net debt to EBITDA ratio shall in the first calculation, which under the Credit Facility will be made at the end of the second full quarter after the first utilisation, not exceed 4.00 and will then step down to 3.50 in 2017. The interest cover ratio shall at all times be equal to or greater than 4.00. The Credit Facility does not contain any restrictions on dividend payments. No security has been granted pursuant to the Credit Facility. Any drawings of loans by subsidiaries of the Company under the Credit Facility will be guaranteed by the Company.

The Credit Facility may become prepayable in whole or part on the occurrence of certain events of default, including, but not limited to, non-payment of principal or interest by any obligor, breach of the financial or other covenants, breach of representations and warranties, insolvency of certain Group members or if any obligor ceases to be a wholly-owned subsidiary of the Group. The Credit Facility is also subject to certain customary mandatory prepayment obligations, which may be triggered upon the occurrence of certain events, including if it becomes unlawful for any lender to perform its obligations under the Credit Facility, if the transactions contemplated by the Credit Facility would result in a violation by a lender of any applicable sanction laws, if a change of control in the Company occurs or if the Company ceases to be listed on Nasdaq Stockholm. In addition to the Credit Facility, prior to the closing of the Offer the Group intends to enter into bilateral guarantee facilities in an aggregate amount of EUR 110 million with the Lenders, which will be used to refinance the existing guarantees under the existing senior facilities agreement as well as to satisfy future needs for bank guarantees and letters of credit.

Upon completion of the Offer, the Company expects to borrow EUR 35 million on an interest-free basis from the Selling Shareholders to collaterise the Selling Shareholders' agreement to contribute an amount, not exceeding EUR 35 million, to the Company to cover any fines (i.e. excluding costs and possible damages) payable by the Company in connection with the FCCA Case. For more information on the contribution agreement and borrowing thereunder, refer to "*Material Agreements—Agreement related to the FCCA Case*".

For a description of the Group's capital structure following completion of the Offer, please refer to "*Operating and financial results – Liquidity and capital resources*".

Except as set forth above, the Group has no reason to believe that there has been any material change to its actual capitalisation since 30 November 2014 other than changes resulting from the ordinary course of its business.

For information on the Group's commitments and contingent liabilities see the note titled "*Commitments and Collaterals Pledged*" to the Group's unaudited interim consolidated financial statements and note 25 *"Commitments and Contingent Liabilities*" to the Group's audited consolidated financial statements for the years 31 December 2013, 2012 and 2011, in "*Historical financial information*" and the information under the heading "*Legal considerations and supplementary information – Disputes*" in this Prospectus.

Using a portion of the proceeds from the Offer and a drawdown of EUR 210.0 million, as intended, under the Term Loan Facility (which is conditional on the closing of the Offer), the Company expects to repay in full its existing senior credit facility loans and revolving credit facility as well as certain of its other long- and short-term indebtedness, including shareholder loans. In connection with the Offer, all preference shares and all other shares will be re-classified into one share class with equal voting and economic rights. In connection with the dismantling of the previous ownership structure, members of the senior management team that are entitled to receive the Incentive Payment, including the chairman of the board of directors, will reinvest 50% of the Incentive Payment, net of tax, in a new issue of shares in the Company, separately from the Offer but at the Offer Price. Loans from shareholders in the form of "PIK Notes" are expected to be converted into common shares in the Company. For additional information, refer to "*Share capital and ownership – Dismantling of previous ownership structure*".

The table below presents an overview of the Company's capitalisation and indebtedness as of 30 November 2014, adjusted for the events described in the paragraph above, to illustrate how the Company's financial position would have been on 30 November 2014, if those events had occurred on that date.

EUR million	30 November 2014	Write-downs of capitalised costs related to the current financing	Share issue to BNP in connection with repayment of PIK Notes[1)]	Redemption of shares	Receipt of net funds from Offer[2)]	Refinancing of current indebtedness[3)]	Reinvestment of Incentive Payment by senior management team[4)]	30 November 2014 after adjustments
Share capital	86.4		3.2	(4.0)	42.4		0.8	128.7
Reserves	171.7	(4.0)	5.9	4.0	84.9		1.8	264.2
Total shareholders' equity	**258.1**	**(4.0)**	**9.1**	**–**	**127.3**		**2.6**	**392.9**
Interest-bearing liabilities	356.9	4.0	(9.1)			(117.9)		234.0[5)]
Total interest-bearing liabilities	**356.9**	**4.0**	**(9.1)**	**–**		**(117.9)**		**234.0**
Cash and cash equivalents	21.0				127.3	(117.9)		30.5
Current financial receivables	1.1							1.1
Net financial indebtedness	**334.8**	**4.0**	**(9.1)**	**–**	**127.3**	**0.0**		**202.5**

1) In connection with the Offer, PIK Notes held by BNP will be repaid by way of set-off against a new issue of common shares. For additional information, refer to "*Share capital and ownership – Dismantling of previous ownership structure*".
2) Assuming an Offer Price at the midpoint of the price range.
3) Refinancing of current indebtedness includes the repayment of EUR 322.3 million outstanding under the existing credit facility as of 30 November 2014 and EUR 5.6 million of management shareholder loans outstanding as of 30 November 2014, and the drawdown of EUR 210 million under the Term Loan Facility, and does not include any transaction fees payable in connection with the refinancing.
4) In connection with the dismantling of the previous ownership structure, members of the senior management team that are entitled to receive the Incentive Payment, including the chairman of the board of directors, will reinvest 50% of the Incentive Payment, net of tax, in shares in the Company by way of set-off of the part of the Incentive Payment to be reinvested in a new issue of shares, separately from the Offer but at the Offer Price. Assuming an Offer Price at the midpoint of the price range, 388,038 shares will be issued to the members of the senior management team, including the chairman of the board of directors. For additional information, refer to "*Share capital and ownership – Dismantling of previous ownership structure*".
5) Interest-bearing liabilities at 30 November 2014 after adjustments does not reflect the repayment of EUR 15.5 million of short-term interest-bearing liabilities borrowed under the Company's revolving credit facility as of 30 November 2014 which were repaid prior to the Offer.

PROPERTY, PLANT AND EQUIPMENT

The Group's tangible fixed assets primarily comprise land, buildings and machinery and equipment. As at 30 September 2014, the Group's tangible assets had a total book value of EUR 34.2 million (of which EUR 6.3 million related to finance lease agreements for machinery and equipment). The Group will, after the listing, have no major encumbrances on its tangible fixed assets.

For additional information on the Group's tangible assets, please see note 13 "*Property plant and equipment*" in "*Historical financial information*", and for information on planned material tangible assets, please see *"Operating and financial review – Capital expenditures".*

INTANGIBLE FIXED ASSETS

The Group's intangible fixed assets primarily comprise goodwill, customer relationships, brands and other intangible assets. As at 30 September 2014, the Group's intangible fixed assets had a total book value of EUR 522.2 million. The Group will, after the listing, have no major encumbrances on its intangible fixed assets.

For additional information on the Group's intangible assets, please see note 13 *"Intangible assets"* to the Group's audited consolidated financial statements in "*Historical financial information*".

WORKING CAPITAL STATEMENT

As described in "*Capital structure in connection with the listing*", existing debt will be refinanced upon closing of the Offer. In the Group's opinion, the Group's working capital will, following the refinancing, be sufficient for its present requirements for the period of twelve months from the date of the Prospectus.

FINANCIAL RISK MANAGEMENT – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See note 3 *"Financial risk management"* to the Group's consolidated financial statements in *"Historical financial information"* for an account of the Group's risk management activities as well as exchange rate and interest rate sensitivity analyses.

Industry overview

The Prospectus includes business and market data concerning the Group's business and markets. Unless otherwise stated, this information is based on the Group's analysis of several sources, including a market study which the Group has commissioned from PwC. Certain market and business information is derived from the Group's estimates, which are based on its analysis of multiple sources including data compiled by professional organisations, consultants and analysts and information otherwise obtained from third-party sources, as well as the Group's internal data and its own experience, or a combination of the foregoing. Even if the information has been accurately reproduced and the Group considers the information reliable, the Group has not independently verified and cannot give any assurance as regards the accuracy and completeness of such information. As far as the Group is aware and is able to ascertain from other information published by such relevant sources, no fact has been omitted which would render the reproduced information inaccurate or misleading.

The PwC Market Study is based on approximately 200 primary interviews conducted with customers, competitors, industry experts and participants, in combination with extensive secondary market research. PwC has informed the Group that the secondary market research includes information obtained from: (i) data providers, industry consultants and equity research reports; (ii) industry associations, regulators, governmental and development institutions and national statistics providers; and (iii) publicly available information from other sources, such as information released by customers, competitors and other industry participants.

Market and business information may include estimates as regards future market conditions and other forward-looking information. Forward-looking information is not a guarantee of future results or development, and actual outcomes may differ materially from the statements set forth in the forward-looking information. Please see "*Important Information – Forward-looking statements*".

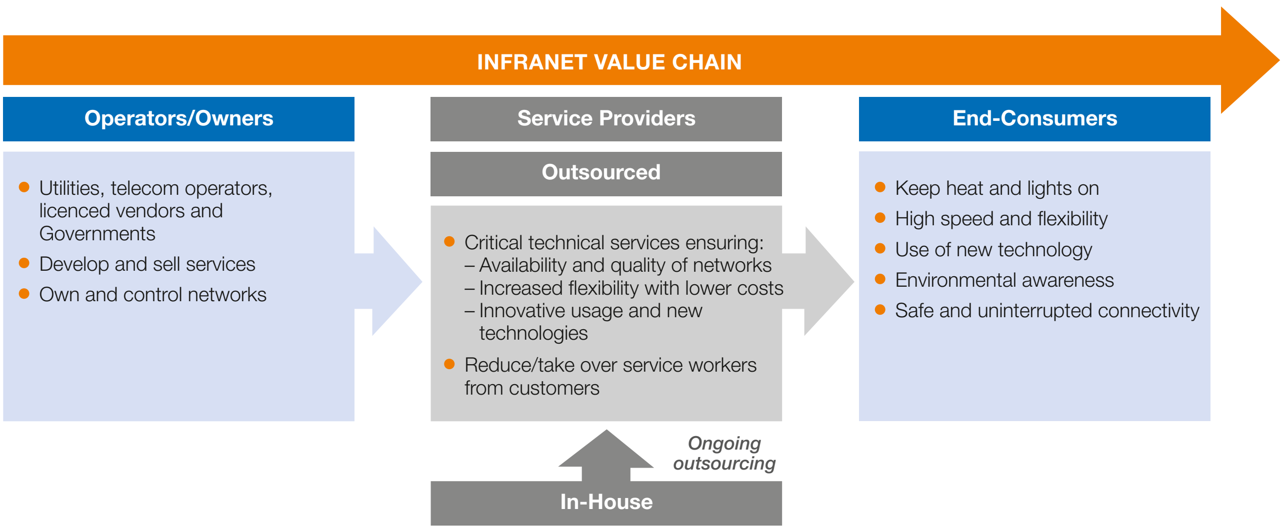
DEFINING THE INFRANET INDUSTRY

Driven by ageing networks, rapid technological change and regulatory pressures, European countries have commenced and are expected to continue making substantial investments to build, upgrade and maintain the next generation of infrastructure. According to the European Commission, estimates point to investment needs in the range of between EUR 1.5–2 trillion by 2020 across the EU's energy, communication/IT and transport sectors.

Infrastructure networks, or the so-called 'Infranet', are at the centre of these significant investment needs. The scope of these investments in the Infranet industry is going beyond modernisation and capacity expansion, further increasing society's reliance on emerging intelligent infrastructure networks, which aim to be more efficient, cheaper to operate and maintain and environmentally-friendly.

Pioneered by the Group over a decade ago, the Infranet technical services industry encompasses the building and maintenance of critical infrastructure and networks. The industry spans the Group's three end-markets, i.e. (i) *Power*, (ii) *Communication* and (iii) *Transport & Defence*, offering a broad range of maintenance and upgrade services and project delivery to operators or owners of infrastructure, often via long-term frame agreements. Such maintenance and upgrade services may include, for example, connecting retail and wholesale customers to operator networks or recovering the condition of existing networks. Project delivery typically relates to larger investments, such as the building of power transmission lines or rail signalling systems.

As illustrated in the chart below, the Infranet technical services industry is positioned at a critical stage in the value chain of infrastructure and network operations.



While operators or owners – typically either state-owned or private utility, telecom or transport operators – develop and sell services, the technical services providers are responsible for ensuring reliability and quality for end-customers who consume the services. This is vital given the tolerance for incidents, such as power cuts or internet delays, is today close to zero as consumers have come to expect ever faster communication services, better quality of electricity as well as safe and timely transportation services. Importantly, many regulatory frameworks, particularly within the power sector, impose significant penalties on operators for service interruptions.

While ensuring operators meet both consumers' and regulators' demands, the Infranet technical services providers also seek to add value by offering increased flexibility and innovative usage of best practices, thereby enhancing profitability for the operators.

INDUSTRY EVOLUTION

The Infranet technical services industry was formed over a decade ago as a result of de-regulation of power and telecom markets across Europe, which prompted operators to focus more on efficiency. As a result, operators began to carefully define and prioritise their core businesses, and began to outsource the services provided by their in-house technical service organisations. Spurred on by privatisations, a dedicated and specialised service industry was established, with many of the original players coming from the largest telecom and power companies. With the creation of a liberalised market, double-digit percentage reductions of field service costs have been reported according to Eltel, while the quality of the networks has improved and the speed to launch new technologies increased.

Today, technological developments are moving fast, e.g. with a shift from copper to fibre and from 3G to 4G/LTE in mobile telecom. Meanwhile, Europe's power networks are approaching the end of their technical lives, with investments also necessary due to the increasing use of renewable energy sources, energy-saving initiatives, Smart Meter development and integration of the energy market on a European level. With financial pressures persisting in the power and telecom markets, regulatory pressure is simultaneously placing higher demands on system security and availability. Consequently, operators are looking to realise synergies and opportunities to boost their network performance, maximise availability and optimise resources.

As a result of these rising pressures and technological complexity, the need for sophisticated technical services, outsourcing and know-how is increasing. Furthermore, geographical expansion by operators has resulted in pan-European service providers becoming increasingly sought after. To capitalise on this opportunity, a number of players, such as the Group, have established broad offerings and regional footprints in Europe by acting as consolidators.

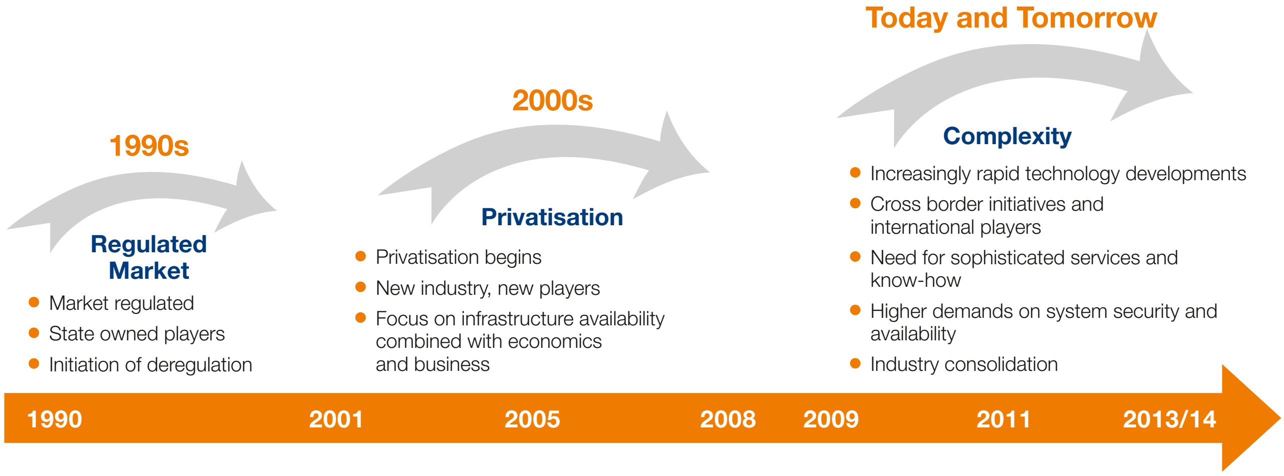
GENERAL MARKET CHARACTERISTICS

The Group's addressable Infranet technical services market is broadly defined as operators' total spend, including capital and operating expenditure, which is within the scope of the Group's services and currently outsourced to external providers.

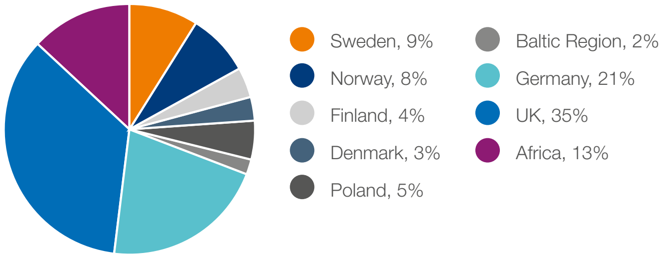
In 2013, the market value of the addressable market in the Group's end-markets and Core Markets was estimated at approximately EUR 7.5 billion. Besides these markets, the Group has entered New Markets, including Germany and the United Kingdom, which were estimated at EUR 5.1 billion and EUR 8.3 billion, respectively, totalling to EUR 20.9 billion in Europe. In addition, the Group generates a certain amount of its sales from Africa, a market estimated at approximately EUR 3.2 billion.

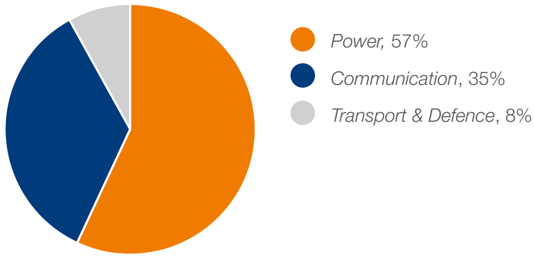
Power represented the largest end-market in 2013 with an estimated value of EUR 13.7 billion, followed by *Communication* and *Transport & Defence*, at EUR 8.4 billion and EUR 2.0 billion, respectively.

Evolution of the Infranet Technical Services Industry



The Addressable Infranet Technical Services Market by Country and End-Market (2013)



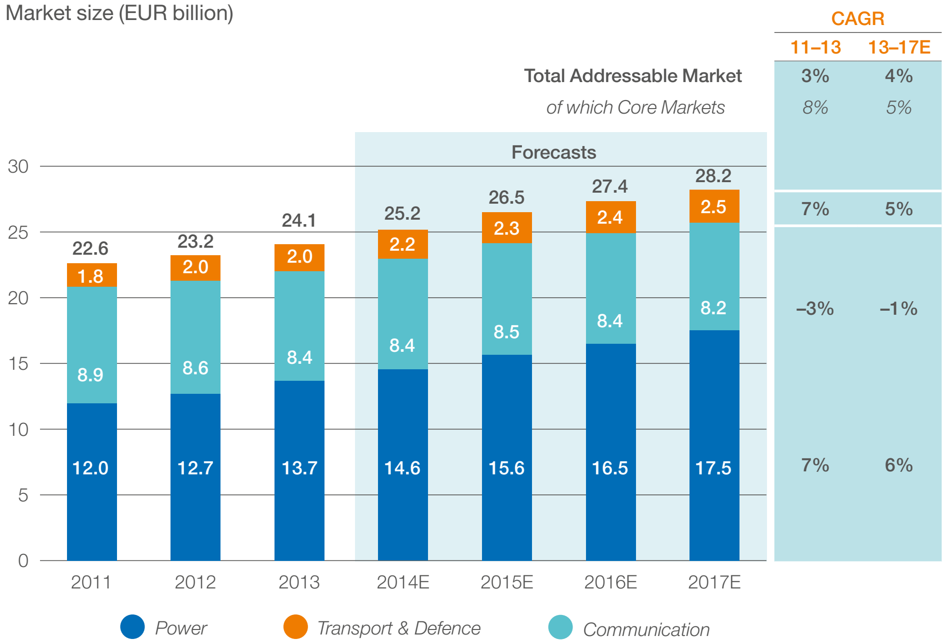


Key trends and drivers

The Group believes that the industry is non-cyclical as a result of (i) spend by customers encompassing investments in critical infrastructure spanning timeframes of 5–10+ years and (ii) the high level of recurring income/maintenance level under long-term frame agreements with customers. For example, the power transmission market is primarily driven by EU energy policy and demands on electricity grids, giving rise to long-term investment plans by state-owned TSOs with committed funding. Such projects provide a large market for maintenance and upgrade services, although gradual modernisation may decrease long-term maintenance needs. Nevertheless, the industry was impacted by the unprecedented events of the financial crisis in 2008–2009, which resulted in sudden sharp budget cuts by certain customers in the telecom industry. In the following years, a "catch-up" effect became evident as critical investments could no longer be postponed. Furthermore, many of the Group's Core Markets in Scandinavia benefitted from the region's sound public finances and lack of strict austerity measures.

The Group's addressable market is expected to grow in aggregate at an estimated compound annual growth rate (CAGR) of 4% in 2013–2017, while its addressable Core Markets is expected to grow slightly faster at 5%. The outlook also varies across the end-markets. In particular, the *Power* market is expected to show strong growth with a CAGR in excess of 6% during the forecast period of 2013–2017.

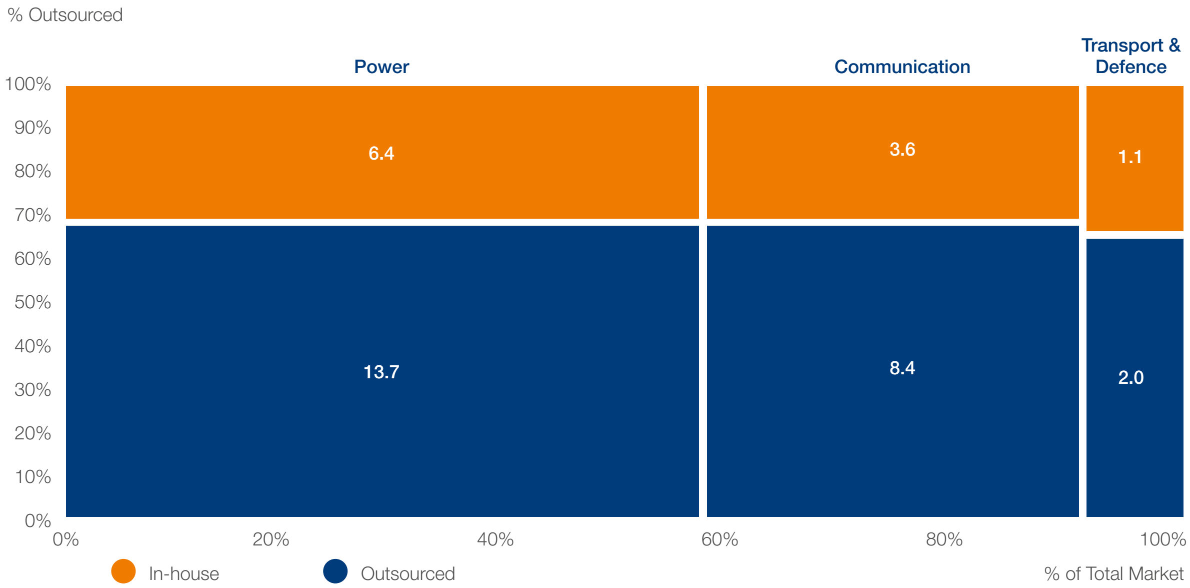
Development of the Addressable Infranet Technical Services Market
Market size (EUR billion)



The anticipated future market growth of the Infranet technical services market is underpinned by several favourable fundamental trends. These trends include (i) increasing regulatory requirements, (ii) continued increase in the level outsourcing, (iii) ageing power infrastructure, (iv) increased use of renewable and energy-efficient solutions, (v) technology-driven shifts in consumer demand and (vi) convergence of networks. These are discussed in more detail below.

- ***Increasing regulatory requirements:*** The industry's end-markets are facing increasing regulatory requirements at EU and national levels. Key examples include governments demanding reliable power networks via regulatory frameworks, EU targets for minimum broadband capacity and population availability, as well as large-scale EU interoperability programmes and environmental goals in the transport sector. As a result, operators are becoming increasingly focused on improving their operations and service levels to meet more stringent requirements, and more often relying on external expertise to meet these objectives.
- ***Continued increase in the level of outsourcing:*** There is a trend among customers to continue increasing the proportion of their technical services being outsourced due to (i) focus on their core businesses, (ii) cost pressures leading them to seek operational savings and (iii) a growing need for increasingly complex technical services, as result of regulatory and technological changes. While approximately 30–35% of technical services on average are performed in-house across the end-markets, certain specific markets such as power distribution and homeland security & aviation demonstrate significantly higher potential for outsourcing, particularly in the Core Markets. Furthermore, in certain countries a large share of technical services remains in-house and more flexible labour laws in countries such as Poland and Germany are reinforcing the shift towards outsourcing. In Africa, the resources and know-how will typically not exist in-house. In selecting external providers, the Group also perceives a trend among customers to consolidate their supplier base to increase efficiency and benefit from scale and scope advantages, i.e. "one-stop shopping", that favour larger and more established providers in Europe.
- ***Ageing power infrastructure:*** Large parts of transmission grids and distribution networks in Northern and Central Europe were built during the early 1970's and are approaching the end of their technical and economic lives. With security of supply becoming a strategic and national security concern and continued high service levels being demanded by regulatory frameworks, many operators have announced significant increases in their capital expenditure

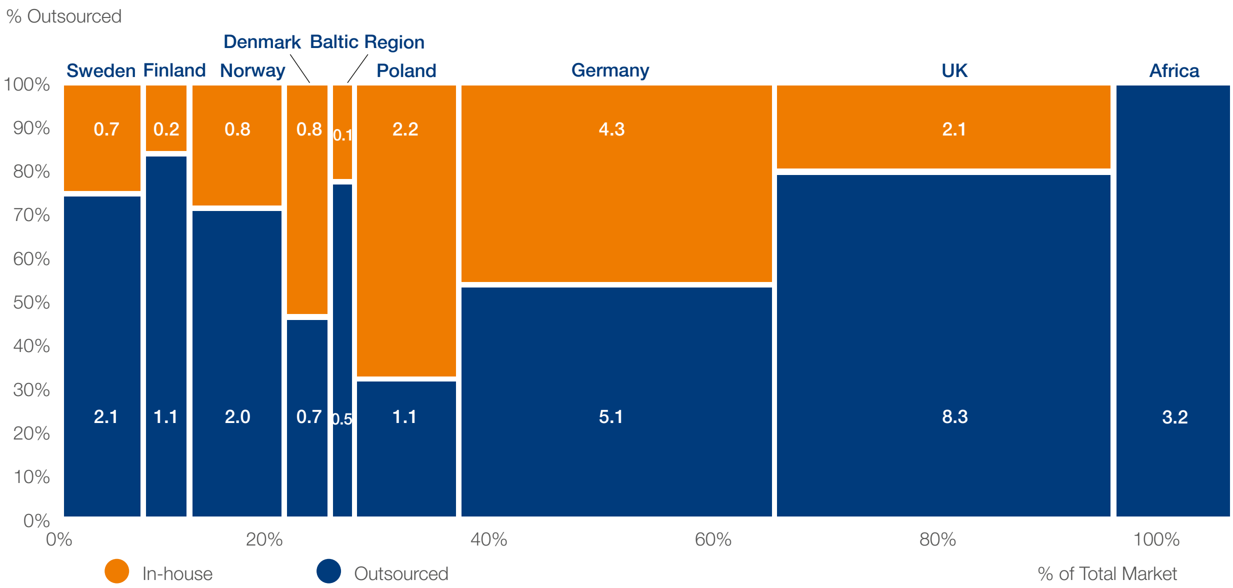
Degree of Outsourcing by End-Market (2013)
Market size (EUR billion), % Outsourcing



to implement refurbishment projects on a large scale. This trend is being further reinforced by the EU's plans for a higher degree of electricity market coupling to create an internal energy market. Meanwhile, the rapid development and urbanisation of many African countries, in particular in the Sub-Saharan region, is driving electrification to improve access to power for both industry and communities.

- ***Increased use of renewables and energy-saving technologies:*** Power derived from renewable sources such as wind and solar are set to increase further, driven by a heightened focus on reducing greenhouse emissions and the EU 2020 target. This shift towards renewable energy and the resulting change in the overall energy mix, requires significant investment in connecting new energy sources to transmission and distribution grids and managing higher load variability. In addition, energy-saving initiatives such as smart meters, which enable invoicing of electricity based on real consumption, present a significant opportunity as roll-outs progress across the EU. The EU has set an objective to reach penetration of 80% for smart meters and, according to the European Commission, 200 million smart meters for electricity are expected to be installed in EU28+Norway by 2020, up from approximately 68 million in 2014.
- ***Technology-driven shifts in consumer demand:*** Driven by increasingly sophisticated end-users and increased volume of data traffic, telecom operators are expected to continue requiring assistance in developing higher capacity on mobile networks and the continued shift from copper to fibre optics networks. The technological shift from 2/3G to 4G/LTE is a key driver with most mobile network operators expanding 4G, while requiring maintenance on old networks which still support the majority of users.
- ***Convergence of networks:*** The Group sees increasing dependency between the power and telecom industries, similar to the convergence which has occurred between telecom and IT, giving rise to new cutting-edge technologies. A key example is smart grids, which cross-fertilise the technologies of power, telecom and IT, allowing electricity to flow two ways and be used where it is most needed at any moment.

Degree of Outsourcing by Country (2013)
Market size (EUR billion), % Outsourcing



COMPETITIVE LANDSCAPE

While the Group believes there are very few other companies that focus on Infranet technical services as its core business, the Group competes with a number of players, ranging from smaller local suppliers to larger multi-national companies, depending on the end-market and geographical market. The Group holds an overall No. 1 position in its Core Markets, with key direct competitors including Bravida, Empower, Infratek, ONE Nordic, Relacom and SAG, which have service offerings including, amongst others, Infranet technical services. To a lesser extent, the Group also competes with multi-nationals such as Ericsson, who have started to offer more services and have been able to price competitively by bundling these with hardware. In the Group's New Markets, larger European players, e.g. Balfour Beatty and Vinci, actively compete and offer technical services as part of their diversified offerings.

Overview of key Competitors

END-MARKET EXPOSURE — Active / Partly Active / No Activity

	Large Nordic Platforms			Smaller Nordic Platforms				Large European/ Other Platforms							
	Caverion	bravida	ELTEL	relacom	Infratek	Empower	one	Ericsson	Vinci	[illegible]	Imtech	SPIE	carillion	Balfour Beatty	SAG
Revenue: 2013 (€ Bn)	2.5	1.2	1.2	0.5	0.4	0.3	0.2	10.6	9.2	5.1	4.9	4.6	2.9	1.6	1.2
Infranet	Partly Active	Partly Active		Partly Active	Active	Active	Active	Partly Active	Partly Active	Partly Active	Partly Active	Partly Active	Partly Active	Partly Active	Partly Active
Construction	Partly Active	Partly Active	No Activity	No Activity	No Activity	No Activity	No Activity	No Activity	No Activity	No Activity	Partly Active	No Activity	Active	Active	No Activity
Building Services	Active	Active	No Activity	No Activity	No Activity	No Activity	No Activity	Active	Partly Active	No Activity	Active	Active	Active	Partly Active	No Activity
Facility Management	Partly Active	No Activity	No Activity	No Activity	No Activity	Partly Active	No Activity	Partly Active	No Activity	No Activity	No Activity	Partly Active	Active	No Activity	No Activity
Equipment Supplier	No Activity	No Activity	No Activity	No Activity	Partly Active	No Activity	No Activity	Active	No Activity	No Activity	No Activity	No Activity	No Activity	No Activity	No Activity
Engineering Services	Partly Active	Partly Active	No Activity	Active	Partly Active	Partly Active	Partly Active	Active	Active	Active	Active	Active	Partly Active	Active	Active
Infrastructure Management	Partly Active	Partly Active	No Activity	Active	Partly Active	Partly Active	Partly Active	Partly Active	Active	Active	Active	Active	Active	Active	Partly Active

OVERVIEW OF END-MARKETS

As the historical development and market outlook of each end-market and geography varies, each of the three end-markets is described separately below. Moreover, given the Group's varying scope of activities across its geographical markets and the fragmented nature of the industry, the competitive landscape is described by end-market and geography.

Power

The addressable *Power* end-market is defined as (i) outsourced spend by TSOs (Transmission System Operators), typically state-governed entities who operate the high-voltage national grids, including transmission systems, high voltage power lines and substations and (ii) outsourced spend on maintenance and upgrade of regulated regional and local distribution networks, owned by vertical utilities or municipalities, which are referred to as DSO's (Distribution System Operators). Capital expenditure on new lines and stations relating to major infrastructure interconnector projects, in particular new subsea connecting the Nordic and Baltic regions and Continental Europe are excluded.

Nordic Region, Baltic Region and Poland

The addressable Nordic, Baltic and Polish end-market was estimated at EUR 4.3 billion in 2013, having grown at a CAGR of 13% since 2011. Going forward, overall strong growth corresponding to a CAGR of 7% in 2013–2017 is expected, driven primarily by the renewal of ageing grids and the rapid introduction of renewable energy sources, implying increased demands on load management.

Accordingly, investments in transmission grids are expected to increase, with a number of TSOs having announced significant investments plans, representing ten-fold increases compared to the last decade. In Norway, Statnett has announced its intention to commence a programme to expand and upgrade its grid, corresponding to EUR 6–8 billion in total during 2013–2022, driving a CAGR of 9% in the Norwegian transmission market over the forecast period. The urgent need for the modernisation of the Polish transmission grid and investment in improving interconnections with neighbouring countries, supported by EU funding, has meant the TSO PSE will invest EUR 2 billion until 2019. On the other hand, the power transmission markets in Sweden and Denmark, which are seeing unprecedented levels of investment, are expected to remain stable or decline slightly after peaking in 2014.

With respect to distribution, growth is expected to be favourable in the Nordic and Baltic countries and flat in Poland during the forecast period as a high level of investments has already commenced. Along with modernisation initiatives, investments are being made to address resistance to severe weather as well as in smart meters. Furthermore, while the level of outsourcing in transmission is already high, distribution networks offer greater potential, with DSOs in Sweden and Norway increasingly using outsourcing, a trend which others in the region are expected to follow as labour laws and union agreements permit doing so.

The market for smart meters was estimated at EUR 71 million in 2013, growing at a CAGR of 49% during the forecast period, driven by roll-outs in Norway, Denmark and

Poland. These market estimates include installation and maintenance of smart meters, but excludes Advanced Meter Management ("AMM"), which is expected to show continued strong growth beyond 2017.

UK and Germany

The addressable UK and German end-markets are sizeable and were estimated at EUR 3.1 billion each in 2013, having grown at CAGRs of 6% and –1%, respectively, since 2011. Going forward, growth of 3% and 7% in the forecast period is expected in the UK and Germany, respectively, driven primarily by large investments in the transmission grids.

The UK transmission grid is operated by National Grid, Scottish Power and SSE, each of which has plans to undertake significant investments to address ageing networks and ambitious targets for the increased use of renewable energy.

In Germany, large-scale investments in the transmission grid by the four TSOs – Amprion, Tennet, 50 Hertz and Transnet BW – are planned until 2050 in order to accommodate decentralised power generation as expansions of wind and solar power are undertaken as part of the country's "Energiewende" or energy transformation. Meanwhile, growth in the distribution market is estimated at 7% CAGR during the forecast period. Major investment growth is pending due to decisions on where power generation facilities will be built.

The UK market for smart meters was estimated at EUR 28 million in the UK in 2013 and is expected to growth at a CAGR of 96% during the forecast period, driven by the UK Government's requirement that energy companies install electricity and gas meters to customers by 2020. The German market is expected to remain stable as the full-scale national roll-out is delayed until after 2017.

Africa

The addressable market in Sub-Saharan Africa was estimated at EUR 3.2 billion in 2013 and is expected to grow at 9% CAGR during the forecast period, driven by plans to increase generation capacity and access to electricity from low levels, requiring significant investments in transmission and distribution grids. With the International Energy Agency forecasting electrification of 50% by 2030 vs. approximately 30% in 2009, investments are expected to continue at a high pace well beyond the forecast period.

While political ambitions to drive electrification are high, the greater availability of funding is an important enabler. Founded in 2013 by the Obama Administration, Power Africa is an initiative which has committed USD 7 billion over the coming five years, with additional private funding of USD 38 billion, to double the access to power in Africa. Sweden has committed to invest USD 1 billion via its aid organisation SIDA.

Competitive landscape

The *Power* end-market is characterised by numerous international and local players serving TSOs, while the landscape in distribution is more local in nature.

The Group is the largest regional player in its Core Markets and the only major player with presence in all Nordic countries, with other competitors including Empower, Infratek and Relacom and a number of international niche players. In distribution and the low-voltage area, Eltel competes with previous in-house suppliers such as Infratek, ONE Nordic, Vattenfall Services Nordic, Bravida, Empower, Voimatel and several small local suppliers in the industry. Additionally, the Group faces competition in Poland from Chinese players in the transmission sector.

In the UK, the Group recently established a platform to service customers such as National Grid, competing with players such as Balfour Beatty, Babcock and AMEC. In Germany, the Group is in early stages of building a market presence, with competitors being SAG, EQOS Energie and Vinci Energies.

In Africa, the Group considers competition to be mainly Indian and occasionally Chinese firms, including KEC, Kalpataru, Gammon, Tata, as well as European Inabensa and Isolux.

Communication

The addressable *Communication* end-market is defined as (i) outsourced spend relating to the installation and maintenance of fixed telecom networks, including fibre/cable roll-outs and maintenance of copper networks and (ii) outsourced spend on services covering network roll-out, such as 4G/LTE, and maintenance services.

Nordic Region, Baltic Region and Poland

The addressable Nordic, Baltic and Polish end-market was estimated at EUR 2 billion in 2013, having declined at a CAGR of 1% since 2011. Going forward, the market outlook is expected to remain unchanged, declining at a CAGR of 1% during the forecast period, with variation by country.

In common with broader Europe, the Nordic, Baltic and Polish telecom markets are facing a range of challenges, driven by macroeconomic factors affecting consumer spending, price pressure and commoditisation of certain telecom services and adverse regulatory changes. This has impacted the performance of several operators which, in turn, have adjusted investment levels downwards in the coming years and led to pricing pressure for the Infranet technical services market.

Despite these conditions, several developments are expected to support growth, including advancements to address the massive increases in data traffic, including HD TV and streaming services which will be strong contributors to demand for better fixed line capacity, as the internet and mobile devices become increasingly integrated in business and private lives. The shift from copper to fibre networks is underway in most of the Group's Core Markets though significant potential remains, particularly in Poland where fibre penetration remains low. Meanwhile, mobile is benefiting from a fixed-to-mobile migration and 4G/LTE roll-outs. Furthermore, continuous optimisation of old technologies such as 3G is expected to continue for many years as user devices continue to rely on them. Moreover, the Group perceives an ongoing trend among customers to outsource larger parts of the value chain and consolidate suppliers.

UK and Germany

The addressable UK end-market was estimated to amount to EUR 4.4 billion in 2013. The market is expected to stabilise during the forecast period, supported by the mobile telecom market with a CAGR of 4% while the trend in fixed telecom will improve to a CAGR of –2% during the forecast period. The fixed telecom market will be driven by lower copper investments partially offset by increasing expenditures on fibre networks, supported by the UK Government's pledge to expand superfast broadband penetration to rural areas. Given the UK and Germany are lagging behind with less than 1% penetration

today, these investments are expected to continue beyond 2017. The main driving force behind mobile telecom investments will be the 4G/LTE roll-outs by the main UK operators. Beyond 2017, LTE expansion is expected to continue, albeit at a lower rate, to cover 100% of the population.

The addressable German end-market was estimated to amount to EUR2 billion in 2013, having declined at a CAGR of 2% since 2011. Going forward, the market is expected to grow at 2% CAGR during the forecast period driven by increased investment levels by Deutsche Telekom in fixed broadband and 4G/LTE investments by various operators. The Group also perceives the potential for increased outsourcing and supplier consolidation, in particular by Deutsche Telekom. Such trends are expected to continue supporting growth in the addressable market beyond 2017.

Competitive landscape

The *Communication* end-market is characterised by intense competition a number of players have left the market in recent years due to poor profitability. The Group holds a No. 1 position in Sweden, Denmark, Finland and the Baltic region. The Group is also strong in Norway. The Group competes with other Infranet players such as Empower, Ericsson and Relacom and has a strong position in fixed telecom in Poland.

In Germany and the UK the markets are highly fragmented and the Group is in early stages of building up its market position.

Transport & Defence

The addressable *Transport & Defence* end-market is defined as (i) outsourced spend on maintenance, upgrade and project delivery for defence, aviation and public safety communication systems and (ii) outsourced spend on electrification, signalling and telecom within rail and similar infrastructure such as trams and subways.

Nordic Region, Baltic Region and Poland

The addressable Nordic, Baltic and Polish end-market was estimated at EUR 1.2 billion in 2013, having grown at a CAGR of 10% since 2011. Going forward, overall strong growth corresponding to a CAGR of 8% during the forecast period is expected.

The outlook in the rail market in the Nordic region and Baltic region is positive, with an expected CAGR of 9% during the forecast period, driven by increasing passenger traffic, ageing rail networks, EU plans for deployment of the European rail signalling system (ERTMS) and electrification. However, the market is heavily dependent on government funding, political prioritisation and decision-making. While Sweden is the largest market, Norway and Denmark show the highest growth potential with increased government funding, while Finland is expected to cut investments due to restricted government funding. Electrification of rail infrastructure is expected to continue well beyond 2017, with countries such as Denmark and the Baltic region planning programmes extending to 2020–25.

The homeland security & aviation market is expected to grow at a CAGR of 7% during the forecast period, driven by increased outsourcing in several markets and investments within public safety systems such as Terrestrial Trunked Radio (TETRA). Similar to the rail market, the homeland security & aviation market is dependent on government funding and political decisions. Due to pressures to reduce the cost of ATM (Air Traffic Management) services and budget cuts, a larger share is expected to be outsourced as a means to lower costs. By geography, Poland shows the highest potential with an announced TETRA roll-out which is likely to be outsourced and government plans to increase the defence budget and spend PLN 92 billion on new military equipment in 2014–22. The Norwegian market, on the other hand, is expected to peak in 2014–15 and thereafter decline sharply, upon completion of its national TETRA network roll-out.

UK and Germany

The addressable UK end-market was estimated at EUR 0.8 billion in 2013, largely accounted for by the defence market. The UK defence budget is one of the largest in the world, with the Ministry of Defence having spent EUR 23 billion with third parties on equipment and services last year. Going forward, the market is expected to remain stable.

While the Group considers the UK and Germany to be potential markets for entry, it has no operations in these countries today.

Competitive landscape

A number of full-service competitors operate within the rail industry, including Banedanmark, Baneservice, BB Rail Sweden, Destia Rail, Infranord, Infratek, Leonhard Weiss, Norsk Jernbanedrift, Ratatek, Spitzke and VR Track. Eltel holds strong positions across all Nordic countries.

Several global and regional players compete in the homeland security & aviation sector, including Alcatel-Lucent, Airbus, Motorola Solutions, SAAB, Telent, Thales, ONE Nordic and Relacom. Eltel is the No. 1 in Sweden and Denmark, providing a wide range of services offered only by few other companies.

History

THE HISTORY OF THE INFRANET INDUSTRY IN SUMMARY

The Infranet services industry was formed over a decade ago as a result of de-regulation of power and telecom markets across Europe, which prompted operators of Infranet networks to begin to outsource the services provided by their in-house technical service organisations. Further supported by an increase in privatisations, a dedicated and specialised service industry was established, with many of the players originating from the largest telecom and power companies. In 2001, Eltel was established as an independent Infranet services company when Fortum Oy decided to outsource its field service organisation.

Important events in Eltel's history

2001–2007: Growth phase – introduction of Infranet concept and outsourcing

- During this period, the Group underwent its most intense phase of acquisitions, executing 33 bolt-on acquisitions and outsourcing transactions across multiple product segments and countries including Sweden, Denmark, Norway, Finland, Poland, Estonia and Lithuania;
- In 2005, the Group merged with Swedia Networks AB, a subsidiary of Telefos Group, which significantly strengthened Eltel's offering in the telecom segment;
- Changed Eltel main ownership in 2005 (December 2004) when Industri Kapital acquired Eltel from CapMan; and
- In 2007, the Group was acquired by the current majority owners, the 3i Shareholders.

2008–2010: Consolidation, integration and focus on operational efficiency and margins

- Introduced and rolled-out the *Eltel Way* business services model;
- Launched operational efficiency programme and streamlined operations; and
- Underwent recapitalisation in 2010 whereby BNP became a minority owner while the 3i Shareholders remained as the majority owners of Eltel.

2011–2014: Building a global organisation with international specialisation

- In 2011, the Group changed from a geographically focused business to a global organisation with specialised international business units including technicians working cross-border;
- Continued focus on margin discipline and capital efficiency;
- Entered the UK in 2012 with a contract for National Grid in a joint venture with Carillion plc;
- Made significant market entries of the rail services business in Denmark, Norway and Finland in 2013 and 2014;
- Achieved milestone of 3.5 million smart meter installations in the Nordic region;
- Entered into a joint venture with Sønnico in 2014 to create a long term sustainable business environment for communication services in Norway;
- Further expanded the power transmission services in Germany by employing a sub-station project team (from ABB); and
- In 2014, awarded an approximately EUR 110 million power transmission project delivery contract in Zambia, the Group's largest contract ever.

Eltel believes that its historical track record in the Infranet services industry and the leveragability of its business services model, the *Eltel Way*, positions it well to be able to further roll-out its business in Europe.

A Leading European Technical Services Provider for Infrastructure Networks (”Infranets”)…

… at the Heart of the Lifelines of Modern Society

Business description

COMPANY OVERVIEW

Eltel is a leading European provider of technical services to the Infranet industry, which consists of companies that own and operate critical infrastructure networks in the areas of *Power*, *Communication* and *Transport & Defence*. Eltel mainly operates throughout the Nordic and Baltic regions, Poland, Germany, the United Kingdom and Africa. Eltel provides a broad and integrated range of services spanning from project planning and execution to installation services and services related to maintenance and operation. The full range of technical service types that Eltel offers through its approximately 7,000 technicians include:

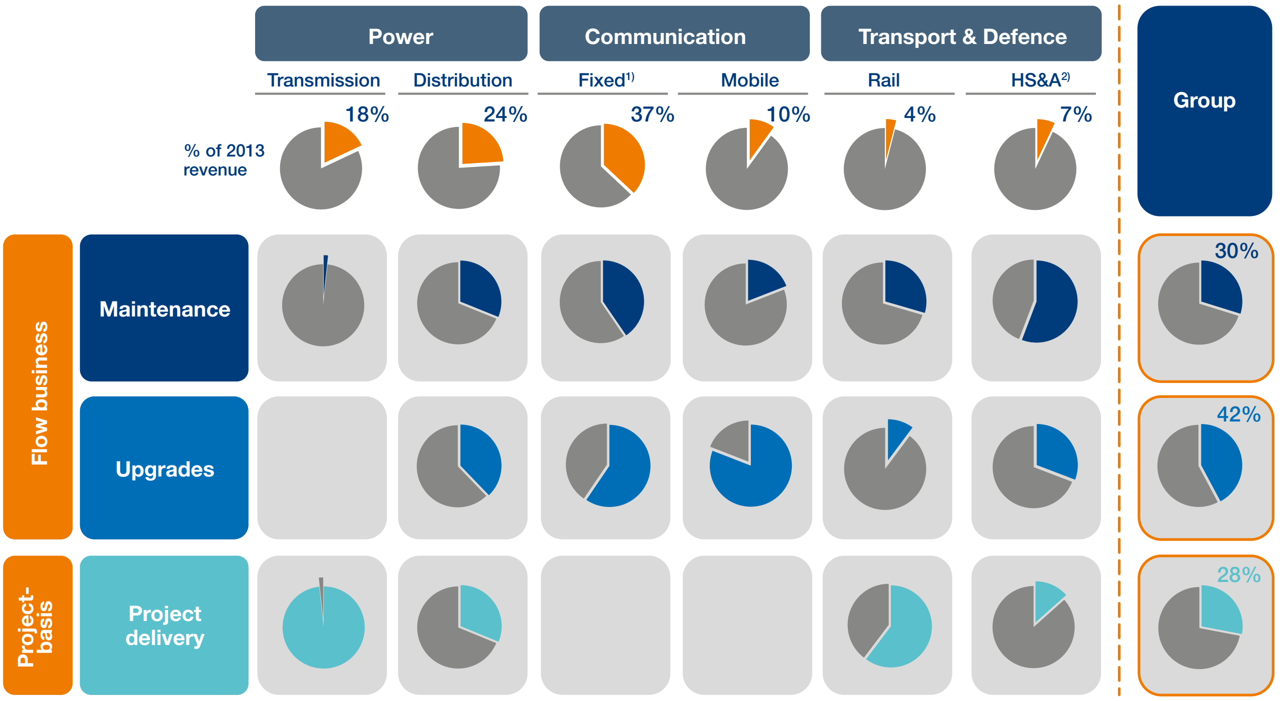
- *Maintenance* services, which relate to the implementation of infrastructure to connect retail and wholesale customers to operator networks and care services, which include scheduled and corrective maintenance and managed services. Maintenance services represented 30% of the Group's net sales for the year ended 31 December 2013.
- *Upgrade* services, which relate to the implementation of customers' plans to recover the condition of infrastructure, technology update installations or change of technology. Upgrade services represented 42% of the Group's net sales for the year ended 31 December 2013.
- *Project delivery* services, relate to engineering and build projects on customer specifications for infrastructure network investments. Project delivery services represented 28% of the Group's net sales for the year ended 31 December 2013.

Eltel's service types are offered throughout the Group's three reporting business segments:

- *Power*: comprises services for power transmission and power 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 power networks, substations and wind power parks. Eltel also maintains highly integrated relationships with national service organisations. The services for power distribution typically include designing, building and maintaining overhead lines, underground cables, substations and outdoor lightening and executing major smart meter roll-outs. The *Power* segment generated 42% of the Group's net sales for the year ended 31 December 2013.
- *Communication*: comprises services for fixed telecom and mobile telecom. Fixed telecom services primarily relates to the installation and maintenance of fixed telecom networks, while the mobile telecom services relate to implementation and maintenance services covering mobile telecom and data network systems and roll-outs of mobile networks. The *Communication* segment generated 47% of the Group's net sales for the year ended 31 December 2013.
- *Transport & Defence*: comprises services for homeland security & aviation and services for rail infrastructure and, to a lesser extent, services to SME (small and medium sized enterprises) customers. Services for homeland security & aviation include maintenance, upgrade and project delivery services for airport infrastructure equipment and systems such as radio, radar, data and telecommunications, equipment and operations for air traffic control centres as well as defence and public safety solutions such as radar and communication facilities. Customers for these services include aviation authorities and defence organisations. Services in rail infrastructure include design, construction, installation, testing and commissioning services, as well as national maintenance operations for rail and road authorities, vendors and construction companies. Services to SME customers include communication infrastructure installations, maintenance and support services. The *Transport & Defence* business segment generated 11% of the Group's net sales for the year ended 31 December 2013.

The graph below illustrates the level of service type participation by business segment (based on relative size of revenue contribution from each service type in the year ended 31 December 2013).

Overview of service types offered by business segment

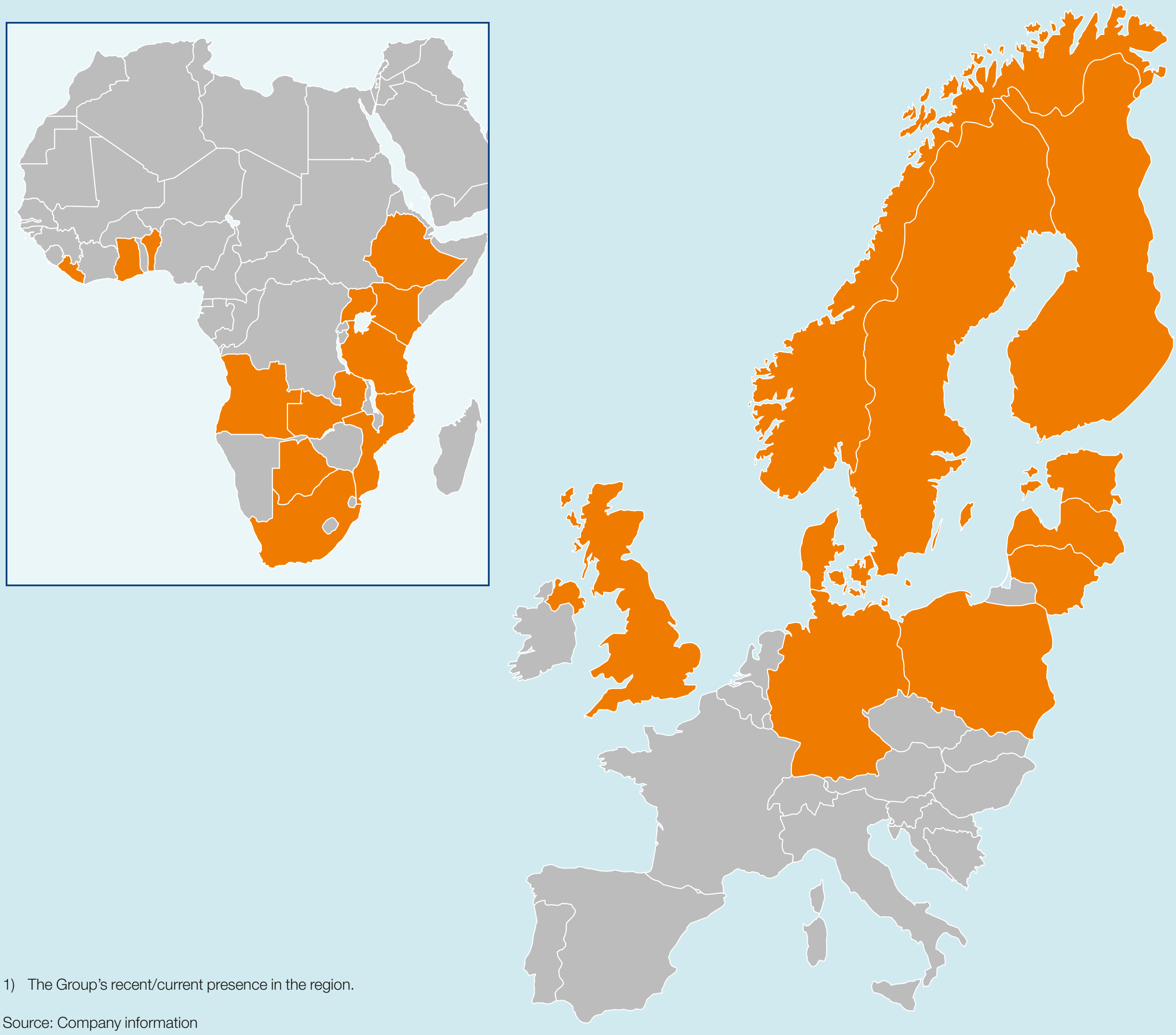


1) Fibre contracts increasingly separated from frame agreements with more project delivery characteristics.
2) Homeland security & aviation.

