

Press release on 2 May 2017 at 21.50 CET

Eltel discontinues the unprofitable power transmission business outside of Europe

Eltel's Board of Directors today decided to discontinue the unprofitable business of power transmission projects outside of Europe. Operations are conducted within a separate entity in Eltel, called Power Transmission International, which is included in Other as of the first quarter of 2017. Costs for discontinuing the operations are estimated to be approximately EUR 40 million. Majority of the cost is expected to occur in 2017 and the remainder in 2018.

The decision to discontinue Power Transmission International means that Eltel will complete ongoing customer projects, but will not initiate any new projects. As a consequence of the decision, Eltel is expected to have left the African market and discontinued all parts of Power Transmission International during the first half of 2019.

CEO Håkan Kirstein comments:

"The decision to discontinue this business is taken in the light of our ambition to significantly reduce the risk level in our overall operations and to focus on more stable markets, where Eltel's core competencies are located. In 2016 Power Transmission International recognised an operative EBITA loss of EUR 24.1 million and goodwill impairment of EUR 55 million as a consequence of historically incorrect accounting and lower future growth expectations. The negative result development continued in the first quarter 2017. Our assessment is therefore that the possibility to sell Power Transmission International is low. At the same time, we do not want to increase the risk of the business by entering into new projects. We therefore consider a ramp-down as the best long-term option for Eltel."

Background to the decision to discontinue the operations

Projects in Power Transmission International include a number of projects that are very large in relation to the Group's net sales and financial capacity, and are in addition also operated at a large geographical distance from Eltel's more stable markets, the Nordic countries, Poland and Germany. The activities are mainly carried out in the form of long and large projects, in an environment that, to a certain extent, is characterised by political and economic instability. The operations are volatile and therefore pose a major risk to Eltel as a whole.

In the autumn of 2016, a work was therefore initiated to analyse risks and conditions in, among other things, Power Transmission International. The review showed a clear need to reduce the risks in the business, including an introduction of a stricter control model and monitoring. Based on this, Eltel established a group function with a dedicated focus on control and structure in the management of Eltel's project activities.

In January 2017, decisions were taken to conduct an in-depth review of projects, focusing primarily on projects in Africa, led by external auditors. The conclusion from this investigation was that the profitability of a number of projects was too aggressive in relation to risk and degree of completion, which resulted in large write-downs that affected 2016 results. The negative economic development of Power Transmission International has continued in 2017.

For further information:

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This information is information that Eltel AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 21.50 CET on 2 May 2017.

About Eltel

Eltel is a leading Northern European provider of technical services for critical infrastructure networks – Infranets – in the segments of Power, Communication and Other, with operations throughout the Nordics, Poland and Germany. Eltel provides a broad and integrated range of services, spanning from maintenance and upgrade services to project deliveries. Eltel has a diverse contract portfolio and a loyal and growing customer base of large network owners. In 2016, Eltel net sales amounted to EUR 1.4 billion. The current number of employees is approximately 9,500. Since February 2015, Eltel AB is listed on Nasdaq Stockholm.