

# COMPTEL ANNUAL REPORT 2016

comptel



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# THIS IS COMPTEL

**LIFE IS DIGITAL MOMENTS.** We believe that the quality and success in life, private or business, is increasingly dependent on the quality of digital moments we live in. From early morning to late evening people communicate, co-create, collaborate with each other and consume digital content and services. In addition, the connected “things and machines” set the tone and pace for everyday life.

**PERFECTING DIGITAL MOMENTS.** We at Comptel are on a mission to perfect digital moments. For consumers, perfection means getting digital content in the right context, delivered right the 1st time. For service providers, perfection means gaining more revenue, serving happy customers and reducing risks in the business of digital moments.

## OUR STRATEGY

**OUR STRATEGY** focuses on providing software and services for digital service and communications providers in two major areas – **Intelligent Data** and **Service Orchestration**.

**Intelligent Data** business area delivers solutions and services to customers for data management. With the help of Data Refinery solutions, our customers' diverse and complex systems are able to communicate with each other in real time. Data is quickly processed into information which is sent to the target engine in the right format. With Monetizer, creating, managing, bundling and launching data packages and services with third party solutions is easy and fast. Fastermind provides our customers

with artificial intelligence applications and analytics tailored for processing operator data, which can be used to send individually targeted messages to the customers in the right context. Fastermind helps to recognise anomalies and behavioral patterns in the data stream. The growth of the Intelligent Data business area is driven by the increasing need to monetize the exponentially growing volumes of data.

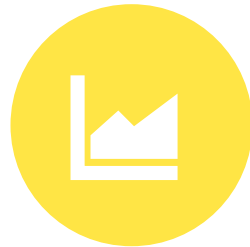
The digital sales channel FWD enables operators to flexibly offer, market and sell their customers different data service solutions.

**The Service Orchestration** business area provides solutions and services for vendor and technology agnostic orchestration of services to improve the digital buying experience. Its growth is driven by the inevitable transformation caused by cloud services and network virtualization. FlowOne Fulfillment and FlowOne V product families ensure that the journey to an all-digital environment is carried out in a controlled manner and at a pace defined by the customer, while leveraging the existing systems and investments.

## COMPTEL TODAY

Today Comptel is at the core of delivering digital and communication services to more than 2 billion people and businesses. Every day, we take care of more than 20% of the world's mobile usage data. Over the years, almost 300 digital service providers in 90 countries have trusted us to manage complexity and reduce friction in their most critical processes.

## NEXTERDAY SOFTWARE COMPANY



**UTILIZE MARKET  
DISRUPTIONS**



**SOLUTIONS WITH UNIQUE VALUE –  
PORTFOLIO EXPANSIONS**



**MOVE INTO  
CLOUD**



**RENEWAL AND  
INNOVATION WITH NXT**



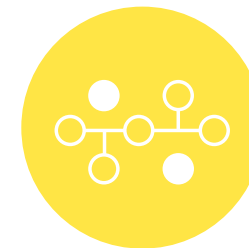
**DRIVE THOUGHT  
LEADERSHIP**



**ENTER NEW  
MARKETS**



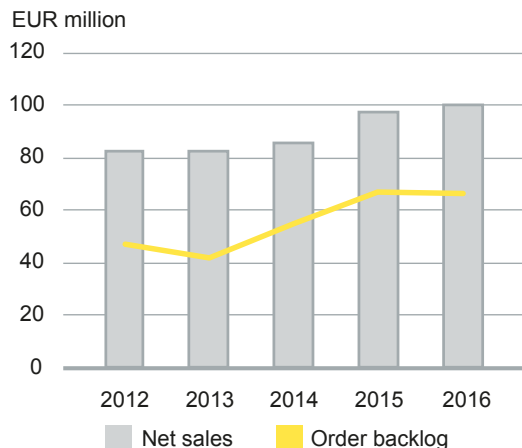
**LEVERAGE GLOBAL  
CHANNEL**



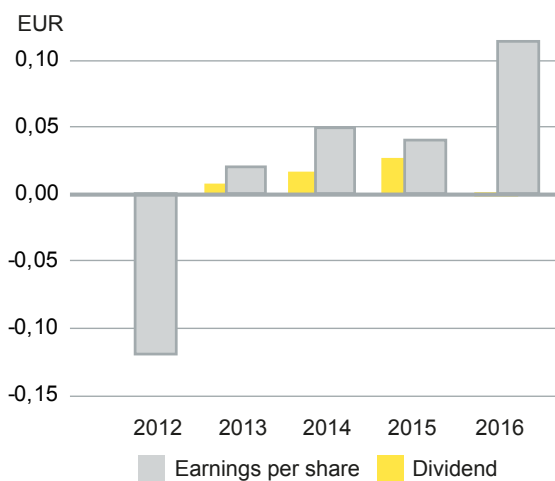
**WIN WITH PARTNERS AND  
ECOSYSTEMS**

# KEY FIGURES

## NET SALES AND ORDER BACKLOG



## EARNINGS PER SHARE AND DIVIDEND



2016 2015 2014

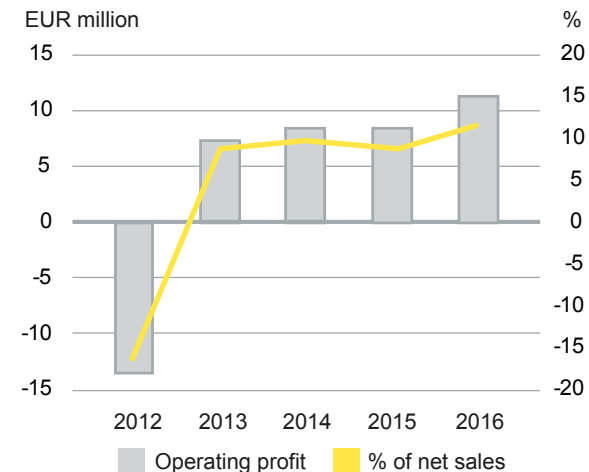
Net sales, MEUR	<b>100.0</b>	97.7	85.7
Operating profit, MEUR	<b>11.0</b>	8.5	8.3
Operating profit, % of net sales	<b>11.0</b>	8.7	9.7
R&D expenditure, MEUR	<b>21.8</b>	20.3	16.8
Order backlog, MEUR	<b>65.7</b>	66.3	55.2
Return on investment, %	<b>23.9</b>	18.3	19.5
Equity ratio, %	<b>58.7</b>	52.4	52.4
Earnings per share, EUR	<b>0.11</b>	0.04	0.05
Dividend per share, EUR (for the financial period)	<b>0.00</b> *	0.03	0.02
Number of employees (average)	<b>791</b>	723	665

\* Board of Directors' proposal

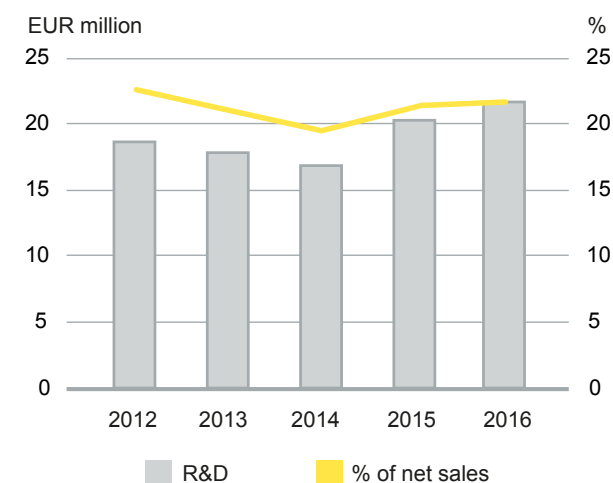
OPERATING  
PROFIT **+30%**

EARNINGS PER  
SHARE **+154%**

## OPERATING PROFIT



## R&D EXPENDITURE



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# CEO REVIEW



## MOVING TOWARDS OPERATION NEXTERDAY PART II

Operation Nexterday part I is completed and Operation Nexterday part II has been started. And what a journey the part I has been!

We introduced Nexterday Vision and Mission three years ago. Since then, we have systemically continued to invest in our product portfolio and developed our strong organization and company culture driven by our values. We have driven industry thought leadership through our Nexterday North event, the Nexterday book and the Nexterday.org community.

We have also got results: we have shown a positive trend in revenue, profitability as well as in customer and employee satisfaction. This has also been recognized by the market. The value of our share has increased by over 500 percent from the end of 2013 to the end of 2016.

During 2016, our both business units grew their net sales, and their profitability improved. However, year 2016 was not as strong as we hoped for. Competition increased and investments in some market areas were delayed. We also noticed a change in the distribution of our net sales – sales of our traditional solutions declined slightly. Therefore, company's total net sales grew only moderately.

However, we are very satisfied that our new solutions grew significantly compared to the previous year and we expect this trend to continue and strongly contribute to our total growth.

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The FWD solution continued to attract significant customer interest and I expect 2017 to be the year when we will start seeing FWD solution to contribute more substantially to company's overall net sales growth.

Our profitability improved significantly and our EBIT improved by 30 percent in 2016. Our earnings per share and net profit increased significantly compared to the previous year. The biggest driver for that was the successful completion of the appeal cases in India regarding our withholding taxes. We managed to secure positive court decisions as well as a refund of most of our withholding taxes for multiple years. The total accounted refund amount was EUR 4.5 million.

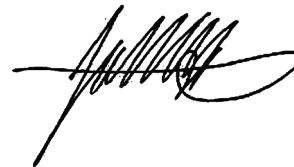
We are confident in proceeding to Operation Nexterday's second part. We have a very strong sales pipeline, our investments are focused in growth areas and we have an excellent team. Our customers respect our work and consider Comptel as their key partner.

As we all know at this stage, Nokia has made a public tender offer for acquiring Comptel. This is an evidence of all the outstanding work our team has done. Without exceptional performance we would not be seen as an attractive acquisition target. I am confident that our team at Comptel will continue to perform also in the new context.

