

Securing the lifelines of society

Annual Review 2009



Challenging market conditions called for cost and efficiency improvements in 2009

After an exceptionally strong market development in 2008, the economic recession eventually started affecting Eitel's markets in 2009. Mainly telecommunications operators but to a lesser extent also electricity operators became more selective in committing capital expenditure and more aggressive in their focus on reducing operating costs.

Eitel's sales decreased by 11% compared to 2008, but only 5% on a constant currency basis, as Eitel could partly compensate the market weakness on

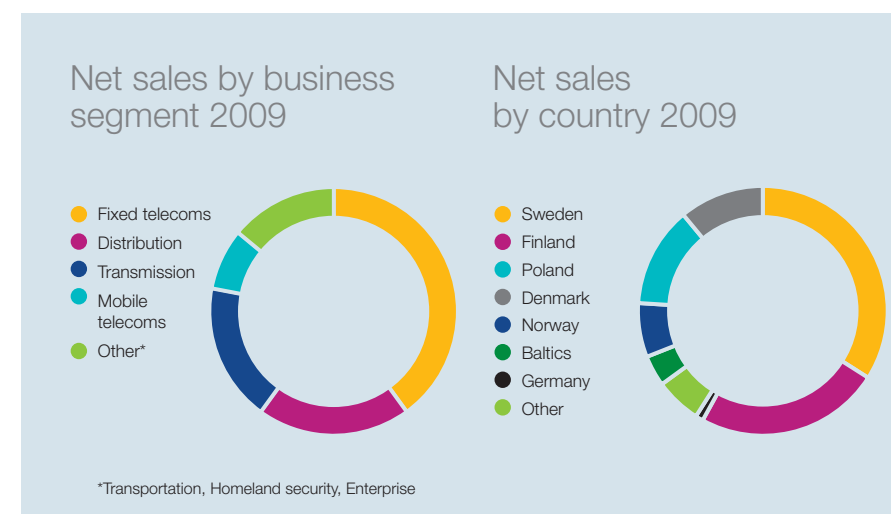
the delivery of a strong order backlog in transmission and export projects. In response to the lower demand, Eitel proactively reduced headcount with a dual focus on right-sizing and increasing flexibility of the field force and creating a leaner overhead cost base. In total, the fixed overhead base was reduced by 29 million euro and the total number of employees by 12%.

In summary, Eitel managed to compensate relatively well for the market weakness and a negative currency impact to deliver a slight improvement in operative

EBITA – Eitel's best operative result ever. In parallel, Eitel delivered an exceptionally strong cash conversion through process improvements and an intensified focus on invoicing and collection of receivables.



David Persson
CFO
Eitel Group Corporation

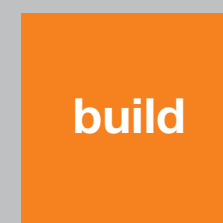


Development 2005-2009



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Build services help clients establish a high-quality and reliable network.



Connect services are designed to quickly and efficiently connect end users to client networks.



Care services keep our clients' networks up and running in a cost-effective manner.

Eltel leads the way to the InfraNet industry

Outstanding result – ‘Eltel Way’ under implementation

The year 2009 was an exceptionally challenging year for everyone in the market. Yet Eltel Group made the best year ever. In a declining market we gained market shares but still saw our net sales decreasing. Major improvements in our internal structure and efficiency still enabled us to grow our profit.

We strengthened our position in key markets and sectors. In Sweden, we improved our standing in the electricity sector and increased market share in the telecom market. In Finland, we continued to increase our market share in telecom and electricity markets.

In Norway, we ended the year by signing a new five-year agreement with Telenor, while in Denmark, we started implementation of Automatic Meter Reading (AMR) contracts worth over 100 million euro.

In Poland, we consolidated our position as the country’s leading InfraNet company, in both electricity and telecom markets.

During the past year, we also boosted sales in the railway business and increased sector-specific competencies and capabilities in Denmark, Sweden and Finland. This was a major achievement, as the railway sector is a key strategic priority for the Group.

Thousands of entrepreneurs

We have a strong commitment to our personnel. In fact, we believe that how we run our company is unique. The Eltel way – at its core – is to take business decisions as close to our customer as ever possible. By giving our personnel authority and responsibility to make individual decisions, we can better serve our clients.

