

Press release 14 October 2016 at 7.30 CET

Eltel's third quarter and full-year 2016 result significantly impacted by previously communicated challenges in certain projects

During 2016, Eltel has successively communicated increased market related as well as operational challenges especially in certain projects within power transmission and rail and road. These challenges have continued during the third quarter, most significantly in certain of Eltel's electrification projects in Africa. As a consequence, Eltel's third quarter 2016 EBITA is expected to be approximately EUR 8 million. These challenges are expected to continue also in the fourth quarter and management estimates the Group's full-year 2016 EBITA to be in the range of EUR 27-32 million.

Håkan Kirstein, Eltel's new CEO as of September 19, 2016 comments: "The challenges we currently have are mainly related to Eltel's project business, which accounts for approximately one third of total Group volumes. This business has historically shown a profitable and well-managed track record over many years. However, we take these recent deviations in certain projects very seriously. Eltel's management is currently carrying out a thorough review, including planning of permanent corrective actions, to restore the situation in this part of our business. The conclusions and an action plan will be in place by mid-November. However, Eltel has already made a review of the larger projects and has as a consequence of that made a conservative assessment of the risks in those projects, which is reflected in the guidance provided above. At the same time, it is important to note that the vast majority of Eltel's operations are performing well. We have a sizeable committed order backlog that is well supported by both smart meter installations and fibre rollouts. In a longer term perspective, Eltel's position within the Infranet projects business is considered to remain strong."

In Eltel's second quarter 2016 results, published in August, a provision of EUR 10 million was reported following the quality related performance issues in one of two parallel rail projects in Norway. The second quarter interim report also highlighted continued challenges in certain African power transmission projects, effects from the lower order intake in the power transmission business over the last twelve months as well as continued negative impact from the Norwegian rail projects.

During the third quarter, these challenges have continued, most significantly in the African electrification projects as a result of various factors such as delays and limited access to site, consequential cost increases due to work acceleration and other operational project issues. The biggest negative impact on EBITA derives from power transmission with the majority being related to these African projects. Profitability dilution impact from the other Norwegian rail projects has been somewhat larger compared to previous internal expectations. In addition, implementation costs for the shared services transition and a bankruptcy of a Swedish subcontractor has had a negative impact on third quarter performance.

Consequently, Eltel's management expects Group EBITA for the third quarter 2016 to be approximately EUR 8 million when reported on 9 November.

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The above mentioned challenges are expected to also impact net sales and profitability in the fourth quarter 2016. Eltel estimates that EBITA for the full year 2016 will be in the range of EUR 27-32 million, indicating an EBITA for the fourth quarter in the range of EUR 10-15 million. In the estimate for the fourth quarter, management has also considered the increased impact of delayed customer investments in the Polish and German power markets and in the German communication sector as communicated in connection with the second quarter 2016 interim report.

Regarding 2017 management is now taking a more cautious stand concerning Eltel's project business within power transmission in Africa and rail and road in Norway. Within the Power segment, it is estimated that net sales from power transmission will decrease in 2017 compared to the level in 2016. This is due to market related delays in customer investments, corrective actions in Eltel's project management and effects of weak order intake during the last twelve months in power transmission.

Eltel will publish its third quarter 2016 interim report on Wednesday 9 November 2016 at 8.00 CET.

Today Eltel's CEO Håkan Kirstein 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/eltel-press-conference>.

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

FI: +358 9 8171 0494
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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:

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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, on 14 October 2016 at 07.30 CET.

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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