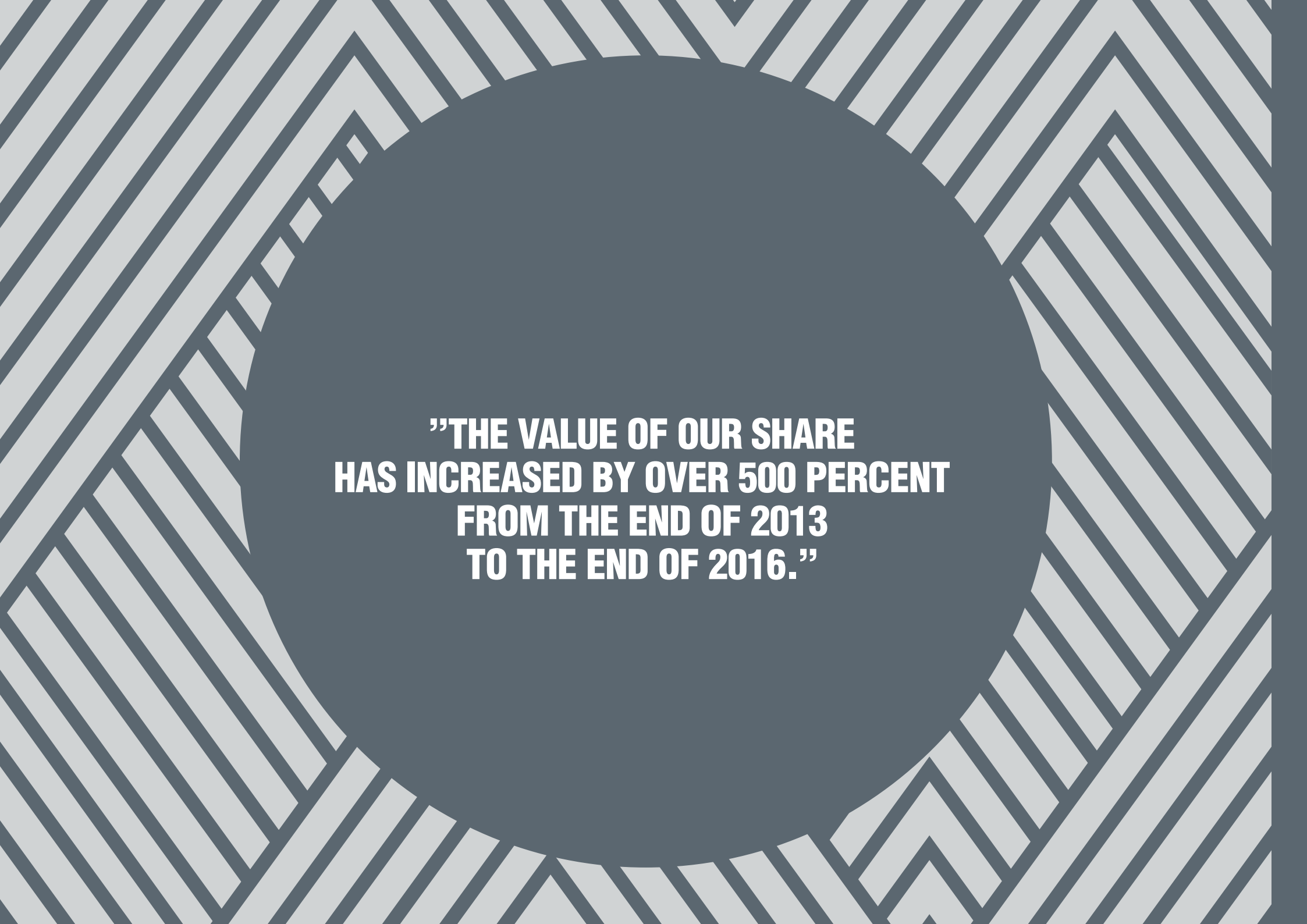
I would like to take this opportunity to thank all of our partners and customers for the trust they have put in Comptel over the years. We will continue the good co-operation.

I also want to thank all of our shareholders for staying with Comptel and believing in Operation Nexterday.

Helsinki, March 2017



Juhani Hintikka  
President and CEO



**”THE VALUE OF OUR SHARE  
HAS INCREASED BY OVER 500 PERCENT  
FROM THE END OF 2013  
TO THE END OF 2016.”**

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# CORPORATE RESPONSIBILITY IN COMPTEL



## WE CREATE OPPORTUNITIES FOR MILLIONS

Comptel has a clear social mission: We are perfecting and enabling digital moments for two billion people around the world. This core of our business forms also the core of our corporate responsibility.

## RESPONSIBILITY MANAGEMENT AT COMPTEL

In 2016, we defined what responsibility means for Comptel from the perspective of long-term business continuity and our stakeholders. For Comptel, corporate responsibility revolves around five key themes. We selected only the most essential themes,

which have a genuine impact on how we perform against our business objectives, and which involve specific expectations among our stakeholders. In the beginning of 2017, we set KPIs for each theme and will be monitoring their progress annually.

## OUR CORPORATE RESPONSIBILITY DEVELOPMENT IN 2017

In addition to the above, we internally follow a number other KPIs related to quality, safety, occupational health, the environment and anti-bribery. In 2017, we will continue to develop the corporate governance practices related to these topics. For example, we will be updating our Code of Conduct. In spring 2018, we will publish a broader corporate responsibility report for the first time.

THEME	ELEMENTS	KPI
<p><b>MORE OPPORTUNITIES FOR MORE PEOPLE</b></p> <p>We enable digital moments for two billion people around the world. Our goal is to offer this opportunity to another two billion new Internet users in the future.</p>	<ul style="list-style-type: none"> <li>• Perfect digital moments enrich everyday life and create business opportunities</li> <li>• The Internet improves the quality of life and provides access to services related to e.g. education, news, entrepreneurship and health</li> <li>• Transparent and predictable pricing is important especially for Internet users in the emerging markets</li> </ul>	<p>Number of people using Comptel solutions through different services</p>
<p><b>GIVING BACK TO OUR TALENT</b></p> <p>Comptel's employees make the company's success and help our customers prosper. We value and take care of our employees. This way we ensure that we have the right talent today and tomorrow.</p>	<ul style="list-style-type: none"> <li>• Attracting, retaining and encouraging employees</li> <li>• Long-term business continuity</li> <li>• Employee experience of meaningful work</li> <li>• Giving each employee a suitable role, trust and autonomy</li> <li>• Respecting local cultures</li> <li>• Respect for diversity and equal treatment of all</li> <li>• Health and wellbeing of employees</li> </ul>	<p>Employee engagement index</p>
<p><b>DELIVERING ON OUR PROMISE</b></p> <p>We come from Finland. Our Nordic roots mean that delivering what we promise – and even more than that – is a matter of honor for us. We set an example for the whole industry.</p>	<ul style="list-style-type: none"> <li>• Taking the initiative to offer our customers more than they ask</li> <li>• Optimizing our customers' operations and business through correct timing and actions</li> <li>• Always doing what's right: following our Code of Conduct, including anti-bribery and code of ethics, in all situations</li> </ul>	<p>NPS score</p>
<p><b>ENSURING DATA PRIVACY AND SECURITY</b></p> <p>The equipment and devices connected to the Internet, as well as their data privacy and security, are a vital part of our business. Our customers have high expectations regarding data privacy and security. We are committed to safeguarding the privacy of people, businesses and other communities. In this way we also guarantee the reliable functioning of society.</p>	<ul style="list-style-type: none"> <li>• Data privacy and security are always an essential part of our services and solutions</li> <li>• We not only meet legislative requirements for data privacy, but provide our customers a peace of mind</li> <li>• Anticipating changes in legislation and actively participating in discussions on data privacy</li> </ul>	
<p><b>RESPECTING OUR PLANET</b></p> <p>Our environmental impacts result mainly from traveling and daily office activities. The biggest indirect impacts are related to our customers: for example, the energy consumption of operators' networks and end users' mobile devices.</p>	<ul style="list-style-type: none"> <li>• Reducing our own waste generation and energy consumption</li> <li>• Minimizing air travel</li> <li>• Helping operators reduce their energy consumption by offering the right service at the right time</li> </ul>	<p>Miles traveled per headcount</p>

# BOARD OF DIRECTORS' REPORT 2016

## BUSINESS OUTLOOK AND MARKETS

Gartner forecasts operator investments will grow about 4 per cent during the next few years. For Comptel the most important trend is that new investments go more to cloud technology and software-based network solutions. This has been evidenced during the last year when we have seen that all leading operators have started building their next generation systems on software and cloud. First of these implementations have been commissioned into trial use beside traditional systems and proved that they yield considerable savings and ease the promotion of new services for the digital society. However, the most important impact is that software networks are essential for launching new concepts like Internet of Things (IoT) and 5G.

We assume that this development is getting traction during the next years and will improve Comptel's position when the number of managed services and volume of accumulated data will increase. We believe Comptel's ability to successfully manage hybrid networks where old and new systems are used in parallel is a strong differentiator.

Another important trend is the huge growth in number of services and the aim to make them more personal. Operators will face a problem when they are combining the wide scope of services from large multinational giants (like Facebook, Google and Apple) and new innovative service developers. This will require improvements in network capacity, service management, scalability and management of the huge amount of data to meet the expected level of customer experience.

We see that Comptel's role within the new network concept is to build user services from available resources and create balance between user experience and resource costs. This function is now strongly integrating with the cloud-based business systems (like sales, customer relationships, charging) and result is that we need to take a role as provider of real-time end-to-end data and control function.

## NET SALES AND PROFITABILITY

Comptel group's 2016 net sales grew by 2.3 per cent (14.0) and were EUR 100.0 million (2015: 97.7; 2014: 85.7). The new solutions sales continued to grow significantly while some of the traditional solutions sales declined compared to previous year.

The important FulFillment solution net sales grew over 20 per cent compared to previous year. In Intelligent Data business unit both our Fastermind solution as well as the Monetizer solution grew significantly during 2016. Fastermind solution grew 50 per cent and Monetizer 70 per cent compared to previous year. The net sales of traditional products declined and therefore overall growth of the company was modest.