To support this development, we continue the development of our organization, with an emphasis on the assignment of roles and responsibilities and the specialization of local teams. Today, we have 400 teams with full responsibility for their own profit and loss. We work with targets as close to the individual employee as ever possible. Measurements related to these targets

are made available to the individual to ensure deliveries, quality and efficiency. We base all operational development on our shared experiences across the Eltel countries, which, in turn, provide unified processes throughout our business units.

Professional employees, who feel responsibility and pride, working in an effective environment where things are kept simple and consistent, will be Eltel’s contribution to establish a new industry – the InfraNet industry.

A new industry

Ten years ago, the deregulation of the telecom and electricity industry began in the Nordic region. The first wave included Norway, Sweden, and Finland, and was soon followed by the Baltic region and Poland. Dominating incumbents within electricity and telecom, who were looking for lower costs and improved service levels, found outsourcing of their field service operation to be one way to achieve this target.

In this change, Eltel has always been a forerunner, being the first company

to introduce an effective insourcing model for these services. Our objective is to keep the lifelines of society up and running. Driving our business is the increasing need to secure the 24/7 availability of these networks – a trend that will further strengthen in the next five years. Investments in networks will continue and within telecom we will see new technologies and capacity growth, while power utilities are ramping up renewable energy production and building Smart Grids.

The aforementioned outsourcing model will also have a growing impact on other sectors like the railway business and homeland security in the future. We are also confident that markets in Central and Eastern Europe will open up to outsourcing in the years to come.

A new industry of independent field service suppliers is being born and Eltel will stay in the driver’s seat of this development.

Eltel to keep its no. 1 rank

Eltel is well positioned on this growing market – being the no. 1 InfraNet

company in Northern Europe. The Eltel Way will be our path to gain this position throughout Europe. By focusing on production efficiency and specialization, we will stay competitive, which will ensure profitability and open up new businesses not only in established markets, but also in new countries.

We see the key to our continuous growth in professional and confident employees who run best-practice processes to the benefit of our customers’ business development. For Eltel as a company, the value-creating journey will continue to the benefit of all stakeholders!

Axel Hjärne
CEO
Eltel Group Corporation



Building on experience and trust

Eltel Build plays a key role in Eltel's InfraNet offering by delivering a wide range of services related to network investments. The majority of these services are implemented as turnkey projects that include a complete solution from engineering to installation and commissioning. In fact, Eltel has decades of experience in designing, building, refurbishing, and expanding networks, both in the electricity and telecom sectors. We have the capabilities and resources to handle even the most demanding projects.

Global scope

Eltel Build's impressive track record extends to both domestic and international markets. In Northern and Central Europe, the company cooperates with system operators and asset managers on numerous investment projects, spanning the full voltage range from distribution grids to transmission interconnections as well as all technologies within fixed and mobile telecom solutions. Due to its dense geographical coverage and long customer relationships, Eltel has extensive knowledge of network structures,

local conditions and permission procedures. We know our local partners and can offer repeat services at unit prices.

Outside Europe, Eltel is currently implementing projects in a number of countries in Africa, South-East Asia and, to some extent, Latin America. These projects target every stage of project management, from initial feasibility studies to roll-out delivery of mobile telecom networks and power supply systems.

Project management competence and capabilities are core assets when implementing large scale investments. Eltel uses different management techniques including its own web-based management tool, the ProMan system, to create a uniform approach to global project management. Whether it means building a 400 kV transmission line on steel towers in Norway or a low-voltage line on wooden poles through the Kalahari Desert, Eltel is able to deliver exceptional quality in the most varied conditions. In fast-track mobile roll-out projects, Eltel has a proven track record in terms of mobilizing resources

effectively, delivering on time with optimized processes, and providing a realistic assessment of project expenditure.

Success in Poland

In 2009, the outstanding success story was the greenfield construction of a 400 kV GIS switching station in Łagisza, Poland. Three of Eltel's Polish subsidiaries collaborated on the project. Working under an extreme deadline, each company had a specific project responsibility. ELTEL Networks Olsztyn S.A. handled project management, while ELTEL Networks Rzeszów S.A. and Energoprojekt-Kraków S.A. were responsible for installation and design.

The project is unique in that it showcases Eltel's core advantages in large-scale InfraNet projects. Not only does Eltel have the experience and competence base to execute demanding projects, it can also pool resources and share knowledge between its many subsidiaries effectively. Thanks to this regular cooperation, Eltel is ideally positioned to improve operational consistency and reliability in the future.

