Annual Report 2022

ELTEL

Contents

Transforming how we power and connect the world

Eltel is a leading service provider for critical infrastructure that enables renewable energy and high-performing communication networks today and for future generations.

The year in brief

2022 Highlights

» New strategy laying the foundation for sustainable and profitable growth
During the year, we began working with our new strategy for 2023–2025. The strategy focuses on innovation, sustainability and new market development, as well as expanding existing and new business opportunities (read more on page 8).

» Growth in net sales
Our net sales increased to EUR 823.6 million, compared to EUR 812.6 million in 2021. We see further opportunities for growth as the market demand for our services remains strong despite inflation and supply chain challenges.

» Approval of our science-based climate targets
Our new climate targets were approved by the Science Based Targets initiative at the end of the year (read more on page 28). Eltel's carbon reduction targets are in line with the Paris Climate Agreement and reducing global warming to 1.5 degrees.

» New Business Development function established to create opportunities
We launched a new Business Development function that will both replicate successful business models and conceptualise new ones. Business Development includes our Sustainability function, which was also strengthened with a new Head of Sustainability during the year.

» Managing macro-economic challenges
The high inflation impacts Eltel across its cost base, including fuel and material prices as well as the availability and cost of subcontractors and employees. Mitigating actions have been taken and Eltel has agreements in place to recover parts of the cost increases with most of its largest customers. However, the degree of compensation may be lower than previously anticipated. It will also take time before the agreed indexation mechanisms take full effect.

Key figures

823.6
Net sales, EUR million

-1.9
Operative EBITA, EUR million

825
Signed contracts, EUR million

-0.2
Operative EBITA margin, %

5,053
Number of employees, average

Eltel in brief

Eltel is a leading service provider for communication and power networks. Operations are conducted in the Nordic countries, Poland, Germany and Lithuania within country-based organisations that have full responsibility for their financial result. Within Power, Eltel provides maintenance of power grids, upgrades and project work to national transmission system operators and distribution network owners. Within Communication, Eltel provides similar services to telecom operators and other owners of communication networks.

FINLAND

Net sales: **EUR 290.1 MILLION**

Average number of employees: **1,498**

SWEDEN

Net sales: **EUR 193.8 MILLION**

Average number of employees: **919**

NORWAY

Net sales: **EUR 176.8 MILLION**

Average number of employees: **938**

DENMARK

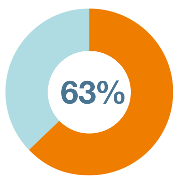
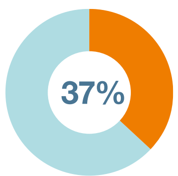
Net sales: **EUR 74.3 MILLION**

Average number of employees: **484**

OTHER BUSINESS

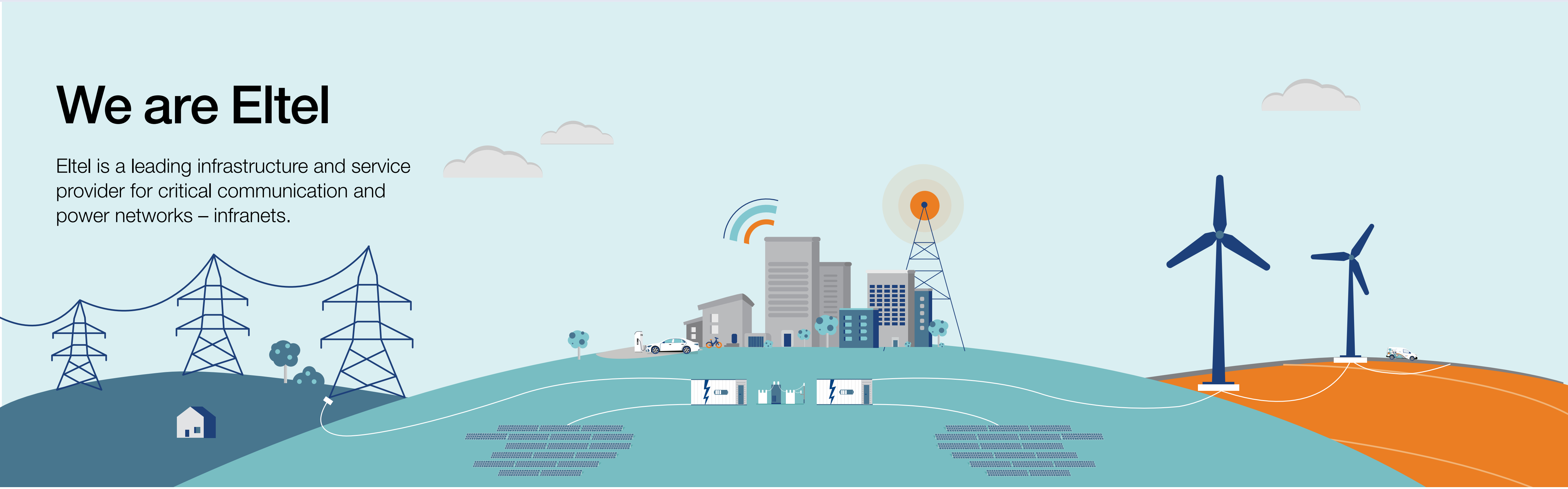
Net sales: **EUR 99.4 MILLION**

Average number of employees: **1,071**

SERVICES	OFFERING	MARKETS	CUSTOMERS	NET SALES 2022
Communication Market leader in the Nordic region and Lithuania. *Read more about our communication services on page 11.*	• Designing, installing, upgrading and servicing mobile and fixed communication networks	• The Nordics • Lithuania	• Telecom operators and network owners • Local industrial customers and the public sector	 63%
Power A key player in the Nordics and Poland. A niche player in Germany. *Read more about our power services on page 12.*	• Maintenance and upgrades to electricity distribution and transmission • Renewable energy • Electric vehicle charging infrastructure • Smart Grids	• The Nordics • Poland • Germany	• Network operators • Local industrial customers and the public sector • Utility companies	 37%

We are Eltel

Eltel is a leading infrastructure and service provider for critical communication and power networks – infranets.



Securing the lifelines of modern society
Everyone depends on stable communication and power networks. Eltel designs, builds, maintains and upgrades these essential lifelines of modern society for national network operators and owners.

We enable a more sustainable society
The infranet solutions that Eltel provides enable the transition to a robust, resilient and carbon-neutral society. For example, Eltel delivers infrastructure that allows renewable energy generation, electric vehicle charging and high-capacity communication networks. This enables the electrification and digitalisation of society, and new ways of living and interacting.

Our services and offering
We deliver a comprehensive range of communication and power services – everything from the design and build phase to corrective maintenance – primarily for the owners of communication and power networks. We offer a 24/7 and extensive geographical presence in our home markets.

Our communication and power services are becoming increasingly intertwined as we draw on synergies between our communication and power capabilities to deliver solutions that include both. We are offering more projects related to renewable energy, energy storage, electric vehicle charging and public infrastructure.

Most of our work is conducted through long-term framework agreements and service agreements that enable us to collaborate with customers to achieve their objectives. We accomplish this through our business strategy, which focuses on delivering on our customer promises, streamlining our operations and improving productivity. Read more about our strategy on page 8.

Why invest in Eltel?

We secure communication and power networks for a more sustainable and connected world – today and for future generations. Our services make society more robust with a well-managed and state-of-the-art communication and power infrastructure.

- We are a market leader
- Market trends support the future growth of our business
- We enable a more sustainable society and minimise our negative climate impact by setting science-based targets
- We focus on operational excellence, cost efficiency and sustainable profitable growth
- We have a customer-focused mindset
- We enable cross-border synergies

High demand for Eltel services in a challenging year

Eltel's President and CEO Håkan Dahlström reflects on a challenging year as the company strives toward sustainable and profitable growth.

You have been CEO since 1 August. What has most impressed you about Eltel so far?
I would say how open-minded our people are to finding new ways of working and creating new business opportunities – particularly when collaborating with colleagues in other countries. We started to refine our business strategy during the year and our teams have been very receptive to our new ideas.

How would you summarise Eltel's financial performance in 2022?
2022 proved to be a disappointing year for Eltel in terms of profitability, as we were hit by unexpected cost increases that accelerated during the year. We achieved top line growth despite challenges, but our EBITA was disappointing as we failed to fully compensate for cost increases. On the other hand, it was highly gratifying that we significantly increased the value of contracts signed during the year.

What have been the main challenges facing Eltel in 2022?
As with all businesses, inflation and the terrible war in Ukraine affected our business during the year, with increased steel, asphalt, concrete and fuel costs. However, most of our customers appreciate the situation and we were able to agree to share these costs with many of them.

A shortage of resources, including personnel and some materials, was another challenge for our business. High sickness rates reduced our productivity and we had a relatively high staff turnover, which resulted in significant costs to bring in new people and train them. This has occasionally made it challenging to meet the high demand for our services. Fluctuations in call-offs from agreements and forecast deviations have been larger than before, and which has been more costly.

How did Eltel manage these challenges?
We worked to overcome cost increases through customer dialogue and by negotiating cost compensation on contracts to find a fair and reasonable solution for all parties. We introduced a cost index for many of our existing and new contracts, which to some extent protected us and our subcontractors from price increases. In principle, all our tenders now have such an index. However, in some cases we were not sufficiently compensated, and the index-based compensation many times arrives later.

In terms of high staff turnover, we have been proactive in relation to recruitment and in making Eltel a preferred employer to both attract and to retain skilled employees.

How do things look going forward?
Despite short-term macro-economic uncertainty, we have significant potential to capitalise on global trends to deliver the next wave of electrification and digitalisation. This is important as we expect to have opportunities to increase our prices and recover our profit margin in 2023.

Did you tap into these opportunities in 2022?
We already deliver the infrastructure for wind power and

The weak economic outlook in general means that most of our customers have adjusted their investment plans for 2023. However, long-term we are perceiving an increased demand in society for both communication and power.

electric vehicle charging in some markets, and we expect such opportunities to increase in the coming years as we are discussing several potential projects with customers in 2023.

In autumn 2022, we created a new Business Development function at Group level that will both replicate successful business models and create new market opportunities. The new function will enable us to draw on our existing expertise and find synergies within our business.

How have you refined Eltel's business strategy?
We developed a new strategic direction in 2022 in order to create business opportunities in areas adjacent to those in which we are currently active. Our new strategy is focused on capitalising on new opportunities related to 'electrification 2.0' and digitalisation. I feel this is where we have an important role in transforming society to become more sustainable and efficient, while improving the way people live. The new strategic direction was launched internally in February 2023.

Important growth areas for us are in the installation and service of the infrastructure for wind and solar energy generation, electric vehicle charging and energy storage, all of which are important for societal development. We will continue to perform more 5G and indoor/Distributed Antenna System (DAS) installations. Opportunities within public infrastructure – from communication solutions for rail networks and street lighting to public transport charging – are interesting too. There are also exciting opportunities for us to combine our expertise in both communication and power, as well as our cross-border Nordic presence, in order to deliver unique customer value.

How did Eltel perform in its different countries in 2022?
Our business in Finland performed well during the first three quarters with a lot of new customer contracts. However, the fourth quarter was a disappointment both due to lower net sales and higher costs. We improved our financial performance in Sweden compared to recent years and we have the potential to do even better in that market going forward. We achieved good top line performance in Norway despite a weak second half of the year. However, like in Finland, the fourth quarter was disappointing due to a drop in work orders and higher costs. The top line and the operative EBITA margin improved in Denmark during 2022 and we are cautiously optimistic going forward. Our business in Germany contributed positively to our overall result and is a market where we have significant growth opportunities. We experienced a difficult year in Poland as the war in Ukraine reduced the availability of subcontractors, and also due to particularly high inflation. Lithuania improved its net sales and financial result, and continued to be an important source of labour for our Nordic companies through our cross-border workforce.

What progress was made on sustainability during the year?
In recognition that sustainability must be an integral part of everything we do, we decided that our sustainability efforts will be overseen by our new Business Development function. This will ensure that sustainability is at the top of our agenda when developing new business opportunities.

We were proud to have our new climate targets approved by the Science Based Targets initiative during the year. The targets are an important part of meeting customer expectations on sustainability.

We continued to support the ten principles of the UN Global Compact and the UN Sustainable Development Goals during the year through our ongoing sustainability work.

What do you see as the main challenges in 2023?
There is great uncertainty regarding how the macro-economic challenges will evolve. In certain areas we see an increased demand and in other areas a decline. We therefore have a challenge to meet and adjust to the rapidly changing markets, which will negatively impact the first half of 2023. It is also clear that inflation will give us head wind, but we are constantly monitoring the situation and evaluating how well our cost indices are helping to manage increasing costs. We will also continue to promote Eltel as a preferred employer in the industry, with the objective of reducing staff turnover.

What does the future look like for Eltel in terms of longer-term market development and demand?
The weak economic outlook in general means that most of our customers have adjusted their investment plans for 2023. However, long-term we are perceiving an increased demand in society for both communication and power.

Moving into 2025, we will continue to drive growth areas such as 5G, fibre and power network upgrades, as well as focus on business opportunities related to infrastructure for electric vehicle charging, wind, solar and energy storage.

Although it is more difficult to foresee longer-term trends looking forward to 2030, I believe that we will see more smart solutions involving connected devices and sensors – what is known as the Internet of Things. As an established major player in the communication and power market, we are well positioned to install, maintain and service the infrastructure for these exciting solutions, which have the potential to revolutionise how people live, work and play.

What does this outlook mean for Eltel and our people?
Eltel is a great company with the capabilities to help create a more modern and sustainable society. I am proud of Eltel and our employees who step by step are making this happen every day. I believe that we have a very important role to play in creating a better society – both now and in the future.

Håkan Dahlström, President and CEO

Håkan Dahlström facts

Born: 1962

Experience: Former CEO of Fujitsu Sweden, management positions at TietoEvry and Telia Group, and a member of Eltel's Board of Directors 2017–2022.

Lives: Stockholm.

Family: Wife, three children and a dog.

Motto: Engaged employees and satisfied customers deliver profitability.

Our strategy – towards sustainable profitable growth

The strategy describes where Eltel Group should be by the end of 2025, to reach the long-term targets set for the Group. By successfully executing this strategy, we will build a platform for sustainable profitable growth, leaving the time of poor profitability and reduced net sales behind us.

The ambition is to achieve 2–4% annual growth and 5% operative EBITA by end of 2025. Based on the strategy, each unit of the Group will create annual business plans that describe how the units will develop the business and meet the targets.

The strategy consists of a number of choices and bets that form steppingstones to reach the wanted new position.

In short, the strategy is about increasing sales in less mature submarkets (vs where we are active today), reduce the power imbalance with our largest customers, thereby reducing price pressure. We also increase the profit margin in all activities (current and new business).

Where to play:

Expand our customer base in traditional and adjacent segments (example telco infra owners) and with traditional or similar customer needs, e.g. in public communication, indoor coverage, grid connection points.

Enter new and adjacent markets such as wind power, solar PV, battery energy storage solutions and EV charging by leveraging Eltel's geographical coverage, competence and organisation, as well as adding relevant eco-system partners.

How to win:

New business models, by value chain expansion and as-a-service thinking, including operational management, proactive monitoring, etc.

Efficiency improvement in current business, by process and quality improvements and the expansion of successful, high-margin business areas, such as Smart Grids.

Integrate sustainability as part of our culture, operations and service offering in order to explore new market opportunities.

Develop our mindset and organisational set up to be bold, hungry and smart, while increasing the understanding as well as the urgency to change, including demanding higher prices.

Eltel's targets by end of 2025

5%
Group operative EBITA margin

2-4%
Annual growth in the Nordics

1.5-2.5x
Net debt/EBITA (Leverage)

Scope 1, 2, 3 according to validated targets
SBTi commitment

>75
Customer satisfaction index

>3.75
Employee satisfaction and motivation

0
Lost time injury frequency

Trends transforming the infranet sector

The megatrends of digitalisation, electrification, hybrid working and climate change are driving the demand to install, upgrade, maintain and secure communication and power networks.

Meeting societal demands for sustainable energy and digitalisation

Infranets are increasingly essential lifelines for modern society that meet the everyday needs of businesses and individuals.

Power and communication networks also enable a more sustainable and low-carbon society. They provide the infrastructure for electric vehicles and renewable energy generation, and build communication networks that support hybrid working and the digitalisation of society.

Market trends shape our sector

As a consequence of the global trends affecting society, the infranet sector is constantly changing. The table summarises the key market trends, their impact on the sector and how the infranet sector is responding.

Power and communication networks also enable a more sustainable and low-carbon society.

MARKET TRENDS	IMPACT ON THE SECTOR	SECTOR RESPONSE
Power under pressure	• Power networks are under pressure to deliver reliable and affordable energy	• Network and capacity upgrades
Ageing power infrastructure	• Current power networks are approaching the end of their technical life • Growing need to upgrade public infrastructure	• Upgrades of infrastructure/load management/ smart grids • Network investments
Changing consumption behaviour	• Increased digitisation, hybrid working and data usage • Societal shift to electrification, including industry and road transport	• Infrastructure upgrades –including 3G dismantling and HetNet/LAN/access rollouts (ahead of 5G/ IoT rollout) • Investments in power networks and infrastructure
Increased use of renewable energy	• Demand for Renewable Energy Sources (RES)	• Investments in wind and solar energy • Network investments in load management
Transition to smart energy solutions	• Demand for energy-efficient solutions • Growing need for electric vehicle charging	• Major national smart meter rollouts and other energy-efficient solutions (e.g. LED lighting) • Installation of electric vehicle charging infrastructure
Increased demand for delivery reliability	• The EU is driving harmonisation and setting targets for minimum broadband capacity and availability • Governments across Europe are demanding reliable power networks and RES • Mandatory automated meter management	• Fibre rollout • Network investments in improved operations and service levels to meet stringent requirements

Outlook and opportunities

Our home markets are stable with good opportunities for growth in the coming years. We continuously monitor market trends and our operating environment to identify and adapt to potential threats and opportunities. Sustainable energy and digitalisation continue to be increasingly important for both customers and end users.

Eltel takes advantage of potential market opportunities and works proactively to minimise the negative impact on its business.

Fibre

Fibre penetration is high in Sweden and Norway, but remains an important growth area for our businesses in Denmark and Finland. There will be increasing opportunities to renew existing fibre networks in the Nordics.

5G

Eltel is a frontrunner in the large 5G mobile communication market in the Nordics. 5G is expected to be a growth market in the coming years as deployment continues, along with the need to densify and further enhance the network.

Fixed communication

Fixed wireless access will continue to grow, and we are also increasingly delivering services related to private networks. These local networks can ensure good 5G coverage throughout buildings.

Power grid upgrades

The demand to upgrade outdated power grids remains strong. A significant driver for upgrading regional networks is the need to integrate renewable energy sources and electric vehicle charging stations into the electricity grid.

Smart meters

The rollout of smart meters continues in various phases in our markets. This includes major ongoing rollouts and a pipeline of future projects.

Growth drivers: renewable energy and electric vehicle mobility

The infrastructure demand is strong for renewable energy and electric vehicle charging in all our geographic markets. Along with energy storage, these areas will be important growth drivers for Eltel in the coming years.

Market summary 2022

Inflation, energy costs and economic instability and supply chain disruption created challenges for Eltel, its customers and the industry overall during the year. Eltel took advantage of potential market opportunities and worked proactively to minimise the negative impact on its business.

National security concerns increased during the year following Russia's invasion of Ukraine, which required closer collaboration with some key value chain partners. Eltel plays an important role in building and maintaining power and communication networks, which are critical infrastructure.

The emergence of 'passive' communication network owners with core operations outside telecommunications is a growing opportunity for Eltel to offer more comprehensive solutions. There are also an increasing number of small competitors that Eltel must be wary of, but also explore opportunities to create strategic partnerships with.

Eltel experienced recruitment challenges in 2022 with skilled labour in short supply. Eltel stepped up its recruitment campaigns, employer branding, and worked to promote itself as a preferred employer in the industry.

Communication

We optimise communication networks and help meet societal needs for greater digitalisation, which is revolutionising how people live, work and play.

Modern and high-capacity communication networks support the digitalisation of society and enable people to interact in new ways. This reduces the need to travel by enabling hybrid working and creates new opportunities for individuals and businesses.

Our communication offering

Mobile telecom services

- Mobile network rollouts, modernisations, swap projects, corrective maintenance and Distributed Antenna System (DAS) networks.
- Site infrastructure management, alternating current/direct current (AC/DC) upgrades, preventive and corrective maintenance, new tower/rooftop infra constructions.

Fixed telecom services

- Fibre, copper, coaxial and hybrid fibre-coaxial (HFC) network construction and maintenance.
- Transmission network implementation and maintenance.
- Fibre-to-the-home (FTTH) turnkey projects.

Public infrastructure

- Building and maintenance of a broad range of public infrastructure – from digital signage and railway signalling systems to smart level crossings and hospital communication infrastructure.

Our main customers are large telecom operators and communication network owners, such as utility companies. Eltel's operations generally involve long-term relationships with a steady inflow of orders generated by framework agreements.

> **Modern and high-capacity communication networks support the digitalisation of society and enable people to interact in new ways.**

Communication opportunities

We are capitalising on market growth in 5G, which will continue in the coming years along with Fixed Wireless Access (FWA), and both public and private indoor communication infrastructure solutions such as DAS. There are also ongoing opportunities for us in the fibre market, particularly in Finland and Denmark.

We continue to develop and provide services for both new and existing customers that complement our core business offering. This includes services related to indoor coverage, private 5G networks, Network Operations Centres (NOCs) and OTIT (Operation Technology IT) solutions. We are also enjoying increased opportunities relating to IoT sensors as more devices are connected to the internet and as customers become increasingly interested in smart solutions.

Power

Our power services enable the electrification of society, which is essential for building more sustainable energy solutions and achieving national carbon-neutrality goals.

A resilient and robust power infrastructure allows renewable energy generation, electric vehicle charging and the smarter use of electricity. These are all building blocks for a carbon-neutral society.

Our power offering

Power transmission services

- Full turnkey high voltage projects and maintenance (110/400 kV) for national grids.
- High voltage service solutions for industrial and data centre customers.

Renewables

- Wind power solutions and substations.
- Solar parks, photovoltaic (PV) installation and the management and implementation of energy storage projects.

Power distribution

- Power distribution network construction, upgrades and preventive and corrective maintenance.

Smart grids

- Rollout services for next-generation power meters.

e-Mobility

- Electric vehicle charging infrastructure projects, including design, implementation and maintenance.
- Resale of public charging stations.
- Network expansion and connections.

A resilient and robust power infrastructure allows renewable energy generation, electric vehicle charging and the smarter use of electricity.

Power opportunities

The demand for increased network capacity and capabilities is a major driver in the power market that will continue in the foreseeable future. We are also tapping into the ongoing need to upgrade outdated power grids and install the latest smart meters. Renewable energy, particularly wind power investments, is also driving the market and areas such as charging infrastructure for electric vehicles, PV solar panel installation and battery storage solutions are growing.

Eltel continues to enter into long-term partnership contracts and service agreements. Such contracts and agreements not only provide long-term stability, but also help Eltel expand its share of the value chain.

Eltel Finland

Fibre and 5G continue to be the drivers of the communication market and Eltel Finland is the market leader in both.

Eltel Finland offers services in Power, Communication and Smart Grids. The Country Unit (CU) installs power transmission and distribution infrastructure, e-Mobility infrastructure, fibre, 5G and manages fault repair and maintenance contracts.

Eltel Finland serves a diverse market of network owners and system operators. The CU is the leading infranet service provider in Finland and is a trusted partner with around 60 offices offering a nationwide presence. It can take on complex projects and quickly mobilise hundreds of repair technicians in the event of severe weather, such as a storm, or other type of emergency.

Developments in 2022

In 2022, Eltel Finland had challenges in profitability due to Power Services. Profitability in the Power Services business was dampened by a new energy market act in Finland that has reduced the level of investments by distribution system operators.

The 'Power transmission and industry' unit was strengthened with a reorganisation. The unit is developing business opportunities for industry customers and in promising markets related to wind farms, solar parks and battery storage systems. The CU has started installing ground mounted solar PV systems as part of its B2B contracts.

An e-mobility task force was established with strong sales capabilities to tap into the growing market.

Sales growth in communication is being driven by FTTH and 5G, which have significant market potential in Finland and in which Eltel is a leading player.

Sustainability progress

Safety is the top priority and new weekly meetings at team level have helped to promote performance. The topic is kept high on the agenda by regularly considering safety in weekly meetings.

As part of its sustainability plans, the CU's first 50 electric vans were delivered in 2022 along with charging infrastructure at Eltel sites. A route optimisation tool that enhances the efficiency of individual technicians and reduces vehicle emissions was piloted in the spring before being rolled out nationwide.

As a sustainability leader in Finland, the CU shared its sustainability knowledge at several organised events for customer projects and the industry in general.

Market outlook and opportunities

Fibre and 5G continue to be the drivers of the communication market and Eltel Finland is the market leader in both. Indoor communication networks and private 5G networks are also becoming an important offering. These include private networks for hospitals, shopping centres and large industrial facilities.

Wind farm infrastructure, installing solar PV systems, e-mobility infrastructure and constructing energy storage systems have significant growth potential in the coming years. During 2022, Eltel tendered for projects in all these areas, including service agreements for e-mobility and energy storage.

An ongoing trend in Finland is the increased need to upgrade regional network connections due to the establishment of more renewable energy capacity in the country.

Competitors

- Voimatel
- Enersence
- ENP
- Elvera
- TLT

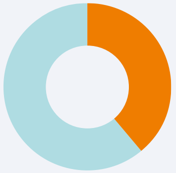
Major agreements in 2022

- Eltel's largest framework agreement to date, building FTTH throughout Finland for Valokuitunen.
- Power transmission building and maintenance framework agreement for Caruna.
- Telecommunication construction and maintenance framework agreement for DNA.
- Wind farm substation, transmission lines and cabling for Exilion.

FINANCIAL PERFORMANCE

	2022	2021
Net sales (EUR million)	290.1	299.6
Operative EBITA (EUR million)	8.2	12.7
Operative EBITA margin (%)	2.8	4.2
Number of employees, average	1,498	1,478

NET SALES 2022



290.1

EUR million

Case story

Ensuring digital connectivity for millions

In September 2022, Eltel Finland signed its largest ever project with a contract value of EUR 200 million. It is a three-year framework agreement with Valokuitunen to build fibre-to-the-home (FTTH) throughout Finland.

Eltel and Valokuitunen will work in close partnership and Eltel will be responsible for project management, material management and logistics, fibre network construction, installation, service works and documentation. Eltel's scope of work will also include maintenance and life-cycle services and will run until 2025 with the option for a one-year extension.

Driving digital connectivity in Finland
Between 2022 and 2025, Eltel will connect around 400,000 Finnish homes with high-speed broadband. Whereas previous fibre rollouts have focused on the main urban areas in Finland, this project covers the entire country – including rural and remote communities.

"As fibre penetration currently stands at around 45% in Finland, compared to around 80% in the other Nordic countries, this FTTH project will represent a big leap in digital connectivity for people in their homes," says Juha Luusua, Managing Director of Eltel Finland. "It will provide better opportunities for digital entertainment and for remote working throughout Finland."

"This agreement will enable us to meet our growing customer demand for high quality fibre connections," says Heikki Kaunisto, CEO of Valokuitunen Oy.

It will provide better opportunities for digital entertainment and for remote working throughout Finland.

Key facts

Client: Valokuitunen Oy
Services: Fibre-to-the-home project
Period: 2022–2025
Value: EUR 200 million

Eltel Sweden

> **Eltel Sweden expects strong demand for fibre services as rollout continues and fibre network companies start planning to modernise the network by replacing old fibre networks in the coming years.**

The Communication business accounts for around 85% of Eltel's turnover in Sweden. Eltel installs and maintains 5G and fibre networks and is a major player in the FTTH market. The CU works with public infrastructure, indoor, fixed and Wi-Fi networks. Customers include national operators, network and infrastructure owners and municipalities.

Eltel Sweden's Power business focuses on the low to medium voltage distribution segment and substation cabling. Smart meter installation is a significant part of the business with large ongoing rollout projects. The CU has a national presence and the capability to deliver complex framework agreements with a skilled workforce.

Developments in 2022

Eltel Sweden increased its sales during the year with organic growth of almost 10%. In Communication, fibre deployment projects in rural areas continued. 5G rollout started slowly in 2022 due to supply chain issues but ramped up during the year.

The Power segment saw reduced sales in power distribution as some large projects were completed. However, a large power distribution framework agreement was won in Stockholm and smart meter rollout was ramped up around the country.

To improve profitability, enhance the customer experience and align with a single national operating model, the 'One Eltel' project was finalised during the year with all teams trained in how to use the model. One Eltel also aims to ensure that national customers recognise Eltel as a single company, as well as strengthen Eltel as a good employer.

Sustainability progress

Eltel Sweden aims to reduce fossil emissions from vehicles by 50% between 2019 and 2025. This will be achieved by increasing the use of renewable diesel in cars, vans and excavators and gradually phasing in electric vehicles. In 2022, 17 electric cars and vans were ordered and will be delivered in 2023.

Work with suppliers in Sweden included new processes for measuring suppliers' use of renewable diesel. Sustainability was also a key theme when discussing collaboration with potential and existing customers as customers continue to raise their sustainability expectations.

Market outlook and opportunities

Eltel Sweden expects strong demand for fibre services as rollout continues and fibre network companies start planning to modernise the network by replacing old fibre networks in the coming years. 5G deployment is also expected to pick up pace in 2023.

The CU is increasingly tapping into new public infrastructure opportunities, such as more digital road signage contracts, smart level crossings and digital railway signalling systems. Eltel Sweden is also investigating the potential for projects and services in e-Mobility, solar PV installation, wind power infrastructure and energy storage.

Competitors

- Transtema
- OneCo
- Scanmast
- Netel

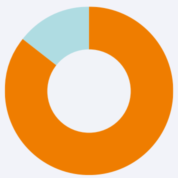
Major agreements in 2022

- Major power distribution five-year framework agreement for Ellevio in Stockholm.
- Major project to improve digital road signage in Stockholm.
- Extension of service framework agreements with Trafikverket (Swedish Transport Administration).
- New framework agreement with infrastructure owner Cellnex.
- Municipality owned city networks framework agreements with Borlänge, Karlstad, Kalmar and Vellinge.

FINANCIAL PERFORMANCE

	2022	2021
Net sales (EUR million)	193.8	182.2
Operative EBITA (EUR million)	-1.0	-1.8
Operative EBITA margin (%)	-0.5	-1.0
Number of employees, average	919	938

NET SALES 2022



193.8
EUR million

Case story

Making 1.5 million Swedish homes smarter

Eltel is one of the main installers of the latest generation of smart meters in Swedish homes and businesses around the country.

Eltel installed around 500,000 meters between 2019 and the end of 2022. Another one million meters will be installed by the end of 2024, when all Swedish properties are required to be equipped with the latest type of smart meter in accordance with government legislation.

Greater functionality delivers end user benefits

"The latest smart meters have enhanced functionalities such as real-time electricity monitoring and the possibility to feed small-scale renewable energy generation into the grid," explains Johan Hellström, Business Development Manager – Smart Grids. "In this time of uncertainty in the electricity market, smart meters are more important than ever as they enable people to monitor and reduce their energy consumption and even sell their own electricity produced on their premises."

An eye on future business opportunities

The team is currently focused on the smart meter rollout and ensuring a high level of customer satisfaction. But Johan is already looking at potential follow-up contracts.

"As the leading installer of smart meters in Sweden, we are the natural supplier to provide aftermarket services in the future, including smart meter maintenance framework agreements. In the coming years, I think we will also have other interesting smart grid opportunities related to smart city infrastructure to further optimise power networks," concludes Johan.

As the leading installer of smart meters in Sweden, we are the natural supplier to provide after-market services in the future.

Eltel Norway

5G drove growth and Eltel Norway created a 'Mobile Rollout' team in 2022 to sharpen its rollout competence.

Eltel Norway is the Norwegian market leader in the communication market. It installs and maintains 5G, fixed networks and offshore communications, and has started its journey to become a leader in the installation of e-Mobility infrastructure.

In Norway, Eltel is the leading communication service provider with the competence and capacity to deliver throughout the entire value chain, including turnkey projects and innovative solutions for ensuring cost efficiency and quality.

Developments in 2022

Sales were similar to 2021, but overall financial performance weakened. Smaller and more rural FTTH projects with lower investment in this area significantly impacted Eltel Norway's financial results in 2022. Increased costs driven by higher inflation, supply chain challenges, greater sick leave and training requirements for new technologies further impacted the results.

5G drove growth and Eltel Norway created a 'Mobile Rollout' team in 2022 to sharpen its rollout competence. Fibre is a declining market as the majority of rural deployment projects have been completed, although fixed wireless access continues to be deployed in rural areas where fibre is not cost effective.

During the year, Eltel Norway saw significant increased demand in the B2B market for e-Mobility infrastructure. Eltel had signed agreements with many of the large players in Norway, including Siemens.

A special taskforce was also established to strengthen the offshore communications business. Eltel launched a unique system to provide more stable offshore communications, which is being used in both the North Sea and the Gulf of Mexico as part of a framework agreement with a European customer.

Sustainability progress

In 2022, Eltel Norway ordered 180 electric vans, 50 of which were delivered during the year – towards its target to switch its entire fleet of 600 vehicles to electric vehicles by 2026. Waste sorting was improved at Eltel sites, and the CU increased the proportion of renewable electricity it sourced to 95%.

Based on the success of Safety Week, Eltel Norway began holding quarterly Safety Days that will continue to raise awareness of the importance of safety among its workforce during 2023. The CU also stepped up its focus on gender diversity by proactively encouraging young women to pursue a career in communication. It achieved this by highlighting the career opportunities in the industry.

Market outlook and opportunities

In mobile communication, 5G rollout and densification is expected to drive growth going forward. In fixed communication and fibre, investments are expected to decrease while fixed wireless access and indoor solutions will continue to grow.

The installation of e-Mobility infrastructure will continue to be a growth market in Norway, with opportunities to expand the collaboration with Norwegian customers to other Nordic countries. There are also significant opportunities in solar, data centres, wind and energy storage.

Competitors

- OneCo
- Netel
- UBConnect
- Sitecom
- Site Service

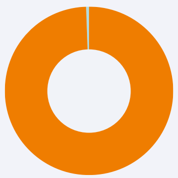
Major agreements in 2022

- Nationwide 5G contract with Telenor to upgrade antennas on masts and rooftops and build new masts.
- Fibre-to-the-business framework agreement for Telia customers around Norway.
- Nationwide framework agreement with Siemens to install, service and operate charging stations.

FINANCIAL PERFORMANCE

	2022	2021
Net sales (EUR million)	176.8	160.5
Operative EBITA (EUR million)	2.1	9.2
Operative EBITA margin (%)	1.2	5.7
Number of employees, average	938	919

NET SALES 2022



176.8

EUR million

Case story
Powering e-Mobility in Norway

e-Mobility is a rapidly growing market in Norway in which Eltel is a major player.

Since 2019, the Norwegian e-Mobility charging infrastructure market has grown around 20% per year, and is expected to increase in the coming years. As a major e-mobility partner in Norway, Eltel has several ongoing framework agreements to install both public and private infrastructure, including rapid charging solutions.

"We are focused on working on long-term nationwide projects with major customers where we can deliver on a large scale," says Ole Jorstad, Project Manager at Eltel. "We have a well-established nationwide expert partner network that supports us to successfully deliver projects."

Reorganisation to capitalise on growth

In 2022, Eltel reorganised its e-Mobility business with a more defined structure to better serve new and existing customers in this rapidly growing market. This also involved networking at international e-mobility events, further developing partnerships and entering into new customer agreements.