Operating profit was EUR 11.0 million (2015: 8.5; 2014: 8.3), which amount to 11.0 per cent (8.7) of net sales. Significant investments into R&D and the product portfolio continued during the year 2016.

For the full year 2016, financial income/expenses were EUR 0.9 million (-1.1). This includes EUR 1.1 million interest income that relates to withholding tax refund from India. The other financial income/expenses were mainly due to fluctuation in exchange rates between EUR and other currencies. Shares in associated minority companies impacted results before taxes by EUR -0.2 million (0.3).

Profit before taxes was EUR 11.7 million (7.6) and profit for the reporting period was EUR 11.7 million (4.5). Earnings per share for the year was EUR 0.11 (0.04).

The tax expenses for 2016 were EUR 0.1 million (3.1), including EUR -2.7 million of withholding taxes (1.2). The 2016 tax expenses include the India tax refund that was received during the year. The EUR 4.5 million withholding tax refund included EUR 3.4 million tax and EUR 1.1 million interest. At the end of the year, EUR 3.6 million has been paid in cash to the company

In 2016, Comptel received 21 orders of which the value exceeded EUR one million (25), of which Intelligent Data unit received five (four Data Refinery solutions and one Monetizer) and Service Orchestration received 11 (11 FlowOne solutions). Five orders were multi-solution orders across the business units. Comptel reports orders for sold projects and licenses with a minimum value of EUR 1,000,000.

The Group's order backlog declined by 0.9 per cent from the previous year and was EUR 65.7 million (2015:66.3; 2014: 55.2).

<b>NET SALES, EUR MILLION</b>	<b>10-12 2016</b>	<b>10-12 2015</b>	<b>CHANGE,%</b>	<b>1-12 2016</b>	<b>1-12 2015</b>	<b>CHANGE,%</b>
Intelligent Data	13.1	14.6	-10.0	43.8	42.5	3.0
Service Orchestration	16.8	18.0	-6.8	56.1	55.2	1.6
Other	0.0	0.0	0.0	0.1	0.0	0.0
<b>Total</b>	<b>29.9</b>	<b>32.6</b>	<b>-8.2</b>	<b>100.0</b>	<b>97.7</b>	<b>2.3</b>
<b>Operating result, EUR million</b>						
Intelligent Data	2.6	3.5	-26.4	6.8	5.8	16.6
Service Orchestration	3.5	2.9	21.2	7.5	5.1	46.1
Other	-0.1	-0.7	-36.0	-3.3	-2.5	-32.3
<b>Total</b>	<b>5.0</b>	<b>5.6</b>	<b>-10.2</b>	<b>11.0</b>	<b>8.5</b>	<b>29.8</b>
<b>Operating result, % of net sales</b>						
Intelligent Data	19.5	23.8		15.5	13.7	
Service Orchestration	20.8	16.0		13.4	9.3	
Other	-	-		-	-	
<b>Total</b>	<b>16.8</b>	<b>17.2</b>		<b>11.0</b>	<b>8.7</b>	

## BUSINESS AREAS

Business areas are defined by Business units. Comptel has three business areas; Intelligent Data, Service Orchestration and others. The operating profit of the segments includes all cost except for Financial income/expense and taxes. Therefore the Company operating profit is fully divided into segments.

For the full year 2016 both business unit's net sales slightly grew. The operating result for Intelligent Data unit grew by 16.6 per cent and for Service Orchestration 46.1 per cent compared to the previous year. This growth in operating result was also reflected in the relative profitability in both business units.

In the fourth quarter the net sales of project and license business declined by 12.8 per cent compared to previous year. The support and maintenance business grew by 5.7 per cent.

For the full year 2016 the net sales of project and license business grew 2.9 per cent and support and maintenance business grew 1.4 per cent compared to previous year.

In the fourth quarter, the EMEA region net sales continued to grow by 5.2 per cent compared to previous year and this was the 6th consecutive quarter that the region grew. Both the APAC and Americas regions net sales declined in the fourth quarter.

For the full year 2016 net sales grew in EMEA by 8.3 per cent compared to previous year. In APAC the net sales grew 1.6 per cent compared to the previous year. APAC net sales slowed down in the 2H of the year due to customer delays. For the full year 2016 Americas net sales declined by 26 per cent compared to the previous year.

<b>NET SALES BREAKDOWN, EUR MILLION</b>	<b>10-12 2016</b>	<b>10-12 2015</b>	<b>CHANGE, %</b>	<b>1-12 2016</b>	<b>1-12 2015</b>	<b>CHANGE, %</b>
Project & License business	21.0	24.0	-12.8	65.1	63.3	2.9
Recurring business	9.0	8.5	5.7	34.9	34.4	1.4
Total	29.9	32.6	-8.2	100.0	97.7	2.3

<b>NET SALES REGIONAL BREAKDOWN, EUR MILLION</b>	<b>10-12 2016</b>	<b>10-12 2015</b>	<b>CHANGE, %</b>	<b>1-12 2016</b>	<b>1-12 2015</b>	<b>CHANGE, %</b>
Apac	6.6	8.9	-26.1	30.1	29.6	1.6
Emea	21.6	20.5	5.2	61.6	56.9	8.3
Americas	1.8	3.2	-44.6	8.3	11.2	-26.0
Total	29.9	32.6	-8.2	100.0	97.7	2.3

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## INVESTMENTS

During 2016, gross investments in intangible and tangible assets amounted to EUR 1.5 million (0.6) and comprised of investments in devices, software and furnishing. The investments were funded through liquid assets and cash flow from operations.

## RESEARCH AND DEVELOPMENT

Comptel's direct R&D expenditure and investments were EUR 21.8 million (2015:20.3; 2014: 16.8). This corresponds to 21.8 per cent (2015:20.8; 2014: 19.6) of net sales.

The key focus of Comptel's R&D expenditure was in the further development of our existing solutions (Service Orchestration and Intelligent Data) and FWD time-based mobile data marketing solution.

Development work was focused on securing recurring revenue with competitive products, winning new markets by giving customers unique value, and by improving margins with better deployment and scalability of our products.

The FlowOne Fulfillment solution ensures unified order and service delivery flows for orchestrating services. FlowOne V is a design-led service orchestration for virtual networks. Data Refinery captures data-in-motion, turns raw data into immediate value and integrates into any data source. Monetizer is the business policy and charging solution that sets the speed to money and allows the innovation and designing of rich communication and data. Fastermind offers artificial intelligence apps, predictive analytics and machine learning capabilities for digital telcos. In all of these areas, Comptel seeks global thought leadership in solving the business challenges of operators and digital communications service providers.

During 2016, Comptel continued to develop its current offering, and ten major software releases were launched in these respective product areas. The company filed 2 new patent applications in 2016 (4). During the year Comptel was granted 7 new patents (4). At the end of the year, Comptel had 47 (40) granted patents and 45 (41) pending patent applications to protect its main products and solutions.

The Comptel® trademark is registered trademark of Comptel Corporation in several countries.

## FINANCIAL POSITION

The balance sheet total on 31 December 2016 was EUR 94.9 million (86.4), of which liquid assets amounted to EUR 9.2 million (3.0). Operating cash flow for the full year was EUR 15.6 million (0.6). Cash flow improved due to net sales growth and improved profitability.

Trade receivables were EUR 38.5 million (40.5) at the end of the period. Accrued income was EUR 15.9 million (10.0). Deferred income related to partial debiting was EUR 5.0 million (3.3).

Comptel has a EUR 25 million credit facility arrangement consisting of EUR 20 million revolving credit facility and EUR 5 million overdraft capacity on current bank account. Out of this arrangement Comptel had EUR 8 million of the revolving credit facility and EUR 0.8 million of the overdraft capacity outstanding at the end of the period. The credit facility is valid until end of July 2018.

The equity ratio was 58.7 per cent (52.4) and the gearing ratio was 0.5 per cent (11.1).

## COMPANY STRUCTURE

At the end of 2016, Comptel group comprised of parent company Comptel Oyj and the wholly owned subsidiaries Comptel Communications Oy, Comptel Communications AS, Comptel Communications EOOD, Comptel Communications Sdn Bhd, Comptel Communications Brasil Ltda, Comptel Communications Inc., Comptel Communications India Private Limited, Comptel Communications S.r.l., Comptel FWD Oy and Comptel Palvelut Philippines Inc. In addition, the Group included the wholly owned subsidiary of Comptel Communications Holdings and its wholly owned subsidiary Comptel Communications Ltd. The group also included an Irish associated company Tango Telecom Ltd (share of ownership 20.0 percent).

Comptel Group has registered representative and branch offices in Australia, Egypt, Russia, United Arab Emirates, The Netherlands, Sweden, Germany, Singapore, Hong Kong, Indonesia, New Zealand and Turkey.

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## PERSONNEL

At the beginning of the year 2016, Comptel had 735 employees and at the end of the year 837. The Group employed an average of 792 persons in 2016 (2015: 723; 2014: 665).

At the end of the period, 28.1 per cent (29.5) of the personnel were located in Finland, 22.7 per cent (25.5) in Malaysia, 15.5 per cent (11.3) in India, 12.2 per cent (10.2) in Bulgaria, and 21.5 per cent (23.5) in other countries where Comptel operates.

Of the group personnel, 50.2 per cent (47.1) worked in customer services, 32.9 per cent (36.5) in research, product development and product management, 8.6 per cent (10.0) in sales and marketing and 8.4 per cent (6.2) in administration and internal support services at the end of the financial year.

At the end of the year the Group had 818 (722) regular workers and 19 (20) non-permanent employees. Of the employees, 809 (712) were full-time and 28 (30) part-time.

Average personnel attrition in 2016 was 16.4 (17.1). The average years of service was 5.0 (5.0). The average age of employees at the end of the year was 37 (37). At the end of the year 73 per cent (73) of the employees were men and 27 per cent (27) women.

Of the personnel, 88 per cent had a university degree, 4 per cent had a polytechnic diploma, 3 per cent a vocational college diploma and 5 percent other education.

Wages and salaries totaled EUR 38.9 million (2015: 38.4; 2014: 34.6).