Powered by optimism

The global outlook for network investments is optimistic. These include high-voltage network projects with a massive volume of national and regional investment plans scheduled for implementation in the next six to eight years. In Northern Europe, several larger power distribution utilities have also announced similar investment programs. Introduction of new technologies like 4G/LTE and FTTH will drive further capex spending

in the telecom sectors. In all, there is an evident and substantial need for network modernization and construction, which will boost demand in the coming years.

At the same time, project tenders are increasingly open to international competition, which means that the sector is experiencing an unprecedented level of consolidation. In the future, international players like Eltel will play an even greater role in the industry.

build

Engineering
Turnkey Solutions
Construction
Installation



Martin Dahlgren
Projects



Supporting the lifelines of society

Eltel Care maintains and repairs our customers' power and telecommunication networks in Northern Europe and Poland. Our service technicians brave the elements daily to ensure uninterrupted electricity supply and service availability. Whether inspecting power lines along the Arctic Circle or responding to a customer call on Christmas Eve, their input is critical to securing the lifelines of society.

Powerful business trend

Today, mobile and fixed network service providers and power companies in Northern Europe are increasingly outsourcing their maintenance and repair work. With no permanent service technicians on their payroll, these companies are relying on InfraNet specialists like Eltel Networks to meet their customers' expectations.

In Finland, for instance, Eltel handles over 45,000 network disturbances each year, with a 24/7 commitment to effective maintenance and repair services. If a tree falls on a power line or a broadband connection is damaged, Eltel will send a technician crew to the site often within

two hours of receiving the customer call. The company also enters all work logs directly into the customers' database and maintains a fast-response team for major emergencies.

Renewing the future

The EU's far-reaching energy policy aims at making Europe the world leader in renewable energy and low-carbon technologies. For Eltel Care, the key challenge is the targeted renewal of street lights in all EU member states in the next six years. This is a significant business opportunity, with markets worth several 100 million euro per country. To help municipalities make the switch, Eltel offers new product and service concepts based on, among other things, LED lighting applications and intelligent control systems.

In the coming years, Eltel will also focus on the Smart Grids business, which includes the development of charging stations for electric cars, the improved management of distribution networks and new service solutions for localized energy production. Fueling this change is the need to manage power usage more

effectively – on national and regional levels. As power grids become more intelligent and distributed, demand for specialized maintenance and repair services will continue to grow. Thanks to its active involvement in ongoing tender processes and extensive personnel training, Eltel will continue to be at the forefront of InfraNet change.

Growth on track

At present, Eltel is investing heavily in railway maintenance and electrification services in core markets. In Sweden, Eltel recently signed a substantial 5-year service agreement with the Stockholm Metro, while, in Finland, the Finnish Transport agency is planning to increase the outsourcing of critical maintenance and safety services. Eltel in Denmark, Norway and Poland will also play a bigger role in the railway sector in the coming years.

Behind this growth lies Eltel's field-proven expertise, market-leading resources and a service attitude that is on duty around the clock, year round.

care

Preventive Maintenance
Network Optimization
Corrective Maintenance
Network Management



Juha Luusua
Region Finland
& Baltic



Time	Destination	Flight #	Status	18:00
18:30	Oslo	18014	Delayed	18:00
18:50	Berlin	18023	Delayed	18:00
19:00	Stockholm	18005	Delayed	18:00
19:00	London	18011	Delayed	18:00
19:10	London	18012	Delayed	18:00
19:20	London	18013	Delayed	18:00
19:30	London	18014	Delayed	18:00
19:40	London	18015	Delayed	18:00
19:50	London	18016	Delayed	18:00
20:00	London	18017	Delayed	18:00
20:10	London	18018	Delayed	18:00
20:20	London	18019	Delayed	18:00
20:30	London	18020	Delayed	18:00
20:40	London	18021	Delayed	18:00
20:50	London	18022	Delayed	18:00
21:00	London	18023	Delayed	18:00
21:10	London	18024	Delayed	18:00
21:20	London	18025	Delayed	18:00
21:30	London	18026	Delayed	18:00
21:40	London	18027	Delayed	18:00
21:50	London	18028	Delayed	18:00
22:00	London	18029	Delayed	18:00



Connecting people to the Smart Grid

Eltel Connect connects end users to client networks quickly and efficiently. From broadband installation to innovative service concepts, Eltel has the competencies to handle not only complex connection and access delivery projects, but also point the way for tomorrow's grid solutions. Broadband connections and smart metering deliveries are the most important activities in Eltel Connect.