"There are many opportunities in e-Mobility in Norway and, during the year, Eltel became the nationwide service provider for Siemens to address warranty issues for rapid charging stations," says Ole. "In 2022, we also further developed our existing collaborations with players such as E.ON, Delta Electronics and Alpitronic."

Eltel's international cooperation on e-Mobility

Eltel has established an e-mobility forum for its Nordic businesses to share knowledge and experience. Most of Eltel's e-mobility competence is currently concentrated in Norway and Finland.

"We will develop our e-mobility forum in 2023," explains Ole. "There is huge potential in this kind of international cooperation – not least as we have several customers in Norway who are looking to roll out projects in the other Nordic countries."

We are focused on working on long-term nationwide projects with major customers where we can deliver on a large scale.

Eltel Denmark

In 2022, Eltel was part of a supplier trial to test electric vans with solar panels that can be used to power tools, instead of using diesel.

The communication market accounts for around 75% of Eltel's revenue in Denmark. Eltel is a market leader in the country's fibre market and in the mobile network market, including 5G. Eltel Denmark also works on communication projects for the national rail network and the emergency services.

In the power market, Eltel Denmark primarily deals with medium and low-voltage systems. This includes modernising the Danish power network for renewable energy, electric bus charging systems and upgrades of municipal LED lighting.

Developments in 2022

Financial performance was challenged by high inflation and slower than expected ramp up on won contracts. The CU is working towards profitable growth by optimising presence in the existing markets and developing growth markets in technology, IT and smart meter installation.

During the year, a new resource management task force was launched to improve sales processes, tenders and pricing, while minimising risk. The CU also increased its focus on the power market by expanding its offering to cover the entire country.

In 2022, several new projects were won and began ramping up although some were delayed due to supply chain disruption and other issues. Strategically significant new projects included a water meter replacement contract, several electric vehicle charging infrastructure projects, and a contract to test and maintain the world's largest wind turbines off the UK coast.

One of the challenges encountered during the year was a scarcity of resources, including both materials and employees. The CU is developing new recruitment channels and employer branding to attract new employees. Eltel Denmark scored +5 in its 2022 employee net promoter score (eNPS) and 82 in its customer satisfaction score (NPS).

Sustainability progress

The sustainability focus in Denmark has been on monitoring and reducing vehicle emissions. This has included trialling new models of small electric vans in Eltel's operations, sourcing vehicles with more efficient and hybrid engines, and installing vehicle charging stations at Eltel's offices.

In 2022, Eltel was part of a supplier trial to test electric vans with solar panels that can be used to power tools, instead of using diesel.

During the year, the CU lowered the indoor temperature at its sites to reduce energy use and switched from natural gas to district heating at its Vejle site to reduce emissions. Eltel Denmark continued to source 100% of its electricity from renewable sources.

The CU achieved a Lost Time Incident Frequency rate of 1.2 per million hours worked, which is significantly better than the industry average. During the year, all teams in Denmark began conducting a safe job analysis before starting a job.

Market outlook and opportunities

5G installation for major customers will continue to increase as Eltel works on approximately 4,000 sites around Denmark. The fibre market will remain strong in the coming years, despite declining from its peak.

The entire Danish power market is expected to grow as electric vehicle charging and renewable energy generation continues to expand. Eltel will build on its strong presence in Eastern Denmark and its new operations in Western Denmark.

Competitors

- Kemp & Lauritzen
- Bravida
- Atea
- Intego

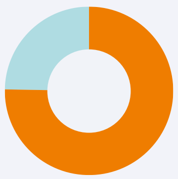
Major agreements in 2022

- Installation of hardware to digitalise Banedanmark's railway signalling system.
- Creation of 18,000 high-speed fibre connections for Global Connect's business customers.
- Expansion and upgrade of Nexel's power network in Sealand.
- Installation and maintenance of DAS for the new hospital in Hillerød.

FINANCIAL PERFORMANCE

	2022	2021
Net sales (EUR million)	74.3	87.9
Operative EBITA (EUR million)	0.6	4.2
Operative EBITA margin (%)	0.9	4.8
Number of employees, average	484	562

NET SALES 2022



74.3
EUR million

Case story

Enabling smooth patient care

Eltel is the Danish market leader in building and maintaining distributed antenna systems for hospitals. These systems are essential for delivering smooth patient care.

Healthcare professionals in modern hospitals rely on good wireless connectivity for their in-house communication and access to patient data. However, mobile networks can be overwhelmed by staff, patients and visitors, or weakened by building materials such as concrete and steel.

Reliable mobile coverage

A distributed antenna system (DAS) is a network of antenna nodes that provides wireless mobile coverage. In hospitals, a DAS works independently of the Wi-Fi network to ensure redundancy – which ensures mobile communications by not being dependent on one single system.

"Bearing in mind the importance of wireless connectivity in the countless medical cases and emergencies that hospitals have to deal with every day, they simply cannot rely on one single means of mobile communication," explains Lars Jessen, Business Development Manager at Eltel. "Hospitals need to have guaranteed 24/7 connectivity with good capacity and coverage throughout the entire hospital. We provide this with the DAS systems that we install and maintain."

The DAS antennas are installed in the ceilings of corridors and a hospital network can include hundreds of antennas, depending on the size of the facility. It is important to have a dense network of antennas in hospitals to provide good mobile coverage and also minimise interference with medical equipment.

Long-term partnerships

By the end of 2022, Eltel had entered into agreements with more than 20 hospitals in Denmark, including six in the Copenhagen metropolitan area. This included a DAS installation and maintenance contract at one of Denmark's newest hospitals – the Nyt Hospital Nordsjælland.

"All our hospital DAS projects typically involve installation and maintenance over a six-year period," says Lars. "We develop strong professional relationships with each hospital, which also involve adapting the network to meet their ever-changing needs, for example, by expanding the network to include new hospital buildings."

Key facts

Clients: Regional authorities
Services: Installation and servicing of DAS networks
Period: Various ongoing projects

Photo: ©Herzog & de Meuron - Vilhelm Lauritzen Arkitekter

Other business

Eltel's 'Other business' includes a project-based High Voltage business in Poland, a Smart Grids business in Germany, and a Communication business in Lithuania.

Poland

Eltel's business in Poland build power transmission and sub-station services. It has a good backlog of projects, and there are significant opportunities to offer services related to wind farms, solar parks, e-Mobility and energy storage.

Eltel's high voltage transmission line technicians also work in other CUs as part of Eltel's cross-border workforce. The business has altered its strategy to offer more service and maintenance offerings going forward.

Germany

In Germany Eltel installs gas and electricity meters and con-ducts gas adjustment services that are required in the ongoing switch from Russian gas to liquefied natural gas. Profitability was good in 2022 and this niche market is expected to drive business growth in the coming years.

Lithuania

Eltel's business in Lithuania is focused on communication and the installation of fibre and 5G. The market has a stable outlook. Around two-thirds of business revenue comes from its skilled communications technicians working in other CUs as part of Eltel's cross-border workforce.

Our cross-border workforce

Eltel has two highly skilled cross-border workforces. One team comprises high voltage transmission technicians based in Poland and the other team comprises communications tech-nicians based in Lithuania. These teams provide great flexi-bility to quickly meet changing market needs and the general shortage of highly skilled technicians throughout the Nordics.

Eltel's approximately 170 cross-border employees based in Lithuania and Poland are all permanently employed by the company. This highly competent and experienced international workforce gives Eltel a unique competitive edge.

Case story
Re-connecting power for millions in Ukraine

Eltel is restoring a power connection between a power station in southeast Poland and Ukraine. This solution will provide a reliable electricity supply for 10 million Ukrainians in the west of the country.

The electricity supply in Ukraine has been disrupted since Russia invaded the country in 2022. By restoring the overhead power lines and supporting the power infrastructure that was originally built in 1985 between Eastern Poland and Western Ukraine, Eltel is contributing towards improved energy security for millions of Ukrainians.

Eltel rapidly dismantled and replaced the power infra-structure in Poland over a period of 50 days in 2022. Some of the dismantled infrastructure will later be installed in Ukraine by another company.

"We are proud that the network operator Polskie Sieci Elektroenergetyczne SA (PSE SA) entrusted Eltel with such a strategically important project," says Leon Najowicz, Project Manager at Eltel. "Eltel is honoured to play its part in helping to supply reliable power to Ukraine in its time of need."

Key facts

Client: PSE SA
Services: Power line restoration
Period: 2022

Sustainability

For Eltel, sustainability is about delivering lasting financial, social and environmental value to its stakeholders and society at large. We promote a more sustainable tomorrow by enabling the transition to a robust, resilient and carbon-neutral society.

We enable a more sustainable society
The infranet solutions provided by Eltel enable the transition to a robust, resilient and carbon-neutral society. For example, Eltel delivers infrastructure that allows renewable energy generation and transmission, electric vehicle charging and high-capacity communication networks. This enables the transition to renewable energy, the digitalisation of society, and new ways of living and interacting.

2022 Highlights

- **Science-based targets approved by the Science Based Targets initiative (read more on page 28).**
- **First ever injury free month, October 2022.**
- **Eltel improved its CDP Climate score from B- to B.**
- **Updated governance structure created (read more in Sustainability governance on page 24).**
- **The EU taxonomy-aligned activities relevant to Eltel were assessed (read more on page 32-36).**

Key figures

16,152
CO_2 emissions in 2022, tCO_2e (Scope 1).

37%
of renewable electricity (Scope 2).

89%
GDPR training completion rate.

3.8
LTIFR per million working hours. Eltel employees.

82%
Code of Conduct training completion rate.

100%
All CUs continue to hold ISO 9001, ISO 45001 and ISO 14001 certification.

Meet Erno Lehto – Head of Sustainability

In 2022, Eltel created the position of Head of Sustainability to coordinate our Group work throughout the company.

We talked to Erno about his experience, Eltel's work with sustainability and its plans going forward.

Hi Erno, tell us about your career at Eltel to date.
I've worked in different roles and countries since 2005 – from project manager and district manager, to managing operational excellence and business development programmes. In recent years I have been involved with working with sustainability to varying degrees and I'm proud of Eltel's sustainability work as I believe it differentiates our customer offering.

How does Eltel work with sustainability?
We have been one of the sustainability leaders in our industry for a long time, particularly in terms of health and safety, and business ethics, which form the basis of our sustainability work today. We work proactively to reduce our climate impact by decreasing our direct emissions and engaging with our supply chain about their climate impact.

How does Eltel enable a more sustainable society?
Our offering is more important than ever in terms of securing infranets in this time of crisis in Europe – particularly in terms of building more renewable energy capacity and supporting our customers to secure their network operations. We're also intensively recruiting, which gives us the opportunity to employ more people from diverse backgrounds – to help integrate them into society.

What do Eltel's science-based climate targets mean for the company and its customers?
Our new targets, which were approved by the Science Based Targets initiative (SBTi) this year, will help us drive our strategic approach to reducing our greenhouse gas emissions. Our customers appreciate our targets as many of them already have their own science-based approach. Similarly, we are engaging our value chain partners to achieve our shared sustainability goals.

How does the future look for Eltel's sustainability work?
During the year, we created a sustainability taskforce that will have business representatives from country units and will be crucial in driving our sustainability work going forward. We currently have many business opportunities related to sustainability – from infrastructure for electric vehicle charging and renewable energy to smart meters – and I think we will see even more opportunities that we will tap into in the coming years.

> **During the year, we created a sustainability taskforce that will have business representatives from country units and will be crucial in driving our sustainability work going forward.**

Erno Lehto,
Head of Sustainability

Our global commitment

Eltel has been committed to a number of sustainability frameworks for many years. Our long-term commitment, together with stakeholder dialogue on the relevant topics, shapes our strategic decision making, and provides a roadmap for remaining relevant as a partner, employer and investment opportunity.

Science Based Targets initiative
Eltel had three climate targets for 2030 approved by the SBTi in 2022 (read more on page 28).

CDP climate change programme
Eltel reports to the CDP climate change programme every year and has done so since 2016. The information gathered is designed to improve transparency for our stakeholders, as well as drive positive change throughout our organisation – to reduce our greenhouse gas emissions and mitigate the risk of climate change.

UN Global Compact
Since 2014, Eltel has been a signatory to the UN Global Compact and its ten principles on human rights, labour, the environment and anti-corruption. The principles are embedded into our strategy, policies and procedures, and related processes. This report constitutes our annual Communication on Progress process as defined by the UN Global Compact.

THE GLOBAL GOALS
For Sustainable Development

UN Sustainable Development Goals (SDGs)
The SDGs provide a roadmap for how we can collectively work to overcome the global challenges related to economic, social and environmental sustainability.

Eltel supports all the SDGs, but as a sustainability leader in the infranet industry, we believe we can make the biggest contribution to the following four goals:

SDG 7: Affordable and clean energy
Eltel's power services enable access to reliable electricity and the incorporation of renewable energy into the power grid.

SDG 8: Decent work and economic growth
Eltel provides decent work for its employees and contributes to economic growth in the countries in which it operates.

SDG 9: Industry innovation and infrastructure
Eltel ensures robust and resilient communication and power networks, and works in partnership with customers to pilot innovative solutions.

SDG 13: Climate action
The infranet solutions provided by Eltel enable the transition to a robust, resilient and carbon-neutral society. Eltel works actively to reduce the climate impact of its operations.

Other SDGs we focus on in our business are 5, 10, 11 and 12.

Sustainability governance at Eltel

In 2022, the position of Head of Sustainability was created and is part of the Business Development team. The Head of Sustainability leads the Eltel Sustainability task force, which manages sustainability topics and provides overarching strategic guidance. The task force is developing workstreams that will help to further embed sustainability thinking throughout the organisation. Going forward, Eltel will develop its CU structures to manage sustainability throughout our operations.

The task force will have business representatives from CUs that are part of their respective local management teams, as well as the Group HSEQ Director. The representatives have a range of positions throughout Eltel in order to ensure the task force has the necessary competence to cover all aspects of sustainability. The Sustainability task force reports on a quarterly basis to the Group Management Team, as well as the President and CEO, who is ultimately responsible for sustainability at Eltel.

Integrated into our way of working

Our ambition is to be a leader in sustainability. There are two aspects to our approach – creating shared value by enabling a sustainable society – and ensuring responsible business practices. We focus on our sustainability priority areas to minimise our negative impact and maximise our positive impact on people and the environment.

PRIORITY AREA	MATERIAL TOPICS 2021–2023	ACHIEVEMENTS IN 2022
Health and Safety	• Zero fatality and disability cases • Reduce employee accident rates, including subcontractor employees • Foster a proactive safety culture	Good progress on LTIFR and the increased use of safe job analysis (SJA).
Environment and climate	• Reduce the average CO_2 emissions of cars and vans • Establish a roadmap to become fossil free • Promote the positive impact of Eltel's customer solutions • Annual decrease in the share of purchased fossil energy	Science-based targets approved for scope 1, scope 2 and scope 3. Over 250 electric vehicles were ordered during the year, on top of the electric fleet of 125 vehicles delivered during the year or earlier.
People and society	• Be the industry's most attractive workplace • Contribute to sustainable development and welfare	Focus on attracting, recruiting and retaining employees by promoting engagement and development opportunities.
Supply chain	• Ensure HSEQ performance and compliance with Eltel's Code of Conduct policy by monitoring strategic partners	Greater supplier engagement on sustainability performance and reporting. Setting a supplier engagement climate target to ensure that 70% of suppliers by emissions will have science-based targets by 2026.
Business ethics	• Comply with all relevant laws and regulations, internal policies and agreements with customers and suppliers • Code of Conduct and policy training	Roll out of new whistleblowing procedure. Updated Fair Play/ Code of Conduct and GDPR training was launched during the year.

Stakeholder dialogue guides our approach

We regularly engage with a variety of stakeholders at different levels across the Group. Stakeholder dialogue on the relevant topics is used to shape our strategic decision-making and Eltel's Sustainability Plan. By meeting stakeholder expectations, we remain relevant as a partner, employer and investment opportunity.

See www.eltelgroup.com for more information about our dialogue with stakeholders.

Health and safety

Ensuring that our employees return home safely every day is our top priority. At Eltel, safety is not just about personal protective equipment, incident reports and adjusting to the challenges of the current pandemic – it is a mindset that we choose to adopt every day.

Our progress in 2022

We continued to make good progress on our Lost Time Injury Frequency Rate (LTIFR) during the year. We strive to prevent serious injuries from occurring by investigating the root causes of minor injuries and near misses.

In 2022, we refined our Total Recordable Injury Frequency Rate (TRIFR) by increasing granularity and improving data accuracy. TRIFR reports all lost time injuries, including minor injuries, and we fine-tuned our KPIs for light incidents during the year, including incidents that did not require medical treatment.

We increased our use of digital safe job analysis (SJA) forms to assess on-site safety risks by raising awareness of safety analyses and motivating teams by increasing competition between regions. For example, Eltel Finland increased its use of SJA forms by around 30% compared to 2021.

CU collaboration on health and safety continues to be an important way of sharing knowledge. Safety Week was held throughout the Group and the Health and Safety Managers met for the first time in person since before the COVID-19 pandemic, together with the CEO. During the first quarter of 2022, all Eltel CUs experienced higher sick leave rates due to COVID-19, resulting in a lack of resources.

As part of Eltel's risk assessment processes, we have identified that the health and safety of our personnel is our main area of focus in terms of our salient human rights risks. The risk mitigating processes, KPI tracking, incident investigations and reporting to senior management as described above are prioritised by the company.

Health and safety risks

Eltel has clearly defined the most salient the health and safety risks for our employees. High-risk activities related to day-to-day operations include electrical safety, working at height, managing ageing infrastructure, and road safety. Road safety is a particularly important area for Eltel as teams spend a lot of time on the road driving from one site to the next. Eltel is constantly seeking to identify and implement more modern and safer solutions and processes in order to reduce risk.

KPIs	2022	2021
Absence due to illness, including long-term illness, Eltel employees, %	5.7	5.3
Lost time injuries per million working hours (LTIFR), Eltel employees	3.8	3.8
Total Recordable Injury Frequency per million working hours (TRIFR), Eltel employees	11.4	25.0
Number of fatal accidents: Eltel and subcontractor employees	0	0

POLICIES	GUIDING FRAMEWORKS
HSSEQ Policy	ISO 45001
Code of Conduct	SDG 5, 8

LOST TIME INJURY FREQUENCY RATE

3.8

LTIFR per million working hours. Eltel employees. (2021 LTIFR 3.8).

ABSENCE DUE TO ILLNESS

5.7%

Including long-term illness. Eltel employees. (2021 5.3%)

FATAL ACCIDENTS

0

Eltel employees and subcontractors.

Environment and climate

Eltel is active in an industry that plays a key role in the transformation to a low-carbon society. By supporting our customers to develop innovative infranet solutions, we help society to mitigate, adapt and become more resilient to the effects of climate change. We also strive to minimise the environmental impacts of our operations.

CO_2 emissions (scope 1)

14.9%

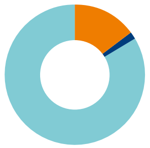
(2021 10.8%)

Share of renewable energy (scope 2)

37%

(2021 31%)

Scope breakdown of total emissions, %



Our progress in 2022

Customers are placing greater demands on climate action. In response, Eltel developed roadmaps in 2022 for how it will further develop in the coming years.

We had three climate targets approved by the Science Based Targets initiative (SBTi) in 2022 that aim to halve our climate footprint by 2030. The Group-level targets have incorporated country-level climate roadmaps that will drive emission reduction throughout our business in the coming years. Read more about our science-based climate targets on page 28.

The most significant environmental impact from our own operations are the emissions from our vehicle fleet (our scope 1 emissions). The process of switching to electric vans and/or to biofuels will continue in 2023 as our CUs experienced delays in the delivery of electric vehicles. Thus, the transition to electric vehicles is likely to take several years to complete. Renewable fuels are the preferred option for heavy vehicles and for vehicles used in security critical maintenance works.

To reduce the emissions from the use of energy on our premises (our scope 2 emissions), we switched to renewable electricity, geothermal energy and efficient district heating at some of our premises during the year. Collaboration with our suppliers and customers is an important part of reducing our emissions (our scope 3 emissions) and we are increasing our suppliers' engagement on their emissions and sustainability reporting in general.

Other important and prioritised environmental topics include circular economy, waste management and the responsible sourcing of materials. During the year, waste streams were re-classified into additional categories to better measure and monitor waste and to comply with the SBTi requirements. We work to minimise impact on the physical environmental, disruption and noise from our work sites.

Environmental risks

Working to minimise vehicle emissions, we face external challenges related to the supply of electric vehicles, lack of charging stations in rural areas and increasing renewable diesel prices.

KPIs	2022	2021
Vehicles in entire fleet	3,345	2,895
Share of zero- and low-emission vehicles (cars and vans), %	4.9	1.9
Total fuel consumption of entire fleet, litres	6,414,176	6,147,285
Total CO_2 emissions, tCO_2e, scope 1	16,152	15,372

POLICIES	GUIDING FRAMEWORKS
HSSEQ Policy Code of Conduct	ISO 14001 UN Global Compact Principles 7, 8, 9 SDG 7, 12, 13 CDP Climate Change Science Based Targets initiative

What do Eltel's Scope 1, 2 & 3 refer to?

Scope 1 – Direct emissions resulting from fuel use in Eltel's car fleet and onsite energy use (heating).

Scope 2 – Indirect emissions resulting from the generation of purchased energy used in Eltel's office premises.

Scope 3 – All other indirect emissions that occur in Eltel's supply chain and are not already included in scope 2. For example, emissions from commuting and business travel.

Eltel's journey to significantly reduce its climate impact by 2030

With a long-term ambition to achieve net zero by 2050, Eltel had its science-based climate targets verified by a third-party in 2022.

"Eltel has embarked on a journey to significantly reduce our climate impact in the coming years," says Erno Lehto, Head of Sustainability at Eltel. "We were one of the first companies in our industry to set science-based climate targets and our work is being recognised and appreciated by our customers, supply chain partners and other stakeholders."

Third-party verified climate targets

At the end of 2022, Eltel's three climate targets were verified and approved by the Science Based Targets initiative (SBTi), which is a collaboration between the CDP (formerly known as the Climate Disclosure Project), the United Nations Global Compact, World Resources Institute (WRI) and the World Wide Fund for Nature (WWF).

The SBTi commitment includes the annual reporting of progress in future annual reports. SBTi approval of Eltel's targets guarantees that the Group climate roadmap is aligned with the most recent climate science on the near-term mitigation of greenhouse gas emissions in order to achieve the goals of the Paris Climate Agreement and limit global warming to less than 1.5 °C above pre-industrial levels.

The three targets cover scope 1, scope 2 and scope 3 emissions, respectively:

Scope 1 – emissions reduction target – Eltel has committed to reduce absolute scope 1 GHG emissions by 42% by 2030. Eltel's scope 1 emissions are direct emissions resulting from fuel consumption in Eltel's vehicle fleet and onsite energy use (heating).

Scope 2 – emissions reduction target – Eltel has committed to increase its sourcing of renewable electricity from 31% to 100% by 2030. Eltel's Nordic countries are expected to achieve this target by 2026. Eltel's scope 2 emissions are indirect emissions resulting from the generation of purchased energy consumed in Eltel office premises.

Scope 3 – emissions engagement target – Eltel has committed to ensuring that two-thirds of its suppliers by emissions have science-based targets to reduce their emissions by 2026. Eltel's scope 3 emissions constitute all other indirect emissions that occur in Eltel's supply chain that are not already included in scope 2.

Eltel's 2030 climate roadmap

The three Group-wide targets will run until 2030 and 2021 is the base line year. Each country in which Eltel operates has created its own country-level roadmap to contribute to the Groupwide targets. The roadmap beyond 2030 – towards net-zero emissions by 2050 – will be mapped out in the coming years.

People and society

Eltel's goal is to be the most attractive employer in the industry by focusing on employee engagement and development opportunities. We contribute to society by providing work for people, as well as ensuring that communication and power networks function as they should.

Number of employees

5,063

Of which < 30 years: 20%
Of which > 55 years: 22%

Expenses in wages and salaries

248.1

EUR MILLION

Engagement score

3.8/5

(2021 3.7)

Our progress in 2022

Eltel's HR Policy was updated to Human Resource and Diversity policy to show more clearly that equal opportunity and diversity is important to Eltel.

With the growing challenge to recruit skilled employees throughout the entire industry, Eltel stepped up its efforts to attract, recruit and retain employees in 2022. This included stepping up incentives for 'refer a friend' initiatives, improving recruitment processes and training recruitment managers. Greater emphasis was also placed on employer branding, targeting younger workers through social media channels. New collaborations were initiated with schools and universities and Eltel regularly attends career fairs at colleges and universities. Eltel recruited 945 new employees in 2022.

We seek to provide good development opportunities and our employee loyalty programmes reward long-term employees. Initiatives to promote the Eltel culture and a greater team spirit were implemented during the year. Eltel conducted investigations into the reasons for employee turnover in 2022, which identified the importance of employee engagement.

All employees have regular performance and development dialogues with their managers. This helps us to stay focused on our strategy and to identify learning needs, development opportunities and potential workplace improvements more accurately. In 2022, Eltel worked to improve employee dialogue by training managers and emphasising quality.

The participation rate in the employee engagement survey in 2022 was 75%. The score rate was 1–5, with 5 being the best score. The highest engagement drivers were 'Relationship with Colleagues' 4.0, 'Health and Safety' 4.0 and 'Meaningfulness and Participation' 4.0. The positive developments in these areas confirm that we are on track towards achieving our strategic goal of engaged employees, as well as our focus on health and safety.

Societal engagement

Eltel contributes to various local and international organisations to support people in need.

In 2022, Eltel Group and Eltel Finland donated to Caritas Internationalis, which responds to crises such as the war in Ukraine. In addition, every Eltel country unit supports local organisations. Examples from 2022 include BRIS in Sweden, Sykehusklovnene in Norway and Knæk Cancer in Denmark. We do not participate in the political process through direct donatations to political groups.

People and society risks

One of Eltel's most significant risks related to people and society is not being able to attract, recruit and retain the right employees. Failure to meet our recruitment needs for people with the right skills and experience would seriously impact our business.

KPIs	2022	2021
Number of employees at year-end	5,063	5,046
Of which < 30 years, %	20	19
Of which > 55 years, %	22	23
Share of male/female at year-end, %	87/13	87/13
Share of women in Group Management Team, % at year-end	25	25
Share of women in Board of Directors, % at year-end	50	20

POLICIES	GUIDING FRAMEWORKS
Human Resource and Diversity policy Code of Conduct	UN Global Compact Principles 1, 2, 3, 4, 5, 6, 10 SDG 5, 7, 8, 9, 10, 11

Supply chain

Eltel takes overall responsibility for its subcontractors. This includes their work environment, employees and ultimate deliveries to the customer. Our partners are included in our systematic work on health and safety, and we have clear processes in place that ensure they sign up to the Eltel Code of Conduct and commit to our other key policies and principles.

Our progress in 2022

Eltel continued to ensure the quality of its sourcing and supply chain management, including our financial and legal responsibilities, as an integrated part of our business. We recommend that our suppliers and partners have valid ISO certification – including ISO 9001, ISO 14001 and ISO 45001. If they do not hold such certification, they are required to demonstrate their compliance by signing an agreement and participating in Eltel's e-learning courses.

We are increasing our suppliers' engagement on their emissions and sustainability reporting in general. This will increase suppliers' requirements for sustainability data reporting and investigating whether they could set science-based climate targets as we focus on reducing our scope 3 emissions in the coming years. One of our new science-based climate targets focuses on supplier engagement (read more on page 28).

We regularly conducted supplier assessments and reviews during the year, both planned and unannounced. In cases in which potential non-compliance was identified, an action plan was implemented to ensure that the subcontractor in question met our standards.

Supply chain risks

Eltel takes responsibility for its supply chain as it poses both financial and legal risks to the company. Eltel categorises subcontractors and suppliers according to their level of risk exposure. Partners rated as the highest risk, category A, are integrated into Eltel's procedures for reporting HSE incidents and monthly working hours.

KPIs	2022	2021
Number of supplier assessments and reviews	477	320

POLICIES	GUIDING FRAMEWORKS
HSSEQ Policy Code of Conduct	ISO 9001 ISO 45001 ISO 14001 SDG 5, 8, 10, 12, 13

Number of supplier assessments and reviews

477

Fatal accidents Eltel employees and subcontractors

0

Standard compliance required

ISO

ISO 9001
ISO 45001
ISO 14001

Business ethics

Respecting human rights is one of Eltel's fundamental business principles. Eltel is a signatory to the United Nations Global Compact and its ten principles on human rights, labour rights, environment and anti-corruption, which are incorporated into our internal policies. Working with business ethics involves complying with all applicable laws and regulations as a minimum, as well as Eltel's internal policies and agreements with shareholders, customers and subcontractors.

Minimum safeguards alignment summary

Human rights – Eltel has multiple methods for assessing, safeguarding and promoting human rights. These include but are not limited to the human rights risks assessments made through the enterprise risk management process, the whistleblowing process, the annual Code of Conduct training, and Code of Conduct requirements towards our suppliers. Reporting on such matters is done on a regular basis to Eltel's executive management and the Board. No employee of Eltel AB or of any of its subsidiaries have been convicted or being found of being in violation of any laws or regulations relating to human rights.

Corruption – Eltel has anti-corruption practices in place, such as the whistleblowing channel and regular trainings in anti-corruption practices, which are governed by Eltel's Anti-Bribery and Anti-Corruption Policy as well as the Whistleblowing Policy. Eltel's Code of Conduct also outlines Eltel's stance on Anti-Bribery and Anti-Corruption. Code of Conduct trainings (including anti-corruption practices) are provided to employees annually. No employee of Eltel AB or of any of its subsidiaries have been convicted or being found of being in violation of any laws or regulations relating anti-corruption.

Taxation – Eltel treats tax compliance and governance as important elements of oversight, tax risks are assessed on an ongoing basis and tax compliance matters are reported to senior management as well as to the Audit Committee. No employee of Eltel AB or of any of its subsidiaries have been convicted or being found of being in violation of any tax laws or regulations.

Fair competition – Eltel is dedicated to promoting the importance of compliance with competition laws and regulations. Eltel's Competition Instruction is used to increase awareness and educate the workforce on the topic of fair competition. Additional directed training is provided to senior management. No employee of Eltel AB or of any of its subsidiaries have been convicted or being found of being in violation of any laws or regulations relating fair competition.

Our progress in 2022

During the year, we assessed our alignment to the minimum safeguards set forth in Articles 3 and 18 of the EU taxonomy. This assessment was made using the final report on Minimum Safeguards issued by the EU platform on sustainable finance. The reports analysis and recommendations incorporate the standards set forth in the EU taxonomy: OECD guidelines for Multinational Enterprise, United Nations Guiding Principles on Business and Human Rights (UNGPs), the eight ILO conventions on Fundamental Principles and Rights at Work, and the International Bill of Human Rights.

As a people company, maintaining an awareness and understanding of our governing policies is critical to ensuring business compliance. During 2022, we relaunched our Fair Play employee training, which is related to our Code of Conduct. We also provided EU General Data Protection Regulation (GDPR) training to educate employees on how to safeguard personal data in their role at Eltel. In addition, new employees received mandatory Fair Play training as part of their onboarding process.

Our new whistleblowing procedure (issued in accordance with the EU whistleblowing directive) was rolled out in 2022. Compliance with the directive involves having a third-party service provider manage the procedure to ensure anonymity. In addition, the procedure provides for local whistleblowing channels in each country to ensure easy access for anyone reporting an alleged breach of the Code of Conduct.

In 2022, 25 whistleblowing cases were reported through local whistleblowing channels. Matters reported included, among other things, alleged fraudulent invoicing methods and unfair treatment of employees and/or colleagues. Personal data breaches are reported through a dedicated GDPR incident reporting tool. All matters were duly investigated, and conclusions were reported to the Head of Audit Committee in accordance with the whistleblowing procedure. All reported matters were closed during 2022.

In line with the Code of Conduct statement, Eltel complies with local tax laws as well as international tax regulations such as OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations (OECD Guidelines) in all countries where Eltel operates in. Eltel aims at reporting taxes correctly and paying the right taxes at the right time.

Business ethics risks

Eltel operates in a competitive industry with low barriers to entry and low margins, which increases the risk of corruption, breaches of competition laws and conflicts of interest. Good ethical behaviour in our operations is promoted by responsible and sustainable business practices, training in the Code of Conduct and supporting steering documents. In addition, Eltel Internal Audit team audited several controls relating to our business practices during the year.

CODE OF CONDUCT	2022	2021
Code of Conduct training completion rate, Eltel employees, %	82	89

POLICIES	GUIDING FRAMEWORKS
Code of Conduct Anti-bribery and Anti-corruption policy Data Protection Policy Human Resource and Diversity Policy HSSEQ Policy Insider Policy Tax Policy Information Technology Policy Whistleblowing Policy Risk Management Policy Competition Instruction	UN Global Compact Principles 1, 2, 3, 4, 5, 6, 10 SDG 5, 8, 10, 12 ISO 9001 ISO 45001 ISO 14001

EU Taxonomy

The EU Taxonomy is the EU's common classification system for economic activities that have the most significant impact on the EU's environmental objectives:
1. Climate change mitigation
2. Climate change adaptation
3. The sustainable use and protection of water and marine resources
4. The transition to a circular economy
5. Pollution prevention and control
6. The protection and restoration of biodiversity and ecosystems

To date, taxonomy reporting is targeted at the first two environmental objectives: climate change mitigation and adaptation. The taxonomy classification system covers those sectors and economic activities that have the highest potential to avoid and reduce emissions and thereby reach the goal set by the EU for climate change mitigation – cutting net carbon emissions by 55% from the 1990 level by 2030 and achieving carbon neutrality by 2050.

The power sector is one of the major sectors included in the taxonomy. Correspondingly, Eltel's operations in the power sector are largely included in the economic activities specified in the EU Taxonomy (i.e. eligible activities). All Eltel's activities that are categorised as eligible are deemed to have the potential to make a substantial contribution to the first environmental objective: climate change mitigation.

The communication sector, which contributes to the digitalisation of society via modern and high-capacity communication networks, is generally not included in the activities specified in the EU Taxonomy at the present time. In line with this, most of Eltel's operations in the communication business are not included in the taxonomy (i.e. non-eligible activities).

2022 taxonomy alignment

For the financial year 2022, Eltel reported the extent to which its operations are included in the EU Taxonomy (eligible) and which part of these operations meet the criteria for being sustainable (aligned). Eltel's operations are concluded to be taxonomy-aligned when they are assessed to comply with all the requirements described in the taxonomy. This means that the activity 1) makes a substantial contribution to climate change mitigation, 2) does no significant harm to any of the other five environmental objectives (DNSH) and 3) complies with the minimum safeguards.

By developing the power grid, Eltel together with its customers contributes to climate change mitigation through a transition to a green electricity system. Eltel has performed a DNSH assessment throughout the organisation, including workshops and other analyses of the fulfilment of the DNSH criteria for each activity included in the taxonomy. Based on the assessment, Eltel has concluded that it complies with the DNSH criteria. Eltel does not own or operate power grids but offers a full range of services from planning and construction to maintaining and dismantling the grids. Eltel's primary goal is to minimise the environmental impact of these operations. This involves the preparation of environmental impact assessment (EIA) and risk assessment or similar environmental surveys, and mitigating the impact on biodiversity and ecosystems as early as the planning phase. For climate change adaptation, the key aspect is the resilience of the power infrastructure to the physical risks related to climate change. The transition to a circular economy and pollution prevention plays an important role in Eltel's operations concerning the construction, maintenance and dismantling of power (and communication) networks as a significant amount of materials are used in such operations. The responsible sourcing of materials, recycling and waste management are included in the key environmental topics for Eltel. To a large extent, Eltel uses reliable waste management partners who ensure that all waste is properly recycled and recovered. To further reduce its environmental impact, Eltel continues to expand the use of professional partners. In addition to environmental impact analyses, Eltel has assessed that it complies with the minimum safeguards. Further information about minimum safeguards regarding human rights, corruption, taxation and fair competition is presented on page 31.