Salaries and compensation paid to the management are described in the note 31. of the consolidated financial statements.

## CORPORATE GOVERNANCE

Comptel Corporation's Annual General Meeting (AGM) was held on 6 April 2016. The AGM resolved the number of Board members to be five. Mr. Pertti Ervi, Mr. Hannu Vaajoensuu, Ms. Eriikka Söderström, and Mr. Antti Vasara were re-elected as members of the Board of Directors. Mr. Thomas Berlemann was elected as a new member of the Board of Directors.

The AGM appointed Ernst & Young Oy as the company's auditor. Mr. Mikko Järventausta is acting as the principal auditor.

In its meeting held after the Annual General Meeting, the Board of Directors elected Mr. Pertti Ervi as chairman and Mr. Hannu Vaajoensuu as vice chairman.

The Board of Directors decided to establish an audit committee to deal with the preparation of matters relating to the company's financial reporting and control. The Board of Directors elected Ms. Eriikka Söderström as the chairperson of the audit committee, and Mr. Pertti Ervi and Mr. Antti Vasara as the members of the audit committee. All the members of the audit committee are independent from the company and its significant shareholders.

Related party transactions are described in more detail in the note 31 to the consolidated financial statements.

A separate Corporate Governance Statement has been given as part of the annual report.

## AUDITORS

Comptel's auditors was Ernst & Young Mikko Järventausta, APA, as the auditor with principal responsibility.

## COMPTEL'S SHARE AND SHAREHOLDERS' EQUITY

Comptel has one share type. Each share constitutes one (1) vote. The company's capital stock on 31 December 2016 was EUR 2,141,096.20 and the total number of votes was 109,271,496

The total exchange of Comptel's shares in 2016 was 48.4 million shares (41.2) which is 44.3 per cent (38.0) of the total number of shares. The closing price was EUR 2.37 (1.83). Comptel's market value at the end of the year was EUR 258.7 million (198.1).

During the year, Comptel Corporation allotted 42,596 shares to the members of the Board of Directors as part of their annual compensation and 158,333 shares to the President and CEO as per 2012 and 2013 share-based incentive scheme.

The Board of Directors decided on the 9.9.2015, based on the authorization

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received from the Annual General Meeting held on 9 April 2015, to grant in total 3,478,260 options for a new incentive program to the CEO. The options give the right to subscribe for, in total, 3,478,260 company shares.

Out of the subscription rights 1,739,130 are marked with symbol 2015A and 1,739,130 are marked with symbol 2015B. According to the rules of the incentive plan, the share subscription price is EUR 0.89, which is the volume-weighted average price of the company's share in NASDAQ Helsinki during 12. August 2015–8. September 2015 deducted with 20 % and by the dividends and capital repayment paid.

The company held 117,129 of its own shares at the end of the financial year, which is 0.11 percent of the total number of its shares. The total counter-book value of the shares held by the company was EUR 2,295.

The Annual General Meeting, held on 6 April 2016, approved the proposal of the Board of Directors that dividend of 0.03 EUR per share was paid.

The AGM authorised the Board of Directors to decide on share issues amounting to a maximum of 21,400,000 new shares and/or special rights entitling to shares and on repurchase or conveying of the company's own shares up to a maximum number of 10,700,000 shares. The authorisations are valid until 30 of June 2017. However, the authorisation to implement the company's share-based incentive programs is valid until five years from the AGM resolution.

A separate stock exchange release about the resolutions of the Annual General Meeting including authorisations given to the Board of Directors was issued on 6 April 2016.

## **BUSINESS RISKS**

Comptel's business risks are regularly estimated as part of the annual operative planning and strategy process, of the process of preparing and deciding on commercial offers and agreements and investments and other resources allocations, and of other operative actions. Strategic risks are considered the most significant. Strategic risks are further divided into market risks and risks related to the Comptel's business strategy.

Below is a description of the most important factors outside of the Group or generated by its operation, which may be of significance of the Comptel's business,

operating result and share price in the future.

Comptel develops dynamic end-to-end solutions for leading operators globally in the telecom field. This requires that Comptel understands correctly the changing trends in its business environment and the needs of its customers and resellers in each region. Failure to identify market conditions, address customers' needs and develop products in a timely fashion may significantly undermine the growth of Comptel's business and profitability.

The timing of a single major deal and variations in the customer purchase behavior cause significant quarterly variations in sales and profit, and are typical of Comptel's field of industry.

Comptel has invested significantly into new product areas, in analytics and automation of customers' delivery processes. Failure in the development or launch in these product areas can have a significant impact on the company's growth and profitability.

The OSS market is highly competitive. The sector is undergoing consolidation between the market players, which is reflected in the duration and pricing agreements. If Comptel does not manage to adapt its operations and address the changes taking place in its competitive environment, the market development may greatly impair the company's business and operating results.

Comptel has initiated the execution of customer and partner intimate business model which requires getting competent resources closer to key customers and partners in certain growth markets.

Comptel's business consists of delivering large productised IT systems, and the value of a single project may be several million euros. Therefore, the financial loss or credit risk associated with a single project or an individual customer may be significant. There are also risks, associated to the deliveries, that projects are not completed timely or in agreed time schedule or at the planned quality and cost level. To projects is also associated liquidate damage risk. Furthermore, some of Comptel's customers operate in countries where the political or financial climate can be unstable which in part may increase credit risk.

Comptel operates globally and is exposed to risks arising from currency fluctuations. The exchange rate changes between the Euro, which is the company's reporting currency, and the US Dollar, UK Pound Sterling, Indian Rupee and Malaysian Ringgit

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affect the company's net sales, expenses and net profit.

The application process where Comptel seeks to avoid double taxation is still pending with the Ministry of Finance in Finland. However, the legal process between the states is very slow and the results are difficult to foresee. The interpretation of tax treaties may result in different views between the countries in question. This could mean that the double taxation will persist. Comptel has also applications for return of withholding taxes in other countries but they are subject to local legal processes, which take time to get completed.

The company's financial risks are described more in detail in the note 27 of the consolidated financial statements.

## EVENTS AFTER THE REPORTING PERIOD

On the 9th of February Nokia announced its intention to acquire Comptel to advance its software strategy. Nokia made, recommended by the Comptel board, a cash tender offer for all the shares and option rights in Comptel. The offer price is EUR 3.04 in cash for each share in Comptel. A separate stock exchange release on this has been published on 9 February 2016.

## OUTLOOK

We expect 2017 revenue to grow with double digit percentage and we expect EBIT to be between 10-15%.

Characteristically a significant part of Comptel's operating profit and net sales is generated in the second half of the year.

## BOARD OF DIRECTORS' PROPOSAL FOR THE DISPOSAL OF PROFITS

The Group parent company's distributable equity on 31 December 2016 was EUR 13,002,143 (7,692,598)

The Board of Directors proposes to the Annual General Meeting that no dividend be paid for the financial period ended on 31 December 2016.

The Board of Directors proposes to the Annual General Meeting that the Annual General Meeting authorizes the Board of Directors to decide on a dividend payment of up to a maximum of EUR 0.04 per share in one tranche for the financial period ended on 31 December 2016 conditional upon the Transaction Agreement entered into on 8 February 2017 by and between Nokia Corporation and Comptel having been terminated for any reason other than consummation of said tender offer, meaning that the authorization can be used only provided that tender offer announced by Nokia Corporation on 9 February 2017 for all of the issued and outstanding shares and option rights in Comptel Corporation is not completed.

The authorization to decide on payment of dividend shall be valid until 31 December 2017. Based on this authorization, the Board of Directors is entitled to decide on the dividend record date, dividend payment date and other matters required by the matter. When deciding on the possible payment of dividend, the Board of Directors shall assess the company's liquidity and financial position as required by the Companies Act.

Helsinki, 16 February 2017

Comptel Corporation  
Board of Directors

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR 1,000	NOTES	1 JAN - 31 DEC 2016	1 JAN - 31 DEC 2015
Net sales	2	100,011	97,728
Other operating income	5	27	63
Materials and services	6	-4,141	-5,546
Employee benefits	7	-46,763	-46,764
Depreciation, amortisation and impairment charges	8	-5,817	-6,756
Other operating expenses	9	-32,314	-30,251
		<b>-89,035</b>	<b>-89,317</b>
<b>Operating profit/loss</b>		<b>11,003</b>	<b>8,474</b>
Financial income	11	3,269	1,392
Financial expenses	11	-2,365	-2,541
Share of result of associated companies		-172	287
<b>Profit/loss before income taxes</b>		<b>11,735</b>	<b>7,612</b>
Income taxes	12	-77	-3,085
<b>Profit/loss for the period</b>		<b>11,658</b>	<b>4,527</b>

EUR 1,000	NOTES	1 JAN - 31 DEC 2016	1 JAN - 31 DEC 2015
<b>Other comprehensive income</b>			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Cash flow hedges		-296	14
Translation differences		-934	189
Income tax relating to components of other comprehensive income	12	59	-3
<b>Total comprehensive income for the period</b>		<b>10,487</b>	<b>4,728</b>
Profit/loss attributable to:			
<b>Equity holders of the parent company</b>		<b>11,658</b>	<b>4,527</b>
Non-controlling interest		-	-
Total comprehensive income attributable to:			
Equity holders of the parent company		10,487	4,728
Non-controlling interest		-	-
<b>Shareholders of the parent company</b>	13		
Earnings per share, EUR		0.11	0.04
Earnings per share, diluted, EUR		0.10	0.04

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR 1,000	NOTES	31 DEC 2016	31 DEC 2015
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	15	2,646	2,646
Other intangible assets	15	14,095	12,837
Tangible assets	14	1,707	1,152
Investments in associates	16	788	960
Available-for-sale financial assets		87	87
Deferred tax assets	17	8,242	7,685
Other non-current receivables		570	646
		28,135	26,013
<b>Current assets</b>			
Trade and other receivables	18	56,977	56,930
Current tax assets	18	532	403
Cash and cash equivalents	19	9,242	3,030
		66,751	60,363
<b>TOTAL ASSETS</b>		<b>94,886</b>	<b>86,376</b>