Upgrading Denmark

In recent years, Eltel Connect has made the greatest inroads into the development of Smart Grid services in Denmark. As the primary contractor at the low-voltage end, Eltel has leveraged its extensive experience and management resources to offer the market's leading service portfolio for Smart Grids. In addition to installing Networked Energy Services (NES) smart meters in households, the company is deploying advanced solutions that allow clients and end users to monitor power consumption. This includes load

shedding, demand response, real-time power usage and price reporting capabilities via web interfaces.

In fact, by continuously developing its existing call center services, Mobile Workforce tools and technician training, Eltel has secured its position as Denmark's leading InfraNet service provider, with contracts of projects for over 800,000 smart metering points. Eltel's total number of meters installed and in backlog amounts to 3 million units, making it by far the leading player in the region. The next step will be to expand the unique service solution for Smart Grids to other European countries. Moreover, smart meters can generate significant value for generators, system operators, DNOs, retailers, consumers and governmental institutions.

Smart future

The rapid roll-out of smart meters is critical to the next stage in Smart Grid applications – the deployment of two-way digital technology to control

household appliances, lighting and HVAC. Even though much of this technology is readily available, the ultimate changeover to intelligent homes is still in the distant future.

Nevertheless, in Denmark, Eltel is taking a jump start on the future and deploying the latest digital home technologies today. True to its commitment to innovation, the company is a clear forerunner in the Smart Grid business, which is forecast to grow almost exponentially in the next decade. For instance, the EU aims to ensure that 80% of European households will be equipped with smart meters by 2020. This trend, without a doubt, will continue to be a major growth opportunity for Eltel in Europe.

Sonny Nielsen
Region Denmark-
Germany



connect

Network Connections
Access Delivery
Roll-out Management



- Joint Business Plan
- Long-term Commitment
- Progress Follow-up
- Management Support

Reducing maintenance costs without compromising air traffic safety

Luftfartsverket (Swedish Civil Aviation Administration) and Eitel Networks are reducing maintenance costs without compromising air traffic safety. The unique partnership is built on Eitel Partners' proven track record and in-depth understanding of the client's business.

Preferred partner

For Luftfartsverket (LFV), safety, flexibility and exceptional work quality are critical criteria for selecting potential business partners. With such high demands on safety and flexibility, Eitel Networks was easily identified as a preferred partner. In fact, the partnership between Eitel Networks and LFV goes back to 1996. Since then, Eitel Networks has worked with the operation, maintenance, modification of progress radio, radar, navigation, meteorology, communications, information and presentation systems, network and PC applications.

LFV is a public enterprise with 1,400 employees that operates air navigation services for civil and military customers

at over 40 locations in Sweden. LFV is one of Europe's leading players in air navigation services.

Specialized training and 24/7 availability

Eitel Networks is responsible for most of the terrestrial telecommunications technology used in Swedish airports. To maintain this equipment, Eitel Networks provides ongoing specialized training and certification programmes. Eitel Networks also offers a 24/7 service support agreement, which was critical to LFV's decision to partner with Eitel Networks.

"Our long term relationship is the proof that we fulfill LFV's demands on quality and flexibility and, most of all, their high demand on safety. For Eitel Networks, safety is something that goes hand in hand with quality," says Casimir Lindholm.

"Eitel technicians are well trained and certified. They are located all around Sweden to provide local support for

us. They work with us to provide a safe, secure air traffic management system and we are very satisfied with the relationship," says Thomas Allard, Director General for LFV.

Facts:

- Eitel Networks activities support LFV Group's core business by providing cost-efficient services
- Flight safety issues are critical – the relationship has existed since 1996
- Eitel Networks is a trusted partner to take care of critical systems
- Eitel Networks has trained and certified technicians to work with the high-security and specialized air traffic control systems
- Satisfaction level with Eitel Networks is measured annually within the LFV Group and it has steadily increased over the years

Casimir Lindholm
Field Service,
Sweden



Eltel keeps networks up and running in Europe and beyond



Norway
Technicians are joining fiber cables and checking the level of connectivity.



Sweden
Broken cable is fixed in Stockholm and power is ON again.