Net sales

Eltel has evaluated taxonomy eligibility of its business operations according to the descriptions of economic activities listed in the annexes of the Climate Delegated Act and the related NACE codes. Furthermore, an assessment of substantial contribution to climate change mitigation has been performed by analysing whether Eltel's operations meet the technical screening criteria of each applicable activity. Operations have been disaggregated to the extent necessary for the analysis.

Eltel identified 34.0% (31.9) of its net sales to be taxonomy-eligible regarding the economic activities defined in the taxonomy's environmental objective: climate change mitigation. Eltel also identified 29.7% of its net sales to be taxonomy-aligned (environmentally sustainable).

A major part of eligible and aligned net sales relate to activity 4.9 "Transmission and distribution of electricity". This activity includes Eltel's power transmission and distribution services from construction and upgrade to maintenance and fault repair, as well as smart grid operations relating to operating the distribution networks. A total of 25.2% of net sales is deemed to be taxonomy-eligible. Furthermore, Eltel has concluded that 22.5% of its net sales is also taxonomy-aligned. Eltel carries out work for the power grids that belong to the interconnected European system and its subordinate systems that are not dedicated to creating or expanding direct connections to power production plants that are more greenhouse gas intensive than 100 CO_2e/kWh. 2.7% of net sales is not deemed to be aligned, primarily due to direct connections to power production plants that do not meet the criteria, mainly in Poland. In Germany, many of the electricity meters included in power distribution operations do not meet the EU criteria. Thus, these operations have been evaluated as being non-aligned.

Part of Eltel's smart grid operations are included in activity 7.5 "Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings". 4.1% of total net sales is included in this activity and it is concluded that 2.8% of total net sales is taxonomy aligned. Smart grid operations in the Nordics are generally taxonomy-aligned as the installed meters meet the criteria for smart meters. In Germany, most of the meters are non-aligned but there are also meter installations that comply with the taxonomy criteria.

2.4% of total net sales relate to activity 6.14 "Infrastructure for rail transport". These services are deemed to be fully taxonomy-aligned. Most of the operations are in Denmark and include, for example, installation and configuration of equipment related to the digitalisation of railway signalling. Finland and Poland also conduct operations included in this activity.

Eltel has also identified other taxonomy-eligible operations totalling 2.3% of total net sales. 1.9% of net sales included in these operations is taxonomy-aligned. Other taxonomy-aligned operations include the installation of charging stations for electric vehicles (7.4), the installation of energy efficiency equipment in buildings (7.3) and the maintenance of wind turbines (7.6). Other non-aligned activities include operations related to certain district heating facilities that do not meet the technical screening criteria for activity 4.15.

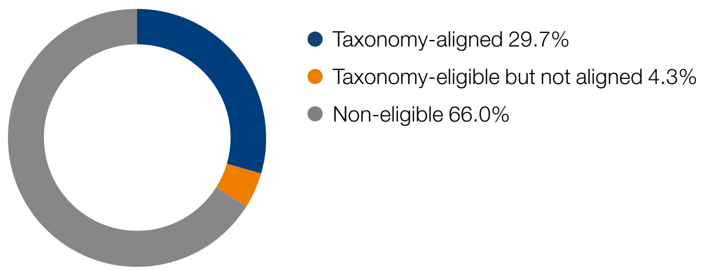
Capital expenditure (capex) and operating expenditure (opex)

Eltel identified 34.7% (36.8%) of capital expenditure and 37.2% (41.4%) operating expenditure (capex and opex) to be taxonomy eligible. Furthermore, 30.8% of capex and 29.2% of opex were identified as being taxonomy-aligned. Capex and opex have been included when they relate to operations generating net sales that are included in the taxonomy. In 2022, Eltel also included investment in a new car fleet as taxonomy-aligned capex if the capex met the criteria for being sustainable according to taxonomy activity 6.5 "Transport by motorbikes, passenger cars and light commercial vehicles". This mainly concerns electric vehicles.

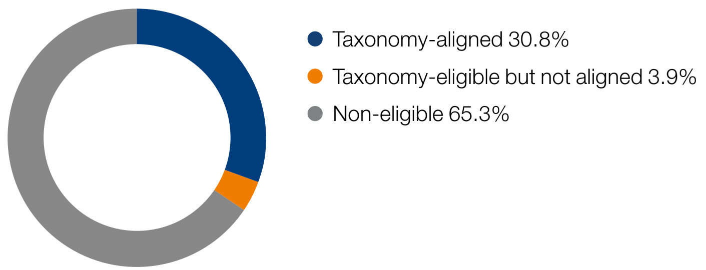
As the definition of opex is very narrow in the taxonomy, the amount of total opex in Eltel is negligible. Opex includes the cost of maintenance and repair of machinery and buildings and short-term lease expenses.

In order to avoid double counting, each business operation that generates taxonomy-eligible net sales was exclusively assigned to a specific taxonomy-eligible economic activity. The same procedure was adopted for the allocation of capex and opex. However, Capex for electric vehicles was fully included in activity 6.5 and was therefore excluded from the other taxonomy-eligible activities.

NET SALES



CAPEX



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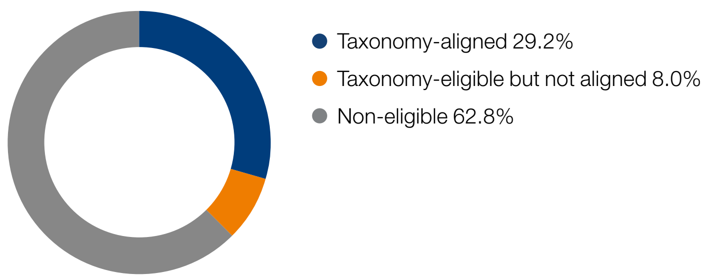


Net sales

				Substantial contribution criteria		DNSH criteria (Does not significantly harm)										
Economic activities	**Code**	**Total net sales**	**Proportion of net sales**	**Climate change mitigation**	**Climate change adaptation**	**Climate change mitigation**	**Climate change adaptation**	**Water and marine resources**	**Circular economy**	**Pollution**	**Biodiversity and ecosystems**	**Minimum safeguards**	**Taxonomy-aligned proportion of net sales 2022**	**Taxonomy-aligned proportion of net sales 2021**	**Category (enabling activity)**	**Category (transitional activity)**
		EUR million	**%**	**%**	**%**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**%**	**%**	**E**	**T**
A. Taxonomy-eligible activities																
A.1. Environmentally sustainable activities (taxonomy-aligned)																
Electricity generation from wind power	4.3	12.7	1.5%	100%	-	-	Y	Y	Y	-	Y	Y	1.5%		-	-
Transmission and distribution of electricity	4.9	185.4	22.5%	100%	-	-	Y	-	Y	Y	Y	Y	22.5%		E	-
Infrastructure for rail transport	6.14	19.5	2.4%	100%	-	-	Y	Y	Y	Y	Y	Y	2.4%		E	-
Installation, maintenance and repair of energy efficiency equipment	7.3	0.5	0.1%	100%	-	-	Y	-	-	Y	-	Y	0.1%		E	-
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	7.4	2.8	0.3%	100%	-	-	Y	-	-	-	-	Y	0.3%		E	-
Installation, maintenance and repair of instruments and devices measuring, regulation and controlling energy performance of buildings	7.5	23.4	2.8%	100%	-	-	Y	-	-	-	-	Y	2.8%		E	-
Net sales for environmentally sustainable activities (Taxonomy-aligned) (A.1.)		**244.4**	**29.7%**										**29.7%**			
A.2. Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)																
Transmission and distribution of electricity	4.9	22.0	2.7%													
District heating / cooling distribution	4.15	3.2	0.4%													
Installation, maintenance and repair of instruments and devices measuring, regulation and controlling energy performance of buildings	7.5	10.5	1.3%													
Net sales for taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2.)		**35.7**	**4.3%**													
Total (A.1 + A.2)		**280.1**	**34.0%**										**29.7%**			
B. Taxonomy-non-eligible activities																
Net sales for taxonomy-non-eligible activities (B)		**543.5**	**66.0%**													
Total (A + B)		**823.6**	**100.0%**													

Total net sales equals to net sales according to the 2022 financial statements.

Capital expenditure (capex)

Economic activities	Code	Total capex	Proportion of capex	Substantial contribution criteria: Climate change mitigation	Substantial contribution criteria: Climate change adaptation	DNSH criteria (Does not significantly harm): Climate change mitigation	DNSH: Climate change adaptation	DNSH: Water and marine resources	DNSH: Circular economy	DNSH: Pollution	DNSH: Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of capex 2022	Taxonomy-aligned proportion of capex 2021	Category (enabling activity)	Category (transitional activity)
	Code	EUR million	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. Taxonomy-eligible activities																
A.1. Environmentally sustainable activities (taxonomy-aligned)																
Electricity generation from wind power	4.3	0.3	1.1%	100%	-	-	Y	Y	Y	-	Y	Y	1.1%		-	-
Transmission and distribution of electricity	4.9	3.8	15.8%	100%	-	-	Y	-	Y	Y	Y	Y	15.8%		E	-
Infrastructure for rail transport	6.14	0.6	2.3%	100%	-	-	Y	Y	Y	Y	Y	Y	2.3%		E	-
Transport by motorbikes, passenger cars and light commercial vehicles	6.5	2.0	8.2%	100%	-	-	Y	-	Y	Y	-	Y	8.2%		-	T
Installation, maintenance and repair of energy efficiency equipment	7.3	0.0	0.0%	100%	-	-	Y	-	-	Y	-	Y	0.0%		E	-
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	7.4	0.1	0.5%	100%	-	-	Y	-	-	-	-	Y	0.5%		E	-
Installation, maintenance and repair of instruments and devices measuring, regulation and controlling energy performance of buildings	7.5	0.7	2.8%	100%	-								2.8%		E	-
Capex for environmentally sustainable activities (Taxonomy-aligned) (A.1.)		**7.4**	**30.8%**										**30.8%**			
A.2. Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)																
Transmission and distribution of electricity	4.9	0.5	2.2%													
District heating / cooling distribution	4.15	0.1	0.3%													
Installation, maintenance and repair of instruments and devices measuring, regulation and controlling energy performance of buildings	7.5	0.3	1.4%													
Capex for taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2.)		**0.9**	**3.9%**													
Total (A.1 + A.2)		**8.4**	**34.7%**										**30.8%**			

B. Taxonomy non-eligible-activities

Capex for taxonomy non-eligible-activities (B)		**15.8**	**65.3%**
Total (A + B)		**24.2**	**100.0%**

Capex includes additions into property, plant and equipment, right-of-use assets and other intangible assets (Notes 25-27 in the consolidated financial statements).

Operating expenditure (opex)

				Substantial contribution criteria		DNSH criteria (Does not significantly harm)										
Economic activities	Code	Total opex	Proportion of opex	Climate change mitigation	Climate change adaptation	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of opex 2022	Taxonomy-aligned proportion of opex 2021	Category (enabling activity)	Category (transitional activity)
		EUR million	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. Taxonomy-eligible activities																
A.1. Environmentally sustainable activities (taxonomy-aligned)																
Electricity generation from wind power	4.3	0.1	1.5%	100%	-	-	Y	Y	Y	-	Y	Y	1.5%		-	-
Transmission and distribution of electricity	4.9	1.7	22.1%	100%	-	-	Y	-	Y	Y	Y	Y	22.1%		E	-
Infrastructure for rail transport	6.14	0.2	2.3%	100%	-	-	Y	Y	Y	Y	Y	Y	2.3%		E	-
Installation, maintenance and repair of energy efficiency equipment	7.3	0.0	0.1%	100%	-	-	Y	-	-	Y	-	Y	0.1%		E	-
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	7.4	0.0	0.3%	100%	-	-	Y	-	-	-	-	Y	0.3%		E	-
Installation, maintenance and repair of instruments and devices measuring, regulation and controlling energy performance of buildings	7.5	0.2	2.8%	100%	-	-	Y	-	-	-	-	Y	2.8%		E	-
Opex for environmentally sustainable activities (Taxonomy-aligned) (A.1.)		**2.3**	**29.2%**										**29.2%**			
A.2. Taxonomy eligible but not environmentally sustainable activities (not taxonomy-aligned activities)																
Transmission and distribution of electricity	4.9	0.4	4.9%													
District heating / cooling distribution	4.15	0.1	0.7%													
Installation, maintenance and repair of instruments and devices measuring, regulation and controlling energy performance of buildings	7.5	0.2	2.3%													
Opex for taxonomy eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2.)		**0.6**	**8.0%**													
Total (A.1 + A.2)		**2.9**	**37.2%**										**29.2%**			

B. Taxonomy non-eligible-activities			
Opex for taxonomy-non-eligible activities (B)		**5.0**	**62.8%**
Total (A + B)		**7.9**	**100.0%**

Opex includes short term leases, maintenance and repair costs of tangible assets. Note that opex as defined in EU Taxonomy is significantly narrower than Eltel's total operating expenditure.

Auditor's opinion regarding the statutory sustainability report

To the general meeting of the shareholders in Eltel AB (publ), corporate identity number 556728-6652

Engagement and responsibility

It is the board of directors who is responsible for the sustainability report for the year 2022 on pages 4-5 and 22-36 and that it is prepared in accordance with the Annual Accounts Act.

The scope of the examination

Our examination has been conducted in accordance with FAR:s auditing *standard RevR 12 The auditor's opinion regarding the statutory sustainability report*. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

Opinion

A statutory sustainability report has been prepared.

Stockholm 29 March 2023
KPMG AB

Fredrik Westin
Authorized Public Accountant

Board of Directors report 2022

The Board of Directors and the CEO of Eltel AB, corporate registration number 556728-6652, with its registered office in Stockholm, hereby submit the Annual Report and consolidated financial statements for the 2022 financial year. Eltel AB and its subsidiaries operate under the Eltel brand. The consolidated group is called Eltel Group.

Company overview

Eltel is a leading infrastructure and service provider for critical communication and power networks – infranets. We deliver a comprehensive range of communication and power services – everything from the design and build phase to corrective maintenance. This includes design, planning, building, installing, and securing the operation of networks for a more sustainable and connected world today and for future generations.

Our customers are primarily owners of communication and power networks. We offer a 24/7 and extensive geographical presence in our home markets.

Most of our work is conducted through long-term framework agreements and service agreements that enable us to collaborate with customers to achieve their objectives.

As a consequence of the global trends affecting society, the infranet sector is constantly changing. The key ongoing trends driving this change include increasing customer demands, regulatory requirements, the need to upgrade ageing power infrastructure and the growing use of renewable energy in society. Eltel operates in the Nordic market and is also represented in Poland, Germany and Lithuania.

Communication services

Eltel optimises communication networks and help meet societal needs for greater digitalisation, which is revolutionising how people live, work and play. The business is primarily driven by technology upgrades, maintenance needs and increased demand for improved capacity and faster networks.

Eltel's main customers are large telecom operators and communication network owners, other private network owners and municipalities. Its operations generally involve long-term relationships with a steady inflow of orders generated by framework agreements.

Read more about Eltel's communication offering on page 11.

Power services

Eltel's power services enable the electrification of society, which is essential for building more sustainable energy solutions and achieving national carbon-neutrality goals. The demand for increased network capacity and capabilities is a major driver in the power market that will continue in the foreseeable future.

Primary customers include national transmission system operators and owners of power distribution grids.

Read more about Eltel's power offering on page 12.

Major contracts 2022

During 2022, Eltel signed contracts with a combined value of about EUR 825 million (393). Selection of important contracts:

- Extension of service framework agreements with Trafikverket, Swedish Transport Administration (December)
- Nationwide framework agreement in Norway with Siemens to install, service and operate charging stations (November)
- Eltel's largest framework agreement to date, building FTTH throughout Finland for Valokuitunen (September)
- Creation of 18,000 high-speed fibre connections in Denmark for Global Connect's business customers (July).

Significant events 2022

New strategy aimed at driving sustainable and profitable growth
During the year, Eltel began working with its new strategy – Investing in Sustainable Profitable Growth 2022–2025. The strategy focuses on innovation, sustainability and new market development, as well as expanding existing and new business opportunities (read more on page 8).

Growth in net sales
Net sales increased to EUR 823.6 million, compared to EUR 812.6 million in 2021. Eltel sees further opportunities for growth as the market demand for our services remains strong despite inflation and supply chain challenges.

Approval of Eltel's science-based climate targets
Eltel's new climate targets were approved by the Science Based Targets initiative at the end of the year (read more on page 28). Eltel's carbon reduction targets are in line with the Paris Climate Agreement and reducing global warming to 1.5 degrees.

New Business Development function established to create opportunities
Eltel launched a new Business Development function that will both replicate successful business models and conceptualise new ones. Business Development includes the Sustainability function, which was also strengthened with a new Head of Sustainability during the year.

Managing macro-economic challenges
Inflation was a major challenge for the entire industry during the year. Eltel introduced a cost index for many of its existing and new contracts, which to some extent protected the company and its subcontractors from price increases. In principle, all tenders now have such an index.

January–December 2022

Net sales increased by 1.4% to EUR 823.6 million (812.6). In segments net sales increased by EUR 4.9 million. Organic net sales in segments, adjusted for currency effects, increased by 1.8%.

Eltel's main operations in the four Nordic countries are presented as segments. In January–December, the segments represented 89% (90) of the net sales.

In Other business net sales increased by EUR 7.5 million.

Other business includes High Voltage, with operations mainly in Poland, Smart Grids Germany, Lithuania as well as closing activities for Power Transmission International and Rail businesses.

Operative EBITA

Operative EBITA decreased to EUR -1.9 million (14.8). Operative EBITA margin was -0.2% (1.8). Operative EBITA in segments was EUR 9.9 million (24.2) and the margin was 1.4% (3.3). In Other business, operative EBITA was EUR -4.0 million (-1.8). Operative EBITA was burdened by inflation, related to fuel, material costs, subcontracting and other cost base. A long winter, increased sick-leave rates and high employee turnover further impacted operative EBITA.

Finland

Net sales decreased by EUR 9.5 million, or 3.2%, to EUR 290.1 million (299.6). During the second half of the year, net sales were in line with previous year. Volumes during the first half of the year were negatively affected by a six-week ICT strike and a long winter with deep ground frost. Power Services noted reduced net sales throughout the year due to lower customer investment levels as a result of new regulations.

Operative EBITA decreased to EUR 8.2 million (12.7). The operative EBITA margin was 2.8% (4.2). Inflation, mainly material, fuel and sub-contracting costs as well as high sick- leave rates, impacted the result negatively. Furthermore, the delay of certain projects caused by the ICT strike resulted in cost overruns.

During 2022, Eltel Finland signed contracts with a combined value of about EUR 412 million (90).

Read more about Eltel Finland on page 13.

Sweden

Net sales increased by EUR 11.6 million, or 6.4%, to EUR 193.8 million (182.2). Organic growth in local currency was 11.6%. The growth was driven by Smart Grids and by Communication, thanks to increased activities in fibre and public infrastructure. Currency effects had a negative impact of EUR 9.5 million.

Operative EBITA improved to EUR -1.0 million (-1.8). The operative EBITA margin was -0.5% (-1.0). Improvements came from growth in net sales and improved efficiency, which offset high employee turnover, increased costs due to inflation and investments in the efficiency programme "One Eltel".

During 2022, Eltel Sweden signed contracts with a combined value of about EUR 182 million (70).

Read more about Eltel Sweden on page 15.

Norway

Net sales increased by EUR 16.4 million, or 10.2%, to EUR 176.8 million (160.5). Organic growth in local currency was 9.4%. Currency effects had a positive impact of EUR 1.4 million. The growth was achieved in the areas of fibre and 5G until the end of Q3. In Q4 we noted reduced purchase volumes by our major customers and postponements of mobile works.

Operative EBITA decreased to EUR 2.1 million (9.2). The operative EBITA margin decreased to 1.2% (5.7). The decrease is a consequence of a change in production mix, cost overruns and challenges in certain projects. Increased sick-leave rates and inflation impacted further.

During 2022, Eltel Norway signed contracts with a combined value of about EUR 70 million (64).

Read more about Eltel Norway on page 17.

Denmark

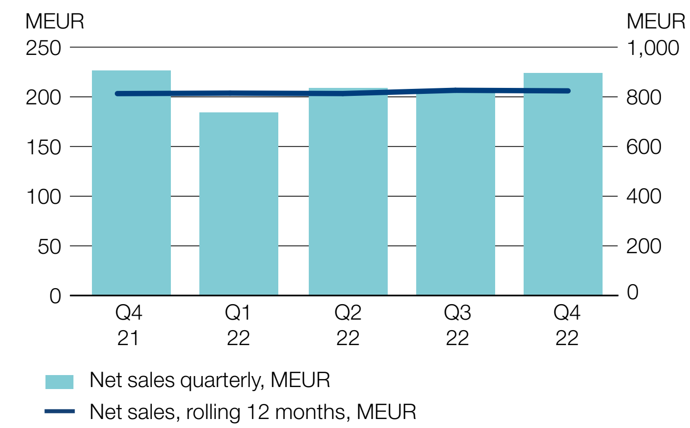
Net sales decreased by EUR 13.6 million, or 15.5%, to EUR 74.3 million (87.9). Growth in fibre was offset mainly by a partial insourcing of an agreement by a major customer at the end of Q2 2021. Closing of other agreements and slower than anticipated ramp up of volumes until Q4 impacted further.

Operative EBITA decreased to EUR 0.6 million (4.2). The operative EBITA margin was 0.9% (4.8). The result comes from lower volumes and inflation-related cost increases.

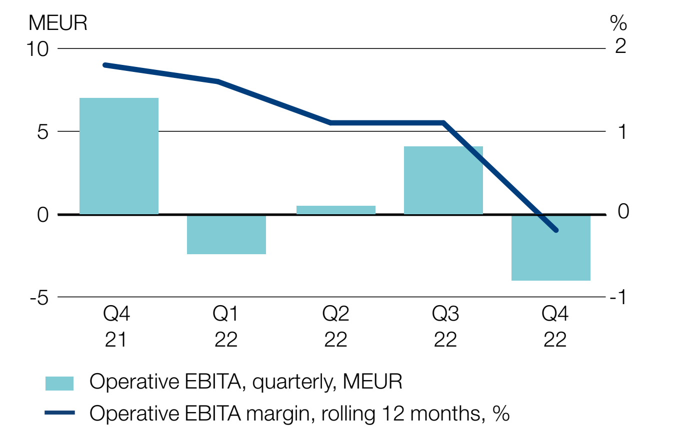
823.6
Net sales, EUR million

-1.9
Operative EBITA, EUR million

NET SALES AND GROSS MARGIN



OPERATIVE EBITA AND EBITA MARGIN



During 2022, Eltel Denmark signed contracts with a combined value of about EUR 146 million (121).

Read more about Eltel Denmark on page 19.

Other business

Net sales increased by EUR 7.5 million to EUR 99.4 million (91.9) thanks to realisation of delayed and postponed volumes from 2021 in High Voltage Poland. Smart Grids Germany was in line with previous year. Power Transmission Internation (PTI) no longer has any active projects.

Operative EBITA decreased to EUR -4.0 million (-1.8). Excluding the sale of a real estate in Poland in Q4 2021, operative EBITA increased by EUR 0.3 million. Margins in Smart Grids Germany remained high. High Voltage, mainly Poland, had a negative operative EBITA of EUR -7.6 million (-8.8). Inflation and the effects of the war in Ukraine deteriorated the result. Actions are being taken to mitigate the situation. In PTI all projects are operationally closed. Administrative closing processes and related costs continue to burden the result. In the comparative period, PTI contributed positively.

During 2022, Other business signed contracts with a combined value of about EUR 15 million (47).

Read more about Other business on page 21.

Cash flow

Cash flow from operating activities was EUR 16.4 million (22.3). Main items included EBITDA EUR 27.8 million (46.5), change in net working capital EUR 4.6 million (-10.1), financial items EUR -7.8 million (-4.0) and income taxes EUR -4.7 million (-2.7).

Cash flow from operating activitie has historically displayed a strong seasonal pattern, with weaker cash flow recorded during the period until the end of the third quarter due to higher production activity. Eltel's net working capital level is also impacted by remaining working capital-intensive projects, mainly in High Voltage Poland. These projects, and delays in them, result in continued tie up of substantial working capital and are expected to create volatility in the net working capital also going forward.

Net cash flow from investing activities was EUR -3.9 million (-2.9) consisting of net capital expenditure of EUR -3.9 million (-4.0) on machinery and equipment, and in 2021 of EUR -3.8 million from divestment of High Voltage Germany and EUR 4.9 million from the sale of real estate in Poland.

Cash flow from financing activities was EUR 3.1 million (-13.7). On 17 January 2022, Eltel completed a financing agreement with banks. In connection with the agreement, Eltel drew a EUR 35.0 million term loan and repaid the remaining old term loan of EUR 27.0 million. Utilisation of short-term financing increased by EUR 16.5 million (20.0). Payments of lease liabilities amounted to EUR 21.6 million (23.8). In 2021 amortisation of external loans was EUR 10.0 million.

In March 2022, Eltel issued and purchased 972,000 new class C shares in accordance with the long-term incentive programme LTIP 2021. The share issue and the purchase had a cash flow impact of EUR 1.0 million and EUR -1.0 million, respectively.

Financial position, cash and cash equivalents

Equity at the end of the period was EUR 211.3 million (227.9) and total assets were EUR 621.7 million (630.8). The equity ratio was 37.0% (38.3).

INTEREST-BEARING LIABILITIES AND NET DEBT

EUR million	31 Dec 2022	31 Dec 2021
Interest-bearing debt	125.1	99.8
Leasing liabilities	47.8	54.5
Allocation of effective interest to periods	0.5	0.6
Less cash and cash equivalents	-47.9	-32.3
Net debt	**125.5**	**122.6**

EUR million	31 Dec 2022	31 Dec 2021
Non-current interest-bearing debt	34.7	25.5
Current interest-bearing debt	90.4	74.2
Total interest-bearing debt	**125.1**	**99.8**
Non-current leasing liabilities	31.0	35.8
Current leasing liabilities	16.8	18.6
Total leasing liabilities	**47.8**	**54.5**

CREDIT FACILITIES

EUR million	31 Dec 2022	Maturity
Term loan, non-current[1]	35.0	Jan 2024 (+ extension option until Jan 2025)
Revolving credit facility	90.0	Jan 2025 (+ extension options until Jan 2027)
Account overdrafts	15.0	Annual renewals
Total committed credit facilities	**140.0**	
Commercial paper programme	150.0	N/A

[1] The maturity of the term loan has been extended by one year until January 2025.

Available liquidity reserves, including the committed revolving credit facility, account overdrafts and cash and cash equivalents, amounted to EUR 96.9 million (142.3). Additional to the committed facilities, the Group also has access to short-term debt capital markets via a commercial paper programme of EUR 150 million. At the reporting date, EUR 33.5 million (73.0) of the commercial paper programme and EUR 56.0 million (0.0) of the revolving credit facility were utilised.

Commercial guarantees

On 31 December 2022, the commercial guarantees issued by the banks and other financial institutions on behalf of the Group amounted to EUR 80.3 million (85.3). The amount of commercial guarantees issued on behalf of third parties was EUR 0.0 million (0.1).

Sustainability

Eltel has, in accordance with the Annual Accounts Act chapter 6 section 11, prepared the statutory sustainability report as a separate report which was approved for issue by the Board of Directors and the President and CEO. The scope of the Statutory Sustainability report is defined on pages 22–36.

Employees

In 2022, the average number of employees decreased by 2.4% to 5,053 (5,176). With the growing challenge to recruit skilled employees throughout the entire industry, Eltel stepped up its efforts to attract, recruit and retain employees in 2022. This included stepping up incentives for 'refer a friend' initiatives, improving recruitment processes and training recruitment managers.

Ensuring that our employees return home safely every day is our top priority. High-risk activities related to day-to-day operations include electrical safety, working at height, managing ageing infrastructure, and road safety. Road safety is a particularly important area for Eltel as teams spend a lot of time on the road driving from site to site. Eltel is constantly seeking to identify and implement more modern and safer solutions and processes to reduce risk. In 2022, the Lost Time Injury Frequency rate (LTIFR) decreased to an all-time low at 3.8.

Being a people company, Eltel is dependent on the engagement of our employees. We deliver value to our customers through our highly engaged and competent employees. In September 2022, Eltel conducted an Employee Engagement Survey comprising 3,547 participants, equivalent to a 75% employee response rate. The score rate was 1–5, with 5 being the best score. The highest engagement drivers were "Relationship with Colleagues" 4.0, "Health and Safety" 4.0 and "Meaningfulness and Participation" 4.0 and the overall engagement score went up by 0.1 point to 3.8. In no area did Eltel Group decrease in the score compared to 2021.

For more information how we work with employees, please refer to page 29, and health and safety page 26.

Financial guidance

In May 2022, Eltel removed its financial guidance given the significant uncertainties in the market due to the war in Ukraine and increased inflation.

Risk Management

The goal of Eltel's Risk Management is to safeguard strategy execution from unexpected risks through assessing risks and opportunities on a daily basis. Risk awareness is part of our daily mindset.

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

Eltel has a risk management process in place. The Internal Audit Function evaluates if the process is being followed and communicates identified deficiencies to top management.

For more information regarding financial risk management, please refer to note 14 in the Consolidated financial statements.

Risk Reporting

The Group Risk Management Team (RM Team), which is comprised of the current Group Function Management, is responsible to ensure that risks are addressed adequately by Country and Solution Unit management. This is performed bi-annually when the forum discusses the risks and reviews them with a comparable view to ensure adequate risk management is in place. The forum provides feedback to the Audit Committee and the Board of Directors.

RISK REPORTING ROLES

Reports →

← Provides feedback

Country / Solution Unit	Group CEO / CFO	Group RM Team	Board / Audit Committee
Identifies operational risks and opportunities. Reports risks, weight of risks and potential action plan via Monthly Business Review template.	Reviews risks and opportunities during monthly business reviews. Confirms actions and deadlines.	Meets bi-annually to review top risks to identify issues and decide whether further actions are needed, or reporting should be escalated.	Reviews deliverables from management and provides advice to the CEO.
Addresses risks and opportunities as part of the Business Plan.	Reviews and approves risks as part of the Business Plan.	Prepares a bi-annual risk report to the Board of Directors as a summary of top strategic and operational risks.	
	Reports top operational risks to the Audit Committee at least bi-annually.		

MOST SIGNIFICANT RISKS

Strategic risk	Actions	Type
Sales and EBITA development long term: Through the strategy period of 2023–2025 Eltel sees rather stable demand for its current offering within the telecommunications segment. Sweden has already reached peak fibre and there are signs of decreasing volumes in Norway and Denmark. When fibre and 5G installations have peaked, there is a risk of declining sales based on current offering. Regulatory restrictions on network operator profitability in Finland are effective as of January 2022 causing reduced investments and thereby negatively impacting Eltel's sales in the Power distribution market. High inflation combined with challenges to increase sales prices may impact our ability to improve profitability as planned and there is a risk of postponed projects from customers.	Identified risks require action to develop the offering, typically by organic growth and/or M&A.	Sales and EBITA
Financial risk: The most significant financial risks are risks related to the availability of financing (refinancing and obtaining new loans) and liquidity.	As it is unlikely that bank financing can be increased in the short term, Eltel will likely have to seek some other form of liquidity buffer to secure continued operations and investment in growth.	Financing and liquidity
High dependency on 1-2 key customers especially in Norway and Sweden: Changes in volumes coming from key customers and possible renegotiations can have a significant impact on the net sales and profitability in both countries.	There are ongoing activities to find growth and broaden the customer base in both countries.	Customers

Operative risk	Actions	Type
Health and safety in the working environment: Lack of subcontractor availability on the market may lead to the selection of subcontractors with less experience and/or focus on HSE, and thus their usage may lead to increased incidents and/or reputational damage to Eltel.	Focus on sharing of learnings from incidents and cascading safety bulletins throughout the organization including subcontractors, mainly to technicians and project managers, to improve awareness and incident prevention.	Health and safety
Resources and competences: The availability of resources and finding the right competences is a challenge. The increasing salary levels make it even more challenging to attract and retain the right people.	Increasing resources through recruitment and hiring subcontractors. Actions also include moving resources between teams if possible to ensure the production capacity.	Sales and EBITA
Inflation: Inflation has sharply increased partly as a result of the war in Ukraine. Especially increasing fuel and material prices, subcontracting costs, logistics costs and increasing salary levels affect Eltel's business.	Mitigating factors include price increases in customer contracts.	Inflation
High Voltage Poland: There are significant profitability challenges in High Voltage, primarily in Poland. Main reasons for the challenges are increased material and labour costs due to high inflation. Furthermore, there are delays and problems with closing old projects, and a challenging market in general.	Given the difficult conditions we are re-evaluating strategic alternatives for the Polish operations.	High Voltage Poland
Climate change: There is a risk that in tendering and planning phase the increasing climate related requirements coming from regulation and potential climate related events are not accurately estimated, leading to increased costs, penalties and/or reputational damage for Eltel.	Ensuring that climate risks are considered during the tendering and planning phase.	Climate
IT & Cybersecurity: Increased cybercrime activity can present risks to the Group's data security and continuity. Human behavior is a key risk for IT security (e.g. downloading of unlicensed or malicious software or improper data transfers).	Investing in capabilities to identify serious threats to security and continuity. Security training given high focus to secure that the human firewall is in place.	IT & Cybersecurity

Remuneration of senior executives

For information regarding remuneration to senior executives in 2022 and 2021, please refer to note 30 Remuneration to senior executives, in the Consolidated financial statements.

The Board of Directors of Eltel AB does not propose any changes to the guidelines for remuneration to senior executives, as adopted at the Annual General Meeting 2020.

Guidelines for remuneration to senior executives of the company

Eltel AB's Annual General Meeting 2020 resolved to adopt guidelines for remuneration to senior executives on the following principal terms and conditions.

Scope and applicability of the guidelines

These guidelines for remuneration to senior executives cover remuneration to the Board of Directors, the CEO, the Deputy CEO and other senior executives (the Group Management Team). The guidelines are applicable to remuneration agreed, and amendments to remuneration already agreed, after the adoption of the guidelines by the Annual General Meeting 2020. The guidelines apply until the general meeting resolves to adopt new guidelines for remuneration to senior executives. These guidelines do not apply to any remuneration decided or approved by the general meeting, e.g. remuneration to the Board of Directors and long-term incentive programmes, which are decided separately by the general meeting of shareholders.

The Board of Directors shall be entitled to temporarily deviate from these guidelines, in whole or in part, if special reasons justify doing so in an individual case and such deviation is necessary in order to meet the Company's long-term interests and sustainability or to ensure the company's financial viability. If such a deviation occurs, it must be reported in the Remuneration Report before the next Annual General Meeting. As set out below, the Remuneration Committee's tasks include preparing the Board of Directors' resolutions in remuneration related matters, including potential matters regarding deviation from the guidelines.