EUR 1,000	NOTES	31 DEC 2016	31 DEC 2015
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent company</b>			
Share capital	20	2,141	2,141
Fund of invested non-restricted equity	20	1,975	1,698
Fair value reserve	20	-407	-170
Translation difference	20	-1,443	-510
Retained earnings		42,783	34,165
		45,049	37,324
<b>Total equity</b>		<b>45,049</b>	<b>37,324</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	17	2,805	2,572
Non-current liabilities financial liabilities	24	491	92
		3,296	2,664
<b>Current liabilities</b>			
Provisions	23	116	1,090
Current financial liabilities	24	8,993	7,075
Trade and other current liabilities	25	37,432	37,816
Current tax liabilities		-	407
		46,541	46,388
<b>Total liabilities</b>		<b>49,837</b>	<b>49,052</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>94,886</b>	<b>86,376</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

EUR 1,000	NOTES	1 JAN - 31 DEC 2016	1 JAN - 31 DEC 2015
<b>Cash flows from operating activities</b>			
Profit/loss for the period		11,658	4,527
Adjustments:			
Non-cash transactions or items that are not part of cash flows from operating activities	28	6,497	7,834
Interest and other financial expenses		250	273
Interest income		-1,197	-88
Income taxes		77	3,069
Change in working capital:			
Change in trade and other receivables		-174	-14,240
Change in trade and other current liabilities		-1,500	5,031
Change in provisions		-664	-277
Interest paid		-250	-273
Interest received		1,197	12
Income taxes paid and tax returns received		-291	-5,245
<b>Net cash from operating activities</b>		<b>15,603</b>	<b>623</b>
<b>Cash flows from investing activities</b>			
Investments in tangible assets		-1,417	-456
Investments in intangible assets		-132	-102
Investments in development projects		-6,185	-5,176
Proceeds from sale of tangible and intangible assets		95	7
Change in other non-current receivables		29	-3
<b>Net cash used in investing activities</b>		<b>-7,610</b>	<b>-5,730</b>

EUR 1,000	NOTES	1 JAN - 31 DEC 2016	1 JAN - 31 DEC 2015
<b>Cash flows from financing activities</b>			
Dividends paid		-3,248	-2,139
Additional investment into equity		277	497
Proceeds from share option		-	800
Proceeds from borrowings		33,715	27,935
Repayment of borrowings		-31,924	-28,063
Change in lease liabilities		527	-243
<b>Net cash used in financing activities</b>		<b>-653</b>	<b>-1,213</b>
<b>Net change in cash and cash equivalents</b>		<b>7,339</b>	<b>-6,319</b>
Cash and cash equivalents at the beginning of the period	19	3,030	9,352
Cash and cash equivalents at the end of the period	19	9,242	3,030
<b>Change</b>		<b>6,212</b>	<b>-6,322</b>
Effects of changes in foreign exchange rates		-1,127	-2

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY

EUR 1,000	SHARE CAPITAL	OTHER RESERVES	TRANSLATION DIFFERENCES	FAIR VALUE RESERVE	RETAINED EARNINGS	TOTAL
<b>Equity at 31 Dec 2014</b>	<b>2,141</b>	<b>401</b>	<b>-698</b>	<b>-182</b>	<b>31,684</b>	<b>33,346</b>
Acquisition of Corporation's own shares						-
Shares issued		497				497
Dividends paid					-2,139	-2,139
Share-based compensation		800			428	1,228
Dissolution of subsidiaries					7	7
Prior year corrections *)					-342	-342
Total comprehensive income for the period			188	12	4,527	4,727
<b>Equity at 31 Dec 2015</b>	<b>2,141</b>	<b>1,698</b>	<b>-510</b>	<b>-170</b>	<b>34,165</b>	<b>37,324</b>
Acquisition of Corporation's own shares						-
Shares issued		277				277
Dividends paid					-3,248	-3,248
Share-based compensation					495	492
Dissolution of subsidiaries						-
Prior year corrections *)					-283	-283
Total comprehensive income for the period			-934	-237	11,658	10,487
<b>Equity at 31 Dec 2016</b>	<b>2,141</b>	<b>1,975</b>	<b>-1,444</b>	<b>-407</b>	<b>42,784</b>	<b>45,049</b>

\*) Prior year expense adjustments were posted into retained earnings during the fiscal year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. ACCOUNTING PRINCIPLES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

### COMPANY PROFILE

Comptel Corporation is a Finnish public limited liability company organised under the laws of Finland. Founded in 1986, Comptel Corporation is one of the leading providers of telecom software and services in convergent mediation and charging, predictive analytics and service fulfillment. Comptel Corporation is listed on NASDAQ Helsinki (CTL1V). The parent company of the Comptel Group, Comptel Corporation, is domiciled in Helsinki and its registered address is Salmisaarenaukio 1, 00180 Helsinki.

A copy of the consolidated financial statements can be obtained either from Comptel's website ([www.comptel.com](http://www.comptel.com)) or from the parent company's head office, the address of which is mentioned above.

On 16 February 2017, the Board of Directors of Comptel Corporation has authorised the publication of the consolidated financial statements of Comptel Corporation for the year 2016. According to the Finnish Companies Act, the Annual General Meeting can confirm or reject the consolidated financial statements after the publication. The Annual General Meeting may decide to change the financial statements.

### BASIS OF PREPARATION

Comptel's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) in force as at 31 December 2016 including the IAS and IFRS standards as well as the SIC and IFRIC interpretations. IFRSs referred

to in the Finnish Accounting Act and in ordinances issued based on the provisions of this Act, refer to the standards and their interpretations adopted in accordance with the procedure laid down in regulation (EC) No 1606/2002 of the EU. The notes to the consolidated financial statements also conform to the Finnish accounting and company legislation.

The consolidated financial statements are prepared under the historical cost convention except for available-for-sale assets, derivative financial instruments and hedged items under fair value hedging. Share-based payments are recognised at fair value at the grant date.

All financial information presented in euros has been rounded to the nearest thousand and consequently the sum of the individual figures can deviate from the sum figure.

Comptel first adopted the IFRS in 2005 and applied IFRS 1 *First-time adoption of IFRS* in the transition. The transition date was 1 January 2004.

The preparation of financial statements in conformity with IFRS requires management to make estimates as well as use judgement when applying accounting principles. Actual results may differ from these estimates. The chapter "Accounting policies requiring management's judgement and key sources of estimation uncertainty" discusses judgements made by management when applying the accounting principles adopted by the Group and those financial statement items on which judgements have the most significant effect.

### PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the parent company Comptel Corporation and all those subsidiaries in which it has, directly or indirectly, control (together referred to as "Group" or "Comptel"). Associates included in the consolidated financial statements are those entities in which the parent company

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Comptel Corporation has, directly or indirectly, significant influence, but not control, over the financial and operating policies.

## **SUBSIDIARIES**

Subsidiaries are entities controlled by Comptel. Control means that the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Control exists when Comptel is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Acquisitions of subsidiaries are accounted for using the purchase method of accounting. The consideration transferred and the identifiable assets acquired and the liabilities assumed have been recognised at fair value at the acquisition date. The acquisition costs, excluding the costs to issue debt or equity securities, have been recognised as a cost. The consideration transferred exclude business operations treated separately from the acquisition. The impact is recognised in profit or loss when the acquisition takes place. Possible contingent consideration has been recognised at fair value at the acquisition date and has been classified as liability or equity. Contingent consideration classified as liability is recognised at fair value at the end of each reporting period and the resulting gain or loss is recognised in profit or loss or other comprehensive income. Contingent consideration classified as equity shall not be revalued.

The subsidiaries acquired have been consolidated from the date of acquisition, when control commenced. The subsidiaries disposed of are included in the consolidated financial statements until the control ceases. All inter-company income and expenses, receivables, liabilities and unrealised profits arising from inter-company transactions, as well as distribution of profits within the Group are eliminated as part of

the consolidation process. Unrealised losses are eliminated only to the extent that there is no evidence of impairment.

The allocation of the profit or loss and the distribution of the comprehensive income for the period attributable to equity holders of the parent company and non-controlling interest are presented in connection with the consolidated statement of comprehensive income. Possible non-controlling interest is recognised at fair value or amount corresponding to its proportional share of the net identifiable assets acquired and liabilities assumed. Valuation method is defined separately for each acquisition. Comprehensive income is attributed to equity holders of the parent company and non-controlling interest even if share of non-controlling interest was negative. The share of equity attributable to non-controlling interest is presented separately as part of equity in the statement of financial position. If parent company ownership change in a subsidiary and does not result in loss of controlling interest it is recognised in equity.

If a business combination is achieved in stages the previously held equity interest is recognised at fair value and the resulting gain or loss is reflected in profit or loss. If the Group no longer has a controlling stake in a subsidiary, the remaining asset is recognised at fair value at such date when the transaction takes place and the resulting gain or loss is recognised in profit or loss.

Accounting treatment for acquisitions prior to 1 January 2010 has followed the prevailing standards at the end of the reporting period.

## **ASSOCIATES**

Associates are those entities in which Comptel has significant influence. Significant influence generally arises when Comptel holds voting rights less than 50 per cent but over 20 per cent or when the Group otherwise has significant influence over the financial and operating

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policies, but not control. Holdings in associates are incorporated in these financial statements using the equity method from the date that significant influence commences until the date that significant influence ceases. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate. When Comptel's share in an associate's losses exceeds its interest in the associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate or made payments on behalf of the associate. The Group's proportionate share of associates' profit for the period is presented as a separate line item in the consolidated statement of comprehensive income.

### **FOREIGN CURRENCY TRANSACTIONS**

The result and financial position of a Group entity are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in euros, which is the functional and presentation currency of the parent company.

Transactions in foreign currencies are translated at the exchange rates prevailing on the dates of the transactions. Foreign currency monetary balances are translated at the exchange rate at the end of reporting period. Non-monetary items measured at fair value in a foreign currency are translated at the exchange rate at the end of reporting period. Gains and losses resulting from transactions in foreign currencies and translation of monetary items are recognised in profit or loss.

