Boosting Infranet Quality
Annual Review 2010
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Eltel boosts its position in 2010

Wind power, Railway infrastructure and Smart Metering now a natural part of Eltel’s portfolio of solutions

Eltel Group continues to show strength also during tough times like 2010. Despite one of the strongest winters for many years and a challenging market, Eltel delivered an EBITA of 5%. We ended the year with six months of organic growth and with numerous new customers awarding Eltel contracts in new areas. We foresee even more new customers in 2011 in areas like smart electrical networks where Eltel’s value creation becomes obvious.

Strong performance despite challenging conditions
2010 started with significant reductions in investment budgets by operators and utilities. Lower levels of demand coupled with cold weather early in the year resulted in a lack of volumes, particularly for field services. However, in June 2010 a turn-around took place and, after 18 months of depressed sales we returned to growth. Our ana2009. Eltel maintained its leading European position measured by profitability also in 2010 as in 2009. Thanks to continued improvements in productivity and tight cost control, our operative EBITA ended at 5.0% of net sales. We succeeded to make a turnaround in Germany. Many entities performed very strongly in 2010 and high performing business units were Fixed Telecom Poland, Lithuania, Finland and Large Projects.

Eltel the forerunner in the industry – leader in Smart Metering
Since 2001, Eltel has pioneered to establish the new service sector – the Infranet industry. As The Infranet Company, we combine know-how in electricity, telecommunication and IT in a new and innovative manner. One of the most concrete examples is our process to deliver Smart Metering solutions. Eltel has become the leading partner to the Nordic state-of-the-art power utilities in implementing metering systems with 3 million installations in Finland, Sweden and Denmark.

Besides being the leader in Smart Metering, we started in 2010 to actively develop our Eltel Smart Grid™ offering. We made the first installations of charging systems for electrical vehicles and also entered new wind power projects. The Smart Grid business is expected to be an important part of our business for years to come.

To meet customer demands for knowledge and specialization, Eltel has introduced an extended portfolio of solutions, strengthened also by our more specialized organization. The portfolio covers the well-recognized sectors of electricity and telecommunication whilst adding a more intensive market approach in transportation and homeland security. Major new contracts were awarded to Eltel in Railway Infrastructure and Defence: Trailverket of Sweden, Banedanmark and the Swedish Army to mention a few.

We also strengthened our leading role in electricity and telecommunication. New multi-year contracts with Telenor, Telekommunikacja Polska and Svenska Kraftnät, as well as outsourcing contracts with Fortum, were signed during 2010.

Boosting customer value
In 2010, we have continued to develop our company into a true Infranet service company. Our Eltel Way is built on a strong foundation of Specialization, Empowerment and Proactivity. By ensuring all our employees have the necessary skills, and the opportunity to take on responsibility, and by agreeing on clear and measurable targets, we are empowered to deliver our customer the best Infranet Quality. Specialization provides us with the necessary knowledge to discuss customer demands in a professional manner and to produce efficiently. Last, but not least, being proactive means that we are on top of things and we always think of the next move to create more value for all stakeholders.

Ending 2010, we have taken our organizational development one step forward. We have around 400 specialized teams serving our customers 24/7. To improve our customer response and ensure that we systematically utilize Eltel’s best practices, we have organized solutions into focused Business Units that share experience across borders. One example is the Mobile Unit where Eltel definitely represents one of the leading actors throughout Europe.

Commitment to the future and the Infranet Society
We are experiencing a growing importance of Infranets in our society, and Eltel is committed to act as the main contributor to develop ever better Infranet solutions. We are developing our “Smart City” concept to make life easier, and safer, for all people. The Eltel helmet symbolizes the value of real work, need to foster and protect our intelligence and promotion of safety in the Infranet Society. The portfolio of helmets represents the wide scope of knowledge and experience that all Eltel employees deliver daily to our customers.

In 2011, we are optimistic about the business perspective. Society requires more reliable networks. Environmentally friendly solutions in order to meet CO₂ challenges are a must. These drivers, combined with ageing infrastructures and a stronger positioned regulator in many countries, raise the expectations towards Infranet solutions. Eltel being the market leader in Northern Europe, combining knowledge within telecommunications, electricity and IT, is a key partner when boosting the Infranet society.

In 2011 marks also 10 years of Eltel as the pioneer in the Infranet industry. We will celebrate the anniversary with our customers, partners and employees.

Axel Hjärne
President and CEO
Eltel Group Corporation
Eltel journey

Business environment
Deregulation of traditionally government-owned sectors in electricity and telecoms gain momentum in the beginning of the new millennium. Privatisation and more competition are seen as key in order to improve services to consumers and to contribute to the development of more performing societies. Nordic transmission system operators and an important part of distribution companies outsource their construction and their field operations in Finland. Fortum decides to focus on core business and outsources their grid engineering that is to form the nucleus of Eltel Networks.

Governments sell stakes in the incumbent teleoperators as a result of which, outsourcing of 20,000 technicians takes place in Finland, Sweden, Norway and Poland in 2001. The bursting IT bubble slows down telecom investments and the launching of 3G networks is delayed. Poland becomes a member of the EU together with all Baltic states in 2004.