The guidelines promote the company's business strategy, long-term interest and sustainability

The Board of Directors considers that a prerequisite of the successful implementation of the company's business strategy and safeguarding of its long-term interests, including its sustainability, is that the company is able to recruit and retain a highly competent management with capacity of achieving specified goals. To this end, it is necessary that the company can offer competitive remuneration to motivate senior executives to do their utmost. Variable cash remuneration covered by these guidelines shall be based on criteria that aim at promoting the company's business strategy and long-term interests, including its sustainability, and where the fulfilment of the criteria is determined by the method set out below. For a description of the company's strategy, please refer to www.eltelgroup.com/investors/investor-information/strategy-and-targets/.

Forms of remuneration

The remuneration to senior executives shall be based on market terms. The remuneration may consist of fixed base salary, variable remuneration, pension, and certain other benefits. In addition, the general meeting may – regardless of these guidelines – resolve on share-related or share price-related remuneration.

Fixed base salary

Fixed base salary for senior executives reviewed yearly and in accordance with local practices. The fixed base salary constitutes 60-80% of total remuneration excluding LTI and assuming a 50% outcome of STI.

Cash short-term incentives (STI)

The aim of the short-term incentive is to reinforce the right performance and behaviours – financially and operationally – and to align the individual performance with the company's business strategy, long-term interests, and sustainability.

The key performance criteria for senior executives are primarily financial, i.e. EBITA, net working capital (NWC) or net debt in relevant currencies and safety measured as the lost time injury frequency rate (LTIFR). A minor part of certain senior executives' key performance criteria can be discretionary under special circumstances.

The minimum financial performance of the company for any STI pay-out is defined by the Board of Directors as a level of result in EBITA. This level is set to guarantee a lowest level of earnings for the company before any STI pay-out is made.

The short-term incentives can amount to a maximum of 80% of the fixed base salary for the CEO and 60% for other senior executives. At full outcome, the short-term incentives can amount to a maximum of 45% of total remuneration for the CEO and maximum of 40% for other senior executives.

Unless otherwise provided by mandatory law or obligations in applicable collective bargaining agreements, short-term incentives shall not entail any deposition of pension.

The STI is paid in connection with the ordinary monthly salary that is paid four months after the end of the qualifying period. The company is not able to recover remuneration paid out as STI.

In specific situations, for example in relation to potential divestments, M&A or specific projects, Eltel may offer cash bonuses that are conditional on the success of the specific transaction or project.

Long-term Incentives (LTI)

Senior executives can be offered share-related or share price-related remuneration. LTI are intended to improve the participants' commitment to the company's development and they shall be implemented on market-based terms. Resolutions on incentive programmes related to shares and share prices must be passed at the general meeting and are therefore not covered by these guidelines.

Other benefits

Pension

Senior executives are offered pension benefits that are primarily based on defined insurance payments and in accordance with local practices. The pension benefits are generally funded through payments to insurance companies or trustee-administered funds.

Company car

Senior executives are offered a company car and other benefits (such as allowances to physical activity, personal health, lunch facilities, health insurance etc.) in accordance with local rules, regulations, and practices in each country.

Other benefits constitute 4–14% of total remuneration excluding LTI and assuming a 50% outcome of STI.

Notice of termination and severance pay

The senior executives' employment or contractual agreements shall be valid until further notice or for a specified period of time.

The notice period is twelve months for the CEO in the event of termination by the company and twelve months in the event of termination by the CEO. In the event of termination by the company, the CEO is entitled to a severance pay equivalent of twelve months' fixed base salary and payable in one sum. The total amount of the salary and severance payment for the CEO may not exceed an amount corresponding to two years' fixed base salary.

The notice period is twelve months for other senior executives in the event of termination by the company and six months in the event of termination by other senior executives themselves. No other senior executive than the CEO is entitled to severance payment.

Salary and terms of employment for employees

In preparing the Board of Directors' proposal for these remuneration guidelines, the salaries, and terms of employment for the company's employees have been taken into account.

Information about employees' total remuneration, components of their remuneration as well as increases in remuneration and increases over time have been obtained and have constituted a part of the Remuneration Committee's and the Board of Directors' decision basis in their evaluation of the fairness of the guidelines and the limitations arising from them.

The resolution process

The Board of Directors shall prepare a proposal for new guidelines when there is a need for significant changes to the guidelines, however at least every four years. The Board of Directors' proposal is prepared by the Remuneration Committee. The chairman of the Board of Directors may chair the Remuneration Committee. In order to manage conflicts of interest, other members of the Remuneration Committee who are elected by the Annual General Meeting must be independent in relation to the company and the senior executives.

The Remuneration Committee shall, inter alia, monitor and evaluate the application of the guidelines for remuneration to senior executives decided by the Annual General Meeting. When the Remuneration Committee has prepared the proposal, it is submitted to the Board of Directors for decision.

The CEO or other senior executives shall not be present while the Board of Directors addresses matters related to remuneration and passes resolutions about them, insofar as they are affected by the matters.

If the Annual General Meeting does not resolve to adopt guidelines when there is a proposal for such, the Board of Directors shall submit a new proposal no later than the next Annual General Meeting. In such cases, remuneration shall be paid in accordance with the current guidelines or, if no guidelines exist, in accordance with the company's practice.

External advisors are used in the preparation of remuneration-related matters when deemed necessary.

Subsequent events

Eltel AB establishes Sustainability-Linked Finance Framework and contemplates issuance of hybrid capital securities

On 24 March 2023, it was announced that Eltel establishes Sustainability-Linked Finance Framework and contemplates issuance of hybrid capital securities. For more information, please refer to note 35 Events after balance sheet date in the Consolidated financial statements.

Pamela Lundin appointed Director of Business Development

On 14 February 2023, it was announced that Pamela Lundin has been appointed Director of Business Development for Eltel and member of the Group Management Team as of 13 March 2023. Pamela Lundin will be leading the newly instituted Business Development function.

Corporate Governance Report

Eltel has issued a Corporate Governance Report for the financial year 2022. The Corporate Governance Report has been prepared in accordance with the Swedish Corporate Governance Code.

The Eltel share

Eltel's shares are listed on Nasdaq Stockholm, under the trading symbol "ELTEL". As per 31 December 2022, the total number of shares amounts to 158,231,081 divided into 156,736,781 ordinary shares with 1 vote per share and 1,494,300C shares with 1/10 vote per share. The share capital entered in the trade register per 31 December 2022 is EUR 159,575,695.

More about the Eltel share please refer to page 95–96.

Dividend policy

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

The Parent Company

Eltel AB owns and governs the shares of Eltel Group. The Company holds management functions but has no operative business activities and its risks are mainly attributable to the value and activities of its subsidiaries.

The Parent Company's income amounted to EUR 2.5 million (2.2) related to support function services provided to the Group. The operating expenses amounted to EUR 7.3 million (6.9).

Financial income amounted to EUR 21.5 million (22.1) related to interest income from Group companies. Financial expenses amounted to EUR 1.9 million (3.2) and Group contribution of EUR 14.5 million (14.0) was given to a subsidiary company. Net result was EUR 0.3 million (0.1).

The Board's proposal for the distribution of profits

The Parent Company's non-restricted equity on 31 December 2022 was EUR 285,256,998.77 of which the net profit for the year was EUR 310,289.34. The Board of Directors proposes to the Annual General Meeting that no dividend be paid for the year 2022 and that the non-restricted equity of EUR 285,256,998.77 be retained and carried forward.

Corporate Governance report

Eltel AB (publ) (hereafter referred to as "Eltel" or the "Company") is a Swedish public limited liability company with its shares admitted to trading on Nasdaq Stockholm.

Eltel complies with the guidelines and provisions of its Articles of Association, the Swedish Companies Act (Sw. Aktiebolagslagen (2005:551)), the Swedish Annual Accounts Act (Sw. Årsredovisningslagen (1995:1554)), the rules and regulations of Nasdaq Stockholm's Rule Book for Issuers, as well as other applicable Swedish and international laws and regulations. Eltel applies the Swedish Corporate Governance Code (the "Code"), issued by The Swedish Corporate Governance Board (Sw. Kollegiet för svensk bolagsstyrning), available at www.corporategovernanceboard.se.

Eltel's Audit Committee has reviewed this Corporate Governance Report (the "Report") and confirms that the description of the main features of the internal audit and risk management section, as related to the financial reporting process, is consistent with the financial statements, as set out in Eltel's Annual Report 2022.

Eltel's governance structure

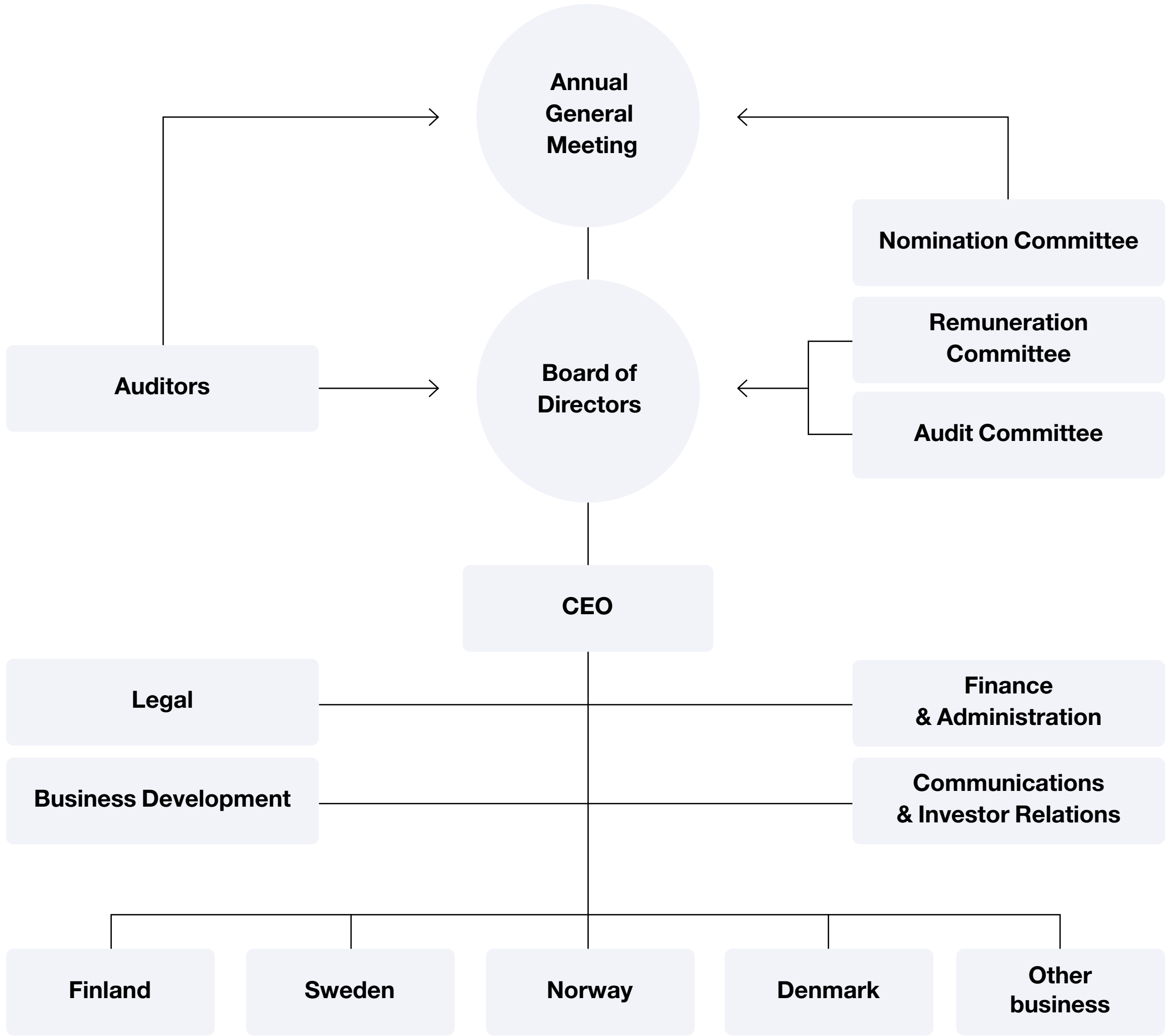
Eltel's internal governance is regulated by the Swedish Companies Act and the Code.

Shareholders

Ownership structure

As per 31 December 2022, Eltel has 3,621 shareholders. The four largest shareholders of Eltel AB are Solero Luxco S.á.r.l. 16.4% (a company controlled by Triton Funds), Wipunen Varainhallinta Oy 14.3%, the Fourth Swedish National Pension Fund (AP4) 9.6%, and Heikintorppa Oy 7.9%. The four largest shareholders referred above together represent 48.2% of the votes in the Company.

ELTEL'S GOVERNANCE STRUCTURE



Shares and votes

Eltel's shares are listed on Nasdaq Stockholm, under the trading symbol "ELTEL". As per 31 December 2022, the total number of shares amounts to 158,231,081divided into 156,736,781ordinary shares with 1 vote per share and 1,494,300 C shares with 1/10 vote per share. The share capital entered in the trade register per 31 December 2022 is EUR 159,575,695.

The General Meeting of shareholders

The General Meeting of shareholders is Eltel's highest decision-making body. In addition to the Annual General Meeting of shareholders, Extra-ordinary General Meetings of shareholders may be convened at the discretion of the Board of Directors or, if requested by the external auditor or by shareholders holding at least 10% of the shares. At the Annual General Meeting, shareholders exercise their voting rights on matters such as:

- Approving the financial statements
- Deciding on the distribution of dividends
- Discharging the company's Board of Directors and CEO from liability for the financial year
- Electing the Company's Board of Directors and auditors and deciding on their remuneration
- Other matters as stipulated in the Swedish Companies' Act, the Articles of Association or the Code, as applicable.

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

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

Annual General Meeting 2022

Eltel's Annual General Meeting was held on 11 May 2022. Shareholders representing 106,318,590 shares, constituting 67.2% of the total number of shares and votes in the Company, participated by exercising their voting rights by postal voting. Matters addressed at the meeting included the following:

- Resolution regarding adoption of the profit and loss statement and the balance sheet and the consolidated profit and loss statement and consolidated balance sheet and resolution regarding appropriation of the Company's profit according to the adopted balance sheet
- Resolution regarding discharge from liability for the members of the Board of Directors and the CEO
- Re-election of Ulf Mattsson, Gunilla Fransson, Joakim Olsson and Roland Sundén and election of Ann Emilson and Erja Sankari as members of the Board of Directors
- Election of KPMG AB as the auditor (whereby it was announced that Fredrik Westin will continue as auditor-in-charge)
- Resolution regarding approval of the Remuneration Report for 2021
- Resolution regarding a share-based long-term incentive programme 2022 ("LTIP 2022")
- Authorisation for the Board of Directors to resolve to issue new shares and authorisation for the Board of Directors to resolve to repurchase and transfer the Company's own shares.

The minutes of the Meeting and other related documents can be found on Eltel's website:
www.eltelgroup.com/about-us/corporate-governance/annual-general-meeting/agm-archive/.

Annual General Meeting 2023 and Annual Report 2022

Eltel's Annual General Meeting 2023 will be held on 11 May 2023.

The Annual Report 2022 will be made available on the Group website from week 13, 2023, www.eltelgroup.com and at Eltel AB headquarters, Adolfsbergsvägen 13, Bromma, Sweden from week 16, 2023.

Nomination Committee

According to the instructions for the Nomination Committee, the committee shall comprise a minimum of four members, representing each of the four largest shareholders registered on 31 August the year before the Annual General Meeting. The Nomination Committee's main duties are to propose candidates for the Board of Directors, the Chairman of the Board, as well as fees and other remuneration for the members of the Board of Directors. The Nomination Committee is also to make proposals on the election and remuneration of the statutory auditor. Shareholders in Eltel are invited to submit proposals to the Nomination Committee. The Nomination Committee shall pay special attention to the requirements relating to diversity and breadth of qualifications, experience, and background, as well as the requirement to strive for gender balance in the Board of Directors.

An annual evaluation of the Board of Directors' work, expertise, composition, and independence of its members is initiated by the Chairman of the Board of Directors, partly to assess the preceding year and partly to identify areas of development for the Board of Directors.

The evaluation is performed with the support of an evaluation form and through discussions, as well as through individual interviews of the members of the Board of Directors.

Nomination Committee for the AGM 2023

For the 2023 Annual General Meeting, the Nomination Committee consists of the following members:

- Erik Malmberg, Chairman, Solero Luxco S.á.r.l. (16.4% of votes)
- Peter Immonen, Wipunen Varainhallinta Oy (13.5% of votes)
- Thomas Ehlin, the Fourth Swedish National Pension Fund (9.6% of votes)
- Ingeborg Åkermarck, Heikintorppa Oy (6.8% of votes).

The members of the Nomination Committee have met on three occasions and held separate sessions to interview individual members of the Board.

The Nomination Committee's complete proposals for the 2023 Annual General Meeting will be published in the notice convening the 2023 Annual General Meeting.

The Board of Directors

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

Responsibility of the Board of Directors

The Board of Directors is responsible for the Company's organisation and administration of the Company's affairs. The Board of Directors shall continuously assess the Group's financial situation, as well as ensure that the Company's organisation is structured in such a way that the accounting, management of funds and the financial conditions are securely controlled.

The Board of Directors is also responsible for setting objectives and strategies, ensuring efficient systems for follow-up and control of the Company's operations, identifying how sustainability issues impact risks to and business opportunities for the Company, and that satisfactory controls are in place to ensure the Company's compliance with laws and other regulations applicable to Eltel's operations. Furthermore, the Board of Directors shall ensure the implementation of appropriate policies and other steering documents regarding the Company's conduct and that any public disclosure of information is made in accordance with laws and established practices (including Nasdaq Stockholm's Rule Book for Issuers). In addition, the tasks of the Board of Directors include appointing, evaluating and, if necessary, dismissing the CEO.

With the exception of employee representatives, members of the Board of Directors are appointed at the Annual General Meeting one year at a time for the period until the end of the next Annual General Meeting. According to the Company's Articles of Association, the number of members of the Board of Directors to be elected at the General Meeting shall be no less than three and no more than ten ordinary members and no more than three deputies. In accordance with the Code, the majority of the members of the Board of Directors shall be independent of the Company and its management.

Eltel's Board of Directors has adopted a Charter for its work. The Charter is reviewed annually. The Charter regulates, for example, the Board of Directors' roles and responsibilities, the Board's ways of working and the division of tasks within the Board. The Board of Directors also has adopted an Instruction for the CEO of Eltel, as well as an Instruction for financial reporting.

Board of Directors in 2022

As per 31 December 2022, the Board of Directors consists of six ordinary members and two employee representatives as ordinary members, and one deputy employee representative:

- Ulf Mattsson, Chairman
- Ann Emilson
- Gunilla Fransson
- Joakim Olsson
- Erja Sankari
- Roland Sundén
- Björn Tallberg, employee representative
- Stefan Söderholm, employee representative
- Andreas Nilsson, deputy employee representative.

MEMBERS OF THE BOARD OF DIRECTORS

Name	Position	Year of birth	Election year	Share holding	Remuneration EUR	Independence from main owners	Independence of the Company
Ulf Mattsson	Chairman	1964	2017	129, 000	117,700	Yes	Yes
Håkan Dahlström[1)]	Member	1962	2017	200,000	14,567	Yes	Yes
Ann Emilson[2)]	Member	1965	2022	–	29,800	Yes	Yes
Gunilla Fransson	Member	1960	2016	–	52,567	Yes	Yes
Joakim Olsson	Member	1965	2018	–	44,367	No	Yes
Erja Sankari[2)]	Member	1973	2022	–	29,800	Yes	Yes
Roland Sundén	Member	1953	2018	75,000	52,567	Yes	Yes
Stefan Söderholm	Employee represent.	1960	2021	–	–	Yes	No
Björn Tallberg	Employee represent.	1976	2015	–	–	Yes	No
Mats Johansson[1)]	Deputy employee rep.	1971	2021	–	–	Yes	No
Andreas Nilsson[2)]	Deputy employee rep.	1976	2022	–	–	Yes	No

1) Until May 2022.
2) From May 2022.

Information about the Board of Directors' other assignments can be found on page 51.

BOARD MEETING PARTICIPATION 2022

	11 Jan	31 Jan	16 Feb	16 Feb (extra)	10 Mar	24 Mar	03 May	11 May	17 May	01 June	22 June	25 July	21 Aug	20 Sep	01 Nov	21 Nov	14 Dec	21 Dec
Ulf Mattsson	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Håkan Dahlström[1)]	●	●	●	●	●	●	●	–	–	–	–	–	–	–	–	–	–	–
Ann Emilson[2)]	–	–	–	–	–	–	–	●	●	●	●	●	●	●	●	●	●	●
Gunilla Fransson	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Joakim Olsson	●	●	●	●	●	●	●	●	●	–	●	●	●	●	●	●	●	–
Erja Sankari[2)]	–	–	–	–	–	–	–	●	●	●	●	●	●	●	●	●	●	●
Roland Sundén	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Stefan Söderholm	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Björn Tallberg	●	●	●	●	●	●	–	●	●	–	●	–	●	●	●	●	●	●
Mats Johansson[1)]	●	●	–	–	●	●	●	–	–	–	–	–	–	–	–	–	–	–
Andreas Nilsson[2)]	–	–	–	–	–	–	–	–	–	–	–	–	–	●	●	●	●	●

1) Until May 2022.
2) From May 2022.

The members of the Board of Directors are presented in greater detail in the section "Board of Directors" on page 51.

The Chairman Ulf Mattsson and the Board members Ann Emilson, Gunilla Fransson, Erja Sankari and Roland Sundén are deemed to be independent of the owners and the Company. Joakim Olsson is deemed to be independent of the Company but dependent on significant shareholders due to his positions in relation to Solero Luxco S.á.r.l

Matters for the Board of Directors during 2022

In 2022, the main focus of the Board of Directors was to ensure the implementation of the Company's Operational Excellence strategy, improvement of profitability and that other activities for strengthening the balance sheet and lowering the net debt also took place.

In 2022, the Board of Directors held 18 meetings. For details of Board member participation in Board meetings, please see table above.

Evaluation of the Board of Directors' performance
To ensure the quality of the work of the Board of Directors and to identify the possible need for further expertise and experience, the work of the Board of Directors and its members is evaluated annually. In 2022, evaluations, led by the Chairman of the Board of Directors, were carried out by way of each Board member responding to an online questionnaire. The compiled results were presented to the Board of Directors at the final Board meeting of the year. The Chairman of the Board of Directors also presented the results of the evaluations at a meeting with the Nomination Committee.

Board committees
An Audit Committee and a Remuneration Committee is annually appointed by the Board of Directors in its constituent meeting following the Annual General Meeting.

The Board of Directors may also appoint other committees, if deemed necessary. The Board of Directors appoints the members of the committees and their chairmen by taking account of the expertise and experience required for the duties. The members of each committee are appointed for the same term of office as the Board of Directors itself. The main responsibilities of the committees, as further outlined below, are to prepare matters that are within the Board of Directors' decision power.

The Audit Committee
The main responsibilities of the Audit Committee are to:
- Monitor the Company's financial reporting
- Monitor the effectiveness of the Company's internal control, internal audit, and risk management
- Keep itself informed regarding the audit of the Annual Report and Group accounts
- Review and monitor the impartiality and independence of the auditor, paying particular attention to whether the auditor provides the Company with services other than auditing services
- Assist in the preparation of proposals to the resolutions to the General Meeting regarding the election of an auditor
- Advise and perform tasks that are specifically delegated from the Board of Directors, if any.

As part of the tasks described above, the Chairman of the Audit Committee shall support senior management with matters related to financial reporting and information disclosure and have ongoing contact with the auditor on these topics.

The Audit Committee Chairman shall also support the CEO, the CFO and Group Communications in matters relating to information disclosure, financial reporting, and media contacts, particularly in the event of a crisis.

The Audit Committee in 2022
As per 31 December 2022, the Audit Committee consists of four members: Gunilla Fransson (Chairman), Joakim Olsson, Erja Sankari and Roland Sundén.

In 2022, the Audit Committee held six meetings, at which Eltel's external auditor and representatives of the Company's management were present.

AUDIT COMMITTEE PARTICIPATION 2022

	16 Feb	02 May	25 July	11 Oct	01 Nov	12 Dec
Gunilla Fransson	●	●	●	●	●	●
Joakim Olsson	●	●	●	●	●	●
Erja Sankari[1]	–	–	●	●	●	●
Roland Sundén	●	●	●	●	●	●

[1] From May 2022.

The Remuneration Committee
The main responsibilities of the Remuneration Committee are to:
- Prepare the Board of Directors' resolutions on issues concerning remuneration principles, remunerations, and other terms of employment for the senior management
- Monitor and evaluate programmes for the variable remuneration of senior management, both ongoing and terminated during the year
- Monitor and evaluate the application of the guidelines for the remuneration of senior management upon which the Annual General Meeting is legally obliged to decide, as well as the current remuneration structures and levels in the Company
- Assess and plan the succession of senior management at Eltel.

The Remuneration Committee in 2022
As per 31 December 2022, the Remuneration Committee comprises three members: Ulf Mattsson (Chairman), Ann Emilson and Roland Sundén.

The Remuneration Committee held three meetings in 2022.

REMUNERATION COMMITTEE PARTICIPATION 2022

	10 Feb	5 Oct	30 Nov
Ulf Mattsson	●	●	●
Håkan Dahlström[1]	–	–	–
Ann Emilson[2]	–	●	●
Roland Sundén	●	●	●

[1] Until May 2022.
[1] From May 2022.

Remuneration principles at Eltel
Eltel's guidelines for remuneration to senior executives, as adopted at the Annual General Meeting 2020, are set out in the Board of Directors' Report. Eltel's Remuneration Report for 2022 will be submitted for approval at Eltel's Annual General Meeting 2023.

External Audit

The Annual General Meeting appoints an external auditor for one year at a time. The external auditor is responsible for auditing the annual financial statements of the Group and Parent Company.

The external auditor also reviews the third quarter interim report, the Corporate Governance Report, the Sustainability Report and the Company's administration. The external auditor attends all regular Audit Committee meetings and reports observations related to internal control, administration of the Company and the review of the third quarter and the annual financial statements. The external auditor attends at least one Board meeting each year.

External auditor in 2022
The Annual General Meeting in 2022 elected KPMG AB as Eltel's external auditor for a one-year mandate, with Fredrik Westin as auditor-in-charge. In 2022, total fees paid to the external auditors, KPMG AB, amounted to EUR 0.8 million, of which non-auditing services totalled EUR 0.1 million.

Group Management Team

Chief Executive Officer

Eltel's President and Chief Executive Officer (CEO) reports to the Board of Directors. As of 1 August 2022, Håkan Dahlström is the President and CEO of the Eltel Group. The CEO's responsibility is governed by the Swedish Companies Act, the Swedish Annual Accounts Act, the Company's Articles of Association, directions given by the General Meeting, Eltel's Instructions to the CEO and other directions and guiding principles established by the Board of Directors.

Group Management Team

The Group Management Team ("GMT"), chaired by the CEO, meets a minimum of 10 times annually (10 times in 2022). The GMT considers strategic and operational issues related to the Group and its businesses, as well as investments, Group structure and corporate steering systems, and it supervises the Company's operations. The GMT also delivers the annual business plan, budget and forecast updates to the Board of Directors in accordance with the Company's established planning cycle.

The Group Management Team comprises the following members[1]:

- Håkan Dahlström, President and CEO
- Saila Miettinen-Lähde, CFO
- Henrik Sundell, General Counsel
- Elin Otter, Director, Communications and Investor Relations
- Pamela Lundin, Director, Business Development
- Juha Luusua, Managing Director, Eltel Finland
- Lars Nilsson, Managing Director, Eltel Sweden
- Thor-Egel Bråthen, Managing Director, Eltel Norway
- Claus Metzsch Jensen, Managing Director, Eltel Denmark.

Information on the members of the GMT can be found in the Annual Report for 2022 on page 52.

[1] Casimir Lindholm, President and CEO, left the company on 31 July 2022 and was replaced on 1 August 2022 by the current President and CEO, Håkan Dahlström. Leif Göransson, Managing Director, Eltel Sweden was replaced on the 9 January 2023 by the current Managing Director, Eltel Sweden, Lars Nilsson. Leif Göransson left the company on 31 March 2023. Pamela Lundin, Director, Business Development, joined the company on 13 March 2023.

Control systems

Guidelines and manuals

Eltel's internal control system, which comprises all corporate governance including policies, guidelines, and procedures, is communicated via management, and is organised according to the requirements of each Country Unit and Solution Unit. Eltel's IFRS Accounting Manual contains instructions and guidance on accounting and financial reporting to be applied at all Eltel Group companies. The manual's objective is to provide guidance on Eltel Group accounting principles to be applied in Group reporting as well as preparation of the consolidated financial statements.

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

As part of regular monitoring, Eltel conducts internal audits to verify that the Company complies with the approved governance. Regular reporting, follow-up and escalation procedures have been implemented in which the Audit Committee is ultimately made aware if issues are identified.

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

Information and communications

All external communications are carried out in accordance with the relevant regulations and Eltel's Communications Policy.

Eltel has a Group Communications function that focuses on four key communication areas: Investor Relations, internal and external communications, brand and marketing, as well as sustainability.

Follow-up

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

Eltel's management conducts a monthly follow-up of earnings, analysing any deviations from the budget, forecasts and the previous year.

The duties of the external auditor include performing an annual review of the internal controls of the Group and Group subsidiaries. Status and identified deviations are addressed at the Audit Committee meetings or escalated earlier, when appropriate.

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

Priority areas in 2022

Eltel's significant priority areas for 2022 included the following:

- Mitigating inflation through indexes and cost compensation from customers
- Price increases in new tenders
- Improving commercial capabilities
- Expanding our customer base and broadening our offering
- Prioritise core operational improvements.

Internal audit 2022

Internal audit is responsible for the internal control framework, risk management, internal audits and monitoring of Eltel's compliance with governance, which is based on applicable laws and generally accepted accounting principles.

During the year, the function performed internal audits and control testing to assess process/control compliance and risk management. The internal audits covered a selection of customer projects and business processes. The outcome of the internal audits and control testing has been followed-up and communicated accordingly. The function will continue to focus on testing and the development of internal controls, as well as risk management within customer projects and key business processes as part of its internal audit scope as outlined in the 2023 plan.

Risk management

Please see Board of Director's report page 42–43.

Board of Directors

ULF MATTSSON

Chairman of the Board since 2017

Born: 1964

M.Sc. Economics

Positions and other board memberships: Chairman of the Board of VaccinDirekt i Sverige AB, Prima Vård AB and Attendo. Member of the Board of Addtech AB, Oras Invest Oy and Priveq V AB. Advisor at EQT and PJT Partners.

Board committees: Chairman of the Remuneration committee

Previous positions: Chairman of the Board of AcadeMedia 2010–2017, Musti ja Mirri 2014–2017, Evidensia 2014–2017, Itslearning 2013–2017. Member of the Board of Gambro, 2010–2013. CEO (interim) at Gambro 2011. CEO at Capio 2005–2006 and Mölnlycke Health Care 2004–2005.

Shareholding: 129,000 shares through SIEM Design AB

ANN EMILSON

Member of the Board since 2022

Born: 1965

M.Sc. Industrial Management and Engineering

Positions and other board memberships: EVP, Global Sales & Marketing at Tobii AB.

Board committees: Member of the Remuneration Committee

Previous positions: Head of Business Unit Public & Key at Telia 2019–2021. Vice President, Retail, Telecom and Utility Business at CGI Stockholm 2017–2019. Various managerial positions at Ericsson AB 1989–2016.

Shareholding: –

GUNILLA FRANSSON

Member of the Board since 2016

Born: 1960

M.Sc. and Tech.Lic. Chemical Engineering

Positions and other board memberships: Chairman of the Board of NetInsight AB. Member of the Board of Dunker Foundation, Trelleborg AB, Securitas AB and Nederman AB.

Board committees: Chairman of the Audit Committee

Previous positions: Head of Business Area at Saab AB 2008–2015. Various positions at Ericsson AB 1985–2008.

Shareholding: –

JOAKIM OLSSON

Member of the Board since 2018

Born: 1965

MBA and M.Sc. Mechanical Engineering

Positions and other board memberships: Operating Partner at Triton. Chairman of the Board of Seves Group S.á r.l. Chairman of the Avisory Board of Arvos Group and Dywidag.

Board committees: Member of the Audit Committee

Previous positions: Member of the Board of Logstor A/S 2019–2021. Chairman of the Board of Ovako Group AB 2015–2018. Member of the Board of FläktGroup GmbH 2015–2018, VCST 2013–2016 and Semcon AB 2011–2015. CEO at SAG Group GmbH 2011–2014 and Haldex AB 2005–2011.

Shareholding: –

ERJA SANKARI

Member of the Board since 2022

Born: 1973

M.Sc. Economics

Positions and other board memberships: EVP and Chief Operating Officer at iLOQ. Member of the Board of Nurminen Logistics and Partnera Oyj. Chairman of the Board of Oulu Chamber of Commerce.

Board committees: Member of the Audit Committee

Previous positions: Vice President, Global Supply Chain at Nokia 2021–2022. Vice President, Supply Chain Engineering at Nokia 2018–2020. Head of Oulu Factory at Nokia/Nokia Siemens Networks 2013–2018. Various managerial positions at NSN 2008–2013 and at Nokia 1998–2008.

Shareholding: –

ROLAND SUNDÉN

Member of the Board since 2018

Born: 1953

M.Sc. Mechanical Engineering

Positions and other board memberships: MD at PrimeValue Consult AB.

Board committees: Member of the Remuneration Committee, Member of the Audit Committee

Previous positions: President at Hiab and Member of Cargotec Executive Board 2014–2018. President and CEO at LM Wind Power 2006–2013. President, Agricultural Division at Case New Holland 2003–2006. Executive Vice President at Volvo Construction Equipment 2000–2003.

Shareholding: 75,000 shares

STEFAN SÖDERHOLM

Member of the Board – Employee Representative, since 2021

Born: 1960

Member of the Board of SEKO at Eltel Sweden since 2008.

Positions and other board memberships: –

Board committees: –

Previous positions: Several different technical and managerial positions, since 1980, in the current Eltel organisation.

Shareholding: –

BJÖRN TALLBERG

Member of the Board – Employee Representative, since 2015

Born: 1976

Chairman of the trade union Unionen at Eltel Sweden since 2010

Positions and other board memberships: –

Board committees: –

Previous positions: Team Leader at Eltel Aviation & Security 2006–2010. Network Engineer at Eltel Aviation & Security 1999–2006.

Shareholding: –

ANDREAS NILSSON

Member of the Board – Deputy Employee Representative, since 2022

Born: 1976

Shares held in Eltel as of 31 December 2022.

