

Press release 16 August 2016 at 7.30 CET

Eltel's second quarter 2016 results to be impacted by a EUR 10 million provision in one rail project in Norway

During delivery inspections of a rail project in Norway unsatisfactory technical quality in work execution have been identified and a significant amount of additional work to finalise the project is consequently required. Eltel is recording a provision of EUR 10 million in its second quarter results to cover these additional costs.

During 2016, Eltel has communicated that there are challenges within the Transport & Security segment in the execution of two rail projects in Norway. Overall bad project execution originally derives from too fast ramp up of two parallel rail projects. These were started as Eltel entered the rail business in Norway in 2013-2014.

In the second quarter, during delivery inspections in one of these projects, unsatisfactory technical quality and an increased volume of additional work to complete the delivery were identified. The main root cause for the unsatisfactory technical quality and increased work to complete is poorly performed installation work in combination with weak project and subcontractor management. This has resulted in the need for significant additional corrective works in the execution of the project. During July and early August, detailed assessment of the additional cost to correct identified deficiencies and to complete remaining work has led to an updated assessment confirming that the cost to rectify these remaining issues significantly exceeds the previous assessment. These additional costs require a provision of EUR 10 million.

This provision of EUR 10 million will negatively affect Eltel's operative EBITA in the second quarter.

Axel Hjärne, CEO comments: "Never in my twelve years at Eltel have I experienced anything close to this and it is totally unacceptable. Eltel is a company which delivers quality to its customers and which applies structured ways of performing our business. We are currently doing everything possible to correct the situation, at the same time securing that nothing similar would happen again. We are taking instant corrective and preventive actions. Eltel has initiated several managerial changes to the project during the past months and the project management is being further strengthened by internal support. An additional review of subcontractor quality performance by third party will be conducted immediately. We expect the final project to be delivered to the customer during 2016."

Eltel will publish its second quarter 2016 interim report on Friday 19 August 2016 at 8.00 CET.

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 07.30 CET on August 16, 2016.

Today Eltel's CEO Axel Hjärne and CFO Gert Sköld will host an audiocast in English starting at 08.30 CET. The event will be audiocasted live on <https://wonderland.videosync.fi/2016-08-16-eltel>. For those who would like to participate on the telephone conference in connection with the audiocast, the telephone numbers are:

- Sweden: +46 8 566 42692
- Finland: +358 9 817 10491
- United Kingdom: +44 20 300 89808

Eltel AB

Box 50, Laddargränden 8, FI-02611 Esbo, Finland
Box 126 23, Adolfsbergsvägen 13, SE-112 92 Stockholm, Sweden
info@eltelnetworks.com | www.eltelnetworks.com



Please, call 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 - IR and Group Communications

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

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.

Eltel AB

Box 50, Laddargränden 8, FI-02611 Esbo, Finland
Box 126 23, Adolfsbergsvägen 13, SE-112 92 Stockholm, Sweden
info@eltelnetworks.com | www.eltelnetworks.com