Development of Eltel’s strategy
An epoch-making business concept is formulated as ELTEL starts to offer multi-utility construction and maintenance services to the owners and operators of infrastructure networks. Eltel’s geographical strategy is to expand with permanent establishments in Europe within 1,200 kms reach from Helsinki. Synergies in offering a wide range of services to multiple customers brings gains in economies of scale and economies of scope. Eltel starts its expansion by outsourcing and acquiring established service companies mainly in the Nordic countries but also in the Baltic states. Capman (Finland-based private equity investor) sells its ownership in Eltel to a Swedish private equity fund Industri Kapital in December 2004 who already control the majority of Swedia Networks.

Development of processes and offerings
Eltel starts an active development of a specialised construction and maintenance offering for various infrastructures. The multi-skilled technician concept is created. Eltel Academy ensures the right competences for the right service delivery. Specialization between process and project delivery is developed as field services focus on network implementation and maintenance both in electricity and telecoms, while on Large Projects (today Transmission) focuses on execution of high voltage transmission and export projects. The electricity business signs the first disturbance care agreements to support utilities in major storms.

Developments in M&A&O
• Completion of ownership of Linjebygg in Norway, a joint venture with Groninge Energy in Kainuu Sähkö (today E.ON).
• Acquisitions of the subsidiary in Italy and the consulting business in Finland and impregnation of wooden poles in Sweden.
• Acquisition of Tel-Nett in Norway to enter the telecom business, outsourcing of Connecto from Eesti Telefon, and entry to Poland by acquisition of the transmission project company in Olsztyn. Complementary M&As in Finland, Sweden and Norway. LB Offshore is divested in Norway.

Smaller outsourcing and divestments continue in Finland and Sweden. The year 2004 ends with a massive merger between Eltel Networks and Swedia Networks from Sweden boosting the sales from EUR 284 million in 2003 to EUR 653 million in 2004. The merger gives a significant boost to Eltel’s telecom business making it a major player both with fixed and mobile operators in Northern Europe. Eltel also enters the Danish and German markets with the subsidiaries of Swedia Networks.

M&A&O Mergers & Acquisitions & Outsourcings
Business environment

The year starts dramatically as the Gudrun storm hits Sweden and raises the availability of electricity as a critical topic. Eltel’s cross border teams participate in fault repair and are sent out on Hercules airplanes. The cabling boom starts. The EU energy-saving directive boosts development of Automatic Meter Reading (AMR) in 2005. Vattenfall and E.ON start the first major AMR roll-outs in Finland and Sweden. National Grid operators launch high long-term investment plans to eliminate grid bottlenecks. Contracting in the power transmission sector is becoming more international in Europe.

The revolution in telecommunications is intensified. Triple-play offerings, combining telephony, TV and broadband, start to shape traditional telecom operators towards providers of multimedia services. The first 3G networks are opened. Convergence of fixed and mobile networks starts to take more pace. Functional separation both in electricity and telecoms is required by regulators.

Development of Eltel’s strategy

Through change of ownership, and having doubled its size by merging with Swedia, Eltel is well-equipped to conquer the world, or at least Europe. Merger with Swedia does not only expand the telecom business, but it also means a stronger position in aviation, homeland security and transportation markets. Eltel starts a period of its largest acquisitions and outsourcings becoming a market leader in Denmark and Poland. Eltel leaves the Russian market and sells Transmast in St. Petersburg. Also the markets of Ireland and UK, being outside of Eltel’s geographic scope, are left behind. In summer 2007, Industri Kapital sells Eltel to London-based 3i managed funds.

Development of processes and offerings

A structured approach to formulate the global product definitions, processes and IT systems, called INCH (Infranet Clearing House), forms the platform for further automation of processes. A cost-efficient manner of handling large amounts of customer orders is demanded by teleoperators. New service classification is done, and Eltel Build, Connect, Care and Partner are launched. A tailored Mobile Workforce management system is introduced improving on-time performance in dispatching and reporting. The 15 minutes efficiency program is implemented to eliminate idle time in internal and customer interface processes. Eltel starts the first Smart Metering installations in Finland and Sweden. Proman is Eltel’s ultimate modus operandi to deliver world-class projects in the high-voltage area. The first generation concept of Eltel Way is established.

Developments in M&A&O

- Eltel strengthens its position in Denmark by acquiring KE Partners from Copenhagen Energy. Outsourcing of the Build activity of fixed telecoms of Lietuvos Telekomas (today TEO).
- Strengthening its position as a service provider to mobile operators in Denmark by acquiring JL Teknik.
- Four regional outsourcings of field operations in Finnish telecoms.
- Divestment of Eltel Konsult in Sweden.
- Entering the field service business of telecoms in Poland by acquisition of K-TEL in January and TKC in December of 2007, totally 2,100 employees. Acquisition of Volteon in Poland to strengthen its position in HV substation projects and maintenance. Smaller outsourcings in Sweden, Poland and Finland, both in electricity and telecoms.