Finland
Work safety is a priority for Eltel when working at high levels.



Estonia
Radio links have high capacity, but must be installed firmly for even the most heavy weather conditions.



Denmark
Eltel is the leader in AMR installations.



Germany
A highly competent field engineer is measuring the quality of a 3G network's core equipment.



Poland
Teamwork at a cable well makes process faster for pulling a new fiber cable.



Export
Erection of a monopole for GSM network in United Arab Emirates.



Lithuania
Fiber cable welding is done in a special vehicle for getting an attenuation-free and well-functioning joint.

EBITA = Earnings before interest, tax and amortization • **FTTH** = Fiber to the home • **ProMan** = Project Manual • **4G** = One virtual network consisting e.g. 3G, GSM, WLAN, Bluetooth, VoIP • **LTE** = Long-term Evolution • **DNO** = Distribution Network Operator • **HVAC** = Heating, Ventilating, Air conditioning
Digital native = Person who has grown up with digital technology

Attenuation = Affects the propagation of waves and signals in optical fibers • **Smart Grid** = Grid that delivers electricity to consumers using two-way digital technology to control appliances at consumers' homes to save energy, reduce cost and increase reliability and transparency

Etel Way

Etel Networks is committed to keeping the lifelines of society up and running. To ensure this we have established the Etel Way of operation based on our unique strengths. Relying on the Etel Way, we, and especially our field technicians, the core of what we provide, can cost-effectively deliver Etel's world-class services to our customers.

The Etel Way starts with our principles of being proactive, working systematically, communicating and delivering with commitment. These principles, and our governance model with clear responsibilities and authorities, ensure

that Etel's personnel working closely with the customer do their best in each individual delivery.

Three cornerstones of service excellence

Our organization is built in order to strengthen our ability to serve customers. We have three cornerstones to rely on. The first of them is specialized teams working closely with the customers. The teams have the necessary authorization and responsibility to solve day-to-day tasks, being therefore able to influence their own efficiency. The second cornerstone is shared support as close

to the teams as possible. The third cornerstone is using overheads to support activities, not to increase administration. The basic idea behind each of these cornerstones is that all roles and responsibilities are well defined and rolled out to all employees.

Etel Academy – training for all employees

From the competence perspective, we aim to provide sufficient means to help Etel's personnel feel comfortable with the tasks given to them. A key source for competence development is the Etel Academy, our concept of ensuring training

for all employees. The Etel Academy offers everything from compulsory certificate training to leadership and management courses; training for today's needs, as well as for career and individual development programs.

Feedback – relating to personal, organizational and business achievements – is crucial for improvement. That is why feedback is an essential part of our reporting model. The Etel reporting system mirrors our organizational responsibilities and is defined to meet the commitments we make – towards customers, owners and other stakeholders. Our policy is only to measure what one can individually influence. All the measurements are made visible to everyone concerned and carried out regularly. We use structured signalling systems and review procedures to ensure that all possible deviations are noticed and necessary actions taken on time.

Setting and achieving targets

We believe that everyone working at Etel should know our goals, and people should have individual targets to work

for – such that each individual, whether a technician or a manager, can influence. We incentivize our employees according to their individual targets. Etel's managers are measured by the targets they can see in their reports. Personal achievement and performance guide each employee's compensation and incentives.

Based on Etel's uniform organizing and reporting models, we are able to optimize our span of control. With profit responsibility and solid support, our teams can act independently and help us maintain a competitive cost structure in our operations, which minimizes the size of management and support functions. Our shared services are demand driven, and we have benchmarked all costs against outsourced alternatives.

Etel is active in many markets and with numerous customers. Daily interaction provides a unique knowledge base and innovative climate, helping us create new solutions to add value to our customers, and to improve our internal efficiency. By implementing efficiency developments and

best practices in all our units, we ensure that all Etel customers can benefit from them. Internal efficiency is also necessary for maintaining profitability in this highly competitive market, and for securing the ability to further develop our company.

We are committed to the services we know we can handle with pride – our Build, Connect and Care field services and Large Projects within the electricity and telecom sectors. Keeping our feet firmly on the ground will also ensure dependable operation of our customers' vital networks. From this platform of mutual confidence Etel will continue to grow organically.

We have carefully documented the Etel Way so that this model can be easily implemented in companies entering the Etel Group by acquisition.

The above elements make up the Etel Way of doing business – aiming to benefit our customers, enhance our employees' well-being and keep our owners and other stakeholders satisfied.

