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Eltel decides on immediate operational actions in its project business

Eltel's previously communicated ongoing operational review of its project business, following performance deviations during 2016, has now resulted in several decided immediate actions. These actions, to reduce the risk level of Eltel's project portfolio, fall under the areas of among others organisational enforcements and strengthening of project related governance and processes. Implementation of some of these actions has already started.

Started in October 2016, Eltel's management is carrying out a thorough review of the project related part of Eltel's business. The review has covered both an in-depth project-by-project analysis of current risk exposure as well as an ambition to identify measures to further strengthen overall governance and processes in the project business. An internal review of all projects, with a value at a minimum of EUR 2 million, has been conducted. The analysis of the review has now resulted in several decided planned actions.

Håkan Kirstein, Eltel's President and CEO comments:

"The underperformance in certain of our larger projects has clearly affected our profitability and showed that the risk exposure in current environment is too high. In order to reduce the risk level of our project business we have identified certain areas where we need to make changes and improvements. These decided actions are the important first steps in ensuring stable and strong project performance in both the short and long term and are likely to have implications on both size and mix of Eltel's project portfolio going forward. In parallel with the operational review and planned actions we have initiated a review of Eltel's project business strategy. Despite the current challenges in certain projects, it is important to emphasise that Eltel's overall operations are performing well and the underlying drivers of the Infranet industry remain strong."

The decided operational actions in the project business, which are started immediately and carried out during 2017, include the following:

Organisational enforcements

Eltel has established a Group Project function with dedicated focus on governance and structure in running Eltel's project business. As of 1 December, a new Director has been recruited for this function, who will report to Håkan Kirstein, CEO of Eltel. The task of this new function will be to implement and follow-up on the decided new governance and processes described below.

Strengthening of governance and processes

The strengthening of the project business' governance and processes includes several actions related to governance, risk assessments, reporting, audits and tools covering the process from tendering to execution of a project. A new governance work stream – the Project Board - regarding special project governance will be implemented, with the purpose of making thorough risk assessment starting from the tender phase. A new improved reporting model will also be implemented throughout Eltel's project portfolio, cascading from project level with consolidation up to board level. In addition, Eltel's guidelines regarding project tendering are also being renewed.

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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.

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