Eltel history from 2005 to 2007
– Expansion in the Nordics, Baltics and Poland...
Business environment
The credit crunch hits the world economy. Operators start to cut their capital investments and make savings in maintenance budgets. Poland is the only EU country with positive growth of GNP in 2009. Several major companies launch Smart Grid concepts, and utilities start first Smart Grid pilots. Renewable energy sources, solar and wind power in particular, become hot topics. New policies in tariffs are formulated to boost investments.

The EU makes a political initiative to boost the coverage of nationwide broadband with 100 Mbits in its member states. Mobility everywhere takes a dominant position in many fields of service development. The world economy starts a cautious recovery in summer 2010.

Development of Eltel’s strategy
Eltel continues to consolidate its recent acquisitions. Record sales of EUR 980 million is achieved in 2008. Implementation of standardized reporting and numerous efficiency improvement programs are implemented. Reduction of personnel takes place in all countries, and Eltel adapts successfully to the recessionary market conditions. Profitability is maintained throughout the period, or even improved. Recapitalization takes place in summer 2010, and BNP Paribas becomes a minority owner while Si continues as the majority owner of Eltel. Sales start to grow again in July 2010 after 18 months of decline. Eltel strengthens its position as the Nordic leader in implementing Smart Grids when signing several new contracts in Smart Metering. As a consequence of Power Transmission markets becoming more internationalized, Eltel launches its business model with full global utilization of implementation resources. Several long-term customer contracts, both with incumbent teleoperators and electricity customers, are signed. Major progress in the Railway infrastructure and Homeland Security businesses takes place.

Development of processes and offerings
Eltel’s focus concentrates on improving internal efficiency. A global structure, with technicians being in the forefront, is implemented all the way up from teams to countries. Reporting processes are standardized, and standard costing is introduced. Best practice projects are carried out in treasury management, Gross Margin enhancement and Networking Capital management. The One company – one Eltel approach is widely implemented. A new generation ERP system is introduced in Finland. By allocation of work day on planning, travelling, site execution and reporting, Eltel is able to track every minute, and cost, at a detail level not seen in the industry before. All these actions make a major contribution to ensuring competitiveness, resource utilization and reduction of overhead costs. 2010 becomes the best year in Eltel’s history in terms of profitability! Eltel is now amongst the top performers in its European peer group. Eltel signs the first Smart Metering agreements as a prime contractor, in Denmark. Eltel completes electrification of 100 villages in Botswana. Transmission business starts its entry to CIS countries.

Developments in M&A
• Eltel acquires Siemens Electroservices in Estonia and strengthens its position in the Estonian electricity sector.
• The positions in the Enterprise segment are strengthened by acquiring TDC Production and Connect Partners in Denmark, and outsourcing of AinaCom field operations in Finland.
• Eltel wins outsourcings for planners at TeliaSonera and Elisa in Finland.
• In preparation for the opening of the electricity distribution service sector in Poland, Eltel makes its first acquisitions in that market.
• TDC installation is outsourced to Eltel in Denmark. Fortum continues field operation outsourcing in 2010, both in Sweden and Finland.

Eltel history from 2008 to 2010 – Consolidation and completion of the Eltel Way

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Development of the European power systems – a continued effort

Development of modern electricity power systems is a long-term effort. The current trend towards Smart Grids has opened a new phase in this evolution. However, the foundation for today was laid in the past decades.

Implementation of SCADA systems and PLC from the 1970s, fiber investments of the 1980s and substation automation with new processor technologies from the 1980s/1990s have been some of the key milestones in developing the platform for today’s power management systems.

Liberalization of markets started in the 1990s and is ongoing still today. What used to be a national, strongly regulated industry, with development of new frame agreements and partership alliances.

Investments in transmission

The European Network of Transmission System Operators for Electricity, ENTSO-E, has prepared with other stakeholders a pilot Ten-Year Network Development Plan (TYNDP). The plan presents a forward-looking proposal for electricity transmission infrastructure investments across 34 European countries. The plan, however not binding, puts forward a proposal of close to 500 investment projects worth of EUR 23 to 28 billion till 2015.

The goals of the European energy policy are the following:

• Increasing the use of renewable energy sources (RES) to 20% of total energy production by 2020.
• Further promoting the Internal Energy Market (IEM) by alleviating congestion on the transmission network.
• Ensuring security of supply (SoS) and system reliability of an increasingly complex transmission system connecting 525 million citizens across the ENTSO-E area.

Meeting these goals demands 35,000 km of new transmission lines and 7,000 km of existing line upgrades. Out of the total of 42,000 km, which represents 14% of existing transmission lines, TSOs plan to complete 44% of the work by 2015, and about 56% in the following five-year period.

However, there are also important uncertainties highlighted by the study above. These are predicting the future location of generation and consumption, the way electricity is generated, and the impact of separate policies.

Ready to meet the challenge

How can a transmission project partner prepare for the future, and how does the Eltel strategy comply with the plan above? Mr. Martin Dahlgren, President of Eltel Power Transmission: “We believe the TSOs will need to work on their supply chain management in order to secure sufficient transmission construction capacity over longer periods. This could well lead to new business models in the transmission construction industry, with development of new forms of frame agreements and partnerships alliances.