### **FINANCIAL STATEMENTS OF FOREIGN SUBSIDIARIES**

Statements of comprehensive income and cash flows of foreign

subsidiaries are translated into euros at the average exchange rate during the financial period. Their statements of financial position are translated using the exchange rate at the end of reporting period. The translation differences arising from the translation of the profit for the period by using the average and closing rates are recognised in other comprehensive income and presented as a separate item in equity. The translation differences arising from the use of the purchase method and after the date of acquisition as well as the result of the hedge of a net investment in a foreign operation are recognised in other comprehensive income and presented within equity. If a subsidiary is disposed of, related cumulative translation differences deferred in equity are recognised in profit or loss as part of the gain or loss on sale. From the transition date onwards translation differences arising on the consolidation are presented as a separate component of equity.

Goodwill and fair value adjustments to assets and liabilities that arose on an acquisition of a foreign entity occurred prior to 1 January 2004 are translated into euros using the rate that prevailed on the date of the acquisition. Goodwill and fair value adjustments arisen on an acquisition after 1 January 2004 are treated as part of the assets and liabilities of the acquired entity and are translated at the closing rate.

### **TANGIBLE ASSETS**

Tangible assets are measured at historical cost less cumulative depreciation and any impairment losses. Where parts of an item of tangible assets have different economic useful lives, they are accounted for as separate items of tangible assets. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of tangible assets. The depreciation period for machinery and equipment is four years.

Maintenance, repairs and renewals are generally expensed during the period in which they are incurred except for substantial renovation expenditure relating to leased premises that are capitalised under tangible assets. Such costs are depreciated over the shorter of five years and the lease term.

Residual values of tangible assets and expected useful lives are reassessed at each reporting date and where necessary are adjusted to reflect the changes in the expected future economic benefits.

Tangible assets classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are not depreciated after the classification as held for sale.

Gains and losses on sales and disposals of tangible assets are included in operating income and in operating expenses, respectively.

According to IAS 23 borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are to be capitalised.

## INTANGIBLE ASSETS

### GOODWILL

Goodwill resulting from business combinations subsequent to 1 January 2010 is recognised at the value at which the consideration transferred the amount of non-controlling interest and previously held assets together exceed the Group's share of the amount of the net of the acquisition-date fair values of the identifiable assets acquired and liabilities assumed.

Acquisitions that have taken place between 1 January 2004 and 31 December 2009 have been recognised based on the previous IFRS standards. Goodwill arisen from the business combinations occurred prior to the IFRS transition date has been accounted for in accordance

with FAS and has been taken as a deemed cost.

In accordance with IAS 36 *Impairment of Assets* goodwill is not amortised but tested for impairment annually. Goodwill is stated at cost less any cumulative impairment losses.

### RESEARCH AND DEVELOPMENT COSTS

In accordance with IAS 38 *Intangible Assets* expenditure on research activities is recognised as an expense in the period in which it is incurred. Development costs that arise from design of new or improved products are capitalised as intangible assets in the statement of financial position when the product is technically and commercially feasible and it will generate future economic benefits. Amortisation of such an asset is commenced when it is available for use. Unfinished assets are tested annually for impairment.

Comptel capitalises development costs and costs related to internal system projects meeting the requirements under IAS 38. Capitalised development costs are amortised on a straight-line basis over three years and the costs related to internal system projects over four years.

Government grants that compensate the Group for the development costs are either deducted from the carrying amount of the asset or from the related expenses in profit or loss.

### OTHER INTANGIBLE ASSETS

Patents and licenses acquired as well as costs incurred from patent applications with a finite useful life are capitalised and amortised on a straight-line basis over their useful lives. Amortisation is calculated based on the original cost and allocated over the useful life.

The capitalised patent costs are generally amortised over ten years and licenses over four years.

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The expected amortisation periods are reviewed at each reporting date and if they differ from previous estimates, the amortisation period is changed accordingly.

Identifiable intangible assets acquired on a business combination are measured at fair value. Such intangible assets relate for example to client relationships and technologies received in an asset acquisition and they are amortised over three to five years.

## LEASES

### COMPTTEL AS LESSEE

IAS 17 *Leases* divides leases into finance and operating leases. Leases are classified as finance leases whenever the terms of the lease transfer substantially all the typical risks and rewards of ownership to the lessee.

At the commencement of the lease term an asset acquired under a finance lease is recognised in the statement of financial position at an amount equal to the lower of its fair value and the present value of the minimum lease payments. An asset acquired under a finance lease is depreciated over the shorter of the lease term and its useful life. Lease payments are apportioned between the finance charge and the reduction of the outstanding lease liability so as to achieve a constant periodic rate of interest on the liability balance outstanding. Lease liabilities are included in financial liabilities.

If the lease does not meet the requirements of a finance lease, it is always classified as an operating lease. In such a case the lessee has the right to use the asset for a limited time and the risks and rewards incidental to ownership are not transferred to the lessee.

The leases of Comptel are mainly treated as operating leases.

Payments made thereunder are recognised in profit or loss as rental expenses on a straight-line basis over the lease term.

## IMPAIRMENT

### TANGIBLE AND INTANGIBLE ASSETS

Comptel assesses at each reporting date whether there is any indication of impairment of assets. If there are such indications, the asset's recoverable amount is estimated. In addition, the recoverable amount is estimated annually for the following assets regardless of there being any indications of impairment: goodwill and unfinished intangible assets. The need for impairment is reviewed at the level of cash-generating units which is the lowest level for which there are separately identifiable, mainly independent cash flows.

The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. The value in use represents the discounted future net cash flows expected to be derived from an asset or a cash-generating unit. The discount rate used is the pre-tax rate that reflects the market's view on the time value of money and the specific risks related to the asset.

An impairment loss is recognised if the carrying amount of an asset or a cash-generating unit is higher than the recoverable amount. Impairment losses are recognised in profit or loss. If an impairment loss is allocated to a cash-generating unit, it is first allocated to decrease the goodwill allocated to this cash-generating unit and subsequently to decrease pro-rata other assets of the cash-generating unit. An impairment loss is reversed if there are any indications that the conditions and the recoverable amount have changed since the impairment loss was recognised. An impairment loss is reversed only to the extent that

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the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised. An impairment loss recognised for goodwill is never reversed.

## PENSION OBLIGATIONS

Under IAS 19 *Employee Benefits* pension plans are classified as either defined contribution plans or defined benefit plans based on the company's obligations. In a defined contribution plan the company pays fixed contributions to a separate entity and has no further obligations. The pension plans of Comptel are arranged in accordance with the local legislation. Contributions of the defined contribution plans based on the regularly reviewed actuarial calculations prepared by the local pension insurance companies are recognised as an expense in profit or loss in the year to which they relate.

## SHARE-BASED PAYMENTS

Comptel has several option schemes and they are paid out as equity instruments. Equity-settled share-based schemes are measured at fair value at the grant date and expensed in profit or loss on a straight-line basis over the vesting period. The expense determined at the grant date is based on the Group's estimate on the number of those options that eventually vest at the end of the vesting period. The fair value is determined using the Black-Scholes option pricing model.

Comptel had also share-based incentive programs during the financial period. The share-based incentive programs provided the key personnel of the Comptel Group with a possibility to receive shares of the company as compensation. The compensation paid based on the share-based incentive programs was paid as a combination of company shares and cash after the vesting period had expired. Costs

incurred from the share-based incentive programs were recognised as employee benefit expenses over the commitment period. Comptel did not have valid share-based incentive schemes at the end of the reporting period.

## PROVISIONS

IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* prescribes the recognition criteria for a provision. A provision is based on an existing obligation and it is recognised in the statement of financial position when an entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amounts recognised as provisions shall be the best estimate at the end of the reporting period and if the best estimates change the provisions are adjusted. Changes in the provision are recognised similarly in profit or loss as the original provision.

A warranty provision is recognised when a product that embodies a warranty is sold or delivered. The amount of the warranty provision is based on experience-based information about the materialisation of warranty costs.

A restructuring provision is recognised when Comptel has prepared a detailed plan for restructuring, commenced the implementation of the plan and announced about the plan. A restructuring plan includes at least the following information: the business concerned, the principal locations affected, the location, function and approximate number of employees who will be compensated for terminating their services, the expenditures that will be undertaken and when the plan will be implemented. No provision is recognised for the expenditure arising from the Group's continuing operations.

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A provision is recognised when the expected economic benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

## **INCOME TAXES**

The income taxes in the consolidated statement of comprehensive income consist of current tax and the change in the deferred tax assets and liabilities. Current tax is calculated on the taxable profit for the period determined in accordance with local tax rules and is adjusted with the tax for previous years. The deferred tax amount attributable to other comprehensive income or equity is reflected in other comprehensive income or equity, accordingly.

Deferred tax assets and liabilities are provided using the statement of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The enacted or substantially enacted tax rate at the reporting date is used as the tax rate. In Comptel the main temporary differences arise from the depreciation of tangible assets not deducted in taxation, the fair value measurement of derivatives, capitalisation of development costs, paid withholding taxes, which Comptel estimates to be able to deduct from the future income taxes and the reversal of goodwill amortisation on Group level.

Deferred tax liabilities are recognised at their full amounts in the statement of financial position, and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised.

## **REVENUE RECOGNITION AND NET SALES**

Revenue from the sale of goods is recognised when significant risks and rewards of ownership have been transferred to the buyer. Revenue from services is recognised when the service has been performed. License revenue that includes no work performance is recognised when the license is delivered. The number of subscribers at a client is reviewed continuously. If their number exceeds the number agreed on in the terms of the license, the client can be charged for the increased number of subscribers. This license upgrade revenue is recognised upon invoicing. Service revenue is recognised as income when the performance obligations are fulfilled. Maintenance revenue is recognised as income on a straight-line basis over the maintenance term.