Group Management Team

HÅKAN DAHLSTRÖM
President and CEO since 2022
Born: 1962
M.Se. Computer technology and M.Sc. Digital Technology
Positions and other board memberships: –
Previous positions: CEO at Fujitsu Sweden AB 2020–2022. CEO at Tieto Sweden AB and Executive Vice President, Tieto Corporation 2014–2020. President, Mobile Business area at TeliaSonera AB 2010–2012. President, Broadband Business area at TeliaSonera AB 2008–2010. Commander at Swedish Royal Navy.
Shareholding: 200,000 shares

SAILA MIETTINEN-LÄHDE
CFO, since 2020
Born: 1962
M.Sc. Engineering
Positions and other board memberships: Senior Advisor to Tekir Oy. Member of the Board of Lemonsoft Oyj and Kamrock Oy.
Previous positions: CEO at Endomines AB 2017–2019. CFO at F-Secure Corporation 2015–2017. Deputy CEO and CFO at Talvivaara Mining Company Plc 2005–2015.
Shareholding: 10,700 shares

ELIN OTTER
Director, Communications and Investor Relations, since 2019
Born: 1978
Bachelor of Arts, Journalism and News Editorial
Positions and other board memberships: –
Previous positions: Head of Group Communications at Eltel AB 2018. Head of Communications and Marketing Nordics at Triton 2016– 2018. Various managerial positions at Skanska 2007–2016.
Shareholding: 14,034 shares

PAMELA LUNDIN
Director, Business Development, since 2023
Born: 1970
M.Sc. Political Science
Positions and other board memberships: Member of the Chamber of Commerce and Industry of Southern Sweden.
Previous positions: CEO at Enercon's Swedish, Norwegian and Finnish operations, 2022–2023.
COO, Enercon GmbH Germany Filial, 2011–2023.
Vice CEO and Member of the Board of Enercon Energy Converter AB, 1999–2011.
Project Manager/Project Developer, Eurowind AB, 1997–1999.
Shareholding: –

HENRIK SUNDELL
General Counsel, since 2016
Born: 1964
Master of Laws
Positions and other board memberships: –
Previous positions: General Counsel at Fingerprint Cards AB 2015–2016. Group General Counsel at DeLaval 2009–2015. Senior Legal Counsel and Associate General Counsel at Ericsson 2000–2009.
Shareholding: 18,856 shares

JUHA LUUSUA
Managing Director, Eltel Finland, since 2018
Born: 1965
M.Sc. Electrical Engineering
Positions and other board memberships: Member of the Board of Voimatalouspooli (part of the Finnish National Emergency Supply Agency) and Football Association of Finland.
Previous positions: President BU Power at Eltel 2017–2018. President Power Distribution at Eltel 2012–2017. Managing Director Country Unit Finland at Eltel 2008–. SVP Electricity at Eltel Networks/ Group Corporation 2006–2007.
Shareholding: 162,323 shares

LARS NILSSON
Managing Director, Eltel Sweden, since 2023
Born: 1967
B.Sc. Business Administration
Positions and other board memberships: –
Previous positions: CEO, CERTEGO Group, 2018–2022. CEO, Marum Management AB, 2016–2018. CEO, Imtech VS-teknik AB, 2015. CEO, Ericsson Local Services AB, 2012–2015. CEO, Marum Management AB, 2010–2012. CEO, GoExcellent AB, 2008–2010. Various management positions, Microsoft, 1998–2008.
Shareholding: –

THOR-EGEL BRÅTHEN
Managing Director, Eltel Norway, since 2018
Born: 1965
INSEAD Executive Management Programme, Certified service electronics technician
Positions and other board memberships: –
Previous positions: Director Fixed Telecom/ Deputy Chief Executive Officer at Eltel Networks AS 2015– 02/2018. CEO at Eltel Networks AS 2011–2015. QA Manager at Eltel Networks AS 2009–2011. CEO at Niscayah Denmark 2006–2009.
Shareholding: –

CLAUS METZSCH JENSEN
Managing Director, Eltel Denmark, since 2018
Born: 1968
M.Sc. Business Administration
Positions and other board memberships: Member of the Board of NKEL I/S.
Previous positions: Vice President at Caverion A/S 2016–2017. Senior Vice President at TDC A/S 2011–2016.
Shareholding: 19,000 shares

Shares held in Eltel as of 31 December 2022.

Consolidated financial statements

Consolidated income statement

EUR million	Note	2022	2021
Net sales		823.6	812.6
Cost of sales	7	-748.9	-724.5
Gross profit		**74.7**	**88.1**
Other income	7,8	0.9	5.5
Selling and administrative expenses	7	-77.2	-78.1
Other expenses	7,9	-0.4	-1.0
Operating result (EBIT)		**-2.0**	**14.5**
Financial income		0.2	0.1
Financial expenses		-9.6	-5.8
Net financial expenses	11	-9.5	-5.8
Result before taxes		**-11.4**	**8.7**
Taxes	12	-3.5	-3.8
Net result		**-14.9**	**4.9**
Attributable to:			
Equity holders of the parent		-15.0	4.3
Non-controlling interest	26	0.1	0.6
Earnings per share (EPS)	13		
Basic, EUR		-0.10	0.03
Diluted, EUR		-0.10	0.03

Consolidated statement of comprehensive income

EUR million	Note	2022	2021
Net result for the year		-14.9	4.9
Other comprehensive income:			
Items that will not be reclassified to profit and loss			
Revaluation of defined benefit plans, net of tax		7.8	2.6
Items that may be subsequently reclassified to profit and loss			
Net investment hedges, net of tax		-0.0	0.3
Currency translation differences		-9.1	1.3
Total		**-9.1**	**1.6**
Other comprehensive income/loss for the year, net of tax		-1.3	4.2
Total comprehensive income/loss for the year		**-16.2**	**9.1**
Total comprehensive loss attributable to:			
Equity holders of the parent		-16.2	8.5
Non-controlling interest	26	0.1	0.6

Consolidated balance sheet

EUR million	Note	31 Dec 2022	31 Dec 2021
ASSETS			
Non-current assets			
Goodwill	27	256.0	265.0
Intangible assets	27	35.3	39.6
Property, plant and equipment	28	10.7	11.6
Right-of-use assets	29	46.5	53.3
Deferred tax assets	24	16.3	18.4
Financial assets	20,31	7.1	1.1
Total non-current assets		**371.9**	**389.1**
Current assets			
Inventories	21	24.8	17.2
Trade and other receivables	4,17,20	177.1	192.3
Cash and cash equivalents		47.9	32.3
Total current assets		**249.8**	**241.8**
TOTAL ASSETS		**621.7**	**630.8**

EUR million	Note	31 Dec 2022	31 Dec 2021
EQUITY AND LIABILITIES			
Equity	15		
Share capital		159.6	158.8
Other equity		44.4	61.4
Equity attributable to shareholders of the parent		204.0	220.2
Non-controlling interest	26	7.4	7.7
Total equity		**211.3**	**227.9**
Non-current liabilities			
Interest-bearing debt	16,17	34.7	25.5
Leasing liabilities	16,17,29	31.0	35.8
Retirement benefit obligations	31	6.0	14.4
Deferred tax liabilities	24	10.3	10.7
Provisions	22	2.6	2.7
Other non-current liabilities		0.6	0.7
Total non-current liabilities		**85.2**	**89.8**
Current liabilities			
Interest-bearing debt	16,17	90.4	74.2
Leasing liabilities	16,17,29	16.8	18.6
Provisions	22	3.3	6.0
Advances received	4	50.6	35.8
Trade and other payables	17,23	164.1	178.5
Total current liabilities		**325.2**	**313.1**
Total liabilities		**410.4**	**402.9**
TOTAL EQUITY AND LIABILITIES		**621.7**	**630.8**

Consolidated statement of cash flow

EUR million	Note	2022	2021
Cash flow from operating activities			
Operating result (EBIT)		-2.0	14.5
Adjustments:			
Depreciation and amortisation		29.8	32.1
Gain/loss on sales of assets and business		-0.1	-2.6
Defined benefit pension plans		-3.3	-3.3
Other non-cash adjustments		-0.1	-1.5
Cash flow from operations before interests, taxes and changes in working capital		24.2	39.1
Interests received		0.2	0.1
Interest and other financial expenses paid		-7.9	-4.1
Income taxes received/paid		-4.7	-2.7
Cash flow from operations before changes in working capital		11.8	32.4
Changes in working capital:			
Trade and other receivables		8.7	9.4
Trade and other payables		3.8	-14.4
Inventories		-7.9	-5.0
Changes in working capital		4.6	-10.1
Net cash from operating activities		**16.4**	**22.3**

EUR million	Note	2022	2021
Cash flow from investing activities			
Purchases of property, plant and equipment (PPE)		-4.1	-4.4
Proceeds from sale of property, plant and equipment (PPE)		0.2	5.3
Divestments of business, net of cash disposed of	25	–	-3.8
Net cash from investing activities		**-3.9**	**-2.9**
Cash flow from financing activities			
Proceeds from issuance of share capital		1.0	–
Acquisition of own shares		-1.0	–
Proceeds from long-term financial liabilities	16	35.0	–
Proceeds from short-term financial liabilities	16	76.5	31.2
Payments of short-term financial liabilities	16	-60.0	-11.0
Payments of financial liabilities, term loans	16	-27.0	-10.0
Proceeds from other financial assets		–	35.0
Payments of liabilities to shareholders		–	-35.0
Payments of lease liabilities	16	-21.6	-23.8
Dividends to non-controlling interest		-0.4	-0.4
Change in non-liquid financial assets		0.6	0.2
Net cash from financing activities		**3.1**	**-13.7**
Net change in cash and cash equivalents		**15.5**	**5.7**
Cash and cash equivalents at beginning of the year		32.3	26.0
Foreign exchange rate effect		0.1	0.6
Cash and cash equivalents at end of the year		47.9	32.3

Consolidated statement of changes in equity

EUR million	Share capital	Other paid-in capital	Accumulated losses	Revaluation of defined benefit plans, net of tax	Hedging reserve, net of tax	Currency translation	Total	Non-controlling interest	Total equity
	Equity attributable to shareholders of the parent								
1 Jan 2022	**158.8**	**490.6**	**-366.2**	**-38.9**	**10.9**	**-35.0**	**220.2**	**7.7**	**227.9**
Total comprehensive income for the year	–	–	-15.0	7.8	0.0	-9.1	-16.2	0.1	-16.2
Transactions with owners[1]:									
Share capital reduction	-0.2	0.2	–	–	–	–	–	–	–
Proceeds from shares issued	1.0	–	–	–	–	–	1.0	–	1.0
Purchase of own shares	–	-1.0	–	–	–	–	-1.0	–	-1.0
Equity-settled share-based payment	–	–	0.0	–	–	–	0.0	–	0.0
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	-0.4	-0.4
Total transaction with owners	0.7	-0.7	0.0	–	–	–	0.0	-0.4	-0.4
31 Dec 2022	**159.6**	**489.9**	**-381.2**	**-31.1**	**10.9**	**-44.0**	**204.0**	**7.4**	**211.3**

[1] For more information about equity-settled share-based payments see note 30 Remuneration to senior executives and for share transactions see note 15 Shares and share capital.

EUR million	Share capital	Other paid-in capital	Accumulated losses	Revaluation of defined benefit plans, net of tax	Hedging reserve, net of tax	Currency translation	Total	Non-controlling interest	Total equity
	Equity attributable to shareholders of the parent								
1 Jan 2021	**158.8**	**490.6**	**-370.6**	**-41.5**	**10.6**	**-36.3**	**211.7**	**7.5**	**219.2**
Total comprehensive income for the year	–	–	4.3	2.6	0.3	1.3	8.5	0.6	9.1
Transactions with owners[1]:									
Equity-settled share-based payment	–	–	0.1	–	–	–	0.1	–	0.1
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	-0.4	-0.4
Total transaction with owners	–	–	0.1	–	–	–	0.1	-0.4	-0.3
31 Dec 2021	**158.8**	**490.6**	**-366.2**	**-38.9**	**10.9**	**-35.0**	**220.2**	**7.7**	**227.9**

[1] For more information about equity-settled share-based payments see note 30 Remuneration to senior executives and for share transactions see note 15 Shares and share capital.

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

Notes to the consolidated financial statements

Basis of preparation

This section comprises the following notes:

Note 1 Corporate information

Eltel AB (the Company) through its subsidiaries (together the Group) is a leading service provider for critical infrastructure within power and communication networks. We deliver a comprehensive range of solutions – from maintenance and upgrade services to project delivery. This includes design, planning, building, installing and securing the operation of power and communication networks for a more sustainable and connected world today and for future generations. In 2022, the number of employees was approximately 5,000. Eltel mainly operates in the Nordic market, but is also represented in Poland, Germany and Lithuania.

Eltel AB (publ) is a public limited liability company domiciled in Stockholm, Sweden. The address of the head office is Adolfsbergsvägen 13, Bromma, Sweden. Eltel AB's ordinary shares are quoted on the Nasdaq Stockholm. The operations of Eltel AB through the subsidiary companies are performed under the Eltel brand. The consolidated group is called Eltel Group.

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

Note 2 Accounting policies for the consolidated accounts

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 2022. In addition, the Group applies RFR 1 Supplementary Accounting Rules for Groups, issued by the Swedish Financial Reporting Board. The financial statements have been authorised for issue by the Board of Directors of Eltel AB on 28 March 2023 and are subject to adoption by the Annual General Meeting on 11 May 2023.

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

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

Adoption of new or amended IFRS standards and interpretations

The IFRS standards, amendments and interpretations that took effect in the financial year 2022 did not have a material impact on the result or the financial position of the Group or on the presentation of the financial statements.

The new amendments effective for 2023 financial year include the following:

• *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (amendment to IAS 12).* The amendment require companies to recognise gross amount of deferred tax assets and liabilities on transactions, such as leases, that give rise to equal amounts of taxable and deductible temporary differences on initial recognition. The group is currently netting the deferred tax impact on leases and the main impact of the amendment will be an increase of deferred tax assets and liabilities that will be recognised both on right-of-use assets and lease liabilities.

Eltel expects to recognise following impacts in deferred taxes due to the amendment:

-increase of deferred tax assets of approximately EUR 9 million

-Increase of deferred tax liabilities of approximately EUR 9 million

Total assets will increase by approximately EUR 9 million. Impact to equity will be zero and total amount of equity and liabilities will increase by approximately EUR 9 million.

• *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)* which defines material accounting policy information to be disclosed and clarifies that immaterial accounting policy information does not need to be disclosed

The new standards and amendments effective for 2024 financial year or later include the following:

• *Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants (Amendments to IAS 1)* which clarify the criteria used to determine whether liabilities are classified as current or non-current.

The amendments improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with covenants. Eltel will amend its disclosures accordingly.

The other published standards, amendments and interpretations that are effective on the financial year beginning 1 January 2023 or later are not expected to have significant impact on the Group.

European Single Electronic Format (ESEF)

As required under the EU Commission's Delegated Regulation (EU) 2019/815 (ESEF Regulation), Eltel's annual report for the financial year 2022 is filed in the European Single Electronic Format (ESEF). The primary statements and notes in the IFRS consolidated financial statements are tagged in accordance with ESEF taxonomy in electronic format called iXBRL. ESEF taxonomy is developed by ESMA and it is based on the IFRS taxonomy published by the IFRS foundation.

Critical accounting estimates and judgments

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

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

a) Impairment testing

The Group tests annually and always, if there are indications of impairment, whether goodwill has suffered any impairment by comparing the book value with the recoverable value. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. The value-in-use calculations require estimation of future cash flows expected to arise from cash-generating units and a suitable discount rate in order to calculate present value. See note 27 intangible assets for more information on impairment testing.

b) Revenue recognition over time

The Group applies the five-step model of IFRS 15 when recognising revenue from contracts with customers. Revenue for the period is recognised to the extent that the performance obligation(s) to the customer have been satisfied. The Group typically uses input method to measure the progress of satisfying the performance obligation(s). The progress is measured based on costs incurred relative to the total estimated costs and revenue is recognised based on this percentage of completion.

The estimated outcome of a long-term contract that extends over several accounting periods may vary due to changes in circumstances and, for this reason, lead to revised estimations in the next reporting period. Cost estimates require estimate of the final outcome of the project and the actual future outcome may deviate from the estimate. Deviations from original plan in project execution may result in significant increases in cost to complete due to various reasons including cost for additional work and materials, price increases as well as cost for delays and available resources. Project business contains inherent risks related to the pricing of the project and estimates of the ultimate cost and performance of the contract. Additionally, project business involves risk related to authority, customer or other external conditions outside of Eltel's control, including the risk of delays and in certain cases the risk of inability of the Group's customers to obtain financing to fund planned projects and services. The essential skills for performance and profitability of a project are the Group's ability to accurately foresee the project's costs, to correctly assess the various resources necessary to carry out the project, to effectively manage the services provided by subcontractors, and to control technical events that could affect and delay progress on the project.

c) Taxes

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

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

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

e) Defined benefit plans
When preparing actuarial calculations in determining the pension obligation related to defined benefit plans, certain actuarial assumptions need to be made. As the assumptions will vary, the real payment will differ from the estimated obligation, affecting the profit or loss. The assumptions used in actuarial calculations are presented in note 31 Retirement benefit obligations.

f) Lease contracts valid until further notice
The IFRS 16 standard requires use of estimates for valuating contracts that are valid until further notice. Eltel has estimated the length of these contracts based on expected usage in current business operations. This has considerable impact in the amount of right-of-use assets and leasing liabilities for premises. The right-of-use assets and leasing liabilities are presented as separate lines in the balance sheet.

Principles of consolidation

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

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

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

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

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

A list of subsidiaries and joint operations is presented in note 34 Group companies.

Foreign currency translation

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

See further information on hedge accounting for foreign currency differences arising from the translation of financial assets and liabilities designated as hedges in note 14.

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

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

Revenue recognition (IFRS 15)

The Group applies the five-step model of IFRS 15 when recognising revenue from contracts with customers. IFRS 15 requires identifying deliverables in contracts with customers that qualify as separate performance obligations. The deliverables may include good(s) or service(s) or a combination of goods and services. Revenue is recognised for each performance obligation separately on a relative stand-alone selling price basis and takes place when a customer obtains control of the related good(s) or service(s) and has the ability to direct the use of and obtain the benefits from the good(s) or service(s), either over time or at a point in time.

Major part of Group's revenue comes from the following revenue types: project delivery services, upgrade services and maintenance services. The Group's contracts are either stand-alone agreements or contracts within frame agreements. Only agreements that are committing both of the contracting parties are defined as a contract under IFRS 15.

A contract includes promises to transfer good(s) or service(s) to a customer. If those goods or services are distinct, the promises are performance obligations that are each accounted for separately in revenue recognition. The Group has analysed the different revenue types and concluded that in the project delivery and upgrade services revenue is typically recognised over time as customer controls the asset Eltel creates or enhances. In maintenance services customer typically receives benefits as Eltel performs and revenue is and continues to be recognised based on the services performed. When revenue from contracts with customers is recognised over time, revenue for the period is recognised to the extent of satisfying the performance obligation(s) to the customer. The Group typically uses the input method based on the costs incurred to measure the progress of satisfying the performance obligation(s) over time. The progress is measured based on costs incurred relative to the total estimated costs and revenue is recognised based on this percentage of completion. An expected loss on a customer contract is recognised as an expense immediately. IFRS 15 does not include any guidance on how to account for loss contracts. Accordingly, such contracts are accounted for using the guidance in IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'.

Whenever the Group's customer contracts contain a variable consideration the amount shall be withhold so that the Group does not recognise any amount relating to variable consideration until it is highly probable that a significant revenue reversal will not incur. The assessment of the likelihood of revenue reversal is based on historical evidence from earlier similar type of contracts. Also the materiality is estimated. A typical variable price element in Eltel's contracts is delay penalties.

In some contracts the timing of customer payments may differ significantly from the timing of the transfer of goods or services to the customer (for example the consideration is prepaid or is paid after the services are provided). When the difference is more than a year the Group assesses at the beginning of the contract whether the contact contains a significant financing component. If the contract contains a significant financing component the promised amount of consideration is adjusted and Eltel recognises revenue at an amount that reflects the cash selling price of the promised goods or services.

Contract assets and contract liabilities
IFRS 15 distinguished between contract assets and contract receivables. Contract receivable is a right to consideration that is unconditional and only passage of time is required before the payment is due, i.e. trade receivable. Contract asset is a right to consideration in exchange for goods or services the Group has transferred to customer, i.e. revenue recognised but not yet invoiced. The contract receivables and contract assets are included in the balance sheet in the trade and other receivables.

A contract liability is an obligation to transfer goods or services to a customer for which the Group has received consideration from the customer. Advances received in the balance sheet represent the Group's contract liabilities.

Segment reporting (IFRS 8)
Eltel's main operations are presented by four country segments: Finland, Sweden, Norway and Denmark. All communication and power business in these four Nordic countries are presented under the country segments. Other business includes High Voltage, with operations mainly in Poland, Smart Grids Germany, Lithuania as well as closing activities for Power Transmission International and Rail businesses. Other business represents less than 15% of the operations and each of the operations have a size of less than 10% of sales, operative EBITA and total segment assets.

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. Revenues, costs, operative assets and liabilities are allocated to segments on consistent basis. Income statement items below operative EBITA are not allocated to the segments.

Goodwill and other intangible assets (IAS 38)
Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets of the acquired company on the date of acquisition. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

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

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

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

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

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

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

Cloud-based Software-as-a-Service (SaaS)
General rule is that cloud-based software and related configuration and customisation costs are recognised as an expense according to underlying service agreement. In specific cases when the software product is controlled by the Group, Intangible asset guidance (IAS 38) is applied and the costs are capitalised accordingly.

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

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

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

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

In addition to goodwill and brand, the Group does not have any assets that have an indefinite useful life. See note 27 Intangible assets for information on impairment testing of goodwill.

Property, plant and equipment (IAS 16)
Property, plant and equipment are stated at historical cost less accumulated depreciation according to plan and any impairment. Land is not depreciated.

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

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

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

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

Right-of-use assets and leasing liabilities (IFRS 16)
The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The IFRS 16 standard requires use of estimates for valuating contracts that are valid until further notice. The Group has estimated the length of these contracts based on expected usage in current business operations. The cost of a right-of-use asset also includes an estimate of costs to be incurred by the Group in restoring the asset to the condition required by the terms and conditions of the lease. The recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment assessments according to IAS 36.

At the commencement of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term using the incremental borrowing rate at the lease commencement date. The lease payments include fixed payments, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease liabilities are subsequently measured at amortised cost using the effective interest method. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, e.g. a change in the lease term or a change in future lease payments resulting from a change in an index or rate used to determine those payments. Generally, the amount of remeasurement of the lease liability is recognised as an adjustment to the right-of-use asset.

Short-term leases and leases of low-value assets
The Group applies the recognition exemption to its short-term leases that have a lease term of 12 months or less from the commencement date and to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Incremental borrowing rate
In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. To arrive at the incremental borrowing rate the Group applies the respective country's (economic environment) risk free rate for the term corresponding to the lease term, adjusted for credit risk of each Group company.

Financial instruments (IAS 32, IFRS 7, IFRS 9)

Recognition and derecognition

All purchases and sales of financial assets are accounted for at trade date. Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets and liabilities 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. However, trade receivables without significant financing components are recognised at transaction price. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or the Group has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled or expires.

Classification and measurement

The Group classifies its financial assets into the following categories according to IFRS 9: Financial assets at amortised cost, fair value through other comprehensive income or fair value through profit and loss. The classification is made on the basis of the Group's business model for managing the financial assets and the characteristics of the contractual cash flow of the financial assets, The Group classifies all the financial liabilities at amortised costs except the derivative financial instruments which are classified at fair value through profit or loss. The classification is made on the basis of the purpose of the acquisition of financial instruments at the time of initial recognition. See note 17 Financial instruments by category.

Financial assets and liabilities at fair value through profit or loss are financial assets held for trading and derivative financial assets not designated as hedges, 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.

Gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss are recognised in the income statement in the period in which they arise either as other income and expenses or financial income or expenses depending on whether they relate to business or financial items. Derivatives not designated as hedges are classified as a current asset or liability and presented in the balance sheet as other receivables or other liabilities. Moreover, the Group identifies and separates embedded derivatives from the business sale or purchase contracts. The embedded derivatives are currency forward contracts and are classified as financial assets and liabilities at fair value through profit and loss.

Financial assets at amortised costs are non-derivative financial assets with fixed or determinable payments not quoted in an active market nor held for trading. They are measured at amortised cost. They include trade and other receivables which are measured at amortised cost less impairment and are presented in the balance sheet as current assets, except for maturities greater than 12 months after the balance sheet date. The impairment losses according to the expected credit losses method (ECL) in IFRS 9, related to trade receivables and contract assets are recognised in other expenses. Financial assets at amortised costs also include cash and cash equivalents, consisting of cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

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

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

Impairment of financial assets

The Group applies the expected credit losses (ECL) model according to IFRS 9 for impairment of trade receivables, contract assets and other financial assets.

Credit risk is the risk of a loss if a customer or counterparty in a financial instrument does not fulfill its contractual obligations. The Group's credit risk relates primarily to account receivables and to cash and cash equivalents. The Group evaluates the credit risk of existing receivables at each reporting date.

Account receivables and contract assets

The Group's accounts receivable and contract assets are divided into two groups for measurement of credit risk. One group consists of larger customers that account for a significant part of the Group's net sales. These customers are solid infrastructure network owners, typically well-known publicly listed companies or companies owned by governments or municipalities in Europe. The other group consists of other customers. The Group's loss allowance for expected credit losses on account receivables and contract assets are measured according to the simplified method. This means that the loss allowance is measured for the remaining time to maturity, which is generally less than one year.

The loss allowance for expected credit losses is based on individual assessments regarding the largest customers, where a rating-based model is used in combination with other known information and forward-looking factors. The Group uses external ratings if possible and for unrated companies an estimated corresponding rating is applied. For the other group consisting of several smaller customers, the Group applies an collective impairment model based on age analysis of the receivables and historically realised losses in combination with forward-looking factors that affect the customers' ability to pay the outstanding receivables.

Cash and cash equivalents

Credit risk also originates from investments in cash and cash equivalents. Eltel's investments in bank accounts are kept in Eltel's financing banks. For any other deposits, the aim is that the counterparty has a credit rating of at least AA (S&P) or equivalent. The expected credit risk for cash and cash equivalents is measured by a rating-based model in combination with other known information and forward-looking factors. Due to the short maturity and high creditworthiness of counterparties, the loss allowance is generally not assessed to be significant.

Other receivables and assets, not measured at fair value in income statement

For any other receivables and assets, the need for impairment is assessed by the rating model described above, if applicable, or otherwise based on management's assessment of the present value of the difference between contractual and expected cash flows. Measurement of the loss reserve corresponds to 12 months' expected credit losses, or a shorter time period due to time to maturity. In the event of a significant increase in credit risk, the loss reserve is based on the entire remaining time to maturity of the receivable or asset.

Financial instruments, hedging (IFRS 9)

The Group's derivative instruments include currency forward contracts and currency swaps. The Group has not applied cash flow hedge accounting in 2022 or 2021. However, all derivative contracts are entered into for economic hedging purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently measured at fair value on each balance sheet date. Derivatives are classified as financial assets or liabilities measured at fair value through profit or loss.

Net investment hedges

The Group has applied net investment hedge accounting for certain foreign currency denominated loans which hedge the translation risk relating to net investments in subsidiaries. The foreign exchange differences for these loans have been recognised in other comprehensive income under translation reserve. If the amount of the net investment decreases through divestment or otherwise, the related accumulated gains or losses recognised in translation reserve are transferred to profit or loss (see note 14.1 for more information).

Inventories (IAS 2)

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

Trade receivables

Trade receivables are initially measured at transaction price and subsequently at amortised cost including provision for impairment using expected credit loss (ECL) method according to IFRS 9. The ECL method is described in impairment of financial assets section above. See note 20 for more information.

Share capital

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

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

Earnings per share (IAS 33)
The basic earnings per share (EPS) is calculated by dividing the net result attributable to the parent company's shareholders with the weighted average number of ordinary shares during the financial period. Ordinary shares purchased and held by the Group, if any, are subtracted from number of outstanding shares. Diluted earnings per share reflect the possible impact of the share-based incentive plans.

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

Provisions and contingent liabilities (IAS 37)
Provisions are recognised in the balance sheet when: the Group has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. Where some of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised as a separate asset, but only when it is certain that the reimbursement will be received. A warranty provision is recognised, when the product including a warranty clause is sold. The amount of the warranty provision is based on the past experience of the realisation of the warranty costs and the future expectations.

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

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

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

Income taxes (IAS 12)
The Group's income tax expense includes taxes of the group companies based on current period's taxable income and the changes in the deferred taxes. Income tax is recognised in the income statement, except for the items recognised directly in other comprehensive income, when the tax effect is accordingly recognised in other comprehensive income. Income tax expense is based on the local tax rate in each country. Tax adjustments from previous periods are included in tax expense.

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

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

Employee benefits (IAS 19)
Short-term benefits to employees are calculated without discounting and are recognised as a cost when the related services are received.

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.

Termination benefits
A provision is recognised in connection with termination of employees if the company is committed to a formal and detailed plan to terminate employment before the normal time. When a termination benefit is offered to encourage voluntary redundancy, a cost is recognised if it is probable that the offer will be accepted and the number of employees who will accept the offer can be reliably estimated.

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

Financial performance

This section comprises the following notes:

Note 3 Segment reporting

Eltel reports its operations in four country segments: Finland, Sweden, Norway and Denmark. All communication and power business in these countries is presented under country segments. Other business includes High Voltage, with operations mainly in Poland, Smart Grids Germany, Lithuania as well as closing activities for Power Transmission International and Rail businesses.

Net sales by segment

EUR million	2022	2021
Finland	290.1	299.6
Sweden	193.8	182.2
Norway	176.8	160.5
Denmark	74.3	87.9
Sum segments	**735.0**	**730.1**
Other business	99.4	91.9
Eliminations	-10.8	-9.5
Total	**823.6**	**812.6**

In 2022 and 2021 the Group has two customers that represent over 10% of total sales of the Group. The customers' share of the sales amount to 35% (36). Revenues from these customers were reported mainly in segments Norway and Sweden and to a smaller extent also in other country segments. Customer means a legal entity, and where applicable, a collection of legal entities in the same group.

Segment results

EUR million	2022	2021
Operative EBITA by segment		
Finland	8.2	12.7
Sweden	-1.0	-1.8
Norway	2.1	9.2
Denmark	0.6	4.2
Sum segments	**9.9**	**24.2**
Other business	-4.0	-1.8
Group functions	-7.8	-7.6
Operative EBITA, Group	**-1.9**	**14.8**
Valuation as held for sale	–	-0.1
Total items affecting comparability in EBITA	**–**	**-0.1**
Amortisation of acquisition-related intangible assets	-0.1	-0.3
Operating result (EBIT)	**-2.0**	**14.5**
Financial expenses, net	-9.5	-5.8
Result before taxes	**-11.4**	**8.7**

Net working capital and operative capital employed

EUR million	31 Dec 2022	31 Dec 2021
Inventories	24.8	17.2
Trade and other receivables	177.1	192.3
Provisions	-5.9	-8.6
Advances received	-50.6	-35.8
Trade and other payables	-164.1	-178.5
Other	-2.3	-2.6
Net working capital	**-21.0**	**-16.0**
Intangible assets excluding acquisition-related allocations	8.9	12.3
Property, plant and equipment	10.7	11.6
Right-of-use assets	46.5	53.3
Operative fixed assets	**66.1**	**77.2**
Total operative capital employed	**45.1**	**61.2**
Operative capital employed (average over reporting period)	**53.2**	**62.9**

Net working capital by segment

EUR million	31 Dec 2022	31 Dec 2021
Finland	-24.2	-22.6
Sweden	2.9	6.4
Norway	-14.4	-15.5
Denmark	-6.9	-6.7
Other business	22.4	23.2
Group functions	-0.7	-0.8
Total	**-21.0**	**-16.0**

Operative fixed assets by segment

EUR million	31 Dec 2022	31 Dec 2021
Finland	21.7	24.1
Sweden	11.3	16.7
Norway	15.5	16.9
Denmark	8.1	9.8
Other business	6.8	6.7
Group functions	2.7	3.0
Total	**66.1**	**77.2**

Operative capital employed by segment

EUR million	31 Dec 2022	31 Dec 2021
Finland	-2.5	1.5
Sweden	14.2	23.1
Norway	1.2	1.4
Denmark	1.1	3.1
Other business	29.2	29.9
Group functions	2.0	2.1
Total	**45.1**	**61.2**

Note 4 Revenue recognition

Net sales by business

EUR million	2022	2021
Communication	517.9	505.1
Power	305.6	302.3
Other operations	0.3	5.3
Total	**823.6**	**812.6**

Net sales by segment and business

EUR million		2022	2021
Finland	Communication	113.0	111.3
	Power	177.2	188.4
Sweden	Communication	166.2	163.1
	Power	27.6	19.1
Norway	Communication	176.3	160.0
	Power	0.5	0.4
Denmark	Communication	55.9	65.2
	Power	18.3	22.7
Other business	Communication	15.8	13.6
	Power	83.3	73.1
	Other operations	0.3	5.3
Eliminations		-10.8	-9.5
Total		**823.6**	**812.6**

Internal net sales consist mainly of net sales from communication in Lithuania, reported in other business. There are no material internal net sales in any of the country segments.

Net sales by service type
Eltel's revenue consists of project delivery, upgrade and maintenance services.

Project delivery services (Engineering, procurement, construction)
Project delivery services comprise engineering and delivering customer specific network infrastructure projects. The contracts include projects with estimated scope of works and variation orders as well as turnkey projects and Eltel's activities typically include tasks relating to design, construction, installation and project management. The size of a contract is typically large (EUR 1–40 million) and project execution time frame from months to years. For project delivery services revenue is typically recognised over time as customers control the asset that Eltel creates or enhances.

Upgrade services (Upgrade and conversion projects)
Upgrade and conversion services are services to recover and upgrade the condition or technology of an existing infrastructure network where Eltel typically dismantle, build and/or install on customer specifications. The projects are typically based on multi-year frame agreements where the services are ordered based on individual purchase orders but also on separately tendered projects. Size of a project varies typically from EUR 10,000 to over EUR 1 million projects and pricing is typically based on units. For upgrade services revenue is typically recognised over time as customers control the asset that Eltel creates or enhances.

Maintenance services
Eltel's maintenance services comprise of scheduled and corrective care services and connect services where the customer contracts are usually multi-year frame agreements. The works are performed based on continuous flow of small orders that are typically unit priced, but also certain fixed fee based contracts exist. The services are not highly customised to a particular customer. The nature of Eltel's maintenance services is such that the customer typically can benefit from the services either on its own or together with other readily available resources. In maintenance services customers receive benefits as Eltel performs and revenue is recognised over time based on the services performed.

Net sales by business and service type

EUR million	2022	2021
Communication		
Project delivery	23.2	17.5
Upgrade services	336.6	335.5
Maintenance	157.9	152.0
Total Communication	**517.9**	**505.1**
Power		
Project delivery	141.6	128.1
Upgrade services	100.8	116.7
Maintenance	63.2	57.5
Total Power	**305.6**	**302.3**
Other operations		
Project delivery	0.1	5.1
Maintenance	0.2	0.2
Total other operations	**0.3**	**5.3**
Total	**823.6**	**812.6**

In 2022 project delivery services form 20% (19), upgrade services 53% (56) and maintenance services 27% (26) of Eltel's total net sales.

Committed order backlog by business and service type
Committed order backlog in Eltel is defined as the total value of committed (purchase) orders received but not yet recognised as net sales. It does not include frame agreements unless a binding purchase order has been received. Committed order backlog is therefore the best measure of unsatisfied performance obligations according to IFRS 15 Revenue from contracts with customers. The below table presents the committed order backlog by business and service type. The currency impact in total order backlog at year-end 2022 was EUR -13.0 million.

EUR million	2022	2021
Communication		
Project delivery	47.2	39.7
Upgrade services	135.4	105.2
Maintenance	22.6	22.9
Total Communication	**205.2**	**167.8**
Power		
Project delivery	178.4	211.3
Upgrade services	57.5	67.7
Maintenance	26.9	22.2
Total Power	**262.8**	**301.1**
Other operations		
Project delivery	0.2	0.2
Total other operations	**0.2**	**0.2**
Total	**468.2**	**469.1**

Approximately two thirds of the committed order backlog in project delivery services and nearly all of the committed order backlog in upgrade services and maintenance service is to be recognised as revenue during 2023.