Eltel does understand the more challenging environment our customers have to navigate through today, with new green power generation creating demands in their networks while landowners and other stakeholders are becoming increasingly resistant to permitting new transmission line corridors. We are developing innovative solutions to meet some of these challenges, such as HTLS installations and live line technologies. We are also growing our multi-domestic capacity and resource base to meet future volumes.”

New market opportunities lie ahead

In 2010, Eltel established its newest subsidiary in Romania. As a newer member state in the EU, representing the so-called emerging Europe by expected growth of economy, and with significant potential for wind power, how does the challenge look like from this perspective? Mr. Ion Nedelcu, President of Eltel Networks s.r.l. answers these questions. Prior to Eltel, Mr. Nedelcu had an extensive career in the Romanian TSO Transelectrica, finally as the General Director of its ITC subsidiary Teletrans.

“Eltel’s ambition is to enter the field of power projects and the field operations business in Romania, due to the large investment opportunities over the next ten years. The driving forces are both the needs for new transmission facilities (overhead lines and substations) to integrate significant volumes of energy generation from renewable sources, mainly from new wind parks around Romania, together with new transmission interconnection capabilities with neighboring countries and major retrofitting of the existing distribution grid.”

Eltel – enabler of Smart Grids

With a strong background in delivering power transmission and distribution projects, maintenance services, implementing energy control and management systems and finally enabling distributed power generation and end-customers under one umbrella will be a huge achievement. While the focus of smart metering is gradually moving from the Nordic countries towards the South, the Nordic players are already actively implementing pilots with charging networks for electrical vehicles and new remote controlling applications for electricity networks. In the years to come we will be seeing a tremendous introduction of new automation solutions, next generation of energy management systems, and very different energy markets.

SCADA Supervisory Control and Data Acquisition
PLC Power Line Communication
TSO Transmission System Operator
HTLS High Temperature Low Sag
Telecoms on the way towards 2020

“Lowering the cost per bit is, and will always be a critical driver for operator investments. Operators will develop more into LEAN and SMART distinctions depending on their strategic choice. Limiting the number of vendors to a number small enough will be vital to keep procurement, and related operations and maintenance, costs low while also keeping the competitive pressure on.”

Ms. Dana Cooperson is the VP and Practice Leader of Network Infrastructure at Ovum, an independent telecoms and IT research and advisory company. Dana answers here some key issues about the development trends in telecommunication. Her comments are based on extensive market and customer research. The bottom line, though, a key driver for operator investment is to keep procurement, and related operations and network maintenance, costs low while also keeping the competitive pressure on.”

1. What are the drivers for operator investments until 2020?
“Essentially, SMART and LEAN are two different and divergent business strategies that operators can take. SMART is a type of service provider that manages the end-to-end relationship with the customer, and in fact may not even look like a traditional service provider at all – the customer may not even know they provide access to a communications network. In the first instance, someone is called “secure and resilient, terabit-capable, flat IP networks that can handle the predicted exafloud of traffic.” I still see a lack of focus on investments that are more directly focused on driving new revenues and hope that we can get there more directly in the years to come. We’ve seen an upswing in investments for, for example, policy management and enforcement, but so far the emphasis has been on controlling traffic growth more than on developing novel new services based on preferences, location, access type, etc.”

2. Can you explain what you mean by LEAN and SMART operators?
“Certainly, automation is a key trend, related to the desire in developed markets to consolidate offices and run unmanned as much as possible. Network simplification – fewer boxes, fewer layers, fewer distinct networks, in fact – is a key trend that ends up simplifying field operations and network maintenance requirements, which is a trend regardless of whether the market is developed or developing. The third big trend is limiting processing of traffic wherever possible. This means everything from building networks around agile optical gear that add/drop traffic and electronically process it only when needed, to bypassing routers if traffic doesn’t need to be routed. This saves space, power, and capex all while simplifying operations and maintenance. The fourth trend I’d name here is the trend toward programmability. It’s another simplifying trend. It’s perhaps a specific instance of automation. It relates to equipment, from the RAN through the mobile and wireline network cores, which is capable of many things but is configured for something specific in the network based on specific requirements.”

3. What do you see as major trends in field operations and network maintenance?
“Certainly, automation is a key trend, related to the desire in developed markets to consolidate offices and run unmanned as much as possible. Network simplification – fewer boxes, fewer layers, fewer distinct networks, in fact – is a key trend that ends up simplifying field operations and network maintenance requirements, which is a trend regardless of whether the market is developed or developing. The third big trend is limiting processing of traffic wherever possible. This means everything from building networks around agile optical gear that add/drop traffic and electronically process it only when needed, to bypassing routers if traffic doesn’t need to be routed. This saves space, power, and capex all while simplifying operations and maintenance. The fourth trend I’d name here is the trend toward programmability. It’s another simplifying trend. It’s perhaps a specific instance of automation. It relates to equipment, from the RAN through the mobile and wireline network cores, which is capable of many things but is configured for something specific in the network based on specific requirements.”