With its roots in Finland and Sweden, Eltel has a strong position in the Nordic region and has successfully expanded its footprint to also include market leading positions in the Baltic region and Poland as well as established growth platforms in Germany and the United Kingdom. Eltel is also one of the most experienced Infranet services providers within *Power* in Africa, having conducted several dozens of *Power* projects on the African continent including in Zambia, Botswana, Angola, Ethiopia and Tanzania. Eltel's largest geographical market is the Nordic region. For the year ended 31 December 2013, the share of the Group's net sales for each respective region was: Nordics 75%, Poland 12%, Baltics 4%, Africa and other overseas export markets 5%[1], Germany 2% and the United Kingdom 1%.

1) Refers to Africa and other overseas export markets, of which Africa represents the largest market.

Eltel's geographical footprint in the year ended 31 December 2013[1)]



1) The Group's recent/current presence in the region.

Source: Company information

The Group deploys an integrated business services model throughout its business segments and geographies called the *Eltel Way*, which is a customer-centric and de-centralised model governed by a transparent and uniform structure and steering model. Eltel believes that the *Eltel Way* allows the Group to differentiate itself from its competitors in the Infranet services industry and contributes to its market-leading position and strong financial performance.

The Group generated net sales of EUR 1,154 million and a reported EBITA of EUR 52 million for the financial year ended 31 December 2013. Since its establishment in 2001, annual revenue has grown six-fold and the number of employees has increased from approximately 1,600 in 2001 to approximately 8,500 by the end of 2013.

VISION AND FINANCIAL TARGETS

The financial targets in this section consist of forward-looking statements and are based upon a number of assumptions. Such statements are no assurance for actual future results, and the Group's actual results may differ materially from these forward-looking statements due to a variety of factors, of which certain are outside of the Group's control. In addition, unanticipated events may adversely affect the actual results that the Group achieves in future periods whether or not the assumptions prove to be correct. See also "Important information – Forward-looking statements" and *"Risk Factors".*

Vision

Eltel's vision is to be the leading Infranet services company in Europe.

Financial targets

Eltel's Board of Directors has adopted the following medium to long term financial targets:

- average annual organic revenue growth of approximately 5% and average 5% annual growth from M&A including new outsourcing,
- a reported EBITA margin of approximately 6%,
- an average cash conversion of 95–100% of EBITA, and[1)]
- a leverage ratio of 2.0–2.5x Net Debt/EBITDA[2)].

The assumptions on which the Group has based its medium long term financial targets include that:

- the Group is able to achieve revenue growth in its Core Markets (Finland, Sweden, Norway, Denmark, the Baltic region and Poland), at a level approximately in line with the average level of market growth expected across these markets according to the PwC Market Study,
- revenue growth in Eltel's New Markets (Germany and United Kingdom) shall be supported by selected acquisitions of platforms and other investments (including joint ventures and similar arrangements), which the Company believes will allow it to drive market penetration and leverage organic growth,
- the Group will continue to focus on carefully selected business opportunities in its overseas export markets (primarily Africa) resulting in limited growth in these markets,
- the Group will continue to evaluate M&A and outsourcing opportunities in both its Core Markets and New Markets, with priority given to building platforms for continued growth in the *Power* segment, especially in Germany, Norway and Poland, in the *Transport & Defence* business segment across the Nordics, and acquiring further outsourced activities from the larger network operators in the Group's existing markets, in line with the overall trends supporting the development of the Infranet industry,
- the Group is able to maintain its current margins across its Core Markets and New Markets, and across business segments, and able to develop margins in line with current performance trends, as a result of (i) the continuing focus on ongoing improvement programs, (ii) the positive effect of increased leverage, and (iii) segment business mix changes, and
- at the completion of the Offer and the capital increase contemplated in connection with the Offer, the Group's leverage is no more than 3x Net Debt to EBITDA (disregarding any temporary working capital movements).

In preparing the medium- to long-term financial targets, the Group has assumed that no major adverse effects shall be forthcoming from significant changes, including without limititation, within the following areas:

- EU directives relating to the roll out of smart meters by 2020, plans for Energiewende, policy for increased use of renewable energy and energy efficiency, the regulatory environment applicable to the power transmission and distribution industry and/or other adverse general market developments generally applicable to companies operating in the Infranet industry,
- major customers strategies for sourcing services and renewing contracts covering services for their networks currently provided by the Group, larger changes in the competitive landscape or the Group's ability to continue to successfully deliver its services, or
- other major adverse changes in existing political, fiscal, market or economic conditions, in exchange rates or in applicable regulations or rules (including, but not limited to, accounting), and no major administrative, regulatory or tax-related outcomes adverse to the Group.

1) Cash conversion is calculated as operative cash flow relative to EBITA. Operative cash flow is calculated as the sum of (a) operating result before acquisition related amortisation (EBITA), (b) depreciation and (c) change in net working capital less (d) net purchase of property, plant and equipment (capex).
2) Net Debt/EBITDA is calculated as Net Debt, which is defined as interest bearing debt, consisting of short-term debt and long-term debt, less cash and cash equivalents, to EBITDA.

KEY STRENGTHS

Leading provider of technical services in Europe for infrastructure networks

As one of the pioneers of the industry, Eltel has established itself as a leading technical services provider in Europe for the critical infrastructure of society. The Group operates a highly successful platform in Europe with leading market positions in its Core Markets and has an established growth platform in Germany and the UK. The Group also operates an attractive export business, primarily in Africa. Through its approximately 7,000 skilled technicians, who are all operating within one integrated business services model, Eltel offers its customers a broad, yet well-defined, service offering.

Focus on attractive market offering non-cyclical and long-term structural growth

The critical infrastructure is growing more complex and the demand for skilled technical services is increasing. The future market growth of the Infranet industry is supported by increasing regulatory requirements, an ageing asset base for power infrastructure, increased use of renewable energy technologies, technology-driven shifts in consumer demand and the convergence of infrastructure networks. Substantial future investment in infrastructure is needed and, for instance, several power infrastructure network operators have already declared substantial investment programmes representing up to ten-fold increases compared to the last decade. In addition, there is a continued trend towards outsourcing of non-core operations amongst critical infrastructure providers. These fundamental trends mean that the Group is set to benefit from a long-term non-cyclical and structural demand for its technical services. By focusing on segments within critical and increasingly converging infrastructure, Eltel is in a strong position to generate further synergies from sharing of technology competencies and resources between the business segments on which it focuses. An example of Eltel's ability to work across business segments includes the installation of electricity as well as communication systems for railway.

Powerful and scalable business services model

The Group's business services model, the *Eltel Way*, is a customer-centric, entrepreneurial business model with approximately 400 individual profit centres that are each headed by highly skilled, specialised and empowered team managers and governed by a transparent and uniform steering model across the Group which ensures consistency and quality in service delivery. Eltel believes that the *Eltel Way* distinguishes it from competitors, as it supports the Group's goal of delivering high quality services in an efficient manner and enhances innovation in the Infranet services industry. Eltel promotes co-operation and cross-border resource utilisation which allow the Group to benefit from a flexible and well-managed cost base and to effectively implement best practices throughout the Group.

Loyal and growing customer base and diverse contract portfolio

Eltel is a trusted supplier of high-quality technical services to a customer base consisting of major infrastructure network operators and owners across several end-markets. With leading capabilities and market reputation being key requirements for winning and retaining contracts, Eltel believes it is very well-positioned to maintain and further grow its customer base. Historically, customer churn has been very low, underpinned by frame agreements and Eltel's high degree of process and systems integration with its customers. The nature of the Group's business and contract portfolio provides for high annual revenue visibility with the majority of revenue generated from maintenance and other recurring services. Based on the Group's revenue for the year ended 31 December 2013 and including project delivery business and expected volumes under existing frame agreements, Eltel estimates that approximately 75% of the Group's expected 2014 revenue was visible at the beginning of 2014.

Platform for value creation through selective M&A-driven growth

The Infranet technical services market is fragmented throughout Europe which provides for consolidation opportunities. The Group has a strong track record of successfully screening, acquiring and integrating companies. When entering a new market, the Group has a history of achieving disciplined acquisition pricing. In Poland, for example, five acquisitions in the *Power* segment were made 2003–2010 at an average EBITA multiple of approximately 6x. Based on its track record and reputation, Eltel is often a preferred partner for other industry companies. The Group has developed an established and standardised model for each phase of its M&A activities, including integration, which has been developed using best practises from the Group's previous acquisitions and proven successful in its historical market entries, for example into Poland, the UK and Nordic countries. Eltel's M&A strategy is focused on acquisitions of platforms leading to further organic growth, entering and expaning in new markets, including Germany, and market consolidation in existing Core Markets. The Group currently has an acquisition target pipeline with a focus on supporting growth, particularly in the *Power* segment. Since 2001, the Group has completed approximately 50 acquisitions and outsourcing transactions, the majority of which have been in the Nordic region.

Resilient cash flow generation

The Group operates according to an asset-light business model that provides strong and resilient cash flow generation. The cash generation is driven by recurring and visible revenue streams, limited capital expenditure needs, flexible cost base, and a balanced earnings profile as a result of well-diversified end-markets. In the year ended 31 December 2013, the Group generated cash conversion of 108%. Eltel expects the cash available for reinvestment in the business, further deleveraging and distribution to shareholders to be material after the Offering.

STRATEGIC PRIORITIES FOR CONTINUED PROFITABLE GROWTH

The Group focuses on a number of strategic priorities to be able to deliver on its vision and targets:

Organic growth opportunities

Maintain leadership in Core Markets

The Group intends to build from its current market-leading positions and take advantage of the strong expected underlying sector growth. The Group expects an overall organic growth of 5% annually for its addressable Core Markets. Eltel will continue to focus on its long-standing customer partnerships and capture further outsourcing opportunities to grow and improve its footprint with its customers.

Focus on high growth segments

By focusing on higher growth segments in its Core and New Markets, such as *Power* and *Transport & Defence*, Eltel believes it can achieve an attractive growth mix. Eltel has identified a number of segments which are expected to offer high growth going forward, including pan-European infrastructure network connectivity, a continued trend towards outsourcing and new opportunities in smart meter roll-out. The Group has also identified a number of interesting opportunities in the *Power* segment in Sub-Saharan Africa which is a region that Eltel has long-standing experience from.

Strengthen services platform

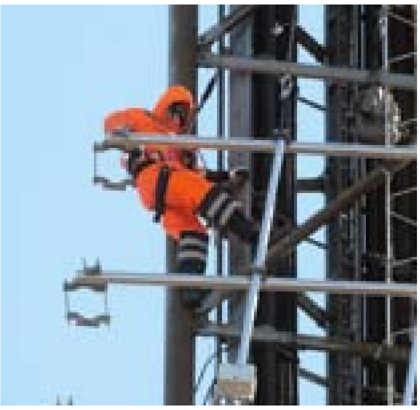
In addition to growing organically in its markets within existing service areas, Eltel is targeting further penetration of its markets, in particular Germany and the UK, where the Company generated only 2% and 1% respectively of consolidated revenue in the year ended 31 December 2013. By capitalising on the extensive expertise that Eltel has acquired in its Core Markets the Group believes it is well placed to grow its businesses and broaden the service scope and improve geographic coverage for new as well as Core Markets.

Growth through selective M&A and outsourcing

The Group acquires companies in order to further accelerate existing growth opportunities, acquire new capabilities, expand the customer base and improve the competitive position. The strategy includes acquisitions of platforms, including large outsourcing transactions, to leverage organic growth, entry to new markets, as well as selected consolidation cases in well established markets.

Eltel's M&A strategy is focused primarily on smaller bolt-on acquisitions, typically small to mid-sized companies, ideally at prices of around 5–7× EBITA, with a target spend of approximately EUR 25 million per annum. In addition, large outsourcing transactions form an important part of the Group's M&A strategy. Eltel takes a selective approach for larger strategic acquisitions, which would have a significant impact on Eltel's operations and the competitive landscape.

The Group targets three to five acquisitons per year. Most of the Group's identified M&A opportunities are in the *Power* segment, in particular in Germany but also in Norway, Poland and the UK. Within these markets, Eltel has also identified significant potential for outsourcing. In total the Group has identified more than 30 potential M&A and large outsourcing opportunities, representing businesses with combined revenues of around EUR 1.3 billion. The Group is currently evaluating certain small-to-mid-size acquisitions, which could potentially be completed during the first half of 2015. In *Communication* and *Transport & Defence*, most opportunities are within the Nordic region. Neither M&A nor larger outsourcing opportunities are typically included in estimated market growth and these opportunities could provide growth potential in addition to the growth target. See also "*Industry overview – General market characteristics – Key trends and drivers*".



Further improve operating performance

Productivity gains

To further improve productivity, the Group focuses on a number of key areas:

- **Processes and systems:** the Group uses harmonised system for the management of efficiency (gross margin), resource utilisation (standard cost deviation), operational leverage (overhead costs as percentage of sales) and capital efficiency (net working capital);
- **Best practice sharing:** most employees are connected by one common web-solution for knowledge sharing;
- **Resource utilisation:** Eltel utilises cross-border resource sharing across all business segments, shares support services in each country and continuously strives to improve efficiency in network routing by having GPS (Global Positioning System) in company cars;
- **Scale efficiencies:** Eltel has integrated business-to-business (B2B) interfaces with the largest customers to streamline order-to-execution;
- **Control mechanisms:** Eltel closely monitors production KPIs aimed at identifying areas for best practises from contractual requirements, budget, project plans or productivity expectations.

Cost control to enhance scalability

Eltel has a flexible cost base that provides opportunities for managing costs. The Group has a close dialogue with unions and has, over time, through union agreements increased its ability to better align its resource base with variations in workloads, for example through temporary lay-offs, holiday and time banks. In order to increase cost base flexibility, the Group makes use of subcontractors and temporary staff, normally when internal capacity is filled. As part of the Group's growth strategy, the Group expects to increase its reliance on subcontractors. The control of costs is further supported by optimisation of resource utilisation and efficiency through the use of well-developed work order management tools, GPS routing and mobile devices. Eltel's flat and specialised organisation ensures that overhead costs are minimised and provides scalability and operational leverage as the Company grows by adding teams. Costs of direct materials, including raw materials, represented 25.7% of the Group's cost of sales for nine months ended 30 September 2014 and 23.5%, 22.3% and 23.9% of the Group's cost of sales in the years ended 31 December 2013, 2012 and 2011, respectively. Direct materials costs are typically passed on to customers under the terms of frame agreements.

Maintain high cash conversion

To maintain the Group's strong cash conversion, Eltel focuses on a number of initiatives, including improvement of internal processes to drive shorter order-to-cash cycles, optimisation of supplier and customer payment terms and operating with an asset-light business model where capex assessments are centralised.

Continue to build winning culture

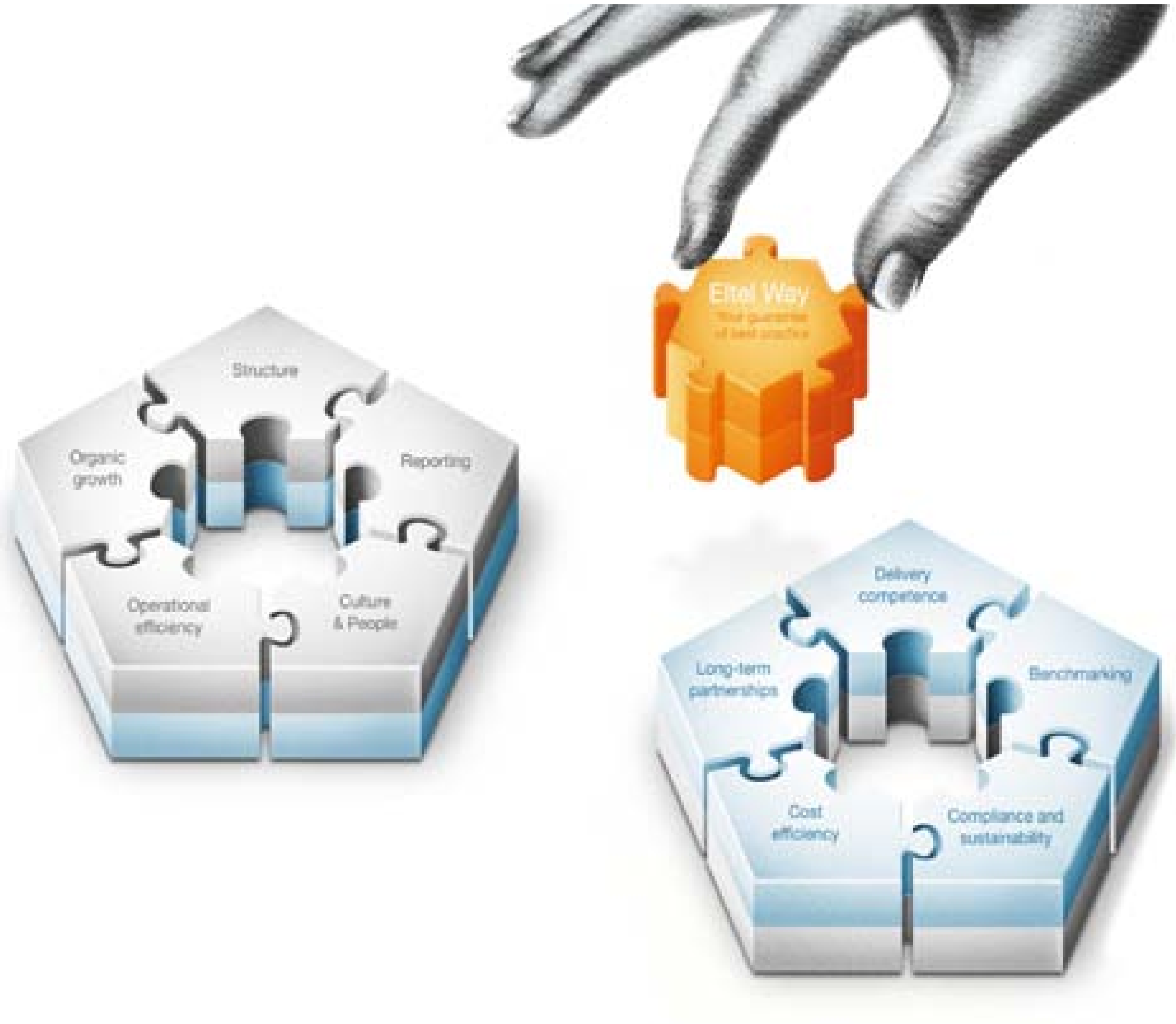
Eltel has a large pool of talent consisting of approximately 8,500 employees, of which the majority are field technicians, across ten countries and the Group dedicates significant resources to their development and training. Eltel believes that by caring for its employees, both socially through promoting a good working atmosphere and empowerment and physically through having, for the industry, rigorous health and safety procedures in place, a high quality of services can be achieved. The Group offers its employees the opportunity to work on cross-border projects, direct customer interfacing, individual incentivisation and ongoing training. Eltel has a process for succession planning in place to identify and develop people internally for leadership roles. The Group has a ten year average tenure among its permanent employees; something that Eltel believes is a result of its ability to create a winning culture and care for its employees.

BUSINESS MODEL

The Eltel Way

The Group deploys a uniform business services model, the *Eltel Way*, throughout the organisation, across business segments as well as geographies. The Group believes that the *Eltel Way* is a differentiator in the Infranet industry and a key factor behind Eltel's market leading positions. The *Eltel Way* consists of five components:

- **Structure:** Eltel operates according to a de-centralised organisation structure with approximately 400 different specialised profit centres;
- **Reporting:** Eltel uses a monthly uniform and transparent reporting structure across business segments and geographies;
- **Culture and people:** Eltel promotes a culture of empowerment, proactivity, specialisation, health and safety and continuously strives to develop and incentivise its key asset, its employees;
- **Operational efficiency:** Eltel continuously works with improving processes and transfer of best practices across the business through use of business-line KPIs and benchmarking monitored under a common ERP reporting system; and
- **Organic growth:** Eltel focuses on being a leader in Infranet services and to work towards developing the industry and becoming a trusted partner for its customers.



Structure
Eltel operates according to a de-centralised organisation structure with approximately 400 different specialised profit centres, all operating according to the same organisational structure. Each business line is made up of several Area Business Units (ABU) which in turn comprise several different geographical districts. Within each district there are several separate teams, each led by a team manager. Eltel operates close to its customers and the customer interface occurs in a coordinated manner through set roles and responsibilities on all levels in the organisation. Eltel believes that this organisational structure promotes professionalism, empowerment and customer focus.

Reporting
Eltel uses the same reporting structure for all of its nearly 400 specialised profit centres. The uniform reporting structure ensures transparency and quality control through group-wide standardised financial measures coupled with business line-specific production KPIs (for example relating to utilisation, gross margin and invoiced sales), monthly business reviews and integrated risk and internal controls. The uniform reporting structure enables the benchmarking of performance and use of a common steering model to support growth, margins and strong cash generation.

Culture and people
Eltel's most important asset is its employees and culture. Eltel works according to three primary drivers: *Empowerment*, *Proactivity* and *Specialisation*. Eltel believes that a strong performance culture, supported by individual incentivisation, accountability, customer interaction and talent management, drives customer satisfaction and financial performance. The Group has a strong focus on specialisation which is supported by use of cross-border teams for knowledge sharing and Eltel's own training programmes. Eltel works according to a vision for zero accidents and assumes responsibility for all employees, subcontractors and third parties including customers in its customer deliveries to ensure that the Group's high health and safety standards are met.

Operational efficiency
Eltel uses scale to leverage common reporting systems, processes and competencies across the business and countries to support all of its teams serving customers and to prompt operating efficiencies. Cross-border resource sharing is an integral part of the way Eltel conducts its business and is used throughout the majority of Eltel's geographical markets. For several of Eltel's largest customers, the Group has integrated interfaces to streamline order-to-execution. Eltel uses a common ERP reporting system and extensively uses production KPIs that aim to identify any deviations from contractual requirements, budget, project plans or productivity expectations. Eltel makes use of shared support functions across business segments in each respective country in order to minimise overhead cost.

Organic growth
A key component of the *Eltel Way* is the ambition to be the frontrunner and promoter of the Infranet industry. In order to achieve its ambition, Eltel focuses on acquiring long-term partnerships with and becoming the trusted partner for an attractive blue-chip customer base. Eltel invests significantly in its customer relationships and works according to a well-developed model for integration with its customers to form partnerships. By delivering high quality services to, and a commitment to improve processes and costs for, its customers, Eltel is able to grow with its customers through increased scope of delivered services as well as broadening of its geographical footprint.

SERVICE TYPES

Across its business segments described below, Eltel offers a broad set of service types to meet customer requirements, ranging from smaller maintenance services to large-scale build projects.

Maintenance services

Maintenance services relate to implementation of infrastructure to connect retail and wholesale customers to operator networks and care services which include scheduled and corrective maintenance and managed services. The two primary maintenance services types are further described below:

- *Care* services, which include the maintenance and repair of customer networks to deliver uninterrupted functionality within supply of electricity, communication, transportation and security. Eltel's care services are comprised of preventive maintenance, network optimisation, corrective maintenance and network management. Eltel also offers managed services including support for the management of network elements, fault analysis, reporting and escalation. Eltel handles millions of care assignments annually via small work orders through machine-to-machine order dispatching or as scheduled preventative maintenance; and
- *Connect* services, which are offered to network operators to provide access to end users of the network facilities and services. Connect services are also offered to virtual operators to enable their end customers to utilise the leased infrastructure of another operator, including building network connections, access delivery and roll-out management. Broadband connections and smart meter roll-out are the most important activities in Eltel's connect services.

Revenue for maintenance services is typically generated in the form of work orders for specific services at fixed unit prices according to a frame agreement between the Group and the customer. Maintenance services represented 30% of the Group's net sales for the year ended 31 December 2013.

Upgrade services

Upgrades include a broad service offering, from refurbishments of infrastructure networks to actual upgrades and network infrastructure conversions. Typical network upgrades are refurbishments of electricity networks with new cables or steel structures, replacement of wooden poles with steel poles in telecoms or upgrades of mobile technology from 3G to 4G. Revenue for upgrade services is typically generated by work orders in respect of certain quantity of services or units required by the customer at fixed unit prices according to a frame agreement between the Group and the customer. Upgrade services represented 42% of the Group's net sales for the year ended 31 December 2013.

Project delivery services

Project delivery services involve the implementation of a complete solution from engineering design to installation and commissioning. Project management and execution is a core competence within Eltel. The Group has since inception focused extensive efforts to develop project management practices through standardisation and improvement of processes, recurring training programmes, handbooks and systematic re-use of experiences. As an international group, Eltel uses project teams consisting of local personnel as well as teams from its subsidiaries in other Eltel countries. Revenue for project delivery services is typically generated in the form of fixed prices for an agreed scope of services. Under these fixed price contracts, the fixed price is typically subject to change if either the scope of work or the agreed assumptions underlying the project change. Project delivery services represented 28% of the Group's net sales for the year ended 31 December 2013, whereof a large share are from contracts with state-controlled enterprises.

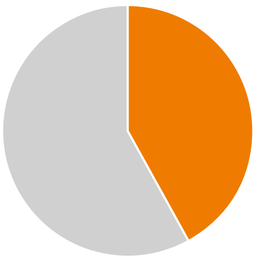
BUSINESS SEGMENTS

The Group is organised in three business segments; *Power*, *Communication* and *Transport & Defence*. *Power*, *Communication* and *Transport & Defence* represented 42%, 47% and 11%, respectively, of the Group's net sales for the year ended 31 December 2013.

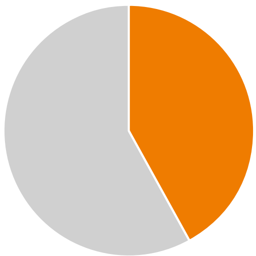
Power[1)]

The *Power* segment provides technical services to operators of high and medium voltage power transmission and distribution networks. The segment operates throughout the Group's geographical markets and has a project-based offering in Africa. The *Power* segment offers the full range of service types provided by the Group.

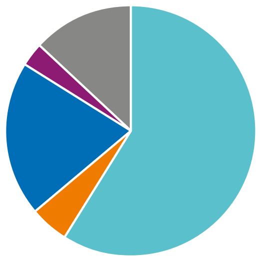
2013 share of Group Net Sales (in %)



2013 Net Sales business split (in %)



2013 Net Sales by Region (in %)[2)]



1) Based on 2013 revenue
2) Adjusted to exclude revenue associated with *Communication* In Baltics reported in the *Power* segment, and to include revenue associated with telecom export business associated with *Power* reported in the *Transport & Defence* business segment
3) Includes some export volumes to countries outside Africa

Source: Company information

Key service offering

Services for power transmission system operators (TSOs) relate to transmission systems, overhead lines and substations projects for high voltage (110–400 kV) electricity networks. Typical contracts relate to the design, engineering, procurement, installation and commissioning of substations and overhead lines. Additional services include telecommunication solutions to grid operators as part of the power transmission services offering.

The project lifecycle for power transmission projects varies by region. In the Nordic countries, projects typically last between several months and two years from order to delivery where the land acquisition process and design is provided by the customer. In Poland, the larger project delivery services can last for two to five years, including land acquisition, securing right of way for lines, environmental and construction permits and design. For smaller projects that are built in existing line routes, the projects can be completed substantially faster. Services related to power transmission is also performed internationally outside of Eltel's Core Markets, primarily in Africa. These projects are normally export credit financed or funded by multilateral banks or donors.

The service offering within power distribution primarily relates to electricity networks below 110 kV in voltage, substations, wind power parks and industrial customers, through highly integrated relationships with national service organisations. These services typically include designing, building and maintaining overhead lines, underground cables, outdoor lighting, mechanical and electrical installations of substations and wind power parks as well as executing major smart meter roll-outs and maintenance. A large portion of the work performed is under frame agreements and typical services are small work orders and shifting overhead lines to underground cabling. Moreover, it focuses on smart meter roll-outs development and electric vehicle charging systems.

Key geographies

The *Power* segment is present in the Nordic and Baltic regions, Poland, Germany, UK and Africa, with the Nordic region accounting for the largest share of segment revenue. For *Power* services, a multinational resource base is deployed which enables mobilisation of manpower and machinery across country borders. The *Power* segment also manages electrification projects in emerging markets like Africa. Power distribution services are mainly concentrated to the Nordic region with national service organisations with a broad geographical coverage.

Customer base

The *Power* segment's customer base primarily consists of transmission and distribution network operators, as well as local industrial customers and governments. Eltel's contract portfolio in the *Power* segment is characterised by contracts for project delivery services, where the design emanates from, or is supplied by, the owner and not the contractor. Frame agreements are used within maintenance and upgrade service types, which on average have a duration of two to four years. The top ten customers in the *Power* segment accounted for 32% of the segment's revenue in the year ended 31 December 2013. Key customers include such companies as Fingrid, Caruna (former Fortum's Finnish electricity distribution network), Elenia, DONG, Svenska Kraftnät, Statnett, PSE Operator, Fortum, E.ON, National Grid and Vattenfall. The *Power* segment's customer base is characterised by long-term customer relationships. Out of the segment's top ten customers, nine have been with Eltel more than ten years.

Strategic priorities

The key strategic priorities of the *Power* segment include participation in the roll-out of smart meters throughout the Group's geographical markets and participation in an active customer outsourcing trend for market penetration and growth. Eltel also intends to increase its footprint in the German power market, which the Group believes is a significant area for growth, by focusing on acquisitions and winning transmission and distribution substation projects. In the Nordic region, the Group intends to capture the growths of existing customers' investments, target new substation projects as well as additional outsourcing agreements and increasing its share of customer spend by wind power and industrial customers.

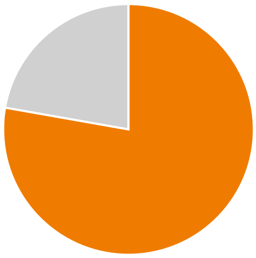
In the Baltic region, the Group is focused on winning expected new transmission projects and focusing on its competence within distribution services to grow organically. Outsourcing is also a focus of the Group's strategy for growth in Poland, as is a focus on winning new projects from PSE Operator (Poland's state-owned TSO). In the UK, the Group is focused on increasing volumes with National Grid and developing relationships with other UK-based customers. In other international markets, including Africa, the Group aims to increase growth with a focus on export-credit agency funded *Power* projects.

Communication[1)]

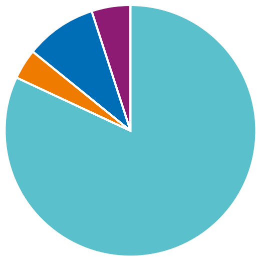
The *Communication* segment provides technical services for backhaul and access networks and a wide range of mobile telecom and data networks. The business segment operates throughout the Group's geographical markets with a focus on the Nordics, the Baltics, Poland, Germany as well as the UK, which market the Group's *Communication* segment entered into during 2014. The main types of services offered by the *Communication* segment comprise maintenance and upgrades work orders, largely as part of frame agreements.

2013 share of Group Net Sales (in %)

2013 Net Sales business split (in %)



2013 Net Sales by Region (in %)[2)]



1) Based on 2013 revenue
2) Adjusted to include Baltic *Communication* revenue reported in the *Power* segment.

Source: Company information

Key service offering

The *Communication* segment provides services ranging from standard services to custom-tailored solutions within the fixed and mobile telecom industry.

For fixed telecom infrastructure networks, Eltel provides a wide range of upgrades and scheduled and corrective maintenance services. The services relate to installation and commissioning of telecom equipment and installation of fibre networks including civil works. Additional services also include maintenance for copper cable networks and recovery of network functionality after storms.

Eltel's service offering for mobile telecom covers a wide range of mobile telecom and data network systems, including planning and optimisation services, site implementations and roll-outs. The *Communication* segment specialises in installing base stations for 4G/Long-term evolution (LTE) networks. In addition to installation services, the mobile telecom services include ongoing preventive and corrective maintenance for mobile telecom and data networks.

Key geographies

The *Communication* segment is present in the Nordic region, Poland and Germany. From 2014, the Group is also present in the United Kingdom. The *Communication* segment operates with national service organisations with broad geographical coverage both for fixed telecom and mobile telecom services. For mobile telecom services, a national service organisation is combined with a flexible specialised cross-border work force which is sourced within the Group.

Customer base

The *Communication* segment's customer base primarily consists of telecom operators and telecom equipment manufacturers. Eltel's contract portfolio in the *Communication* segment is characterised by maintenance and upgrades frame agreements, typically with duration of two to five years. The top ten customers in the *Communication* segment accounted for 72% of the segment's revenues in the year ended 31 December 2013 aggregated from multiple contracts per customer and varying tenors, countries and technologies. Key customers include such companies as Elisa, Huawei, Orange, Deutsche Telecom, TDC, Telenor and TeliaSonera. The *Communication* segment is characterised by long-term customer relationships, aided by the high level of IT integration between the Group and its *Communication* customers. All segment's top ten customers have stayed with Eltel once they started to contract work with Eltel, some for more than ten years.

There are trends in the customer base to consolidate and reduce the number of suppliers, which increases business opportunities for leading suppliers. Increased focus on CSR and compliance related topics and pan-nordic coordinated procurement is also beneficial for larger and well-structured companies such as Eltel. Due to increased demands on profitability in the customer base there are demands to consider core and non-core businesses and outsource parts of the value chain.

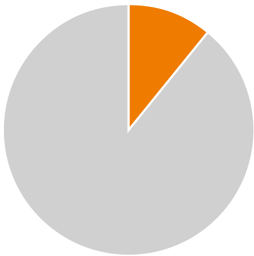
Strategic priorities

Strategic priorities of the Group's *Communication* segment include continued benchmarking and streamlining of delivery processes, cross-border utilisation of technical resources, IT/IS support system development and relationship management for customers in long-term frame agreements. In the Nordic region, the Group aims to strengthen its role as the key supplier for leading Nordic fixed telecom operators, capitalise on its technical expertise in fibre roll-outs and increasing its volumes with its mobile telecom customers and continuing increasing the foot-print in the value chain. In the Baltic region, the Group is focuses on establishing a greater presence in fixed telecom services and increasing business with its mobile telecom customers. In Poland, Eltel aims to increase its overall market position by capitalising on opportunities in Care sector, as Eltel sees an increasing trend for outsourcing maintenance business. The Group's German communication strategy includes focusing on fibre roll-out, increasing volumes under existing contracts and winning new mobile telecom contracts. The Group also aims to win a share of the large roll-outs and participate in in-door communication solutions. The Group also aims to establish a position in the fibre roll-out in the UK and winning contracts within the mobile telecom sector.

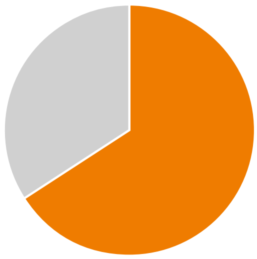
Transport & Defence[1)]

The *Transport & Defence* business segment offers the full range of service types provided by the Group for the defence, rail and road sectors, and, to a minor extent, services to SME customers. The services provided within *Transport & Defence* relate to homeland security & aviation as well as rail infrastructure. The segment operates in Sweden, Denmark, Finland and Norway.

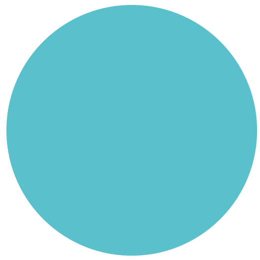
2013 share of Group Net Sales (in %)



2013 Net Sales business split (in %)



2013 Net Sales by Region (in %)[2)]



1) Based on 2013 revenue.
2) Adjusted to exclude revenue associated with telecom export business associated with *Power* reported in the *Transport & Defence* business segment.

Source: Company information

Key service offering

Eltel has multi-technology experience within homeland security & aviation throughout the entire range of services offered by the Group. It provides complex technical services to defence and aviation authorities including installation, maintenance and operations support for radio, tele- and data communications, high-end solutions to the defence sector and voice and IP solutions for enterprises.

For the homeland security & aviation operations, Eltel employs a Network Management Centre (NMC) in Gothenburg, Sweden as well as Network Operations Centres (NOC) in Sweden and Denmark, where the largest share of the Group's activities take place. Whilst a NMC monitors and analyses incidents and problems in a network, a NOC is fully integrated with the corresponding service offering, dispatching service teams to sites to reduce any impact of the detected faults and securing proper network functionalities. For example, Eltel operates a NOC in Denmark for the railway network's GSM-R system where all required field services are performed by Eltel teams. With a number of specialised IP engineers Eltel designs and operates some of the most sophisticated networks in the Nordic region. This has resulted in the status as Cisco Gold Partner in Denmark and Cisco Silver Partner in Sweden and related service offerings, e.g. to SME customers in Denmark.

Within aviation services, Eltel provides maintenance and upgrades services for airport infrastructure equipment including radio-, radar-, tele- and data communication and local system support. Eltel also offers technical support services like installation and maintenance of multi-technology equipment for operation of the Air Traffic Control Centre ("ATCC") which is crucial for the aviation safety and often uses equipment unique to aviation with high demand of availability. By example, Eltel installs technical equipment in the ATCC at Stockholm Arlanda and Malmö Airport in Sweden. Eltel delivers these projects independent of technology and vendor with the capability of handling large projects either as sub- or prime contractor.

The defence and public safety services provided include the design, manufacture, tailoring, documentation and implementation of systems for armed forces. Eltel specialises in radar and communication facilities, command and control systems for platoon, company battalion and brigade staff and installations of communication platforms in vehicles, ships, containers, antennas, towers and standalone solutions. In addition, Eltel installs, deploys and maintains IT and communication facilities.

Technical services for the rail- and road sector relate to electrification, signalling, telecommunications and track projects. The main services are engineering, procurement and construction for project delivery services, including special equipment for installations and maintenance services. A typical project for rail is providing solutions to road and rail tunnels including rail overhead line, rail signalling, surveillance cameras, traffic signs, lightning- and emergency lightning, fire detector cables, technical rooms, jet-fans, scada, fibre, radio network and cables, among other things. A specific requirement of rail infrastructure services is limited time of work on-site to minimise downtime of transport services as well as well-developed health and safety procedures.

Key geographies

The *Transport & Defence* business segment mainly operates in the Nordic region. Within homeland security & aviation the clients are served nationwide within the two main countries Sweden and Denmark. The Group's rail services are performed mainly in Sweden, Finland, Norway and Denmark.

Customer base

The customer base of the *Transport & Defence* business segment primarily consists of customers operating in a regulated environment, such as defence and aviation authorities, airport operators as well as rail and road authorities, technology equipment vendors and construction companies. The Group's transport-related services are typically provided under project delivery contracts of varying durations. For defence-related services, the Group is typically engaged to provide maintenance and upgrade services under frame agreements, typically between two to eight years in duration. Contracts awarded in *Transport & Defence* are often subject to public procurement rules that may restrict the basis on which customers may evaluate a tender and decide to award a contract. The top ten customers in the *Transport & Defence* business segment accounted for 61% of the segment's revenues in the year ended 31 December 2013. Key customers include such companies and authorities as FM (Försvarsmakten)/FMV (Försvarets Materielverk), Jernbaneverket, Liikennevirasto, LFV (Luftfartsverket) (Swedish aviation Agency), Swedavia, MSB (Myndigheten för samhällsskydd och beredskap) (Swedish Civil Contingency Agency), SL (Storstockholms lokaltrafik) and Trafikverket (Swedish Transport Administration).

Strategic priorities

Strategic priorities in *Transport & Defence* involve cross-border utilisation of the Group's technical resources and focus on project execution based on strong order intake. In the Nordics the Group aims to leverage large investments by rail service customers in electrification and signalling. Operational priorities include to maintaining a flexible machine park for rail electrification and further in-house design capabilities. The Group aims to grow its homeland security & aviation services business by focusing on expanding service offerings to defence sector customers, extending the scope of contracts with key aviation customers and expanding geographically within the Nordic region.

CUSTOMER- AND CONTRACT PORTFOLIO

Overview

Eltel has a large and diverse customer base comprising approximately 8,000 customers[1)] who operate across a number of sectors and geographies. The majority of the Group's revenue is generated from customers who Eltel has had a relationship with for over ten years. Since Eltel was founded in 2001, the Group has worked closely, and grown, with its customers and adding new ones along the way. The Group has a high customer retention rate which the Group believes is a consequence of its long-term partnerships with customers, supported by the substantial degree of integration and interface between Eltel and its customers' operations. Eltel maintains integrated IT interfaces, participates in ongoing joint development projects and continuously works to satisfy end customer expectations, all of which create high costs for Eltel's largest customers in switching service provider.

Typically, frame agreement renewal processes do not create large market upheavals as risk in connection with major changes is potentially too high for the network operator. In order to assure repeat contract renewal Eltel always aims to deliver cost efficient and high quality services and solutions. Contract negotiations for large tenders with qualified bidders last typically several months including careful analysis of earlier delivery performance and vendor capability to meet new requirements of the customer.

Eltel typically has several different contracts with different sub-entities within larger customer groups, for instance for a certain geographical region, certain service types and certain business segments. For instance, for the year ended 31 December 2013 the 30 largest contracts were distributed across 22 customer groups covering eight countries, all segments and represented approximately 47% of revenue. The three largest customers accounted for approximately 29% of the revenue for the year ended 2013 and the majority of revenue is generated from customer frame agreements, consisting of a number of service type specific sub-agreements, which typically have duration of two to five years.

Customer partnership strategy

The customer base of Eltel consists of long-standing partnerships with large multi-national corporations and governments across a number of sectors and geographies. Typically, Eltel has several contracts within each larger customer group.

Eltel believes that its ability to retain and win new customers is underpinned by a number of key factors:

- **Footprint and presence:** Eltel is able to serve its customers nationwide and cross-border which results in increased economies of scale and reduced response times;
- **Brand and reputation:** The services that Eltel provides are critical to network operators to ensure reliability and reduce the risk for potential penalties (for example penalties imposed on power network operators following black-outs) and Eltel's systems are often highly integrated with its customers, leading to high switching costs. Eltel has established a reputation for reliability and professionalism over the years and is an entrusted interface with the end-customers of network operators;
- **Technical expertise:** The network operators place high requirements on its suppliers of technical services for critical infrastructure relating to industry know-how and technological skills by increasingly demanding third party licensing certifications, training and, for the industry, rigorous health and safety. Eltel, as a leading provider of Infranet services, meets all of these demands; and
- **Increasing complexity:** Customers are increasingly demanding integrated solutions and that its suppliers take on responsibility for a larger part of the value chain, in addition to tender processes becoming more sophisticated. The increased complexity benefits Eltel which has the necessary resources and competencies to meet such requirements.

1) Number of registered and invoiced counterparties in the year ended 31 December 2013.

Business generation and business volume delivery

Eltel has two different ways to generate and deliver its services pursuant to its business model; one that applies to the maintenance and upgrade service types and one that applies to project delivery services. Both serve the same customer base, i.e. large owners and operators of infrastructure networks, but cater for their different needs, to maintain and upgrade their existing assets and to build new platforms and add to their existing assets.

Maintenance and upgrades

Contracts are usually frame agreements of two to five years, possibly with options for extensions or re-negotiations. Frame- and outsourcing agreements are awarded, from existing or new customers, among a group of pre-qualified parties or through direct negotiations. The tendering processes in maintenance and upgrades under frame agreements are limited. Customers are typically operators of larger telecom or electricity distribution networks or transport systems, seeking long term cooperation with their service providers for the maintenance and refurbishment of their networks.

Revenue for maintenance and upgrades is generated by accumulating a number of smaller work orders for each frame agreement. Out of the approximately 2.5 million work orders processed in the year ended 31 December 2013, a vast majority related to maintenance and upgrades. The frame agreements contain unit pricing. The average size of a single maintenance work order varies from approximately EUR 100 to EUR 200 in maintenance services whereas the average size of a single upgrade work order amounts to approximately EUR 2,000 to EUR 6,000. Costs are monitored on a work order basis and overruns are usually not experienced.

Profitability for Eltel is generated by efficient service delivery where work is focused on minimising waste in production and creating as efficient customer interface as possible. Key success factors are proven quality in delivery as measured in service-level agreements and other KPIs, long term relationships, system and process capabilities. The visibility in sales is high, enabled by yearly frame agreement volumes and customers providing Eltel with planned short term outlook of work load. However, overall care and connect work is typically relatively constant over years. Maintenance and upgrade projects represented approximately 72% of the Group's net sales for the year ended 31 December 2013.

Project delivery services

Contracts for project delivery services are often awarded through formal tendering processes for individual and well specified objects in the networks. Tendering processes are driven by customers, who are typically operators of larger power transmission systems or railway network owners, seeking to expand their asset base. Tendering processes are normally repetitive with each customer awarding several larger contracts each year to different contractors, based on best evaluated offers received from qualified bidders. The size of a typical project delivery work order amounts to approximately EUR 2 million to EUR 20 million.

Revenue for Eltel is generated through percentage of completion profit recognition according to progress of the project. The visibility in sales is defined by order backlog volumes. Profitability for Eltel is generated by strong project and contract management, including engineering and supply chain management. Key success factors in tendering processes are lowest evaluated offers as well as possessed capacity, competence and delivery capability as regards to quality and time, references and previous contracts performed for same customer. There is an ongoing tendency of customers to define larger delivery scopes in their agreements. This provides an advantage for larger service partners with larger resources and organisational capabilities such as Eltel. Project delivery services represented approximately 28% of the Group's net sales for the year ended 31 December 2013.

Typical contract type and work order size[1]

		Contract Type	Typical Work Order
Flow Business	Maintenance	Multi-year frame agreement	EUR 100–200
	Upgrades	Multi-year frame agreement	EUR 2,000–6,000
Project Basis	Project Delivery	Project Basis	EUR 2,000,000–20,000,000

CONTRACT PORTFOLIO BY BUSINESS SEGMENT

Overview

The terms of Eltel's customer contracts vary by country and business segment. Customer contracts tend to increase in complexity and sophistication by size, and for larger contracts the quality of the provided services is often measured against defined quality benchmarks agreed with the customer. The majority of Eltel's revenue is flow business comprised of maintenance and upgrade work, although there are differences in contract types depending on customer and type of services. Based on the Group's revenue for the year ended 31 December 2013 and including project delivery business and expected volumes under existing frame agreements, Eltel estimates that approximately 75% of the Group's expected 2014 revenue was visible at the beginning of 2014.

Power

For power transmission services, slightly more than half of the contracts relate to technical services in the form of project delivery services for high voltage power transmission networks and characterised by fixed price project delivery services conditions, i.e. a contract where the design emanates from, or is supplied by, the owner and not the contractor. The contracts are attained through international competitive bidding. Public procurement contracts typically contain fixed prices, performance guarantees, foreign exchange transactions and back to back agreements for suppliers and subcontractors, which enables Eltel as the main contractor to pass on any potential litigation towards the employer to the suppliers or subcontractors according to terms set in the contract.

Within services related to power distribution, the largest share of contracts is related to technical services for medium- and low voltage power distribution networks. Contracts are mainly characterised by frame agreements of two to five years with fixed unit prices for project delivery services and service-level agreement based unit rates for maintenance and upgrades work.

The Group generally has visibility on customer demand as a result of its *Power* customers' long-term capital expenditure plans.

Communication

For services related to fixed telecom networks, most contracts with major telecom operators are frame agreements, usually for maintenance and upgrade services. The frame agreements are typically two to five years in length and are based on unit prices. In several countries such as Sweden, Finland, Norway and Poland, Eltel has exclusivity in a given geographical region under many of the frame agreements.

Within services for mobile telecom, frame agreements are typical with key customers with fixed unit prices for upgrades orders with duration of typically two to four years. For maintenance services, service-level agreements are typically used.

Transport & Defence

For homeland security & aviation, the portfolio of contracts are usually for technical services for multi-technology installations (tele, radar, radio) in the form of service-level agreements for maintenance services, based on unit prices and duration of two to eight years, fixed price build orders as well as frame agreements in maintenance and consultancy work.

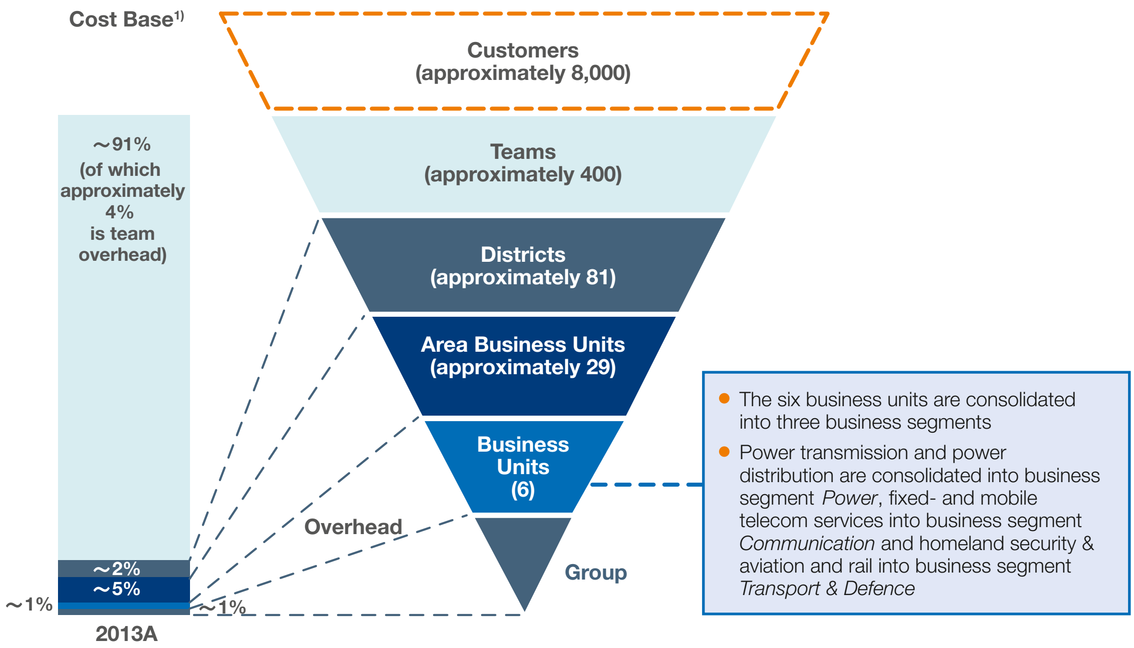
Within services related to the rail sector, the contracts are mainly characterised by fixed price project delivery services as well as frame agreements within maintenance services. Contracts for *Transport & Defence* are subject to competitive bidding from qualified service providers. Transport-related services are mainly provided via delivery projects through independently acquired project delivery contracts to build or expand existing transport networks.

1) Based on year ended 31 December 2013.

ORGANISATION AND EMPLOYEES

Eltel operates a de-centralised structure with five organisational levels. At each level, management is responsible for, and incentivised by, their own financial and operational performance. Among the total number of approximately 8,500 employees, approximately 7,000 are specialised and certified technicians. The graph below illustrates the organisational structure of the Group.

Eltel's Organisation Structure



1) Based on management accounts for 2013.

Source: Company information

Group

Group functions are responsible for standardising working best-practice according to The *Eltel Way* and operational and financial performance metrics. The group level is also responsible for financing and treasury operations, HR, IT/IS and communication.

Business units

Business units are responsible for sector-wide strategy and innovation, business and offerings development, the largest Group tenders and coordinating all of the operations cross-geography within their contracts. Business units are also responsible for the implementation of The *Eltel Way* and best practices throughout their units. Business unit managers are ultimately responsible for their own trading performance and budgeting accuracy to Group management.

Area Business Units

Area Business Units (ABU) are responsible for geography-wide strategy and the first level of analysis and business control. ABUs are responsible for product development, long term resource planning and developing customer relationships. They are also responsible for geography-wide tendering processes. ABUs are generally contained in one country.

Districts

Districts are the first level of Group coordination within Eltel. This level manages local and intra-team resources, for example pooled warehouses and other fixed assets. Districts are contained within one country. In addition, districts are responsible for purchases, most of tendering and contract activities as well as medium term resource planning.