Contract balances

EUR million	31 Dec 2022	31 Dec 2021
Trade receivables	82.6	102.0
Contract assets	73.3	71.2
Total assets related to contracts with customers	**155.9**	**173.2**
Advances received from contracts with customers	45.2	35.8
Total liabilities related to contracts with customers	**45.2**	**35.8**

Trade receivables and contract assets are included in the trade and other receivables in the balance sheet. Contract assets mainly consist of recognised net sales not yet invoiced. Advances received represent the contract liabilities.

Note 5 Personnel by segment

Number of personnel by segment

Average	2022	Of whom men %	2021	Of whom men %
Finland	1,498	92	1,478	87
Sweden	919	86	938	86
Norway	938	87	919	87
Denmark	484	89	562	90
Other business	1,071	85	1,123	85
Group and shared functions	143	36	155	32
Total personnel, average	**5,053**	**87**	**5,176**	**85**
Total personnel, year-end	**5,063**	**87**	**5,046**	**87**

Note 6 Employee benefit expenses

Employee benefit expenses

EUR million	2022	2021
Wages and salaries	248.1	251.7
Post-employment benefits:		
Defined benefit plans	-0.7	-0.7
Defined contribution plans	24.6	24.9
Other statutory social costs	34.0	34.0
Total	**305.9**	**310.0**

Employee benefit expenses by function

EUR million	2022	2021
Cost of sales	255.5	255.8
Selling and administrative expenses	50.3	54.1
Sum in operative expenses	**305.9**	**309.9**
Financial income and costs	0.1	0.1
Total	**305.9**	**310.0**

Note 7 Function expenses by nature

EUR million	2022	2021
Other income	-0.9	-5.5
Total other income	**-0.9**	**-5.5**
Expenses		
Materials and supplies	125.7	116.0
Employee benefit expenses	305.9	309.9
Subcontractors and other external services	270.4	263.2
Other costs	94.9	82.4
Depreciation, amortisation and impairment	29.8	32.1
Total expenses	**826.5**	**803.6**
Total net expenses	**825.6**	**798.1**

Main items in other costs include direct costs and production overheads as well as IT costs, transportation, premises and other personnel-related costs. The presentation between cost categories has been updated for comparative period.

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

EUR million	2022	2021
Cost of sales	748.9	724.5
Other income	-0.9	-5.5
Selling and administrative expenses	77.2	78.1
Other expenses	0.4	1.0
Total	**825.6**	**798.1**

Note 8 Other income

EUR million	2022	2021
Gains on sales of assets	0.2	3.0
Gain on foreign exchange forward contracts	0.0	0.3
Other income	0.7	2.2
Total	**0.9**	**5.5**

Gains on sales of assets include fixed assets sales and in 2021 also gain of EUR 2.5 million from sale of real estate in Poland.

Note 9 Other expenses

EUR million	2022	2021
Losses on divestments and held for sale valuations	–	0.1
Other expenses	0.4	0.9
Total	**0.4**	**1.0**

Note 10 Depreciation and amortisation

EUR million	2022	2021
Amortisation on customer relationships	0.1	0.3
Depreciation of right-of-use assets	21.8	23.4
Other depreciation and amortisation	7.8	8.4
Total	**29.8**	**32.1**

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

EUR million	2022	2021
Cost of sales	17.2	19.1
Selling and administrative expenses	12.6	13.0
Total	**29.8**	**32.1**

Note 11 Financial income and expenses

EUR million	2022	2021
Interest income arising from financial assets at amortised cost	0.2	0.0
Other financial income	0.0	0.1
Total financial income	**0.2**	**0.1**
Interest expenses from liabilities at amortised cost[1]	-7.6	-4.6
Fee expenses	-2.1	-2.2
Fair value change of foreign exchange derivatives	0.8	1.8
Other foreign exchange differences	-0.7	-0.8
Total financial expenses	**-9.6**	**-5.8**
Net financial expenses	**-9.5**	**-5.8**

[1] Includes EUR 2.1 million (1.6) of interest expenses for leasing liabilities.

Note 12 Income tax

Income tax expense in the consolidated income statement

EUR million	2022	2021
Current tax	3.4	3.9
Deferred tax	0.1	-0.1
Total tax cost (+)/ income (-)	**3.5**	**3.8**
Tax rate, %	-30.5%	43.8%

Taxes represent the tax cost in countries with profit. No deferred tax asset was booked for the losses in the period.

The difference between income taxes at the statutory tax rate in Sweden 20.6% and income taxes recognised in the consolidated income statement is reconciled as follows:

EUR million	2022	2021
Profit before tax	-11.4	8.7
Total tax cost (+)/income (-)		
Tax calculated at Swedish tax rate	**-2.4**	**1.8**
Effect of different tax rates outside Sweden	0.6	0.5
Income not subject to tax	-0.2	-0.4
Expenses not deductible for tax purposes	1.4	1.2
Tax loss valuation	4.0	1.0
Non-valuated temporary differences	-0.1	-0.4
Taxes and adjustments in respect of prior years	0.0	0.2
Other items	0.1	-0.1
Income taxes in the consolidated income statement	**3.5**	**3.8**

Tax loss valuation includes tax effects of results for which no deferred income tax asset was recognised, mainly in Sweden and Poland as well as expiry of previously recognised tax losses for Finland. Deferred taxes are presented in note 24.

Note 13 Earnings per share

	2022	2021
Net result attributable to equity holders of the parent	-15.0	4.3
Weighted average number of ordinary shares, basic	156,699,058	156,649,081
Weighted average number of ordinary shares, diluted	156,789,278	156,728,961
Earnings per share, basic	-0.10	0.03
Earnings per share, diluted	-0.10	0.03

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

Financial risk management and capital structure

This section comprises the following notes:

Note 14 Financial risk management

The Group has exposure to the following financial risks:
- Market risks, including currency, interest rate and commodity price risks
- Liquidity risk
- Credit risk

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

14.1 Market risk

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

14.1.1 Currency risk

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

Currency transaction risk

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

Majority of the Group's business is local and over 95% of the cash inflows are generated in each country's local currency. The transaction risk is therefore limited. The foreign currencies used are typically US dollar, EUR or other European currencies. The main principle is to mitigate the risk first by operative means in the businesses, e.g. by matching, as far as possible, the project costs to the contract currency.

The open foreign exchange exposure is hedged by using foreign currency forward contracts and swaps in accordance with the Group foreign currency risk management policy whereby any net exposure exceeding EUR 2 million shall be hedged with the minimum of 60% hedging ratio and the open net exposure may not exceed EUR 4 million.

The Group applies hedge accounting for net currency exposures exceeding EUR 4 million in counter value. More information on the Group's foreign exchange derivatives is included in note 18 Derivative financial instruments.

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

2022

EUR million	Sales and purchases	Borrowings and cash	Hedges	Net transaction risk exposure
EUR	-0.2	-0.0	-0.1	-0.3
SEK	-1.9	12.4	-10.2	0.3
NOK	0.4	-5.7	6.6	1.3
DKK	-0.0	-6.0	6.2	0.1
PLN	-0.0	-0.2	0.0	-0.2
USD	-2.1	1.5	0.5	-0.2
MZN	–	1.3	–	1.3

2021

EUR million	Sales and purchases	Borrowings and cash	Hedges	Net transaction risk exposure
EUR	-1.9	0.2	0.9	-0.8
SEK	-1.2	9.6	-8.0	0.4
NOK	0.1	-19.1	18.7	-0.3
DKK	0.4	-13.4	12.7	-0.4
PLN	0.0	13.1	-13.2	-0.1
USD	-2.6	0.1	2.0	-0.4
MZN	-0.9	1.8	–	0.9
GEL	–	0.6	–	0.6

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

Currency transaction risk impact

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

	2022 profit or loss		2021 profit or loss	
EUR thousands	Strengthening	Weakening	Strengthening	Weakening
EUR	-29	29	-75	75
SEK	32	-26	40	-33
NOK	144	-118	-29	24
DKK	17	-14	-44	36
PLN	-28	23	-15	12
USD	-18	15	-48	40
MZN	144	-118	103	-84
GEL	–	–	66	-54

The Group has not applied hedge accounting to currency derivatives in 2022 or 2021 and all fair value changes are reported through profit and loss.

Currency translation risk

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

A significant portion of the Group's net sales is generated by subsidiaries that operate in countries where a currency other than the Euro is used, particularly Sweden, Norway, Denmark and Poland. For the year ended 31 December 2022, 24% (23) of the Group's net sales were generated in SEK, 21% (20) in NOK, 9% (11) in DKK and 6% (3) in PLN. The changes in NOK against EUR impacted the Group's net sales by EUR +1.4 million (+9.1) and changes in SEK against EUR by EUR -9.5 million (+6.0).

The costs of the operations of the Group are typically incurred in the same currency as net sales. Therefore the translation risk in the Group's profit or loss is limited. In 2022 the changes in NOK against EUR impacted the Group's EBIT by EUR +0.1 million (+0.5). A change in the average EUR/SEK, EUR/NOK, EUR/DKK, EUR/PLN rates by 10% would have had an impact of EUR +0.8 million (-0.6) on the Group's operating result (EBIT) and EUR +1.4 million (-0.0) in the Group's post tax profit in 2022.

Net investment translation risk

The majority of the Group's net investment translation risk arises from the net investments in the Swedish, Norwegian and Polish subsidiaries. This net investment was hedged by SEK and PLN denominated loans until January 2022, when the loans in SEK and PLN were repaid. The foreign exchange differences for these loans have been recognised in other comprehensive income under translation reserve. If the amount of the net investment decreases through divestment or otherwise, the related accumulated gains or losses recognised in translation reserve are transferred to profit or loss.

The valuations of the net investment hedges in hedging reserve are presented in the below table:

2022 EUR million	Loans denominated in foreign currency	Discontinued net investment hedges	Total
1 Jan	6.5	7.1	13.6
Recognised in hedging reserve during the period	0.1	–	0.1
Transferred from hedging reserve to profit and loss during the period	–	-0.1	-0.1
31 Dec	**6.6**	**7.0**	**13.6**

2021 EUR million	Loans denominated in foreign currency	Discontinued net investment hedges	Total
1 Jan	5.9	7.4	13.3
Recognised in hedging reserve during the period	0.7	–	0.7
Transferred from hedging reserve to profit and loss during the period	–	-0.3	-0.3
31 Dec	**6.5**	**7.1**	**13.6**

14.1.2 Interest rate risk

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

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

The Group's policy is not to hedge the loans maturing within less than 2 years. At the end of 2022 all the bank borrowings were due in less than 2 years and the Group does not have any interest rate hedges in place.

The Group's borrowing is based on floating interest rates (one to six months) including a floor market rate of zero.

The interest rate profile of the Group is as follows:

EUR million	2022	2021
Total leasing liabilities	**47.8**	**54.5**
Variable-rate instruments		
Financial assets	-47.9	-32.9
Financial liabilities	124.6	100.2
Total variable-rate net liabilities	**76.7**	**67.3**

A majority of the leasing liabilities have a fixed interest rate for the lease period. More information on the Group's interest rate derivatives is included in note 18 Derivative financial instruments.

Interest rate sensitivity

A reasonably possible change in the relevant market interest rates at the reporting date would affect the annual interest expenses by the amounts shown below. The analysis assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis takes into account the effect in the interest costs of all floating rate borrowings.

2022	Income statement	
EUR million	**50 bp increase**	**25 bp decrease**
Variable rate instruments	1.1	0.4
Total	**1.1**	**0.4**

2021	Income statement	
EUR million	**50 bp increase**	**25 bp decrease**
Variable rate instruments	0.4	-0.2
Total	**0.4**	**-0.2**

Bp refers to basis points

14.1.3 Commodity price risk

Commodity price risk is the uncertainty in the financial result or the value of the Group caused by fluctuations in commodity prices. The high inflation impacts Eltel across its cost base, including fuel and material prices.

According to the Group's policy the commodity derivates may be used to hedge the commodity purchases for the long-term customer contracts, if the price of the commodity purchases for the contract cannot be fixed, and a relevant commodity derivative is available in the market. In 2022 or 2021 Eltel had no commodity derivatives.

14.2 Liquidity risk

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

Securing adequate amount of funding is centralised to the Group Treasury. The Group maintains sufficient liquidity by efficient cash management through group level cash pools and related overdraft limits. At year-end 2022, the Group had committed syndicate revolving credit facility of EUR 90 million (90). The Group had also access to short-term debt capital markets via Finnish Domestic Commercial Paper programme of EUR 150 million.

At year-end, the cash and cash equivalents consisted solely of cash in hand and deposits. The Group's available liquidity reserve at the balance sheet date was as follows:

EUR million	31 Dec 2022	31 Dec 2021
Committed credit facility	34.0	90.0
Current account overdrafts	15.0	20.0
Cash and cash equivalents	47.9	32.3
Total	**96.9**	**142.3**

At the end of December 2022 the Group held counter value of EUR 1.5 million (1.8) in local currency bank accounts in Mozambique and Georgia. Due to the local currency and other regulatory requirements the funds in Mozambique are not readily transferrable off-shore. The funds will be repatriated once the approval from the central bank of Mozambique is received. The funds are included in the cash and cash equivalents since the use of the funds is not restricted. The funds are subject to currency risk in group consolidation and to the extent the project costs arise in other than the local currency. The risk analysis is included in section 14.1 Market risk.

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

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

31 Dec 2022 EUR million	Carrying amounts Less than 1 year	Over 1 year	Contractual cash flows Less than 1 year	1–3 years	3–5 years	Over 5 years
Financial assets						
Trade receivables	82.6	–	82.6	–	–	–
Derivative instruments	0.1	–	0.1	–	–	–
Other receivables	3.8	1.2	3.8	0.3	–	0.9
Cash and cash equivalents	47.9	–	47.9	–	–	–
Total financial assets	**134.3**	**1.2**	**134.3**	**0.3**	**–**	**0.9**
Financial liabilities						
Bank borrowings and commercial papers	89.5	35.0	93.7	36.1	–	–
Leasing liabilities	16.8	31.0	18.4	23.1	7.4	2.5
Trade and other payables	72.4	–	72.4	–	–	–
Derivative financial instruments	0.0	–	0.0	–	–	–
Total financial liabilities	**178.8**	**66.0**	**184.6**	**59.2**	**7.4**	**2.5**

31 Dec 2021 EUR million	Carrying amounts Less than 1 year	Over 1 year	Contractual cash flows Less than 1 year	1–3 years	3–5 years	Over 5 years
Financial assets						
Trade receivables	102.0	–	102.0	–	–	–
Derivative instruments	0.3	–	0.3	–	–	–
Other receivables	1.4	0.3	1.4	0.2	–	0.1
Cash and cash equivalents	32.3	–	32.3	–	–	–
Total financial assets	**135.9**	**0.3**	**135.9**	**0.2**	**–**	**0.1**
Financial liabilities						
Bank borrowings and commercial papers	74.5	25.5	76.7	27.0	–	–
Leasing liabilities	18.6	35.8	20.3	24.7	8.8	4.1
Trade and other payables	71.7	–	71.8	–	–	–
Derivative financial instruments	0.2	–	0.2	–	–	–
Total financial liabilities	**165.1**	**61.4**	**168.9**	**51.8**	**8.8**	**4.1**

14.3 Credit risk

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

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

The Group's accounts receivable and contract assets are divided into two groups for measurement of credit risk. One group consists of large customers that account for a significant part of the Group's net sales. The loss allowance for expected credit losses for the largest customers is made individually with a rating-based model applied. For the other group of several smaller customers, the Group applies a collective impairment model based on age analysis of the receivables and historically realised losses. Forward-looking factors and management judgement is applied in both models.

At the end of December 2022 the Group held counter value of EUR 1.5 million (1.8) in local bank accounts in Mozambique and Georgia. The sovereign risk related to these countries is included in expected credit loss (ECL) calculation.

Below table summarises the expected credit loss reservation for total trade receivables and contract assets.

Credit risk exposure and loss reservation

2022 EUR million Credit risk rating	Trade receivables (gross)	Contract assets	Total	Expected credit loss reservation	Recognised amounts (net)
Large customers					
AAA	5.9	1.3	7.1	0.0	7.1
AA	5.5	3.9	9.5	0.0	9.5
A	7.1	10.3	17.4	0.0	17.4
BBB	16.6	26.1	42.7	0.0	42.7
BB	0.7	–	0.7	0.0	0.7
Total large customers	**35.8**	**41.6**	**77.4**	**0.0**	**77.4**
Other customers	48.3	31.7	80.0	1.5	78.5
Total	**84.2**	**73.3**	**157.5**	**1.6**	**155.9**

2021 EUR million Credit risk rating	Trade receivables (gross)	Contract assets	Total	Expected credit loss reservation	Recognised amounts (net)
Large customers					
AAA	2.8	1.4	4.1	0.0	4.1
AA	0.9	2.0	2.9	0.0	2.9
A	6.1	11.2	17.4	0.0	17.4
BBB	29.4	17.3	46.7	0.0	46.7
BB	4.6	3.8	8.4	0.0	8.4
Total large customers	**43.7**	**35.8**	**79.5**	**0.1**	**79.4**
Other customers	60.4	35.5	95.8	2.1	93.7
Total	**104.1**	**71.2**	**175.3**	**2.1**	**173.2**

Maturity analysis of receivables:

EUR million	31 Dec 2022	31 Dec 2021
Not past due	73.3	96.1
1–14 days overdue	6.2	4.9
15–90 days overdue	2.6	2.1
91–180 days overdue	1.0	0.2
More than 180 days overdue	1.1	0.8
Total trade receivables	**84.2**	**104.1**
Contract assets	73.3	71.2
Expected credit loss reservation	-1.6	-2.1
Total	**155.9**	**173.2**

There were no past due receivables in any other class of financial assets.

The carrying amount of the Group's receivables represents the maximum amount of credit risk at the balance sheet date. The amount of receivables represent managements best estimate of amounts that will be recovered from the customers.

The reserve for expected credit losses is EUR 1.6 million (2.1) representing a decrease of EUR 0.6 million from the comparative period. The effects of COVID-19 have not had substantial impact on expected credit losses. Realised credit losses in the Group were EUR 0.1 million (0.2) during the year.

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

Credit risk also originates from investments in cash and cash equivalents. EUR 46.3 million (30.3) of the cash balance on 31 December 2022 was deposited in the banks having the credit rating of at least A (S&P) or equivalent. EUR 1.5 million (1.8) of the cash was deposited in the banks in Mozambique and Georgia having the credit rating of BB. The expected credit risk for cash and cash equivalents is measured by a rating-based model in combination with other known information and forward-looking factors. The expected credit losses for other receivables and assets have been assessed to be immaterial and no reservation has been recognised in the financial statements.

14.4 Capital management

The Group's objective when managing capital is to safeguard its ability to continue as going concern in order to provide returns for shareholders. The Group defines total capital as equity plus net debt in the balance sheet.

The net debt at year-end has been as follows:

EUR million	31 Dec 2022	31 Dec 2021
Total bank borrowings	125.6	100.3
Leasing liabilities in balance sheet	47.8	54.5
Cash and cash equivalents	-47.9	-32.3
Net debt	**125.5**	**122.6**

In 2022 Eltel's bank loan agreements included financial covenants related to leverage ratio (Net debt/EBITDA) and net gearing (Net debt/ Total equity).

If the net debt or EBITDA outcome differs significantly from planned, there is a risk that the covenants under the existing financing agreement are not met during the transformation period. Challenges with respect to meeting the financial covenants might lead to a risk that suppliers and other stakeholders could request accelerated payment terms or additional guarantees.

Credit facilities

In January 2022, Eltel refinanced its previous credit facilities by completing a new financing agreement with banks, comprising a EUR 35.0 million term loan (maturity 2+1 years) and a EUR 90.0 million revolving credit facility (maturity 3+1+1 years). The new credit facilities have covenants pertaining to leverage ratio and net gearing. The Group has guarantee facilities with the banks and insurance companies on bilateral basis. The account overdrafts amount to EUR 15.0 million in total.

EUR million	31 Dec 2022	Maturity
Term loan, non-current[1]	35.0	Jan 2024 (+extension option until Jan 2025)
Revolving credit facility	90.0	Jan 2025 (+extension option until Jan 2027)
Account overdrafts	15.0	Annual renewals
Total committed credit facilities	**140.0**	
Commercial paper programme	150.0	N/A

[1] The maturity of the term loan has been extended by one year until January 2025 in February 2023.

Additional to above facilities, the Group also had access to short-term debt capital markets via a commercial paper programme of EUR 150 million. At the reporting date EUR 33.5 million (73.0) of the commercial paper programme and EUR 56.0 million (0.0) of the revolving credit facility were utilised.

Note 15 Shares and share capital

On 1 February 2022, the share capital was reduced with EUR 242,039.47 by redemption of 240,000 C shares held by Eltel.

On 18 March 2022, Eltel issued 972,000 redeemable and convertible class C shares based on the authorisation given to the Board by the AGM on 5 May 2021. The purpose of the issue of class C shares is to use the shares in Eltel's long-term incentive programme LTIP 2021. In connection with the issue the shares have been repurchased by Eltel. Eltel holds the shares at 31 December 2022 and will hold the shares until it is time to deliver shares to the participants of LTIP 2021. Prior to delivery of the shares to participants, the class C shares will be converted to ordinary shares. The share issue resulted in an increase of share capital by EUR 980 260.

On 7 June 2022, Eltel converted 87,700 C shares to ordinary shares pursuant to the company's articles of association.

On 31 December 2022, the total number of shares amounted to 158,231,081 divided into 156,736,781 ordinary shares with 1 vote per share and 1,494,300 C shares with 1/10 vote per share. On 31 December 2022 the share capital amounted to EUR 159.6 million.

Changes in the share capital

Date[1]	Transactions	Ordinary shares	C shares	Total number of shares	Change in share capital (EUR)	Total share capital (EUR)	Quota (par) value (EUR)
1 Jan 2021		156,649,081	850,000	157,499,081		158,837,474	1.01
31 Dec 2021		**156,649,081**	**850,000**	**157,499,081**		**158,837,474**	**1.01**
1 Feb 2022	Reduction of share capital	–	-240,000	157,259,081	-242,039	158,595,435	1.01
18 Mar 2022	Issue of new C shares	–	972,000	158,231,081	980,260	159,575,695	1.01
7 Jun 2022	Reclassification of shares	87,700	-87,700	158,231,081	–	159,575,695	–
31 Dec 2022		**156,736,781**	**1,494,300**	**158,231,081**		**159,575,695**	**1.01**

[1] Date of registration with the Swedish Companies Registration office.

Note 16 Borrowings

The financial liability amounts include capital amount and accrued interests.

EUR million	31 Dec 2022	31 Dec 2021
Carrying amounts of non-current liabilities		
Bank borrowings	34.7	25.5
Leasing liabilities	31.0	35.8
Total non-current financial liabilities	**65.7**	**61.4**
Carrying amounts of current liabilities		
Bank borrowings	90.4	74.2
Leasing liabilities	16.8	18.6
Total current debt	**107.2**	**92.9**
Total current financial liabilities	**107.2**	**92.9**
Total financial liabilities at amortised cost	**172.9**	**154.2**

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

EUR million	31 Dec 2022	31 Dec 2021
EUR	144.8	95.6
SEK	10.0	36.9
PLN	0.9	2.2
NOK	11.4	12.7
DKK	5.7	6.8
Total	**172.9**	**154.2**

See note 14 For information about interest rate risk, currency risk, liquidity risk and capital management.

The weighted average interest rates for borrowings at year-end were 4.8% (2.0).

Non-cash changes of borrowings

	2022			
EUR million	**Long-term borrowings**	**Short-term borrowings**	**Leasing liabilities**	**Total**
1 Jan	**25.5**	**74.2**	**54.5**	**154.2**
Cash flows (net)	9.5	15.0	-21.6	2.8
Non-cash changes:				
New lease agreements	–	–	19.2	19.2
Termination of lease agreements	–	–	-2.6	-2.6
Foreign exchange movements	–	–	-1.7	-1.7
Accruals and other non-cash changes	-0.3	1.2	–	0.9
31 Dec	**34.7**	**90.4**	**47.8**	**172.9**

	2021			
EUR million	**Long-term borrowings**	**Short-term borrowings**	**Leasing liabilities**	**Total**
1 Jan	**27.7**	**97.1**	**60.8**	**185.6**
Cash flows (net)	–	-25.0	-23.8	-48.8
Non-cash changes:				
New lease agreements	–	–	21.7	21.7
Termination of lease agreements	–	–	-4.5	-4.5
Divestment of companies and transfers to assets held for sale	–	–	0.0	0.0
Change in maturity	-1.5	1.5	–	–
Foreign exchange movements	-0.7	0.1	0.2	-0.4
Accruals and other non-cash changes	–	0.6	–	0.6
31 Dec	**25.5**	**74.2**	**54.5**	**154.2**

Note 17 Financial instruments by category

Book values of financial instruments by category
When measuring the financial assets and liabilities, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:
- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data.

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

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

The fair values of currency forward contracts and the currency swaps are based on the present value of the cash flow at the maturity date. The fair values of interest rate swaps are calculated as the present value of the estimated future cash flow based on observable yield curves.

31 Dec 2022 EUR million	Note	Fair value through profit or loss	Financial assets at amortised cost	Financial liabilities at amortised cost	Carrying amounts	Fair value	Fair value hierarchy
Non-current financial assets		**0.7**	**0.5**	**–**	**1.2**	**1.2**	
Other receivables and financial assets	20	0.7	0.5	–	1.2	1.2	2
Current financial assets		**0.1**	**134.3**	**–**	**134.3**	**134.3**	
Trade receivables	20	–	82.6	–	82.6	82.6	
Derivative instruments	18,20	0.1	–	–	0.1	0.1	2
Other receivables	20	–	3.8	–	3.8	3.8	
Cash and cash equivalents		–	47.9	–	47.9	47.9	
Total financial assets		**0.8**	**134.7**	**–**	**135.5**	**135.5**	
Non-current financial liabilities		**–**	**–**	**66.1**	**66.1**	**66.7**	
Interest-bearing debt	16	–	–	65.7	65.7	66.3	2
Trade and other payables		–	–	0.4	0.4	0.4	
Current financial liabilities		**0.0**	**–**	**187.5**	**187.6**	**187.9**	
Interest-bearing debt	16	–	–	107.2	107.2	107.6	2
Trade and other payables	23	–	–	80.3	80.3	80.3	
Derivative instruments	18,23	0.0	–	–	0.0	0.0	2
Total financial liabilities		**0.0**	**–**	**253.6**	**253.7**	**254.7**	
Carrying amount, net		**0.8**	**134.7**	**-253.6**			

31 Dec 2021 EUR million	Note	Fair value through profit or loss	Financial assets at amortised cost	Financial liabilities at amortised cost	Carrying amounts	Fair value	Fair value hierarchy
Non-current financial assets		**0.7**	**0.5**	**–**	**1.1**	**1.1**	
Other receivables and financial assets	20	0.7	0.5	–	1.1	1.1	2
Current financial assets		**0.3**	**138.6**	**–**	**138.8**	**138.8**	
Trade receivables	20	–	102.0	–	102.0	102.0	
Derivative instruments	18,20	0.3	–	–	0.3	0.3	2
Other receivables	20	–	4.4	–	4.4	4.4	
Cash and cash equivalents		–	32.3	–	32.3	32.3	
Total financial assets		**0.9**	**139.0**	**–**	**140.0**	**140.0**	
Non-current financial liabilities		**–**	**–**	**61.8**	**61.8**	**61.8**	
Interest-bearing debt	16	–	–	61.4	61.4	61.4	2
Trade and other payables		–	–	0.4	0.4	0.4	
Current financial liabilities		**0.2**	**–**	**178.2**	**178.3**	**178.9**	
Interest-bearing debt	16	–	–	92.9	92.9	93.4	2
Trade and other payables	23	–	–	85.3	85.3	85.3	
Derivative instruments	18,23	0.2	–	–	0.2	0.2	2
Total financial liabilities		**0.2**	**–**	**240.0**	**240.1**	**240.7**	
Carrying amount, net		**0.8**	**139.0**	**-240.0**			

On 31 December 2022 or on 31 December 2021 the Group had no financial instruments measured at fair value through other comprehensive income.

Note 18 Derivative financial instruments

EUR million	Nominal values	Fair values Positive	Fair values Negative
31 Dec 2022			
Foreign exchange derivatives	39.7	0.1	-0.0
Total	**39.7**	**0.1**	**-0.0**
31 Dec 2021			
Foreign exchange derivatives	41.8	0.3	-0.2
Total	**41.8**	**0.3**	**-0.2**

All derivative contracts have been made according to the Eltel Treasury Policy. The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of their respective cash flows. The Group has not applied hedge accounting to any derivative financial instruments in 2022 or 2021. More information on the financial risks which are hedged by the derivative financial instruments are presented in note 14.

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

	31 Dec 2022			31 Dec 2021		
EUR thousands	Carrying amounts	Related instruments that are not offset	Net amounts	Carrying amounts	Related instruments that are not offset	Net amounts
Financial assets						
Foreign exchange derivatives	85	2	84	259	-28	231
Financial liabilities						
Foreign exchange derivatives	-39	-2	-37	-149	28	-121

Note 19 Commitments and contingent liabilities

Commitments and collateral pledged

EUR million	31 Dec 2022	31 Dec 2021
Pledged assets		
Shares in subsidiaries	61.7	47.3
Floating charges	219.9	221.8
Intra-group loan receivables	343.7	343.6
Other pledges	–	0.1
Total pledged assets	**625.4**	**612.8**
Guarantees		
Counter guarantees for external guarantees	80.3	85.3
Commercial guarantees on behalf of third parties	–	0.1
Total guarantees	**80.3**	**85.4**

At year-end, the pledged assets related mainly to securing the Group's liabilities under the Group's financing agreement. Securities provided included the shares in The Infranet Company AB, floating charges and the pledge of certain intra-group loan receivables.

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

Legal claims and investigations

In Tanzania, Gati Masero Buiter t/a Botech Project Management ("Botech") has filed a statement of claim against Eltel Tanzania Ltd amounting to EUR 4.7 million and a corresponding claim against Eltel Group Oy and Eltel Networks TE AB in the Tanzanian High Court. The basis of the claim is a subcontractor agreement entered into between Eltel Tanzania and Botech in 2013. Botech did not fulfill its obligations under the subcontractor agreement and therefore Eltel Tanzania terminated the subcontractor agreement. Botech claims that the termination was unfounded and claims damages.

Eltel's legal advisor's view is that the claim has no substantial merits. Moreover, Eltel has moved for dismissal of the claim in whole due to that any claims under or in connection with the subcontractor agreement are subject to dispute resolution in London under the ICC arbitration rules. Finally, Eltel Group Oy and Eltel Networks TE AB are not signatories or active parties in the subcontractor agreement. In September 2017, the Tanzanian High Court issued an order striking out Eltel Group Oy and Eltel Networks TE AB from the suit. Hearings in the case have been held during 2022 and both parties have concluded their pleadings. A court ruling is expected during the first half-year 2023.

Power Transmission International closing matters

The ramp-down of the Power Transmission International ("PTI") business operations continues according to plan. As part of the ramp-down activities some of the local Eltel entities forming part of PTI are involved in tax proceedings and/or disputes incidental to their business.

Eltel Group Oy has raised claims against Georgian State Electrosystem on behalf of a consortium consisting of itself and the Indian company EMC Ltd (EMC Ltd is currently in insolvency proceedings). The claims arise under a FIDIC contract concluded on 17 June 2015 between the consortium, as Contractor, and Georgian State Electrosystem, as Employer, concerning works on the Ksani-Stepantsminda Transmission Line. The contract is governed by Georgian substantive law and contains a customary FIDIC dispute resolution clause whereby disputes, as a rule, first are to be adjudicated by a Dispute Adjudication Board and only thereafter can be submitted to ICC arbitration in Paris.

The Dispute Adjudication Board has to date satisfied claims brought by the consortium against Georgian State Electrosystem. Georgian State Electrosystem has disputed the consortium's claims, including those confirmed by decisions of the Dispute Adjudication Board, and indicated that it will raise (currently unspecified) counterclaims.

On 28 February 2022, Eltel Group Oy initiated arbitration proceedings by filing a Request for Arbitration with the ICC. On 21 October 2022, Eltel Group Oy filed its Statement of Claim. It is Eltel Group Oy's position that Georgian State Electrosystem failed to adhere to well-reasoned decisions by the Dispute Adjudication Board and thus must be ordered to pay the total amount of EUR 7.1 million and GEL 1.3 million which are either directly awarded by or derived from the Dispute Adjudication Board's decisions, as well as late payment interest on the amounts.

Georgian State Electrosystem's Statement of Defence was filed on 20 January 2023. Georgian State Electrosystem rejects Eltel Group Oy's claims in their entirety and asks that they be dismissed fully.

In management's opinion, the outcome of this case and the tax proceedings and other disputes incidental to PTI's business is difficult to predict but they are not likely to have any material effect on the Group's financial position.

Working capital and deferred taxes

This section comprises the following notes:

Note 20 Financial assets and trade and other receivables

Financial assets

EUR million	31 Dec 2022	31 Dec 2021
Defined benefit pension asset	5.9	–
Investments	0.7	0.7
Other non-current receivables	0.5	0.5
Total non-current financial assets	**7.1**	**1.1**

Refer to note 31 Retirement benefit obligations for more information about defined benefit pension asset.

Trade and other receivables

EUR million	31 Dec 2022	31 Dec 2021
Trade receivables, gross	84.2	104.1
Contract assets	73.3	71.2
Expected credit loss reservation	-1.6	-2.1
Trade receivables and contract assets, net	**155.9**	**173.2**
Derivative instruments	0.1	0.3
Income tax receivables	0.4	0.2
Indirect tax receivables	0.9	1.1
Other prepayments and accruals	16.1	13.2
Other receivables	3.8	4.4
Total current trade and other receivables	**177.1**	**192.3**

Fair values of trade and other receivables approximate their carrying amount due to short maturities. The Group applies the expected credit losses (ECL) model according to IFRS 9 for impairment of trade receivables and contract assets. Refer to note 14.3 Credit risk for more information.

During 2022 the Group has sold on non-recourse basis EUR 301.3 million (292.8) of trade receivables to various financial institutions as part of vendor financing solutions and derecognised the amounts from the balance sheet at the time of receipt of payment. EUR 0.5 million (0.9) of the costs are included in EBIT and EUR 0.9 million (0.0) in the financial expenses.

Note 21 Inventories

EUR million	31 Dec 2022	31 Dec 2021
Raw materials and consumables	9.3	6.0
Work in progress	15.5	11.1
Total	**24.8**	**17.2**

Note 22 Provisions

EUR million	31 Dec 2022	31 Dec 2021
Non-current	2.6	2.7
Current	3.3	6.0
Total	**5.9**	**8.6**

2022 EUR million	Warranty provision	Project risk provision	Other provisions	Total
1 Jan	2.2	5.5	1.0	8.6
Additional provisions	0.5	0.9	0.0	1.5
Used provisions during year	-0.3	-2.6	-0.1	-2.9
Unused amounts reversed	-0.8	-0.3	-0.0	-1.1
Exchange rate differences	-0.1	-0.1	-0.0	-0.2
31 Dec	**1.7**	**3.3**	**0.9**	**5.9**

Non-current provisions consist mainly of warranty provisions and restoration provisions for right-of-use assets. Majority of the non-current provision for warranties will materialise in two to four years' time from the balance sheet date. Warranty provisions which are classified as current 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.

Major part of the project risk provisions relate to project cost provisions for certain High Voltage projects in Poland. Project risk provisions are based on management estimates of the outcome of the project and based on facts and circumstances and other information available at the reporting date, also taking into account any significant events after the reporting period. The actual future outcome may deviate from the estimate. At year-end 2022 other provisions comprise mainly restoration provisions for right-of-use assets.