4. Why do you think that size matters for operators in their partner selection?
“Many operators see dealing with lots of technology and service vendors as very costly, and so are trying to limit the number of such vendors to a number small enough to keep procurement (and related operations and maintenance) costs low while also keeping the competitive pressure on. Too many vendors and it’s hard to coordinate them all; too few and they start to get the upper hand on pricing (or so it’s feared) and you might miss best-of-breed products.

As outlined in the report, however, we don’t think this means that we’ll be left only with a small handful of only full-service supply vendors. We do see opportunities for smaller or specialist vendors who have innovative technology. But, increasingly they will need to partner with the larger vendors to get channels into the big operators, who have designated a small number of, in AT&T’s terminology, “domain suppliers.” The full-service vendors can decrease procurement risks as well as direct costs for the operators when dealing with smaller, perhaps more innovative “best of breed” vendors, and the specialists don’t have to work so hard to build sales channels.”

5. Are Smart Grids an opportunity for telecom operators or a new form of competition by power utilities?
“Smart grids are potentially one of the biggest opportunities in M2M (machine-to-machine) communications. Most of the telecoms operators who are aiming to benefit from M2M include the power utility companies, as well as other metering utilities such as gas and water, among the key verticals which they are targeting. But it is important to remember that the provision of connectivity is only one component of a smart grid solution. Even where telecoms companies are involved in providing such solutions, they usually do so as part of a consortium including systems integrators, software vendors and meter suppliers. While the telecoms operator often aspires to act as the prime contractor, this aspiration is not often realized. Moreover, public telecoms networks are not the only connectivity game in town; the jury is still out as to whether they, or dedicated radio networks, will be optimised for providing connectivity to meters, or even power line networks, will ultimately win out.”
Focus on serving customers and managing the network asset

“Traditionally, the electricity companies have been widely involved in the value chain. If you compare their history, they all appear almost the same. What we have seen in the last ten years is a change towards more specialized roles. This is most apparent in the Finnish market where the electricity companies are finding their own focus.”

Fortum’s Ari Koponen is not a traditional manager in the electricity business. His background is not in engineering but in economics. Still, he is a true professional with 15 years’ multifaceted experience in the industry. During his career, Ari Koponen has worked a lot with different service suppliers and other players in the electricity distribution value chain. Today, Ari Koponen is in charge of Fortum’s electricity distribution business.

“Fortum Distribution has chosen to focus on serving customers and managing the distribution network as an asset. In ten years, the return on investment thinking has taken big leaps in Fortum. Today’s asset management work is long-term and the asset is seen as a whole. The Nordic electricity distribution infrastructure was rapidly extended in the 60’s and 70’s and is still incoherent and not very well documented. Only with systematic maintenance work and documentation can the asset become more manageable. In failure management we have seen a mental change from reactive failure repairing towards proactive failure prevention. And in case of failure, the expectations for quick resolution today are higher. All this means higher demands for our partners in field work.

Focusing on core processes means outsourcing non-core processes, including field services. Professional asset management and increasing demands for return on investment add pressure to act more profitably and systematically. Eltel has been the true pioneer and key player in developing field services into clearly defined and standardized service products. This means that Fortum can operate more efficiently and systematically and service procurement is much easier and quicker. We are very pleased with Eltel’s professionalism and flexibility. With Eltel, we have accomplished mutually profitable business arrangements that help us to focus on our core operations.

Our big challenge is to update the distribution infrastructure to meet the needs of tomorrow. The distribution grid was built to handle big production blocks, but the development is towards more dispersed production with small production units like wind turbines. It is likely that tomorrow’s electricity production and consumption take place far from each other. This poses a big challenge for building and updating the grid. We need advanced thinking in asset management, building and maintenance. As I regard Eltel’s capabilities very good, I feel that Eltel’s role in all this could be even bigger than it currently is.”
“Change is the name of the game”

Skanova is the owner and operator of Sweden’s largest open communication network. Capacity is purchased by around 180 telecommunication operators who, in turn, offer a range of services in broadband, mobile communication and cable TV to companies and households all over Sweden.

Ove Alm is Managing Director of Skanova. Here, he gives his views on the rapid pace of development within the telecommunications business while looking to the past and future to explore the changing role that service partners like Eltel must play for the business to remain successful.

Impressive figures

“Just to give you an idea of Skanova’s scope, I can tell you that our copper-based network is roughly one million kilometers long – that’s the distance around our planet 25 times over. In addition, we have Sweden’s largest open fiber network, available in some 100 cities around Sweden. Our target is to make fiber available to half of all households in Sweden by 2014. This calls for a big investment, so we have an exciting time ahead of us.”

Telecommunications a driving force

“Our business has undergone a dramatic change in the last ten years; just look around yourself and think about all the ways you use your computer, lap top, TV and mobile telephone today, compared to how you used these devices a decade ago. How could we ever manage without them? Especially as almost every day new functions and services are added. This is the underlining, driving force for all of us working in this business. We have lots of challenges to face, but above all we must secure availability all the time; something which is so important, must never fail.”