Teams

Teams are the primary operating level for the Group, as the team managers directly implement contracts, or elements of contracts, and client relationships. They also employ the technicians and subcontractors. There are approximately 400 teams across the Group, split by specialisation and geography. Team managers, as for all other levels in the organisational structure, are measured on their own profit and loss statements and working capital metrics before overhead allocations. Team managers are also responsible for producing bottom-up budgets, which are aggregated through all organisational levels. Eltel's six business units are defined as operative segments in accordance with IFRS 8 Segment reporting standard. The operative segments are aggregated into two reportable segments, *Power* and *Communication,* and the *Transport & Defence* business is classified as other.

EMPLOYEES

Overview

As of 30 September 2014, Eltel had 8,538 full-time employee equivalents. The following tables provide a breakdown of Eltel's full-time employee equivalents by business segment and geography as of 31 December 2011, 2012 and 2013 and as of 30 September 2014.

	30 September	31 December		
	2014	2013	2012	2011
Power	3,321	3,160	3,082	3,001
Communication	4,645	4,764	4,759	4,340
Transport & Defence	548	504	565	568
Other	24	31	89	155
Total	**8,538**	**8,459**	**8,495**	**8,064**

	30 September	31 December		
	2014	2013	2012	2011
Sweden	2,024	1,949	1,839	1,803
Finland	1,520	1,609	1,700	1,549
Denmark	524	516	648	615
Norway	648	582	596	546
Baltic region	963	863	935	896
Poland	2,606	2,661	2,587	2,482
Germany	200	241	167	149
United Kingdom	2	2	0	0
Other	51	36	23	24
Total	**8,538**	**8,459**	**8,495**	**8,064**

The Group makes use of subcontractors to improve the management of its workflow. The use of subcontractors differs between countries and business segments. For the financial years 2013, 2012 and 2011, the Group's subcontractor costs comprised 23.8%, 23.4% and 24.9%, respectively, as a percentage of the Group's cost of sales.

Employee turnover

Eltel's employee turnover has fluctuated over the last three years. In 2012 and 2013, employee turnover was higher primarily due to growth within project delivery services that were managed by hiring temporary employees. Historical employee turnover is also affected by closure of businesses. Eltel believes that it has a high stability in its permanent work force turnover, with the average tenure of its permanent employees being approximately ten years.

Leadership development and training

Eltel places significant weight on leadership development and training of its employees to ensure that the Group's employees are highly skilled and meet the demands and expectations within their profession as well as within health, safety and environment.

The Eltel training system is primarily based on the training of operational staff performing work in the field. They regularly participate in technical training to enable individual development and ensure that Eltel is at the forefront of technological development and best practices. In addition, training includes the safety and health of work, training for working at heights, first aid, working in the electromagnetic field and electrical work performed under high voltage. Some employees also participate in training organised by Eltel's customers or suppliers of equipment.

In the end of each year, district managers assess the skills and competences of their employees based on strategy, legislation and customer demands. The assessment forms the basis for the next year training planning. Together with the local HR function, line managers prepare and approve an annual training plan, including any mandatory training. The training plans are continuously monitored and, if required, revised throughout the year.

Eltel carries out part of the training internally, but is increasingly making use of external providers.

In 2014 Eltel started the pilot international mentoring program in ABU and District levels to ensure better leadership skills and use of best practices.

Union memberships / Labour relationships

A significant part of Eltel's employees in the Nordic region are part of trade unions, whereas it is less common in the Baltic region. Maintaining a good relationship with labour unions is a priority for Eltel. In 2005, Eltel established its European Works Council. Historically, Eltel has not experienced any material disruption to its business as a result of strikes, work stoppages or other labour disputes.

CORPORATE RESPONSIBILITY

Eltel operates in the service sector and is highly dependent on the competences, motivation and performance of its employees and partners. As such, corporate responsibility comprises an important part of Eltel's business.

Eltel works towards establishing a well-defined and transparent structure for the profitability and long-term value of Eltel companies, both for shareholders and other legitimate stakeholders of the companies. Eltel's corporate governance is formed by the group level policies and instructions.

In addition to the corporate governance, local instructions provide guidance how the group policies are applied and implemented at local level. Segment manuals define how work is organised within a specific segment and service. The whole set of guidance provides a platform for all employees to manage the Group in the best interests of all stakeholders. In order to make sure the policies are well understood in the organisation, an e-learning tool has been introduced targeted at 800 management level persons at the first phase.

Eltel is an active contributor to a sustainable society. The Group's customers' choice of the latest technology and how Eltel implements them makes a positive impact on environment. Well-planned network refurbishments and maintenance programmes extend the lifetime of infrastructures. Eltel's policy is to comply with the ISO 14001 standard.

Eltel's aim, together with its partners, is to be a contributor to a positive development of the societies where it operates. In 2014, Eltel signed the United Nations Global Compact (UNGC) engagement which sets forth the UNGC ten principles in the areas of human rights, labour, environment and anti-corruption.

Selected financial information

The selected consolidated historical financial information presented below has been derived from the Group's audited consolidated financial statements as of and for the years 31 December 2013, 2012 and 2011, which were prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS-EU") and audited by PwC, as set forth in their audit report included elsewhere in this Prospectus. Selected financial information has also been derived from the Group's consolidated financial statements as of and for the nine months ended 30 September 2014 and 2013, prepared in accordance with IFRS-EU and reviewed by PwC as set forth in their audit report included elsewhere herein.

The Group has applied the revised IAS 19 Employee Benefits standard as of 1 January 2013. The comparative information for the years ended 31 December 2012 and 2011 has been restated accordingly. The unaudited interim consolidated financial statements as of and for the nine months ended 30 September 2014 including 2013 comparative information have been prepared on the same basis as the Group's audited consolidated financial statements for the years ended 31 December 2013, 2012 and 2011, except for the following IFRS amendments. The Group has applied the new IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities as of 1 January 2014 which are effected by the Group's interim consolidated financial statements as of and for the nine months ended 30 September 2014 and 2013. The adoption of IFRS 11 Joint Arrangements is a change in the Group's accounting principle for jointly controlled entities. The Group previously recognised its interests in jointly controlled entities using the proportionate method of consolidation. Under IFRS 11, jointly controlled entities are divided into joint operations and joint ventures. More information on the effect of the adoption of IFRS 11 can be found in the note titled "*IFRS Joint Arrangements*" to the Group's unaudited interim consolidated financial statements and in "*Note 30 – Effect of change in accounting principles for IFRS 11, Joint Ventures*" to the Group's unaudited consolidated financial statements in "*Historical Financial Information*".

Eltel has adopted IFRS 8 Operating Segments from 1 January 2014. Comparative information is presented accordingly. 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 is 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 Other, which has been named *Transport & Defence*. The two reportable segments, *Power* and *Communication*, as well as Other, constituting the *Transport & Defence* business, are also referred to as business segments in the Group's financial reports and represent business as followed by management. Items below operative EBITA are not allocated to the segments.

The following information should be read in conjunction with "*Operating and financial review*" and the Group's audited consolidated financial statements as of and for the years ended 31 December 2013, 2012 and 2011 and consolidated financial statements as of and for the nine months ended 30 September 2014 and 2013, including the related notes in "*Historical financial information*".

This Prospectus presents certain financial measures that are not measures defined under IFRS, including operative EBITA, operative EBITA margin, operative cash flow and cash conversion. Management believes these non-GAAP financial measures provide a better understanding of the trends in financial performance. A body of generally accepted accounting principles such as IFRS-EU is commonly referred to as "GAAP". A non-GAAP financial measure is defined as one that measures historical or future financial performance, financial position or cash flows but which excludes or includes amounts that would not be so adjusted in the most comparable GAAP measure. These non-GAAP financial measures are unaudited and should not be considered in isolation or as an alternative to performance measures derived in accordance with IFRS. In addition, such measures, as defined by the Group, may not be comparable to other similarly titled measures used by other companies, because the above-mentioned non-GAAP measures are not uniformly defined and other companies may calculate them in a different manner than the Group does, limiting their usefulness as comparative measures.

SELECTED CONSOLIDATED INCOME STATEMENT DATA[1)]

Group Income Statement	For the nine months ended 30 September 2014 (EUR million)	2013 (EUR million)	For the years ended 31 December 2013 (EUR million)	2012 (EUR million)	2011 (EUR million)
Net sales	889.8	801.6	1,153.7	1,149.0	1,011.4
Cost of sales	(772.1)	(701.1)	(1,010.3)	(1,008.9)	(883.6)
Gross profit	**117.7**	**100.5**	**143.4**	**140.1**	**127.8**
Other income[2)]	1.8	7.9	8.6	2.9	2.8
Sales and marketing expenses	(8.6)	(8.4)	(12.8)	(12.2)	(12.8)
Administrative expenses[3)]	(81.3)	(59.6)	(84.1)	(82.9)	(73.3)
Other expenses	(1.8)	(1.3)	(2.7)	(1.9)	(0.8)
Share of profit/loss of joint ventures	(0.2)	–	–	–	–
Operating result before acquisition related amortisations (EBITA)	**27.6**	**39.2**	**52.4**	**46.1**	**43.7**
Amortisation of acquisition – related intangible assets	(9.4)	(13.5)[4)]	(16.7)[4)]	(15.2)	(15.0)
Operating result (EBIT)	**18.3**	**25.6**	**35.7**	**30.8**	**28.7**
Finance expenses - net	(14.8)	(14.6)	(20.6)	(21.1)	(22.4)
Profit Before Taxes	**3.4**	**11.0**	**15.1**	**9.7**	**6.3**
Taxes	(1.0)	(3.1)	(3.6)	2.2	7.0
NET PROFIT	**2.4**	**7.9**	**11.5**	**11.9**	**13.3**

1) The Group has applied the revised IAS 19 Employee Benefits standard as of 1 January 2013. The comparative information for the years ended 31 December 2012 and 2011 has been restated accordingly. The unaudited interim consolidated financial information as of and for the nine months ended 30 September 2014 including 2013 comparative information has been prepared on the same basis as the Group's audited consolidated financial statements for the years ended 31 December 2013, 2012 and 2011, except for the following IFRS amendments. The Group has applied the new IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities as of 1 January 2014 which are reflected in the Group's interim consolidated financial statements as of and for the nine months ended 30 September 2014 and 2013. The adoption of IFRS 11 Joint Arrangements is a change in the Group's accounting principle for jointly controlled entities. The Group previously recognised its interest in jointly controlled entities using the proportionate method of consolidation. Under IFRS 11, jointly controlled entities are divided into joint operations and joint ventures. More information on the effect of the adoption of IFRS 11 can be found in the note titled "*IFRS Joint Arrangements*" to the Group's unaudited interim consolidated financial statements and in note 30 *"Effect of change in accounting principles for IFRS 11, Joint Ventures*" to the Group's unaudited consolidated financial statements in "*Historical Financial Information*". Eltel has adopted IFRS 8 Operating Segments from 1 January 2014. Comparative information is presented accordingly.
2) Other income 2013 includes EUR 6.6 million gain on sale of the Aastra and Avaya business lines in Denmark.
3) Administrative expenses for the nine months ended 30 September 2014 include non-recurring expenses of EUR 15.0 million relating to a provision taken for Eltel's management incentive program and costs for advisors relating to the Offer. The Compay expects costs for advisors to amount to approximately EUR 13.0 million. The maximum cost of the incentive program amounts to EUR 20.0 million. Based on the price range in the Offer, the Company expects to pay the maximum amount of EUR 20.0 million.
4) Amortisation of goodwill related items EUR 16.7 million includes EUR 3.3 million derecognition of goodwill that is allocated to the sold Danish Aastra and Avaya business lines. Total impact of the sale in the consolidated income statement is EUR 3.3 million.

SELECTED CONSOLIDATED BALANCE SHEET DATA

Group Balance Sheet	As of 30 September 2014 (EUR million)	As of 31 December 2013 (EUR million)	2012 (EUR million)	2011 (EUR million)
ASSETS				
Non-current assets				
Goodwill	429.2	433.9	445.4	434.9
Intangible assets	93.0	104.3	121.7	132.3
Property, plant and equipment	34.2	37.4	35.7	33.1
Available-for-sale investments	0.1	0.3	0.4	0.4
Retirement benefit asset	0.2	0.2	0.1	0.3
Deferred tax assets	15.4	14.3	19.4	19.0
Trade and other receivables	0.7	0.1	0.3	0.2
Total non-current assets	**573.0**	**590.5**	**622.9**	**620.2**
Current assets				
Inventories	11.6	12.1	14.4	15.1
Trade and other receivables	332.6	296.2	263.4	248.1
Cash and cash equivalents	42.2	26.2	16.6	16.2
Total current assets	**386.4**	**334.5**	**294.3**	**279.4**
Total assets	**959.4**	**925.1**	**917.3**	**899.6**
EQUITY AND LIABILITIES				
Equity				
Shareholders' equity	254.0	261.8	252.9	242.4
Non-controlling interest	6.0	5.5	4.9	4.3
Total equity	**260.1**	**267.3**	**257.7**	**246.7**
Non-current liabilities				
Debt	6.9	288.7	337.6	332.7
Liabilities to shareholder[1)]	–	11.6	11.3	5.8
Retirement benefit obligations	15.1	10.0	23.9	15.7
Deferred tax liabilities	15.8	18.2	22.5	27.9
Provisions	2.4	2.4	1.9	2.1
Other non-current liabilities	0.1	0.1	0.1	0.0
Total non-current liabilities	**40.3**	**331.0**	**397.4**	**384.3**
Current liabilities				
Debt	334.0	58.8	23.9	29.9
Liabilities to shareholders[1)]	14.5	–	–	–
Provisions	17.2	2.5	3.0	3.1
Advances received	60.5	41.2	37.4	42.0
Trade and other payables	232.9	224.4	197.9	193.6
Total current liabilities	**659.0**	**326.9**	**262.2**	**268.6**
Total liabilities	**699.3**	**657.8**	**659.6**	**653.0**
TOTAL EQUITY AND LIABILITIES	**959.4**	**925.1**	**917.3**	**899.6**

1) Liabilities to shareholders includes management shareholder loans and shareholder loans in the form of so called PIK notes issued for the payment of a dividend on preference shares. The PIK notes will be converted to common shares in connection with the Offer and other shareholder loans will be repaid in full using part of the net proceeds of the Offer.

SELECTED CONSOLIDATED CASH FLOW DATA

	For the nine months ended 30 September		For the years ended 31 December		
	2014 (EUR million)	2013 (EUR million)	2013 (EUR million)	2012 (EUR million)	2011 (EUR million)
Cash flows from operating activities before interest and taxes	**40.3**	**31.6**	**57.8**	**39.9**	**54.0**
Net cash flow from financial items and taxes	(18.2)	(14.9)	(19.8)	(19.6)	(27.9)
Cash flow from investing activities	(6.2)	(1.6)	(6.7)	(13.2)	(10.2)
Cash flow from financing activities	0.9	(9.9)	(21.9)	(6.6)	(17.8)
Net change in cash and cash equivalents	16.8	5.2	9.4	0.6	(1.9)
Cash and cash equivalents at beginning of period	26.2	16.6	16.6	16.2	18.4
Foreign exchange rate effect	(0.7)	0.2	0.2	(0.2)	(0.2)
Cash and cash equivalents at end of period	**42.2**	**22.0**	**26.2**	**16.6**	**16.2**

SELECTED KEY PERFORMANCE INDICATORS

The Group closely monitors the following key drivers of its businesses' operating performance to plan for its current needs and to adjust expectations, financial budgets and forecasts appropriately. Uniform monthly reporting from the individual team level to the Group level is the basis for business reviews at every level within the organisation. Approximately 400 teams are measured according to a standard profit and loss statement, with detailed performance indicators on project/contract profitability, resource utilisation and efficiency, operational leverage and capital efficiency. These performance indicators are, on an aggregated level, captured by EBITA margin and cash flow from operating activites before interest and taxes. Eltel uses EBITA margin, cash flow from operating activites before interest and taxes and revenue growth as the basis for its medium to long term financial targets. See *"Business – Vision and financial targets"*. Eltel believes EBITA is the most appropriate metric for steering and monitoring the Company's performance and, in contrast to EBITDA, EBITA considers capital expenditures needed to sustain the Company's business.

	For the nine months ended 30 September		For the years ended 31 December		
Group Key Performance Indicators	2014 (EUR million)	2013 (EUR million)	2013 (EUR million)	2012 (EUR million)	2011 (EUR million)
Net sales	889.8	801.6	1,153.7	1,149.0	1,011.4
Net sales growth (%)	11.0%	(2.3)%	0.4%	13.6%	18.1%
Operative EBITA[1)]	43.6	36.6	52.0	47.8	46.2
EBITA	27.6	39.2	52.4	46.1	43.7
EBITA margin	3.1%	4.9%	4.5%	4.0%	4.3%
EBIT	18.3	25.6	35.7	30.8	28.7
EBIT margin	2.1%	3.2%	3.1%	2.7%	2.8%
Result after financial items	3.4	11.0	15.1	9.7	6.3
Net result	2.4	7.9	11.5	11.9	13.3
Earnings per share (EUR)	0.00	0.01	0.01	0.01	0.01
Operative cash flow[2)]	42.0	32.2	56.6	30.1	50.2
Cash conversion, (%)[3)]	152%	82%	108%	65%	115%
Number of personnel (end of period)	8,538	8,641	8,459	8,495	8,064

1) Operative EBITA is calculated as operating result before acquisition related amortisations (EBITA) excluding non-recurring items which the management does not consider to form a part of the ongoing business of the Group.
2) Operative cash flow is calculated as the sum of (a) operating result before acquisition related amortisation (EBITA), (b) depreciation and (c) change in net working capital less (d) net purchase of property, plant and equipment (capex).
3) Operative cash flow as a percentage of EBITA.

The following table depicts selected key performance indicators for each business segment.

Segment key performance indicators	For the nine months ended 30 September 2014 (EUR million)	2013 (EUR million)	For the years ended 31 December 2013 (EUR million)	2012 (EUR million)	2011 (EUR million)
Power					
Net sales	373.3	335.2	487.4	456.6	366.7
Operative EBITA[1]	24.1	19.4	29.2	25.4	20.9
Operative EBITA, margin[1]	6.5%	5.8%	6.0%	5.6%	5.7%
Number of employees	3,321	3,257	3,160	3,082	3,001
Communication					
Net sales	415.6	388.5	551.3	568.8	510.7
Operative EBITA[1]	15.7	14.4	19.8	20.0	23.7
Operative EBITA, margin[1]	3.8%	3.7%	3.6%	3.5%	4.6%
Number of employees	4,645	4,842	4,764	4,759	4,340
Transport & Defence					
Net sales	108.8	83.8	122.6	120.8	95.1
Operative EBITA[1]	9.7	9.1	13.1	13.1	6.4
Operative EBITA, margin[1]	8.9%	10.8%	10.7%	10.8%	6.7%
Number of employees	548	500	504	565	568

1) Operative EBITA and operative EBITA margin are non-GAAP measures.

Reconciliation of operative EBITA and operating result before acquisition related amortisation (EBITA)

The following table provides a reconciliation of operative EBITA and operating result before acquisition related amortisations (EBITA) for the Group.

Reconciliation of operative EBITA and operating result before acquisition related amortisations	For the nine months ended 30 September 2014 (EUR million)	2013 (EUR million)	As of 31 december 2013 (EUR million)	2012 (EUR million)	2011 (EUR million)
Operative EBITA, *Power*	24.1	19.4	29.2	25.4	20.9
Operative EBITA, *Communication*	15.7	14.4	19.8	20.0	23.7
Operative EBITA, *Transport & Defence*	9.7	9.1	13.1	13.1	6.4
Items not allocated to operating segments [1]	(5.9)	(6.3)	(10.0)	(10.6)	(4.8)
Operative EBITA, Group	**43.6**	**36.6**	**52.0**	**47.8**	**46.2**
Non-recurring items[2]	(15.9)	2.6	0.3	(1.8)	(2.5)
Operating result before acquisition related amortisations	**27.6**	**39.2**	**52.4**	**46.1**	**43.7**

1) Items not allocated to operating segments include Group management functions, other group level expenses and closed business units.
2) Non-recurring items are items which management does not consider to form part of the ongoing operative business, which during 2011–2013 arised in connection with Eltel's decision to close down certain parts of the operating business, primarily in Norway, Denmark (the Aastra and Avaya business lines) and Finland. For the nine months ended 30 September 2014, non-recurring items primarily arose from a provision of EUR 15.0 million taken for Eltel's management incentive program and advisory and other fees related to preparations for the Offer.

Reconciliation of operative cash flow to cash flow to operating activities before interest and taxes

The following table provides a reconciliation of operative cash flow to cash flow to operating activities before interest and taxes for the Group.

Reconciliation of operative cash flow to cash flow to operating activities before interest and taxes	For the nine months ended 30 September 2014 (EUR million)	2013 (EUR million)	As of 31 december 2013 (EUR million)	2012 (EUR million)	2011 (EUR million)
Operative cash flow	42.0	32.2	56.6	30.1	50.2
Less net purchases of property, plant and equipment	6.4	8.2	13.3	13.1	10.2
Gains on sales of assets	(1.1)	(6.7)	(6.7)	–	(0.2)
Items recognised through other comprehensive income	(1.2)	(1.9)	(3.9)	(2.6)	(3.2)
Other non-cash adjustments	(5.7)	(0.2)	(1.4)	(0.7)	(3.2)
Cash flow from operating activities before interest and taxes	**40.3**	**31.6**	**57.8**	**39.9**	**54.0**

Operating and financial review

The following presentation should be read together with, and is qualified in its entirety by reference to, the Group's Consolidated Condensed Interim Financial Statements as of and for the nine months ended 30 September 2014 and 2013 and accompanying notes and its Audited Consolidated Financial Statements as of and for the three years ended 31 December 2013, 2012 and 2011 and the related notes thereto, included elsewhere in this Prospectus, in each case which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS-EU"). See also "Presentation of Financial and Other Information."

The following presentation contains forward looking statements that reflect the Group's plans, estimates and beliefs, which are based on assumptions the Group believes to be reasonable. The Group's actual results could differ materially from those expressed or implied in these forward looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below and elsewhere in the Prospectus, particularly in "Risk Factors" and "Important Information – Forward Looking Statements."

OVERVIEW

Eltel is a leading European provider of technical services to the Infranet industry, which consists of companies who own and operate critical infrastructure networks in the areas of *Power*, *Communication* and *Transport & Defence*. Eltel mainly operates throughout the Nordic and Baltic regions, Poland, Germany, the United Kingdom and Africa. Eltel provides a broad and integrated range of services spanning from project planning and execution to installation services and services related to maintenance and operation. The full range of technical services types that Eltel offers include maintenance services, upgrade services and project delivery services.

With its roots in Finland and Sweden, Eltel has a strong position in the Nordic region and has successfully expanded its footprint to also include market leading positions in the Baltic region and Poland as well as established growth platforms in Germany and United Kingdom. Eltel is also one of the most experienced Infranet services providers in Africa, especially within *Power*, having conducted several dozens of projects on the African continent including in Zambia, Botswana, Angola, Ethiopia and Tanzania. Eltel's largest geographical market is the Nordic region.

Segment reporting

The Group operates in three business segments: *Power, Communication*, and *Transport & Defence*. According to IFRS segment reporting, the *Power* and *Communication segments* constitute reportable segments and the *Transport & Defence* business is referred to in the Group's financial statements as "Other".

Power

The *Power* segment comprises services for power transmission and power distribution. The *Power* segment provides maintenance (both care and connect), upgrade and project delivery service to national TSOs and large distribution network owners and is characterised by long-term customer relations, with a continuous order flow generated through frame agreements and project delivery services through tendering processes. 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 power networks, substations and wind power parks. These services typically include designing, building and maintaining overhead lines, underground cables, substations and outdoor lightening and executing major smart meter rollouts. The *Power* segment represented 42% of the Group's net sales for the year ended 31 December 2013.

Communication

The *Communication* segment comprises services for fixed telecom and mobile telecom. The *Communication* segment provides maintenance (both care and connect) and upgrade services to telecom operators and other owners of communication networks, and its business is characterised by long term customer partnerships, with a continuous order flow generated through frame agreements. Fixed telecom services primarily relate to the installation and maintenance of fixed telecom networks, while the mobile telecom services relate to implementation and maintenance services covering mobile telecom and data network systems and rollouts of mobile networks. The *Communication* segment represented 47% of the Group's net sales for the year ended 31 December 2013.

Transport & Defence

The *Transport & Defence* business segment comprises services for homeland security & aviation and services for rail infrastructure and, to a lesser extent, services to SME customers. The *Transport & Defence* business segment provides maintenance services (care), upgrade and project delivery services to different government authorities, including rail, road and aviation authorities, and its business is characterised by long-term customer relations, with continuous maintenance and upgrade service order flow generated through long-term frame agreements and project delivery service contracts through tendering processes. Services for homeland security & aviation include services for airport infrastructure equipment and systems such as radio, data and telecommunications, equipment and operations for air traffic control centres as well as defence and public safety solutions such as radar and communication facilities.

Customers for these services include aviation authorities, homeland security and defence organisations. Services in rail infrastructure includes design, construction, installation, testing and commissioning services, as well as national maintenance operations for rail and road authorities, vendors and construction companies. Services to SME customers include communication infrastructure installations, maintenance and support services. The *Transport & Defence* business segment represented 11% of the Group's net sales for the year ended 31 December 2013.

Recent key developments

In October 2014, the Group entered into several new agreements in the *Power* segment:

- a new approximately EUR 45 million frame agreement (named Frame 2) with Finnish power distribution grid owner Caruna. Volumes under the frame agreement are dependent on work orders received;
- a new approximately EUR 13 million maintenance frame agreement for the western and north-eastern parts of Finland (named Karhu) with Finnish power distribution grid owner Caruna. Volumes under the frame agreement are dependent on work orders received;
- Eltel won its first smart metering rollout contract in Norway, as a subcontractor to Cap Gemini, for 16,000 smart meters. The rollout for Norwegian utilities Klepp Energi and Jærn Energi will be located on the west coast of Norway and is scheduled to start in the fourth quarter of 2015. Completion is expected in the second quarter of 2017;
- the Group also pre-qualified for smart meter rollouts for 3.5 million meters in the Netherlands and Norway and is tendering for rollouts in Denmark and Norway; and
- a new EUR 25 million project delivery services contract with Polish power transmission operator PSE to provide for engineering and construction of a double 400 kV transmission line between Jasinec and Patnow in Poland, which is expected to be completed in 2019.

In October 2014, the Group's joint venture in the *Communication* business, Eltel Sønnico AS, signed a new frame agreement with Telenor for the upgrade and maintenance of Telenor's fixed and mobile telecom networks during the period from 2015–2019. Eltel-Sönnico AS's volumes under the frame agreement are dependent on work orders received. For additional information on the impact of the joint arrangement on the Group's results, see "*Key factors affecting the results of operations – Implementation of the Group's acquisition growth strategy*".

In the second half of 2014, the Group made inroads in the UK communication services market through its joint venture with Carillion, which began providing telecom technicians to BT Openreach in the UK.

In November 2014, Eltel agreed to take over the personnel of KT Electrotech AS, a specialist in engineering, procurement and construction delivery of electro and mechanical supply for road tunnels in Denmark. The transfer of personnel strengthens the Group's *Transport & Defence* business in Denmark.

In December 2014, the Group entered into several new agreements in the *Power* segment:

- a new approximately EUR 43 million contract for the modernisation and development of a power substation in Krajnik in western Poland; and
- a new EUR 14.6 million contract with Fingrid for the construction of a new 110kV/400kV power transmission line between Kalajoki and Siikajoki in western Finland; and
- the Group's first contract for power transmission substation work in Germany.

In January 2015, the Group signed a five year services contract with TeliaSonera, covering the Nordic and Baltic regions for upgrade services and maintenance. The new agreement extends the same contracted services currently being offered by the Group to TeliaSonera and also expands the geographical scope of the agreement by covering new regions in Sweden. The new agreement, composed of several service delivery contracts, will be phased in during 2015.

Current trading

The information and presentation relating to the Group's net sales and operative EBITA margin are based on the Group's internal management accounts and represent the Group's preliminary expectations with respect to the Group's results for the three months ended 31 December 2014 (Q4 2014). While the Group believes these estimates to be reasonable, the Group's actual results could vary from these estimates and these differences could be material. These estimates have been prepared by and are the responsibility of management and have not been reviewed or audited by an auditor and investors should not place undue reliance on them.

With respect to the Group's consolidated financial information:

- Net sales in Q4 2014 are estimated to be in line with the Group's quarterly net sales in Q4 2013.
- Operative EBITA margin[1)] in Q4 2014 is estimated to be slightly above the Group's quarterly operative EBITA margin realised in Q4 2013.

Net sales in Q4 2013 and Operative EBITA in Q4 2013 can be calculated as the difference between: (i) Net sales and Operative EBITA for the year ended 31 December 2013, respectively; and (ii) Net sales and Operative EBITA for the nine months ended 30 September 2013, respectively. See "*Selected financial information – Selected key performance indicators*".

Except as disclosed in this section of the Prospectus, "*Operating and financing review*", there has been no material change in the financial and trading position of the Group since 30 September 2014.

1) Operative EBITA as a percentage of net sales. Operative EBITA is calculated as operating result before acquisition related amortisations (EBITA) excluding non-recurring items which management does not consider to form a part of the ongoing business of the Group. Non-recurring items in Q4 2014 include a gain recognised in connection with the Group's contribution of its fixed and mobile telecom networks in Norway to Eltel's joint arrangement with Sønnico Tele AS, which became effective in January 2015, provision for the Group's management incentive program and advisory costs related to the preparations for the Offer.

KEY FACTORS AFFECTING THE RESULTS OF OPERATIONS

The Group's results of operations have been affected in the periods under review, and are expected to continue to be affected, by the following principal factors:

Overall demand for infrastructure technical services

The Group's net sales are correlated to customers' ability and willingness to use the Group's services which in turn depends on a variety of factors, including the continued need of its customers to maintain critical infrastructure, the need for substantial future infrastructure investment due to aging, the increased use of renewable energy sources, EU energy market integration, the roll-out of smart meters, mass transportation, technology driven shifts in consumer demand, the consolidation of suppliers and the continued outsourcing of non-core operations by customers, which has enabled the establishment of independent service providers such as the Group.

The Group's total addressable market grew by approximately 3.2% during the period from 2011–2013 and the Group's core addressable market grew by approximately 8.3% during the same period, in each case driven mainly be increased investment levels, primarily in the *Power* segment. The increased investment levels correlated with a 6% increase in the Group's net sales during the period.

Profitability during the period was primarily attributable to revenue growth. The Group's profit margins vary between its business segments, with *Power* and *Transport & Defence* historically having higher margins than *Communication*, which is reflective of the margins which prevail in those sectors. The difference in margins is primarily attributable to competition.

The key industry/market factors which impacted demand for the Group's services during the period under review were as follows:

- *Regulatory environment.* Demand for the Group's services has been impacted by the regulatory environments in each of the Group's business segments as compliance with regulations has resulted in increased expenditure by the Group's customers. In the Group's *Power* segment, the requirement to weather proof cabling and the European electricity regulatory frameworks, particularly directives requiring the installation of smart meters, have resulted in significant investment, which in turn has driven Group revenue. In the Group's *Communication* segment, European telecom authorities and operators have prioritised increasing service levels, which has resulted in increased demand for the Group's fixed and mobile telecom services. In the medium term, the Group's addressable market for fixed telecom services is expected by PwC to contract slightly, while the addressable market for mobile telecom services is expected by PwC to grow. In the Group's *Transport & Defence* business segment, European rail and road authorities have instituted policy decisions supporting larger upgrades of rail infrastructure to ensure the safety and efficiency of transport services which have similarly had a positive impact on demand for the Group's rail services. Changes in political agendas, including in connection with elections, may impact the regulatory environment and hence demand for the Group's services.
- *The need for substantial future infrastructure investment due to ageing power infrastructure and electrification of rail*. Demand for the Group's technical services in its *Power* segment and *Transport & Defence* business segment is dependent on investments in infrastructure. Large parts of the transmission and distribution networks in Northern and Central Europe were built during the early 1970s and are approaching the end of their technical lives. Large scale refurbishment projects implemented in the last three years have contributed to growth in the Group's power transmission services, which experienced a CAGR of 19% between 2011 and 2013, driven largely by a significant increase in projects in Norway and Sweden. Such projects included the reinforcement of networks and replacement of old transmission lines from Hamra to Stackbo in Sweden, and the refurbishment of transmission lines and network upgrades for National Grid in the UK. The Group's power distribution services also grew at a CAGR of 12% during the period. During the period under review, investment to replace ageing infrastructure included, for example, the cablification (i.e. the replacement of overhead lines with underground cables) of the Finnish distribution networks owned by Caruna (formerly Fortum's electricity distribution business), Elenia, Savon Voima and PKS, as well as smart meter roll-outs in Finland. Growth in power transmission and distribution services correlated with a CAGR of 15.3% in net sales in the Group's *Power* segment from 2011 to 2013. Demand for interconnected smart grids in Europe and the rapid development and urbanisation of many African countries, which has driven the need for further electrification, have driven demand for further investments in Power infrastructure. Such investments have had a positive impact on the Group's results in the period under review. Within the *Transport & Defence* business segment, demand for the Group's rail services has been driven to a large extent by increased infrastructure investment in rail electrification projects in the Nordic region, including an EUR 20 million rail electrification contract with Jerbaneverket in Norway, an EUR 17 million contract with SL in Sweden to construct a light rail line and an EUR 6 million contract rail electrification contract with Liikennevirasto in Finland. Additional drivers of increased infrastructure investment in rail services include upgrades in connection with the introduction of high-speed rail and integration and upgrade of signalling systems. The extent of future infrastructure investment will be dependent on the capital expenditure levels of private and public sector entities and will have a direct impact on demand for the Group's services and, consequently, results going forward.
- *Technology driven shifts in consumer demand.* Demand for the Group's *Communication* services has been impacted by technological advancements driven by growing demand for higher capacity on mobile networks, technology shifts (e.g., from 2/3G to 4G) and the continued shift from copper cable to fibre optic networks to meet customer demands,

all of which have resulted in increased levels of capital expenditures. Once the eventual replacement from copper to fibre is complete, demand for the Group's *Communication* services may be reduced, as fibre optic networks are less maintenance intensive than copper. Given the maturity of the telecommunications market, the Group's profitability is impacted by its ability to respond and adapt to technological advancements.

Demand for the Group's services during the period under review was, to a lesser extent, impacted by the following industry/market factors which the Group believes will have a more significant impact on its results of operations going forward:

- *The increased use of renewable energy sources, EU energy market integration and the roll-out of smart meters.* A shift in demand for power driven by renewable sources such as wind and solar has resulted in some increased investment in the *Power* segment during the period under review and is likely to result in additional increased investment going forward as customers connect new renewable energy sources to transmission grids and manage higher load variability and increases in peak load power. Demand for the Group's *Power* services has also been influenced by EU market integration initiatives, pursuant to which both regional and national regulators have identified several key projects to reduce grid congestion and allow for a higher degree of market coupling (i.e., increasing transmission flow between countries), such as, for example, the Group's Ełk-Border land acquisition in Poland, a project to connect Poland and Lithuania's power transmission networks which is a fixed-volume contract that will account for approximately EUR 18 million in net sales for the duration of the project. In addition, demand for the Group's *Power* services has been impacted by EU energy legislation which dictates targets on the implementation of smart meters (80% of European households by 2020 and full coverage by 2022). To date, the Group has installed approximately 3.5 million smart meters. The Group expects that approximately 200 million smart meters will be required to be installed by 2020, corresponding to a 72% smart meter penetration rate in Europe by 2020. Near-term opportunities for new business in smart meters include roll-outs in Norway the Netherlands and Austria.
- *The trend to outsource non-core operations.* A general trend toward outsourcing in all of the Group's business segments has had a positive impact on the Group's results of operations during the period under review and is expected to continue to impact the Group's results in the future. In the period from 1 January 2011 to 30 September 2014, Eltel completed four outsourcing transactions. Industry participants are outsourcing technical service functions which have become increasingly complex, with a view to focusing on their core business, raising their operational efficiency and improving their productivity and reliability while at the same time achieving cost-savings. The Group's results of operations are impacted by the degree of outsourcing at both the industry and public sector levels.

Customer and contract factors

Ability to retain existing customers and win new customers

The Group's ability to retain existing customers and win new customers is a key factor affecting net sales and profitability. The Group's customer base primarily consists of major operators and utility companies in each of the Group's business segments. This customer base is fairly concentrated as consolidation in the industries in which the Group operates has resulted in a few key customers in each business segment. The Group maintains a high degree of integration with its customers through the use of shared interfaces, particularly in *Communication* and *Transport & Defence*. This high degree of integration as well as ongoing joint development initiatives between the Group and its customers and the Group's status as a service provider with a broad range of leading capabilities and a strong market reputation have resulted in a very low customer churn which has allowed for increased visibility on revenue streams.

In each of the Group's business segments, a limited number of customers account for the majority of the segment's net sales. At the Group level, the top three customers accounted for 30% of the Group's consolidated net sales for the nine months ended 30 September 2014 and 29% of its consolidated net sales for the year ended 31 December 2013.

A majority of the Group's net sales are generated through contracts with key customers under frame agreements that typically have a duration of between two and five years and are subject to renegotiation upon expiration. Frame agreements comprising 6% of the Group's consolidated net sales for the year ended 31 December 2013, including one of the Group's top five customer contracts, are due to mature in 2015 and will be subject to re-negotiation. Failure to successfully re-negotiate these contracts would adversely impact the Group's profitability. For example, in 2014, the Group failed to successfully renegotiate its project delivery contract for Rakel which accounted for approximately 1.5% of the Group's consolidated net sales for the year ended 31 December 2013.

During the period under review, the Group has maintained stable profitability in its contracts with its top 10 customers. In addition, the Group has won new customers representing, in the aggregate, approximately EUR 40 million of additional annual revenue. New customer contracts have been one of the primary drivers of increased profitability during the period under review. The Group's expertise in analysing opportunities for new business and preparing complex tender packages has enhanced its ability to win new customer contracts. Key contracts which have generated increased revenue in each of the Group's segments are as follows:

- *Power.* Revenues in the *Power* segment were positively impacted by (1) a new five-year contract with National Grid in the United Kingdom, (2) a number of new projects in Africa, including a new contract with Zambia Zesco, (3) increased levels of capital expenditure by customers in Poland and the Nordics, (4) in relation to the Group's Finnish distribution customers like Caruna (which acquired Fortum's distribution network in Finland), Loiste and Savon Voima, additional contract wins and higher levels of capital expenditure and (5) smart meter roll-outs in Finland.

- *Communication.* Revenues in the *Communication* segment were positively impacted by (1) increased volumes under the Group's contract with Telenor in Norway as a result of increased capital expenditure, (2) an increase in capital expenditure and increased fibre projects by TeliaSonera, (3) scope extensions to existing contracts and a mobile frame agreement with Elisa, (4) Huawei frame agreements in Germany, Norway and Sweden and (5) a five-year outsourcing contract with TDC.
- *Transport & Defence.* Revenues in *Transport & Defence* business segment were positively impacted by (1) two maintenance contracts with BaneDanmark, (2) a maintenance and upgrade contract with FMV/FV in Sweden, (3) a combined maintenance, upgrade and project delivery contract with Trafikverket in Sweden, (4) a contract with SL in Sweden for maintenance, upgrade and project delivery services and (5) two railway electrification contracts with Jernbaneverket in Norway.

Competitive landscape and price development

The Group's competitors range from smaller local players to larger multi-national companies. The intensity of competition varies significantly between business segments and regional markets.

Even though quality of service, project management skills and competence influence customers' decisions, price continues to be an important factor for many of the Group's customers. In cases of public procurement, for example by TSOs in the *Power* segment and by some customers in the *Transport & Defence* business segment, a customers' decisions may be subject to procurement rules, including the 2014 EU Procurement Directive, that may restrict the basis on which a customer may evaluate tenders and decide to award a contract. As a result, the Group is exposed to strong price competition, due to which the Group must continuously develop its competitiveness in order to maintain its market position and profitability.

The Group's contracts are often subject to competitive bidding. The Group's ability to win competitively awarded contracts is therefore a factor affecting its net sales and profitability. Inability to win competitively awarded contracts may also result in an underutilisation of the Group's workforce, adversely impacting the Group's profitability. In addition, the Group expends significant time and expenses in order to prepare bids and participate in bidding processes, which has a direct impact on its costs.

During the period under review, pricing levels in contracts have generally remained stable, as evidenced by the stable gross margin over the period. However, there are situations where the Group has chosen to accept lower margins or less attractive terms in order to enter into a new market or to win a new customer portfolio, resulting in lower than targeted profitability. In larger customer frame agreements, the price development has been slightly positive with some cost inflation protection.

Implementation of the Group's acquisition growth strategy

The Group acquires companies and forms joint arrangements in order to accelerate existing growth opportunities and to enter new markets. Through a strategy of continuing to make acquisitions, the Group intends to expand its existing market positions and to penetrate new markets from its established growth platforms in Germany and the United Kingdom. Since 2001, the Group has completed approximately 50 acquisitions and outsourcing transactions and has a consistent track record of successfully integrating acquired businesses. During the period under review, the Group's results have been impacted by completed acquisitions and joint arrangements, however, the Group made or entered into relatively few acquisitions and joint arrangements between 2011 and 2014 as compared to previous periods. During the period under review, the Group entered into a joint arrangement for the outsourcing of TDC's fibre infrastructure project in Denmark in 2011 and a joint arrangement with Carillion plc in 2012, which allowed the Group to enter the UK market through a contract with National Grid. After receiving a positive response from the Norwegian Competition Authority in February 2014, the Group has reached an agreement with Umoe, owner of Sønnico Tele AS, to merge their respective fixed and mobile telecom businesses in Norway into a jointly owned company which the Company expects to have approximately 1,100 employees and annual turnover of approximately 1,600 million Norwegian kroner based on employees and turnover of the business to be merged as of 31 December 2014. In October 2014, the jointly-owned company signed a new frame agreement with Telenor for the upgrade and maintenance of Telenor's fixed and mobile telecom networks in Norway during the period from 2015–2019. The Group's Norwegian fixed and mobile telecom business and assets were sold to the joint venture on 31 December 2014. Accordingly, the balance sheet as of 31 December 2014 will reflect a reduction in net assets and related goodwill and intangible assets previously allocated to the Group's Norwegian telecom business. The joint venture will be presented as a one line 'Investment in Joint Ventures' in the balance sheet. The difference between the 'Investment in Joint Ventures' and the reductions in net assets and related goodwill and intangible assets resulted in a gain of approximately EUR 4.7 million for the year ended 31 December 2014. Results from the joint venture will be reported as a net profit contribution to the Group's EBITA without related sales. For example, for the year ended 31 December 2013, the impact of the contribution's change to the reporting of the Group's results for the period would have been a reduction in the Group's net sales, gross profit, overheads and EBITA by EUR 107.2 million, EUR 14.7 million, EUR 9.9 million and an estimated EUR 1.4 million, respectively. It is estimated that the Group's EBITA margin for the year ended 31 December 2013 would have increased by 0.3%. The Group is currently evaluating certain small-to-mid-size acquisitions, which could potentially be completed during the first half of 2015.

COST STRUCTURE FACTORS

Eltel Way

The Group's costs are managed on a local project level by the local project team and monitored through the team's profit and loss statement. Team managers are empowered to make decisions and are incentivised to contain costs. The Group measures key performance indicators for each of its teams in order to monitor progress and benchmark the team's performance against other teams, districts and area business units. The key cost performance indicators are utilisation of resources and gross margin. Each of the roughly 400 teams' profit and loss statements are aggregated upwards to the district level, then to each area business unit, then to the business segment and ultimately to the Group level. Results and cost developments visible in the profit and loss statements and in reports generated at the project level are reviewed in monthly reviews by which the Group measures progress.

The Group also focuses on containing indirect overhead cost development as a percentage of sales. Indirect overhead costs as a percentage of sales remained stable during the period under review. Indirect overhead costs consist of personnel costs for the manager role at the team level and also business controllers and staff function costs on the district, area business unit, segment and Group levels. Eltel's organisational structure is uniform across the Group and span of control (i.e. number of personnel reporting to each manager) is continuously benchmarked and optimised. The scalability of the *Eltel Way* model is expected to become a key driver of profitability as the Group grows its revenues. Growth in existing geographies can be achieved by increasing team size or adding additional teams with a very limited impact on overhead, which gives an operational leverage on EBITA margin.

Flexible cost base

Efficient utilisation of the Group's workforce is a key driver of the Group's profitability. In 2013, approximately 91% of the Group's cost base was incurred at the team level. The Group maintains a flexible personnel cost base which enables it to preserve margins. The Group has a close dialogue with unions and has, over time, through union agreements increased its ability to better align its resource base with variations in workloads (for example through temporary lay-offs, holiday and time banks). In addition, to maintain a high level of flexibility, the Group uses subcontractors and temporary staff to manage unanticipated volume declines. Costs related to the use of subcontractors and temporary staff vary from time to time and location to location, depending on the business cycle and the Group intends to increase its reliance on subcontractors as part of its growth strategy. The Group also maintains a cross-border workforce which enables it to allocate and move employees and subcontractors among work locations in each of its markets, allowing the Group to optimise the use of its resources. Efficient management of the Group's other costs also impacts the Group's results, but not as significantly as personnel costs.

Development of salary costs of Eltel technicians and other operational personnel are to a large extent linked to local collective bargaining agreements in different countries. Salary increases from collective bargaining agreements are partly offset by price indexations and the Group seeks to minimise the impact of cost inflation through its focus on cost containment and optimisation.

The Group's employee-related costs, including base pay, incentive pay and other benefits in relation to both temporary and permanent employees, form the largest part of the Group's cost base. Employee-related costs (excluding subcontractors) accounted for 35%, 35% and 34% of the Group's consolidated net sales for the years ended 31 December 2013, 2012 and 2011, respectively.

Project management

Project management and execution is a core competence within Eltel. Since its inception, the Group has focused extensive efforts on the development of project management practices through standardisation and improvement of processes, recurring training programmes, handbooks and significant project management and site-management expertise, particularly with respect to pricing its services and optimising performance during the term of the contract. In addition, the Group exercises a governance of projects through four key groupwide frameworks and processes: "The Tendering and Approval Process", "The Business Review Process", "The Internal Control Framework" and "The Risk Management Process".

A significant proportion of the Group's business, particularly in the *Power* segment and the rail business within *Transport & Defence,* depends on costs being accurately calculated and controlled and projects being completed on time, such that costs are contained within the pricing structure of the contract. This is especially relevant for large scale and complex projects. In case of incorrect or inaccurate calculations or estimates, or a lack of adequate control, lower than anticipated profits may be achieved, or a loss may even be incurred.

The Group may incur penalties if the performance schedule is not met. Deviations between estimated and actual costs of projects may have a negative or positive impact on the results of the Group. The Group aims to recognise and minimise the risks of these impacts as early in a project as possible and through ongoing project control measures, both pre-contractual and during execution.

As part of its initiatives to improve operational excellence, the Group will continue to focus on improving project management and project execution, including through the reinforcement of project management programmes and assessment and implementation of best practices.

Other factors

Seasonality and quarterly variation of results of operations

The Group's results of operations can be subject to seasonal variations and volatility across quarters. Many of the Group's customers' annual capital expenditure budgets are approved at the beginning of their fiscal years, tenders are often conducted during the early months of the year, and customers push to complete their budgeted capital expenditure spending by the end of the year. As a result, the Group's net sales are typically lowest in the first quarter, climb in the second and third quarters, and highest in the fourth quarter. For the years ended 31December 2013, 2012 and 2011, net sales from the first, second, third and fourth quarter represented on average 20.2%, 24.1%, 25.9% and 29.8%, respectively, of net sales for the full years. Generally, during the winter months demand for power and communication maintenance services may be higher (primarily in the first and fourth quarters) as damage caused by winter storms must be repaired. However, demand for new project delivery services and upgrade services is lower (primarily in the first quarter) due to reduced construction activity during inclement weather. Additionally, in the Nordic region, frozen ground during winter months limits the ability to conduct work that involves digging, for example digging trenches to lay cable. As a result of these and other factors, the Group's quarterly results of operations may vary significantly, both during a particular year and when compared to the Group's historical results of operations. While the Group believes that it has substantial visibility into its customers' expected full-year capital expenditure plans, and thus expected Group revenue for the respective year, it is exposed to the risk that revenue expected to be booked in a particular quarter may not be realised until a later reporting period, if at all. As a result, the Group's operating results for any particular quarter may not be indicative of the results that can be expected for any other quarter within the same year, for the entire year, or for the corresponding quarter of any other year. The Group's volume of business may also be adversely affected by declines in new projects in various geographic regions, and quarterly results may be materially affected by the timing of acquisitions, variations in the margins of project performed during any particular quarter, the timing and magnitude of acquisition assimilation costs and regional economic conditions. Costs incurred by the Group and the Group's working capital position are also affected by seasonality. Working capital is typically low in the first quarter, gradually increasing in the second quarter, peaking in the third quarter as workload is at its maximum and declining again in the fourth quarter as work is completed and customers typically account for such work as part of their yearly budget cycle. The Group's working capital is also sensitive to the timing of milestone payments under project delivery services contracts. Eltel is not able to completely manage personnel costs to coincide with low points in workload during the year, and the Group's overhead expenses are typically flat over the course of the year. As a result, the Group's EBITA and EBITA margin, both on a consolidated and business segment basis, are typically lowest in the first quarter (and have historically, on occassion, been negligible) and climbing in the second quarter. The Group´s EBITA and EBITA margin are typically higher in the third and fourth quarters than in the first and second quarters. For the years ended 31 December 2013, 2012 and 2011, EBITA from the first, second, third and fourth quarter represented on average 5.0%, 17.9% 43.4% and 33.7%, respectively, of EBITA for the full years. EBITA and EBITA margin in any given quarter may be affected by non-recurring items, for example the gain on the sale of Eltel's Aastra and Aavaya business lines in Denmark in the third quarter of 2013 and non-recurring expenses related to Eltel's management incentive program and advisor costs in the third quarter of 2014. Accordingly, the Group's operating results in any particular quarter may not be indicative of the results that can be expected for any other quarter within the same year, for the entire year, or for the corresponding quarter of any other year.

Exchange rates

The Group's presentation currency is EUR, but its revenue and expenses are denominated in the local currency of the markets in which the Group operates. A significant portion of the Group's net sales is generated by subsidiaries that operate in countries where a currency other than EUR is used, particularly Sweden, Norway, Poland and Denmark. The contributions of these subsidiaries when translated into EUR for the Group's consolidated income statement is affected by the fluctuations in exchange rate between their functional currency and EUR. For the nine months ended 30 September 2014, 40% of the Group's net sales were generated in SEK, 13% in NOK, 12% in PLN and 7% in DKK. For the year ended 31 December 2013, 37% of the Group's net sales were generated in SEK (2012: 37%, 2011: 34%), 11% in NOK (2012: 10%, 2011: 9%),12% in PLN (2012: 11%, 2011: 14%) and 7% in DKK (2012: 8%, 2011: 12%). The Group's results are most sensitive to changes in EUR/SEK and to a lesser extent to changes in EUR/PLN, EUR/NOK and EUR/DKK. A change in the average EUR/SEK, EUR/NOK, EUR/PLN, EUR/DKK rates by 10% would have had an impact of EUR 4.3 million on the Group's operating result before acquisition related amortisations (EBITA) as of 31 December 2013 (i.e. 8.2%) (2012: EUR 2.6 million, 2011: EUR 2.9 million). The contemplated refinancing which is expected to occur on completion of the Offer will not affect the Group's exchange rate sensitivity at the EBITA level.

In addition, the Group is generally exposed to foreign currency exchange translation risk with respect to its subsidiaries whose functional currency is other than EUR (net investment translation risk).The majority of the net investment translation difference is EUR/SEK based. 50% of the Group's interest bearing loans are denominated in EUR. During the year ended 31 December 2013, EUR 29.6 million was converted into SEK and EUR 42.5 million into PLN for hedging purposes. The SEK loans are allocated to hedge the net investments in SEK and hedge accounting according to IAS 39 is applied for the loans. Other loans in other currencies consist of loans taken for acquisitions and financial leasing liabilities denominated in local currencies. Following entry into the Credit Facility (which is conditional on the closing of the Offer) and new guarantee facitlities, 50% of the Group's interest-bearing loans are expected to be denominated in EUR. For further information, refer to "*Note 3 – Financial Risk Management*" to the Group's consolidated financial statements in "*Historical Financial Information*".

Financial exchange translation risk is managed, to the extent possible, by matching project costs with the project currency. Remaining foreign exchange exposure is often hedged using forward contracts and swaps. For project delivery services, currency exposure is also hedged.

Explanation of Income Statement Items

Net sales

Net sales arise from the sales of goods and services in the ordinary course of company's activities. Amounts collected on behalf of third parties, such as sales taxes, goods and services taxes and VAT are deducted. Also discounts are excluded from net sales.

Cost of Sales
"Cost of sales" includes all direct costs of sales, including personnel costs and costs of materials used in projects, costs of external and internal subcontractors, transportation, foreign exchange gains and losses on cost of sales and all direct overhead including depreciation and indirect overhead that can reasonably be allocated to the cost of sales function.

Gross profit
"Gross profit" is calculated by deducting cost of sales from net sales.

Other income
"Other income" includes income derived from rents, sales of assets, FX forward contracts, embedded derivatives and other operating income.

Sales and marketing
"Sales and marketing" includes advertising and promotion costs as well as direct and indirect costs relating to the sales and marketing function.