Note 23 Trade and other payables

Current

EUR million	31 Dec 2022	31 Dec 2021
Trade payables	72.3	71.6
Other liabilities	8.0	13.7
Derivative financial liabilities	0.0	0.2
Indirect tax liabilities	14.6	15.5
Income tax liabilities	3.6	5.2
Accrued expenses and prepaid income	65.5	72.3
Total current trade and other payables	**164.1**	**178.5**

Accrued expenses consist of the following items:

EUR million	31 Dec 2022	31 Dec 2021
Accrued wages and salaries	32.1	37.8
Accrued indirect employee costs	15.2	16.1
Other accruals	18.2	18.4
Total	**65.5**	**72.3**

Note 24 Deferred tax

Deferred tax assets and liabilities

EUR million	31 Dec 2022	31 Dec 2021
Deferred tax assets	16.3	18.4
Deferred tax liabilities	-10.3	-10.7
Net deferred tax assets	**6.0**	**7.7**

The movement on the deferred income tax amount during the year:

EUR million	2022	2021
1 Jan	7.7	8.2
Recognised in the income statement	-0.1	0.1
Recognised in other comprehensive income:		
Translation differences	0.5	0.1
Defined benefit plans	-2.0	-0.7
Hedge accounting	0.0	-0.1
31 Dec	**6.0**	**7.7**

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

Deferred tax assets

EUR million	Retirement benefit obligations	Tax losses carried forward	Other temporary differences	Total
1 Jan 2021	3.5	13.0	2.6	19.1
Recognised in the income statement	-0.9	–	1.3	0.4
Recognised in other comprehensive income	-0.7	–	–	-0.7
Translation differences	0.0	-0.1	-0.3	-0.4
31 Dec 2021	**1.9**	**12.9**	**3.6**	**18.4**
Recognised in the income statement	0.0	-2.0	2.0	0.0
Recognised in other comprehensive income	-1.6	–	–	-1.6
Translation differences	-0.2	-0.3	-0.0	-0.5
31 Dec 2022	**0.2**	**10.5**	**5.6**	**16.3**

Deferred tax assets are recognised for tax loss carry forwards and temporary differences to the extent that the realisation of the related tax benefit against future taxable profits is probable. The future taxable profit estimate is based on current business plans approved by management.

Gross amount of EUR 10.5 million (12.9) deferred tax assets are recognised for losses carried forward, of which EUR 5.6 million (5.9) relates to operations in Sweden. The decrease in the gross amount during 2022 relates mainly to expiry of previously recognised losses for Finland. On 31 December 2022 the Group had in its main operational countries a total of EUR 185.5 million (207.9) tax losses for which no deferred tax asset was recognised. Of these tax losses EUR 1.9 million (2.4) will expire within five years and EUR 183.5 million (205.5) does not have expiry date.

Deferred tax liabilities

EUR million	Retirement benefit asset	Fair value adjustment	Other temporary differences	Total
1 Jan 2021	–	6.8	4.1	11.0
Recognised in the income statement	–	-0.4	0.6	0.2
Recognised in other comprehensive income	–	–	0.1	0.1
Translation differences	–	-0.7	0.2	-0.6
31 Dec 2021	–	**5.7**	**4.9**	**10.7**
Recognised in the income statement	0.8	0.0	-0.6	0.1
Recognised in other comprehensive income	0.5	–	–	0.5
Translation differences	0.0	-0.8	-0.2	-1.0
31 Dec 2022	**1.3**	**4.9**	**4.1**	**10.3**

Business combinations and capital expenditure

This section comprises the following notes:

Note 25 Acquisitions and divestments

Acquisitions
During 2022 or 2021, no acquisitions were made.

Divestment of businesses
On 22 March 2021, Eltel signed an agreement to divest its German high voltage business to ENACO GmbH, a German service provider in the energy sector. The transaction was completed on 30 April 2021 and it had a negative cash flow effect of EUR 3.8 million and impact on Group EBIT of EUR -0.1 million in Q2 2021. Eltel engaged ENACO as a subcontractor for the completion of any remaining projects. The German high voltage business was included in Other business.

The divested assets and liabilities at the date of divestment are presented in the following table:

EUR million	2022	2021
Total assets	–	**2.7**
Total liabilities	–	**1.7**

Note 26 Non-controlling interests

EUR million	Subsidiaries with non-controlling interest	
Summarised statement of balance sheet	**31 Dec 2022**	**31 Dec 2021**
Current assets	28.2	28.2
Non-current assets	3.8	4.1
Total assets	**32.0**	**32.3**
Current liabilities	12.1	11.3
Non-current liabilities	1.5	1.7
Total liabilities	**13.6**	**13.0**
Equity:		
Shareholders' equity	18.4	19.3
Non-controlling interest	7.4	7.7
Summarised income statement	**2022**	**2021**
Net sales	35.3	36.3
Net result	0.2	1.5
Total comprehensive income	0.2	1.5
Total comprehensive income allocated to non-controlling interests	0.1	0.6
Dividends paid to non-controlling interest	-0.4	-0.4
Summarised cash flows	**2022**	**2021**
Cash flow from operating activities	1.5	1.7
Cash flow from investing activities	-0.1	0.0
Cash flow from financing activities	-1.4	-1.8
% of ownership	60%	60%

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

Note 27 Intangible assets

2022 EUR million	Goodwill	Customer relationship	Order backlog	Brand	Advances paid	Other intangible assets	Total
Cost 1 Jan	488.1	134.9	14.1	48.0	0.0	34.1	719.2
Additions	–	–	–	–	0.1	0.1	0.1
Disposals	–	–	–	–	–	-0.0	-0.0
Reclassification	–	–	–	–	-0.0	0.0	–
Translation differences	-9.0	-5.3	-0.6	-0.8	–	-0.6	-16.4
Cost 31 Dec	**479.0**	**129.6**	**13.4**	**47.2**	**0.1**	**33.6**	**702.9**
Accumulated amortisation and impairment 1 Jan	223.0	134.8	14.1	20.8	–	21.9	414.5
Accumulated amortisation of disposals	–	–	–	–	–	0.0	0.0
Amortisation during the year	–	0.1	0.0	–	–	3.3	3.4
Translation differences	–	-5.3	-0.6	–	–	-0.4	-6.3
Accumulated amortisation and impairment 31 Dec	**223.0**	**129.6**	**13.4**	**20.8**	–	**24.8**	**411.6**
Carrying value 1 Jan	265.0	0.1	0.0	27.2	0.0	12.3	304.6
Carrying value 31 Dec	**256.0**	**0.0**	**0.0**	**26.4**	**0.1**	**8.8**	**291.3**

2021 EUR million	Goodwill	Customer relationship	Order backlog	Brand	Advances paid	Other intangible assets	Total
Cost 1 Jan	487.9	136.0	14.3	48.3	0.1	28.8	715.4
Additions	–	–	–	–	–	0.3	0.3
Disposals	–	–	–	–	-0.0	-0.0	-0.0
Divestments	–	–	–	–	–	-1.3	-1.3
Reclassification from tangible assets	–	–	–	–	-0.1	6.4	6.4
Translation differences	0.1	-1.1	-0.2	-0.3	0.0	-0.1	-1.5
Cost 31 Dec	**488.1**	**134.9**	**14.1**	**48.0**	**0.0**	**34.1**	**719.2**
Accumulated amortisation and impairment 1 Jan	223.0	135.6	14.3	20.8	–	18.5	412.1
Accumulated amortisation of divestments	–	–	–	–	–	-1.2	-1.2
Amortisation during the year	–	0.3	–	–	–	3.1	3.4
Impairment	–	–	–	–	–	0.2	0.2
Reclassification from tangible assets	–	–	–	–	–	1.3	1.3
Translation differences	–	-1.1	-0.2	–	–	–	-1.3
Accumulated amortisation and impairment 31 Dec	**223.0**	**134.8**	**14.1**	**20.8**	**–**	**21.9**	**414.5**
Carrying value 1 Jan	264.9	0.4	0.0	27.5	0.1	10.3	303.2
Carrying value 31 Dec	**265.0**	**0.1**	**0.0**	**27.2**	**0.0**	**12.3**	**304.6**

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 "Selling and administrative expenses".

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

Allocation of goodwill and brand

Eltel organises its business through Country Units (CU), and two project based units: High Voltage and Smart Grids Germany. As of 1 January 2021 smart grid operations in each country have been included in the Country Units. In addition, Eltel has Rail and Power Transmission International businesses that are being ramped down.

Monitoring and testing of goodwill and brand mirror the way that management follows operations. The values and pre-tax discount rates used in valuation are presented in following tables.

Goodwill and brand relating to Rail and Power Transmission International businesses and High Voltage have been fully impaired in earlier periods and no value remains for these units.

	2022			2021		
2022 EUR million	**Brand**	**Goodwill**	**WACC**	**Brand**	**Goodwill**	**WACC**
Country Unit Finland	8.2	79.7	11.8%	8.2	79.7	9.2%
Country Unit Sweden	5.8	56.3	12.9%	6.3	60.9	9.3%
Country Unit Norway	7.9	76.1	13.1%	8.3	80.5	9.5%
Country Unit Denmark	3.6	34.4	11.4%	3.6	34.4	9.1%
Smart Grids Germany	0.9	8.6	12.6%	0.9	8.7	9.8%
Other units	0.1	0.9	12.6%	0.1	0.9	10.0%
Total	**26.4**	**256.0**		**27.3**	**265.0**	

The recoverable amount of above cash generating units (CGUs) 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 five-year period. Cash flows beyond the five-year period are extrapolated using a growth rate of 1.5% (1.5) in average which does not exceed the long-term average growth rate for the businesses in which the Group operates.

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

1. The sales volumes of the business plan – determined based on past performance and existing and planned contracts with clients.
2. Profitability of the business plan – determined based on previous years actual profitability and the planned actions to increase the profitability; EBITA.
3. Discount rate (pre-tax) – determined based on the weighted average cost of capital (WACC) which describes the total cost of debt and equity considering the risks specific to the business.

In 2022 WACC rates have increased considerably, to a large extent as a result of increased interest rates. The discount rates used in calculations reflect the current state of macroeconomic uncertainty and risks specific to the business.

The annual impairment test conducted for year-end 2022 or 2021 resulted in no impairment. Anyhow, the goodwill in country unit Sweden is sensitive to impairment in case of negative changes to the estimated future cash flows or a further increase in WACC rate.

At year-end, the recoverable amount for CGU Sweden exceeds the carrying amount by 5% (27) and use of pre-tax WACC of 13.4% (11.3), reduction of perpetual growth below 1% or reduction in EBITA by 0.3 percentage points would change the recoverable amount to be equal to its carrying amount. In CGU Norway the recoverable amount exceeds the carrying amount by 15% and use of pre-tax WACC of 14.7%, reduction of perpetual growth to below 0% or reduction in EBITA by 1.6 percentage points would change the recoverable amount to be equal to its carrying amount. Management deems that no reasonable possible changes in future estimates would cause the recoverable amount to fall below the carrying amount in any other CGU.

Note 28 Property, plant and equipment

2022 EUR million	Land	Buildings	Machinery and equipment	Total
Cost 1 Jan	0.1	0.9	68.4	69.4
Additions	–	0.0	3.9	3.9
Disposals	–	–	-0.9	-0.9
Translation differences	-0.0	-0.0	-2.1	-2.1
Cost 31 Dec	**0.1**	**0.9**	**69.3**	**70.2**
Accumulated depreciation 1 Jan	0.0	0.2	57.5	57.7
Accumulated depreciation of disposals	–	–	-0.8	-0.8
Depreciation during the year	–	0.0	4.5	4.5
Impairment	–	–	0.0	0.0
Translation differences	-0.0	-0.0	-1.9	-2.0
Accumulated depreciation 31 Dec	**0.0**	**0.3**	**59.2**	**59.5**
Carrying value 1 Jan	0.0	0.6	11.0	11.6
Carrying value 31 Dec	**0.0**	**0.6**	**10.1**	**10.7**

2021 EUR million	Land	Buildings	Machinery and equipment	Total
Cost 1 Jan	0.1	5.1	73.8	79.0
Additions	–	0.1	4.0	4.1
Disposals	–	-0.1	-3.7	-3.8
Divestment	-0.1	-4.2	0.3	-4.0
Reclassifications to intangible assets	–	–	-6.4	-6.4
Translation differences	-0.0	-0.0	0.4	0.4
Cost 31 Dec	**0.1**	**0.9**	**68.4**	**69.4**
Accumulated depreciation 1 Jan	0.0	1.9	57.1	59.0
Accumulated depreciation of disposals	–	-0.1	-3.7	-3.8
Accumulated depreciation of divestment	–	-1.8	0.4	-1.4
Depreciation during the year	–	0.2	4.8	5.0
Impairment	–	–	0.1	0.1
Reclassifications to intangible assets	–	–	-1.3	-1.3
Translation differences	-0.0	-0.0	0.1	0.1
Accumulated depreciation 31 Dec	**0.0**	**0.2**	**57.5**	**57.7**
Carrying value 1 Jan	0.1	3.2	16.7	20.0
Carrying value 31 Dec	**0.0**	**0.6**	**11.0**	**11.6**

Right-of-use assets are not included in property, plant and equipment. See following note 29 for more information about leases.

Note 29 Leasing

Under IFRS 16 Eltel recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Right-of-use assets are depreciated on a straight line basis and an interest expense is recognised under financing expenses for the lease liabilities. IFRS 16 requires use of estimates for valuating contracts that are valid until further notice (continuous contracts). Lengths of these contracts have been estimated based on expected usage in current business operations.

IFRS 16 leasing expenses in income statement

EUR million	2022	2021
Depreciation		
Depreciation of right-of-use assets	21.8	23.4
Other operating expenses		
Short-term lease expense	2.5	2.0
Expense for leases of low-value assets	2.1	2.4
Financial expenses		
Interest expense on lease liabilities	2.1	1.6
Total	**28.4**	**29.3**

Right-of-use assets

EUR million	Buildings	Machinery and equipment	Total
1 Jan 2021	32.0	27.2	59.2
Additions	9.7	12.0	21.7
Depreciation	-9.3	-14.0	-23.4
Divestments	0.0	-0.0	0.0
Other	-1.3	-3.0	-4.3
31 Dec 2021	**31.2**	**22.1**	**53.3**
Additions	5.4	13.7	19.2
Depreciation	-8.9	-13.0	-21.8
Other	-2.7	-1.4	-4.1
31 Dec 2022	**25.0**	**21.5**	**46.5**

Leasing liabilities

EUR million	Non-current	Current	Total
1 Jan 2021	39.0	21.8	60.8
Changes during the year	-3.2	-3.1	-6.3
Divestments	–	0.0	0.0
31 Dec 2021	**35.8**	**18.6**	**54.5**
Changes during the year	-4.9	-1.8	-6.7
31 Dec 2022	**31.0**	**16.8**	**47.8**

Maturity analysis of leasing liabilities is presented in note 14.2 Liquidity risk. In addition, the Group is committed to EUR 0.4 million (0.6) future lease payments for short-term lease commitments.

Remuneration and other

This section comprises the following notes:

Note 30 Remuneration to senior executives

Number of key executives	31 Dec 2022	31 Dec 2021
Board of Directors		
Men	3	4
Women	3	1
Other key executives		
Men	6	6
Women	2	2
Total	**14**	**13**

Guidelines for remuneration to senior executives
The Annual General Meeting on 4 May 2020 approved the guidelines for remuneration to senior executives covering the Board of Directors, the CEO, the Deputy CEO and other senior executives (the Group Management Team). The Board of Directors of Eltel AB does not propose any changes to the guidelines for remuneration to senior executives, as adopted at the Annual General Meeting 2020. Information regarding the guidelines is presented in Board of Directors' report, page 44-45.

Board of Director's fees

EUR thousands	2022	2021
Ulf Mattsson	118	116
Roland Sundén	53	51
Gunilla Fransson	53	49
Håkan Dahlström[1]	15	46
Joakim Olsson	44	43
Erja Sankari[2]	30	–
Ann Emilson[2]	30	–
Total	**341**	**304**

[1] Until April 2022
[2] From May 2022 onwards

Other key executives compensation

	2022			2021	
EUR thousands	Håkan Dahlström[1]	Casimir Lindholm[2]	Other senior executives[3]	Casimir Lindholm	Other senior executives[3]
Fixed salary	272	642	1,685	623	1,670
Annual variable salary	–	–	–	259	492
Long-time variable salary	7	17	24	51	16
Pension	41	156	271	174	308
Other benefits	7	0	76	0	59
Total	**328**	**815**	**2,055**	**1,108**	**2,545**

[3] From 1 August 2022
[3] Until 31 July 2022
[3] 7 individuals

Variable salary, other remuneration and pensions refer to amounts that were recorded as expense according to IFRS. The long-term variable salary refers to provisions made for the LTIP programmes.

Salaries, remuneration and benefits
Salaries and other remuneration to Board of Directors and senior executives excluding pensions and other benefits amounted to EUR 3.0 million (3.4) of which the fixed salaries amounted to EUR 2.9 million (2.6) including fees to Board of Directors of EUR 0.3 million (0.3). Out of this, variable salaries including provisions for LTIP 2018, LTIP 2021 and LTIP 2021 amounted to EUR 0.0 million (0.8). The defined contribution pension plans for senior executives amounted to EUR 0.5 million (0.5) and the amount of other indirect employee costs for senior executives amounted to EUR 0.4 million (0.3).

The annual variable salary component is based on predetermined and measurable financial and individual targets. The criteria are recommended by the Remuneration Committee and ultimately determined by the Board of Directors. The CEO has an 80% variable salary maximum outcome component and the remaining members of GMT have a 60% variable salary maximum outcome component.

The pension terms of the CEO and other senior executives in the Group Management Team (GMT) are market-based in relation to terms that generally apply to comparable executives and reflect the applicable laws and established practices in different countries.

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

Long-term incentive programmes

LTIP 2018

The Extraordinary General Meeting (EGM) in September 2018 approved the implementation of a share saving programme 2018 (the "LTIP 2018") for key personnel in the Eltel Group. The term of LTIP 2018 was three years and the participants consisted of eight and they were the CEO, CFO and six members of the Group Management Team.

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

Participation in the LTIP programme assumed that the participant acquired and locked Eltel ordinary shares into the LTIP programme ("Savings Shares"). For each acquired Savings Share, the participant had entitled, after a certain qualification period and provided continued employment throughout the entire period, to receive allotment of one Eltel matching/retention share (a "Matching Share"). Depending on fulfilment of performance targets linked to Eltel's EBITDA for financial year 2021, the participant might also be entitled to receive allotment of additional Eltel shares ("Performance Shares").

LTIP 2018 was completed during the second quarter of 2022. The performance target linked to Eltel's EBITDA for the financial year 2021 was not fulfilled. In accordance with the terms of LTIP 2018, the Board of directors resolved in May 2022 on the allotment of 87,700 Matching Shares and no Performance Shares to participants in LTIP 2018. Allotment of Matching Shares to the participants was made without consideration and Matching Shares were delivered to the participants in June 2022.

LTIP 2021

Eltel AB's Annual General Meeting 2021 adopted a long-term incentive programme (LTIP 2021) for senior executives and other key individuals in order to encourage a personal long-term ownership in the company, and in order to increase and strengthen the potential for recruiting, retaining and motivating such senior executives and key individuals. The participants are based in Sweden and other countries where the Eltel Group is active. Participation in the LTIP 2021 assumes that the participant acquires and locks Eltel Shares into LTIP 2021 ("Savings Shares"). Savings Shares shall be newly acquired Eltel Shares.

Participants will, after a qualifying period and assuming an investment of their own in Eltel Shares, be given the opportunity to, without consideration, receive allotments of Eltel Shares (defined below) and call options issued by the company. The number of allotted Eltel Shares and call options will depend on the number of Eltel Shares that they have purchased themselves and on the fulfilment of certain performance requirements. Eltel Shares are ordinary shares in the company ("Eltel Shares"). The term of LTIP 2021 is more than three years.

For each acquired Savings Share, the participant shall be entitled to, after a certain qualification period (defined below), provided continued employment and dependent on the fulfilment of certain performance requirements for the financial years 2021-2023, receive allotment of Eltel Shares ("Performance Shares") and call options issued by the company ("Performance Options").

The performance requirements are linked to the company's Compound Annual Growth Rate of Revenue ("CAGR of Revenue"), Average Earnings Margin Before Interest, Taxes and Amortisation ("Average EBITA Margin") and Total Shareholder Return ("TSR"). The participant shall not pay any consideration for the allotted Performance Shares and Performance Options. Performance Shares are Eltel Shares and Performance Options are call options issued by the company.

The exercise price when the participant exercises the Performance Option shall correspond to 120 percent of the volume-weighted average price according to Nasdaq Stockholm's official price list for the Eltel Share during the first ten trading days that directly follows the Annual General Meeting 2021 (the "Purchase Price"). Customary recalculation of the Purchase Price as well as of the number of Eltel Shares that each Performance Option corresponds to may occur if the share capital or the number of shares in the company changes due to bonus issue, split or reverse split, redemption of shares, certain new issues and other similar corporate events, and if certain other measures are taken.

To be eligible to participate in LTIP 2021, the participant must invest in Savings Shares for an amount corresponding to approximately five (5) percent of the participant's fixed base salary during the financial year 2021, however, not exceeding the number of Savings Shares that the participant can tie up within the scope of LTIP 2021 according to the below.

The Savings Shares covered by the LTIP 2021 were acquired in a structured way in ordinary trading in the stock market during a certain period of time.

On balance sheet date, the LTIP 2021 comprises maximum 388,800 Performance Shares and 388,800 Performance Options, corresponding to approximately 0.5% of the total outstanding shares and votes in the Company.

Allotment of Performance Shares and Performance Options within LTIP 2021 will be made during a limited period of time following the latter of the date of (i) the presentation of the first quarterly report for the first quarter of 2024, and (ii) the first record date for dividends decided by the Annual General Meeting 2024. The period up to this date is referred to as the qualification period (vesting period).

LTIP 2021 programme is directed towards three categories of participants:

Category	Savings Shares maximum per person	Performance Shares per Savings Share	Performance Options per Savings Share
A CEO	11,500	8.0×	8.0×
B Group Management Team[1]	3,700	8.0×	8.0×
C Other key individuals[2]	2,800	8.0×	8.0×

[1] Maximum 7 persons.
[2] Maximum 4 persons.

LTIP 2022

Eltel AB's Annual General Meeting 2022 adopted a long-term incentive programme (LTIP 2022) for senior executives and other key individuals in order to encourage a personal long-term ownership in the company, and in order to increase and strengthen the potential for recruiting, retaining and motivating such senior executives and key individuals. The participants are based in Sweden and other countries where the Eltel Group is active. Participation in the LTIP 2022 assumes that the participant acquires and locks Eltel Shares into LTIP 2022 ("Savings Shares"). Savings Shares shall be newly acquired Eltel Shares.

Participants will, after a qualifying period and assuming an investment of their own in Eltel Shares, be given the opportunity to, without consideration, receive allotments of Eltel Shares (defined below) and exercise options issued by the company. The number of allotted Eltel Shares and options will depend on the number of Eltel Shares that they have purchased themselves and on the fulfilment of certain performance requirements. Eltel Shares are ordinary shares in the company ("Eltel Shares"). The term of LTIP 2022 is approximately three years.

For each acquired Savings Share, the participant shall be entitled to, after a certain vesting period (defined below), provided continued employment and dependent on the fulfilment of certain performance requirements during the financial years 2022-2025, receive allotment of Eltel Shares ("Performance Shares") and exercise options issued by the company ("Performance Options").

The performance requirements are linked to the company's Compound Annual Growth Rate of Revenue ("CAGR of Revenue"), Average Earnings Margin Before Interest, Taxes and Amortisation ("Average EBITA Margin") and Total Shareholder Return ("TSR"). The participant shall not pay any consideration for the allotted Performance Shares and Performance Options. Performance Shares are Eltel Shares and Performance Options are call options issued by the company.

The exercise price when the participant exercises the Performance Option shall correspond to 120 percent of the volume-weighted average price according to Nasdaq Stockholm's official price list for the Eltel Share during the first ten trading days that directly follows the Annual General Meeting 2022 (the "Purchase Price"). Customary recalculation of the Purchase Price as well as of the number of Eltel Shares that each Performance Option corresponds to may occur if the share capital or the number of shares in the company changes due to bonus issue, split or reverse split, redemption of shares, certain new issues and other similar corporate events, and if certain other measures are taken.

To be eligible to participate in LTIP 2022, the participant must invest in Savings Shares for an amount corresponding to approximately five (5) percent of the participant's fixed base salary for the financial year 2022, however, not exceeding the number of Savings Shares that the participant can tie up within the scope of LTIP 2022 according to the above.

The Savings Shares covered by the LTIP 2022 were acquired in a structured way in ordinary trading in the stock market during a certain period of time.

On balance sheet date, the LTIP 2022 comprises maximum 612,000 Performance Shares and 612,000 Performance Options, corresponding to approximately 0.8% of the total outstanding shares and votes in the Company.

Allotment of Performance Shares and Performance Options within LTIP 2022 will be made during a limited period of time following the latter of the date of (i) the presentation of the first quarterly report for the first quarter of 2025, and (ii) the first record date for dividends decided by the Annual General Meeting 2025. The period up to this date is referred to as the qualification period (vesting period).

LTIP 2022 programme is directed towards three categories of participants:

Category	Savings Shares maximum per person	Performance Shares per Savings Share	Performance Options per Savings Share
A CEO	22,000	8.0×	8.0×
B Group Management Team[1]	7,000	8.0×	8.0×
C Other key individuals[2]	5,500	8.0×	8.0×

[1] Maximum 7 persons.
[2] Maximum 4 persons.

Costs for the LTIP programmes

In accordance with IFRS 2, the estimated total expenses for the LTIP 2018, LTIP 2021 and LTIP 2022 programmes amounted to EUR 385 thousand (206), of which EUR 365 thousand (206) for the President and CEO and other senior executives. The total costs for the year amounted to EUR 54 thousand (60), of which EUR 49 thousand (73) was to the President and CEO and other senior executives.

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

Note 31 Retirement benefit obligations

The majority of employees in the Group are included in defined contribution pension plans and largest defined contribution liability is in Denmark. 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. Changes in actuarial assumptions during 2022 have changed the net pension liability to a net asset in Sweden. The net asset is presented as part of non-current financial asset in the balance sheet. There are also smaller voluntary pension plans in Finland that are accounted for as defined benefit plans.

Pension liabilities in the balance sheet

EUR million	31 Dec 2022	31 Dec 2021
Defined benefit pension liability	0.5	9.0
Defined benefit pension asset	-5.9	–
Net defined benefit pension liability (+)/-asset (-)	**-5.4**	**9.0**
Defined contribution pension liability	5.4	5.3
Net pension liability	**0.1**	**14.4**

Defined pension liabilities in the balance sheet

EUR million	31 Dec 2022	31 Dec 2021
Present value of funded obligations	61.8	90.4
Fair value of plan assets	-67.2	-81.4
Net liability (+)/ -asset (-)	**-5.4**	**9.0**

The movement in the fair value of plan assets

EUR million	2022	2021
Fair value of assets 1 Jan	81.4	80.9
Interest on plan assets	1.1	0.6
Remeasurement of plan assets	-8.0	2.6
Contributions by employer	0.1	0.1
Benefits paid	-0.8	-0.9
Gains and losses on curtailments and settlements	-1.4	-0.6
Translation differences	-5.1	-1.3
Fair value of assets 31 Dec	**67.2**	**81.4**

The movement in the defined benefit obligations

EUR million	2022	2021
Total obligations 1 Jan	90.4	97.6
Current service cost	-0.7	-0.7
Interest cost	1.2	0.7
Remeasurement of pension obligation	-17.9	-0.7
Benefits paid	-4.1	-4.2
Gains and losses on curtailments and settlements	-1.5	-0.6
Translation differences	-5.6	-1.6
Total obligations 31 Dec	**61.8**	**90.4**

The amounts recognised in the income statement and other comprehensive income

EUR million	2022	2021
Current service cost	-0.7	-0.7
Net interest cost	0.1	0.1
Sum recognised in the income statement	**-0.7**	**-0.7**
Remeasurements recognised in other comprehensive income:		
Financial assumptions	-24.5	-0.7
Experience adjustments	14.6	-2.5
Total pension charges recognised during the year	**-10.5**	**-3.9**

Maturity profile of future gross benefit payments

EUR million	2022	2021
Less than 1 year	4.7	4.3
1–5 years	18.0	17.1
5–10 years	20.6	20.0
10–20 years	33.7	34.3
20–30 years	20.1	21.3
Over 30 years	10.0	11.1
Total	**107.1**	**108.1**

The maturity profile amounts are undiscounted amounts. Special salary tax is excluded. The maturity profile of future gross benefit payments does not represent the expected contribution payments, as it excludes the impact of plan assets. The expected contributions to the plan for 2023 are EUR 3.9 million.

The principal actuarial assumptions	2022	2021
Discount rate, %		
Sweden	3.70	1.55
Finland	3.90	0.70
Future salary increase expectation, %		
Sweden	closed plan	closed plan
Finland	3.40	3.10
Inflation rate, %		
Sweden	2.00	2.10
Finland	2.40	1.90

The pension plan in Sweden forms 82% of the Groups total 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 3.3 million. Similar rise in inflation rate would have the opposite effect and increase the obligation by EUR 3.6 million. If the discount rate was decreased by 0.5% the obligation would increase by EUR 3.6 million whilst similar decrease in the inflation rate would reduce the obligation by EUR 3.3 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 10), this constitutes a multi-employer plan. For the 2022 and 2021 fiscal years, 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 175%. If the level of collective solvency is less than 125% or exceeds 175%, measures are to be taken in order to create conditions for restoring the level of collective solvency to the normal interval. Alecta's surplus can be distributed to the policyholders and/or the insured if the collective consolidation ratio exceeds 175%. However, Alecta aims to avoid surplus by using reduced contributions. On 31 December 2022, Alecta's surplus corresponded to a collective consolidation ratio of 172% (172%).

The distribution of plan assets in Sweden is as follows:

%	2022	2021
Debt instruments	71	69
Equity instruments	28	29
Cash and cash equivalents	2	2
Total	**100**	**100**

Note 32 Auditors' fees

EUR million	2022	2021
Main auditor		
Audit	0.7	0.7
Other services	0.1	0.1
Total	**0.8**	**0.8**
Other auditing firms		
Audit	0.1	–
Other services	0.2	0.3
Total	**0.3**	**0.3**
Total	**1.1**	**1.2**

The main auditor of the Group in 2022 and 2021 has been KPMG.

Note 33 Related party information

Eltel's related parties include the parent company Eltel AB and its subsidiaries and jointly controlled entities. Related parties include also the members of the Board of Directors, the CEO and other management team members. In addition, significant unusual transactions with shareholders are included in related party transactions.

In 2022 the related party transactions are conducted in the ordinary course of business of the Group. No significant unusual transactions have taken place between Eltel and related parties during the year.

Transactions with key individuals in executive positions
Salaries, remuneration and other benefits are accounted for in note 6 Employee benefit expenses and note 30 Remuneration to senior executives.

The Group has not issued any loans to the persons classified as related party on 31 December 2022 or 31 December 2021.

Transactions with related party companies
List of group companies and jointly controlled entities is presented in note 34. Transactions between Group companies are eliminated in the consolidated financial statements.

Note 34 Group companies

31 Dec 2022	Domicile	Group holding, %
The InfraNet Company AB	Sweden	100%
Eltel Networks Infranet AB	Sweden	100%
Eltel Networks TE AB	Sweden	100%
Jämtlands Linjebyggare & Republikens El AB	Sweden	100%
Eltel Networks Infranet Privat AB	Sweden	100%
Eltel Group Corporation	Finland	100%
Eltel Networks Oy	Finland	100%
Eltel Networks Pohjoinen Oy	Finland	60%
Eltel Networks AS	Norway	100%
Eltel Networks A/S	Denmark	100%
Eltel Networks Energetyka S.A.	Poland	100%
Eltel Networks Engineering S.A.	Poland	100%
Eltel Networks Poland S.A.	Poland	100%
Eltel Holding Poland Sp. z.o.o	Poland	100%
Eltel Networks UK limited	the UK	100%
UAB Eltel Networks	Lithuania	100%
Eltel Infranet GmbH	Germany	100%
Eltel Infranet Production GmbH	Germany	100%
Eltel Networks GmbH	Germany	100%
Eltel Comm Philippines Inc	Philippines	100%
Transmast Philippines, Inc.	Philippines	40%[1]
Eltel Tanzania Limited	Tanzania	100%
Jointly controlled entities		
Fiber og Anlaeg I/S	Denmark	35%
NKEL I/S	Denmark	50%[2]

[1] Group voting 100%.
[2] Eltel's estimated share of the operations is 30-35%

During the financial year 2022 a new jointly controlled entity NKEL I/S was established in Denmark.

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

Note 35 Events after balance sheet date

Eltel AB establishes Sustainability-Linked Finance Framework and contemplates issuance of hybrid capital securities

On 24 March 2023, it was announced that Eltel AB has established a Sustainability-Linked Finance Framework (the "Eltel SLF Framework") designed to support the future issuance of sustainability-linked securities by Eltel. For the securities issued under the Eltel SLF Framework, a premium will be payable or the interest rate will change if Eltel fails to meet the predefined sustainability performance targets at an agreed testing date for a designated sustainability performance indicator. By setting up the Eltel SLF Framework, Eltel strives to contribute to solving the major issues related to climate change and to establish a structure for integrating sustainability features in its financing.

Furthermore, Eltel has mandated Danske Bank A/S, Nordea Bank Abp and OP Corporate Bank plc to act as joint lead managers to arrange fixed income investor meetings starting on 27 March 2023 in order to investigate the prerequisites for potentially issuing subordinated sustainability-linked hybrid capital securities under the Eltel SLF Framework. The expected size of the potential issue is minimum EUR 20 million and certain existing shareholders have informed Eltel that they intend to subscribe for EUR 10 million in the potential issue. The capital securities are envisaged to not have a maturity date but to be subject to an increased interest rate level as from 3.25 years after the issue date. The net proceeds from such an issue would be used for partially refinancing certain existing indebtedness of Eltel and to support Eltel's expansion within renewable energy infrastructure and efforts to improve profitability. Subject to prevailing market conditions, an issue of such capital securities may follow in the near future.