A competitive market

“This dramatic change and development is also reflected in the way our business works here in Sweden. Service and maintenance, as well as the building and installation of telecommunication networks, have step-by-step been outsourced to independent service companies, becoming businesses in their own right. Today, we enjoy the benefits of a competitive market with many service partners competing in a healthy way.”

Process management is key

“We are working together with four major partners to assist us in building new networks and maintaining and servicing existing networks, and we are well on our way to establishing common ground for process management with all of them. Work flows have to be consistent and relevant interfaces have been established. This is an ongoing process and we are trying to learn from other businesses and build something which is tailored for our specific needs. Co-operation is key so we meet with our partners as often as possible to push forward our discussions.”

Attitude is important

“What I am specifically interested to see in our partners is an understanding that they are in the service business. I am looking for a customer-oriented attitude and a will to develop in line with the rapid developments taking place on the technical side. For example, we need ambitious partners able to help our efforts to add 4G to our offering, install new fiber networks or help us to continuously add new capacity to our networks. All these undertakings put further demands on our partners forcing them to be at the forefront of technical development.”
Performance in 2010 maintained by timely measures

2010 marked a second year when Eltel managed to defend profitability through proactive measures in a relatively weak market, particularly during the first half of the year. The sales of the Group were EUR 856.4 million (872.1) in 2010. Low market activity in the first half of 2010 led to a 10% decrease in sales, EUR 375.5 million (416.4). The Group took advantage of a more positive market environment in the second half of the year reaching sales of EUR 480.9 million (455.7), a 6% increase on the year before.

Operational efficiency initiatives
In order to counteract the pressure on the gross margin through productivity improvements, a Group-wide operational efficiency initiative was introduced. A structured and co-ordinated process with local project organisations in all business units was set up to identify and drive improvement initiatives. The program is critical to Eltel’s efforts to stay competitive and is estimated to have generated more than EUR 10 million in productivity improvements in 2010.

Capital structure strengthened
Eltel’s capital structure was strengthened in 2010 through a balance sheet restructuring agreement by the main owners and lenders signed on 9 July 2010. Equity was increased by EUR 190.1 million by way of reducing EUR 165.1 million of debt and injecting an additional EUR 25 million of cash, of which EUR 15 million was used to further reduce debt. The equity ratio as at 31 December 2010 was 30% (6%). The total amount of available liquidity reserves at the year-end were EUR 59.5 million (50.7).

Improvement measures to be continued
Cash flow generated from operations (before financial items and taxes) remained strong at EUR 21.0 million (57.1) despite an increase of net working capital in comparison with an unusually low level at year-end 2009. Net change in cash was EUR 11.7 million positive and the year ended with a net cash position of EUR 18.4 million. In order to further drive cash generation, a Group-wide program to improve capital efficiency has been initiated. A thorough analysis was performed in all business units and new target levels have been set. Action plans are in development to realise the improvement potential.

2010 marked a second year when Eltel managed to defend profitability through proactive measures in a relatively weak market, particularly during the first half of the year. The sales of the Group were EUR 856.4 million (872.1) in 2010. Low market activity in the first half of 2010 led to a 10% decrease in sales, EUR 375.5 million (416.4). The Group took advantage of a more positive market environment in the second half of the year reaching sales of EUR 480.9 million (455.7), a 6% increase on the year before.

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Eltel’s capital structure was strengthened in 2010 through a balance sheet restructuring agreement by the main owners and lenders signed on 9 July 2010. Equity was increased by EUR 190.1 million by way of reducing EUR 165.1 million of debt and injecting an additional EUR 25 million of cash, of which EUR 15 million was used to further reduce debt. The equity ratio as at 31 December 2010 was 30% (6%). The total amount of available liquidity reserves at the year-end were EUR 59.5 million (50.7).

Improvement measures to be continued
Cash flow generated from operations (before financial items and taxes) remained strong at EUR 21.0 million (57.1) despite an increase of net working capital in comparison with an unusually low level at year-end 2009. Net change in cash was EUR 11.7 million positive and the year ended with a net cash position of EUR 18.4 million. In order to further drive cash generation, a Group-wide program to improve capital efficiency has been initiated. A thorough analysis was performed in all business units and new target levels have been set. Action plans are in development to realise the improvement potential.

David Persson
CFO
Eltel Group Corporation
Changes in our business environment happen constantly. Development of Eltel reflects the needs and expectations of our customers. It used to be enough that we could maintain the performance level of Infranets. Today it is necessary that we are able to boost the performance of Infranets.

To address this challenge, Eltel continues to systematically develop its ways of operations, for the benefit of our customers and our customer’s customer. This is called the Eltel Way.

Eltel Way is a proven method in how to run a world-class Infranet service company. Eltel Way makes sense for all of our stakeholders.

Living the brand
Eltel is a people company. It is basically our 8,000 technical specialists, out in the field, in the nine countries where we are active, that are building our reputation and image. They live our brand and make us unique.

To be a true pioneer in the Infranet industry, we have to do things more cleverly than our competitors. We must be proactive and seen as the specialists by our customer. To us, “Boosting the Infranet Quality” is not just a slogan. It is our way of approaching the challenges out in the marketplace. This must always be visible in our daily work and has to be engrained in the heart of every Eltel employee. And it is manifested in our working method – the Eltel Way.