Administrative
"Administrative expenses" relate to supporting functions such as procurement, human resources and other joint functions as well as other general management functions.

Other expenses
"Other expenses" includes losses derived from rents, sales of assets, FX forward contracts, embedded derivatives, other FX gains and losses and other operating charges.

Operating result before acquisition related amortisations
"Operating result before acquisition related amortisations" is calculated by adjusting the gross profit by other income and deducting costs of sales and marketing, administrative expenses and other expenses.

Amortisation of acquisition related intangible assets
"Amortisation of acquisition related to intangible assets" include amortisation of the fair value of the intangible assets that are valued on the balance sheet in a business acquisition and which mainly comprise customer relationships. The line item also includes derecognition of goodwill when the business relating to such goodwill is sold.

Operating result
"Operating result" is calculated by deducting amortisation of acquisition related intangible assets from "operating result before acquisition related amortisations."

Financial expenses – net
"Financial expenses – net" represents the total of financial income and financial expenses.

Profit before taxes
"Profit before taxes" represents the Group's profit before recognition of current and deferred corporate income taxes.

Taxes
"Taxes" includes current and deferred corporate tax benefits and expenses.

Net profit
"Net profit" represents the total profit for the year attributable to equity holders of the parent and non-controlling interest.

Equity holders of the parent
"Equity holders of the parent" refers to entities and individuals that hold equity in the Company. See "Share capital and ownership".

Non-controlling interest
Non-controlling interest from the result of group companies with minority shareholders is presented separately from the Group's net profit and disclosed as a separate item in the equity.

OPERATING RESULTS

Comparison of nine-month periods ended 30 September 2014 and 30 September 2013

Net sales
Net sales increased by 11% to EUR 889.8 million for the nine months ended 30 September 2014, from EUR 801.6 million for the nine months ended 30 September 2013. Excluding the effects of foreign exchange rates, net sales would have increased by 14% for the nine months ended 30 September 2014. The increase in net sales was primarily attributable to increased net sales in the *Power* segment and, to a somewhat lesser extent, to increased net sales in the *Communication* segment and *Transport & Defence* business segments.

The table below sets forth, for the nine months ended 30 September 2014 and 30 September 2013, the Group's net sales by business segment, both in EUR in millions and as a percentage of consolidated net sales, as well as the percentage change in net sales by segment from period to period.

	For the nine months ended 30 September				
	2014		2013		Change in % 2014 v. 2013
	(EUR million)	(% of net sales)	(EUR million)	(% of net sales)	
Power	373.3	42.0%	335.2	41.8%	11.4%
Communication	415.6	46.7%	388.5	48.5%	7.0%
Transport & Defence	108.8	12.2%	83.8	10.5%	29.9%
Net sales not allocated to segments[1)]	0.2	0.0%	2.2	0.3%	(90.0)%
Elimination of sales between segments	(8.1)	(0.9)%	(8.0)	(1.0)%	(1.5)%
Total	**889.8**	**100.0%**	**801.6**	**100.0%**	**11.0%**

1) Net sales not allocated to operating segments include Group management functions and closed business units.

Analysis of the Group's net sales by business segment is set forth below:

- *Power*
  Net sales across the *Power* segment increased by 11.4% to EUR 373.3 million for the nine months ended 30 September 2014, from EUR 335.2 million for the nine months ended 30 September 2013. This increase was primarily attributable to substation projects driving more volumes on equipment delivery, supported by grid investments in Norway and Poland and Swedish export credit financed investments in electrification in Zambia in Africa. The increase was partially offset by delays in expected investments in Finland resulting from the change of ownership of one of Eltel's main power customers. For a description of the impact of Eltel's joint arrangement with Sønnico in 2015, see "*Operating and financial review – Customer and contract factors – Implementation of the Group's acquisition growth strategy*".
- *Communication*
  Net sales across the *Communication* segment increased by 7.0% to EUR 415.6 million for the nine months ended 30 September 2014, from EUR 388.5 million for the nine months ended 30 September 2013. This increase was primarily attributable to fibre roll-outs in Sweden and Germany, increased sales from several frame agreements in the Nordics as well as a new three-year EUR 35 million frame agreement with the Swedish Transport Administration for work in several fields such as IP-LAN, cable and mobile technologies, and mobile roll-out projects in Sweden and Norway and, to a lesser extent, by increased maintenance services following increased thunderstorms during the second and third quarters of 2014.
- *Transport & Defence*
  Net sales across the *Transport & Defence* business segment increased by 29.9% to EUR 108.8 million for the nine months ended 30 September 2014, from EUR 83.8 million for the nine months ended 30 September 2013. This increase was primarily attributable to the strong rail electrification and signalling projects in the Nordics, particularly under a new low-voltage electrification contract with Jernbaneverket in May 2014, and increased volumes in the Rakel project for roll-out of power and radiolink upgrades, partially offset by the sale of the Aastra and Avaya business lines in Denmark.

Net sales by geographic region

Analysis of the Group's net sales across the Group's key geographic regions for the nine months ended 30 September 2014 and 30 September 2013 is set forth below:

- *Nordic region*
  Net sales in the Nordic region increased by 12.0% to EUR 674.4 million for the nine months ended 30 September 2014, from EUR 602.3 million for the nine months ended 30 September 2013. This increase was primarily attributable to power grid investments and mobile roll-out projects in Norway, telecom fibre roll-outs in Sweden, good sales from several *Communication* frame agreements and strong rail electrification and signalling projects in the region. Net sales in the Nordic Region comprised 75.8% of the Group's net sales for the nine months ended 30 September 2014 and 75.1% of the Group's total net sales for the nine months ended 30 September 2013.
- *Baltic and Poland region*
  Net sales in the Baltic and Poland region increased by 0.2% to EUR 130.8 million for the nine months ended 30 September 2014, from EUR 130.6 million for the nine months ended 30 September 2013. This increase was primarily attributable to power grid investments in Poland. Net sales in the Baltic and Poland Region comprised 14.7% of the Group's total net sales for the nine months ended 30 September 2014 and 16.3% of the Group's total net sales for the nine months ended 30 September 2013.
- *New Markets region (Germany, UK)*
  Net sales in the New Markets region decreased by 35.6% to EUR 18.4 million for the nine months ended 30 September 2014, from EUR 28.5 million for the nine months ended 30 September 2013. This decrease was primarily attributable to lower sales in the UK as a result of decreased investment by customers and a decrease in sales in Germany, which was partly offset by increased fibre roll-outs. Net sales in the New Markets Region comprised 2.1% of the Group's total net sales for the nine months ended 30 September 2014 and 3.6% of the Group's total net sales for the nine months ended 30 September 2013.
- *Export region (Africa, other areas in which the Group provides services)*
  Net sales in the Export region increased by 64.7% to EUR 66.2 million for the nine months ended 30 September 2014, from EUR 40.2 million for the nine months ended 30 September 2013. This increase was primarily attributable to donor finances investments in electrification projects in Africa. Net sales in the Export region comprised 7.4% of the Group's total net sales for the nine months ended 30 September 2014 and 5.0% of the Group's total net sales for the nine months ended 30 September 2013.

Cost of sales

Cost of sales increased by 10.1% to 772.1 million for the nine months ended 30 September 2014, from EUR 701.1 million for the nine months ended 30 September 2013. The increase in cost of sales was primarily attributable to the 11% growth in the Group's net sales.

Gross profit

Gross profit increased by 17.1% to EUR 117.7 million for the nine months ended 30 September 2014, from EUR 100.5 million for the nine months ended 30 September 2013. The increase in gross profit was primarily attributable to strong sales volume growth in all three segments, an amendment to a contract for power transmission in Angola that resulted in compensation received by the Group for customer delays and favourable weather conditions in the Nordics, partially offset by lower margin upgrades for the Group's contract to provide homeland security and defence services to Rakel.

Other income/expenses

Other income net of other expenses decreased by 100% to nil for the nine months ended 30 September 2014, from EUR 6.6 million for the nine months ended 30 September 2013. The decrease in other income net of other expenses was primarily attributable to the one-off gain on the sale of the Aastra and Avaya business lines in Denmark which occurred in the third quarter of 2013.

Sales and marketing expenses

Sales and marketing expenses increased by 2.5% to EUR 8.6 million for the nine months ended 30 September 2014, from EUR 8.4 million for the nine months ended 30 September 2013. Sales and marketing expenses remained at relatively stable levels despite an 11% increase in net sales over the period.

Administrative expenses

Administrative expenses increased by 36.4% to EUR 81.3 million for the nine months ended 30 September 2014, from EUR 59.6 million for the nine months ended 30 September 2013. The increase in administrative expenses was primarily attributable to a non-recurring provision for the Group's management incentive program and advisory costs related to preparations for the Offer.

Operating result (EBIT)

Operating result decreased by 28.7% to EUR 18.3 million for the nine months ended 30 September 2014, from EUR 25.6 million for the nine months ended 30 September 2013. The decrease in operating result was primarily attributable to a significant increase in administrative expenses due to a non-recurring provision for Eltel's management incentive program and advisory costs related to the Offer, partly offset by growing business volumes in all business segments and a contract amendment for a power transmission project in Angola, Africa that included compensation for customer delays.

Financial expenses (net)

Financial expenses (net) increased by 1.8% to EUR 14.8 million for the nine months ended 30 September 2014, from EUR 14.6 million for the nine months ended 30 September 2013. The increase in financial expenses (net) was primarily attributable to loan renewal costs.

Net profit

Net profit decreased by 69.3% to EUR 2.4 million for the nine months ended 30 September 2014, from EUR 7.9 million for the nine months ended 30 September 2013. The decrease in net profit was primarily attributable to a non-recurring provision in administrative expense which was partly offset by an increase in operative EBITA and a decrease in acquisition related amortisations and taxes.

Operative EBITA

Group operative EBITA is a non-GAAP measure and is not a substitute for any IFRS measure. For a reconciliation of operative EBITA to operating result, see "*Selected Financial Information*."

Group operative EBITA increased by 19.2% to EUR 43.6 million for the nine months ended 30 September 2014 from EUR 36.6 million for the nine months ended 30 September 2013. As a percentage of the Group's consolidated net sales, operative EBITA increased to 4.9% in the nine months ended 30 September 2014 from 4.6% in the nine months ended 30 September 2013. The improvement in operative EBITA was partly generated by high volume growth, efficient utilisation of labour resources and better leverage of overheads.

Operative EBITA for the Group's *Power* segment increased by 24.3% to EUR 24.1 million for the nine months ended 30 September 2014 from EUR 19.4 million for the nine months ended 30 September 2013. As a percentage of the *Power* segment's net sales, operative EBITA for the *Power* segment increased to 6.5% in the nine months ended 30 September 2014 from 5.8% in the nine months ended 30 September 2013. The change in operative EBITA was primarily due to increased volume of transmission projects in the Nordics and a contract amendment for a project in Angola to include compensation for customer delays, partly offset by lower Power business volumes in Finland and weaker performance in Power distribution in Sweden resulting from ramp up costs for two new contracts. For a description of the impact of Eltel's joint arrangement with Sønnico in 2015, see "*Operating and financial review – Customer and contract factors – Implementation of the Group's acquisition growth strategy*".

Operative EBITA for the Group's *Communication* segment increased by 8.7% to EUR 15.7 million for the nine months ended 30 September 2014 from EUR 14.4 million for the nine months ended 30 September 2013. As a percentage of the *Communication* segment's net sales, operative EBITA for the *Communication* segment increased to 3.8% in the nine months ended 30 September 2014 from 3.7% in the nine months ended 30 September 2013. The change in operative EBITA was primarily due to fibre roll-out in Sweden, mobile roll-out in Norway and favourable winter conditions, partially offset by the ramp up costs connected to fibre-rollouts in Germany which are not expected to continue into 2015.

Operative EBITA for the Group's *Transport & Defence* business segment increased by 6.6% to EUR 9.7 million for the nine months ended 30 September 2014 from EUR 9.1 million for the nine months ended 30 September 2013. As a percentage of the *Transport & Defence* business segment's net sales, operative EBITA for the *Transport & Defence* business segment decreased to 8.9% in the nine months ended 30 September 2014 from 10.8% in the nine months ended 30 September 2013. The change in operative EBITA was primarily due to the strong rail business offset by lower margin upgrades for the Rakel contract and the impact of contracts relating to the Group's homeland security and defence services entered into in 2013.

Comparison of years ended 31 December 2013 and 31 December 2012

Net sales

Net sales increased by 0.4% to EUR 1,153.7 million for the year ended 31 December 2013, from EUR 1,149.0 million for the year ended 31 December 2012. Excluding the effects of foreign exchange rates, net sales would have increased by 1.2% for the year ended 31 December 2013. The increase in net sales was primarily attributable to increased net sales in the Power segment.

The table below sets forth, for the years ended 31 December 2013 and 31 December 2012, the Group's net sales by business segment, both in EUR in millions and as a percentage of consolidated net sales and the percentage change in net sales by segment from year to year.

	For the years ended 31 December				
	2013		2012		Change in % 2013 v. 2012
	(EUR million)	(% of revenue)	(EUR million)	(% of revenue)	
Power	487.4	42.2%	456.6	39.7%	6.7%
Communication	551.3	47.8%	568.8	49.5%	(3.1)%
Transport & Defence	122.6	10.6%	120.8	10.5%	1.4%
Net sales not allocated to segments[1)]	3.1	0.3%	21.6	1.9%	(85.8)%
Elimination of sales between segments	(10.7)	(0.9)%	(18.9)	(1.6)%	(43.6)%
Total	**1,153.7**	**100.0%**	**1,149.0**	**100.0%**	

1) Net sales not allocated to operating segments include Group management functions and closed business units.

Analysis of the Group's net sales by business segment is set forth below:

- *Power*
  Net sales across the *Power* segment increased by 6.7% to EUR 487.4 million for the year ended 31 December 2013, from EUR 456.6 million for the year ended 31 December 2012. This increase was primarily attributable to higher net sales relating to power distribution services in Finland resulting from the accelerated roll-out of smart meters and increased capital expenditure from the Group's main customers, as well as market entry into the power transmission market in Norway with a new contract with the Norwegian grid operator Statnett SF. The EUR 37 million Statnett contract was a full scope engagement to establish new 46 km 420 kV line in the south eastern part of Norway. Transmission projects in Africa, such as a 132 kV line in Angola between Gabel and Quileva, also contributed to this increase. The increase was partially offset by low demand in the Finnish power transmission market.
- *Communication*
  Net sales across the *Communication* segment decreased by 3.1% to EUR 551.3 million for the year ended 31 December 2013, from EUR 568.8 million for the year ended 31 December 2012. This decrease was primarily attributable to the Group's fixed telecom business in Finland as a result of strict enforcement of prioritising margins over volume throughout the full contract portfolio as well as a continued decline in fixed telecom investments in copper in Poland. Completion of mobile telecom roll-out projects in Germany also resulted in lower sales in 2013 compared to 2012. The decrease in net sales was partly offset by increased sales related to the technology shift from copper to fibre telecom networks, driven by changing end-consumer demand in Sweden and increased spending by customers related to the technology shift in mobile telecom networks in the *Communication* segment in Poland.
- *Transport & Defence*
  Net sales across the *Transport & Defence* business segment increased by 1.4% to EUR 122.6 million for the year ended 31 December 2013, from EUR 120.8 million for the year ended 31 December 2012. This increase was primarily attributable to Eltel being awarded a three-year EUR 20 million contract with Jernbaneverket (the Norwegian railway authority) in Norway for high and low voltage electricity and telecom systems for a railway section north of Oslo, partially offset by lower project activity levels in both the Finnish and Swedish rail businesses during the period.

Net sales by geographic region

Analysis of the Group's net sales across the Group's key geographic regions for the years ended 31 December 2013 and 2012 is set forth below:

- *Nordic region*
  Net sales in the Nordic region decreased by 1.7% to EUR 868.8 million for the year ended 31 December 2013, from EUR 883.9 million for the year ended 31 December 2012. This decrease was primarily attributable to a decrease in sales in the *Communication* segment in Finland, and to a lesser extent Norway, which was partly offset by an increase in *Communication* sales in Sweden and higher net sales relating to power distribution services in Finland resulting from the accelerated roll-out of smart meters and increased capital expenditure from the Group's main customers. The Group's contract with Jernbaneverket (the Norwegian railway authority) contributed to growth in the *Transport & Defence* business segment, which partially offset reduced capital expenditure by the Group's *Transport & Defence* customers in the Swedish and Finnish markets. Net sales in the Nordic region comprised 75.3% of the Group's total net sales for the year ended 31 December 2013 and 76.9% of the Group's total net sales for the year ended 31 December 2012.
- *Baltic and Poland region*
  Net sales in the Baltic and Poland region increased by 5.3% to EUR 182.6 million for the year ended 31 December 2013, from EUR 173.4 million for the year ended 31 December 2012. This increase was primarily attributable to increased spending by customers related to the technology shift in mobile telecom networks in the *Communication* segment in Poland, but was partly offset by a continued decline in fixed telecom investments in copper in Poland. The *Power* segment in Poland contributed to the increase as a result of contract wins in connection with projects to re-build portions of outdated power transmission networks. Net sales in the Baltic and Poland Region comprised 15.8% of the Group's total net sales for the year ended 31 December 2013 and 15.1% of the Group's total net sales for the year ended 31 December 2012.
- *New Markets region (Germany, UK)*
  Net sales in the New Markets region increased by 6.9% to EUR 41.5 million for the year ended 31 December 2013, from EUR 38.8 million for the year ended 31 December 2012. This increase was primarily attributable to increased transmission line refurbishment projects in the *Power* segment arising from the contract with National Grid (through the Group's joint arrangement with Carillion). The increase was partly offset by decreased volumes in the *Communication* segment in Germany. Net sales in the New Markets Region comprised 3.6% of the Group's total net sales for the year ended 31 December 2013 and 3.4% of the Group's total net sales for the year ended 31 December 2012.
- *Export region (Africa, other areas in which the Group provides services)*
  Net sales in the export region increased by 15.0% to EUR 60.8 million for the year ended 31 December 2013, from EUR 52.9 million for the year ended 31 December 2012. This increase was primarily attributable to increased activity in connection with project delivery services in Africa, driven mainly by strong order inflow for power distribution and power transmission contracts in sub-Saharan Africa. Net sales in the Export Region comprised 5.3% of the Group's net sales for the year ended 31 December 2013 and 4.6% of the Group's net sales for the year ended 31 December 2012.

Cost of sales

Cost of sales increased by 0.1% to EUR 1,010.3 million for the year ended 31 December 2013, from EUR 1,008.9 million for the year ended 31 December 2012. The increase in cost of sales was primarily attributable to salary cost inflation and higher demand for technicians as a consequence of the Group's higher sales in the period. Such increase was almost entirely offset by an increased span of control, whereby the number of team managers and associated costs were reduced. Productivity gains in service delivery also offset the higher demand for technicians.

Gross profit

Gross profit increased by 2.4% to EUR 143.4 million for the year ended 31 December 2013, from EUR 140.1 million for the year ended 31 December 2012. The increase in gross profit was primarily attributable to an initiative to prioritise margins at the expense of volume in the *Communication* segment and growth in the *Power* segment and *Transport & Defence*, where margins are relatively higher.

Other income/expenses

Other income net of other expenses increased by 499.7% to EUR 5.8 million for the year ended 31 December 2013, from EUR 1.0 million for the year ended 31 December 2012. The increase in other income net of other expenses was primarily attributable to gains from the sale of the Aastra and Avaya business lines in Denmark.

Sales and marketing expenses

Sales and marketing expenses increased by 4.7% to EUR 12.8 million for the year ended 31 December 2013, from EUR 12.2 million for the year ended 31 December 2012. The increase in sales and marketing expenses was primarily attributable to a build-up of new sales and marketing resources in *Transport & Defence*, specifically in respect of homeland security & aviation services in connection with expanding the geographical reach of those service offerings.

Administrative expenses

Administrative expenses increased by 1.5% to EUR 84.1 million for the year ended 31 December 2013, from EUR 82.9 million for the year ended 31 December 2012. The increase in administrative expenses was primarily attributable to a build-up of administrative resources within the *Communication* segment in Germany.

Financial expenses (net)

Financial expenses decreased by 2.3% to EUR 20.6 million for the year ended 31 December 2013, from EUR 21.1 million for the year ended 31 December 2012. The decrease in financial expenses was primarily attributable to lower interest rate levels payable in connection with the Group's borrowings.

Net profit

Net profit decreased by 3.5% to EUR 11.5 million for the year ended 31 December 2013, from EUR 11.9 million for the year ended 31 December 2012. In 2013, total tax cost for the Group was EUR 3.6 million compared to tax gains of EUR 2.2 million in 2012. In 2012, positive deferred tax asset impact was recognised as a result of an increase in the estimated usage of the Group's tax loss carry forwards against taxable business results in Sweden as a result of changed tax legislation and related restrictions in tax deductible interest costs. The decrease in net profit also reflected to a lesser extent that the amortisation of goodwill related items EUR 16.7 million includes EUR 3.3 million due to derecognition of goodwill related to the sale of Danish Aastra and Avaya business lines . The decrease was partly offset by improvements in operating result and a reduction in financial expenses.

Operative EBITA

Group operative EBITA is a non-GAAP measure and is not a substitute for any IFRS measure. For a reconciliation of operative EBITA to operating result, see "*Selected Financial Information*."

Group operative EBITA increased by 8.8% to EUR 52.0 million for the year ended 31 December 2013 from EUR 47.8 million for the year ended 31 December 2012. As a percentage of the Group's consolidated net sales, operative EBITA increased to 4.5% in the year ended 31 December 2013 from 4.2% in the year ended 31 December 2012. The change in operative EBITA was primarily due to increased net sales and corresponding profits generated within the *Power* segment.

Operative EBITA for the Group's *Power* segment increased by 15.0% to EUR 29.2 million for the year ended 31 December 2013 from EUR 25.4 million for the year ended 31 December 2012. As a percentage of the *Power* segment's net sales, operative EBITA for the *Power* segment increased to 6.0% in the year ended 31 December 2013 from 5.6% in the year ended 31 December 2012. The change in operative EBITA was primarily due to higher net sales in the *Power* segment resulting from increases in Finnish power distribution services, generated by new contracts with Caruna and other key customers for the weatherproofing and cablification (i.e. replacing overhead lines with underground cabling) of distribution networks and smart meter roll-out projects. The increase was also due, to a lesser extent, by continued increases in Poland in investment aimed at refurbishing ageing power transmission network infrastructure. The increase was partly offset by lower margins in the Group's power distribution services in Sweden as a result of high competitive pressure.

Operative EBITA for the Group's *Communication* segment decreased by 1.3% to EUR 19.8 million for the year ended 31 December 2013 from EUR 20.0 million for the year ended 31 December 2012. As a percentage of the *Communication* segment's net sales, operative EBITA for the *Communication* segment increased to 3.6% in the year ended 31 December 2013 from 3.5% for the year ended 31 December 2012. The change in operative EBITA was primarily due to lower margins in the *Communication* segment in Germany as a result of completion of mobile telecom roll-out projects and the negative impact arising from the incomplete and incorrect implementation of the *Eltel Way* in operational process, control and working methods. The decrease was partly offset by increased capital expenditure by telecom operators in Norway.

Operative EBITA for the Group's *Transport & Defence* business segment remained stable at EUR 13.1 million. As a percentage of the T*ransport & Defence* business segment's net sales, operative EBITA for the *Transport & Defence* business segment declined to 10.7% in the year ended 31 December 2013 from 10.8% in the year ended 31 December 2012.

Comparison of years ended 31 December 2012 and 31 December 2011

Net sales

Net sales increased by 13.6% to EUR 1,149.0 million for the year ended 31 December 2012, from EUR 1,011.4 million for the year ended 31 December 2011. Excluding the effects of foreign exchange rates, net sales would have increased by 11.6% for the year ended 31 December 2012. The increase in net sales was primarily attributable to increased net sales in the *Power* and *Communication* segments.

The table below sets forth, for the years ended 31 December 2012 and 31 December 2011, the Group's net sales by business segment, both in EUR in millions and as a percentage of consolidated net sales and the percentage change in net sales by segment from year to year.

	For the years ended 31 December				
	2012		2011		Change in % 2012 v. 2011
	(EUR million)	(% of revenue)	(EUR million)	(% of revenue)	
Power	456.6	39.7%	366.7	36.3%	24.5%
Communication	568.8	49.5%	510.7	50.5%	11.4%
Transport & Defence	120.8	10.5%	95.1	9.4%	27.1%
Net sales not allocated to segment[1)]	21.6	1.9%	47.2	4.7%	(54.1)%
Elimination of sales between segments	(18.9)	(1.6)%	(8.3)	(0.8)%	(128.3)%
Total	**1,149.0**	**100.0%**	**1,011.4**	**100.0%**	

1) Net sales not allocated to operating segments include Group management functions and closed business units.

Analysis of the Group's net sales by business segment is set forth below:

- *Power*
  Net sales across the *Power* segment increased by 24.5% to EUR 456.6 million for the year ended 31 December 2012, from EUR 366.7 million for the year ended 31 December 2011. This increase was primarily attributable to high activity in the export business on back of a strong order backlog and large transmission line construction projects in Sweden as well as increased activities in smart meter roll-out projects. A large winter storm which caused severe damage in the Finnish power distribution network also generated a higher than normal demand for maintenance and upgrade services. The increase was partly offset by the completion of three projects in Poland related to renewable energy sources.
- *Communication*
  Net sales across the *Communication* segment increased by 11.4% to EUR 568.8 million for the year ended 31 December 2012, from EUR 510.7 million for the year ended 31 December 2011. This increase was primarily attributable to increased volumes, relating to the ongoing shift in technology from copper to fibre, from major Nordic telecom operators under existing frame agreements and, to a lesser extent, by some new customer wins in the Nordic markets as well as increased volume in the German market. The increase was partly offset by lower volumes in the fixed telecom business in Poland, where investments in fibre lagged behind the Group's other markets.
- *Transport & Defence*
  Net sales across the *Transport & Defence* business segment increased by 27.1% to EUR 120.8 million for the year ended 31 December 2012, from EUR 95.1 million for the year ended 31 December 2011. This increase was primarily attributable to the completion of a large contract with a vendor in the Swedish defence industry and, to a lesser extent, growing order volumes in the Swedish rail business line.

Net sales by geographic region

Analysis of the Group's net sales across the Group's key geographic regions for the years ended 31 December 2012 and 2011 is set forth below:

- *Nordic region*
  Net sales in the Nordic region increased by 16.2% to EUR 883.9 million for the year ended 31 December 2012, from EUR 760.4 million for the year ended 31 December 2011. This increase was primarily attributable to the *Communication segment*, where all the major Nordic telecom operators increased their capital expenditure spending as a result of ongoing technology shifts in fixed and mobile telecom networks. The Group's joint venture for the outsourcing of TDC's fibre infrastructure contributed to growth in net sales in Denmark. Growth in net sales was also attributable to the *Power* segment, generated by large repair needs in the Finnish power distribution caused by a severe winter storm. Net sales in the Nordic Region comprised 76.9% of the Group's total net sales for the year ended 31 December 2012 and 75.2% of the Group's total net sales for the year ended 31 December 2011.

- *Baltic and Poland region*
  Net sales in the Baltic and Poland region decreased by 11.2% to EUR 173.4 million for the year ended 31 December 2012, from EUR 195.3 million for the year ended 31 December 2011. This decrease was primarily attributable to completion of a number of larger transmission construction projects related to wind energy generation in the *Power* segment in Poland in 2011 and the delay by the Polish power grid operator in commencing planning and tendering for new projects as well as lower volumes in the fixed telecom business in Poland, where investments in fibre lagged behind the Group's other markets. The decrease was partly offset by contract wins for substation projects related to the refurbishment of ageing power transmission networks in Poland. Net sales in the Baltic and Poland Region comprised 15.1% of the Group's total net sales for the year ended 31 December 2012 and 19.3% of the Group's total net sales for the year ended 31 December 2011.
- *New Markets region (Germany, UK)*
  Net sales in the New Markets region increased by 112.2% to EUR 38.8 million for the year ended 31 December 2012, from EUR 18.3 million for the year ended 31 December 2011. This increase was primarily attributable to a significant increase in volumes in the *Communication* segment in Germany related to a new frame agreement with Huawei for mobile telecom network upgrade services and to the commencement of a new contract for National Grid in the UK *Power* segment. The increase was also attributable, to a lesser extent, to net sales growth resulting from the Group's increased cross-border utilisation of its resources. Net sales in the New Markets Region comprised 3.4% of the Group's total net sales for the year ended 31 December 2012 and 1.8% of the Group's total net sales for the year ended 31 December 2011.
- *Export region (Africa, other areas in which the Group provides services)*
  Net sales in the export region increased by 40.9% to EUR 52.9 million for the year ended 31 December 2012, from EUR 37.5 million for the year ended 31 December 2011. This increase was primarily attributable to the high investment level in power transmission and electrification networks in Africa and commencement of construction of several contracts within the *Power* segment which were awarded in the previous year. Net sales in the Export Region comprised 4.6% of the Group's total net sales for the year ended 31 December 2012 and 3.7% of the Group's total net sales for the year ended 31 December 2011.

Cost of sales
Cost of sales increased by 14.2% to EUR 1,008.9 million for the year ended 31 December 2012, from EUR 883.6 million for the year ended 31 December 2011. The increase in cost of sales was primarily attributable to increased personnel, direct material and subcontractor costs following the revenue driven growth in all three segments. The increase in cost of sales was, to a lesser extent, attributable to a change in the business mix in the *Power* segment between transmission and distribution services, with distribution having on average a higher cost of sales as percentage of total sales.

Gross profit
Gross profit increased by 9.7% to EUR 140.1 million for the year ended 31 December 2012, from EUR 127.8 million for the year ended 31 December 2011. The increase in gross profit was primarily attributable to revenue driven growth in all three segments, particularly the *Transport & Defence* business segment, which benefitted from new agreements with BaneDanmark and Trafikverket (the Swedish transport authority). This increase was, to a less extent, offset as a result of lower margins in the *Power* segment's international business line, caused by cautions profit recognition resulting from the inclusion of risk reserves by the *Power* project delivery contracts when new orders are booked.

Other income/expenses
Other income net of other expenses decreased by 51.2% to net income of EUR 1.0 million for the year ended 31 December 2012, from EUR 2.0 million for the year ended 31 December 2011. The decrease in other income net of other expenses was primarily attributable to an increase in other operative costs.

Sales and marketing expenses
Sales and marketing expenses decreased by 4.6% to EUR 12.2 million for the year ended 31 December 2012, from EUR 12.8 million for the year ended 31 December 2011. The decrease in sales and marketing expenses was marginal and attributable to temporary reallocation of resources from sales to production.

Administrative expenses
Administrative expenses increased by 13.1% to EUR 82.9 million for the year ended 31 December 2012, from EUR 73.3 million for the year ended 31 December 2011. The increase in administrative expenses was attributable to a build-up of semi-variable administrative overhead costs driven by the revenue growth in all three segments as well as increased costs within the *Communication* segment caused by investment in back office staff.

Operating result (EBIT)
Operating result increased by 7.5% to EUR 30.8 million for the year ended 31 December 2013, from EUR 28.7 million for the year ended 31 December 2012. The increase in operating result was primarily attributable to growing business volumes within all three segments, but was also to some extent off-set by higher other expenses. Furthermore, the Operating result did not benefit from leveraging overhead costs on the growing revenue due to certain investments in staff and management resources.

Financial expenses (net)

Financial expenses decreased by 5.7% to EUR 21.1 million for the year ended 31 December 2012, from EUR 22.4 million for the year ended 31 December 2011. The decrease in financial expenses was primarily attributable to lower market interest rates and the maturity of several interest-rate hedges with higher fixed rates during the period.

Net profit

Net profit decreased by 10.5% to EUR 11.9 million for the year ended 31 December 2012, from EUR 13.3 million for the year ended 31 December 2011. The decrease in net profit was attributable to a change in the amount of recognised deferred tax assets. In 2011, the Group's tax position in Sweden changed such that previously unrecognised tax assets for loss carry forwards were recognised to an amount of estimated usage over 5 to 7 years. Profit before taxes increased by 54.6% to EUR 9.7 million from EUR 6.3 million.

Operative EBITA

Group operative EBITA is a non-GAAP measure and is not a substitute for any IFRS measure. For a reconciliation of operative EBITA to operating result, see "*Selected Financial Information*."

Group operative EBITA increased by 3.5% to EUR 47.8 million for the year ended 31 December 2012 from EUR 46.2 million for the year ended 31 December 2011. As a percentage of the Group's consolidated net sales, operative EBITA decreased to 4.2% in the year ended 31 December 2012 from 4.6% in the year ended 31 December 2011. The change in operative EBITA was primarily due to increased profits in the *Power* and *Transport & Defence* business segment, which were partly offset by a decrease in profits in the *Communication* segment.

Operative EBITA for the Group's *Power* segment increased by 21.9% to EUR 25.4 million for the year ended 31 December 2012 from EUR 20.9 million for the year ended 31 December 2011. As a percentage of the *Power* segment's net sales, operative EBITA in the *Power* segment decreased to 5.6% in the year ended 31 December 2012 from 5.7% in the year ended 31 December 2011. The change in operative EBITA was primarily due to an increase in power distribution services in Finland, driven by higher than normal demand for maintenance and upgrade services as a result of severe damage caused by large winter storms, which also resulted in regulatory demands for weatherproofing of the power distribution network.

Operative EBITA for the Group's *Communication* segment decreased by 15.7% to EUR 20.0 million for the year ended 31 December 2012 from EUR 23.7 million for the year ended 31 December 2011. As a percentage of the *Communication* segment's net sales, operative EBITA in the *Communication* segment decreased to 3.5% in the year ended 31 December 2012 from 4.6% in the year ended 31 December 2011. The change in operative EBITA was primarily due to lowered sales volumes in Polish fixed telecom networks, where investments in fibre had not yet begun. The decrease in operative EBITA was partially offset by the continued technology shift in the Nordic markets and the frame agreement with Huawei and other contract wins in Germany.

Operative EBITA for the Group's *Transport & Defence* segment increased by 104.8% to EUR 13.1 million for the year ended 31 December 2012 from EUR 6.4 million for the year ended 31 December 2011. As a percentage of the *Transport & Defence business* segment's net sales, operative EBITA in the *Transport & Defence* business segment increased to 10.8% in the year ended 31 December 2012 from 6.7% in the year ended 31 December 2011. The change in operative EBITA was primarily due to increased volume of project delivery services to the Swedish and Finnish transport and rail authorities, as well as a large agreement with a vendor in the defence industry.

LIQUIDITY AND CAPITAL RESOURCES

The Group's principal source of funds is cash flow from operating activities, which is affected by the Group's results and changes in the Group's net working capital. Changes in net working capital are primarily driven by project delivery transmission services in the *Power* segment and project delivery rail services in the *Transport & Defence* business segment. These project delivery services can be characterised by irregular cash flows, whereby the payment terms are based on milestones in project fulfilment. The Group's net working capital is sensitive to the timing of these milestone payments.

The Group's net working capital, which consists of inventory and trade and other receivables less trade and other payables, advances received and provisions (but excluding financial items included in these line items in the balance sheet) was EUR 35.6 million, EUR 41.2 million and EUR 27.5 million as of 31 December 2013, 2012 and 2011, respectively, and was EUR 24.0 million as of the nine months ended 30 September 2014.

In order to manage liquidity, the Group operates according to a centralised cash-management framework, whereby cash is pooled at the Group level to secure the efficient use of cash generated by the Group's operations. Under the Group's senior facilities agreement, the Group had access to a committed revolving credit facility of EUR 65 million from which it can draw funds for short-term working capital purposes. As of 30 September 2014, the Group's borrowings under its revolving credit facility totalled EUR 12.0 million. As of 30 September 2014, the Group's liquidity reserves, consisting of cash and unutilised credit facilities, amounted to EUR 95.6 million. Also as of 30 September 2014, borrowings under the Group's senior facilities agreement and debt owed to shareholders and management totalled EUR 351.7 million. Completion of the Offer will trigger a mandatory obligation to prepay these debts.

On 12 December 2014, the Group entered into a commitment with a consortium of banks for the provision of the Credit Facility, which is subject to the closing of the Offer. The Credit Facility will be used in part to refinance the Group's existing senior facilities agreement and the remainder of the commitment may be applied towards general corporate purposes of the Group. The Group also intends to apply a portion of the primary net proceeds from the Offer it receives to fund the repayment of existing debt. Under the Credit Facility, the Group will have access to a EUR 210 million five-year Term Loan Facility which may be utilised in EUR, SEK and PLN and a five-year multicurrency Revolving Credit Facility of EUR 90 million. The Credit Facility will not be secured, but will include customary covenants, event of default provisions and representations and warranties. Financial covenants in the Credit Facility include a financial covenant relating to the net debt to EBITDA ratio and an interest cover covenant (EBITDA/net finance charge) of the Group. Please also refer to the section *"Capital structure in connection with the listing"* for more information.

Guarantees

In the ordinary course of the Group's business, members of the Group regularly source commercial and financial guarantees from banks, insurance companies or the Company to secure the performance of obligations under customer and other commercial contracts. Such guarantees are typically requested by customers in relation to the Group's upgrade and project delivery services. Additionally, it is typical for members of the Group to provide advance payment guarantees in connection with advance payments that are received from customers. Guarantees are also occasionally required for statutory purposes in countries in which the Group operates, for example for the benefit of local tax or customs authorities.

The most comment types of guarantees provided by Group members can be classified as follows:

- Tender guarantees – These guarantees are commonly used in public tendering situations and typically amount to 1–5% of the contract value. The purpose of tender guarantees is to ensure that the bidder does not withdraw or alter its bid and that the bidder is committed to sign the contract if it is awarded. These guarantees expire when the contract is awarded or when the performance of the guaranteed obligation is delivered.
- Performance guarantees – Performance guarantees are typically used to guarantee performance in commercial contracts, for instance the Group may be required to guarantee the performance by a subcontractor of its obligations under a contract. The guarantee is typically for between 5–10% of the contract value, and expires when the project is commissioned. In some cases a performance guarantee is combined with a warranty guarantee so that it covers the warranty period as well (in which case the total amount of the guarantee is often lowered after the project has been commissioned).
- Warranty guarantees – Warranty guarantees ensure that any defects in a project or services will be remedied after completion of the works. These guarantees are typically in an amount of between 2–5% of the contract value, and expire after a pre-determined warranty period has elapsed.
- Advance payment guarantees – These guarantees secure the return of any paid advance payments in the event that a contactor fails in its performance obligations under a commercial contract and are regularly used in large projects. Advance payment guarantees are typically for 100% of the amount of the advance payment though they often contain reduction clauses such that the value of the guarantee decreases as performance progresses. These guarantees expire when the performance delivered corresponds to the value of the advance payment.

Guarantees of the Group are presented as commitments in the Group's financial statements as the purpose of the guarantee is to stand-by as a guarantor until maturity without any cash flow impact. The commitment would be presented as a liability on the balance sheet only if it became probable in the expectation of the Group's management, that the Group or its subcontractor would not be able to fulfil the performance obligations in the underlying commercial contract.

The amount of guarantees in commitments as of 30 September 2014 and 2013 and as of 31 December 2013, 2012 and 2011 is as follows:

The existing senior facilities agreement includes a committed guarantee facility of EUR 100 million, of which EUR 74.4 million was outstanding as of 30 September 2014. The Offer will trigger a mandatory refinancing/termination of these outstanding guarantees. Prior to the closing of the Offer, the Group intends to enter into bilateral guarantee facilities in an aggregate amount of EUR 110 million with the Lenders, which will be used to refinance the existing guarantees under the existing senior facilities agreement as well as to satisfy future needs for bank guarantees and letters of credit.

	As of 30 September		As of 31 December		
	2014 (EUR million)	2013 (EUR million)	2013 (EUR million)	2012 (EUR million)	2011 (EUR million)
Off balance sheet liabilities secured by general collaterals					
Commercial guarantees	60.7	60.4	68.2	72.5	55.1
Off balance sheet liabilities, unsecured					
Commercial guarantees	76.5	71.6	60.0	46.0	41.1
Commercial guarantees on own behalf	136.4	125.3	192.3	44.8	31.0
Total	**273.6**	**257.3**	**320.5**	**163.3**	**127.2**

Effect of the Offer, Credit Facility, new guarantee facilities, repayment of existing indebtedness

Assuming completion of the Offer and draw-down of EUR 210 million, as intended, under the new Term Loan Facility (which is conditional on the closing of the Offer) and the entry into planned new guarantee facilities, the Company expects to repay in full its existing senior credit facility loans and revolving credit facility as well as certain of its other long- and short-term indebtedness, including shareholder loans. Loans from shareholders in the form of "PIK Notes" are expected to be converted into common shares in the Company. For a description of the Term Loan Facility, see "*Capitalisation, indebtedness and other financial information*". The impact of these repayments will be to lower the Group's total interest bearing liabilities, which will reduce the Group's financial expenses and guarantee fees. Assuming the Credit Facility and new guarantee facilities were available and the repayments occurred at 1 January 2014, the effect on the Group's results as of and for the nine months ended 30 September 2014 would have been as follows:

EBITA and Net Profit

	For the nine months ended 30 September 2014 (EUR million)		
	Actual	As adjusted	% Change
Operating result before acquisition related amortisations (EBITA)	27.6	28.3[1)]	2.3%
Net Profit	2.4	9.7[2)]	296.6%

1) Reflects decrease in guarantee fees under the re-arranged facilities from EUR –1.0 million to EUR –0.3 million. The decrease in guarantee fees is calculated by taking into account the outstanding guarantees issued under the current facilities and comparing that fee accrual against a similar amount of guarantees assumed to have been issued under the re-arranged facilities with the lower premium.

2) Reflects decrease in financial expenses and guarantee fees from EUR –11.7 million to EUR –4.6 million. The decrease in financial expenses includes only costs relating to the re-arranged facilities and does not take into account any one-time transaction costs, such as arrangement fees incurred in connection with the Group's existing senior credit facilities and entry into the new Term Loan Facility. One-time transiaction costs have been excluded to show the run rate impact on EBITA and net profit exclusive of non-recurring items.

Income Statement

	For the nine months ended 30 September 2014 (EUR million)		
	Actual	As adjusted	% Change
Financial expenses	(14.8)	(7.0)[1)]	52.9%

1) The decrease in financial expenses above is calculated by taking into account the assumed changes in the Group's balance sheet debt (as described below) as if it were in effect on 1 January 2014, with accrued interest based on the lower margin in the re-arranged facilities. Additionally, the accrued transaction cost of EUR 0.7 million is based on the arrangement fee payable on the re-arranged facilities.

Cash Flows

	As of 30 September 2014 (EUR million)		
	Actual	As adjusted	% Change
Interest paid on facilities	(5.9)	(3.8)	35.9%
Fees paid on facilities[1)]	(6.7)	(3.0)	55.7%
Other financial expenses	(3.1)	(3.1)	0.0%
Total interest and other financial expenses paid	**(15.8)[2)]**	**(9.9)**	**37.3%**
Guarantee fees in EBITA	(1.0)	(0.3)	66.7%

1) Includes, for example, transaction costs and commitment fees.

2) EUR 0.7 million of FX and other items not relating to the existing facilities have been excluded.

Reflecting the above effects on the Group's cash flows, the total cash flow impact as of 30 September 2014 would have been positive by EUR 6.8 million.

Capital expenditures

The Group generally requires capital expenditures to maintain and upgrade its operational resources. The capital expenditures are primarily related to the *Power* segment and are driven by the growth in revenue from that segment and regular maintenance requirements. The Group defines capital expenditures as investments in assets and property, plant and equipment. Since 2011, the Group's investments, which have amounted to EUR 10.2 million in 2011, EUR 13.1 million in 2012 and EUR 13.3 million in 2013, have primarily related to vans and other vehicles, tools and machinery used in the Group's normal operations and, to a lesser extent investment in IT equipment and software. The Group currently has no committed capital expenditure projects over EUR 0.6 million.

Cash flows

The Group's cash flows are dependent on the timing of payments received by the Group for the services it provides. Payment schedules for a project may be revised as a result of delays in the project's timetable caused by a number of factors, including inclement weather, delays in obtaining equipment and materials or unforeseen complexities in executing planned works. Delays in payment schedules result in delays in the Group's expected cash inflows. For large-scale projects, these delays can adversely affect the Group's working capital position, which could have a material adverse effect on the Group's business, financial condition and results of operations.

The following tables set forth the principal components of the Group's cash flows for the periods indicated.

	For the nine months ended 30 September		For the years ended 31 December		
	2014 (EUR million)	2013 (EUR million)	2013 (EUR million)	2012 (EUR million)	2011 (EUR million)
Cash flows from operating activities before interest and taxes	40.3	31.6	57.8	39.9	54.0
Net cash flow from financial items and taxes	(18.2)	(14.9)	(19.8)	(19.6)	(27.9)
Cash flow from investing activities	(6.2)	(1.6)	(6.7)	(13.2)	(10.2)
Cash flow from financing activities	0.9	(9.9)	(21.9)	(6.6)	(17.8)
Net change in cash and cash equivalents	16.8	5.2	9.4	0.6	(1.9)
Cash and cash equivalents at beginning of period	26.2	16.6	16.6	16.2	18.4
Foreign exchange rate effect	(0.7)	0.2	0.2	(0.2)	(0.2)
Cash and cash equivalents at period end	**42.2**	**22.0**	**26.2**	**16.6**	**16.2**

Cash flow from operating activities before financial items and taxes

Operative cash flow is a key cash flow figure followed by the Group, as is cash flow conversion. The following table sets forth the reconciliation of the Group's EBITA to operative cash flow and further to cash flow from operating activities before financial items and taxes for the periods indicated:

	For the nine months ended 30 September		For the years ended 31 December		
	2014 (EUR million)	2013 (EUR million)	2013 (EUR million)	2012 (EUR million)	2011 (EUR million)
EBITA	27.6	39.2	52.4	46.1	43.7
Depreciation	8.3	9.1	12.7	10.6	10.1
Change in net working capital	12.4	(8.0)	4.8	(13.5)	6.7
Net purchases of property, plant and equipment	(6.4)	(8.2)	(13.3)	(13.1)	(10.2)
Operative cash flow (used in calculation of cash conversion)	**42.0**	**32.2**	**56.6**	**30.1**	**50.2**
Less Net purchases of property, plant and equipment	6.4	8.2	13.3	13.1	10.2
Gains on sales of assets	(1.1)	(6.7)	(6.7)	0.0	(0.2)
Items recognised through other comprehensive income	(1.2)	(1.9)	(3.9)	(2.6)	(3.2)
Other non-cash adjustments	(5.7)	(0.2)	(1.4)	(0.7)	(3.2)
Cash flow from operating activities before financial items and taxes	**40.3**	**31.6**	**57.8**	**39.9**	**54.0**

Cash flow from operating activities before financing items and taxes shows the cash flows generated by the Group's operations before depreciation of investments in fixed assets and before the sale or disposal of assets. Impacts from changes in net working capital are included. Items recognised as other comprehensive income and other non-cash adjustments are also included. These items primarily consist of hedging reserves and pension items recognised through other comprehensive income and other non-cash flow foreign currency impacts in EBITA.

Cash flow from operating activities before financing items and taxes increased by 27.6% from a cash inflow of EUR 31.6 million in the nine months ended 30 September 2013 compared to EUR 40.3 million in the nine months ended 30 September 2014. This increase in cash flow from operating activities before financing items and taxes was primarily due to an EUR 9.0 million increase in EBITA prior to gains on sales of business assets and prior to an EUR 15.0 million non-recurring provision made in Q3 2014 for future costs associated with the Group's management incentive program and an EUR 5.4 million increase in the change in net working capital prior to the Group making such provisions. The cash increase in EBITA was partly offset by an EUR 5.7 million unrealised foreign currency impact.

Cash flow from operating activities before financial items and taxes increased by 45% from a cash inflow of EUR 39.9 million in the year ended 31 December 2012 to a cash inflow of EUR 57.8 million in the year ended 31 December 2013. This increase in cash flow from operating activities before financing items and taxes was primarily due to a decrease in net working capital resulting from differences in invoice payment dates in 2012 and 2013 which caused net working capital at 3 December 2013 to temporarily be at a higher than normal level. The increase was driven to a lesser extent by an increase in operative results excluding gain on sale of business line.

Cash flow from operating activities before financial items and taxes decreased by 26% from a cash inflow of EUR 54.0 million in the year ended 2011 to a cash inflow of EUR 39.9 million in the year ended 31 December 2012. This decrease was mainly due to an increase in the amount of net working capital at year-end 2012 as compared to year-end 2011 resulting from payment date variations between years.

Cash flow from operating activities

The following table sets forth the Group's cash flows from operating activities for the periods indicated:

	For the nine months ended 30 September		For the years ended 31 December		
	2014 (EUR million)	2013 (EUR million)	2013 (EUR million)	2012 (EUR million)	2011 (EUR million)
Cash flow from operating activities before financial items and taxes	**40.3**	**31.6**	**57.8**	**39.9**	**54.0**
Interest received	0.3	0.2	0.3	0.5	0.6
Interest and other financial expenses paid	(15.1)	(11.6)	(14.0)	(19.8)	(24.3)
Income taxes paid	(3.4)	(3.5)	(4.8)	(2.9)	(2.4)
Non cash currency rate impact	0.0	0.0	(1.2)	2.6	(1.7)
Cash flows from financial items and taxes	**(18.2)**	**(14.9)**	**(19.8)**	**(19.6)**	**(27.9)**
Net cash from operating activities	**22.1**	**16.7**	**38.1**	**20.3**	**26.1**

Net cash flow from operating activities increased by 32.5% from a cash inflow of EUR 16.7 million in the nine months ended 30 September 2013 compared to EUR 22.1 million in the nine months ended 30 September 2014. This increase in cash flow from operating activities in the nine months ended 30 September 2014 was primarily due to an increase in cash flow from operating activities before financial items and taxes which was partly offset by an increase in upfront financial expenses paid for the extension of the term of the Group's financing arrangements in the third quarter of 2014.

Net cash flow from operating activities increased by 88% from a cash inflow of EUR 20.3 million in the year ended 31 December 2012, to a cash inflow of EUR 38.1 million in the year ended 31 December 2013. This increase was due to an increase in cash flow from operating activities before financial items and taxes. Interest and other financial expenses paid adjusted for non-cash currency rate impact in financial items decreased by EUR 2.1 million, primarily due to the expiration of interest rate derivatives in 2012 and consequent reduction in interest rate levels applicable to the Group, which was partially offset by an EUR 1.9 million increase in income taxes paid, mainly due to taxes paid on the sale of assets in Denmark and increased income in project countries, and a negative currency translation impact of EUR 1.2 million.

Net cash flow from operating activities decreased by 22% from a cash inflow of EUR 26.1 million in the year ended 31 December 2011, to a cash inflow of EUR 20.3 million in the year ended 31 December 2012. This decrease was due to a decrease in cash flow from operating activities before financial items and taxes, which was partially offset a decrease in interest and other financial expenses paid as a result of the Group's reduction of its debt base during 2010.

Cash flow from investing activities

The following table sets forth the Group's cash flows from investing activities for the periods indicated:

	For the nine months ended 30 September		For the years ended 31 December		
	2014 (EUR million)	2013 (EUR million)	2013 (EUR million)	2012 (EUR million)	2011 (EUR million)
Cash flow from investing activities					
Purchases of property, plant and equipment (PPE)	(7.0)	(8.4)	(16.0)	(13.6)	(11.6)
Proceeds from sale of PPE	0.6	0.2	2.7	0.5	1.3
Disposal of a business	0.2	6.6	6.6	0.0	0.0
Net cash from investing activities	**(6.2)**	**(1.6)**	**(6.7)**	**(13.2)**	**(10.2)**

Net cash flow from investing activities increased by 291.3% from a cash outflow of EUR 1.6 million in the nine months ended 30 September 2013 compared to EUR 6.2 million in the nine months ended 30 September 2014. This increase in cash flow from investing activities in the nine months ended 30 September 2014 was primarily due to proceeds from the sale of the Aastra and Avaya business lines in Denmark which occurred in the third quarter of 2013.

Net cash flow from investing activities decreased by 48.9% from a cash outflow of EUR 13.2 million in the year ended 31 December 2012, to a cash outflow of EUR 6.7 million in the year ended 31 December 2013. This decrease was due to cash inflow from the sale of the Group's Aastra and Avaya business lines in Denmark.

Net cash flow from investing activities increased by 29.0% from a cash outflow of EUR 10.2 million in the year ended 31 December 2011, to a cash outflow of EUR 13.2 million in the year ended 31 December 2012. This increase was mainly due to an increase in maintenance investments in the Group's *Power* segment.

Cash flow from financing activities

The following table sets forth the Group's cash flows from financing activities for the periods indicated:

	For the nine months ended 30 September		For the years ended 31 December		
	2014 (EUR million)	2013 (EUR million)	2013 (EUR million)	2012 (EUR million)	2011 (EUR million)
Cash flow from financing activities					
Payments of long term financial liabilities	(9.4)	(0.2)	(0.1)	(0.1)	0.0
Payments of /proceeds from short-term borrowing	12.0	(8.1)	(19.2)	(5.1)	(15.9)
Payments of /proceeds from finance lease liabilities	(1.5)	(1.8)	0.0	0.0	(1.3)
Dividends to non-controlling interest and other financial expenses	(0.7)	(0.7)	(0.7)	(0.8)	(0.6)
Change in other financial assets	0.5	0.8	(2.0)	(0.6)	0.0
Net cash from financing activities	**0.9**	**(9.9)**	**(21.9)**	**(6.6)**	**(17.8)**

Net cash flow from financing activities increased by 109.5% from a cash outflow of EUR 9.9 million in the nine months ended 30 September 2013 compared to a cash inflow of EUR 0.9 million in the nine months ended 30 September 2014. This increase in cash flow from financing activities in the nine months ended 30 September 2014 was primarily due to an EUR 12.0 million temporary utilisation of a short-term revolving credit facility in the third quarter of 2014.

