

Press release 26 January 2017 at 22.30 CET

Eltel's fourth quarter and full-year 2016 operative EBITA below previous guidance

In connection with Eltel's third quarter 2016 reporting, the company estimated that the Group's operative EBITA would be in the range of EUR 27-32 million for the full-year 2016 and EUR 10-15 million for the fourth quarter. Eltel now expects the Group's full-year 2016 operative EBITA to be in the range EUR 17-22 million and EUR 0-6 million in the fourth quarter 2016. The reasons for the deviation are that further write downs and provisions are required in Eltel's project business in the power transmission and rail and road business.

In the fourth quarter, Eltel conducted an operational review of its project business with the aim to reduce the risk level of Eltel's project portfolio. As communicated in December in connection with this review, Eltel decided to implement certain immediate actions, such as strengthening of project governance and processes, and to establish a Group Project function headed by a new Project Director. Controls and processes enforced by the project function has now revealed that current risks in certain projects in the power transmission and rail and road business are significantly understated.

In the revised guidance, there are already validated write downs and provisions included affecting the fourth quarter 2016 operative EBITA which are related to the two African electrification projects in the power transmission business and the two rail projects in Norway. The production of the two rail projects in Norway were completed in 2016 however at higher cost than earlier provided for. These projects are now in the settlement phase. The electrification projects in Africa are still in production and are expected to be completed during 2017.

In addition, above mentioned identified understated risks require further investigation into selected projects. Work performed by the Group Project function also indicates the use of overly optimistic revenue recognition in certain projects in the power transmission business in Africa. Due to this and effective immediately, a team lead by external auditors has been appointed with the objective of performing a comprehensive investigation to verify and quantify risks and costs in selected ongoing projects in power transmission mainly in Africa. This investigation is expected to be completed within a few weeks.

Håkan Kirstein, CEO of Eltel, comments: "I am very concerned about the fact that risk levels in certain projects in our project business once again have been found higher than anticipated. This is clearly very serious and we have therefor now initiated the audit to fully clarify the situation as soon as possible. At the same time, I would like to stress that Eltel's underlying core business, forming more than two thirds of our business, is developing according to plan."

In December 2016, Eltel signed an amendment agreement of its existing financing agreement with its banks on temporary resetting of the leverage covenant covering the time period from the fourth quarter 2016 until the end of 2017. Due to the uncertainty of the outcome of the operative EBITA there is a risk that Eltel will not meet the temporarily reset leverage covenant for the fourth quarter. Eltel has informed its banks about this situation.

Further information will be provided in Eltel's fourth quarter and full-year 2016 interim report planned to be published on 10 February 2017. Depending on the time of conclusion of the audit, the publication of the interim report may be postponed. In such event this will be communicated separately in advance.

Eltel's CEO Håkan Kirstein and interim CFO Lars Nilsson will host an audiocast in English on Friday 27 January 2017 starting at 8.30 CET. Any questions related to this release will be answered in this call. The event will be audiocasted live on <https://wonderland.videosync.fi/2017-01-27-eltel-press-conference>

For those who would like to participate on the telephone conference in connection with the audiocast, the telephone numbers are:

- SE: +46 856642695
- FI: +358 981710493
- UK: +44 (0) 2030089804

Please, call in well in advance to register. There will also be an opportunity to ask questions via audiocast or telephone conference.

For further information:

Ingela Ulfves

VP – Investor Relations and Group Communications

Tel: +358 40 311 3009, ingela.ulfves@eltelnetworks.com

This information is information that Eltel AB is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, at 22.30 CET on 26 January 2017.

About Eltel

Eltel is a leading European provider of technical services for critical infrastructure networks – Infranets – in the segments of Power, Communication and Transport & Security, with operations throughout the Nordic and Baltic regions, Poland, Germany, the United Kingdom and Africa. Eltel provides a broad and integrated range of services, spanning from maintenance and upgrade services to project deliveries. Eltel has a diverse contract portfolio and a loyal and growing customer base of large network owners. In 2015 Eltel net sales amounted to EUR 1,255 million. The current number of employees is approximately 9,600. Since February 2015, Eltel AB is listed on Nasdaq Stockholm.