Three drivers guiding us
The three drivers that guide us to become a better partner are Specialization, Empowerment and Proactivity. From the beginning, Eltel’s business idea has been to specialize in infrastructure services.

Specialization
Specialization gives us the necessary know-how to produce efficiently and discuss customer demands in a professional manner. Our teams are focused and organized by the customer solutions they serve.

As specialists we benchmark constantly our team performance with other similar teams at Eltel. We compare the work processes and learn from the Best practices. Eltel Academy provides our people with the necessary personal skills. Specialization has taken us a long way. We are showing unmatched operational excellence. We are the pioneers of the Infranet industry.

Empowerment
We empower people to make decisions on site. We have clear roles and responsibilities. We train our people to help them take care of their work and tasks. We provide support for the decisions while staying lean in overhead structure. Our people have clear and measurable targets that are matched with our service commitment to customer and efficiency requirements at Eltel.

Proactivity
At Eltel, we are proactive. Being proactive means that we constantly look for better ways to help our customers build and take care of their networks and installations. We never stop thinking about the next step.

The Eltel Way is a set of proven Best practices to ensure that the customer always gets the same standard of service regardless of time and place. Eltel Way establishes the standards by which we can become more efficient in our service delivery and be world class. Eltel Way is a unique way to inspire our people to do things even better.
Flexibility with a cross-border workforce

Andreas Schober is the Managing Director of the Eltel subsidiary in Germany, where Eltel delivers Build and Care services in Mobile and Fixed Networks and Build services for Civil Engineering. Eltel is growing and located in five major cities in Germany with close to 200 employees. “To be able to grow in the biggest market with the smallest local team, we buy resources internally to fill the capacity gap as well as the variation in demand. Within Eltel, we get very well-educated and experienced teams, who are widely familiar with the relevant technologies and needs on site.”

Eltel Way in practice
“The benefit for the end customer is the flexibility we can offer. We are able to ramp up project resources in a very short time. On the other hand, our international customers are able to profit from our teams’ experience Europe-wide. Our experiences with the staff from sister companies are very good; they have a good education, wide experience and outstanding performance and quality of work. This is exactly what we understand with Eltel Way.”

“ar the challenge for the teams is to work abroad, far away from home in a new environment. Everybody has to speak English or German. Installation documents are often in the German language. In close cooperation with the management of our sister companies, we offer a whole package of support, we organize accommodation, provide teams with German SIM cards, ensure needed trainings in vendor facilities, and carry out trainings with the staff regarding the important local regulations. Each team has a dedicated, local contact person from the German project management team, who will accompany them.”

Martynas Jotautis is working as a Sales Director at Eltel Lithuania. “We work both on the telecoms and electricity side, delivering Build, Connect and Care works. My customers are external electricity and telecoms companies in the Baltics and our sister companies in other Eltel countries. Having an internal customer means that we have the same, commonly known Eltel Way of working and doing business. This is shown to the end customer as a well-working team creating benefits with the ability to keep the deadlines and cost savings in working processes.”

Unions and tax regulations differ from country to country. It takes time to get an understanding of the local legislation and regulations. Contacts with authorities of Eltel’s local companies are important in order to help us make sure all the aspects are considered and taken care of according to the local conditions.

Eltel well-positioned for the future
Utilization of a cross-border workforce will have much more possibilities in the future. Lack of trained technicians is felt in many countries as operators are boosting their investments. Europe has opened borders for transfer of labour, and Eltel is well-positioned to exploit the opportunity. It is our competitive advantage, that we utilize as much as possible in today’s competitive situations – Eltel’s combined strength. The situations in the national markets are very different. The Baltics are still struggling after the financial crisis, and in Germany and Norway the investments in telecoms have started, and will be, booming for the coming three to five years.

In Lithuania, the unemployment rate is close to 20%. Eltel, as an international and trustworthy employer, and able to offer work abroad, can feel quite comfortable. We can offer interesting work opportunities for our employees while serving our sister companies with motivated and skilled employees. I am optimistic that we are able to offer win-win situations in the future also.

Germany trusts Eltel Way standards

Germany has already established fruitful and long-term cross-border cooperation with many Eltel countries like Poland, Lithuania, Estonia and Denmark.

Lithuania, a trusted partner from within
Boosting the Eltel brand by boosting Infranet Quality

Eltel is a young company. We have only been in operation for ten years. But during this decade we have been experiencing an extremely dramatic development in our field of business. Paradigm shift is a worn-out concept, but in our area it is more relevant than ever.

Enabling the Infranet

To begin with, our mission was merely to secure the availability of our customers’ electricity and telecom networks. Step-by-step, we have emerged into an enabler for utilities and operators that are looking for new business opportunities. Our skills and experiences are instrumental for guiding them into the Infranet era. Today, the Infranet is adding completely new dimensions to our everyday life. As a consumer you are constantly putting higher demands on services you want to explore through your TV in your living room. For example, full HD and 3D is becoming a part of our everyday life. And companies constantly need to increase the capacity, speed, flexibility and functionality in their IT and telecom networks. All of this has to be finally available in mobile, too. To make this a reality, the Infranet has become an absolute necessity.