Net cash flow from financing activities decreased by 235.0% from a cash outflow of EUR 6.6 million in the year ended 31 December 2012, to a cash outflow of EUR 21.9 million in the year ended 31 December 2013. This decrease was due to an increase in short-term borrowings by the Group related to larger than normal trade payables during the beginning of 2013.

Net cash flow from financing activities increased by 63% from a cash outflow of EUR 17.8 million in the year ended 31 December 2011, to a cash outflow of EUR 6.6 million in the year ended 31 December 2012. This increase was due to a reduction in utilised short-term financing facilities in 2012 than in 2011 attributable to smaller than normal payments of trade payables at year end.

Critical accounting policies

See Note 2 "*Accounting policies for the consolidated accounts*" to the Group's audited consolidated financial statements as of and for the year ended 31 December 2013 in "*Historical Financial Information*".

The Group has applied the revised IAS 19 Employee Benefits standard as of 1 January 2013. The comparative information for the years ended 31 December 2012 and 2011 has been restated accordingly. The unaudited interim consolidated financial statements as of and for the nine months ended 30 September 2014 including 2013 comparative information have been prepared on the same basis as the Group's audited consolidated financial statements for the years 31 December 2013, 2012 and 2011, except for the following IFRS amendments. The Group has applied the new IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities as of 1 January 2014 which are effected the Group's interim consolidated financial statements as of and for the nine months ended 30 September 2014 and 2013. The adoption of IFRS 11 Joint Arrangements is a change in the Group's accounting principle for jointly controlled entities. The Group previously recognised its interests in jointly controlled entities using the proportionate method of consolidation. Under IFRS 11, jointly controlled entities are divided into joint operations and joint ventures. More information on the effect of the adoption of IFRS 11 can be found in the note titled "*IFRS Joint Arrangements*" to the Group's unaudited interim consolidated financial statements and in "*Note 30 – Effect of change in accounting principles for IFRS 11, Joint Ventures*" to the Group's unaudited consolidated financial statements in "*Historical Financial Information*".

Eltel has adopted IFRS 8 Operating Segments from 1 January 2014. Comparative information is presented accordingly. 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 is 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 Other, which has been named *Transport & Defence*. The two reportable segments, *Power* and *Communication*, as well as Other, constituting the *Transport & Defence* business, are also referred to as business segments in the Group's financial reports and represent business as followed by management. Items below operative EBITA are not allocated to the segments.

Board of directors, senior management and auditors

BOARD OF DIRECTORS

According to Eltel's articles of association, the board of directors shall, to the extent appointed by the general meeting, consist of three to ten members, with up to three deputy board members. Currently, Eltel's board of directors consists of six members, including the chairman, and one deputy board member. The current board of directors is appointed for the period until the end of the annual general meeting 2015.

The board of directors of Eltel

				Independent of the	
Name	Position	Year of birth	Appointed	Selling Shareholders	Company
Gérard Mohr	Chairman	1955	2011	Yes	Yes
Jean Bergeret	Member	1953	2010	No	Yes
Fredrik Karlsson	Member	1967	2013	No	Yes
Matti Kyytsönen	Member	1949	2007	Yes	Yes
Ulf Lundahl	Member	1952	2014	Yes	Yes
Susanne Lithander	Member	1961	2014	Yes	Yes
Thomas Hofmeister	Deputy Member	1971	2010	No	Yes

Gérard Mohr (born 1955)
Gérard Mohr is a member of the board and chairman of the board of directors of Eltel since 2011.

Gérard Mohr is also a member of the boards of directors of JST Group, LEVANTINA Y ASOCIADOS DE MINERALES, S.A.U., Bee NV, M Prime Group and Cogerfi NV, as well as managing director of Cogerfi NV.

In the past five years, Gérard Mohr has been, but is no longer, member of the board of directors of Transformateurs Solutions Vénissieux S.A. (TSV).

Gérard Mohr is an engineer and has studied at École Polytechnique in Paris and at Corps des Mines in Paris.

Gérard Mohr owns no shares or warrants in Eltel.

Jean Bergeret (born 1953)
Jean Bergeret is a member of the board of directors of Eltel since 2010.

Jean Bergeret is also chairman of the board of directors of LEVANTINA Y ASOCIADOS DE MINERALES, S.A.U, as well as a member of the board of directors of Pantex S.p.A. and Svenson, S.L. Furthermore, Jean Bergeret is a supervisory board member of RLD S.A.S., and as well as managing director of BNP Paribas.

In the past five years, Jean Bergeret has been, but is no longer, member of the boards of directors of Seves, S.p.A. and Navimo. Jean Bergeret has also been Head of Leveraged Finance Europe at BNP Paribas S.A.

Jean Bergeret holds a Master of Business Administration from E.S.C.P.

Jean Bergeret owns no shares or warrants in Eltel.

Fredrik Karlsson (born 1967)
Fredrik Karlsson is a member of the board of directors of Eltel since 2013.

Fredrik Karlsson is a member of the boards of directors of Lidingö 1 AB, Inspecta Group, FrippCo AB, Scandlines A/S, The InfraNet Company AB and Stationsvägen 13 i Åre Fastighets AB. Fredrik Karlsson is also deputy board member of David Bonnier Bygg AB, as well as Co-Head 3i Nordics at 3i Nordic plc and deputy managing director of 3i Nordic plc (U.K.), filial Sverige.

In the past five years, Fredrik Karlsson has been, but is no longer, deputy board member of Kruptusnai AB.

Fredrik Karlsson holds a Master of Science in Business Administration and Commercial Law from Gothenburg School of Economics.

Fredrik Karlsson owns no shares or warrants in Eltel.

Matti Kyytsönen (born 1949)
Matti Kyytsönen is a member of the board of directors of Eltel since 2007.

Matti Kyytsönen is also the chairman of the board of directors and managing director of Silverback Consulting Oy, as well as a member of the boards of directors of KP Tekno Oy, Lindström Invest Oy and Esperi Care Group Oy.

In the past five years, Matti Kyytsönen has been, but is no longer, member of the board of directors of Center-Inn Oy.

Matti Kyytsönen holds a Master of Science from Helsinki School of Economics and Business Administration.

Matti Kyytsönen owns 25,000 shares and no warrants in Eltel.

Ulf Lundahl (born 1952)
Ulf Lundahl is a member of the board of directors of Eltel since 2014.

Ulf Lundahl is also the chairman of the boards of directors of Fidelio Capital AB, Fidelio Industries AB and Fidelio Invest AB, as well as a member of the boards of directors of Attendo AB (publ), Attendo Utveckling AB (publ), Attendo Intressenter AB, Holmen Aktiebolag, Ramirent Oy and Indutrade Aktiebolag and deputy board member of Katarina Martinson AB and Jahaa Music AB.

In the past five years, Ulf Lundahl has been, but is no longer, chairman of the board of directors of L E Lundberg Kapitalförvaltning AB, member of the boards of directors of Cardo AB, Husqvarna Aktiebolag, Aktiebolaget Lorentzen & Wettre, L E Lundberg Invest Aktiebolag, Förvaltnings Aktiebolaget L E Lundberg, Fastighets AB L E Lundberg, L E Lundberg Aviation Aktiebolag, Östgöta Holding Aktiebolag, Senda i Sverige AB, Stockholms Stads Brandförsäkringskontor, Slutplattan JBT 93234 AB and Industrial Development and Investment Aktiebolag (IDI), as well as deputy board member of L E Lundberg Nordic Aktiebolag. Furthermore, Ulf Lundahl has been Executive Vice President / deputy managing director at L E Lundbergföretagen Aktiebolag (publ).

Ulf Lundahl holds a Master of Law from the University of Lund and a Bachelor in Business Administration from University of Lund.

Ulf Lundahl owns no shares or warrants in Eltel.

Susanne Lithander (born 1961)
Susanne Lithander is a member of the board of directors of Eltel since 2014.

Susanne Lithander is also a member of the board of directors of Acando AB, BillerudKorsnäs Sweden AB, Billerud Tenova Bioplastics AB, Susanne Lithander Consulting AB and BillerudKorsnäs Skog & Industri Aktiebolag, as well as Chief Financial Officer of BillerudKorsnäs Aktiebolag (publ).

In the past five years, Susanne Lithander has been, but is no longer, chairman of the board of directors of Mercuri International Sverige Aktiebolag and member of the boards of directors of BillerudKorsnäs Skog AB, SCF i Göteborg AB, Säljuniversitetet i Sverige AB and Sälj & Marknadshögskolan i Sverige AB. Furthermore, Susanne Lithander has been deputy board member of BillerudKorsnäs Sweden AB, as well as Vice President and Project leader of One-Company-Project at Svenska Cellulosa Aktiebolaget SCA and managing director of Mercuri International Group AB.

Susanne Lithander holds Bachelor degree in International Finance & Business Administration with Spanish from Handelshögskolan Göteborg, as well as a Certificate in Financial Management from Svenska Civilekonomföreningen.

Susanne Lithander owns no shares or warrants in Eltel.

Thomas Hofmeister (born 1971)
Thomas Hofmeister is a deputy board member of Eltel since 2010.

Thomas Hofmeister is also managing director in Leveraged Finance EMEA at BNP Paribas S.A.

Thomas Hofmeister holds Master of Science in Business Administration from University of Applied Science, Rosenheim. Thomas Hofmeister has also received a Chartered Financial Analyst (CFA) diploma from the CFA Institute.

Thomas Hofmeister owns no shares or warrants in Eltel.

SENIOR MANAGEMENT

The table below lists the name, position, year of birth and years of employment of the members of Eltel's management.

Senior management of Eltel[1)]

Name	Position	Year of birth	Held position since
Axel Hjärne	Managing director	1964	2009
Gert Sköld	Chief Financial Officer	1965	2014
Per Krogager	Group Vice President Human Resources	1954	2014
Hannu Tynkkynen	Senior Vice President Group Communications	1956	2010
Päivi Hautamäki	General Counsel and Group Secretary	1964	2012
Peter Uddfors	President of Fixed Telecom	1964	2013
Dariush Rezai	President of Mobile Telecom	1975	2014
Juha Luusua	President of Power Distribution	1965	2012
Fredrik Menander	President of Power Transmission	1966	2012
Fredrik Häggström	President of Rail and Road	1973	2011
Thorbjörn Sagner	President of Homeland security and Aviation	1960	2014

1) Gunilla Wikman is the Company's IR manager but she is not a member of the Company's senior management team. Gunilla Wikman has vast experience from IR and communication assignments. Between the years 1996 and 2004, Gunilla Wikman held the position as Head of Communication at SEB. In addition, she has been Head of Communication at Sveriges Riksbank and at Bankstödsnämnden, as well as Business News Reporter at Sveriges Television, Business Reporter at Veckans Affärer and Head of Investor Relations at Swedish Match. Gunilla Wikman is also a board member of Hoist Finance and a board member and a member of the audit committees of SJ AB and AMF Mutual Funds, as well as a board member of Oatly AB and Vice President of the Swedish Equestrian Federation. She has previously been a board member of Proffice and HMS Networks. For more information about the Company's IR function, see the section "*Corporate Governance – IR function*".

Axel Hjärne (born 1964)
Axel Hjärne is managing director of Eltel since 2009.

Axel Hjärne has previously had different leading positions within Eltel Group, including deputy CEO Eltel Group, Country Manager and CEO Eltel Networks Sweden. Axel Hjärne is member of the boards of directors of Lagnögruppen AB, PRIMA Barn- och Vuxenpsykiatri Stockholm AB, PRIMA Barn- och Vuxenpsykiatri Holding AB, Proffice Aktiebolag, Energibranschens Förhandlings- och Arbetsgivarservice i Stockholm AB, Svenskt Näringsliv, IT&Telekomföretagen, as well as member of the boards of directors of several subsidiaries of Eltel.

In the past five years, Axel Hjärne has been, but is no longer, deputy board member of PRIMA Barn- och Vuxenpsykiatri I Stockholm AB.

Axel Hjärne holds a Master of Science in Industrial Economy from Institute of Technology, Linköping.

Axel Hjärne owns 572,616 shares and no warrants in Eltel.

Gert Sköld (born 1965)
Gert Sköld is Chief Financial Officer of Eltel since 2014.

Gert Sköld is member of the board of directors of Driconeq AB and Drico Intressenter Holdco AB, as well as partner of Rue Genévrier Consulting Handelsbolag.

In the past five years, Gert Sköld has been, but is no longer, chairman of the boards of directors of AB Sandvik KPS, Sandvik Mining and Construction Tools AB, Sandvik Mining and Construction Ltd and Tamrock Svenska Aktiebolag, as well as member of the boards of directors of Sandvik Credit AB (publ), Sandvik Construction AB, Swedish Remedy Holding AB, Sandvik Mining and Construction AB, Sandvik Nora Aktiebolag, Sandvik SRP AB, AB Sandvik Construction Segment, Sandvik Mining and Construction LLC and Sandvik Mining and Construction BV. Gert Sköld has also been deputy managing director of Sandvik Construction AB, as well as CFO Sandvik Mining at Sandvik AB, CFO Sandvik Mining and Construction at Sandvik AB and CFO Business Area at Sandvik AB.

Gert Sköld holds a Master of Science in Industrial Engineering and Management from Linköping University, as well as a Master of Business Administration from Uppsala University.

Gert Sköld owns no shares or warrants in Eltel.

Per Krogager (born 1954)
Per Krogager is Group Vice President of Human Resources at Eltel since 2014.

Per Krogager is member of the board of directors of NOJ Fonden, as well as owner of Krogager Consulting.

In the past five years, Per Krogager has been, but is no longer, a member of the boards of directors of Dansk HR and People and Performance A/S, as well as Vice President Human Resources of Tvilum – Scanbirk ApS.

Per Krogager holds a Mag.Art in Psychology from University of Aarhus, a Master of Personnel Administration, a Master of Organisation Development, a Master of "Business Psychology and Sociology, as well a Master of Sociological Analysis of Organisations from Business School of Aarhus.

Per Krogager owns no shares or warrants in Eltel.

Hannu Tynkkynen (born 1956)
Hannu Tynkkynen is Senior Vice President of Group Communications at Eltel since 2010.

Hannu Tynkkynen has previously been President for Mobile Telecommunications, Senior Vice President for New Areas and Senior Vice President for Group HR at Eltel.

Hannu Tynkkynen is chairman of the board of directors of the Alumni Association, Lappeenranta University of Technology.

Hannu Tynkkynen holds a Master of Science in Engineering from Lappeenranta University of Technology.

Hannu Tynkkynen owns 188,837 shares and no warrants in Eltel.

Päivi Hautamäki (born 1964)
Päivi Hautamäki is General Counsel and Group Secretary at Eltel since 2012.

Päivi Hautamäki is member of the board of directors of SSH Communications Security Oyj.

In the past five years, Päivi Hautamäki has been, but is no longer, chairman of the board of directors of SSH Communications Security Oyj, as well as General Counsel and Board Secretary of Windwind Oy.

Päivi Hautamäki holds a Master of Law from University of Helsinki

Päivi Hautamäki owns no shares and or warrants in Eltel.

Peter Uddfors (born 1964)
Peter Uddfors is President of Fixed Telecom at Eltel since 2013.

Peter Uddfors is chairman of the board of directors of Eltel Sønnico AS, as well as deputy board member of Karin Uddfors AB.

In the past five years, Peter Uddfors has been, but is no longer, chairman of the boards of directors of Mydata Automation AB, Micronic Laser Systems KK, Micronic Laser systems Korea, Micronic Mydata Inc, Lorentzen & Wettre International AB, Lorentzen & Wettre Skandinavien AB, Lorentzen & Wettre SARL, Lorentzen & Wettre USA Inc, Lorentzen & Wettre Canada Inc, Lorentzen & Wettre GmbH, Lorentzen & Wettre Oy, Lorentzen & Wettre (China) Ltd, Lorentzen & Wettre Japan KK, Lorentzen & Wettre Singapore Ltd, KPM Kajaani Process Measurements LTD and Sulzer Pump Solutions Sweden AB, as well as member of the board of directors or MYDATA Treasuy AB. Furtermore, Peter Uddfors has been President and managing director of Micronic Mydata AB (publ), President Pulp & Paper Solution at Cardo AB and managing director and member of the boards of directors of Lorentzen & Wettre AB and Mycronic Technologies AB. Peter Uddfors has also been chairman of the board of directors and managing director of Micronic Treasury AB.

Peter Uddfors holds a Master of Science in Engineering from Royal Institute of Technology, Stockholm, as well as a Business Finance & Administration Diploma from Frans Schartau, Stockholm.

Peter Uddfors owns no shares or warrants in Eltel.

Dariush Rezai (born 1975)
Dariush Rezai is President of Mobile Telecom at Eltel since 2014.

Dariush Rezai has previously been director of Mobile Nordic at Eltel.

Dariush Rezai is a member of the board of directors of Eltel Sønnico AS.

In the past five years, Dariush Rezai has been, but is no longer, Senior Manager Strategy of Accenture.

Dariush Rezai holds a Master in Economics from Copenhagen University and has attended the General Management Program at INSEAD.

Dariush Rezai owns no shares or warrants in Eltel.

Juha Luusua (born 1965)
Juha Luusua is President of Power Distribution at Eltel since 2012.

Juha Luusua is chairman of the board of directors of VerPal and vice chairman of the board of directors of Loiste, as well as member of the boards of directors of Palta and Voimatalouspooli (part of the Finnish National Emergency Supply Agency). Juha Luusua is also chairman of the board and board member of several subsidiaries to Eltel.

Juha Luusua holds a Master of Science in Power from Helsinki Technical University.

Juha Luusua owns 205,816 shares and no warrants in Eltel.

Fredrik Menander (born 1966)
Fredrik Menander is President of Power Transmission at Eltel since 2012.

Fredrik Menander has previously been director of Export projects and director of Strategic project at Eltel.

Fredrik Menander is chairman of the board of directors and board member of several subsidiaries to Eltel.

Fredrik Menander holds a Master of Science in Electrical Engineering from Lund's Institute of Technology and an Executive Master of Business Administration from Stockholm School of Economics.

Fredrik Menander owns 12,500 shares and no warrants in Eltel.

Fredrik Häggström (born 1973)
Fredrik Häggström is President of Rail and Road at Eltel since 2011.

In the past five years, Fredrik Häggström has been, but is no longer, managing director of Dateli Installation Aktiebolag.

Fredrik Häggström has studied the Company high potential MBA program at Manchester Business School. In addition, he has studied Computer Programming at Semcon.

Fredrik Häggström owns 30,625 shares and no warrants in Eltel.

Thorbjörn Sagner (born 1960)
Thorbjörn Sagner is President of Homeland security and Aviation at Eltel since 2014.

Thorbjörn Sagner has previously been Business development and Project Manager at Eltel.

Thorbjörn Sagner is chairman of the board of directors of Eltel's subsidiary Eltel Networks Infranet AB, as well as managing director of Eltel's subsidiary Eltel Networks Infranet Privat AB. Thorbjörn Sagner is also chairman of the board of directors of Jämtlands linjebyggare och Republikens El AB and the owner of Stora Wädersjö Service.

Thorbjörn Sagner has studied technical engineering in naval equipment at Military School.

Thorbjörn Sagner owns 5,000 shares and no warrants in Eltel.

AUDITORS

Öhrlings PricewaterhouseCoopers AB, with address Torsgatan 21, 113 97 Stockholm, is the auditor of the Company. Niklas Renström, an authorised auditor and member of FAR (professional institute for authorized public accountants), is the auditor in charge. Öhrlings PricewaterhouseCoopers AB has acted as auditor throughout the entire period referred to by the historic financial data in the Prospectus and Niklas Renström has been the auditor in charge since August 2013, when he succeeded the previous auditor in charge, Claes Dahlén, who was also an authorised auditor and member of FAR.

OTHER INFORMATION REGARDING THE MEMBERS OF THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT

There are no family ties between any of the members of the board of directors or senior management.

There are no conflicts of interest or potential conflicts of interest between the obligations of members of the board of directors and senior management of Eltel towards the Company and their private interests and/or other undertakings (but several of the members of the board of directors and members of senior management have financial interests in Eltel due to their shareholdings in Eltel). Shareholding members of the board of directors and senior managers have undertaken, not to sell their respective holdings for a certain period after trading on Nasdaq Stockholm has commenced, see the section "*Share capital and ownership – Commitment to refrain from selling shares*".

During the last five years, no members of the board of directors and senior managers described above have (i) been sentenced for fraud-related offences, (ii) have represented a company which has been declared bankrupt or filed for involuntary liquidation, (iii) have been the subject of sanctions or accused by authorities or bodies acting for particular professional groups under public law or (iv) have been subject to injunctions against carrying out business.

The board members are not entitled to any benefits when they retire from the board. For information on management's right to severance pay if their position with the company is terminated, see the section *"Corporate Governance – Remuneration for members of the board of directors and senior management – Remuneration for the managing director and senior management"*.

All members of the board of directors and senior managers are available at the Company's domicile at Adolfsbergsvägen 13, 168 66, Bromma.

Corporate governance

Eltel is a Swedish public limited liability company. Prior to listing on the Nasdaq Stockholm, corporate governance in the Company was mainly based on Swedish law, the Company's articles of association and internal rules and instructions. As a listed company on Nasdaq Stockholm, the Company will apply the rules of the Swedish Companies Act (Sw. *Aktiebolagslagen (2005:551)*), the Swedish Annual Accounts Act (Sw. *Årsredovisningslagen (1995:1554)*), the Company's articles of association, Nasdaq Stockholm's Rule Book for Issuers and the Swedish Corporate Governance Code as well as other Swedish and foreign laws and regulations, as applicable. The Swedish Corporate Governance Code applies to all Swedish companies with shares listed on a regulated market in Sweden and shall be applied as soon as possible and at the latest at the first annual general meeting held following the listing. The Swedish Corporate Governance Code defines a norm for good corporate governance on a higher level of ambition than the Swedish Companies Act's and other regulations' minimum requirements. The Swedish Corporate Governance Code is based on the principle comply or explain. It means that the Company must not at every occasion obey every rule of the Swedish Corporate Governance Code, but may choose other solutions that are deemed to better correspond to the circumstances in the individual case, provided that the Company openly reports every such non-compliance, describes the alternative solution and states the reasons for this.

Eltel will apply the Swedish Corporate Governance Code from the time of the annual general meeting 2015. Eltel does not expect to deviate from any of the rules of the Swedish Corporate Governance Code. All, if any, non-compliances with the Swedish Corporate Governance Code will be described in the Company's corporate governance report, which will be drawn up for the first time for the 2014 financial year.

THE GENERAL MEETING

Under the Swedish Companies Act, the general meeting is the Company's highest decision-making body. The general meeting may resolve upon every issue for the Company, which is not specifically reserved for another company body's exclusive competence. At the annual general meeting, which shall be held within six months from the end of the financial year, shareholders exercise their voting rights on issues, such as the adoption of income statements and balance sheets, appropriation of Company profits or losses, resolutions to release the members of the board of directors and the managing director from liability for the financial year, the appointment of members of the board of directors and auditor and remuneration for the board of directors and the auditor.

Besides the annual general meeting, extraordinary general meetings may be convened. In accordance with the articles of association, all general meetings shall be convened through announcements in the Swedish Official Gazette (Sw. *Post- och Inrikes Tidningar*) and by posting the notice to the meeting on the Company's website. An announcement shall be placed in Svenska Dagbladet with information that the meeting has been convened.

The chairman of the board of directors, as many other board members as possible and the managing director shall be present at extraordinary general meetings of the Company. At annual general meetings, in addition to the aforementioned, at least one member of the nomination committee and, to the extent possible, all members of the board of directors, shall participate.

Right to attend general meetings

All shareholders who are registered directly in the share register kept by Euroclear five weekdays prior to the general meeting and who notify the Company of their intention to attend the general meeting at the latest by the date specified in the notice convening the meeting shall be entitled to attend the general meeting and vote according to the number of shares they hold. Shareholders may attend general meetings in person or through a proxy, and may also be accompanied by not more than two assistants.

Shareholder initiatives

Shareholders who wish a matter to be discussed at the general meeting must submit a written request in that regard to the board of directors. Requests must normally be received by the board of directors at least seven weeks prior to the general meeting.

Nomination committee

The extraordinary general meeting held on 21 October 2014 resolved to establish a nomination committee and to adopt rules of procedures for the nomination committee. According to the rules of procedures for the nomination committee, the main rule is that the nomination committee shall consist of four members, representing each of the four largest shareholders. The rules of procedures for the nomination committee comply with the Swedish Corporate Governance Code with respect to the appointment of committee members. The members of the nomination committee shall be announced no later than six months prior to the annual general meeting. With respect to the annual general meeting 2015, the members of the committee shall be announced as soon as possible after 31 December 2014 but no later than three months prior to the annual general meeting 2015.

The members of the nomination committee shall, in connection with their assignment, accomplish their duties in accordance with the Swedish Corporate Governance Code. The nomination committee's main duties are to propose candidates for the post of chairman and other members of the board of directors, as well as fees and other remuneration to each member of the board of directors. The nomination committee is also to make proposals on the election and remuneration of the statutory auditor.

THE BOARD OF DIRECTORS

The board of directors is the highest decision-making body after the general meeting and the highest executive body. 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 the board of directors of the Company adopted by the board of directors. In addition thereto, the board of directors shall comply with the Swedish Corporate Governance Code and Nasdaq Stockholm's Rule Book for Issuers, as well as other Swedish and foreign laws and regulations, as applicable.

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 Company's and the Group's financial situation, as well as to see to it that the Company's organisation is formed in a way that the accounting, management of funds and the Company's financial conditions otherwise are controlled in a secure manner.

The assignments of the board of directors include, *inter alia*, to set objectives and strategies, see to it that there are effective systems for follow-up and control of the Company's operations, and see to it that there exists a satisfactory control of the Company's compliance with laws and other regulations applicable to the Company's operations. The assignments of the board of directors also include to see to it that required ethical guidelines are set for the Company's behaviour and to see to it that the Company's disclosure of information is characterised by transparency and is correct, relevant and reliable. In addition, the assignments of the board of directors include appointing, evaluating and if necessary removing the managing director.

Members of the board of directors (except for employee representatives) are appointed annually by the annual general meeting 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 a minimum of three members and a maximum of ten members with no more than three deputies. At the date of this Prospectus, the Company's board of directors consists of six ordinary members with one deputy and no employee representatives. The members of the board of directors are presented in greater detail in the section "*Board of directors, senior management and auditors*".

The board of directors of Eltel follows a written procedure, which has been adopted by the board of directors and which is reviewed annually. Among other things, the procedure for the board of directors regulates the board of directors' role and responsibility, the board of directors' way of working and the division of work within the board of directors. The board of directors also adopts an instruction for the managing director of Eltel, as well as an instruction for financial reporting.

Audit committee

The board of directors has internally appointed an audit committee. According to the Swedish Corporate Governance Code, the audit committee is to comprise three members of whom the majority are to be independent in relation to the Company and its management, and at least one of the members that are independent in relation to the Company and its management must also be independent in relation to the Company's major shareholders. Eltel's audit committee is to comprise no less than three members of the board of directors chosen by the annual general meeting. At least one member must be independent and have accounting or auditing proficiency. The current audit committee consists of three members: Susanne Lithander (chairman), Fredrik Karlsson and Ulf Lundahl. Fredrik Karlsson is considered independent of the Company and its senior management but not of its major shareholders. Susanne Lithander and Ulf Lundahl are considered independent of the Company, its senior management and its major shareholders.

The audit committee shall, without any impact otherwise on the tasks and responsibilities of the board of directors:

(a) monitor the Company's financial reporting;
(b) in respect of the financial reporting, monitor the effectiveness of the Company's internal control, internal audit, and risk management;
(c) keep itself informed regarding the audit of the annual report and Group accounts;
(d) 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
(e) assist in preparation of proposals to the general meeting's resolution regarding election of auditor.

As part of tasks (a) and (b) above, the audit committee chairman 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 will support the managing director, the chief financial officer and the IR manager in matters relating to information disclosures, financial reporting and media contacts, especially in the event of crisis situations, and sign off on matters relating to information disclosures.

Remuneration committee

The board of directors has internally appointed a remuneration committee. According to the Swedish Corporate Governance Code, the members of the remuneration committee shall be independent in relation to the Company and its senior management. Eltel's remuneration committee shall consist of at least two members of the board of directors elected by the annual meeting. The present remuneration committee consists of Jean Bergeret (chairman), Gérard Mohr and Fredrik Karlsson. The present members of the remuneration committee are considered independent in relation to the Company and its senior management. The remunerations committee's main tasks are to:

(a) prepare the board of directors' decisions on issues concerning principles for remuneration, remunerations and other terms of employment for the senior management;
(b) monitor and evaluate, both ongoing and terminated during the year, programmes for variable remuneration for the senior management; and
(c) follow 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.

MANAGING DIRECTOR AND OTHER SENIOR MANAGEMENT

The managing director reports to the board of directors. The managing director'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, the instruction for the managing director of Eltel and other directions and guiding principles established by the board of directors. In addition thereto, the managing director shall comply with the Swedish Corporate Governance Code and Nasdaq Stockholm's Rule Book for Issuers, as well as other Swedish and foreign laws and regulations, as applicable.

According to the Swedish Companies Act, the managing director shall attend to the day-to-day management pursuant to the board of directors' guidelines and instructions. In addition, the managing director shall take any measures necessary in order for the Company's accounts to be maintained pursuant to law and that the management of funds is conducted in a sound manner. The division of work between the board of directors and the managing director is described in the instruction for the managing director of the Company.

The managing director shall administrate the operative management and execute the resolutions passed by the board of directors. The managing director shall control and supervise that the matters to be dealt with by the board of directors according to applicable legislation, the articles of association or internal instructions are presented to the board of directors, and shall continuously keep the chairman of the board of directors informed about the performance of the Company's operations, its earnings and financial position, as well as any other event, circumstances or condition that cannot be assumed to be irrelevant to the board of directors or to the shareholders.

The managing director shall ensure that the Company has issued policies and/or instructions in all main areas of the Company's operations, such as accounting, health and safety and compliance, and that the policies and instructions are communicated and applied within the organisation. The managing director shall also ensure that the Company has a current authorisation manual that is properly observed and that the Company's accounting is performed in a way that is compliant with applicable laws.

The managing director and other senior management are presented in greater detail in the section *"Board of directors, senior management and auditors"*.

Remuneration for members of the board of directors and senior management

Remuneration for members of the board of directors

Fees and other remuneration for members of the board of directors, including the chairman of the board, are resolved upon by the annual general meeting. The extraordinary general meeting held on 21 October 2014 decided that the total fees to the board members, for the period until the next annual general meeting, shall amount to SEK 3,000,000. SEK 750,000 shall be payable to the chairman of the board and SEK 300,000 each to the six other members of the board (excluding the deputy board member). In addition, SEK 75,000 shall be payable to the three members in the audit committee and another SEK 75,000 shall be payable to the members of the remuneration committee. Members of the Company's board of directors shall not be entitled to any benefits once they retire as members of the board of directors.

Remuneration for the managing director and senior management

The annual general meeting to be held 2015 is planned to adopt guidelines for remuneration for the managing director and senior management.

Axel Hjärne is entitled to a notice period of 12 months and severance pay corresponding to 12 months' salary upon notice of termination. Hannu Tynkkynen is entitled to a notice period of 12 months. If Eltel terminates the employment agreement, Hannu Tynkkynen is entitled to full salary during the notice period. Juha Luusua is entitled to a notice period of six months plus further employment up to six months, until new employment is found. Dariush Rezai is entitled to a notice period of six months, and, in case of the employment being terminated by Eltel, a severance pay corresponding to three months' salary. Per Krogager, Fredrik Häggström, Fredrik Menander, Thorbjörn Sagner, Peter Uddfors and Gert Sköld are entitled to a notice period of 12 months. Päivi Hautamäki is entitled to a notice period of six months.

Management incentive programme

The Company initiated a management incentive programme in 2012 and has entered into management incentive agreements with 51 of the Company's managers, including the managing director and certain other members of the senior management team, as well as Gérard Mohr, member of the board of directors. An incentive payment will be paid upon settlement in the Offer (the "Incentive Payment"). The Incentive Payment is calculated as multiples of a manager's annual salary but is not linear between the threshold and the maximum. The applicable multiples vary between the different categories that the managers have been divided into. The minimum amount of the aggregated Incentive Payment to the managers is approximately EUR 9 million and the maximum amount of the aggregated Incentive Payment is approximately EUR 20 million. The price range in the Offer implies that the maximum amount will apply. Such amount, before being paid out, will be reduced by social security charges payable by the employer as a result of the bonus payment.

Members of the senior management team will be entitled to an aggregate amount of EUR 9.7million. The chairman of the board, Gérard Mohr, will be entitled to EUR 1.3 million.

All members of the senior management team entitled to the Incentive Payment as well as Gérard Mohr have agreed to reinvest an amount corresponding to 50% of the Incentive Payment to which such persons are entitled, net of tax, in shares in the Company through set-off in connection with the Offer, at the Offer Price.

Long term incentive program for the senior management and key employees

After admission to trading of the Company's shares on Nasdaq Stockholm, the board of directors intends to propose to the annual general meeting in 2015 to resolve upon a long-term incentive program for Eltel's senior management and key employees, the terms of which the Group believes will be in accordance with market practice.

Remuneration during the 2014 financial year

Remuneration in EUR received by the board of directors and senior managers for the 2014 financial year is listed below.

	Fee	Fixed salary	Variable salary	Pension	Other benefits	Total
Gérard Mohr	100,771	–	–	–	–	100,771
Matti Kyytsönen	48,008	–	–	–	–	48,008
Thomas Ekman[1)]	20,329	–	–	–	–	20,329
Susanne Lithander	10,116	–	–	–	–	10,116
Ulf Lundahl	8,093	–	–	–	–	8,093
Other members of the Board of Directors	–	–	–	–	–	–
Managing director	–	414,871	243,938	76,891	8,141	743,841
Other members of the senior management	–	2,235,582	670,814	306,750	70,012	3,283,158

1) Tomas Ekman resigned as director of the board at his own request in November 2014.

INTERNAL CONTROL

The board of directors' and the managing directors' responsibilities for internal control is governed by the Swedish Companies Act and the Swedish Corporate Governance Code.

The board of directors is pursuant to the Swedish Companies Act responsible for the Company's organisation and management of the Company's affairs and shall ensure that the Company's organisation is structured in such way that accounting, cash management and the Company's financial conditions are controlled in a satisfactory manner.

The managing director shall, pursuant to the Swedish Companies Act, manage the day to day management according to the board of director's guidelines and instructions. Furthermore, the managing director shall take necessary measures to ensure that the Company's bookkeeping is done in accordance with law and that the management of funds is handled in a secure manner.

According to the Swedish Corporate Governance Code the board of directors' assignments include seeing to that that there are effective systems for follow-up and control of the Company's operations. The audit committee shall, pursuant to the Swedish Companies Act, without otherwise affecting the board of directors' responsibility and assignments, monitor the Company's financial reporting and regarding the financial reporting, monitor the efficiency in the Company's internal controls, internal audit and risk management.

Internal control is by practice defined as a process affected by the board of directors, the audit committee, the managing director, other senior management and other employees and which is intended to provide a reasonable assurance that the Company's objectives are met, with respect to: effective and efficient operations, reliable reporting, and compliance with applicable laws and regulations. The process for Eltel's internal control is based on the control setting which provides the discipline and structure for the other four components of the process: risk assessment, control activities, information and communication, and monitoring.

Internal control over the financial reporting is included as a part of the overall internal control of the Company, together with, for example, protection of the Company's assets. Internal control over the financial reporting is intended to provide reasonable assurances regarding the reliability of the external financial reporting in the form of quarterly and annual reports and financial statements as well as that the external financial reporting is prepared in accordance with applicable accounting standards and other requirements for listed companies.

AUDITING

The Company's statutory auditor is appointed by the annual general meeting. The auditor shall audit the Company's annual report and accounts, the consolidated accounts and the consolidated companies' interrelations, as well as the management by the board of directors and the managing director. Following each financial year, the auditor shall submit an audit report to the annual general meeting.

Pursuant to the Company's articles of association, the Company shall have not less than one and not more than two auditors, with or without an alternate auditor. Eltel's auditor is Öhrlings PricewaterhouseCoopers AB, with Niklas Renström as auditor in charge. The Company's auditor is presented in more detail in the section *"Board of directors, senior management and auditors – Auditors"*.

Total remuneration for the Company's auditor amounted to EUR 0.6 million in 2013.

INSIDER AND INFORMATION POLICY

The Company has prepared a policy document for the purpose of informing employees and others concerned within Eltel regarding the laws and regulations applicable to the dissemination of information by the Company and the special requirements imposed on persons who are active in a listed company with regard, for example, to price-sensitive information. In this context, the Company has established routines for appropriate handling of the dissemination of information.

IR FUNCTION

The IR function is lead by the Company's IR manager, Gunilla Wikman, who reports to the managing director. The main tasks of the IR function is to support the managing director and the chief financial officer with respect to capital markets; prepare, together with the chief financial officer and the communication team, quarterly and annual reports, analyst meetings, annual general meetings and capital market presentations; and regularly report on IR activities.

The Company has also established an IR steering committee. The purpose of the IR steering committee is to ensure that correct IR procedures are installed within Eltel, ensure alignment with Eltel's other key functions, follow-up on the IR performance and compliance, as well as to discuss ad-hoc market information matters. Axel Hjärne, Gert Sköld, Gunilla Wikman, Päivi Hautamäki and Hannu Tynkkynen are members of the IR steering company.

THE ELTEL WAY POLICY

The Company has prepared a policy for the purpose of implementing the *Eltel Way* method in all units, as the Company deems that the *Eltel Way* is an efficient way of developing and conducting its business. The *Eltel Way* policy addresses the five components of the *Eltel Way*; structure, reporting, culture and people, operational efficiency and organic growth. For further information on the *Eltel Way* and how the five components of the *Eltel Way* are manifested, please refer to *"Business description – Business model – The Eltel Way".*

Share capital and ownership

Eltel's share capital, as per the date of the Prospectus (i.e. before dismantling in accordance with what is described under "*Share capital and ownership – Dismantling of previous ownership structure*" has taken place), amounts to EUR 86,363,579 divided into 43,181,789 shares. The shares are common shares and preference shares of different classes. The shares' quota (par) value is EUR 2. According to the articles of association, the share capital shall be not less than EUR 86,363,579 and not more than EUR 345,454,316. The number of shares in the Company shall be not less than 43,181,789 and not more than 172,727,156. Common shares and preference shares carry different number of votes at general meetings. Common shares of class A carry one (1) vote at general meetings; common shares of class B carry ten (10) votes at general meetings; preference shares of class C1 carry one (1) vote at general meetings; and preference shares of class C2 carry four point six (4.6) votes at general meetings. Common shares and preference shares of different classes carry different rights to the Company's assets and profits in case of liquidation and dividends.

Following completion of the Offer, Eltel's share capital will amount to EUR 128,740,655, divided into 64,370,327 shares, assuming a price in the Offer corresponding to the mid-point of the price range and that dismantling of the previous ownership structure will take place, as further described below. This entails that, assuming a price in the Offer corresponding to the mid-point of the price range, not more than 21,200,000 shares may be issued in the Offer. This entails a dilution in terms of ownership of 32.9% based on the number of shares outstanding in the Company after completion of the Offer, assuming a price in the Offer corresponding to the mid-point of the price range. The shares quota (par) value will be EUR 2. According to the articles of association, expected to be registered on or about the first day of trading of the Company's shares, the share capital shall be not less than EUR 86,363,579 and not more than EUR 345,454,316. The number of shares in the Company shall be not less than 43,181,789 and not more than 172,727,156. Common shares shall be the only class of shares in the Company, and each share carries one (1) vote at general meetings. All shares have equal rights to the Company's assets and profit upon liquidation and dividends.

The ISIN-code for Eltel's shares is SE0006509949. The Company's share capital is expressed in EUR and is distributed among the shares issued by the Company with a quota (par) value expressed in EUR. The Company's shares have been issued in accordance with Swedish law and the shareholders' rights may only be altered or modified in accordance with the Swedish Companies Act.

The Company's shares are registered with Euroclear, which is the central securities depository and clearing organisation for the shares in accordance with the Swedish Financial Instruments Accounts Act (1998:1479).

DEVELOPMENT OF THE SHARE CAPITAL

The table below sets forth the changes in the share capital of Eltel since the incorporation of the Company and up to the registration of the shares issued pursuant to the Offer.

Date of registration with the Swedish Companies Registration Office	Transaction	Change in number of shares	Total number of shares	Change in share capital (EUR)	Total share capital (EUR)	Quota (par) value (EUR)
7 April 2007	Incorporation	11,000	11,000	11,000	11,000	1
13 September 2007	New issue	30,487,196	30,498,196	30,487,196	30,498,196	1
6 February 2008	New issue	2,117,500	32,615,696	2,117,500	32,615,696	1
10 June 2008	New issue	220,000	32,835,696	220,000	32,835,696	1
15 October 2008	New issue	330,000	33,165,696	330,000	33,165,696	1
5 May 2009[1)]	New issue	1,643,557	34,809,253	1,643,557	34,809,253	1
20 July 2010[2)]	Split 1:10	313,283,277	348,092,530	0	34,809,253	0.1
20 July 2010[3)]	Decrease of share capital	–279,747,250	68,345,280	–27,974,725	6,834,528	0.1
20 July 2010[4)]	New issue	183,289,613	251,634,893	18,328,961.3	25,163,489.3	0.1
20 July 2010[5)]	New issue	369,685,822	621,320,715	36,968,582.2	62,132,071.5	0.1
20 July 2010[6)]	New issue	5	621,320,720	0.5	62,132,072	0.1
20 July 2010[7)]	New issue	71,482,946	692,803,666	7,148,294.6	69,280,366.6	0.1
20 July 2010[8)]	New issue	170,832,124	863,635,790	17,083,212.4	86,363,579	0.1
15 January 2015[9)]	Reclassification of shares	0	863,635,790	0	86,363,579	0.1
22 January 2015	Reversed split 20:1	820,454,001	43,181,789	0	86,363,579	2
6 February 2015[10), 11)]	Reclassification of shares	0	43,181,789	0	86,363,579	2
6 February 2015[10)]	Set-off issue of PIK notes	1,585,957	44,767,746	3,171,914	89,535,493	2
6 February 2015[10) 14)]	New issue in the Offer	13,414,839	58,182,585	26,829,678	116,365,171	2
6 February 2015[10)]	Redemption of shares	–1,985,457	56,197,128	–3,970,914	112,394,257	2
10 February 2015[10), 13)]	New issue in the Offer	7,785,161	63,982,289	15,570,322	127,964,579	2
12 February 2015[10), 12) 15)]	New issue	388,038	64,370,327[16)]	776,076	128,740,655	2

1) Preference shares were introduced and only preference shares were issued.
2) Preference shares of two classes and common shares of two classes were also introduced in connection with the split.
3) –279,747,250 shares of class A.
4) In this issue, 183,289,613 shares of share class B were issued.
5) In this issue, 369,685,822 shares of share class B were issued.
6) In this issue, 5 shares of share class B were issued.
7) In this issue, 71,482,946 shares of share class C1 were issued.
8) In this issue, 170,832,124 shares of share class C2 were issued.
9) 20 shares of share class B were reclassified to 20 shares of share class A.
10) Estimated date.
11) All shares are reclassified to shares of one share class.
12) Member of senior management that are entitled to receive the Incentive Payment will reinvest 50% of the Incentive Payment, net of tax, in new shares in the Company, at the Offer Price.
13) The numbers are based on a price corresponding to the midpoint of the price range.
14) These shares will be subscribed by SEB on behalf of those entitled to subscription in accordance with the Prospectus, at a subscription price in SEK that corresponds to EUR 2 per share. After payment and delivery of shares on the closing date, SEB will make a capital contribution to the Company in an amount corresponding to the difference between the finally determined Offer Price and the subscription price paid by SEB.
15) The number of shares issued assumes that the exchange rate used is SEK 9.4410 = EUR 1.00.
16) Following completion of the Offer, the number of shares in the Company is 67,314,150 at the low end of the price range, 64,370,327 at the mid-point of the price range and 62,057,322 at the high end of the price range.

DILUTION IN TERMS OF SHAREHOLDING

Eltel has of today no outstanding convertible debentures, warrants or other financial instruments, which would if they were exercised imply a dilutive effect for the shareholders of the Company.

OWNERSHIP STRUCTURE PRIOR TO AND FOLLOWING THE OFFER

The table below sets forth the shareholders in the Company immediately prior to the listing and assuming that all outstanding shares are converted to common shares in connection with the Offer at a price corresponding to the midpoint in the price range (SEK 62.5) in accordance with what is described in the section *"Share capital and ownership – Dismantling of previous ownership structure",* and that the reinvestment of the Incentive Payment described in the section "Corporate Governance – Management incentive programme" is made by investment in new shares.

Shareholders	Before the Offer[1]		After sale of common shares in the Offer to cover contributions according to the agreement relating to the FCCA Case[2]		After the Offer (assuming the Offer is not increased and the Over-allotment option is not exercised)[3]		After the Offer (assuming the Offer is increased in full and the Over-allotment option is not exercised)[3]		After the Offer (assuming the Offer is increased in full and the Over-allotment option is exercised in full)[3]	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Principal Shareholders										
3i Europartners Va LP	4,859,305	11.4%	4,196,875	9.8%	3,547,419	5.5%	2,801,921	4.4%	1,927,702	3.0%
3i Europartners Vb LP	5,386,356	12.6%	4,652,077	10.9%	3,932,181	6.1%	3,105,824	4.8%	2,136,785	3.3%
3i Group plc	12,830,152	30.0%	11,081,120	25.9%	9,366,346	14.6%	7,397,988	11.5%	5,089,763	7.9%
BNP Paribas S.A.	16,443,865	38.4%	14,884,212	34.8%	10,512,540	16.3%	6,596,956	10.2%	4,538,657	7.1%
Total	**39,519,678**	**92.4%**	**34,814,284**	**81.4%**	**27,358,486**	**42.5%**	**19,902,689**	**30.9%**	**13,692,906**	**21.3%**
Members of the board of directors and senior management										
Gérard Mohr	0	0.0%	0	0.0%	50,981[4]	0.1%	50,981[4]	0.1%	50,981[4]	0.1%
Matti Kyytsönen	23,869	0.1%	19,614	0.0%	19,614[5]	0.0%	19,614[5]	0.0%	19,614[5]	0.0%
Axel Hjärne	546,701	1.3%	449,251	1.1%	577,434[5]	0.9%	577,434[5]	0.9%	577,434[5]	0.9%
Gert Sköld	0	0.0%	0	0.0%	18,833[4]	0.0%	18,833[4]	0.0%	18,833[4]	0.0%
Hannu Tynkkynen	180,291	0.4%	148,154	0.3%	176,227[5]	0.3%	176,227[5]	0.3%	176,227[5]	0.3%
Juha Luusua	196,501	0.5%	161,474	0.4%	196,100[5]	0.3%	196,100[5]	0.3%	196,100[5]	0.3%
Päivi Hautamäki	0	0.0%	0	0.0%	10,184[4]	0.0%	10,184[4]	0.0%	10,184[4]	0.0%
Per Krogager	0	0.0%	0	0.0%	4,594[4]	0.0%	4,594[4]	0.0%	4,594[4]	0.0%
Dariush Rezai	0	0.0%	0	0.0%	13,672[4]	0.0%	13,672[4]	0.0%	13,672[4]	0.0%
Peter Uddfors	0	0.0%	0	0.0%	41,433[4]	0.1%	41,433[4]	0.1%	41,433[4]	0.1%
Thorbjörn Sagner	4,774	0.0%	3,923	0.0%	14,281[5]	0.0%	14,281[5]	0.0%	14,281[5]	0.0%
Fredrik Menander	11,934	0.0%	9,807	0.0%	35,749[5]	0.1%	35,749[5]	0.1%	35,749[5]	0.1%
Fredrik Häggström	28,642	0.1%	23,536	0.1%	44,695[5]	0.1%	44,695[5]	0.1%	44,695[5]	0.1%
Other employees[6]	2,269,899	5.3%	1,865,286	4.4%	1,865,286[5]	2.9%	1,865,286[5]	2.9%	1,865,286[5]	2.9%
Total	**3,262,611**	**7.6%**	**2,681,045**	**6.3%**	**3,069,083**	**4.8%**	**3,069,083**	**4.8%**	**3,069,083**	**4.8%**
New shareholders[7]	**0**	**0.0%**	**5,286,960**	**12.4%**	**33,942,758**	**52.7%**	**41,398,555**	**64.3%**	**47,608,338**	**74.0%**
Total	**42,782,289**	**100.0%**	**42,782,289**	**100.0%**	**64,370,327**	**100.0%**	**64,370,327**	**100.0**	**64,370,327**	**100.0%**

1) The indicated shareholding of the Management Shareholders in this table includes shares that will be transferred to three newly incorporated limited liability companies, in order to sell shares in the Offer to cover contributions according to the agreement relating to the FCCA Case.
2) For more information regarding the agreement, see *"Legal considerations and supplementary information – Disputes – The Finnish Competition and Consumer Authority"*.
3) Including shares sold to cover contributions according to the agreement relating to the FCCA Case.
4) The shares will be acquired upon reinvestment of Incentive Payment in a new issue of shares.
5) A portion of the shares will be acquired upon reinvestment of Incentive Payment in a new issue of shares.
6) Including both current and former employees.
7) New shareholders include Cornerstone Investors.

DISMANTLING OF PREVIOUS OWNERSHIP STRUCTURE

Prior to the Offer, the Principal Shareholders have invested in the Company through preference shares with different dividend preference, as well as ordinary shares. In addition, BNP holds shareholder loans in the form of so-called "PIK Notes". Furthermore, certain current and former employees hold ordinary shares as well as shareholder loans. In connection with the Offer, all preference shares and all other shares will be re-classified into one share class with equal voting and economic rights. Further, a new issue of shares will be carried out with payment by set-off of the PIK Notes held by BNP. The dismantling will be carried out in several steps, including reclassification of all outstanding preference shares and common shares to one and the same share class, a new issue of shares with payment against set-off of the PIK Notes held by BNP and redemption of common shares. The dismantling will be made based on the Offer Price, ensuring that all values immediately prior to the Offer are reflected in the values by each of the existing shareholders immediately following the Offer, also where applicable, taking into account the amount of proceeds from the Offer received by such existing shareholders. In addition, in connection with the dismantling of the previous ownership structure, members of the senior management team that are entitled to the Incentive Payment, including the chairman of the board of directors, will reinvest 50% of the Incentive Payment, net of tax, in shares in the Company. This will be made by way of reinvestment in new shares issued by the Company, separately from the Offer, but at the Offer Price. Assuming an Offer Price at the midpoint of the price range, 388,038 shares will be issued to the members of the senior management team, including the chairman of the board of directors.

In the event that the Offer is fully subscribed for but not increased and the Over-allotment option is not exercised, the Principal Shareholders will following completion of the Offer own approximately 42.5% of all shares in the Company, assuming a price in the Offer representing the midpoint of the price range. In the event that the Offer is fully subscribed and fully increased, but the Over-allotment Option is not exercised, the Principal Shareholders will following completion of the Offer own approximately 30.9% of all shares in the Company, assuming a price in the Offer representation the midpoint of the price range. In the event that the Offer is fully subscribed, fully increased and the Over-allotment option is fully exercised, the Principal Shareholders will following completion of the Offer own approximately 21.3% of all shares in the Company, assuming a price in the Offer representing the midpoint of the price range.

COMMITMENT TO REFRAIN FROM SELLING SHARES

For information on commitment to refrain from selling shares, please refer to the section *"Legal considerations and supplementary information – Plan of distribution"*.

SHAREHOLDERS' AGREEMENTS

Upon completion of the Offer, there will be no shareholders' agreement between the shareholders, aiming at creating a common influence over the Company, or that may result in a change of control of the Company. However, the Principal Shareholders have entered into an agreement by which they have agreed to coordinate any sales of shares in the Company for a period of up to 18 months. The agreement contains a right but no obligation for each of the parties to transfer shares in case the other party wishes to do so, and is without prejudice to the lock-up undertaking described in *"Legal considerations and supplementary information – Plan of distribution"*.

RESTRICTIONS ON THE DISPOSAL OF HOLDINGS OF THE COMPANY'S SHARES

The shares in Eltel are freely transferable. The shares are not subject to any transfer restrictions in Sweden. Furthermore, the shares are not subject to any mandatory takeover bid, squeeze-out or sell-out process. No public takeover bid relating to the Company's shares has occurred since the Company was established.

DIVIDENDS AND DIVIDEND POLICY

General

Holders of the Company's shares will be entitled to receive future dividends, including any dividends declared in respect of the year ended 31 December, 2014 and in respect of any subsequent period, provided dividends are declared.

The board of directors does not intend to propose any dividends to be decided by the annual general meeting to be held in 2015.

Payment

The Company declares dividends in EUR. Payment of dividends is therefore made in EUR, provided that EUR can be received on the shareholder's yield account; if not, payment of dividends will instead be made in SEK, after currency exchange by Euroclear Sweden or the Company. Shareholders with nominee-registered shareholdings should contact their nominees with respect to the dividend payment currency.