## **LONG-TERM PROJECTS**

Revenue and expenses from long-term projects are recognised using the percentage-of-completion method, when the outcome of a long-term project can be estimated reliably. The revenue from a long-term project comprises license income and work. The outcome of a long-term project can be estimated reliably when the revenue and expenses expected as well as the progress made towards completing a particular project can be measured reliably and when it is probable that the economic benefits associated with the project will flow to the Group. In Comptel the degree of completion of a long-term project is determined by the relation of accrued work hours to estimated overall work hours. If it is probable that total project costs will exceed total project revenue, the expected loss is recognised as an expense immediately.

Net sales is adjusted for discounts granted, sales-related indirect taxes and effects of the translation differences arisen on the translation

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of the trade receivables denominated in foreign currencies.

A separate warranty provision is recognised to cover costs under warranty periods following the completion of the projects. The total estimated margin of onerous projects is recognised as an expense and a provision.

## EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to ordinary shareholders that is divided by the weighted average number of ordinary shares outstanding during the year. Treasury shares owned by the Group are excluded when calculating the weighted average number of ordinary shares. For the purpose of calculating diluted earnings per share using the treasury stock method, the Group assumes the following: the exercise of dilutive warrants and options occurred at the beginning of the financial period, the exercise of dilutive warrants and options granted during the period followed at their grant date and the proceeds from their exercise was spent by acquiring treasury shares at the average market price during the period. The denominator includes the weighted average number of ordinary shares and the shares to be issued following the exercise of warrants and options.

The assumptions of the exercise of options is excluded when calculating diluted earnings per share if the exercise price of the warrants and options exceeds the average share market price during the period. The options and warrants have a dilutive effect only if the average share market price during the period is higher than the subscription price of an option and a warrant.

## FINANCIAL ASSETS AND LIABILITIES

### FINANCIAL ASSETS

In accordance with IAS 39 *Financial Instruments: Recognition and Measurement* the financial assets of the Group are classified to following groups: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. Classification is based on the nature of the item and it is made at initial recognition.

An item is classified as financial asset at fair value through profit or loss when it is held for trading or classified at initial recognition as financial asset at fair value through profit or loss. The latter group comprises such investments that are managed based on their fair value or an investment which contains one or more embedded derivative which changes the cash flows of the contract significantly in which case the entire compound instrument is measured at fair value. Financial assets held for trading have been mainly acquired to generate profits from short-term changes in market prices. Derivative instruments which do not meet the criteria for hedge accounting defined in IAS 39 have been classified as held for trading. Derivatives held for trading as well as financial assets maturing within 12 months are included in current assets. These assets have been measured at fair value. Unrealised and realised gains and losses arisen from fair value measurement are recognised in profit or loss in the period in which they occur.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost and they are included in non-current assets. Comptel had no such financial assets during the financial year.

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Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Group does not hold them for trading purposes either. They are included in current assets, except for maturities greater than 12 months after the reporting date. Trade receivables are recognised based on the original amount charged from a client less any impairment losses.

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date, in which case they are classified as current. Available-for-sale financial assets may include shares (equity securities) and interest-bearing investments. They are measured at fair value, or when the fair value cannot be reliably determined, at cost.

### **CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise cash in hand, deposits held at call with banks and other short-term, highly liquid investments with original maturities of three months or less. Any bank overdrafts are included within current liabilities.

### **FINANCIAL LIABILITIES**

Financial liabilities are initially recognised at fair value, net of transaction costs. Subsequently financial liabilities are measured at amortised cost using the effective interest rate method. Financial liabilities are both non-current and current. A financial liability is classified as current when the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Borrowing costs are recognised in profit or loss as incurred. Fees paid

on the establishment of loan facilities are recorded as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. When the draw-down occurs, the fees paid on the establishment of loan facilities are recognised as part of transaction costs. To the extent it is probable that some or all of the facility will not be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

## **DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING**

Derivatives are initially recognised in the statement of financial position at cost, equivalent to their fair value and are subsequently measured to fair value.

From 1 October 2014 onwards Comptel has applied hedge accounting in accordance with IAS 39.

Comptel formally designates and documents the hedge relationship as well as the Group's risk management objective and strategy for undertaking the hedge. Comptel documents and assesses, at the inception of a hedge relationship and at least at each reporting date, the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. The changes in the fair values of those derivatives meeting the criteria of a fair value hedge are recognised in profit or loss together with the fair value changes of the hedged asset or liability attributable to the hedged risk. The changes in the fair values of the derivatives hedging trade receivables are booked against sales revenues.

If a derivative meets the conditions of a cash flow hedge, the change in the fair value of the effective portion of the hedging instrument is

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recognised in other comprehensive income and presented in equity in the fair value reserve. The accumulated gains or losses in equity are reclassified into profit or loss in the same period during which the hedged item affects profit. When a hedging instrument designated as a cash flow hedge expires or is sold or the hedge no longer meets the criteria for hedge accounting, the cumulative gain or loss on the hedging instrument remains in equity until the forecast transaction occurs. However, if the forecast transaction is no longer expected to occur, any related cumulative gain or loss in equity is recognised immediately in profit or loss.

## **DIVIDENDS**

The dividend proposed by the board of directors is not recognised until approved by a general meeting of shareholders.

## **ACCOUNTING POLICIES REQUIRING MANAGEMENT'S JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

The preparation of financial statements calls for the management to make future-related estimates and assumptions which may differ from the actual results. In addition, judgment is required when applying accounting principles. The estimates are based on management's best view at the reporting date. Possible changes in estimates and assumptions are recognised in that period when an assumption or estimate is corrected as well as in all subsequent periods.

In Comptel those key assumptions concerning the future and those key sources of estimation uncertainty at reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are the following:

## **IMPAIRMENT TESTING**

Goodwill, patenting costs and development costs capitalised under unfinished intangible assets are tested annually for impairment. Assets are reviewed for impairment in accordance with the principles set out above. These calculations include elements, such as WACC and the future economic development, which require management's judgement.

Additional information about the sensitivity of the recoverable amount to changes in the assumptions used is presented in note 16. Intangible assets.

## **REVENUE RECOGNITION**

The judgement of the revenue recognition principles starts from the interpretation of the sales order, revenue recognition rules will be determined according to the order value, extent and delivery period.

As described above under the heading Revenue recognition principles revenue and expenses from long-term projects are recognised using the percentage of completion method when the outcome of a long-term project can be estimated reliably. The percentage of completion method is based on estimates of total expected project revenue and costs, as well as on reliable measurement of the progress made towards completing a particular project. The recognition of project revenue and project costs in profit or loss is changed if the estimate of the outcome of a project deviates from the plan, in the period in which the change is identified for the first time and it can be estimated reliably. An expected loss on a long-term project is recognised in profit or loss immediately when it is identified and can be estimated reliably. Additional information about the long-term contracts is presented in note 4. Revenue recognition using percentage of completion method.

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## TAXES

Comptel's customers are located globally in different countries, which brings about taxation challenges, which need to be judged to determine the correct tax expense amount. The judgement and interpretation of the international tax treaties is done from the Finnish and the foreign country's point of view based on the past experience.

Management needs to assess the treatment of withholding taxes as well as the possibility to utilise deferred tax assets. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised.

## APPLICATION OF NEW OR AMENDED STANDARDS AND INTERPRETATIONS

The below described standards, interpretations or their amendments have been published but are not yet effective and Comptel has not adopted them prior to the mandatory application date. Comptel will adopt the following amended or new standards and interpretations issued by the IASB as soon as they are effective if the effective date is the same as the beginning of the financial year, or if the effective date is different, they will be adopted as from the beginning of the following financial year:

IFRS 15 *Revenue from Contracts with customers*. The standard includes a five-step model for revenue recognition. The recognition model includes clearly more detailed instructions than the currently valid standards. Comptel's preliminary estimate is to adopt the new standard using the full retrospective method from the effective date. During the year 2016 Comptel has tentatively estimated the impact of

IFRS 15 in the different sales revenue streams.

The current practice is to recognize the service revenue when the service is performed. License revenue, without work performance, is recognized when delivered. Customer's subscription volumes are monitored constantly, so that when the volume exceeds the agreed limit Comptel can issue an additional invoice according to the changed subscriber level. This revenue is recognized upon invoicing. Maintenance revenue is recognized over time.

IFRS 15 requires that new contracts must be reviewed and the promised goods and services evaluated and each promise has to be separated as a distinct performance obligation, which customer can benefit on stand-alone basis and which will be delivered according to the same revenue recognition rule.

The preliminary estimate is that the performance obligations may change and they will be combined with the other performance obligations. The standard will have impact in the license revenue recognition, which will be accelerated or delayed depending on the order, depending on if the license is part of a long term project, are there other performance obligations related or is the license sold as a separate performance obligation.

IFRS 15 requires that the all performance obligations are priced separately, which may impact in the revenue recognition amount per one performance obligation.

IFRS 15 requires that the incremental costs of obtaining a contract have to be recorded as a non-current asset and amortised as revenue is recognized.

Comptel estimates that IFRS 15 do not have a significant effect on the service revenue, which is recognized over time.

During the year 2017 Comptel continues to analyse the customer contracts, specifically those which include the above mentioned items.

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Additionally, the standard will require new notes, Comptel will develop a process to collect all the information required during the year 2017.

IFRS 16 *Leases*. The standard specifies how the lease agreements will be recognized, measured, presented and disclosed. The standard provides a single lessee accounting model, requiring lessees to recognize right-of-use assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The standard is estimated to impact Comptel's consolidated financial statements by increasing the Balance Sheet value and by transferring rental expenses to amortization and financial expenses.

IFRS 9 *Financial Instruments*. The standard includes revised guidance on the classification and measurement of the financial instruments and new hedge accounting requirements. Comptel's preliminary assessment is that the standard does not have material impact on the group financial statements.

Annual Improvements to IFSRs 2014-2016. Minor and less urgent amendments to the standards are collected and implemented once a year. The effects of the amendments vary by standard, but the amendments are not estimated to have a significant effect on Comptel's consolidated statements.

## 2. SEGMENT REPORTING

Comptel Group has three reportable segments which are based on business units. Business unit structure is the main dimension for the reporting and decision making regarding company profitability.

Comptel Group's operating segment reporting is conforming to IFRS standards.