Making it happen

At Eltel, we have been, and are, leading the way in this exciting development. We are a driving force in realising the Infranet by combining electricity, telecom and IT in an intelligent way. We are boosting the way our society works by boosting Infranet Quality. It is not by chance that Infranet Quality is abbreviated IQ. It takes, and will continue to take, a lot of IQ or intelligence, to realize the inherent opportunities of the Infranet.

We are, of course, just in the beginning of a long-term process. The Infranet concept of today is just an embryo of what it will develop into during the years to come. So far, we have just been scratch ing the surface. To us at Eltel, the most important thing is to be in the forefront in realizing the Infranet. Our vision is to pioneer the Infranet service industry. We are entrepreneurs and have an open mind about new innovative solutions. We are looking for partnerships with customers that challenge us and force us to break new grounds. And we want these customers to look upon us as their natural choice when it comes to working relationships. Together, we will make the Infranet happen.

Our brand promise

Today, Eltel offers Infranet Quality solutions in the areas of power transmission, power distribution, smart metering, smart grids, fixed and mobile telecom networks, homeland security, aviation, rail and road infrastructure and enterprise communications.

Our business concept is simple: to become more efficient, telecoms operators and energy providers have to focus on their core businesses. We are focusing on outsourcing solutions that help operators optimise their resources. This is a fruitful combination. We specialise in boosting Infranet Quality. Our customers can focus on boosting their customer offering. The winners are all customers, no matter whether it is a company or you and me.
Eltel Group Board of Directors 29.4.2011–

Thomas Berglund, Chairman
Mattias Eklund
Gustav Bard
Matti Kyytsonen
Jean Bergeret
Gerard Mohr
Erkki Nikoskelainen, deputy member
Thomas Hofmeister, deputy member

Eltel Group Management Team

Axel Hjärne, President and CEO
David Persson, CFO
Hannu Tynkkynen, New areas and communications
Sonny Nielsen, Mobile telecom and Denmark
Juha Luusua, Power distribution and Fixed telecom Finland and Baltics
Bjarn Lohn, Telecom Norway

Casimir Lindholm, Fixed telecom and Power distribution Sweden
Dawid Kunc, Fixed telecom Poland
Martin Dahlgren, Power transmission
Fredrik Häggström, Railway infrastructure
Jonas Vestin, Smart metering
Eltel Infranet solutions

POWER TRANSMISSION
• Over 60 years of experience in building transmission lines and substations
• References: 90 countries on 6 continents, 47,000 km of transmission lines, 14,000 km of optical cable on power lines
• Multinational resource base to mobilise manpower and machinery across national borders

POWER DISTRIBUTION
• Pioneer in outsourcing and power distribution business
• World-class power network services and innovations with great cost-efficiency
• By focusing on the right things – we do things right

WIND POWER
• Comprehensive service offering from design and planning to infrastructures, electrical and mechanical installations, connection and testing
• Experienced project management – in all conditions

MOBILE TELECOM
• Technology-neutral service partner with international coverage
• Competences in all services in telecom implementation and care
• Impressive customer references with leading operators and major technology providers – proven cost and quality performance to boost operator earnings

FIXED TELECOM
• Leading partner for fixed line operators from outsourcings to long-term service agreements
• Proactivity to innovate customer solutions and boost customer earnings
• Expertise covers everything from standard products to custom-tailored solutions

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HOMELAND SECURITY
• A trustworthy partner for emergency services and military
• Unmatched reference and experience, resources, efficiency and full service scope in Multi-Connect-Cure
• Multi-technology competence base in electricity, telecommunication and IT

AVIATION
• Services for critical terrestrial radio systems within communications, navigation and surveillance
• Partner with the Swedish Civil Aviation Administration since 1996

ENTERPRISE COMMUNICATIONS
• Expertise to combine telecommunications and IT into optimal and creative communication solutions and collaboration, 24/7/365 care with NOC across borders
• Experienced in outsourcing complete customer bases – certifications for all major vendor equipment

SMART METERING
• Market leader from installation to turnkey delivery as prime contractor
• Reference base of 3 million metering points
• Executive partner in whole roll-out chain, from customer contact to system integration – with leading technology partners

SMART GRID
• Innovative solutions by combining el–tel–IT to intelligent Infranet Society
• Experience and references with leading network operators in boosting performance of high and low voltage electricity networks
• New solutions for substations, wind power, sensor applications, intelligent home and el-car charging networks

HOME SECURITY
• Expertise in comprehensive home automation, security systems, and energy management
• Strong partnerships with leading technology providers

ROAD INFRASTRUCTURE
• Market leader in highways and tunnels
• Services for road safety and mobility

RAILWAY INFRASTRUCTURE
• Long-standing experience to address a variety of customer needs in electrification, signaling and telecommunication
• Proven track record to deliver on time with high quality and within budget

WIND POWER
• Comprehensive service offering from design and planning to infrastructures, electrical and mechanical installations, connection and testing
• Experienced project management – in all conditions

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