Dividend policy

The board of directors has adopted a dividend policy whereby 50%, with some flexibility with payout ratio, of the Company's consolidated net profit shall be paid in dividends over time, taking into account an initial capital structure defined as net debt in relation to recurring EBITDA of less than 3 (disregarding any temporary working capital movements). Furthermore, the board of directors shall take into account a number of additional factors, including the Company's future profits, investment needs, liquidity and development opportunities as well as general economic and business conditions, when proposing a dividend.

Legal and regulatory requirements

The declaration of dividends or other capital contributions by Swedish companies is decided upon by the general meeting of shareholders. The amount that is available for distribution to the shareholders is determined based on the Company's last adopted balance sheet on an unconsolidated basis. Dividends or other capital contributions may only be declared to the extent that there is unrestricted equity (Swe. *fritt eget kapital*) available, meaning that there must be full coverage for the Company's restricted equity (Swe. *bundet eget kapital*) after the distribution (i.e., the book value of the Company's assets must amount to at least the restricted equity together with any provisions and liabilities following the distribution). Restricted equity includes, inter alia, the Company's share capital and its statutory reserve.

Furthermore, in addition to the requirement regarding full coverage for the Company's restricted equity, dividends or other capital distributions may only be declared to the extent that such declaration is prudent, taking into consideration:

- the demands with respect to the size of the equity which are imposed by the nature, scope and risks associated with the operations of the Company and, if applicable, the Group, and
- the need to strengthen the balance sheet, liquidity and financial position of the Company and, if applicable, the Group.

The shareholders may, as a general rule, not declare dividends in an amount higher than the board of directors has proposed or approved.

Under the Swedish Companies Act, minority shareholders that together represent at least 10% of all outstanding shares of the Company have the right to request a payment of dividend (to all shareholders) from the Company's profits. Following such a request, the annual general meeting is required to resolve to distribute 50% of the remaining profit for the relevant year as reported on the balance sheet adopted at the annual general meeting, after deductions made for: (i) losses carried forward that exceed unrestricted reserves (Swe. *fria fonder*); (ii) amounts which, by law or the articles of association, must be transferred to restricted equity; and (iii) amounts which, pursuant to the articles of association, are to be used for any purpose other than distribution to the shareholders. However, the general meeting is not obliged to declare dividends in excess of 5% of the

Company's shareholders' equity. Moreover, the General Meeting may not declare dividends to the extent that there will not be full coverage of the Company's restricted equity or in violation of the prudence rule described above.

Dividends will normally be paid to shareholders in cash on a per share basis through Euroclear Sweden, but may also be paid in kind. On the record date established by the general meeting, holders recorded as owners of shares in the register of shareholders maintained by Euroclear Sweden will be entitled to receive dividends.

If a shareholder cannot be paid through Euroclear Sweden, such shareholder still retains its claim to the dividend amount, and the claim remains against the Company subject to a statutory limitation of 10 years. Should the claim become barred by the statute of limitations, the dividend amount is forfeited to the Company. Neither the Swedish Companies Act nor the Company's articles of association contain any restrictions regarding dividend rights of shareholders outside Sweden. Subject to any restrictions imposed by banks or clearing systems in the relevant jurisdiction, payments to such shareholders are made in the same manner as for shareholders resident in Sweden. However, shareholders with limited tax liability in Sweden are normally subject to Swedish withholding tax. For a discussion of withholding taxes on the payment of dividends, see the chapter *"Tax considerations in Sweden".*

Articles of association

Articles of association of Eltel AB, reg.no. 556728-6652 adopted on the extraordinary general meeting held on 16 January 2015. Registration is conditional upon the Offer being carried out, therefore the articles of association is expected to be registered on or about the first day of trading.

Articles of association of Eltel AB
Reg.no. 556728-6652
Adopted at the general meeting held on 16 January 2015.

§1
The name of the company is Eltel AB. The company is public (publ).

§2
The registered office of the company shall be in Stockholm.

§3
The company's objects are to directly or through wholly-owned or part-owned subsidiaries provide services in the form of maintenance, upgrades and project deliveries in the fields of energy, communications, infrastructure and defense and, within the scope of such business acquire, own, manage or sell shares, interests, securities, securities-related instruments, companies or parts thereof and to manage and sell properties on its own behalf together with any other activities compatible therewith.

§4
The company's share capital shall amount to not less than EUR 86,363,579 and not more than EUR 345,454,316.

§5
The number of shares in the company shall not be less than 43,181,789 and not more than 172,727,156.

§6
The board of directors shall consist of not less than 3 directors and not more than 10 directors with not more than three alternate directors.

§7
The company shall have not less than 1 and not more than 2 auditors, with or without an alternate auditor, or a registered public audit firm.

§8
Notice of General Meetings shall be published in Post- och Inrikes Tidningar (the Swedish Official Gazette) and be kept available on the company's website. At the time of the notice, an announcement with information that the notice has been issued shall be published in Svenska Dagbladet.

§9
Shareholders who wish to participate in a general meeting must be recorded in a transcription or other presentation of the register of shareholders in effect five weekdays prior to the meeting and must notify the company of their intention to attend no later than the day stipulated in the notice of the meeting. The latter – mentioned day may not fall on a Sunday, public holiday, Saturday, Midsummer's Eve, Christmas Eve or New Year's Eve, nor may it fall earlier than the fifth weekday prior to the meeting.

At a General Meeting shareholders may be accompanied by one or two assistants, although only if the shareholder has given notification of this as specified in the previous paragraph.

§10
An Annual General Meeting of shareholders shall be held within six months of the expiry of each financial year.

At the Annual General Meeting the following items shall be addressed:

1. Election of the chairman of the meeting.
2. Preparation and approval of the voting list.
3. Approval of the agenda.
4. Election of one or two persons to verify the minutes.
5. Determination of whether the meeting has been duly convened.
6. Presentation of the annual report and the auditor's report, and if applicable, the group financial report and the group auditor's report.
7. Resolutions regarding the adoption of the income statement and balance sheet, and if applicable, the consolidated income statement and consolidated balance sheet.
8. Resolutions regarding the allocation of the company's result in accordance with the adopted balance sheet.
9. Resolutions regarding the discharge from liability for the board of directors and the managing director.
10. Resolution regarding the number of directors, and if applicable, the number of auditors and alternate auditors.
11. Resolution regarding remuneration to the board of directors, and if applicable, remuneration to the auditors.
12. Election of directors, and, where appropriate, auditors and alternate auditors.
13. Any other matter on which the meeting is required to decide pursuant to the Companies Act (2005:551) or the Articles of Association.

§11
The financial year of the company shall comprise the period 0101 – 1231.

§12
The company's shares shall be registered with a central security depository register, pursuant to the Swedish financial instruments accounts act (SFS 1998:1479).

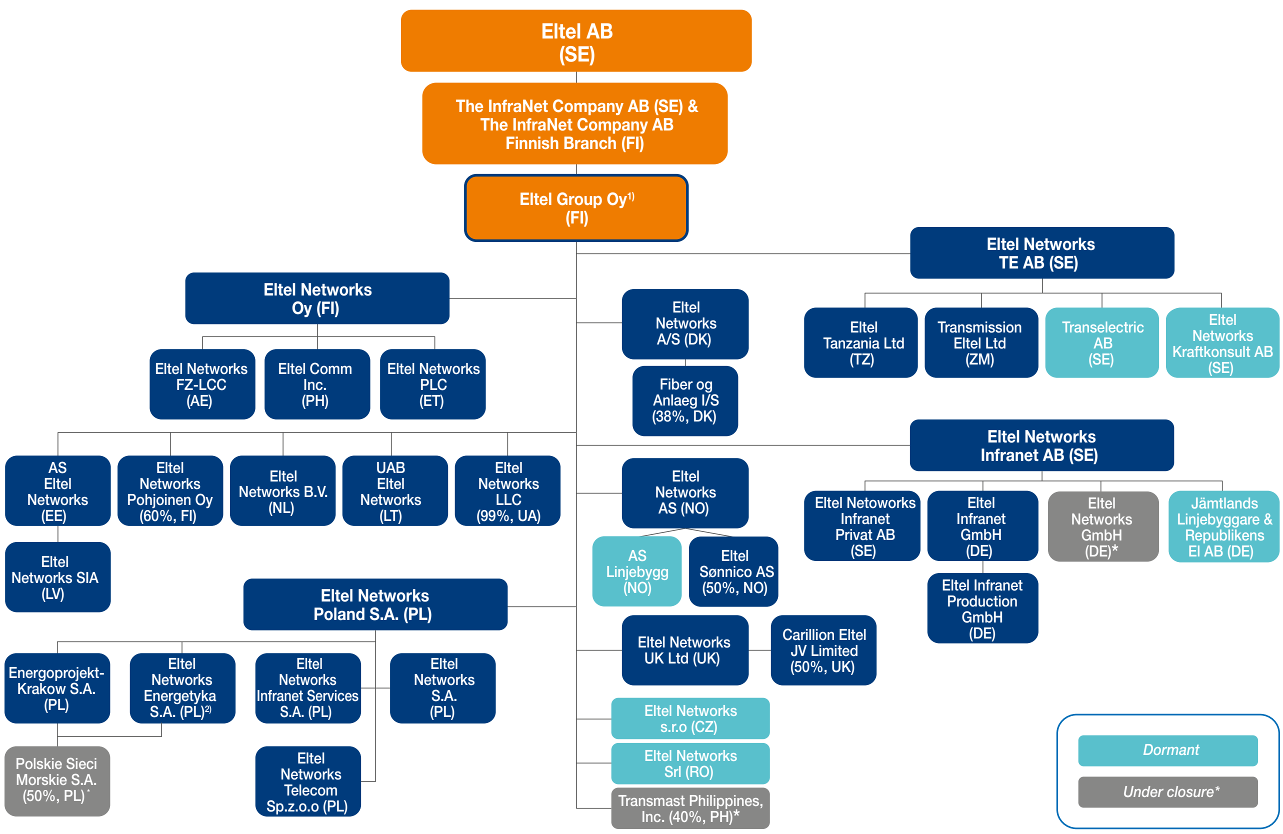
Legal considerations and supplementary information

LEGAL GROUP STRUCTURE

Eltel's activities are carried out in compliance with the regulations of the Swedish Companies Act (2005:551). The parent company Eltel AB (Corporate ID number 556728-6652) is a Swedish public limited company which was established on 5 March 2007 and registered with the Swedish Companies Registration Office on 20 April 2007. The present company name was registered with the Swedish Companies Registration Office on 4 November 2014. The Company has its registered office in Bromma, Stockholm.

The Group is currently carrying out its business in Sweden, Finland, Denmark, Norway, United Kingdom, Germany, Poland, Estonia, Latvia, Lithuania, Czech Republic, Romania, the Philippines, the United Arab Emirates, Zambia, Tanzania, Mozambique, Ghana, Liberia, Sri Lanka, Singapore, Macedonia, Angola, Ethiopia, Ukraine and Moldova. The Company is the parent company of a number of subsidiaries. The organisational chart below illustrates the legal structure of the Group, showing all of the Company's subsidiaries. All entities illustrated below are wholly owned, except for Eltel Networks Pohjoinen Oy, in which the Company's ownership stake is 60%, Eltel Networks LLC, in which the Company's ownership stake is 99%, Polskie Sieci Morskie S.A., in which the company's ownership stake is 50%, Fiber og Anlaeg I/S, in which the Company's ownership stake is 37.5%, Transmast Philippines, Inc., in which the Company's ownership stake is 40% and the company's shares of votes is 100%, Eltel Sønnico AS, in which the Company's ownership stake is 50% and Carillion Eltel JV Limited, in which the Company's ownership stake is 50%. Transelectric AB, Eltel Networks Kraftkonsult AB, Jämtlands Linjebyggare & Republikens El AB, AS Linjebygg, Eltel Networks s.r.o and Eltel Networks Srl are dormant. Polskie Sieci Morskie S.A., Transmart Philippines, Inc. and Eltel Networks GmbH are under closure. The main activities of the Group are carried out in Eltel Group Oy and its subsidiaries.

Group legal structure



Eltel ownership 100%, unless otherwise mentioned. Companies to be closed down are marked with *.

1) Eltel Smart Metering Oy, a previous subsidiary within the Group, was merged into Eltel Group Oy during January 2014.
2) Eltel Networks Olsztyn S.A., Eltel Networks Rzeszów S.A. and Eltel Networks Torun S.A. were on 31 December 2014 merged into Eltel Networks Energetyka S.A.

INTELLECTUAL PROPERTY RIGHTS

The Group endeavours to work actively on protecting its intellectual property rights in the jurisdictions where the Group engages in business. Eltel is the holder of several trademarks, among others "Eltel", "Eltel Networks", "Eltel Connect", "iEltel", "Transmast" and "Transelectric". The trademarks have been registered in various jurisdictions including (with some variation between the different trademarks) Norway, Finland, Sweden, India and the European Union. Most of the trademarks are registered on Eltel Group Oy. The Group is also the owner of a number of patents but the Group does not consider it being part of its core business to develop and maintain patents, and none of these patents are of material importance to the Group's operations as currently conducted. Eltel Networks Oy owns the Finnish patent No. 122994, relating to method and device for removing overlong trees from redemption areas. The patent was registered on 28 September 2012. Eltel Networks Länsi Oy owns the Finnish patent No. 105008, relating to method for cutting trees in the vicinity of a power line and a topping saw. The patent was registered on 31 May 2000. In addition, Eltel Networks Oy owns the Finnish utility model No. 10335, relating to power tool arrangement for installation of power transmission line.

PERMITS AND ENVIRONMENT

Permits

Eltel is rarely required to obtain permits for its activities, as Eltel's customers mostly are responsible for collecting the relevant permits in advance of a project. Such permits include right of way, building permits, permissions to access building sites, etc. However, Eltel often agrees with its customers that Eltel shall assist the customer with obtaining necessary permits should additional permits be required after the start of a project. However, the customer is still ultimately responsible towards the relevant authorities for obtaining the permits. In addition, there are sometimes project specific permits required which Eltel is responsible to obtain, e.g. in projects involving handling of explosives or storage of hazardous waste. All Eltel business units are responsible for their respective permits and there are no specific permits required on Group level.

As regards Eltel's export projects there are generally certain permits required to be obtained by Eltel in connection with its establishment in other countries (e.g. tax authorities may have certain requirements and there may be requirements to become a member of local construction councils). The process with obtaining any such permits runs in parallel with the establishment in the respective country which in turn runs in parallel with the negotiation of the relevant export contract. Eltel hires local help in export projects to ensure that Eltel complies with local regulations.

There are also certain requirements as regards health and safety environment at Eltel and certain rules and regulations specific to each country in which Eltel conducts its business, which Eltel must comply with. Each project has specific health and safety environment plans which are based on a combination of Eltel's internal policies, local regulations, the terms of the relevant customer agreement and any requirements set out in the project financing agreements from e.g. the World Bank.

Eltel Networks TE AB is certified by Lloyd's Register Quality Assurance in accordance with the environmental and quality management systems standards ISO 14001:2004 and ISO 9001:2008. The certificate is applicable to construction of power lines mainly oriented towards 40–400 kV power lines and optical fibres installation. The certificate expires on 31 March 2015, but is prolonged for three years at a time and is expected to be prolonged to 31 March 2018.

Environment

The Group conducts operations that require only less extensive environmental permits.

REGULATORY MATTERS

Potential tax exposure related to tax-structured acquisition financing

At the time the Group was acquired in 2007, a financing structure was implemented which potentially generates tax savings by allocating debt to one of the Group's Nordic branches, allowing for a deduction of interest cost from income subject to corporate income tax, which may be offset against profits in other group companies. The Company has been informed that similar structures, in which a branch has been used for acquisition financing, have been challenged by relevant tax authorities in certain cases. The Company has received no formal notice from tax authorities in relation to a challenge of the structures, however, there can be no assurances that tax authorities will not challenge the Group's tax position in this regard in the future. If a challenge were to be successful, the Company would not be subject to further income tax, but tax losses would be reduced. In addition, the tax authorities may impose penalties. The Company has been advised by its tax advisor that, based on its experience from other similar cases, any penalties would likely be in the range of EUR 5.0 to EUR 10.0 million, although the penalty imposed may, by statute, be considerably higher. If any penalties were to be imposed, it could have a material adverse effect on the Group's business, financial condition and results of operation.

DISPUTES

The Company is involved in disputes from time to time in the ordinary course of business. Other than as discussed below, the Company does not expect the disputes it is involved in to have a significant effect on the Group's financial position or profitability.

The Finnish Competition and Consumer Authority

The Finnish Competition and Consumer Authority (the "FCCA") issued on 31 October 2014 a proposal to the Finnish Market Court (Fin. *Markkinaoikeus*) to impose a fine of EUR 35 million on the Group, based on alleged infringement by the Group in its power transmission line building and planning business in Finland during the period 2004–2011 (the "FCCA Case"). The Group has contested FCCA's proposal to the Finnish Market Court, requesting that the case be dismissed in its entirely. The Market Court is not bound by the fine proposal of the FCCA. The amount of the fine is in the Market Court's own discretion and it may impose a lower or higher fine. However, the Market Court has not in its practice increased a fine proposed by the FCCA. The Group delivered its full response on 19 December 2014. The Finnish Market Court's proceedings are likely to take 10–14 months after which it would issue a ruling, which may be appealed to the Supreme Administrative Court (Fin. *Korkein hallinto-oikeus*). In the event the Market Court were to impose a fine, such fine would be payable within 1–2 months after the Market Court's ruling, unless payment thereof is stayed by, and pending appeal to, the Supreme Administrative Court.

Any, and all, fines, costs, interest or damages relating to the FCCA Case and any potential third-party claims (as discussed further below) will in case they are realised be formally payable by the Company. However, in order to facilitate the Offer and the listing of the Company's shares, the Selling Shareholders have entered into an agreement whereby the Selling Shareholders have committed to contribute an amount, in the aggregate, not exceeding EUR 35 million to the Company to cover any fines (i.e. excluding costs and possible damages from third-party claims) payable by the Company in relation to the FCCA Case. The contribution will take the form of an interest-free loan funded through the sale of shares by the Selling Shareholders pro rata to their holding of common shares in the Company before the dismantling of the current share structure is carried out. The amount of the loan will be deposited on the settlement date, in an account at SEB held in the name of the Company, that will be pledged for the benefit of the Selling Shareholders. Should any fines become payable, the parties have agreed to convert a portion of the principal amount of the loan equal to the amount of the fine imposed and to make an unconditional capital contribution to the Company. The contribution would be conditional only upon the Company consulting with and following reasonable written instructions from a steering committee, comprised of three representatives, one each, from the Company and the Principal Shareholders, in relation to the handling of the FCCA Case. Should the board of directors decide to appeal, the steering committee may elect to convert the portion of the principal amount of the loan equal to the amount of the fine imposed and to make a capital contribution to the Company in that amount.Any remaining portion of the loan would promptly be repaid to the Selling Shareholders and not be available to the Company. Similarly, if the judgement was overturned on appeal, the Company would not be obligated to repay the contribution.

Should the Company not follow directions from the steering committee (other than with respect to a decision by the steering committee not to appeal), the agreement will lapse and no contribution will be made to the Company. In the event that no fines, or fines in a lower amount than EUR 35 million, have become payable by the Company at the earlier of (i) one year from the date when a non-appealable judgement in relation to the FCCA Case is rendered and (ii) three years from the first day of trading in the Company's shares on Nasdaq Stockholm, provided that (ii) shall not apply to the extent there are ongoing or pending proceedings in any court or if an appeal period with respect to a judgment in relation to the FCCA Case is still running at such point in time (i.e. three years from the first day of trading), the balance between EUR 35 million and the amount of fines (if applicable) shall be repaid to the shareholders. It should also be noted that the Selling Shareholders will not cover any fees/costs or similar in relation to the FCCA Case for the Company. In the event any person or company would be able to demonstrate that such person or company has suffered damages due to the FCCA Case and claims compensation from the Company, such damages would not be covered by the contribution agreement and would thus not be covered by the arrangement described above, which would mean that the Company would be liable for any such damages. See *"Legal considerations and supplementary information – Material agreements – Agreement related to the FCCA Case"* for more information regarding the agreement.

In addition to the potential fine under the Finnish Act on Competition Restrictions (480/1992), a person or company that has suffered damages on the basis of conduct in violation of competition laws may claim compensation for any damages caused by such violation, including interest thereon. A claim for damages has to be presented within five years from the date when the person or company became aware or should have become aware of the events causing the damages. The violation of competition law alleged in the FCCA Case to have occurred in the Group's power transmission line building and planning business in Finland could result in additional legal or administrative proceedings as well as claims by customers and other third parties for damages resulting from the Group's alleged activity. Based on the public nature of the FCCA Case and similar earlier FCCA proceedings involving other companies, as well as certain preliminary correspondence relating to potential claims received by the Company, the Company believes that such claims can be expected and could be material, although the ultimate outcome of any such claims or administrative proceedings is highly dependent on the final resolution of the FCCA Case. The Group has contested the FCCA's allegations and fine proposal to the Finnish Market Court, requesting that the case be dismissed, and intends to take a similar position with respect to any potential third-party claims or administrative proceedings. However, such third-party claims or administrative proceedings could result in the Group being required to pay administrative fines, penalties or damages (plus interest), which, individually or in the aggregate, could have a material adverse effect the Group's business, financial condition and results of operations.

The Group has been advised by local competition counsel that Finnish courts would be expected to base damage awards in connection with successful third-party claims on the proven amount over-charged on specific contracts, which in turn would be linked to the amount of Group revenue from such contracts. Finnish courts can also award interest accrued from the date of the respective contract. During the period when the FCCA alleges that a cartel was in force, i.e., October 2004 to March 2011, the FCCA has calculated that the Group generated aggregate revenue of approximately EUR 136 million from the Group's relevant power transmission business in Finland. In addition, should potential claimants bring the other member of the alleged cartel into a joint claim, the Group could be held jointly and severally liable for damages awarded to contract counterparties of such other member of the alleged cartel. In such case, the Group would have a right of recourse against the other member of the cartel for the amount of damages apportioned to such member. In the event that the Group were required to pay penalties, fines or damages to a third party as a result of a third-party claim or administrative proceeding, such penalties, fines or damages would not be covered by the contribution agreement with the Selling Shareholders. Accordingly, the amount of damages the Group could be held to pay could be material and could have a material adverse effect on the Group's results of operations and cash flow in the periods the Group pays such claims. To the extent that the Company is successful in defending itself against the FCCA Case it would not expect any third party claims to be lodged or, if lodged, to be successful.

Other disputes

Eltel Networks Telecom sp. Z o.o. is currently involved in proceedings against Isacom sp. Z o.o., in which Isacom sp. Z o.o. has claimed damages from Eltel Networks Telecom sp. Z o.o., amounting to approximately EUR 3,600,000, for alleged unfair competition practices.

See also the section *"Risk factors – Risks relating to the Group's business – The Group is involved in litigation, administrative and arbitration proceedings"*.

INSURANCE

The Group has, among others, the following insurance policies: General Liability and Product Liability (GPL) including a Professional Indemnity insurance; Comprehensive Project (CP) insurance (i.e. a Construction All Risk (CAR) insurance); Management Liability Insurance (D&O); Property Damage and Business Interruption insurance; a Marine Cargo insurance; and a Commercial Crime insurance. The above policies have been taken out at group level by Eltel Group Oy as policyholder and provide insurance coverage for the business operating companies of the Group. In addition, the two holding companies that directly and indirectly own Eltel Group Oy, i.e. the Company and The InfraNet Company AB, are covered by the Management Liability Insurance (D&O). From year-end, when the insurance policies will become subject to annual renewal, the Group intends to include these two companies under all insurance policies taken out at group level.

Most of the insurance policies are so called master policies and local policies have been taken out in some of the countries where the Group operates. For example, employee related policies and other policies required under applicable laws, are taken out at local levels. The insurance policies have certain coverage limits which vary depending on the type of damage involved and the policies are subject to customary limitations imposed by the relevant insurance companies. The Company employs an insurance broker for the purchase of all insurance policies taken out at Group level. Separate insurance coverage is required for the Group's joint venture companies as well as for certain export project deliveries, and such insurance coverage is obtained on a case by case basis following discussions with the relevant insurer.

The Company believes that its insurance coverage is in line with the insurance coverage of other companies in the same business sector and that it is adequate for the risks normally associated with the Company's business. However, there is no guarantee that the Company will not suffer losses which are not covered by insurance. Further, there can be no assurances that insurance coverage will continue to be available to the Company or, if available, it may be so at a significantly higher cost. Please also refer to the section "*Risk factors*", with respect to insurance coverage.

REAL PROPERTY

The Group leases most of its premises at which it conducts its operations, including office premises and storage facilities. The Group does not have any strategic plans with respect to the location of its premises or with respect to the premises as such. Accordingly, the Company does not deem the Group's lease agreements, with respect to its premises, material to the Group's business.

AGREEMENTS IN THE ORDINARY COURSE OF BUSINESS

Customer agreements

For a general description of the Company's agreements in the ordinary course of business, e.g. customer agreements, please refer to the section *"Business description – Customer- and contract portfolio"*.

Suppliers and subcontractors

The Group has a large number of suppliers from which it purchases equipment and services. The Group also regularly engages subcontractors to perform parts of the work under the Group's agreements with its customers. In particular, subcontractors are used for project works and then often for the purpose of providing civil works such as excavation.

Eltel has implemented internal routines in order to manage its relationships with suppliers and subcontractors. Before submitting a tender for a customer agreement, the responsible business unit should fill out a legal and commercial risk matrix which, *inter alia,* includes a review of certain risk elements in relation to relevant suppliers and subcontractors, including an assessment of their financial standing, the presence of health and safety standards and employment conditions. As part of the assessment on basis of the risk matrix, the responsible business unit should also consider whether satisfactory back-to-back protection will be achieved, i.e. whether Eltel will be able to pass on relevant risks to its suppliers and subcontractors.

The Group has prepared template frame agreements which it generally uses to govern the contractual relationship with its subcontractors. Through the use of such template agreements, the Group strives to achieve back-to-back protection by including a reference to the same standard form of contract used under the relevant customer agreement AB04 or ABT06. Nowadays, the Group also imposes an obligation on its subcontractors to comply with certain policies of Eltel, such as Eltel's compliance policy and to some extent Eltel's health and safety policy. Many of the Group's customers have similar policies, which in some cases the Customer requires Eltel to implement. If such policies are not contradictory to Eltel's policies, Eltel may in some cases only enclose the Customer policy. Eltels compliance policy is however always a contractual requirement under a subcontractor frame agreement. The Group generally also secures a right *visavi* its subcontractors to perform audits in order to ensure their implementation of and compliance with policies and other obligations.

MATERIAL AGREEMENTS

Presented below is a summary of material agreements entered into by the Group during the past two years, as well as other agreements entered into by the Group, which contain rights or obligations of material importance for the Group (excluding agreements entered into in the ordinary course of business).

Joint venture regarding Carillion Eltel JV Limited

On 28 March 2012, the Company, Eltel Networks UK Limited and Carillion Holdings Limited, among others, entered into a joint venture agreement with the purpose to establish the joint venture Carillion Eltel JV Limited. The joint venture agreement includes an obligation for Eltel Networks UK Limited and Carillion Holdings Limited, in equal parts, consolidate any costs or expenses incurred by Carillion Eltel JV Limited and to provide such working capital to Carillion Eltel JV Limited as Carillion Eltel JV Limited reasonably requires for its obligations under a framework agreement regarding the Electricity Transmission Overhead Line Alliance, entered into with National Grid Electricity Transmission plc. The provision of funds shall either be made by way of subscription of shares or by way of loans or subscription of loan stock or otherwise. Any decision to provide further funds by subscription of shares is deemed to be a reserved matter, meaning that the unanimous consent of both Eltel Networks UK Limited and Carillion Holdings Limited is required for such decision.

Further, the Company shall indemnify Carillion Holdings Limited against all losses, liabilities and costs which Carillion Holdings Limited may incur as a result of any breach of Eltel Networks UK Limited obligations under the joint venture agreement. In addition, the Company and Carillion plc (being the ultimate parent company of Carillion Holdings Limited) have provided National Grid Electricity Transmission plc with a joint and several guarantee, guaranteeing the performance of Carillion Eltel JV Limited under the framework agreement. Such guarantee is in turn regulated by a deed of contribution which sets out each guarantor's obligations.

The joint venture agreement includes a change of control clause. The change of control clause is triggered if any of Eltel Networks UK Limited's or Carillion Holdings Limited's holding companies undergoes a change of control which results in a material diminution in the financial standing of the relevant shareholder or in the technical competence available to Carillion Eltel JV Limited. The result of the change of control clause being triggered is an event of default. Given the fact that the change of control clause is qualified by deterioration in financial standing or technical competence, the Company deems that the clause should not be triggered by the listing.

Joint venture regarding Eltel Sønnico AS

Eltel Sønnico AS is held on a 50/50 basis by Eltel Networks AS and Sønnico Tele AS. The joint venture is a combination of the telecom related operations of Eltel Networks AS and Sønnico Tele AS.

Joint venture regarding Fiber og Anlæg I/S

Eltel Networks A/S has entered into a joint venture agreement with Munck Forsyningsledninger A/S and Petri & Haugsted A/S in order to enter into an outsourcing agreement with TDC A/S regarding the establishment of optical fibre facilities and the delivery of applicable maintenance obligations. Eltel Networks A/S holds 37.5 percent of the ownership to the joint venture, and the profits and losses shall be split between the parties according to each party's ownership interest. The parties to the joint venture agreement are jointly and severally liable for the obligations of the joint venture. In addition, the joint venture agreement sets out that each party shall provide a guarantee proportionate with their ownership interest. The guarantee provided by Eltel Networks A/S amounts to DKK 37.5 million.

Frame agreement regarding software license

Eltel Group Oy has, for the purpose of introducing a new internal IT support system for the whole Group, entered into a frame agreement with IFS Sverige AB regarding software license, support services and consultancy services. According to the agreement, Eltel Group Oy, and subject to IFS Sverige AB's approval, its affiliates, may order software licenses and services under the agreement though purchase orders. The systems and services provided under the agreement are essential for the Group in its day to day business and the entire production and fulfillment of Eltel Group Oy's customer contracts are dependent on the systems' functionality and availability.

Credit facility agreement(s)

The Company has a senior credit facility as well as certain shareholder loans that will be refinanced in connection with the Offer. The senior credit facility agreement was originally entered into in August 2007 and most recently amended and restated in July 2014. The current senior credit facilities agreement is an English law governed document based on the Loan Market Association standard senior facilities agreement for leveraged financing, with customary undertakings by the Group, along with granted security over the shares in material subsidiaries and certain assets.

For further information on the credit facility, see the section *"Capitalisation, indebtedness and other financial information – Capital structure in connection with the listing"* and for further information on refinancing of shareholder loans, please see *"Share capital and ownership – Dismantling of previous ownership structure".*

Agreement related to the FCCA Case

The Company has on 22 January 2015 entered into an agreement with the Selling Shareholders (the "Contribution Agreement") pursuant to which the Selling Shareholders have agreed to grant an interest-free loan in an amount, in the aggregate, of EUR 35 million to the Company to cover fines (i.e., excluding costs, fees and possible damages), if any, finally judicially determined as payable by the Company in relation to the FCCA Case (the "FCCA Loan"). The nominal amount of the FCCA Loan shall be funded through the sale by the Selling Shareholders of an aggregate of up to 6,007,909 existing shares in the Offer and held in an escrow account at SEB in the name of the Company (and pledged to the benefit of the Selling Shareholders). On the date of release of funds from the escrow account to the Company, in accordance with the procedures discussed below, the Selling Shareholders will convert such portion of the nominal value of the FCCA Loan as is required to pay fines, if any, in relation to the FCCA Case into an unconditional capital contribution of an equivalent amount. An unconditional capital contribution is a non-dilutive event under Swedish law. The FCCA Loan shall be repaid at the earlier of (i) one year from the date when a non-appealable judgement in relation to the FCCA Case is rendered and (ii) three years from the first day of trading in the Company's shares on Nasdaq Stockholm, provided that (ii) shall not apply to the extent there are ongoing or pending proceedings in any court or if an appeal period with respect to a judgment in relation to the FCCA Case is still running at such point in time (i.e. three years from the first day of trading).

Pursuant to the terms of the Contribution Agreement, a steering committee shall be established consisting of one member appointed by each of the Company, the 3i Shareholders and BNP (the "Steering Committee"). The Steering Committee shall be responsible for, inter alia, deciding on matters relating to the FCCA Case. Decisions of the Steering Committee, including approving the Company's defence of, settlement of, appeal or admission of liability in connection with, the FCCA Case, shall be made by majority vote, subject to the requirement that the representative of each of the 3i Shareholders and BNP must concur.

Any contribution under the Contribution Agreement is conditional on the Company following reasonable written instructions from the Steering Committee, except with respect to a Steering Committee instruction not to appeal, which the board of directors of the Company may choose to ignore. If the board of directors decides to appeal, the Steering Committee may elect to convert the portion of the principal amount of the loan equal to the amount of the fine imposed and to make a capital contribution to the Company in that amount. Any remaining portion of the loan would be promptly repaid to the Selling Shareholders and not be available to the Company under any circumstances. Similarly, if the judgment were later overturned on appeal, the Company would not be obligated to repay the contribution previously received from the Selling Shareholders.

The funds held in the escrow account are expected to generate interest, which shall be used to pay the fees and costs of the escrow agent, with any residual amount to be paid pro rata to the Selling Shareholders. See *"Legal considerations and supplementary information – Disputes – The Finnish Competition and Consumer Authority"*.

TRANSACTIONS WITH RELATED PARTIES

The Company has paid expenses to the Principal Shareholders as well as certain employees for the interest on senior credit facility loans, shareholder loans and shareholder loans in the form of "PIK Notes". The senior credit facility loans and shareholder loans will be repaid in connection with the implementation of the Offer, see section *"Share capital and ownership – Dismantling of previous ownership structure"*.

Group companies enters, to a limited extent, into agreements with other Group companies, as Group companies act as subcontractors to other Group companies in connection with certain projects.

Please refer to note 26 on page F-36 for more information regarding transactions with related parties.

PLAN OF DISTRIBUTION

The Company, the Selling Shareholders and the Managers named below expect to enter into the Underwriting Agreement on or about 5 February 2015, with respect to the Offer Shares. Subject to certain conditions set forth in the Underwriting Agreement, the Company and the Selling Shareholders, severally but not jointly, will agree to sell shares to the purchasers procured by the Managers or, failing which, to the Managers themselves, and each of the Managers, severally but not jointly, will agree to procure purchasers for, or failing such procurement, to purchase from the Company or the Selling Shareholders the percentage of total number of Offer Shares offered specified below.

Managers	Percentage of Offer Shares
BNP PARIBAS	31%
Morgan Stanley & Co. International plc	31%
Skandinaviska Enskilda Banken AB	31%
Pohjola Bank	7%
Total	**100%**

The net proceeds from the sale of up to 6,007,909 existing shares in the Offer, including all shares sold by the Management Shareholders, will be contributed on or before the closing date to an escrow account established by the Selling Shareholders, the Company and Skandinaviska Enskilda Banken AB as escrow agent. Subject to certain conditions detailed further herein, the funds in the escrow account may only be released to pay a fine, if levied against the Company by the Finnish Market Court.

The Underwriting Agreement will provide that the obligations of the Managers to procure purchasers for, or failing which, to purchase themselves, Offer Shares are subject to the fulfilment of certain conditions, including, among other things, delivery of opinions on certain legal matters from legal counsel to the Company and the Selling Shareholders. Both the Company and the Selling Shareholders have agreed to indemnify the Managers against certain losses and liabilities arising out of or in connection with the Offer, including liabilities under the U.S. Securities Act. The Managers are not required to take or pay for the shares covered by the Managers' Over-allotment option described below.

The Underwriting Agreement will provide that, upon the occurrence of certain events, such as the general suspension of all trading on Nasdaq Stockholm, a material adverse change in the Company's business, results of operations or financial condition or in the financial markets and under certain other conditions, the Managers may elect to terminate their several commitments and have the right to withdraw from the Offer before delivery of the Offer Shares. If the Managers elect to terminate their several commitments, the Offer may be cancelled and, if it is cancelled, no Offer Shares will be delivered. All dealings in the Offer Shares prior to delivery and settlement are at the sole risk of the parties concerned.

Pursuant to the Underwriting Agreement, the Managers will be granted an option to purchase up to an additional 6,751,561 Offer Shares from the Principal Shareholders, solely to cover over-allotments or short positions, if any, exercisable for a period of 30 calendar days after the first day of trading in and official listing of the Offer Shares. If any additional Offer Shares are agreed to be purchased under this option, each Manager will be obligated, subject to certain conditions contained in the Underwriting Agreement, to purchase a number of additional Offer Shares proportionate to that Manager's initial percentage of Offer Shares reflected in the table above, and the Principal Shareholders will be obligated to sell a number of Offer Shares proportionate to the additional Offer Shares over which they have granted this option.

Purchasers of the Offer Shares may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the Offer Price.

Application has been made to admit the Offer Shares for trading and official listing on Nasdaq Stockholm and trading in the Offer Shares is expected to commence on 6 February 2015. The trading and official listing is subject to, among other things, Nasdaq Stockholm's approval of the distribution of the Offer Shares. The Offer Shares are expected to be delivered to investors' accounts on or around 10 February 2015. The Offer Shares will be accepted for delivery through the facilities of Euroclear against payment in immediately available funds. All dealings in the Offer Shares prior to settlement will be for the account of and at the sole risk of the parties involved.

In connection with the Offer, the Managers and any affiliates acting as investors for their own account may take up the Offer Shares and in that capacity may retain, purchase or sell the Offer Shares, for their own account and may offer or sell such securities otherwise than in connection with the Offer, in each case, in accordance with applicable law. The Managers do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

The Company and the Selling Shareholders have been advised by the Managers that: (i) the Managers, through their respective selling agents Exane Inc., Morgan Stanley & Co. Inc. and SEB Securities Inc. propose to sell the Offer Shares in the United States only to "qualified institutional buyers" as defined in Rule 144A ("QIBs") in reliance on Rule 144A of the U.S. Securities Act, (ii) the Managers propose to sell the Offer Shares outside the United States in compliance with Regulation S; and (iii) the Managers propose to sell Offer Shares to retail and institutional investors in Sweden. The Company, the Selling Shareholders and the Managers have agreed that to the extent any Offer Shares are sold to QIBs, such Offer Shares shall be allocated from existing shares sold by the Selling Shareholders. Any offer or sale of Offer Shares in reliance on Rule 144A of the U.S. Securities Act will be made by broker dealers who are registered as such under the U.S. Exchange Act. Terms used in this paragraph have the meanings given to them by Regulation S and Rule 144A under the U.S. Securities Act.

No action has been or will be taken in any jurisdiction other than Sweden that would permit a public offering of the Offer Shares, or the possession, circulation or distribution of this Prospectus or any other material relating to the Company or the Offer Shares, in any jurisdiction where action for that purpose is required. Accordingly, the Offer Shares may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material or advertisements in connection with the Offer Shares may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of such country or jurisdiction.

The Company will agree with the Managers that it will not, except as set forth below, for a period of 180 days from the first day of trading and official listing of the Offer Shares, without the prior written consent of the Managers: (i) issue, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of (or publicly announce such action), directly or indirectly, any shares or any securities convertible into or exercisable or exchangeable for shares; (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the shares, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of shares or such other securities, in cash or otherwise; or (iii) submit to the Company's shareholders a proposal to effect any of the foregoing.

The foregoing sentence shall not apply to: (i) the issue and sale of new shares as described in the Prospectus (including in connection with any share investments made by employees using incentive payments received in connection with the Offer); and (ii) issues of shares or other securities pursuant to employee incentive plans that will be approved by the board of directors and/or the shareholders' meeting of the Company.

The Principal Shareholders will each agree with the Managers that they will not, except as set forth below, for a period of 180 days after the first day of trading and official listing of the Offer Shares, without the prior written consent of the Managers: (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, cause the Company to issue, or otherwise transfer or dispose of (or publicly announce such action), directly or indirectly, any of its Lock-up Shares, or any securities convertible into or exercisable or exchangeable for such Lock-up Shares, (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such Lock-up Shares, whether any such transactions described in clause (i) or (ii) above are to be settled by delivery of such Lock-up Shares or such other securities, in cash or otherwise; or (iii) propose any general meeting of the Company, or convene or take action to convene any general meeting for the purpose of proposing, any resolution of the Company authorising the issue of any shares or warrants to subscribe for shares.

The foregoing sentence shall not apply to: (i) the sale of the Offer Shares in the Offer; (ii) the lending of shares under the Underwriting Agreement; (iii) the transfer of shares to the direct or indirect shareholders or limited partners (as applicable) of the Principal Shareholders in connection with or arising out of any dividend or other distribution, or any liquidation, dissolution, reorganisation or other similar event affecting the Principal Shareholders or any of their affiliates; (iv) the acceptance of a public tender offer made to all holders (or substantially all holders) of shares of the Company made on terms that treat all holders of shares alike, or the execution and delivery of an irrevocable undertaking to accept such public offer; or (v) the transfer of shares or other securities of the Company acquired in open market transactions after completion of the Offer provided that, in the case of (i)-(iii) above, as a condition to such transfer and receipt of shares, including through dividend or other distribution, or any liquidation, dissolution, reorganisation or other similar event affecting the relevant Principal Shareholder or any of its affiliates, each such shareholder or limited partner (as applicable) has agreed to assume the obligations of the Principal Shareholder under the Underwriting Agreement and has validly executed a deed of succession in the form specified in the Underwriting Agreement to effect the same.

In addition, the current shareholding members of the Company's board of directors and its senior management and key employees that hold shares, directly or indirectly, in the Company as of the date of the Prospectus will agree with the Managers that they will not, for a period of 360 days from the first day of trading in, and official listing of, the Offer Shares, without the prior written consent of the Managers: (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of (or publicly announce such action), directly or indirectly, any Lock-up Shares or any securities convertible into or exercisable or exchangeable for such Lock-up Shares; (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such Lock-up Shares, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of such Lock-up Shares or such other securities, in cash or otherwise; (iii) publicly announce any intention to enter into any transaction described in clause (i) or (ii) above; or (v) propose any general meeting of the Company, or convene or take action to convene any general meeting for the purpose of proposing any resolution of the Company authorising the issue of any shares or warrants to subscribe for shares. Certain former shareholding members of the Company's senior management will agree with the Managers that, for a period of 180 days from the first day of trading in, and official listing of, the Offer Shares, they will be subject to the same restrictions as the current shareholding members of the Company's board of directors and its senior management and key employees that hold shares, directly or indirectly, in the Company as of the date of the Prospectus, in respect of any shares in the Company held directly or indirectly by them.

The foregoing paragraph shall not apply to: (i) a transfer of any or all of the Lock-up Shares to a related party, provided such individual or entity agrees in writing to be bound by the lock-up agreement and executes a deed of adherence in the form specified in the lock-up agreement; (ii) acceptance of a public tender offer made to all holders (or substantially all holders) of the shares of the Company and made on terms that treat all holders of shares alike, or from executing and delivering an irrevocable undertaking to accept such public offer; or (iii) a transfer of shares or other securities of the Company acquired in open market transactions after completion of the Offer.

In connection with the Offer, the Joint Global Coordinators may engage in transactions that stabilise, maintain or otherwise affect the price of the Offer Shares for up to 30 days from the first day of trading in and official listing of the Offer Shares on Nasdaq Stockholm. Specifically, the Managers, the Principal Shareholders and the Company have agreed that the stabilising manager on behalf of the Managers may over-allot Offer Shares by accepting offers to purchase a greater number of Offer Shares than for which they are obligated to procure purchasers under the Underwriting Agreement, creating a short position. A short sale is covered if the short position is no greater than the number of Offer Shares available for purchase by the stabilising manager on behalf of the Managers under the Over-allotment option. The Managers can close out a covered short sale by exercising the Over-allotment option or purchasing shares in the open market. In determining the source of shares to close out a covered short sale, the Managers will consider, among other things, the open market price of shares compared to the price available under the Over-allotment option. As an additional means of facilitating the Offer, the stabilising manager or its agents may effect transactions to stabilise the price of the shares. These activities may support the market price of the Offer Shares at a level higher than that which might otherwise prevail. Such transactions may be effected on Nasdaq

Stockholm, in the over-the-counter markets or otherwise. The stabilising manager and its agents are not required to engage in any of these activities and, as such, there is no assurance that these activities will be undertaken; if undertaken, the stabilising manager or its agents may end any of these activities at any time and they must be brought to an end at the end of the 30-day period mentioned above. Save as required by law or regulation, the stabilising manager does not intend to disclose the extent of any stabilisation transactions during the stabilisation period.

Prior to the Offer, the Offer Shares have never been listed and there is currently no public market for the Offer Shares. The Offer Price will be determined by the Company's board of directors and the Principal Shareholders following consultation with the Managers, on the basis of a number of factors, including the following:

- the orders, in terms of price and quantity, received from potential institutional and retail investors;
- prevailing market conditions;
- the Company's historical, operational and financial performance;
- estimates of the Company's business potential and earning prospects; and
- the market valuation of publicly traded common stock of comparable companies.

The Offer Price is expected to be announced no later than 6 February 2015. The indicative Offer Price range set forth elsewhere in this Prospectus is subject to change as a result of market conditions and other factors. See also *"The Offer in Brief—Price range and the final offer price".* There can be no assurance that an active trading market will develop for the Offer Shares or that the Offer Shares will trade in the public market after the Offer at or above the Offer Price. See also *"Risk Factors— Risks Related to the Company's Shares and this Offer".*

Some of the Managers and their respective affiliates have from time to time engaged in, and may in the future engage in, commercial banking, investment banking and financial advisory transactions and services in the ordinary course of their business with the Company or the Principal Shareholders or any of their respective related parties. With respect to certain of these transactions and services, the sharing of information is generally restricted for reasons of confidentiality, internal procedures or applicable rules and regulations. The Managers have received and will receive customary fees and commissions for these transactions and services and may come to have interests that may not be aligned or could potentially conflict with potential investors' and the Company's interests.

SEB is agent, coordinator and lender, and Pohjola is a lender under the Company's Credit Facility, which will become effective upon completion of the Offer (see "*Capitalisation, indebtedness and other financial information*". BNP is issuing agent, security trustee, agent and lender, and SEB and Pohjola are each a lender, under the Company's existing senior credit facilities, which will be repaid upon completion of the Offer. In addition, SEB is escrow agent in relation to the FCCA Loan.

The Managers have carried out customary conflict of interest procedures to identify any direct or indirect holdings that they or their respective affiliates may have in the Company or the Principal Shareholders. BNP owns 38.4% of the Company's outstanding shares immediately prior to the Offer. See *"Important information – Information for investors"* for a further description of the relationship between the Company and BNP as one of the Selling Shareholders. In addition, some of the Managers and/or their respective affiliates may from time to time hold certain direct or indirect minority interest in the Principal Shareholders.

Selling restrictions

United States

The Offer Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state of the United States for offer or sale as part of their distribution and may not be sold within the United States except in certain transactions exempt from the registration requirements of the U.S. Securities Act.

The Offer Shares may only be: (i) resold in the United States only to QIBs in reliance on Rule 144A under the U.S. Securities Act; and (ii) offered and sold outside the United States in offshore transactions in compliance with Regulation S under the U.S. Securities Act and in accordance with applicable law. Any offer or sale of Offer Shares in reliance on Rule 144A will be made by broker-dealers who are registered as such under the U.S. Exchange Act. Terms used above shall have the meanings given to them by Regulation S and Rule 144A under the U.S. Securities Act.

European Economic Area

The Offer Shares have not been, and will not be, offered to the public in any Member State of the EEA that has implemented the Prospectus Directive, excluding Sweden (each, a "Relevant Member State"). Notwithstanding the foregoing, an offering of the Offer Shares may be made in a Relevant Member State:

- to any legal entity that is a qualified investor as defined in the Prospectus Directive;
- to investors who acquire Offer Shares for a total consideration of at least EUR 100,000 per investor;
- to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the Joint Global Coordinators for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of Offer Shares shall result in a requirement for the publication by the Company, the Selling

Shareholders or any Manager of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to any Offer Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Offering and the Offer Shares so as to enable an investor to decide to purchase Offer Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

United Kingdom

Any offer or sale of the Offer Shares may only be made to persons in the United Kingdom who are "qualified investors" as defined in section 86 (7) of the UK Financial Services and Markets Act 2000 ("FSMA") or otherwise in circumstances that do not require publication by the Company of a prospectus pursuant to section 85(1) of the FSMA.

Any investment or investment activity to which this Offering Memorandum relates is available only to, and will be engaged in only with persons who: (i) are investment professionals falling within Article 19(5); or (ii) high net worth entities falling within Article 49(2)(a) to (d), of the U.K. Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 or other persons to whom such investment or investment activity may lawfully be made available (together, "relevant persons"). Persons who are not relevant persons should not take any action on the basis of this Offering Memorandum and should not act or rely on it.

General

No action has been or will be taken in any country or jurisdiction other than Sweden that would, or is intended to, permit a public offering of the Offer Shares, or the possession or distribution of this Offering Memorandum or any other offering material, in any country or jurisdiction where action for that purpose is required.

Persons into whose hands this Offering Memorandum comes are required by the Company, the Principal Shareholders and the Managers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Offer Shares or have in their possession or distribute such offering material, in all cases at their own expense. None of the Company, the Principal Shareholders or the Managers accept any legal responsibility for any violation by any person, whether or not a prospective subscriber or purchaser of any of the Offer Shares, of any such restrictions.

ADVISORS

The Managers provide financial advice and other services to Eltel and the Selling Shareholders in connection with the Offer for which they will receive customary remuneration. The total compensation will be dependent on the success of the Offer. From time to time, BNP Paribas, Morgan Stanley, SEB and Pohjola Bank have provided, and may provide in the future, services within the context of their day-to-day operations to the Principal Shareholders and to parties related to them, in connection with other transactions.

TRANSACTION COSTS

Eltel's costs attributable to the Offer and the acceptance of its shares for trading on Nasdaq Stockholm, including payment to the issuing institute and other advisors, and other estimated transaction costs are estimated to amount to a maximum of EUR 13 million.

SUBSCRIPTION UNDERTAKINGS

The Cornerstone Investors have on 22 January 2015 agreed with the Principal Shareholders and the Company to, in aggregate, acquire at the final Offer Price a number of Offer Shares equivalent to 29% of the Company's shares following completion of the Offer subject to, among other things: (i) listing of the Offer Shares occurring no later than 10 February 2015; (ii) such Cornerstone Investor being allocated in full the Offer Shares relating to its commitment; and (iii) the Company achieving a free float (defined as the percentage of the Company's shares not owned by shareholders owning at least 10 per cent of the Company shares and not subject to lock-up undertakings following the Offer) of between 39.6% and 66.4 % at commencement of trading. If such conditions are not satisfied, the Cornerstone Investors will not be required to acquire their Offer Shares.

The Cornerstone Investors will not receive any compensation for their respective undertakings and the Cornerstone Investors' investments are made at the final Offer Price. The undertakings are however not secured through a bank guarantee, blocked funds or pledge of collateral or similar arrangement.

The Principal Shareholders have agreed to vote their shares, at the annual general meeting to be held 2015, in support of the election of a candidate for the board of directors nominated by Zeres Capital, provided that Zeres Capital does not sell any of its shares in the Company prior to that date.

Description of cornerstone investors

The Fourth Swedish National Pension Fund

The Fourth Swedish National Pension Fund is a Swedish government authority with the mission of contributing to the stability of the retirement pension system through the management of the fund capital. The fund is focused on creating long-term returns through active management and at the end of 2013 the fund had SEK 276 billion under management.

Zeres Capital

Zeres Capital is an independent fund manager based in Stockholm. Zeres invests in a concentrated portfolio of listed Nordic mid cap companies with the aim to create value through active ownership.

Lannebo Fonder

Lannebo Fonder is an independent active Swedish fund manager which manages 13 different investment funds, predominately focused on Swedish and Nordic equities.

Swedbank Robur Fonder

Swedbank Robur Fonder is one of Scandinavia's largest mutual fund managers and a wholly owned subsidiary of Swedbank. Swedbank Robur offers savings products for private individuals and institutional clients through investment funds and discretionary investment management. Approximately 130 investment funds are open for investments covering all major regions, sectors and asset classes. Altogether, Swedbank Robur serves approximately 3.1 million customers in Sweden and 1.1 million in the Baltic region, for whom it manages approximately EUR 70 billion in assets.

DOCUMENTATION MADE AVAILABLE FOR INSPECTION

Eltel's (i) Articles of Association, and (ii) all such historical financial statements as referred to in this Prospectus, including auditors' reports, are available for inspection during office hours at Adolfsbergsvägen 13 in Bromma, Sweden. These documents are also available in electronic form on Eltel's website at www.eltelgroup.com.

Information contained on or referred to on the Company's website does not form part of and is not incorporated by reference into the Prospectus.

Tax considerations in Sweden

Below is a summary of certain Swedish tax issues related to the Offer and the admission for trading of Eltel's shares on Nasdaq Stockholm for private individuals and limited liability companies that are resident in Sweden for tax purposes, unless otherwise stated. The summary is based on current legislation and is intended to provide general information only regarding the shares as from the admission for trading on Nasdaq Stockholm.

The summary does not cover:

- situations where securities are held in an investments savings account (Sw. *investeringssparkonto*) or endowment insurance (Sw. *kapitalförsäkring*);
- situations where securities are held as current assets in business operations;
- situations where securities are held by a general partnership or a limited partnership;
- situations where securities in Eltel are deemed to be held for business purposes under the Swedish participation exemption regime;
- the special rules on shares in closely held companies and shares which have been acquired by means of such shares;
- foreign companies conducting business through a permanent establishment in Sweden; or
- special tax rules applicable to certain investors (e.g. investment funds and insurance companies).