Parent Company financial statements

Income statement

EUR thousands	Note	2022	2021
Net sales	4	2,472	2,177
Personnel costs	5	-1,794	-1,754
Other operating expenses		-5,466	-5,188
Total operating expenses		**-7,259**	**-6,942**
Operating result		**-4,788**	**-4,765**
Interest and other financial income		21,481	22,099
Interest and other financial expense		-1,883	-3,247
Financial items, net	7	**19,598**	**18,852**
Result after financial items		**14,810**	**14,086**
Appropriations			
Group contribution given	13	-14,500	-14,000
Result before tax		**310**	**86**
Tax for the year	8	–	–
Net result for the year		**310**	**86**

Statement of comprehensive income

EUR thousands	Note	2022	2021
Net result for the year		**310**	**86**
Other comprehensive income		–	–
Total comprehensive income for the year		**310**	**86**

Balance sheet

EUR thousands	Note	31 Dec 2022	31 Dec 2021
ASSETS			
Non-current assets			
Financial assets			
Shares in group companies	9	68,308	68,308
Long-term loans receivable from group companies	10	475,568	503,162
Intangible assets		22	60
Total non-current assets		**543,898**	**571,531**
Current assets			
Receivables from group companies	10	1,015	1,063
Other receivables		305	370
Cash pool receivables	10	4,371	10
Cash and cash equivalents		98	105
Total current assets		**5,790**	**1,548**
TOTAL ASSETS		**549,688**	**573,080**
EQUITY AND LIABILITIES			
Restricted equity			
Share capital		159,576	158,839
Statutory reserve		695	453
Total restricted equity		**160,271**	**159,292**
Non-restricted equity			
Retained earnings		284,945	285,803
Net result for the year		310	86
Total non-restricted equity		**285,257**	**285,889**
Total equity	11	**445,528**	**445,180**
LIABILITIES			
Current liabilities			
Debt	12	33,308	72,476
Liabilities to group companies	13	70,324	54,267
Trade and other payables	14	528	1,156
Total current liabilities		**104,160**	**127,899**
Total liabilities		**104,160**	**127,899**
TOTAL EQUITY AND LIABILITIES		**549,688**	**573,080**

Changes in equity

EUR thousands	Share capital	Statutory reserve	Non-restricted equity	Total equity
1 Jan 2022	**158,839**	**453**	**285,889**	**445,180**
Net profit for the year	–	–	310	310
Total comprehensive income/loss for the year	**–**	**–**	**310**	**310**
Transactions with owners[1]				
Proceeds from shares issued	980	–	–	980
Reduction of share capital	-242	242	–	–
Purchase of own shares	–	–	-982	-982
Equity-settled share-based payment	–	–	37	37
Total transactions with owners	**738**	**242**	**-945**	**36**
31 Dec 2022	**159,576**	**695**	**285,257**	**445,528**
1 Jan 2021	**158,839**	**453**	**285,745**	**445,036**
Net profit for the year	–	–	86	86
Total comprehensive income/loss for the year	**–**	**–**	**86**	**86**
Transactions with owners[1]				
Equity-settled share-based payment	–	–	58	58
Total transactions with owners	**–**	**–**	**58**	**58**
31 Dec 2021	**158,839**	**453**	**285,889**	**445,180**

[1] For more information about equity-settled share-based payments see note 30 Remuneration to senior executives in the consolidated financial statements and for share transactions see note 11 Equity and share capital.

Cash flow statement

EUR thousands	Note	2022	2021
Cash flow from operating activities			
Profit/loss before taxes		310	86
Adjustments for:			
Depreciation		38	51
Equity-settled share-based payment		37	58
Group contribution given	13	14,500	14,000
Financial items, net	7	-19,598	-18,852
Changes in working capital:			
Trade and other receivables		111	634
Trade and other payables		-783	-1,426
Cash flow from operating activities before financial items and taxes		**-5,385**	**-5,448**
Financial income received		34,834	7,237
Financial expenses paid		-1,800	-2,718
Cash flow from operating activities		**27,649**	**-929**
Cash flow from investing activities			
Payments received from loans from group companies		14,399	4,973
Purchases of property, plant and equipment (PPE)		–	-8
Cash flow from investing activities		**14,339**	**4,965**
Cash flow from financing activities			
Proceeds from issuance of share capital		982	–
Purchase of own shares		-982	–
Proceeds from short-term borrowings		10,500	31,000
Payments of short-term borrowings		-50,000	-11,000
Proceeds from other financial assets		–	35,000
Payments of liabilities to shareholders		–	-35,000
Proceeds from short-term borrowings from group companies		11,504	-12,016
Payments of group contributions		-14,000	-12,000
Cash flow from financing activities		**-41,996**	**-4,016**
Decrease/increase in cash and cash equivalents		-8	20
Cash and cash equivalents at beginning of year		105	85
Cash and cash equivalents at end of year		**98**	**105**

Notes to the Parent Company financial statements

Notes to the Parent Company financial statements

Note 1 General information

Eltel AB's role is to own and govern the shares related to Eltel Group. The Company holds management functions but has no operative business activities and its risks are mainly attributable to the value and activities of its subsidiaries. All transactions with group companies are performed on an arm's length basis. Additional general information about the Parent Company can be found in note 1 Corporate information in the consolidated financial statements.

Note 2 Accounting principles

Basis for the preparation of the reports

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

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

The income statement for the Parent company is presented on the nature of expense method. The Parent company has reported group contributions and related taxes in the income statement in accordance with RFR 2. The Parent company does not apply IFRS 16 in accordance with the exception in RFR 2.

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

Shares and participations in subsidiaries

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

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

Financial instruments

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

The Company's financial instruments are comprised of long-term receivables from Group companies, other financial assets, current receivables from Group companies and also cash and cash equivalents. These make up the category financial assets at amortised cost. Financial instruments are also comprised of long-term borrowing, short-term liabilities to group companies, accounts payable and other liabilities. These comprise the category financial liabilities at amortised cost.

Group contributions

The Company has chosen to apply the alternative rule in accordance with RFR 2, which means that all group contributions are recognised in appropriations.

Note 3 Financial risk management

The Group applies common risk management for all units. Hence, the description in note 14 Financial risk management in the consolidated financial statements applies to the Parent Company as well in all material aspects.

Note 4 Net sales

EUR thousands	2022	2021
Remunerations from group companies for group-wide administration	2,472	2,177
Total	**2,472**	**2,177**

Note 5 Employee benefit expenses

EUR thousands	2022	2021
Salaries and other remunerations	1,162	1,124
Social security contributions:		
Pension costs	225	172
Other social security contributions	407	458
Total	**1,794**	**1,754**

	2022	2021
Average number of employees	4	5
Of whom men	45%	22%

Salaries and other remunerations to senior executives were EUR 0.6 million (0.5), pension costs EUR 0.1 million (0.1) and other social security contributions EUR 0.2 million (0.2). In addition, salary and other remunerations including social costs to the President and CEO, who was employed by other group company until July 2022, were EUR 0.9 million (1.1). From August 2022 onwards the President and CEO has been employed by Eltel AB. Group senior executives participate in the long-term share-based incentive programmes LTIP 2018, LTIP 2021 and LTIP 2022. Total expense for the programmes for the year was EUR 53 thousand (70), of which EUR 48 thousand (68) for the President and CEO and other senior executives. More information of Group senior executives and the Board of Directors is presented in note 6 Employee benefit expenses and 33 Related party information in the consolidated financial statements.

In Eltel AB the number of individuals in the Board of Directors was six in 2022 and five in 2021 and the number of other senior executives employed by the company was two in 2022 and 2021.

Note 6 Auditors' fees

EUR thousands	2022	2021
Main auditor		
Audit assignments	159	133
Tax assignments	7	5
Other assigments	14	–
Other auditing firms		
Other assignments	91	108
The company in total	**271**	**246**

Main auditor in 2022 and 2021 has been KPMG.

Note 7 Result from financial items

EUR thousands	2022	2021
Interest and other financial income		
Interest income, loans from group companies	21,284	21,889
Other financial income	0	–
Other financial income, group companies	197	210
Total	**21,481**	**22,099**
Interest and other financial expenses		
Interest expenses	-994	-2,558
Interest expenses, group companies	-754	-242
Expected credit loss write-down on internal loans receivable	97	-27
Other financial expenses	-233	-419
Total	**-1,883**	**-3,247**
Total financial items	**19,598**	**18,852**

Note 8 Taxes

EUR thousands	2022	2021
Income taxes		
Result before tax	310	86
Tax calculated at Swedish tax rate	64	18
Income not subject to tax	-20	–
Expenses not deductible for tax purposes	47	48
Tax effect of results for which no deferred income tax was recognised	-91	-66
Income taxes in the income statement	**–**	**–**

Eltel AB has not recognised deferred tax assets for losses carried forward. The Group's estimate for utilising losses carried forward in Sweden covers Eltel AB and all Swedish subsidiaries as group contribution and interest offsetting is utilised in taxation between the entities. The amount of deferred tax assets for losses carried forward in Sweden is reported in note 24 in the consolidated financial statements and reported in companies where Eltel estimates to utilise the losses.

Note 9 Shares in group companies

EUR thousands	2022	2021
Acquisition value		
Opening balance 1 Jan	268,308	268,308
Closing balance 31 Dec	**268,308**	**268,308**
Accumulated impairment losses		
Opening balance 1 Jan	-200,000	-200,000
Closing balance 31 Dec	**-200,000**	**-200,000**
Carrying amount on the balance sheet	**68,308**	**68,308**

Shares are held in the following subsidiaries:

The InfraNet Company AB, 556728-6645, Stockholm	2022	2021
Share of equity, %	100	100
Share of voting power, %	100	100
Number of shares	11,000	11,000
Book value	68,308	68,308

Note 10 Receivables from related parties

Non-current receivables

EUR thousands	31 Dec 2022	31 Dec 2021
Loans from group companies	475,568	503,162
Total	**475,568**	**503,162**

Current receivables

EUR thousands	31 Dec 2022	31 Dec 2021
Cash pool receivable	4,371	10
Accounts receivable	1,015	1,063
Total	**5,386**	**1,073**

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

Eltel AB applies rating-based expected credit loss (ECL) model according to IFRS 9 for impairment of non-current receivables from group companies. In 2022, a reversal of write-down amounting to 97 thousand euro (write-down of 27) has been recognised in the credit loss reserve of long-term loans receivable. For more information about the ECL model, please refer to note 14 in the consolidated financial statements.

Note 11 Equity and share capital

On 1 February 2022, the share capital was reduced with EUR 242,039.47 by redemption of 240,000 C shares held by Eltel.

On 18 March 2022, Eltel issued 972,000 redeemable and convertible class C shares based on the authorisation given to the Board by the AGM on 5 May 2021. The purpose of the issue of class C shares is to use the shares in Eltel's long-term incentive programme LTIP 2021. In connection with the issue the shares have been repurchased by Eltel. Eltel holds the shares at 31 December 2022 and will hold the shares until it is time to deliver shares to the participants of LTIP 2021. Prior to delivery of the shares to participants, the class C shares will be converted to ordinary shares. The share issue resulted in an increase of share capital by EUR 980 260.

On 7 June 2022, Eltel converted 87,700 C shares to ordinary shares pursuant to the company's articles of association.

On 31 December 2022, the total number of shares amounted to 158,231,081 divided into 156,736,781 ordinary shares with 1 vote per share and 1,494,300 C shares with 1/10 vote per share. On 31 December 2022 the share capital amounted to EUR 159,576 thousand.

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

Shareholders with more than 10% of the votes at 31 December 2022 are Solero Luxco S.á.r.l. (a company controlled by Triton Funds) with 16.4% and Wipunen Varainhallinta Oy with 14.3% of ordinary shares. More information about Eltel's shareholders is found in "The Eltel Share" on pages 95-96.

The Board's proposal for the distribution of profits

The Parent Company's non-restricted equity on 31 December 2022 was EUR 285,256,998.77 of which the net profit for the year was EUR 310,289.34. The Board of Directors proposes to the Annual General Meeting that no dividend be paid for the year 2022 and that the non-restricted equity of EUR 285,256,998.77 be retained and carried forward.

Note 12 Liabilities

EUR thousands	31 Dec 2022	31 Dec 2021
Current liabilities		
Bank borrowings	33,308	72,476
Total liabilities	**33,308**	**72,476**

Note 13 Liabilities to group companies

EUR thousands	31 Dec 2022	31 Dec 2021
Cash pool payable	54,847	38,981
Accounts payable	977	1,286
Group contribution liabilities	14,500	14,000
Total	**70,324**	**54,267**

Note 14 Trade and other payables

EUR thousands	31 Dec 2022	31 Dec 2021
Trade payables	124	287
Accrued employee related expenses	133	252
Other short-term liabilities	148	511
Other accrued expenses	123	106
Total	**528**	**1,156**

Note 15 Contingent liabilities and pledged assets

Contingent liabilities

EUR thousands	31 Dec 2022	31 Dec 2021
Commercial guarantees on behalf of subsidiaries	103,208	108,723
Commercial guarantees on behalf of other parties	–	113
Total guarantees	**103,208**	**108,836**

Pledged assets

EUR thousands	31 Dec 2022	31 Dec 2021
Pledged subsidiary shares	68,308	68,308
Pledged other assets	343,690	343,623
Total pledged assets	**411,998**	**411,931**

At year-end, Eltel Group had secured its debt obligations towards the banks under the financing agreement by share and intragroup loan pledges and floating charges over certain assets of the Group, all on customary terms and conditions. Eltel AB has pledged the assets shown in the above table as a security for the financing agreement.

The Company's financial statement will be submitted for approval to the Annual General Meeting on 11 May 2023

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

Stockholm 28 March 2023

Ulf Mattsson
Chairman of the Board of Directors

Ann Emilson
Board member

Gunilla Fransson
Board member

Joakim Olsson
Board member

Erja Sankari
Board member

Roland Sundén
Board member

Stefan Söderholm
Board member

Håkan Dahlström
President and CEO

Björn Tallberg
Board member

Our audit report was submitted on 29 March 2023
KPMG AB

Fredrik Westin
Authorized Public Accountant

Auditor's report

To the general meeting of the shareholders of Eltel AB (publ), corp. id 556728-6652

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Eltel AB (publ) for the year 2022, except for the corporate governance statement on pages 46-50. The annual accounts and consolidated accounts of the company are included on pages 38-90 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2022 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2022 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 46-50. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

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

Basis for Opinions

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

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

Key Audit Matters

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

Revenue and profit calculation of projects

See disclosure 4 and accounting principles on page 60 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

In its consolidated accounts, Eltel applies the standard IFRS 15 *Revenue from Contracts with Customers* for its revenue recognition. This means that performance obligations relevant to the projects Eltel carries out on behalf of its customers are normally fulfilled over time. It also means that revenues are being recognized over time (successively), where progress is measured in relation to the complete fulfillment of Eltel's performance obligations.

The projects' results ("profit calculation") are therefore also reported successively, in relation to the degree/percentage of completion of each project. The percentage of completion depends on the actual project costs associated with the total projected costs. The latter may change during the life cycle of the projects, which in turn may have a significant impact on the projects' reported revenues and results. Unforeseeable costs may also need to be included in the assessments in order to take project risks or disputed claims into account. These items are regularly assessed by the Group and adjusted if necessary. Expected losses are fully recognized as expenses as soon as they are known.

Revenues from project alterations and additional work are recognized on the basis of what is judged to be received. Based on the above, there is, in total, a large element of assessments on the part of Eltel in this area, which in turn affects the reporting of revenues and results.

Response in the audit

We have obtained information about and evaluated management's process for reviewing projects, including the procedures they use for identifying and reporting loss-making and/or high-risk projects. Project managers and project controllers within Eltel have also been involved in this work.

In addition, we have tested whether Eltel's more important project-related controls have been effective throughout the year, such as approvals of contracts and time reporting, ongoing follow-up and reporting of project costs, and profitability. We have also evaluated controls related to costs for subcontractors and other purchases. Furthermore, we have performed sample testing; for example, we have examined whether costs allocated to the projects correspond to data/documentation, and whether both the cost and revenue recognition is true and fair.

We have also assessed whether risks and opportunities in projects are reflected in a balanced way in the project forecasts.

Valuation of goodwill (group) and shares in group companies (parent company)

See disclosure 27 (group) and disclosure 9 (parent company) and accounting principles on page 61 (group) and on page 87 (parent company) in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

The carrying value of goodwill for the Group as at 31 December 2022 amounted to 256 MEUR, which is approximately 41 % of total assets. Goodwill, which is required to be tested annually for impairment, is a complex area which is heavily dependent on judgment.

Under IFRS, the impairment test should be performed in line with a specific method where management needs to make judgments of future conditions and plans, both internal and external. An example of these judgments is forecasts of future cash flows which, among other things, call for assumptions to be made about future developments and market conditions.

Another important assumption is the discount rate that should be used to reflect market-based assessments of the time value of money and the particular risks that the business faces.

The carrying value of shares in Group companies in the parent company as at 31 December 2022 amounted to 68 MEUR. If the carrying amount of the shares exceeds the consolidated value of the respective group company, the same type of testing is carried out, with the same technique and input values, as for goodwill in the Group.

Response in the audit

We have reviewed whether the goodwill impairment tests carried out by Eltel were performed in accordance with the prescribed accounting method. We have further considered the reasonableness of the assumptions in the cashflow forecasts, as well as the discount rate used, through an evaluation of the Group's internal written documentation and forecasts. We have also interviewed management and evaluated previous years' assessments in relation to actual outcomes.

Another important part of our work has been to review the Group's sensitivity analysis of its own assessments to evaluate how reasonable changes in the assumptions may impact the valuations.

Furthermore, we have considered the completeness of the disclosures in the annual report and evaluated whether they are in line with the assumptions made in the Group's impairment tests, and that they correspond in material aspects to the information that should be provided in accordance with IFRS.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-36 and 95-101. The other information comprises also of the remuneration report which we obtained prior to the date of this auditor's report. The Board of Directors and the Managing Director are responsible for this other information.

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

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

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

Auditor's responsibility

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, measures that have been taken to eliminate the threats or related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Auditor's audit of the administration and the proposed appropriations of profit or loss

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Eltel AB (publ) for the year 2022 and the proposed appropriations of the company's profit or loss.

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

Basis for Opinions

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

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

Responsibilities of the Board of Directors and the Managing Director

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

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

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

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

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

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

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

The auditor's examination of the Esef report

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for Eltel AB (publ) for year 2022.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the Esef report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Eltel AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the Esef report in accordance with the Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of the assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a validation that the Esef report has been prepared in a valid XHMTL format and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the consolidated statement of financial performance, financial position, changes in equity, cash flow and disclosures in the Esef report have been marked with iXBRL in accordance with what follows from the Esef regulation.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 46-50 has been prepared in accordance with the Annual Accounts Act.

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

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

KPMG AB, Box 382, 101 27, Stockholm, was appointed auditor of Eltel AB (publ) by the general meeting of the shareholders on the 9 May 2018. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2018.

Stockholm 29 March 2023
KPMG AB

Fredrik Westin
Authorized Public Accountant

Other information

The Eltel share

Eltel's share is listed on the OMX Stockholm Mid Cap, under the trading symbol "ELTEL".

Share capital

At the end of the financial period 2022, the total number of shares amounts to 158,231,081 divided into 156,736,781 ordinary shares with 1 vote per share and 1,494,300 C shares with 1/10 vote per share. The share capital entered in the trade register per 31 December 2022 is EUR 159,575,695.

Shareholders

As per 31 December 2022, Eltel has 3,621 shareholders. The four largest shareholders of Eltel AB are Solero Luxco S.á.r.l. 16.4% (a company controlled by Triton Funds), Wipunen Varainhallinta Oy 14.3%, the Fourth Swedish National Pension Fund (AP4) 9.6%, and Heikintorppa Oy 7.9%. The four largest shareholders referred above together represent 48.2% of the votes in the company.

Price development and trading volumes

Eltel share price declined in 2022. The closing price on 30 December 2022 was SEK 8.30, a decline of 48% over the year. The highest closing price was SEK 15.90 on 4 January 2022 and the lowest was SEK 6.50 on 28 September 2022. At year-end, Eltel's market capitalisation was SEK 1.30 million. The trading volume on Nasdaq Stockholm was 26,362,182 shares, equivalent to a turnover of SEK 221,203,398. Eltel shares were mainly traded on Nasdaq Stockholm, 71% and in small volumes in other marketplaces, 29%.

The dividend policy

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

Analysts

Eltel is followed by Carnegie and ABG Sundal Collier.

GEOGRAPHIC DISTRIBUTION OF SHAREHOLDERS 31 DEC 2022

OWNERSHIP BY SECTOR ON 31 DEC 2022

ELTEL'S TOP 10 SHAREHOLDERS ON 31 DECEMBER 2022

Shareholders	Number of shares	% of share capital	% of votes
Solero Luxco S.á.r.l.[1]	25,683,845	16.2	16.4
Wipunen varainhallinta Oy	22,500,000	14.2	14.3
Fourth Swedish National Pension Fund	15,027,060	9.5	9.6
Heikintorppa Oy	12,400,000	7.8	7.9
Mariatorp Oy	10,000,000	6.3	6.4
Mandatum Life Insurance Company	9,414,863	6.0	6.0
Fidelity International (FIL)	7,104,292	4.5	4.5
Etola Group	6,005,000	3.8	3.8
Lancelot Asset Management AB	3,499,999	2.2	2.2
Mandatum Fund Management	2,789,819	1.8	1.8
Total	**114,424,878**	**72.3**	**72.9**
Other shareholders	42,311,903	26.8	27.0
Total ordinary shares in Eltel AB	**156,736,781**		
Total C shares in Eltel AB[2]	1,494,300	0.9	0.1
Total shares in Eltel AB	**158,231,081**	**100.0**	**100.0**

[1] Company controlled by Triton Funds.
[2] The C shares are held by Eltel.

OWNERSHIP STRUCTURE ON 31 DECEMBER 2022

Shareholder spread	Number of known owners	Number of shares	% of capital	% of votes	Share of known owners
1–1,000	2,681	667,671	0.4	0.4	75.0
1,001–5,000	626	1,522,748	1.0	1.0	17.5
5,001–10,000	114	887,958	0.6	0.6	3.2
10,001–50,000	106	2,264,447	1.4	1.4	3.0
50,001–100,000	14	1,064,349	0.7	0.7	0.4
100,001–500,000	13	2,635,159	1.7	1.7	0.4
500,001–1,000,000	4	2,541,724	1.6	1.6	0.1
1,000,001–5,000,000	7	15,472,214	9.8	9.0	0.2
5,000,001–10,000,000	4	32,524,155	20.6	20.7	0.1
10,000,001–	4	75,610,905	47.8	48.2	0.1
Anonymous ownership		23,039,751	14.6	14.7	–
Total	**3,573**	**158,231,081**	**100.0**	**100.0**	**100.0**

ELTEL SHARE IN 2022 (SEK)

Source: Monitor by Modular Finance. Compiled and processed data from various sources, including Euroclear, Morningstar and the Swedish Financial Supervisory Authority (Finansinspektionen).

Five-year summary

Condensed consolidated income statement

EUR million	2022	2021	2020	2019	2018
Net sales	823.6	812.6	938.0	1 087.6	1,188.9
Cost of sales	-748.9	-724.5	-838.6	-1 004.7	-1,080.5
Gross profit	**74.7**	**88.1**	**99.4**	**82.9**	**108.4**
Other income	0.9	5.5	22.5	2.6	4.5
Expenses	-77.6	-79.1	-96.9	-97.1	-123.3
Share of profit/loss of joint ventures	–	–	-0.2	0.4	1.1
Operating result (EBIT)	**-2.0**	**14.5**	**24.8**	**-11.2**	**-9.2**
Financial expenses, net	-9.5	-5.8	-9.8	-11.5	-8.8
Result before taxes	**-11.4**	**8.7**	**14.9**	**-22.7**	**-18.0**
Taxes	-3.5	-3.7	-9.7	-2.4	-4.1
Net result	**-14.9**	**4.9**	**5.3**	**-25.1**	**-22.2**

Key figures

EUR million	2022	2021	2020	2019	2018
Net sales	823.6	812.6	938.0	1,087.6	1,188.9
Net sales growth, %	1.4	-13.4	-13.8	-8.5	-10.6
Operative EBITA	-1.9	14.8	11.4	-11.3	-2.2
Operative EBITA margin, %	-0.2	1.8	1.2	-1.0	-0.2
Operative EBITA, segments	9.9	24.2	22.9	9.7	N/A
Operative EBITA margin, %, segments	1.4	3.3	2.8	1.1	N/A
Items affecting comparability[1]	–	-0.1	14.1	1.6	-4.8
EBITDA	27.8	46.5	63.0	29.7	5.1
Operating result (EBIT)	-2.0	14.5	24.8	-11.2	-9.2
EBIT margin, %	-0.2	1.8	2.6	-1.0	-0.8
Result after financial items	-11.4	8.7	14.9	-22.7	-18.0
Net result for the year	-14.9	4.9	5.3	-25.1	-22.2
Earnings per share EUR, basic and diluted	-0.10	0.03	0.03	-0.17	-0.15
Return on equity (ROE), %[2),3)]	-6.8	2.2	2.4	-10.6	-8.3
Return on operative capital employed (ROCE), %[2]	-3.5	23.6	13.0	-11.5	N/A
Leverage ratio[2]	4.5	2.6	2.0	6.7	N/A
Net working capital	-21.0	-16.0	-25.1	-6.3	39.9
Number of personnel, average	5,053	5,176	6,196	7,036	7,563

1) Includes gains and losses from divestment of businesses and from valuation of divested assets as held for sale.
2) Calculated on a rolling 12-month basis. IFRS 16 is applied from 1 January 2019. Therefore ROCE and Leverage ratio are not comparable for 2018 and not presented.
3) Assets and liabilities held for sale are not included (in 2020 German High Voltage business and in 2019 German Communication business and Aviation & Security business area).

Cash flow from operating activities

EUR million	2022	2021	2020	2019	2018
Operating result (EBIT)	-2.0	14.5	24.8	-11.2	-9.2
Depreciation and amortisation	29.8	32.1	38.2	40.9	14.3
EBITDA	27.8	46.5	63.0	29.7	5.1
Changes in working capital	4.6	-10.1	16.6	37.9	6.8
Total financial expenses and taxes	-12.5	-6.7	-13.9	-10.9	-10.1
Other	-3.5	-7.4	-16.3	-5.4	1.3
Cash flow from operating activities	**16.4**	**22.3**	**49.4**	**51.4**	**3.2**[1]

1) IFRS 16 is applied from 1 January 2019. Therefore cash flow from operating activities is not comparable for 2018.

Quarterly figures

Quarterly key financial figures for the Group

EUR million	Full-year 2022	Oct–Dec 2022	Jul–Sep 2022	Apr–Jun 2022	Jan–Mar 2022	Full-year 2021	Oct–Dec 2021	Jul–Sep 2021	Apr–Jun 2021	Jan–Mar 2021
Net sales	823.6	224.0	207.0	208.6	184.0	812.6	226.3	193.8	210.4	182.0
Net sales growth, %	1.4	-1.0	6.8	-0.8	1.1	-13.4	-1.2	-14.5	-14.3	-23.1
Operative EBITA	-1.9	-4.0	4.1	0.5	-2.4	14.8	7.0	4.1	4.4	-0.7
Operative EBITA margin, %	-0.2	-1.8	2.0	0.2	-1.3	1.8	3.1	2.1	2.1	-0.4
Operative EBITA, segments	9.9	-1.8	6.6	4.4	0.7	24.2	7.3	7.7	6.8	2.4
Operative EBITA margin, %, segments	1.4	-0.9	3.6	2.4	0.4	3.3	3.6	4.4	3.6	1.5
Items affecting comparability	–	–	–	–	–	-0.1	–	–	-0.1	–
EBITDA	27.8	3.3	11.5	7.9	5.1	46.5	14.5	11.9	12.7	7.5
Operating result (EBIT)	-2.0	-4.0	4.1	0.4	-2.5	14.5	6.9	4.0	4.3	-0.8
EBIT margin, %	-0.2	-1.8	2.0	0.2	-1.4	1.8	3.1	2.1	2.0	-0.4
Result after financial items	-11.4	-7.9	2.0	-1.2	-4.3	8.7	5.2	2.6	3.0	-2.1
Net result for the period	-14.9	-7.7	-0.3	-2.6	-4.4	4.9	4.1	1.8	1.6	-2.7
Earnings per share EUR, basic	-0.10	-0.05	-0.00	-0.02	-0.03	0.03	0.02	0.01	0.01	-0.02
Earnings per share EUR, diluted	-0.10	-0.05	-0.00	-0.02	-0.03	0.03	0.02	0.01	0.01	-0.02
Return on equity (ROE), %[1]	-6.8	-6.8	-1.4	-0.5	1.4	2.2	2.2	-2.8	-2.2	3.5
Return on operative capital employed (ROCE), %[1]	-3.5	-3.5	10.2	13.5	17.4	23.6	23.6	11.6	16.8	13.5
Leverage ratio[1]	4.5	4.5	4.3	3.3	3.1	2.6	2.6	3.9	3.3	2.3
Net working capital	-21.0	-21.0	26.3	-12.1	-6.7	-16.0	-16.0	9.8	-7.1	-4.8
Number of personnel, average	5,053	5,079	5,053	5,050	5,031	5,176	5,065	5,049	5,221	5,368

[1] Calculated on a rolling 12-month basis.

Quarterly segment information

EUR million	Full-year 2022	Oct–Dec 2022	Jul–Sep 2022	Apr–Jun 2022	Jan–Mar 2022	Full-year 2021	Oct–Dec 2021	Jul–Sep 2021	Apr–Jun 2021	Jan–Mar 2021
NET SALES										
Finland	290.1	80.3	79.1	71.9	58.8	299.6	81.2	77.9	79.8	60.8
Sweden	193.8	56.5	44.0	49.4	43.9	182.2	56.3	40.2	44.6	41.1
Norway	176.8	44.3	44.3	46.6	41.6	160.5	46.2	38.2	42.1	33.9
Denmark	74.3	20.9	17.8	17.5	18.1	87.9	19.3	17.8	24.6	26.2
Sum segments	**735.0**	**202.0**	**185.1**	**185.5**	**162.4**	**730.1**	**203.0**	**174.1**	**191.1**	**162.0**
Other business	99.4	25.6	24.6	25.7	23.5	91.9	26.9	22.0	21.6	21.4
Eliminations between segments	-10.8	-3.6	-2.7	-2.6	-1.9	-9.5	-3.5	-2.3	-2.3	-1.4
Net sales, total	**823.6**	**224.0**	**207.0**	**208.6**	**184.0**	**812.6**	**226.3**	**193.8**	**210.4**	**182.0**
OPERATIVE EBITA										
Finland	8.2	-1.2	4.9	3.6	0.9	12.7	4.0	4.8	3.1	0.7
% of net sales	2.8%	-1.5%	6.2%	5.0%	1.6%	4.2%	5.0%	6.2%	3.9%	1.1%
Sweden	-1.0	1.2	0.0	-0.4	-1.8	-1.8	0.8	-0.2	-1.6	-0.8
% of net sales	-0.5%	2.2%	0.0%	-0.9%	-4.1%	-1.0%	1.4%	-0.5%	-3.6%	-2.0%
Norway	2.1	-2.2	1.6	1.3	1.4	9.2	2.4	2.9	2.7	1.2
% of net sales	1.2%	-5.0%	3.7%	2.8%	3.4%	5.7%	5.1%	7.6%	6.4%	3.6%
Denmark	0.6	0.4	0.1	0.0	0.2	4.2	0.1	0.2	2.6	1.3
% of net sales	0.9%	1.9%	0.7%	-0.3%	0.9%	4.8%	0.6%	1.0%	10.5%	5.1%
Sum segments	**9.9**	**-1.8**	**6.6**	**4.4**	**0.7**	**24.2**	**7.3**	**7.7**	**6.8**	**2.4**
% of net sales	1.4%	-0.9%	3.6%	2.4%	0.4%	3.3%	3.6%	4.4%	3.6%	1.5%
Other business	-4.0	0.2	-1.8	-1.9	-0.6	-1.8	1.7	-2.2	-0.5	-0.9
% of net sales	-4.0%	0.9%	-7.1%	-7.5%	-2.4%	-2.0%	6.4%	-9.9%	-2.3%	-4.2%
Group functions	-7.8	-2.4	-0.8	-2.0	-2.6	-7.6	-2.0	-1.5	-1.9	-2.2
Operative EBITA	**-1.9**	**-4.0**	**4.1**	**0.5**	**-2.4**	**14.8**	**7.0**	**4.1**	**4.4**	**-0.7**
% of net sales	-0.2%	-1.8%	2.0%	0.2%	-1.3%	1.8%	3.1%	2.1%	2.1%	-0.4%

Definitions and key ratios

Eltel applies ESMA's (European Securities and Markets Authority) guidelines for alternative performance measures (APM). In addition to the financial measures defined in IFRS, certain key figures, which qualify as alternative performance measures (APMs) are presented to reflect the underlying business performance, facilitate analysis of the Group's development as followed by Group Management and enhance comparability from period to period. The definition of these key figures is presented below and relevant information enabling reconciliations to IFRS measures can be found in connection with relevant parts of the report. These APMs should not be considered as a substitute for measures in accordance with IFRS.

IFRS Key ratios

KEY FIGURE	
Earnings per share (EPS)	$\frac{\text{Net result attributable to equity holders of the parent}}{\text{Weighted average number of ordinary shares}}$

Alternative performance measures (APMs)

KEY FIGURE	DEFINITION AND REASON FOR USE	REFERENCE
Operative EBITA	Operative EBITA and -margin, % are used to measure business and segment profitability. Income statement items below operative EBITA are not allocated to segments. **Operative EBITA:** Operating result before acquisition-related amortisations and items affecting comparability **Operative EBITA margin, %:** $\frac{\text{Operative EBITA x 100}}{\text{Net sales}}$ Operative EBITA and -margin, % for segments represent the sum of segments: Finland, Sweden, Norway and Denmark.	Note 3: segment results
Items affecting comparability	Items affecting comparability are items for specific events which management does not consider to form part of the ongoing operative business, typically gain/loss of acquisition and divestment of businesses.	Note 3: segment results
EBITDA	EBITDA is operating result (EBIT) before depreciations and amortisations. Used in calculating the leverage ratio.	Five-year summary: Cash flow from operating activities
Operating result (EBIT)	Operating result (EBIT) and -margin, % are used to measure profitability before interest and taxes. **EBIT margin, %:** $\frac{\text{EBIT x 100}}{\text{Net sales}}$	Income statement
Return on equity (ROE), %	Return on equity (ROE), % represents the rate of return that shareholders receive on their investments. **Return on equity (ROE), %[1]:** $\frac{\text{Net result x 100}}{\text{Total equity (average over the reporting period)}}$	Income statement and balance sheet
Operative capital employed	Operative capital employed is the amount of net operating assets the business uses in its operations. Return on operative capital employed (ROCE), % represents how effectively total net operating assets are used in order to generate return in the operating business. **Operative EBITA:** Net working capital + Intangible assets excluding goodwill and acquisition-related allocations + Property, plant and equipment and Right-of-use assets **Return on operative capital employed (ROCE), %[1]:** $\frac{\text{EBITA x 100}}{\text{Operative capital employed (average over the reporting period)}}$	Note 3: Net working capital and operative capital employed
Net debt and leverage ratio	Net debt represents Eltel's indebtedness. It is used to monitor capital structure and financial capacity. It is also used in calculating the leverage ratio. The leverage ratio is defined as covenant in Eltel's financing agreement. **Net debt:** Interest-bearing debt - cash and cash equivalents **Leverage ratio[1] :** $\frac{\text{Net debt}}{\text{EBITDA}}$	Net debt: Note 14.4 EBITDA: five-year summary, cash flow from operating activities
Net working capital	Net working capital is used to follow the amount of short-term running capital needed for the business to operate. Used also as a factor to calculate operative capital employed. **Net working capital :** Net of inventories, trade and other receivables, provisions, advances received and trade and other payables, excluding items in these balance sheet items that are not considered to form part of operative working capital: derivative valuations and income tax liabilities.	Note 3: Net working capital and operative capital employed
Committed order backlog	Committed order backlog is the total value of committed orders received but not yet recognised as sales. It is the (best) measure of unsatisfied performance obligations according to IFRS 15 Revenue from contracts with customer.	Note 4: Committed order backlog by business and service type

1) Calculated on a rolling 12 months basis

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Financial calendar 2023–2024

Annual General Meeting 2023	11 May 2023
Interim report January–March 2023	4 May 2023
Half-year report 2023	27 July 2023
Interim report January–September 2023	2 November 2023
Full-year report 2023	February 2024

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