Etel Networks in Poland – a trusted partner and employer

Since 2003, Etel Networks has been investing heavily in Poland. Today, the company is the country's biggest InfraNet service provider, with six wholly owned subsidiaries and almost 3,000 employees. Jan Piotrowski, General Director for Poland of Etel Group Corporation and Andrzej Szawarski, President of the Management Board at Etel Networks Telecom Sp. z o.o., who is responsible for mobile and alternative operators business in Poland, explain the reasons behind this success story and shed light on what the future holds for Etel Networks in Poland.

Strategic choice

In 2004, when Poland became a full member of the EU, Europe gained a dynamic market with 38 million consumers. The country was also developing at breakneck speed, leaving its power and telecommunications infrastructure in need of immediate modernization. At the same time, small and medium-sized companies dominated the highly fragmented market for infrastructure services. Often these companies could not provide the resources for the outsourcing needs of international telecom and power grid operators.

Etel Networks, in line with its strategy to expand beyond the Nordic countries and Baltic states, seized the opportunity, first by acquiring local power and telecom service companies, and then by consolidating its position as Poland's leading InfraNet service company. The Polish clients were quick to appreciate the company's proven track record and extensive service portfolio, as well as its reputation for reliability and fair employment practices.

Since then, the company has actively pursued organic growth in the mobile

market and made new acquisitions in the fixed telecommunication market. Today, Etel Networks has the resources and scope to deliver turnkey solutions, whether specific to power, mobile or fixed networks, throughout Poland.

Creating added value

For Jan Piotrowski and Andrzej Szawarski, Etel Networks' contribution to the Polish market is threefold: first, thanks to shared benchmarking tools, Etel Networks' Polish subsidiaries can acquire new market-tested practices and implement the latest service solutions and technologies. Second, Etel Networks continues to provide Polish employees with opportunities to gain valuable work experience by working abroad. This ensures long-term competitiveness and strengthens the company's position as a sought-after employer. Thirdly, by belonging to a major international company, the local sub-

sidaries have gained improved access to bank guarantees that are required if bidding for major projects. In many cases, smaller companies in Poland have a disadvantage on bigger tenders, as they cannot post the necessary guarantees. According to Jan, Etel Networks provides "a big financial umbrella and a wide selection of competencies that enable us to bid for turnkey projects independently. This strength has been critical to our expansion in Poland." Many Polish clients also value Etel Networks' Nordic roots. Both men agree that this fact has helped to cement Etel Networks' reputation as "a company that keeps its promises."

The near future

In the coming years, Etel Networks plans to leverage its experience in Poland to expand to new markets in the CEE. In the mobile and fixed networks sector, the

biggest challenge is improving competencies and processes in line with the customers' expectations. Demand is growing for service solutions that deliver an optimum mix of quality, efficiency and competitive pricing. Etel Networks is confident that it can meet this challenge and strengthen its position as the leading service provider in the telecommunication market in Poland. In the electricity sector, Etel expects the opening of markets to continue. This will happen by further privatizations and the subsequent outsourcing of field services to specialized companies like Etel.

Life-changing ubiquitous equipment and intelligent networks

Ubiquitous (Wireless Network Intelligence) development seems an overwhelming near-future trend. Most of the services will be accessible by portable equipment, which will become multitaskers due to technology convergence. Citizens will be able to use it for various expert tasks at home, the portable tool reporting the results wirelessly for professionals' further action.

Nano- and quantum mechanics seem to follow as the next trend. While smaller and smaller in size, equipment will achieve incomprehensible performance levels. Mobile phones will perform like super computers and, with increasing RSS-feed applications, become principal payment tools. Advanced sensing will make it possible to use navigation systems for two-way monitoring; vehicles will also report information about the environment. Embedded intelligence will make smart buildings an option for everyone.

The global economy will increasingly depend on networks; less business travel will promote sustainability, but there will be new demands for network safety. Digital natives will take the intelligent network of systems and equipment for granted, but those who will drop out should not be forgotten. Network vulnerability should get special attention.

Some predict that networks may eventually become more intelligent than humans – and even take over. Others are confident that they will just expand our toolkit – and help us better manage the challenges of the world.

Juha Kaskinen
Director

Riikka Saarimaa
Project Manager

Finland Futures Research Centre





Securing the lifelines of society