The tax consequences for each individual shareholder will ultimately depend on the holder's particular circumstances. Prospective investors should consult their own tax advisors for information regarding the appropriate tax treatment considering their own particular tax situation taken not only Swedish legislation but also foreign income tax legislation (including regulations) and potential tax treaty relief into consideration.

SWEDISH RESIDENT SHAREHOLDERS

Private individuals

Dividend payments and capital gains will be taxed in the category income from capital at a rate of 30%.

A future sale or redemption of the shares will be treated as a disposal. Capital gains and capital losses will be calculated as the difference between the sale proceeds/redemption price less expenses relating to the disposal and the acquisition cost of the shares. The acquisition cost shall be determined in accordance with the average method (Sw. *genomsnittsmetoden*) meaning that the actual acquisition cost for all shares of the same series and type shall be calculated jointly. The acquisition cost for publicly traded shares may alternatively be determined using the standard method (Sw. *schablonmetoden*) under which the acquisition cost is calculated as 20% of the sale proceeds/redemption price less expenses relating to the disposal.

Capital losses on listed shares may be fully offset against taxable capital gains that arise in the same fiscal year on shares and other securities taxed as shares (except for units in investment funds containing Swedish receivables only, Sw. *räntefonder*). Capital losses not absorbed by these set-off rules are deductible at 70% in the capital income category.

Should a net loss arise in the capital income category, a reduction is granted of the tax on income from employment and business operations, as well as property tax. This tax reduction is granted at 30% of the net loss that does not exceed SEK 100,000 and at 21% of any remaining net loss. An excess net loss cannot be carried forward to future tax years.

For private individuals resident in Sweden for tax purposes, a preliminary tax of 30% is withheld on dividends. The preliminary tax is normally withheld by Euroclear or, in respect of nominee-registered shares, by the nominee.

Limited liability companies

Swedish limited liability companies will be taxed on capital gains and dividend payments at the ordinary corporate income tax rate of 22%. Capital gains and capital losses shall be calculated in accordance with the rules applicable to private individuals (cfr above).

Deductible capital losses on shares may only be offset against taxable capital gains on shares and other securities taxed as shares. Capital losses may in certain cases be utilised against capital gains in other group companies as well. A capital loss that cannot be utilised during a certain year may be carried forward and utilised against future capital gains on shares and other securities taxed as shares, without any limitation in time.

NON-RESIDENT SHAREHOLDERS

Dividend payments to non-resident shareholders are subject to Swedish dividend withholding tax at a rate of 30%. Withholding tax may also be levied on other payments e.g. distributions in connection with a redemption of a Swedish limited liability company's share capital or a repurchase of shares through an offer directed to all shareholders or all holders of shares of a certain class. The withholding tax is normally deducted by Euroclear or, in respect of nominee-registered shares, by the nominee. It should in this context be noted that substantial exceptions and reductions apply, wherefore the tax rate may be reduced. For example, under the tax treaty between Sweden and the United States, dividend withholding is generally reduced to 15%.

A disposal of shares will not be taxable in Sweden for non-resident corporate and institutional shareholders unless the shares are allocated to a Swedish permanent establishment (in which case a non-resident shareholder should be treated as its Swedish equivalent). Shareholders may, however, be subject to taxation in their state of residence.

Non-resident private individuals may be subject to Swedish capital gains taxation upon disposals of shares in Eltel, if they have been domiciled in Sweden or have had a habitual abode in Sweden at any time during the calendar year in which the shares are disposed or the 10 preceding calendar years. The applicability of this rule is, however, often limited by the applicable tax treaty for the avoidance of double taxation, but is not limited by the tax treaty between Sweden and the United States.

Historical financial information[1)]

1) The InfraNet Company 1 AB changed its corporate name to Eltel AB as of 4 November 2014.

Condensed financial information

Condensed consolidated income statement

EUR Million	Jul-Sep 2014	Jul-Sep 2013	Jan-Sep 2014	Jan-Sep 2013	Restated Full-year 2013
Net sales	330.9	299.4	889.8	801.6	1,147.5
Cost of sales	(279.7)	(255.6)	(772.1)	(701.1)	(1,004.1)
Gross profit	**51.2**	**43.7**	**117.7**	**100.5**	**143.4**
Other income	0.2	7.1	1.8	7.9	8.6
Sales and marketing expenses	(2.6)	(3.4)	(8.6)	(8.4)	(12.8)
Administrative expenses	(36.9)	(17.6)	(81.3)	(59.6)	(84.1)
Other expenses	(2.1)	(0.8)	(1.8)	(1.3)	(2.7)
Share of profit/loss of joint ventures	(0.2)	-	(0.2)	-	-
Operating result before acquisition related amortisations (EBITA)	**9.7**	**29.1**	**27.6**	**39.2**	**52.3**
Amortisation of acquisition related intangible assets	(3.1)	(6.6)	(9.4)	(13.5)	(16.7)
Operating result (EBIT)	**6.6**	**22.4**	**18.3**	**25.6**	**35.6**
Financial income	-	0.1	0.3	0.3	0.3
Financial expenses	(5.7)	(5.0)	(15.1)	(14.9)	(20.8)
Net financial expenses	(5.7)	(5.0)	(14.8)	(14.6)	(20.6)
Result before taxes	**0.9**	**17.5**	**3.4**	**11.0**	**15.1**
Taxes	0.1	(3.4)	(1.0)	(3.1)	(3.6)
Net result	**0.9**	**14.0**	**2.4**	**7.9**	**11.5**
Attributable to:					
Equity holders of the parent	0.1	13.6	1.2	7.0	10.2
Non-controlling interest	0.9	0.4	1.2	0.9	1.3
Earnings per share (EPS)					
Basic and diluted, EUR	0.00	0.02	0.00	0.01	0.01

Condensed consolidated statement of comprehensive income

EUR Million	Jul-Sep 2014	Jul-Sep 2013	Jan-Sep 2014	Jan-Sep 2013	Restated Full-year 2013
Net profit/loss for the period	0.9	14.0	2.4	7.9	11.5
Other comprehensive income:					
Items that will not be reclassified to profit and loss					
Remeasurements of defined benefit plans	(2.6)	5.0	(6.2)	11.0	8.0
Items that may be subsequently reclassified to profit and loss					
Cash flow hedges	1.1	(0.2)	1.4	-	0.2
Net investment hedges	(0.4)	(1.6)	3.7	1.0	3.7
Currency translation differences	1.9	3.2	(5.5)	(4.3)	(10.8)
Total	2.7	1.4	(0.4)	(3.3)	(6.9)
Other comprehensive income/loss for the period, net of tax	-	6.5	(6.6)	7.7	1.1
Total comprehensive income/loss for the period	1.0	20.5	(4.2)	15.7	12.6
Total comprehensive income/loss attributable to:					
Equity holders of the parent	0.1	20.1	(5.4)	14.7	11.3
Non-controlling interest	0.9	0.4	1.2	0.9	1.3

Eltel Group | Interim report January – September 2014

ELTEL

Condensed consolidated statement of balance sheet

EUR million	30 Sep 2014	30 Sep 2013	Restated 31 Dec 2013
ASSETS			
Non-current assets			
Goodwill	429.2	437.5	433.9
Intangible assets	93.0	108.9	104.3
Property, plant and equipment	34.2	34.9	35.3
Available-for-sale investments	0.1	0.3	0.3
Retirement benefit asset	0.2	0.1	0.2
Deferred tax assets	15.4	15.6	14.3
Trade and other receivables	0.7	0.2	0.1
Total non-current assets	573.0	597.5	588.4
Current assets			
Inventories	11.6	16.4	12.1
Trade and other receivables	332.6	275.1	294.4
Cash and cash equivalents	42.2	22.0	26.2
Total current assets	386.4	313.4	332.7
TOTAL ASSETS	959.4	911.0	921.1

EUR million	30 Sep 2014	30 Sep 2013	Restated 31 Dec 2013
EQUITY AND LIABILITIES			
Equity			
Shareholder's equity	254.0	265.2	261.8
Non-controlling interest	6.0	5.1	5.5
Total equity	260.1	270.3	267.3
Non-current liabilities			
Debt	6.9	340.8	286.5
Liabilities to shareholders	-	11.5	11.6
Retirement benefit obligations	15.1	6.3	10.0
Deferred tax liabilities	15.8	20.2	18.2
Provisions	2.4	1.8	2.4
Other non-current liabilities	0.1	0.1	0.1
Total non-current liabilities	40.3	380.6	328.8
Current liabilities			
Debt	334.0	15.5	58.8
Liabilities to shareholders	14.5	-	-
Provisions	17.2	3.5	2.5
Advances received	60.5	37.6	40.3
Trade and other payables	232.9	203.5	223.5
Total current liabilities	659.0	260.1	325.0
Total liabilities	699.3	640.7	653.8
TOTAL EQUITY AND LIABILITIES	959.4	911.0	921.1

Eltel Group | Interim report January – September 2014

ELTEL

Condensed consolidated statement of cash flows

EUR million	Jan-Sep 2014	Jan-Sep 2013	Restated Jan-Dec 2013
Cash flow from operating activities			
Cash flow from operating activities before financial items and taxes	40.3	31.6	56.7
Interest received	0.3	0.2	0.3
Interest and other financial expenses paid	(15.1)	(11.6)	(14.0)
Income taxes paid	(3.4)	(3.5)	(5.0)
Non-cash currency rate impact	-	-	(1.2)
Net cash from operating activities	22.1	16.7	36.8
Cash flow from investing activities			
Purchases of property, plant and equipment (PPE)	(7.0)	(8.4)	(11.8)
Proceeds from sale of PPE	0.6	0.2	0.4
Business acquisitions and disposals	0.2	6.6	6.6
Net cash from investing activities	(6.2)	(1.6)	(4.8)
Cash flow from financing activities			
Payments of long-term financial liabilities	(9.4)	(0.2)	(0.1)
Payments of/proceeds from short-term borrowing	12.0	(8.1)	(19.2)
Payments of/proceeds from finance lease liabilities	(1.5)	(1.8)	(2.2)
Dividends to non-controlling interest and other financial expenses	(0.7)	(0.7)	(0.7)
Change in non-liquid financial assets	0.5	0.8	(0.5)
Net cash from financing activities	0.9	(9.9)	(22.6)
Net change in cash and cash equivalents	16.8	5.2	9.4
Cash and cash equivalents at beginning of period	26.2	16.6	16.6
Foreign exchange rate effect	(0.7)	0.2	0.2
Cash and cash equivalents at end of period	42.2	22.0	26.2

Reconciliation of EBITA to cash flow from operations before financing items and taxes

EUR million	Jan-Sep 2014	Jan-Sep 2013	Restated Jan-Dec 2013
EBITA	27.6	39.2	52.3
Depreciation	8.3	9.1	12.3
Change in net working capital	12.4	(8.0)	4.0
Net purchase of PPE	(6.4)	(8.2)	(11.4)
Operative cash flow (used in cash conversion key figure)	42.0	32.2	57.3
Less net purchase of PPE, presented in investing activities	6.4	8.2	11.4
Gains on sales of assets	(1.1)	(6.7)	(6.7)
Items recognised through other comprehensive income	(1.2)	(1.9)	(3.9)
Other non-cash adjustments	(5.7)	(0.2)	(1.4)
Cash flow from operating activities before financial items and taxes	40.3	31.6	56.7

Condensed consolidated statement of changes in equity

EUR million	Share capital	Other paid-in capital	Accumulated losses	Remeasurement of defined benefit plans, net of tax	Hedging reserve	Currency Translation	Total	Non-controlling interest	Total equity
Equity at 1 Jan 2014	86.4	281.5	(88.9)	(13.1)	0.4	(4.5)	261.8	5.5	267.3
Total comprehensive income for the period	-	-	1.2	(6.2)	5.1	(5.5)	(5.4)	1.2	(4.2)
Dividends to shareholders	-	(2.4)	-	-	-	-	(2.4)	-	(2.4)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(0.7)	(0.7)
Total transaction with owners	-	(2.4)	-	-	-	-	(2.4)	(0.7)	(3.0)
Equity at 30 Sep 2014	86.4	279.2	(87.7)	(19.3)	5.5	(10.0)	254.1	6.0	260.1

EUR million	Share capital	Other paid-in capital	Accumulated losses	Remeasurement of defined benefit plans, net of tax	Hedging reserve	Currency Translation	Total	Non-controlling interest	Total equity
Equity at 1 Jan 2013	86.4	283.9	(99.1)	(21.1)	(3.5)	6.3	252.8	4.9	257.7
Total comprehensive income for the period	-	-	7.0	11.0	1.0	(4.3)	14.7	0.9	15.6
Dividends to shareholders	-	(2.4)	-	-	-	-	(2.4)	-	(2.4)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(0.7)	(0.7)
Total transaction with owners	-	(2.4)	-	-	-	-	(2.4)	(0.7)	(3.1)
Equity at 30 Sep 2013	86.4	281.5	(92.1)	(10.1)	(2.5)	2.0	265.2	5.1	270.3

EUR million	Share capital	Other paid-in capital	Accumulated losses	Remeasurement of defined benefit plans, net of tax	Hedging reserve	Currency Translation	Total	Non-controlling interest	Total equity
Equity at 1 Jan 2013	86.4	283.9	(99.1)	(21.1)	(3.5)	6.3	252.8	4.9	257.7
Total comprehensive income for the period	-	-	10.2	8.0	4.0	(10.8)	11.3	1.3	12.7
Dividends to shareholders	-	(2.4)	-	-	-	-	(2.4)	-	(2.4)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(0.7)	(0.7)
Total transaction with owners	-	(2.4)	-	-	-	-	(2.4)	(0.7)	(3.1)
Equity at 31 Dec 2013	86.4	281.5	(88.9)	(13.1)	0.4	(4.5)	261.8	5.5	267.3

Notes to the condensed consolidated interim financial statements

Accounting principles

This interim report has been prepared in accordance with IAS 34 Interim financial reporting. The accounting principles adopted are consistent with those of the Group's annual financial statements for the year ended 31 December 2013, except for the IFRS amendments stated below.

IFRS 11 Joint Arrangements

Eltel has applied the new IFRS 11 Joint arrangements standard from 1 January 2014 onwards. IFRS 11 replaces IAS 31 Interests in joint ventures. Joint control under IFRS 11 is defined as the contractual sharing of control of an arrangement, which exists only when the decisions about the relevant activities require unanimous consent of the parties sharing control.

Comparative information is restated accordingly. The restatement impact reduced the amount of net sales by EUR 6.2 million for the full year 2013 and EUR 5.5 million for January-September 2013. The restatement had no impact on operating result (EBIT) or result for the period. Total assets were reduced by EUR 4.0 million at 31 December 2013 and by EUR 5.0 million at 30 September 2013.

IFRS 8 Operating Segments

Eltel has adopted IFRS 8 Operating Segments from 1 January 2014. Comparative information is presented accordingly. 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 is 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 Other which has been named Transport and Defence. 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.

Net sales by segment

EUR Million	Jul-Sep 2014	Jul-Sep 2013	Jan-Sep 2014	Jan-Sep 2013	Full-year 2013
Power					
Net sales (External)	141.1	126.9	367.2	329.4	473.7
Inter-segment sales	2.7	0.8	6.1	5.7	7.5
Communication					
Net sales (External)	149.8	142.4	413.6	386.4	548.6
Inter-segment sales	0.6	1.5	2.0	2.1	2.7
Transport and Defence					
Net sales (External)	40.0	29.7	108.8	83.6	122.2
Inter-segment sales	-	0.1	0.1	0.2	0.4
Net sales not allocated to segments	-	0.4	0.2	2.2	3.0
Elimination of sales between segments	(3.3)	(2.4)	(8.1)	(8.0)	(10.6)
Net sales, total	**330.9**	**299.4**	**889.8**	**801.6**	**1,147.5**

Reconciliation of segment results

EUR Million	Jul-Sep 2014	Jul-Sep 2013	Jan-Sep 2014	Jan-Sep 2013	Full-year 2013
Operative EBITA by segment					
Power	15.8	11.6	24.1	19.4	29.2
Communication	6.9	9.4	15.7	14.4	19.8
Transport and Defence	3.5	4.5	9.7	9.1	13.1
Items not allocated to operating segments*	(0.5)	(1.7)	(5.9)	(6.3)	(10.0)
Operative EBITA, Group	25.7	23.8	43.6	36.6	52.0
Non-recurring items**	(16.0)	5.3	(15.9)	2.6	0.3
EBITA before acquisition related amortisations	9.7	29.1	27.6	39.2	52.3
Amortisation of acquisition related intangible asset	(3.1)	(6.6)	(9.4)	(13.5)	(16.7)
Operating result (EBIT)	6.6	22.4	18.3	25.6	35.6
Net financial expenses	(5.7)	(5.0)	(14.8)	(14.6)	(20.6)
Result before taxes	**0.9**	**17.5**	**3.4**	**11.0**	**15.1**

* Items not allocated to operating segments consist of group management function and other group level expenses
** Non-recurring items are items which management does not consider to form part of the ongoing operative business

Eltel Group | Interim report January – September 2014

Interest-bearing liabilities and net debt

EUR Million	30 Sep 2014	30 Sep 2013	31 Dec 2013
Interest-bearing debt in balance sheet	340.8	356.3	345.3
Loans from shareholders	14.5	11.5	11.6
Total interest-bearing liabilities	**355.4**	**367.7**	**356.9**
Interest-bearing debt in balance sheet	340.8	356.3	345.3
Effective interest periodisation	5.2	1.8	1.5
Less cash and cash equivalents	(42.2)	(22.0)	(26.2)
Net debt	**303.8**	**336.1**	**320.6**

The carrying amount of interest-bearing liabilities approximates their fair value.

Available liquidity reserves

EUR Million	30 Sep 2014	30 Sep 2013	31 Dec 2013
Committed credit facility	46.0	54.0	65.0
Current account overdrafts	7.4	15.6	15.4
Cash and cash equivalents	42.2	22.0	26.2
Total	**95.6**	**91.5**	**106.6**

Commitments and collaterals pledged

EUR Million	30 Sep 2014	30 Sep 2013	31 Dec 2013
Debt secured by general collaterals			
Loans from financial institutions	339.4	349.8	332.0
Pension liabilities	13.7	4.5	8.5
Total	353.1	354.4	340.5
Off balance sheet liabilities secured by general collaterals			
Commercial guarantees on own behalf	60.7	60.4	68.2
Total liabilities secured by general collaterals	413.9	414.8	408.7
Off balance sheet liabilities, unsecured			
Commercial guarantees	76.5	71.6	60.0
Commercial guarantees on own behalf	131.6	120.5	187.4
Commercial guarantees on behalf of joint ventures	4.8	4.9	4.9
Total	212.9	197.0	252.3

The commercial guarantees are typical in Eltel's business and relate to performance obligations under the business contracts. The guarantees are issued by banks, other financial institutions or the parent company. The above figures include also the advance payment and other payment type of guarantees issued under the business contracts.

Derivative financial instruments

EUR Million	30 Sep 2014		30 Sep 2013		31 Dec 2013	
	Nominal values	Net Fair values	Nominal values	Net Fair values	Nominal values	Net Fair values
Interest rate derivatives	49.9	(0.1)	152.7	(0.7)	151.5	(0.5)
Foreign exchange rate derivatives	102.5	0.3 [1)]	68.4	0.0 [2)]	96.6	0.5 [3)]
Total	**152.4**	**0.2**	**221.0**	**(0.7)**	**248.1**	**0.0**

Designated as cash flow hedge 1) EUR 0.4 million 2) EUR 0.0 million 3) EUR 0.2 million. Financial assets recognised at fair value through profit and loss comprise solely derivatives. Fair values of the derivative instruments are based on observable market values (level 2 observable input information) at balance sheet date. Fair value of other financial instruments corresponds their book value.

Transactions with related parties

The nature of transactions with related parties is unchanged in the third quarter as compared to previous periods. Transactions with related parties are disclosed in the 2013 annual report, note 25.

Main transactions with related parties relate to the loan facilities. The main shareholders, 3i Group plc, 3i Europartners Va LP, 3i Europartners Vb LP and BNP Paribas, are participating in the senior bank loan syndicate facility (2013 annual report, note 19). At the end of the third quarter 2014 the long-term facility amount was EUR 292.6 million, 87% of the loan facility.

Definitions and key ratios

Operative EBITA	Operating result before acquisition related amortisations and non-recurring items
Non-recurring items	Items which are non-recurring in nature and which management does not consider to form part of the ongoing operative business
Earnings per share (EPS)	$\frac{\text{Net result attributable to equity holders of the parent - dividend attributable to preference shares}}{\text{Weighted average number of ordinary shares}}$
Operative cash flow	EBITA + depreciation + change in net working capital – net purchase of PPE (capex)
Cash conversion, %	$\frac{\text{Operative cash flow x 100}}{\text{EBITA}}$
Equity ratio, %	$\frac{\text{Total equity x 100}}{\text{Total assets - advances received}}$
Net debt	Interest-bearing debt - cash and cash equivalents
Return on capital employed, %*	$\frac{\text{EBIT x 100}}{\text{Capital employed (average over the reporting period)}}$
Capital employed	Net working capital + Intangible assets excluding goodwill and acquisition related allocations + Property, plant and equipment
Return on equity (ROE), %*	$\frac{\text{Net result x 100}}{\text{Total equity (average over the reporting period)}}$
Gearing	$\frac{\text{Net debt}}{\text{Total equity}}$

* Calculated on rolling 12 months basis

Other information

Other information pursuant to IAS 34 presented in Eltel Group's interim report January-September is summarised below.

Group performance

Eltel Group's nine months net sales increased by 11.0% compared to last year, amounting to EUR 889.8 million (801.6). For the first nine months growth was especially strong in Power due to grid investments in Norway and Poland and donor financed investments in electrification in Africa. Also the rail business developed well in most Nordic countries, underpinned by capacity and regulatory driven investments for electrification and signaling. In Communication growth was strong for fibre and mobile roll-out in Norway and Sweden and the ramp up of fibre projects in Germany.

Eltel Group's January-September operative EBITA increased from previous year to EUR 43.6 million (36.6), 4.9% of net sales (4.6). The improvement in operative EBITA is partly generated by high volume growth, better utilisation of manpower and better leverage of overheads. In the Power segment the main contributor is the contract amendment in Angola offset partly by lower business volumes in Finland due to customer postponement of upgrade projects into fourth quarter and 2015.

The period January-September includes non-recurring net cost of EUR 15.9 million (income 2.6) referring to a provision for a non-recurring Management Incentive Program as well as costs for advisors in preparations of a potential IPO.

EBITA amounted to EUR 27.6 million (39.2) or 3.1% of net sales (4.9)

Financial position

Interest-bearing debt totaled EUR 340.8 million (356.3) of which EUR 6.9 million (340.8) is non-current and EUR 334.0 million (15.5) is current. In July 2014 an agreement was signed extending the maturity of bank borrowings and credit facilities until August 2015. Eltel is currently preparing a new financing package with three banks for both debt and guarantees. The terms for these new facilities are conditional to a new capital structure.

Liquidity situation at the end of the reporting period was good. The available liquidity reserves totaled EUR 95.6 million (91.5).

Seasonality during calendar year

Distribution of sales and earnings during financial year

Eltel's businesses have seasonal patterns with a strong impact on net sales, EBITA as well as cash flow. Seasonality is driven by a number of factors, including weather conditions, timing of customer order placements and completion of work phases around month end. Eltel Group has historically shown improved revenues and operational profits throughout the year, with higher activity level and performance in the second half of the year. In 2014, third quarter operative EBITA was EUR 25.7 million (23.8), second quarter EUR 13.1 million (12.6) and first quarter EUR 4.8 million (0.1).

Business expansions, acquisitions and divestments

Eltel and Umoe, owner of Sønnico Tele AS, have in February 2014 concluded an agreement to merge their telecom businesses in Norway. The plan is to complete the merger during 2014 and the jointly owned company is named Eltel Sønnico AS. The merger will not have an impact on Umoe's or Eltel's businesses other than the telecom businesses in Norway but will establish the new joint venture as a leading supplier on the Norwegian market, particularly for the market leader Telenor. As a result this will mean that Eltel's sales in Communication on the Norwegian market will no longer be consolidated in the Eltel accounts.

Distribution of profits

The Annual General Meeting resolved that a dividend of EUR 2,350,600.00 be declared on the outstanding preferential series C1 and that a payment of the distribution be made by way of issue of PIK Notes. Furthermore the Annual General Meeting resolved that no dividend was to be paid on the outstanding preferential series C2. The C2 preferential shares have a remaining right for full amount of accumulated dividends, EUR 6,195,147.86. The amount for unpaid dividend rights for the reporting period Jan–Sep 2014 is EUR 3,270,247.46.

Risks and uncertainties

The overall economic climate and regulatory decisions in the Group's markets pose risks to volumes and postponement of investments. Significant movements in the EUR/SEK and EUR/PLN exchange rates would affect Group results. The Finnish Competition Authority has an ongoing investigation regarding accused competition legislation violation in Finland. Eltel has, and continues to provide as much assistance as possible to the authorities in this matter. On October 31 a claim of EUR 35 million have been filed against Eltel in the Finnish Market Court. Eltel considers that it has not violated competition rules and do not see any grounds for the proposal of fines and no provision has been made in Q3. For further information regarding risks and uncertainties, please refer to the annual report 2013.

Eltel Group | Interim report January – September 2014

Report of Review of Interim Financial Information

Introduction
We have reviewed the accompanying condensed consolidated statement of balance sheet of The InfraNet Company 1 AB as of 30 September 2014 and the condensed consolidated income statement, comprehensive income, cash flows and changes in equity for the nine-month period then ended and notes to the condensed consolidated interim financial statements. The board of directors and the CEO are responsible for the preparation and presentation of this condensed interim financial information in accordance with IAS 34 *Interim Financial Reporting* and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

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

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

Stockholm, 9 January 2015

Öhrlings PricewaterhouseCoopers

Niklas Renström
Authorized Public Accountant

ELTEL AB

Org nr: 556728-6652

FINANCIAL STATEMENTS

January 1 – December 31
2011
2012
2013

CONSOLIDATED INCOME STATEMENT

EUR million	Note	Jan 1 – Dec 31, 2013	Jan 1 – Dec 31, 2012 Restated	Jan 1 – Dec 31, 2011 Restated
Net sales	5	1,153.7	1,149.0	1,011.4
Cost of sales	8	(1,010.3)	(1,008.9)	(883.6)
Gross profit		**143.4**	**140.1**	**127.8**
Other income	6	8.6	2.9	2.8
Sales and marketing expenses	8	(12.8)	(12.2)	(12.8)
Administrative expenses	8	(84.1)	(82.9)	(73.3)
Other expenses	7	(2.7)	(1.9)	(0.8)
Operating result before acquisition related amortisations		**52.4**	**46.1**	**43.7**
Amortisation of acquisition related intangible assets	13	(16.7)	(15.2)	(15.0)
Operating result		**35.7**	**30.8**	**28.7**
Financial income		0.3	0.2	0.5
Financial expenses		(20.9)	(21.3)	(22.8)
Net financial expenses	11	(20.6)	(21.1)	(22.4)
Profit before taxes		**15.1**	**9.7**	**6.3**
Taxes	12	(3.6)	2.2	7.0
NET PROFIT		**11.5**	**11.9**	**13.3**
Attributable to:				
Equity holders of the parent		10.2	10.6	11.7
Non-controlling interest		1.3	1.3	1.6
Earnings per share (EPS)*				
Basic, EUR		0.01	0.01	0.01
Diluted, EUR		0.01	0.01	0.01

* The basic and diluted Earnings per share (EPS) is calculated by dividing Net result attributable to equity holders of the parent less profit attributable to preference shares with the (weighted) average number of ordinary shares. Profit attributable to preference shares was EUR 4.3 million in 2013, EUR 4.1 million in 2012 and EUR 4.0 million 2011. There was no dilution effect in financial years 2011, 2012 or 2013.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR million	1 Jan – 31 Dec 2013	1Jan – 31 Dec 2012 Restated	1 Jan – 31 Dec 2011 Restated
Net profit/loss for the year	**11.5**	**11.9**	**13.3**
Other comprehensive income:			
Items that will not be reclassified to profit and loss			
Remeasurements of defined benefit plans	8.0	(9.2)	(4.8)
Items that may be subsequently reclassified to profit and loss			
Cash flow hedges	0.2	(0.5)	(0.8)
Net investment hedges	3.7	(3.4)	–
Currency translation differences	(10.8)	15.3	(6.4)
	(6.9)	**11.4**	**(7.2)**
Other comprehensive income/loss for the year, net of tax	**1.1**	**2.3**	**(12.0)**
TOTAL COMPREHENSIVE PROFIT FOR THE YEAR	**12.6**	**14.2**	**1.3**
Total comprehensive profit/loss attributable to:			
Equity holders of the parent	11.3	12.8	(0.3)
Non-controlling interest	1.3	1.3	1.6

CONSOLIDATED BALANCE SHEET

EUR million	Note	Dec 31, 2013	Dec 31, 2012 Restated	Dec 31, 2011 Restated
ASSETS				
Non-current assets				
Goodwill	13	433.9	445.4	434.9
Intangible assets	13	104.3	121.7	132.3
Property, plant and equipment	14	37.4	35.7	33.1
Available-for-sale investments	16	0.3	0.4	0.4
Retirement benefit asset	21	0.2	0.1	0.3
Deferred tax assets	12	14.3	19.4	19.0
Trade and other receivables	15,17	0.1	0.3	0.2
Total non-current assets		**590.5**	**622.9**	**620.2**
Current assets				
Inventories	18	12.1	14.4	15.1
Trade and other receivables	15,17	296.2	263.4	248.1
Cash and cash equivalents		26.2	16.6	16.2
Total current assets		**334.5**	**294.3**	**279.4**
TOTAL ASSETS		**925.1**	**917.3**	**899.6**
EQUITY AND LIABILITIES				
Equity	19			
Shareholders' equity		261.8	252.9	242.4
Non-controlling interest		5.5	4.9	4.3
Total equity		**267.3**	**257.7**	**246.7**
Non-current liabilities				
Debt	15,20	288.7	337.6	332.7
Liabilities to shareholder	15,20	11.6	11.3	5.8
Retirement benefit obligations	21	10.0	23.9	15.7
Deferred tax liabilities	12	18.2	22.5	27.9
Provisions	22	2.4	1.9	2.1
Other non-current liabilities	15	0.1	0.1	0.0
Total non-current liabilities		**331.0**	**397.4**	**384.3**
Current liabilities				
Debt	15,20	58.8	23.9	29.9
Provisions	22	2.5	3.0	3.1
Advances received		41.2	37.4	42.0
Trade and other payables	15,23	224.4	197.9	193.6
Total current liabilities		**326.9**	**262.2**	**268.6**
Total liabilities		**657.8**	**659.6**	**653.0**
TOTAL EQUITY AND LIABILITIES		**925.1**	**917.3**	**899.6**

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR million	Note	1 Jan – 31 Dec 2013	1 Jan – 31 Dec 2012	1 Jan – 31 Dec 2011
Cash flow from operating activities				
Cash flow from operating activities before financial items and taxes	4	57.8	39.9	54.0
Interest received		0.3	0.5	0.6
Interest and other financial expenses paid		(14.0)	(20.4)	(24.3)
Income taxes paid		(4.8)	(2.9)	(2.4)
Non-cash currency rate impact		(1.2)	2.6	(1.7)
Net cash from operating activities		**38.1**	**20.3**	**26.1**
Cash flow from investing activities				
Purchases of property, plant and equipment (PPE)		(16.0)	(13.6)	(11.6)
Proceeds from sale of PPE		2.7	0.5	1.3
Disposal of a business		6.6	–	–
Net cash from investing activities		**(6.7)**	**(13.2)**	**(10.2)**
Cash flow from financing activities	20			
Payments of long-term financial liabilities		(0.1)	(0.1)	–
Payments of /proceeds from short-term borrowing		(19.2)	(5.1)	(15.9)
Payments of /proceeds from finance lease liabilities		0.0	0.0	(1.3)
Dividends to non-controlling interest and other financial expenses		(0.7)	(0.8)	(0.6)
Change in other financial assets		(2.0)	(0.6)	–
Net cash from financing activities		**(21.9)**	**(6.6)**	**(17.8)**
Net change in cash and cash equivalents		**9.4**	**0.6**	**(1.9)**
Cash and cash equivalents at beginning of period		**16.6**	**16.2**	**18.4**
Foreign exchange rate effect		0.2	(0.2)	(0.2)
Cash and cash equivalents at end of period		**26.2**	**16.6**	**16.2**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR million	Share capital	Other paid-in capital	Accumu-lated losses	Remeasu-rements of defined benefit plans	Hedging reserve	Currency Translation	Total	Non-con-trolling interest	Total equity
Equity at Jan 1, 2011	**86.4**	**287.3**	**(119.1)**	**–**	**1.2**	**(2.9)**	**252.7**	**3.3**	**256.0**
Effect of revised IAS 19	–	–	(2.2)	(7.1)	–	0.3	(9.0)	–	(9.0)
Equity at Jan 1, 2011 restated	**86.4**	**287.3**	**(121.3)**	**(7.1)**	**1.2**	**(2.6)**	**243.7**	**3.3**	**247.0**
Total comprehensive income for 2011	**–**	**–**	**11.7**	**(4.8)**	**(0.8)**	**(6.4)**	**(0.3)**	**1.6**	**1.3**
Dividends to shareholders	–	(1.1)	–	–	–	–	(1.1)	–	(1.1)
Dividends paid to non-controlling interest	–	–	–	–	–	–	–	(0.6)	(0.6)
Total transactions with owners	**–**	**(1.1)**	**–**	**–**	**–**	**–**	**(1.1)**	**(0.6)**	**(1.7)**
Equity at Dec 31, 2011	**86.4**	**286.2**	**(109.7)**	**(11.9)**	**0.4**	**(9.0)**	**242.4**	**4.3**	**246.7**
Total comprehensive income for 2012	**–**	**–**	**10.6**	**(9.2)**	**(3.9)**	**15.3**	**12.9**	**1.3**	**14.2**
Dividends to shareholders	–	(2.3)	–	–	–	–	(2.3)	–	(2.3)
Dividends paid to non-controlling interest	–	–	–	–	–	–	–	(0.8)	(0.8)
Total transactions with owners	**–**	**(2.3)**	**–**	**–**	**–**	**–**	**(2.3)**	**(0.8)**	**(3.1)**
Equity at Dec 31, 2012	**86.4**	**283.9**	**(99.1)**	**(21.1)**	**(3.5)**	**6.3**	**252.9**	**4.9**	**257.7**
Total comprehensive income for 2013	**–**	**–**	**10.2**	**8.0**	**4.0**	**(10.8)**	**11.3**	**1.3**	**12.6**
Dividends to shareholders	–	(2.4)	–	–	–	–	(2.4)	–	(2.4)
Dividends paid to non-controlling interest	–	–	–	–	–	–	–	(0.7)	(0.7)
Total transactions with owners	**–**	**(2.4)**	**–**	**–**	**–**	**–**	**(2.4)**	**(0.7)**	**(3.1)**
Equity at Dec 31, 2013	**86.4**	**281.5**	**(88.9)**	**(13.1)**	**0.4**	**(4.5)**	**261.8**	**5.5**	**267.3**

SHAREHOLDERS' EQUITY

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 remeasurements 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

NOTE 1 CORPORATE INFORMATION

Eltel AB (the Company) through its subsidiaries (together the Group) offers outsourced networks services for the owners and operators of electricity and telecommunications networks in Europe. The Group designs, builds, maintains and enhances networks: power transmission and distribution; fixed and mobile telecommunications; and networks for municipal authorities.

Eltel AB is domiciled in Stockholm, Sweden. It is owned by three investment entities managed by 3i Investments plc, BNP Paribas S.A. Niederlassung Deutschland and the management of the Group.

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

NOTE 2 ACCOUNTING POLICIES FOR THE CONSOLIDATED ACCOUNTS

2.1 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 2013. In addition, the Group applies Financial Accounting Standards Council's in Sweden recommendation RFR1.

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.

IFRS 8 Segment reporting

The company has adopted IFRS 8 Operating Segments from 1 January 2014. The segment information in these financial statements is presented on the basis of the new operating and reportable segments. The change in segments does not require a retroactive adjustment of the impairment test and disclosures related to the impairment tests.

Adoption of new and revised IFRS

The Group has applied revised IAS 19 Employee benefits standard from January 1, 2013. The comparative figures have been restated accordingly. According to the amended standard actuarial gains and losses relating to defined benefit obligations are recognised as they occur. This increased the Group's reported employee benefit liability. In addition the interest cost and expected return on plan assets were replaced with a net interest amount that is calculated by applying the discount rate of the net defined benefit liability. The change has only a small impact on the Group's reported net income. For more information on the impact of revised IAS 19, please see notes 21 and 29.

Other new IFRS standards, amendments and interpretations effective for the first time from January 1, 2013 onwards, have had no significant impact to the Group in 2013.

Adoption of new standards from 1 Jan 2014

The group will apply the new IFRS 10 Consolidated Financial Statements, 11 Joint Arrangements and 12 Disclosure of Interests in Other Entities as of 1 January 2014. Adoption of IFRS 11 Joint Arrangements will change the accounting principle for jointly controlled entities. Currently the Group recognises its interest in jointly controlled entities using the proportionate method of consolidation. According to IFRS 11 jointly controlled entities are divided into joint operations and joint ventures. Joint operations are consolidated using the proportionate method and joint ventures are consolidated using equity method. The impact of the adoption of the new accounting principle on the financial statements of the Group is presented in note 30.

The other amendments, standards and interpretations that are effective for the Group's accounting periods beginning on January 1, 2014 are not expected to have significant impact on the Group in 2014.

2.2 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.

Critical accounting estimates and assumptions

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

a) Impairment testing

The Group tests annually and always, if there are indications of impairment, whether goodwill has suffered any impairment (see Note 13 Intangible assets) 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 use of estimates.

b) 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 carried forward tax losses when the realisation of related tax benefit is probable. The deferred tax asset is recognised to an amount that is estimated to be utilised within the next five to seven years. The Group uses estimates for recognition of liabilities for anticipated tax audit issues based on all available information at the time of recognition.

c) 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.

c) 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.

d) 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 the Note 21 Retirement benefit obligations.

e) Provisions

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.

2.3 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, the Group 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. Up to December 31, 2009 the acquisition value includes also costs directly attributable to the acquisition in accordance with previous IFRS standard (IFRS3 (2004)). The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

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

Inter-company transactions, receivables, liabilities and unrealised margins, as well as distribution of profits within the Group, are eliminated.

Non-controlling interest is presented separately from the net profit and disclosed as a separate item in the equity.

2.4 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 currency of the parent company.

Foreign currency transactions

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

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

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.

2.5 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.

2.6 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

IIntangible 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 to 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 to 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 to 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.

2.7 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 to 40 years
• Machinery and equipment	3 to 10 years
• Heavy machinery	10 to 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.

2.8 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). 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 13 Intangible assets for information on impairment testing of goodwill.

2.9 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.

2.10 Financial instruments

Financial assets and liabilities

The Group classifies its financial assets and liabilities into the following categories: Financial assets at fair value through profit or loss, derivative instruments hedge accounted, loans and receivables, available-for-sale investments and liabilities at amortised cost. The classification is made on the basis of the purpose of the acquisition of financial instruments at the time of initial recognition (see Note 15 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. Derivatives that are not designated as hedges are classified as held for trading. Currently only derivative financial assets are included in this category. Gains or losses arising from changes in the fair value are presented in the income statement in the period in which they arise.

Derivatives that are not designated as hedges are classified as held for trading and classified as derivative asset or liability. Gains or losses arising from changes in the fair value are presented in the income statement in the period in which they arise.

Derivative instruments, cash flow hedging

Derivates eligable for hedge accounting are classified as hedge accounted instruments. Gains and losses from hedge accounted derivative instruments are recognised in other comprehensive income under Hedging reserve for their effective part. The cumulative gain or loss is transferred to profit and loss at the same accounting period as the underlying hedged item.

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 are classified as trade and other receivables in the balance sheet and included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The impairment losses related to trade receivables are recognised as "Other expenses".

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 dispose of within 12 months of the balance sheet date. Available-for-sale investments are measured mainly at fair value based on market prices. Unlisted equity securities whose fair value cannot be reliably measured are recognised at cost.

Fair value changes in available-for-sale investments are recognised in other comprehensive income and presented in equity in the fair value reserve, net of tax. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement. On the balance sheet dates the Group's available-for-sale investments include only investments in unlisted securities and they are valued at acquisition cost as the fair values are not available.

Recognition and measurement of financial assets

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

Cash and cash equivalents
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. Currently the cash and cash equivalents in assets consist solely of cash in hand and deposits. Bank overdrafts are shown within debt in current liabilities.

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.

Financial liabilities
Financial liabilities are initially recorded at fair value and transaction costs are included in the original carrying amount. Subsequently, all financial liabilities are measured at amortised cost using the effective interest method. Financial liabilities are classified as both current and non-current liabilities and they can be interest-bearing as well as non-interest-bearing.

2.11 Derivative instruments and hedging activities
Derivatives are initially recognised at cost, which equals the fair value on the date a derivative contract is entered into and are subsequently re-measured at their 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 designates certain foreign currency forward contracts 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 though they do not qualify as hedges under IAS 39.

The Group's derivative financial instruments are currency forward contracts and currency and interest swaps. The fair values of currency forward contracts and forward rate agreements are based on quoted market rates on the balance sheet date. The fair values of cross-currency and interest rate swaps are calculated as the present value of the estimated future cash flows.

Hedge accounting
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 changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss (that is, when the forecast sale or purchase that is hedged, affects the income statement). The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 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 is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within other income or expenses.

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.

The fair values of derivative instruments are disclosed in Note 24 Derivative financial instruments. 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. Trading derivatives are classified as a current asset or liability. Derivatives are presented within other receivables or liabilities.

The Group identifies and separates embedded derivatives from sale or purchase contracts. The embedded derivatives are currency forward contracts and are classified as held for trading through profit and loss at fair value. Changes in fair values are recognised as other income and expenses.

Net investment hedges
The Group has allocated certain foreign currency loans to hedge net investments in SEK assets. Hedge accounting according to IAS 39 is applied for the loans and exchange-rate differences are recognised in other comprehensive income. If the investment is divested, accumulated exchange-rate differences attributable to that operation are transferred to the income statement (see note 3.1 Foreign currency risk for more information).

Financial assets and liabilities at fair value and their measurement levels are presented in Note 15.

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

2.13 Share capital
Ordinary and preferential shares are classified as equity and presented as share capital. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

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

2.15 Provisions
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, when the costs required to meet the obligations under the contract exceed the benefits to be received.

2.16 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.

2.17 Income taxes

The Group's income tax expense includes taxes of the group companies based on 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 effective 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 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.

2.18 Employee benefits

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.

NOTE 3 FINANCIAL RISK MANAGEMENT

The Group's financing and financial risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Board of Directors. The financial risks related to the Group's businesses are market risks (including foreign exchange risk and interest rate risk), liquidity risk and credit risk. The main objective of the financial risk management is to minimise the unfavourable effects of the financial risks on the Group's profit and cash flow.

3.1 Foreign currency risk

A majority of the Group's business is local and the cash flows are generated in each country's local currency. The transaction risk is limited and relates mainly to export and a few other major projects that together constitute less than 10% of the Group's sales. The currency used in the export projects' contracts is usually either US dollar or other major foreign currency. The foreign currency risk is managed by matching, as far as possible, the project costs to the contract currency.

The remaining foreign exchange position is hedged using foreign currency forward contracts and swaps according to the Group FX risk management policy. The Group applies hedge accounting for net currency exposures exceeding 5 million euro in counter value.

A significant part of Group's net sales is generated in foreign currencies. In 2013 37% of the net sales were generated in SEK (2012 37%, 2011 34%), 12% in PLN (2012 11%, 2011 14%), 11% in NOK (2012 10%, 2011 9%) and 7% in DKK (2012 8%, 2011 12%). The Group's results are most sensitive to changes in EUR/SEK and to a lesser extent to changes in EUR/PLN, EUR/NOK and EUR/DKK. A change in the average EUR/SEK, EUR/PLN, EUR/DKK and EUR/NOK rates by 10% would have had an impact of EUR 4.3 million on the Group's operating result before acquisition related amortisations (EBITA) as of 31 December 2013 (2012: EUR 2.6 million, 2011: EUR 2.9 million). A change in the average EUR/SEK, EUR/PLN, EUR/DKK and EUR/NOK rates by 10% would have had an impact of 2.8 EUR million in the Group's post tax profit (2012 EUR 1.3 million, 2011 EUR 1.0 million). 50% of the Group's interest-bearing loans are denominated in euro. During year 2013 EUR 29.6 million was converted into SEK and EUR 42.5 million into PLN in order to achieve natural hedging. The SEK loans are allocated to hedge the net investments in SEK assets and hedge accounting according to the IAS 39 is applied for the loans. Other loans in other currencies consist of loans taken for acquisitions and financial leasing liabilities denominated in local currencies.

The Group has not hedged other investments in foreign subsidiaries. Therefore, the effect of the currency fluctuation on subsidiary investments since the date of acquisition is shown in equity (translation reserve). The majority of the translation difference is EUR/SEK based. Cash flow is not affected by the translation difference on foreign currency net investment.

3.2 Interest rate risk

Interest rate risk consists of cash flow and fair value risks. The Group's bank borrowing is based on floating interest rates (one to six months). A part of the finance lease liabilities have a fixed rate for the lease period.

The Group's policy is to keep the ratio of fixed rate debt between 40–80% and the interest duration between 10–30 months. The Group has hedged EUR 151 million of bank borrowing against the interest rate changes by interest rate swaps. The hedges mature in 2014. Hedge accounting according to the IAS 39 is not applied for interest rate derivatives.

A 1% unit increase/decrease in the euribor rates at the balance sheet date would have a EUR 0.9 million annual impact on the Group's cash flow (2012 EUR 0.5 million, 2011 EUR 1.3 million). The calculation takes into account the non-hedged portion of the floating interest rate borrowings.

A 1% unit increase/decrease in the euribor rates at the balance sheet date would have an annual effect on the net result of EUR 0.2 million (2012 EUR 0.5 million, 2011 EUR 1.5 million). The calculation is made taking into account the effect of the interest cost of all floating rate borrowings plus effect of the changes in fair value of the interest rate derivatives.

3.3 Liquidity risk

Securing adequate amount of funding is centralised to the Group Treasury. The liquidity projections are prepared weekly for the following 6 months period.

The Group maintains sufficient liquidity by efficient cash management through group level cash pool and related committed overdraft limits. Additionally the Group has a committed syndicate revolving credit facility of 80 million euro, which matures in 2014. After balance sheet date a binding commitment has been signed extending the maturity of the committed facility until August 2015 with an amount of 65 million euro. The amount of extension is based on assessment of sufficient liquidity facilities for business needs.

The maturities of the Group's undiscounted financial liabilities on December 31, 2013, December 31, 2012 and December 31, 2011 are presented in the table below. The amounts include the capital and interest payments. The loans from the shareholders include the capital and the accrued interests. The interest of the shareholders' loan is capitalised into the loan principal and not paid in cash.

After the balance sheet date an agreement has been signed to extend EUR 55.9 million of the bank borrowings maturing in 2014 by one year.

2013 EUR million	Less than 1 year	1–3 years	3–5 years	Over 5 years
Bank borrowings	59.2	290.3	0.0	0.0
Loans from related parties	7.0	11.7	0.0	0.0
Finance lease liabilities	2.4	4.0	3.7	0.3
Trade payables	104.5	0.0	0.0	0.0
Derivative financial instruments	0.9	0.0	0.0	0.0
Total	**174.0**	**306.0**	**3.7**	**0.3**

2012 EUR million	Less than 1 year	1–3 years	3–5 years	Over 5 years
Bank borrowings	18.5	352.7	2.1	0.0
Loans from related parties	0.0	11.3	0.0	0.0
Finance lease liabilities	3.2	3.6	3.6	0.0
Trade payables	82.2	0.0	0.0	0.0
Derivative financial instruments	1.1	0.7	0.0	0.0
Total	**105.0**	**368.2**	**5.6**	**0.0**

2011 EUR million	Less than 1 year	1–3 years	3–5 years	Over 5 years
Bank borrowings	26.0	93.1	290.3	0.0
Loans from related parties	0.0	0.0	5.8	0.0
Finance lease liabilities	3.2	3.5	3.5	0.0
Trade payables	87.4	0.0	0.0	0.0
Derivative financial instruments	4.6	(0.3)	0.0	0.0
Total	**121.2**	**96.3**	**299.7**	**0.0**

Available liquidity reserves

EUR million	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
Committed credit facility	65.0	57.0	47.5
Current account overdrafts	15.4	4.3	8.7
Cash and cash equivalents	26.2	16.6	16.2
Total	**106.6**	**77.9**	**72.4**

3.4 Credit risk

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. Historically there have been no major credit losses. Business units are responsible for credit risk management relating to group's business counterparties.

Most 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. 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.

Maturity analysis of trade receivables past due but not impaired:

EUR million	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
Not past due	155.2	141.2	137.0
Past due:			
1–90 days overdue	20.5	20.2	24.3
91–180 days overdue	1.7	1.5	1.9
More than 180 days overdue	1.4	4.3	2.9
Total trade receivables (net)	**178.8**	**167.2**	**166.1**

The company has recognised an increase of 0.3 million euro in the impairment reserve of trade receivables. The current impairment reserve for credit losses is 1.2 million euro. There were no past due receivables in any other class of financial assets. The book value of group's financial assets represents the maximum gross amount of credit risk at balance sheet date.

3.5 Capital risk

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 Company defines total capital as equity plus net debt in the balance sheet. The Company monitors capital on the basis of net debt, which is calculated as total bank borrowings on undiscounted method added by financial leasing liabilities less cash and cash equivalent. As stated in the bank agreements, the shareholder loans are not included in the calculation of the net debt. The net debt at 31 December 2013, 2012 and 2011 have been as follows:

EUR million	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
Total bank borrowings	338.6	356.5	356.4
Finance lease liabilities	10.3	10.3	10.2
Cash and cash equivalents	(26.2)	(16.6)	(16.2)
Net Debt	**322.8**	**350.2**	**350.4**

The bank loan agreements include financial covenants setting limits to cash flow / debt service ratio, EBITDA / financial expenses ratio, leverage / EBITDA ratio and the amount of the capital expenditures. There were no breaches in the covenants at the balance sheet date.

Weighted average maturity years for total bank borrowings was 1.4 in 2013, 2.2 in 2012 and 3.0 in 2011. Weighted average interest rate was 4.0% in 2013, 3.6% in 2012 and 6.0% in 2011.

NOTE 4 CASH FLOW FROM OPERATING ACTIVITIES

	Note	2013	2012	2011
Profit before taxes		**15.1**	**9.7**	**6.3**
Adjustments for				
Depreciation and amortisation	9	29.4	25.8	25.1
Net gains on disposal of business and sales of assets		(6.7)	0.0	(0.2)
Financial expenses, net	11	20.6	21.1	22.4
Cash flow items recognised in other comprehensive income		(3.9)	(2.6)	(3.2)
Other non cash adjustments		(1.4)	(0.7)	(3.2)
Adjustments total		**38.0**	**43.6**	**41.0**
Changes in working capital		(36.2)	(8.1)	(25.3)
Trade and other receivables		38.9	(6.3)	26.7
Trade and other payables		2.1	1.0	5.3
Inventories				
Changes in working capital total		**4.8**	**(13.5)**	**6.7**
Total cash flow from operating activities		**57.8**	**39.9**	**54.0**

NOTE 5 SEGMENT REPORTING

Net sales by segment

EUR million	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
Power	487.4	456.6	366.7
Communication	551.3	568.8	510.7
Transport & Defence	122.6	120.8	95.1
Net sales not allocated to segments	1.4	21.6	47.2
Elimination of sales between segments	(9.0)	(18.9)	(8.3)
Net sales, total	**1,153.7**	**1,149.0**	**1,011.4**

Key customers

The Group has one customer that represents over 10% of total sales. The customer´s share of sales amounts to 17%, compared to 18% (20%) in the previous years. Customer means a legal entity, and where applicable, a collection of legal entities in the same group.

Segment results

EUR million	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
Operative EBITA by segment			
Power	29.2	25.4	20.9
Communication	19.8	20.0	23.7
Transport & Defence	13.1	13.1	6.4
Items not allocated to operating segments	(10.0)	(10.6)	(4.8)
Operative EBITA, Group	52.0	47.8	46.2
Non-recurring items	0.3	(1.8)	(2.5)
EBITA before acquisition related amortisations	52.4	46.1	43.7
Amortisation of acquisition related intangible assets	(16.7)	(15.2)	(15.0)
Operating result	35.7	30.8	28.7
Financial expenses, net	(20.6)	(21.1)	(22.4)
Result before taxes	**15.1**	**9.7**	**6.3**

Non-recurring items are items which management does not consider to form part of the ongoing operative business.

Segment net working capital

EUR million	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
Power	25.0	4.8	(1.2)
Communication	18.2	32.4	29.4
Transport & Defence	(1.4)	3.6	(4.1)
Other	(4.4)	0.4	5.4
Total	**37.3**	**41.2**	**29.6**

Net sales by geographical area

EUR million	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
Sweden	378.8	376.4	315.6
Finland	281.1	287.1	232.7
Poland	138.5	128.5	146.1
Norway	123.5	115.9	94.9
Denmark	85.4	104.5	117.2
Baltics	44.1	44.9	49.2
Rest of countries	102.3	91.7	55.8
Net sales, total	**1,153.7**	**1,149.0**	**1,011.4**

NOTE 6 OTHER INCOME

EUR million	2013	2012	2011
Gains on disposal of business and sales of assets	6.8	0.2	0.2
Gain on foreign exchange forward contracts	0.3	0.5	0.8
Other income	1.5	2.2	1.8
Total	**8.6**	**2.9**	**2.8**

NOTE 7 OTHER EXPENSES

EUR million	2013	2012	2011
Loss on foreign exchange forward contracts	0.0	0.8	0.0
Other expenses	2.7	1.1	0.8
Total	**2.7**	**1.9**	**0.8**

NOTE 8 FUNCTION EXPENSES BY NATURE

EUR million	2013	2012	2011
Materials and supplies	251.2	214.7	268.9
Employee benefit expenses	406.0	403.6	343.2
External services	323.5	390.5	267.6
Other costs	107.9	83.6	77.8
Depreciation and amortisation	29.4	25.8	25.1
Total	**1,118.0**	**1,118.2**	**982.9**

The comparative figures are updated to meet 2013 expense definitions.

NOTE 9 DEPRECIATION AND AMORTISATION

EUR million	2013	2012	2011
Derecognition of goodwill related to disposal of business	3.3	–	–
Amortisation on customer relationships and order backlog	13.4	15.2	15.0
Sum amortisation of acquisition related intangible assets	16.7	15.2	15.0
Other depreciation and amortisation	12.7	10.6	10.1
Total	**29.4**	**25.8**	**25.1**

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

EUR million	2013	2012	2011
Cost of sales	8.4	7.8	8.1
Sales and marketing expenses	0.2	0.1	0.1
Administrative expenses	3.9	2.7	1.9
Other expenses	0.1	0.1	0.0
Sum in expenses	12.7	10.6	10.1
Amortisation of acquisition related intangible assets	16.7	15.2	15.0
Total	**29.4**	**25.8**	**25.1**

NOTE 10 EMPLOYEE BENEFIT EXPENSES

EUR million	2013	2012	2011
Wages and salaries	306.3	306.8	266.4
Post-employment benefits			
Defined benefit plans	0.1	0.0	0.1
Defined contribution plans	36.5	33.4	30.0
Other indirect employee costs	63.7	63.7	46.9
Total	**406.6**	**404.0**	**343.5**

Employee benefit expenses by function

EUR million	2013	2012	2011
Cost of sales	340.9	342.9	301.9
Sales and marketing expenses	7.6	7.3	7.8
Administrative expenses	57.5	53.5	33.5
Other expenses	0.0	(0.1)	0.0
Sum in operative expenses	**406.0**	**403.6**	**343.2**
Financial income and costs	0.6	0.4	0.4
Total	**406.6**	**404.0**	**343.5**

Average number of personnel	2013	Of whom men %	2012	Of whom men %	2011	Of whom men %
Sweden	1,898	89	1,847	89	1,797	90
Finland	1,673	93	1,693	93	1,457	93
Poland	2,665	86	2,535	87	2,508	86
Other	2,306	89	2,437	89	2,142	89
Total	**8,542**	**89**	**8,512**	**90**	**7,903**	**89**
Total personnel at the year-end	**8,459**	**89**	**8,495**	**90**	**8,064**	**89**

Information on the compensation for board of directors and other key management personnel is presented in Note 26 Related party information.

NOTE 11 FINANCIAL INCOME AND EXPENSES

EUR million	2013	2012	2011
Interest income from loans and receivables	0.2	0.1	0.3
Other financial income	0.1	0.1	0.3
Total financial income	**0.3**	**0.2**	**0.5**
Interest expenses from liabilities at amortised cost	(16.4)	(22.5)	(24.6)
Fee expenses	(2.8)	(4.4)	(2.4)
Net gain from financial instruments at fair value through income statement	0.6	3.7	4.7
Foreign exchange differences derivatives, net	(2.1)	3.1	1.3
Other foreign exchange differences	(0.2)	(1.2)	(1.8)
Total financial expenses	**(20.9)**	**(21.3)**	**(22.8)**
Net financial expenses	**(20.6)**	**(21.1)**	**(22.4)**

NOTE 12 INCOME TAX

12.1 Income tax expense in the consolidated income statement

EUR million	2013	2012	2011
Current tax	4.4	3.3	6.2
Deferred tax			
Origination and reversal of temporary differences	(0.8)	(5.6)	(13.5)
Total tax cost/income (–)	**3.6**	**(2.2)**	**(7.0)**

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	2013	2012	2011
Profit/loss before tax	15.1	9.7	4.4
Tax calculated at Swedish tax rate	**3.3**	**2.6**	**1.2**
Effect of different tax rates outside Sweden	0.2	(0.6)	(0.7)
Income not subject to tax	(0.0)	(0.0)	(0.1)
Expenses not deductible for tax purposes	1.7	0.5	0.5
Tax effect of results for which no deferred income tax asset was recognised	(1.6)	0.8	1.4
Deferred tax assets on carry forward losses for previous years	0.8	(5.9)	(10.5)
Remeasurement of deferred tax for change in tax rate in Finland (year 2012 Sweden)	(1.1)	(0.2)	(0.6)
Income tax in respect of prior years	(0.2)	0.2	2.2
Other items	0.5	0.5	(0.4)
Income taxes in the consolidated income statement	**3.6**	**(2.2)**	**(7.0)**

Note 12, cont.

12.2 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	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
Deferred tax liabilities	18.2	22.5	27.9
Deferred tax assets	14.3	19.4	19.0
Deferred tax liabilities (net)	**3.9**	**3.1**	**8.9**

The gross movement on the deferred income tax account:

EUR million	2013	2012	2011
On January, 1	**3.1**	**8.9**	**27.6**
Recognised in the income statement	(0.8)	(5.6)	(13.5)
Translation differences, recognised in other comprehensive income	(0.9)	1.8	(0.7)
Defined benefit plans, recognised in other comprehensive income	2.6	(1.9)	(4.3)
Cash flow hedges	0.0	(0.1)	(0.3)
On December, 31	**3.9**	**3.1**	**8.9**

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:

EUR million Deferred tax liabilities	Fair value adjustment	Other temporary differences	Total
Jan 1, 2011	**37.0**	**0.2**	**37.2**
Recognised in the income statement	(4.2)	1.4	**(2.8)**
Translation differences	(0.6)	0.0	**(0.6)**
Cash Flow hedge	0.0	(0.1)	**(0.1)**
Dec 31, 2011	**32.2**	**1.6**	**33.7**
Recognised in the income statement	(6.1)	(0.2)	**(6.3)**
Translation differences	1.6	0.1	**1.7**
Dec 31, 2012	**27.7**	**1.6**	**29.1**
Recognised in the income statement	(4.1)	0.6	**(3.5)**
Translation differences	(1.5)	0.1	**(1.4)**
Dec 31, 2013	**22.0**	**2.2**	**24.2**

Majority of the fair value adjustments arise from the valuation of Eltel brand and customer relationship in intangible assets.

EUR million Deferred tax assets	Retirement benefit obligations	Tax losses carried forwards	Other temporary differences	Total
Jan 1, 2011	**(0.1)**	**6.4**	**3.3**	**9.6**
Recognised in the income statement	1.1	10.4	(0.8)	**10.7**
Translation differences	0.0	(0.2)	0.3	**0.1**
Cash flow hedge	0.0	0.0	0.2	**0.2**
Dec 31, 2011	**1.0**	**16.6**	**3.0**	**20.6**
Dec 31, 2011 restated	**5.3**	**16.6**	**3.0**	**24.9**
Recognised in the income statement	(2.0)	1.8	(0.6)	**(0.8)**
Recognised in other comprehensive income	1.9	–	–	**1.9**
Translation differences	0.2	0.0	(0.4)	**(0.2)**
Cash flow hedge	0.0	0.0	0.1	**0.1**
Dec 31, 2012	**5.5**	**18.4**	**2.2**	**26.1**
Recognised in the income statement	(0.2)	(2.8)	0.4	**(2.6)**
Recognised in other comprehensive income	(2.6)	0.0	0.0	**(2.6)**
Translation differences	(0.1)	(0.4)	(0.1)	**(0.5)**
Cash flow hedge	0.0	0.0	0.0	**0.0**
Dec 31, 2013	**2.6**	**15.2**	**2.5**	**20.3**

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. On December 31, 2013 the Group had not recognised deferred income tax assets of EUR 24 million (2012 EUR 32 million, 2011 EUR 38 million) in respect of losses amounting to EUR 109 million (2012 EUR 134 million, 2011 EUR 147 million) that can be carried forward against future taxable income. Unrecognised deferred taxes amounting to EUR 10 million (2012 EUR 14.6 million, 2011 EUR 14 million) expire in 2017–2023 other amounts have no expiry date.

NOTE 13 INTANGIBLE ASSETS

EUR million	Goodwill	Customer relationship	Order backlog	Brand	Advances paid and other intangible assets	Total
Cost on Jan 1, 2011	**474.3**	**142.4**	**11.9**	**56.2**	**9.4**	**694.3**
Additions	0.0	0.0	0.0	0.0	0.6	0.6
Disposals	0.0	0.0	0.0	0.0	0.0	0.0
Translation differences	(2.8)	(1.7)	(0.1)	(0.5)	(0.2)	(5.3)
Reclassifications	0.0	0.0	0.0	0.0	0.3	0.3
Cost on Dec 31, 2011	**471.5**	**140.8**	**11.8**	**55.7**	**10.2**	**689.9**
Accumulated amortisation and impairment on Jan 1, 2011	**36.6**	**55.0**	**10.7**	**1.1**	**3.8**	**107.1**
Accumulated amortisation of disposals	0.0	0.0	0.0	0.0	0.0	0.0
Translation differences	0.0	(1.0)	(0.1)	0.0	0.0	(1.1)
Amortisation during the period	0.0	14.4	0.6	0.0	1.3	16.3
Write-down	0.0	0.0	0.0	0.0	0.4	0.4
Accumulated amortisation and impairment Dec 31, 2011	**36.6**	**68.4**	**11.2**	**1.1**	**5.5**	**122.7**
Carrying value on Jan 1, 2011	437.7	87.4	1.3	55.1	5.5	587.1
Carrying value on Dec 31, 2011	**434.9**	**72.4**	**0.6**	**54.7**	**4.6**	**567.2**

EUR million	Goodwill	Customer relationship	Order backlog	Brand	Advances paid and other intangible assets	Total
Cost on Jan 1, 2012	**471.5**	**140.8**	**11.8**	**55.7**	**10.2**	**689.9**
Additions	0.0	0.0	0.0	0.0	0.2	0.2
Disposals	0.0	0.0	0.0	0.0	(0.2)	(0.2)
Translation differences	10.5	4.5	0.5	1.7	0.0	17.3
Reclassifications	0.0	0.0	0.0	0.0	2.5	2.5
Cost on Dec 31, 2012	**482.0**	**145.3**	**12.3**	**57.4**	**12.7**	**709.7**
Accumulated amortisation and imparement on Jan 1, 2012	**36.6**	**68.4**	**11.2**	**1.1**	**5.5**	**122.7**
Accumulated amortisation of disposals	0.0	0.0	0.0	0.0	(0.1)	(0.1)
Translation differences	0.0	2.6	0.5	0.0	0.5	3.6
Reclassifications						
Amortisation during the period	0.0	14.6	0.7	0.0	1.2	16.5
Accumulated amortisation and impairment on Dec 31, 2013	**36.6**	**85.5**	**12.3**	**1.1**	**7.1**	**142.6**
Carrying value on Jan 1, 2012	434.9	72.4	0.6	54.7	4.6	567.2
Carrying value on Dec 31, 2012	**445.4**	**59.8**	**0.0**	**56.4**	**5.6**	**567.1**

EUR million	Goodwill	Customer relationship	Order backlog	Brand	Advances paid and other intangible assets	Total
Cost on Jan 1, 2013	**482.0**	**145.3**	**12.3**	**57.4**	**12.7**	**709.7**
Additions	0.0	0.0	0.0	0.0	0.7	0.7
Disposals	0.0	0.0	0.0	0.0	0.0	0.0
Translation differences	(8.1)	(3.2)	(0.3)	(1.5)	(0.1)	(13.3)
Reclassifications	0.0	0.0	0.0	0.0	0.1	0.1
Cost on Dec 31, 2013	**473.9**	**142.1**	**12.0**	**55.9**	**13.4**	**697.2**
Accumulated amortisation and impairment on Jan 1, 2013	**36.6**	**85.5**	**12.3**	**1.1**	**7.1**	**142.6**
Accumulated amortisations of disposals	0.0	0.0	0.0	0.0	0.0	0.0
Translation differences	0.0	(2.1)	(0.3)	0.0	0.6	(1.8)
Derecognition	3.3	–	–	–	–	3.3
Amortisation during the period	0.0	13.4	0.0	0.0	1.4	14.8
Accumulated amortisation and impairment on Dec 31, 2013	**39.9**	**96.9**	**12.0**	**1.1**	**9.2**	**158.9**
Carrying value on Jan 1, 2013	445.4	59.8	0.0	56.4	5.6	567.1
Carrying value on Dec 31, 2013	**433.9**	**45.2**	**0.0**	**54.8**	**4.2**	**538.2**

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 of acquisition related intangible assets". In 2013 derecognition of goodwill in relation to sale of business line is presented in the same Income statement line.

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.

The Eltel brand and goodwill are allocated to Field Services business and Power Transmission business as follows:

	Brand			Goodwill		
EUR million	**Dec 31, 2013**	**Dec 31, 2012**	**Dec 31, 2011**	**Dec 31, 2013**	**Dec 31, 2012**	**Dec 31, 2011**
Field Services	48.6	49.9	48.6	325.4	336.9	326.5
Power Transmission	6.3	6.5	6.1	108.4	108.5	108.3
Total	**54.8**	**56.4**	**54.7**	**433.9**	**445.4**	**434.9**

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 2.75% in average which does not exceed the long-term average growth rate for the businesses in which the Group operates. The discount rate is defined using the weighted average cost of capital (WACC). The pre-tax discount rates used in calculations are 9.6% – 9.9% including risk premium to reflect the current state of macroeconomic uncertainty (2012: 10.0% – 10.8%).

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.

As a result of the test made, the recoverable amount of the business exceeds the book value of business including goodwill and brand. No impairment was recognised in 2013.

The value of both Power Transmission and Field Service business is higher than the book value. A reasonably possible change in the level of sales, level of profitability or discount rate would not generate impairment. The sensitivity indicators used are: an increase of 1% unit in the discount rate, 10% lower than estimated future sales and 2–3% higher than estimated future costs.

Reallocation 2014

In 2014 Eltel has changed the composition of operating segments to mirror the development in the way that management follows operations. As goodwill and brand are also monitored on operating segment level a reallocation of these items has been made to each operating segment on a relative value basis. The values as of Dec 31, 2013 in accordance with new allocation are presented in below table.

MEUR	Goodwill	Brand
Fixed telecom	83.3	10.5
Mobile telecom	23.9	3.0
Power transmission	134.8	17.0
Power distribution	113.6	14.4
Rail	37.2	4.7
Homeland security & aviation	41.1	5.2
Group total	**433.9**	**54.8**

NOTE 14 PROPERTY, PLANT AND EQUIPMENT

EUR million	Land	Buildings	Machinery and equipment	Total
Cost on Jan 1, 2011	**1.0**	**5.1**	**51.3**	**57.3**
Additions	0.0	0.1	11.0	11.1
Disposals	0.0	0.0	(4.3)	(4.3)
Translation differences	(0.1)	(0.3)	(1.6)	(1.9)
Reclassifications	0.0	0.0	(0.3)	(0.3)
Cost on Dec 31, 2011	**0.9**	**5.0**	**56.2**	**61.8**
Accumulated depreciation on Jan 1, 2011	**0.1**	**0.5**	**24.1**	**24.6**
Accumulated depreciation of disposals	0.0	0.0	(3.1)	(3.1)
Translation differences	0.0	(0.1)	(1.3)	(1.4)
Write-downs	0.0	0.0	0.1	0.1
Depreciation during the period	0.0	0.1	8.6	8.8
Accumulated depreciation on Dec 31, 2011	**0.1**	**0.5**	**28.2**	**28.7**
Carrying value on Jan 1, 2011	0.9	4.6	27.2	32.7
Carrying value on Dec 31, 2011	**0.7**	**4.4**	**28.0**	**33.1**

EUR million	Land	Buildings	Machinery and equipment	Total
Cost on Jan 1, 2012	**0.9**	**5.0**	**56.2**	**61.8**
Additions	0.0	0.2	13.4	13.6
Disposals	0.0	0.0	(2.4)	(2.4)
Translation differences	0.0	0.2	1.8	2.1
Reclassifications	0.0	0.0	(2.5)	(2.5)
Cost on Dec 31, 2012	**0.9**	**5.3**	**66.5**	**72.6**
Accumulated depreciation on Jan 1, 2012	**0.1**	**0.5**	**28.2**	**28.7**
Accumulated depreciation of disposals	0.0	0.0	(2.1)	(2.1)
Translation differences	0.0	0.1	1.1	1.2
Write-downs	0.0	0.0	(0.1)	(0.1)
Depreciation during the period	0.0	0.2	9.1	9.3
Accumulated depreciation on Dec 31, 2012	**0.1**	**0.7**	**36.2**	**36.9**
Carrying value on Jan 1, 2012	0.7	4.4	28.0	33.1
Carrying value on Dec 31, 2012	**0.8**	**4.6**	**30.3**	**35.7**

EUR million	Land	Buildings	Machinery and equipment	Total
Cost on Jan 1, 2013	**0.9**	**5.3**	**66.5**	**72.6**
Additions	0.0	0.1	15.7	15.8
Disposals	0.0	0.0	(2.2)	(2.2)
Translation differences	0.0	(0.1)	(0.9)	(0.9)
Reclassifications	0.0	0.0	(0.1)	(0.1)
Cost on Dec 31, 2013	**0.9**	**5.4**	**78.9**	**85.1**
Accumulated depreciation on Jan 1, 2013	**0.1**	**0.7**	**36.2**	**36.9**
Accumulated depreciation of disposals	0.0	0.0	(1.5)	(1.5)
Translation differences	0.0	0.0	(1.3)	(1.3)
Write-downs	0.0	0.0	2.4	2.4
Depreciation during the period	0.0	0.1	11.1	11.2
Accumulated depreciation on Dec 31, 2013	**0.1**	**0.8**	**46.8**	**47.7**
Carrying value on Jan 1, 2013	0.8	4.6	30.3	35.7
Carrying value on Dec 31, 2013	**0.8**	**4.6**	**32.1**	**37.4**

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

EUR million	2013	2012	2011
Cost	25.5	22.9	24.5
Accumulated depreciation	(15.4)	(12.6)	(13.7)
Carrying value on December 31	**10.1**	**10.3**	**10.1**

NOTE 15 FINANCIAL INSTRUMENTS BY CATEGORY

Book values of financial instruments by category

Dec 31, 2011 EUR million	Fair value through profit or loss	Derivatives Hedge accounting	Loans and receivables	Available-for-sale	Financial liabilities at amortised cost	Book value by class	Fair value by class	Note
Non-current financial assets	**–**	**–**	**0.2**	**0.4**	**–**	**0.5**	**0.5**	
Other receivables and financial assets	–	–	0.2	0.4	–	0.5	0.5	16, 17
Current financial assets	**0.8**	**0.3**	**185.1**	**–**	**–**	**186.2**	**186.2**	
Trade receivables	–	–	166.1	–	–	166.1	166.1	17
Derivative instruments	0.2	0.3	–	–	–	0.5	0.5	24
Embedded derivative instruments	0.7	–	–	–	–	0.7	0.7	
Other receivables	–	–	2.7	–	–	2.7	2.7	17
Cash and cash equivalents	–	–	16.2	–	–	16.2	16.2	
Financial assets total	**0.8**	**0.3**	**185.2**	**0.4**	**0.0**	**186.7**	**186.7**	
Non-current financial liabilities	**–**	**–**	**–**	**–**	**338.6**	**338.6**	**341.4**	
Interest-bearing debt	–	–	–	–	332.7	332.7	335.6	20
Shareholder loan	–	–	–	–	5.8	5.8	5.8	20
Current financial liabilities	**5.1**	**–**	**–**	**–**	**125.3**	**130.4**	**131.8**	
Interest-bearing debt	–	–	–	–	29.9	29.9	31.3	20
Trade payables and other payables	–	–	–	–	95.4	95.4	95.4	23
Derivative instruments	4.9	–	–	–	–	4.9	4.9	24
Embedded derivative instruments	0.2	–	–	–	–	0.2	0.2	
Financial liabilities total	**5.1**	**0.0**	**0.0**	**0.0**	**463.9**	**469.1**	**473.3**	
Book value by category net	**(4.3)**	**0.3**	**185.2**	**0.4**	**(463.9)**			

Dec 31, 2012 EUR million	Fair value through profit or loss	Derivatives Hedge accounting	Loans and receivables	Available-for-sale	Financial liabilities at amortised cost	Book value by class	Fair value by class	Note
Non-current financial assets	**–**	**–**	**0.1**	**0.4**	**–**	**0.5**	**0.5**	
Other receivables and financial assets	–	–	0.1	0.4	–	0.5	0.5	16, 17
Current financial assets	**0.4**	**–**	**187.3**	**–**	**–**	**187.7**	**187.7**	
Trade receivables	–	–	167.2	–	–	167.2	167.2	17
Derivative instruments	0.2	–	–	–	–	0.2	0.2	24
Embedded derivative instruments	0.2	–	–	–	–	0.2	0.2	
Other receivables	–	–	3.4	–	–	3.4	3.4	17
Cash and cash equivalents	–	–	16.6	–	–	16.6	16.6	
Financial assets total	**0.4**	**–**	**187.4**	**0.4**	**–**	**188.2**	**188.2**	
Non-current financial liabilities	**–**	**–**	**0.1**	**–**	**348.9**	**349.0**	**341.4**	
Interest-bearing debt	–	–	–	–	337.6	337.6	337.6	20
Shareholder loan	–	–	–	–	11.3	11.3	11.3	20
Other payables and financial liabilities	–	–	0.1	–	–	0.1	0.1	
Current financial liabilities	**1.3**	**0.1**	**–**	**–**	**116.8**	**130.4**	**131.8**	
Interest-bearing debt	–	–	–	–	23.9	23.9	23.9	20
Trade payables and other payables	–	–	–	–	92.9	92.9	92.9	23
Derivative instruments	1.3	0.1	–	–	–	1.4	1.4	24
Embedded derivative instruments	0.0	–	–	–	–	0.0	0.0	
Financial liabilities total	**1.3**	**0.1**	**0.1**	**0.0**	**465.8**	**467.2**	**470.2**	
Book value by category net	**(0.9)**	**(0.1)**	**187.3**	**0.4**	**(465.8)**			

Note 15, cont.

Dec 31, 2013 EUR million	Fair value through profit or loss	Derivatives Hedge accounting	Loans and receivables	Available-for-sale	Financial liabilities at amortised cost	Book value by class	Fair value by class	Note
Non-current financial assets	**–**	**–**	**0.1**	**0.3**	**–**	**0.4**	**0.4**	
Other receivables and financial assets	–	–	0.1	0.3	–	0.4	0.4	16, 17
Current financial assets	**1.0**	**0.2**	**211.5**	**–**	**–**	**212.7**	**212.7**	
Trade receivables	–	–	178.8	–	–	178.8	178.8	17
Derivative instruments	0.5	0.2	–	–	–	0.6	0.6	24
Embedded derivative instruments	0.5	–	–	–	–	0.5	0.5	
Other receivables	–	–	6.6	–	–	6.6	6.6	17
Cash and cash equivalents	–	–	26.2	–	–	26.2	26.2	
Financial assets total	1.0	0.2	211.6	0.3	–	213.1	213.1	
Non-current financial liabilities	**–**	**–**	**0.1**	**–**	**300.3**	**300.4**	**301.7**	
Interest-bearing debt	–	–	–	–	288.7	288.7	290.0	20
Shareholder loan	–	–	–	–	11.6	11.6	11.6	20
Other payables and financial liabilities	–	–	0.1	–		0.1	0.1	
Current financial liabilities	**0.6**	**–**	**–**	**–**	**173.7**	**174.2**	**174.5**	
Interest-bearing debt	–	–	–	–	58.8	58.8	59.1	20
Trade payables and other payables	–	–	–	–	114.9	114.9	114.9	23
Derivative instruments	0.6	–	–	–	–	0.6	0.6	24
Embedded derivative instruments	–	–	–	–	–			
Financial liabilities total	**0.6**	**–**	**0.1**	**–**	**474.0**	**474.6**	**476.3**	
Book value by category net	**0.4**	**0.2**	**211.5**	**0.3**	**(474.0)**			

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 shareholder loans are estimated to approximate their carrying amounts.

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

Fair value of the derivative instruments are based on observable market values at balance sheet date (level 2 observable input information). There were no instruments that are valued based on quoted prices in active markets (level 1) or non-observable prices (level 3).

Observable prices

EUR million	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
Assets			
Fair value through profit and loss			
Trading derivatives	0.5	0.2	0.2
Embedded derivatives	0.5	0.2	0.7
Derivatives for hedging	0.2	0.0	0.3
Financial assets total	**1.2**	**0.4**	**1.1**
Liabilities			
Fair value through profit and loss			
Trading derivatives		1.3	4.9
Embedded derivatives	0.6	0.0	0.2
Derivatives for hedging	0.0	0.1	0.0
Financial liabilities total	**0.6**	**1.5**	**5.1**

NOTE 16 AVAILABLE-FOR-SALE INVESTMENTS

EUR million	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
Available-for sale-investments	0.3	0.4	0.4

Available-for-sale investments consist of investments in non-quoted shares. There have been no movements in the value of investments during the financial period. Available-for-sale investments are valued at cost as their market is illiquid.

NOTE 17 TRADE AND OTHER RECEIVABLES

Non-current

EUR million	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
Prepaid expenses and accrued income	0.0	0.1	0.1
Other receivables	0.1	0.2	0.1
Total non-current loans and other receivables	**0.1**	**0.3**	**0.2**

Current

EUR million	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
Trade receivables -gross	180.0	168.1	167.1
Bad debt provision	(1.2)	(0.9)	(1.0)
Trade receivables -net	178.8	167.2	166.1
Derivative instruments	1.2	0.4	0.8
Other receivables	6.6	3.4	2.7
Current trade and other receivables	**186.5**	**171.1**	**169.7**

EUR million	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
Income tax receivables	1.0	0.6	1.0
Indirect tax receivables	0.9	0.8	1.1
Prepaid expenses and accrued income	107.8	90.9	76.3
Total current receivables	**296.2**	**263.4**	**248.1**

Fair values of trade and other receivables approximate their carrying amount due to short maturities. The Group has recognised an increase of EUR 0.3 million (2012: recovery of EUR 0.1 million, 2011: recovery of EUR 1.1 million) for the debt provision.

Prepaid expenses and accrued income

EUR million	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
Prepayments	5.1	0.1	0.2
Uninvoiced net sales	85.2	73.3	67.8
Other accruals	17.4	17.5	8.3
Total	**107.8**	**90.9**	**76.3**

NOTE 18 INVENTORIES

EUR million	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
Raw materials and consumables	9.4	10.7	8.8
Work in progress	2.4	3.6	6.3
Advance payments	0.3	0.0	0.1
Total	**12.1**	**14.4**	**15.1**

The Group recognised EUR 1.2 million write-down to the carrying value of the inventories when assessing of the net realisable value of the inventories. In 2012 and 2011 the Group did not recognise any material write-downs.

NOTE 19 EQUITY

Shares and share capital

Three investment entities managed by 3i Investments plc are the majority owners of Eltel Group with 69.4% of the votes. Bank BNP Paribas holds 29.5% and management holds the remaining 1.1% of the votes.

No changes in the amount of shares or share capital took place in 2013, 2012 or 2011.

The number of original shares outstanding was 68,345,280. The total amount of shares outstanding was 863,635,790. Each series A original share is assigned one vote, series B original shares 10 votes, series C1 preferential share 1 votes and series C2 preferential share 4.6 votes. In accordance with the Articles of Association the series C1 and C2 shares are preferred for an annual dividend, which is 6 percent on the subscription price added by accumulated unpaid dividends. The dividends are declared in annual general meeting as deferred, unpaid dividend. The preference shares carry no further right to distribution of profits.

Changes in share capital

	Ordinary		Preferential			EUR million	
Number of Shares	Series A	Series B	Series C1	Series C2	Total	Share capital	Premium
Dec 31.2011	68,345,280	552,975,440	71,482,946	170,832,124	863,635,790	86.4	261.5
Dec 31.2012	68,345,280	552,975,440	71,482,946	170,832,124	863,635,790	86.4	261.5
Dec 31.2013	68,345,280	552,975,440	71,482,946	170,832,124	863,635,790	86.4	261.5
% of votes	1.1%	85.7%	1.1%	12.2%	100.0%		

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

NOTE 20 BORROWINGS

The financial liability amounts include capital amount and accrued interests.

The carrying amounts of the non-current liabilities

EUR million	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
Bank borrowings	280.7	330.5	325.7
Finance lease liabilities	8.0	7.1	7.0
Non-current debt	**288.7**	**337.6**	**332.7**
Shareholder loans	11.6	11.3	5.8
Total non-current financial liabilities	**300.3**	**348.9**	**338.6**

The non-current bank borrowings will mature during the years 2015–2017. The loans will be repaid in full on the maturity date and no partial repayments are required, except the repayments based on the excess cash flow determined in the credit agreement. The bank loan agreements include financial covenants setting limits to cash flow / debt service ratio, EBITDA / financial expenses ratio, leverage / EBITDA ratio and the amount of the capital expenditures. There were no breaches in the covenants at the balance sheet date.

The carrying amounts of the current liabilities

EUR million	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
Bank borrowings	56.4	20.7	26.8
Finance lease liabilities	2.4	3.2	3.2
Total current debt	**58.8**	**23.9**	**29.9**
Total financial liabilities at amortised cost	**359.1**	**372.8**	**368.5**

Financial liabilities include loans from shareholders:			
Management shareholder loans	5.3	5.0	4.7
Main shareholders participating in bank facilities			
Non-current	251.3	297.9	289.3
Current	52.7	4.8	8.8
Total	**309.3**	**307.7**	**302.7**

The carrying amounts of the group's financial liabilities is denominated in following currencies:

EUR million	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
EUR	182.7	258.2	261.2
SEK	123.5	98.5	96.1
PLN	50.0	6.9	6.4
NOK	0.0	4.5	4.5
DKK	0.6	4.7	0.3
GBP	2.2	0.0	0.0
LTL	0.1	0.0	0.0
Total	**359.1**	**372.8**	**368.5**

Finance lease liabilities – minimum lease payments

	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
Not later than 1 year	2.4	3.2	3.2
1–5 years	7.6	7.1	7.0
Later than 5 years	0.3	0.0	0.0
	10.3	**10.3**	**10.2**
Future finance charges	(0.6)	(0.4)	(0.6)
Present value of minimum lease payments	**9.8**	**9.9**	**9.5**

The present value of finance lease liabilities

	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
Not later than 1 year	2.3	3.2	3.1
1–5 years	7.2	6.7	6.4
Later than 5 years	0.3	0.0	0.0
	9.8	**9.9**	**9.5**

NOT 21 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. In Finland the main pension plan is the Finnish Statutory Employment Pension Scheme (TyEL), in which benefits are directly linked to employee earnings. TyEL is accounted for as a defined contribution plan. There are also smaller voluntary pension plans in Finland that are accounted for as defined benefit plans. In Norway, main part of the pension benefits have been moved to defined contribution plans in 2010, due to the changes in legislation.

The Group has applied revised IAS 19 Employee benefits standard from January 1, 2013. The comparative figures have been restated accordingly. According to the amended standard actuarial gains and losses relating to defined benefit obligations are recognised as they occur. This increased the Group's reported employee benefit liability. In addition the interest cost and expected return on plan assets were replaced with a net interest amount that is calculated by applying the discount rate of the net defined benefit liability. For more information on the impact on comparative figures please see note 29 Impact of the application of revised IAS 19.

Pension liabilities in the balance sheet

EUR million	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011 restated
Defined benefit pension liability	9.0	23.0	14.6
Other pension liability	1.0	1.0	1.0
Total pension liability	**10.0**	**23.9**	**15.7**
Defined pension benefit asset	(0.2)	(0.1)	(0.3)
Net pension liability	**9.8**	**23.9**	**15.4**

EUR million	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
Defined benefit pension liability	9.0	23.0	14.6
Defined pension benefit asset	(0.2)	(0.1)	(0.3)
Net defined benefit pension liability/asset (–)	**8.7**	**22.9**	**14.3**

Defined benefit pension liabilities in the balance sheet

EUR million	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
Present value of unfunded obligations	0.3	0.8	1.5
Present value of funded obligations	88.1	104.3	92.9
Fair value of plan assets	(79.6)	(82.2)	(79.7)
Net liability	**8.7**	**22.9**	**14.3**

The movement in the fair value of plan assets

EUR million	2013	2012	2011
Fair value of assets on January, 1	82.2	79.7	74.9
Expected return on plan assets	2.4	3.0	3.3
Remeasurements of plan assets	(2.9)	0.5	1.2
Contributions by employer	0.4	0.4	0.5
Benefits paid	(0.5)	(0.4)	(0.6)
Gains and losses on curtailments and settlements	0.0	(3.4)	0.0
Translation differences	(2.0)	2.5	0.4
Fair value of assets on December, 31	**79.6**	**82.2**	**79.7**

The expected return on plan assets is determined by considering the expected returns on the asset categories. Expected returns reflect long term expectations in the respective market. The distribution of plan assets in categories is not available for all plans.

The movement in the defined benefit obligations

EUR million	2013	2012	2011
Total obligations on January, 1	105.1	94.1	86.1
Current service cost	(0.5)	(0.4)	(0.3)
Interest cost	3.1	3.3	3.7
Remeasurements of pension obligation	(13.5)	11.4	7.6
Benefits paid	(3.3)	(3.1)	(3.5)
Gains and losses on curtailments and settlements	0.0	(3.5)	0.0
Translation differences	(2.6)	3.2	0.5
Total obligations on December, 31	**88.3**	**105.1**	**94.1**

The amounts recognised in the income statement and other comprehensive income

EUR million	2013	2012	2011
Current service cost	(0.5)	(0.3)	(0.3)
Net interest cost	0.6	0.5	0.4
Gains and losses on curtailments and settlements	0.0	(0.2)	0.0
Sum recognised in the income statement	**0.1**	**0.0**	**0.1**
Remeasurements recognised in other comprehensive income	(10.6)	10.8	6.4
Total pension charges recognised during the period	**(10.5)**	**10.8**	**6.5**

The principal actuarial assumptions

%	2013	2012	2011
Discount rate			
Sweden	4.00%	3.00%	3.40%
Norway	4.10%	2.40%	3.30%
Finland	3.00%	3.00%	4.45%
Future salary increase expectation			
Sweden	Closed plan		
Norway	3.75%	3.25%	4.00%
Finland	2.10%	2.10%	3.00%
Inflation rate			
Sweden	1.9%	1.9%	1.7%

The pension plan in Sweden forms 79% of the Groups total obligations and 98% 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 5.6 million. Similar rise in inflation rate would have the opposite effect and increase the obligation by EUR 6.1 million. If the discount rate was decreased by 0.5% the obligation would increase by EUR 6.2 million whilst similar decrease in the inflation rate would reduce the obligation by EUR 5.5 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 2013 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 percent. If the level of collective solvency is less than 125 percent or exceeds 155 percent, 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 exceed 155 percent. However Alecta aim to avoid surplus by using reduced contributions. At December 31, 2013, Alecta's surplus corresponded to a collective consolidation ratio of 148 percent (129,113).

NOTE 22 PROVISIONS

EUR million	Restructuring provision	Warranty provision	Other provisions	Total
January 1, 2013	**0.9**	**3.0**	**1.0**	**5.0**
Exchange rate differences	0.0	(0.1)	0.0	(0.1)
Additional provisions	0.8	0.9	0.4	2.2
Used provisions during year	(0.2)	(1.1)	(0.3)	(1.5)
Unused amounts reversed	(0.3)	(0.1)	(0.2)	(0.6)
Other changes	0.0	0.0	0.0	0.0
December 31, 2013	**1.2**	**2.8**	**0.9**	**4.9**

Analysis of total provisions

EUR million	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
Non-current	2.4	1.9	2.1
Current	2.5	3.0	3.1
Total	**4.9**	**5.0**	**5.2**

Restructuring provision comprises employee termination benefits incurred as a direct result of the formal plan approved and committed by management with no continuing economic benefit to the group.

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

NOTE 23 TRADE AND OTHER PAYABLES

Current

EUR million	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
Trade payables	104.5	82.2	87.4
Other liabilities	10.8	10.8	7.9
Derivative financial liabilities	0.7	1.5	5.1
Indirect tax liabilities	17.6	15.8	15.0
Company income tax liabilities	2.8	2.9	4.1
Accrued expenses	88.1	84.8	74.0
Total current trade and other payables	**224.4**	**197.9**	**193.6**

Accrued expenses consist of the following items:

EUR million	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
Accrued wages and salaries	49.3	48.3	41.4
Accrued indirect employee costs	16.8	17.5	14.8
Other accruals	22.0	19.2	17.8
Total	**88.1**	**84.8**	**74.0**

NOTE 24 DERIVATIVE FINANCIAL INSTRUMENTS

	Dec 31, 2013			Dec 31, 2012			Dec 31, 2011		
	Nominal	Fair values		Nominal	Fair values		Nominal	Fair values	
EUR million	values	Positive	Negative	values	Positive	Negative	values	Positive	Negative
Interest rate derivatives	151.5	0.0	(0.5)	153.1	0.0	(1.2)	241.2	0.0	(4.8)
Foreign exchange derivatives	96.6	0.6	(0.1)	70.8	0.2	(0.3)	69.7	0.4	(0.1)
Total	**248.1**	**0.6**	**(0.6)**	**223.9**	**0.2**	**(1.4)**	**310.9**	**0.5**	**(4.9)**

The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during year 2014. Gains and losses recognised in the hedging reserve in equity on forward foreign exchange contracts are recognised in the income statement in the period or periods during which the hedged forecast transaction affects the income statement. The Group has recognised in 2013 income statement EUR 0.0 million ineffectiveness from the hedges (EUR 0.0 million in 2012, EUR 0.0 million in 2011).

NOTE 25 COMMITMENTS AND CONTINGENT LIABILITIES

The future minimum lease payments under non-cancellable operating leases

EUR million	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
Not later than 1 year	19.1	17.9	16.3
1–5 years	27.5	33.5	16.9
Later than 5 years	0.5	0.8	0.0
Total	**47.0**	**52.2**	**33.3**

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.

Commitments and collaterals pledged:

EUR million	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
Debt secured by general collaterals			
Loans from financial institutions	332.0	359.7	359.7
Pension liabilities	8.5	8.5	8.5
Off balance sheet liabilities secured by general collaterals			
Commercial guarantees	68.2	72.5	55.1
Total liabilities secured by general collaterals	**408.7**	**440.7**	**423.3**

EUR million	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
Off balance sheet liabilities, unsecured			
Commercial guarantees	60.0	46.0	41.1
Commercial guarantees on own behalf	192.3	44.8	31.0

Collaterals given are general collaterals and their value covers the full amount of secured liabilities. These collaterals include subsidiary share pledges and mortgages over fixed and floating company assets.

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.

Undertakings on own behalf 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.

The Group is a party to a ten-year-long arrangement which involves an agreement with lease agreement.

The substance of the arrangement is financing of real estate domiciled in Poland. The Group has obtained a loan amounting to EUR 2.2 million secured by the premise. At the end of the agreement, the Group has an obligation to buy back and the lender has an obligation to sell the premise back to the Group.

Legal claims and investigations

In Poland, Isacom Sp. z o.o. company has filed a statement of claim against Eltel Networks Telecom Sp. z o.o. on a basis of alleged unfair competition in July 2006. The Group's local legal advisors have moved for dismissal of the claim in whole due to lack of any merits. The court process is pending and has been moved to civil court. The management believes that there will be no financial or legal damage to the Group from the case.

The Finnish Competition Authority has an investigation ongoing regarding competition legislation in Finland. Eltel has and continues to help as much as possible in the investigations. No claims have been raised towards Eltel, the investigation process is ongoing and the outcome uncertain.

NOTE 26 RELATED PARTY INFORMATION

Eltel AB is controlled by private equity investor 3i and through its funds, which holds 69.4% of the votes. Since July 9, 2010 BNP Paribas S.A. Niederlassung Deutschland holds 29.5% or the votes and the remaining 1.1% is held by the management of the Group.

Main shareholders

Senior loans

The main shareholders, 3i and BNP Paribas, are also participating in the senior bank loan syndicate facility (note 20 borrowings). At the end of 2013 financial year the long term facility amount is EUR 244.9 million (EUR 294.2 million in 2012, EUR 287.7 million in 2011), 88% of the loan facility (88% in 2012, 88% in 2011). The short term facility amount is EUR 50.3 million (EUR 4.8 million in 2012, EUR 6.4 million in 2011), 94% of the used facility (25% in 2012, 37% in 2011). Paid and accrued interests to shareholders based on these loans amount to EUR 11.0 million in 2013 (EUR 12.7 million in 2012, EUR 12.5 million in 2011). The terms and conditions of the loans to shareholder participants do not differ from the third party participants.

Fees

The other fees to the main shareholders amount to EUR 1.0 million (EUR 0.6 million in 2012, EUR 0.5 million in 2011). They include guarantee fees, commitment fees and annual security trustee and other fees.

Dividend

A dividend of EUR 2.4 million for share series C1 was declared in the annual general meeting held on 3 May 2013. Total liability for declared dividends for share series C1 is 6.1 million on Dec 31, 2013. The owners of C1 preference shares have further right for EUR 2.350.600 dividend to be declared from financial year 2013 and the owners of C2 preference shares have right for divided from financial year 2013 added by the amount of undeclared dividends from previous years EUR 6,195,147.86 in total.

Management shareholders

Management shareholder loan

Eltel AB has a loan amounting to EUR 3.2 million from its management shareholders. The payment of the loan has been made by the promissory notes. The loan capital is paid on 9 August 2015. The loan accrues interest of 10% per annum. The total amount of the accrued interest on the shareholder loans is EUR 2.0 million on Dec 31, 2013 (EUR 1.7 million in 2012, EUR 1.4 million in 2011).

Key management compensation:

EUR 2013	Fee	Fixed salary	Variable salary	Pension	Other benefits	Total
Gérard Mohr	100,000	0	0	0	0	100,000
Matti Kyytsönen	50,000	0	0	0	0	50,000
Gustav Bard	33,333					33,333
Other members of the board of directors	0	0	0	0	0	0
Managing director	0	438,470	255,689	90,683	7,997	792,839
Other members of the senior management	0	1,620,150	561,301	238,391	57,202	2,475,776

2012 EUR million	Board of directors	Other key management	Total
Salaries and other short-term benefits	0.2	2.8	**3.0**

2011 EUR million	Board of directors	Other key management	Total
Salaries and other short-term benefits	0.2	2.7	**2.9**

Key management:	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
Board of directors			
Men	5	5	6
Other key management			
Men	7	9	9
Women	2	1	0
Total	**14**	**15**	**15**

NOTE 27 GROUP COMPANIES

Group companies on Dec 31, 2013	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 Networks Kraftkonsult AB	Sweden	100%
Transelectric AB	Sweden	100%
Eltel Group Corporation	Finland	100%
Eltel Networks Oy	Finland	100%
Eltel Networks Pohjoinen Oy	Finland	60%
Eltel Smart Metering Oy	Finland	100%
Eltel Networks AS	Norway	100%
AS Linjebygg	Norway	100%
Eltel Networks A/S	Denmark	100%
Eltel Networks Olsztyn S.A.	Poland	100%
Energoprojekt-Kraków S.A.	Poland	100%
Eltel Networks Telecom Sp. z o.o.	Poland	100%
Eltel Networks S.A	Poland	100%
Eltel Networks Rzeszów S.A.	Poland	100%
Eltel Networks Torun S.A	Poland	100%
Eltel Networks Poland S.A.	Poland	100%
Eltel Networks Infranet Services S.A.	Poland	100%
Polish Marine Grid (Polskie Sieci Morskie S.A.)	Poland	50%
Eltel Networks UK limited	UK	100%
AS Eltel Networks	Estonia	100%
UAB Eltel Networks	Lithuania	100%
Eltel Networks SIA	Latvia	100%
Eltel Infranet GmbH	Germany	100%
Eltel Infranet Production GmbH	Germany	100%
Eltel Networks GmbH	Germany	100%
Eltel Networks sro	Czech Republic	100%
Eltel Networks Srl	Romania	100%
Eltel Networks FZ LCC	United Arab Emirates	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%
Jointly controlled entities		
Fiber og Anlaeg I/S	Denmark	37.5%
Carillion Eltel JV Limited	UK	50%

*) Group voting 100%

NOTE 28 AUDITOR'S FEES

EUR illion	2013	2012	2011
Audit	0.6	0.5	0.5
Tax services	0.2	0.3	0.2
Other services	0.2	0.7	0.3
Total	**1.0**	**1.6**	**1.0**

NOTE 29 EFFECT OF THE CHANGE IN ACCOUNTING PRINCIPLE FOR PENSIONS

MEUR	Previously reported 2011	Changes	Restated 2011	Previously reported 2012	Changes	Restated 2012
Income statement						
Net Sales	1,011.4	–	1,011.4	1,149.0	–	1,149.0
Administrative expenses	(73.3)	0.0	(73.3)	(84.0)	1.1	(82.9)
Other expenses	(2.8)	1.9	(0.8)	(1.9)	–	(1.9)
Operating result	**26.7**	**2.0**	**28.7**	**29.7**	**1.1**	**30.8**
Financial income	3.0	(2.6)	0.5	3.0	(2.8)	0.2
Financial expenses	(25.4)	2.5	(22.8)	(23.4)	2.1	(21.3)
Financial expenses –net	**(22.3)**	**(0.1)**	**(22.4)**	**(20.3)**	**(0.8)**	**(21.1)**
Net profit	**11.4**	**1.9**	**13.3**	**11.6**	**0.3**	**11.9**
Balance sheet						
Retirement benefit asset	3.1	(2.7)	0.3	5.5	(5.4)	0.1
Deferred tax assets	14.7	4.3	19.0	13.1	6.3	19.4
Total assets	**898.0**	**1.6**	**899.6**	**916.4**	**0.9**	**917.3**
Total equity	258.6	(11.9)	246.7	279.8	(22.1)	257.7
Retirement benefit obligations	2.2	13.5	15.7	2.0	21.9	23.9
Trade and other payables	193.6	–	193.6	196.9	1.1	197.9
Total equity and liabilities	**898.0**	**1.6**	**899.6**	**916.4**	**0.9**	**917.3**

NOTE 30 EFFECT OF THE CHANGE IN ACCOUNTING PRINCIPLE FOR IFRS 11, JOINT VENTURES

EUR million	Previously reported 2012	Changes	Restated 2012
Income statement			
Net Sales	1,149.0	(1.5)	1,147.5
Cost of sales	(1,008.9)	1.5	(1,007.4)
Operating result	**140.1**	**0.0**	**140.1**
Balance sheet			
Property, plant and equipment	35.7	(0.6)	35.1
Inventories	14.4	0.0	14.4
Trade and other receivables	263.4	(0.4)	263.0
Total assets	**917.3**	**(1.1)**	**916.2**
Advances received	37.4	(0.2)	37.2
Trade and other payables	197.9	(0.8)	197.1
Total equity and liabilities	**917.3**	**(1.1)**	**916.2**

EUR million	Previously reported 2013	Changes	Restated 2013
Income statement			
Net Sales	1,153.7	(6.2)	1,147.5
Cost of sales	(1,010.3)	6.2	(1,004.1)
Operating result	**143.4**	**0.0**	**143.4**
Balance sheet			
Property, plant and equipment	37.4	(2.2)	35.3
Trade and other receivables	296.2	(1.9)	294.4
Total assets	**925.1**	**(4.0)**	**921.1**
Non-current debt	288.7	(2.2)	286.5
Advances received	41.2	(0.9)	40.3
Trade and other payables	224.4	(0.9)	223.5
Total equity and liabilities	**925.1**	**(4.0)**	**921.1**

NOTE 31 EVENTS AFTER BALANCE SHEET DATE

A binding commitment has been signed extending the short term bank borrowings and credit facilities maturing in August 2014 to August 2015. See note 3.3 for more information.

To the Board of Directors of Eltel AB, Corporate Id No 556728-6652

Independent Auditors' Report on Historical Financial Information

We have audited the financial statements for Eltel AB and its subsidiaries ("Group") on pages F11-F38, which comprise of the consolidated balance sheet as of 31 December for 2013, 2012 and 2011 and the consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flow for the years then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

The Board of Directors' and the Managing Director's responsibility for the financial statements

The Board of Directors and the Managing Director are responsible for the preparation and the fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU and the Annual Accounts Act and additional applicable framework. This responsibility includes designing, implementing and maintaining internal control relevant to preparing and appropriately presenting financial statements that are free from material misstatement, whether due to fraud or error. The Board is also responsible for the preparation and fair presentation in accordance with the requirements in the Commission Regulation (EC) No 809/2004.

The auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with FAR´s Recommendation RevR 5 *Examination of Prospectuses*. This recommendation requires that we comply with ethical requirements and have planned and performed the audit to obtain reasonable assurance that the financial statements are free from material misstatements. An audit in accordance with FAR´s Recommendation RevR 5 *Examination of Prospectuses* involves performing procedures to obtain audit evidence corroborating the amounts and disclosures in the financial statements. The audit procedures selected depend on our assessment of the risks of material misstatements in the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the company's preparation and fair presentation of the financial statements as a basis for designing audit procedures that are applicable under those circumstances but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also involves evaluating the accounting policies applied and the reasonableness of the significant accounting estimates made by the Board of Directors and the Managing Director and evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion the financial statements give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU, Annual Accounts Act and additional applicable framework of the financial position of Eltel AB group as of 31 December 2013, 2012 and 2011 and its financial performance, statement of changes in equity and cash flows for the years then ended.

Stockholm 23 January 2015

Öhrlings PricewaterhouseCoopers AB

Niklas Renström
Authorized Public Accountant

Definitions

BNP	means BNP Paribas S.A., Niederlassung Deutschland, in its capacity as selling shareholder.
CAGR	means compound annual growth rate.
Co-Lead Manager	means Pohjola Bank plc.
Company or Eltel	means, depending on the context, Eltel AB or the group of which Eltel AB is the parent company or subsidiaries of the Group.
Credit Facility	means the new senior credit facility in accordance with the senior credit facility loan agreement the Company is expected to enter into in connection with the Offer.
EUR	means euro.
Euroclear	means Euroclear Sweden AB (Box 191, 101 23 Stockholm).
DKK	means Danish krone.
Group	means Eltel AB and all its subsidiaries.
Infranet	means critical infrastructure networks in society and the interplay between them, e.g. *Power, Communication, Transport*.
Joint Global Coordinators	means BNP PARIBAS, Morgan Stanley & Co. International plc, and SEB Corporate Finance, Skandinaviska Enskilda Banken AB (publ) acting as joint global coordinators and joint bookrunners.
Lock-up Period	means the period of time after the trade at Nasdaq Stockholm has been initiated, during which the Company, the Principal Shareholders, and the current shareholding members of the Company's board of directors, its senior management and its key employees, as well as shareholding former members of the Company's senior management, will commit to not sell their respective holdings.
Lock-up Shares	means shares subject to lock-up under the Underwriting Agreement or separate lock-up agreements entered into in accordance with the Underwriting Agreement.
Management Shareholders	means the current and former members of the Company's management and employees who will sell shares in the Offer in order to fund the contribution which the shareholders have agreed to make in relation to the FCCA Case. Formally, the Management Shareholders will not sell any shares in the Offer themselves. Shares to be sold by the Management Shareholders will be transferred to three Swedish limited liabilities companies, held by the Management Shareholders. The three limited liabilities companies; Goldcup 10689 AB, corporate registration number 556996-8265, under name change to Grid Alpha AB; Goldcup 10714 AB, corporate registration number 556997-8736, under name change to Grid Bravo AB; and Goldcup 10715 AB, corporate registration number 559000-0344, under name change to Grid Charlie AB, shall be the formal sellers of the shares.
Managers	means the Joint Global Coordinators and the Co-Lead Manager.
Offer	means the offering of shares described in the Prospectus.
Offer Price	means the price of the Offer Shares in the Offer.
Offer Shares	means the shares in the Offer as described in the Prospectus.
Over-allotment option	means the Selling Shareholders' undertaking to, at the request of the Managers, sell up to 6,751,561 additional existing shares corresponding to maximum 15 percent of the number of shares comprised by the Offer, in order to cover overallotment, if any.
PLN	means Polish złoty.
Principal Shareholders	means BNP and the 3i Shareholders.
Prospectus	means this Prospectus which has been prepared in connection with the Offer.
SEK	means Swedish krona.
Selling Shareholders	means the Principal Shareholders and the Management Shareholders.
TSOs	means transmission system operators.
Underwriting Agreement	means the agreement on placing of shares which is intended to be signed on 5 February 2015 between the Company, the Managers and other persons selling shares.
USD	means US Dollar.
3i Shareholders	means 3i Europartners Va LP, 3i Europartners Vb LP and 3i Group plc.

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