The assessment of the operating results and resource allocation is based on the operating result of the segment in Comptel Group. The President and CEO of

Comptel Group is ultimately responsible for these decisions.

Total net sales from the operating segments consolidate to Group external net sales. Segment expenses include sales and customer service expenses. Unallocated expenses relate to product management, research and development as well as administration units. Segment assets include trade receivables.

<b>2016, EUR 1,000</b>	<b>INTELLIGENT DATA</b>	<b>SERVICE ORCHESTRATION</b>	<b>OTHER</b>	<b>SEGMENTS TOTAL</b>
Net sales	43,791	56,085	135	100,011
Segment share of operating result	6,769	7,492	-3,258	11,003
Depreciation and amortisation	2,547	3,262	8	5,817

<b>2015, EUR 1,000</b>	<b>INTELLIGENT DATA</b>	<b>SERVICE ORCHESTRATION</b>	<b>OTHER</b>	<b>SEGMENTS TOTAL</b>
Net sales	42,503	55,225	0	97,728
Segment share of operating result	5,808	5,128	-2,462	8,474
Depreciation and amortisation	2,938	3,818	0	6,756

## RECONCILIATIONS

### RESULT

EUR 1,000	2016	2015
Segment share of operating result	11,003	8,474
Financial income and expenses	904	-1,149
Share of result of associated companies	-172	287
<b>Group profit/loss before income taxes</b>	<b>11,735</b>	<b>7,612</b>

## INFORMATION ABOUT PRODUCTS AND SERVICES

### REVENUES FROM EXTERNAL CUSTOMERS

EUR 1,000	2016	2015
Project & License business	65,105	63,289
Recurring business	34,906	34,439
<b>Total</b>	<b>100,011</b>	<b>97,728</b>

## GEOGRAPHICAL INFORMATION

### REVENUES FROM EXTERNAL CUSTOMERS

The geographical split of net sales is based on the customer domicile.

EUR 1,000	2016	2015
India	10,589	9,280
Saudi Arabia	7,284	7,687
Germany	7,208	12,433
Australia	7,189	7,337
Danmark	5,994	2,205
Italia	4,557	2,887
Great Britain	3,780	3,305
Finland	2,606	2,589
Other countries	50,804	50,005
<b>Total</b>	<b>100,011</b>	<b>97,728</b>

### NON-CURRENT ASSETS

The geographical split of non-current assets is based on the location of such assets. Non-current assets are presented without deferred tax assets and post-employment benefit assets.

EUR 1,000	2016	2015
Finland	14,968	13,401
Other countries	1,487	1,274
Investments in associates	788	960
Unallocated assets	2,649	2,693
<b>Total</b>	<b>19,892</b>	<b>18,328</b>

### INFORMATION ABOUT MAJOR CUSTOMERS

In 2016 and 2015 revenues from a single customer did not exceed 10% of the total Comptel group net sales.

### 3. BUSINESS COMBINATIONS

No new business combinations were acquired during the year 2016 or 2015.

### 4. REVENUE RECOGNITION USING PERCENTAGE OF COMPLETION METHOD

EUR 1,000	2016	2015
Net sales recognised as revenue according to percentage of completion	22,513	22,193
Amount recognised as revenue during the financial year and previous years for long-term projects in progress	9,961	13,336
Total costs of incomplete long-term projects	7,650	6,843
Backlog of orders of long-term projects according to percentage of completion	19,600	19,696
Prepayments and accrued income recognised on the basis of percentage of completion	2,907	2,845
Deferred income and accruals recognised on the basis of percentage of completion	3,016	3,270

### 5. OTHER OPERATING INCOME

EUR 1,000	2016	2015
Gains on disposal of tangible assets	1	3
Other income items	26	60
<b>Total</b>	<b>27</b>	<b>63</b>

### 6. MATERIALS AND SERVICES

EUR 1,000	2016	2015
Purchases	-37	-87
External services	4,178	5,633
<b>Total</b>	<b>4,141</b>	<b>5,546</b>

### 7. EMPLOYEE BENEFITS

EUR 1,000	2016	2015
Wages and salaries	38,897	38,373
Pension expenses - defined contribution plans	4,740	4,692
Share options granted	-168	362
Expenses related to share-based incentive program	427	607
Other social security costs	2,868	2,730
<b>Total</b>	<b>46,764</b>	<b>46,764</b>

### THE AVERAGE NUMBER OF EMPLOYEES IN THE GROUP DURING THE FINANCIAL YEAR

	2016	2015
Europe	389	361
Asia-Pacific	338	298
Middle East and Africa	56	57
Americas	9	7
<b>Total</b>	<b>792</b>	<b>723</b>

## PENSION PLANS FOR THE MEMBERS OF THE BOARD AND CEO

An additional contribution pension plan has been agreed on for the President and CEO of the parent company. The retirement age is based on the Finnish Statutory Employment Pension Scheme (TyEL). CEO's pension costs were totally 207,037.00 euros in 2016 (209,310.00 euros in 2015), of which the additional pension plan's portion was 81,881.00 euros (85,559.00 euros in 2015).

Information on the remuneration of the Group management is presented in note 31. Related party transactions.

Information on the options granted and on the management's share in the share-based incentive plan is presented in note 21. Share-based payments.

## 8. DEPRECIATION, AMORTISATION AND IMPAIRMENT CHARGES

EUR 1,000	2016	2015
<b>Depreciation and amortisation by asset type</b>		
Intangible assets		
Patents and trademarks	77	77
Capitalised development costs	4,854	5,520
Other intangible assets	129	405
<b>Total</b>	<b>5,06</b>	<b>6,002</b>
Tangible assets		
Machinery and equipment	757	754
<b>Total</b>	<b>757</b>	<b>754</b>
<b>Total depreciation, amortisation and impairment charges</b>	<b>5,817</b>	<b>6,756</b>

## 9. OTHER OPERATING EXPENSES

EUR 1,000	2016	2015
Lease payments	2,824	3,035
Travel expenses	8,519	6,814
Marketing expenses	2,209	2,151
Other operating expenses	18,762	18,251
<b>Total</b>	<b>32,314</b>	<b>30,251</b>

## THE AUDITORS' FEES

EUR 1,000	2016	2015
<b>Ernst &amp; Young</b>		
Audit	230	282
Tax consultation	74	81
Other services	30	21
<b>Total</b>	<b>334</b>	<b>384</b>

Audit fees include the fees of the statutory auditors of each Group company.

## 10. RESEARCH AND DEVELOPMENT COSTS

The research and development costs recognised as expenses in the statement of comprehensive income amounted to EUR 15,609 thousand in 2016 (EUR 12,752 thousand in 2015).

The capitalised development expenditure totalled EUR 6,185 thousand (EUR 5,176 thousand in 2015). The amortisation of the capitalised development costs amounted to EUR 4,854 thousand (EUR 5,520 thousand in 2015).

## 11. FINANCIAL INCOME AND EXPENSES

EUR 1,000	2016	2015
Interest income from cash and cash equivalents	8	8
Interest income from other receivables	1,190	80
Financial assets/liabilities measured at fair value through profit or loss:		
Forward exchange contracts not in hedge accounting	2,071	1,305
Foreign exchange gains from other receivables and other liabilities	-	142
Interest expenses from financial liabilities measured at amortised cost	-115	-189
Interest expenses from other liabilities	-52	-84
Foreign exchange losses from other receivables and other liabilities	-1,945	-2,410
Other financial expenses	-253	-
<b>Total</b>	<b>904</b>	<b>-1,148</b>

## STATEMENT OF COMPREHENSIVE INCOME ITEMS INCLUDE FOREIGN EXCHANGE DIFFERENCES AS FOLLOWS:

EUR 1,000	2016	2015
Net sales		
Change in fair value of forward exchange contracts	-378	-584
Foreign exchange differences, net	-614	179
Other operating expences		
Change in fair value of forward exchange contracts	-	-
Foreign exchange differences, net	-15	-106
Financial income		
Change in fair value of forward exchange contracts	-	-25
Foreign exchange profits	2,071	1,330
Financial expenses		
Change in fair value of forward exchange contracts	-9	-1,099
Foreign exchange losses	-1,936	-1,311
<b>Total</b>	<b>-881</b>	<b>-1,616</b>

Comptel is applying hedge accounting in accordance with IAS 39 effect from 1.10.2014.

## 12. INCOME TAXES

EUR 1,000	2016	2015
Current tax expense	-764	-1,199
Adjustments for previous years' taxes	-147	-161
Deferred taxes	214	1,829
Withholding taxes	-2,723	-3,510
Withholding tax refunds	3,408	-
Other direct taxes	-65	-45
<b>Total</b>	<b>-77</b>	<b>-3,086</b>

In November 2006, Comptel Corporation received a refusal from the Board of Adjustment of the Tax Office for Major Corporations concerning the crediting of taxes withheld at source in taxation of 2004. The claim for adjustment concerns the crediting of taxes withheld at source the company has paid in 2004 to avoid double taxation.

Comptel Corporation recognised and paid these taxes withheld at source for 2004 in 2005. According to the Board of Adjustment's decision currently in force, Comptel Corporation has expensed taxes withheld at source amounting to EUR 871 thousand in 2016, withholding tax expense amount was decreased by the tax refund of 3,408 thousand euros received from India. The total withholding taxes expensed between 2004 and 2016 amount to EUR 9,465 thousand.

Comptel Corporation has received license revenue from the countries with which Finland has a tax treaty. The purpose of the tax treaties is to avoid double taxation. Taxes have been withheld from the payments made to Comptel Corporation, in accordance with the royalty article of the related tax treaty, in the source country of the revenue. If the taxes withheld at source paid by Comptel Corporation will not be credited in Finland, the revenue from the customers located in the tax treaty countries will be subject to double taxation.

There are confirmed losses in taxation for the group company Comptel FWD Oy, totally 14,214 thousand euros (13,851 thousand euros in 2015). Deferred taxes from the losses were not booked, because of the uncertainty of the possibilities to utilize the losses.

### INCOME TAX RECOGNISED IN OTHER COMPREHENSIVE INCOME

2016 EUR 1,000	BEFORE TAX	TAX EXPENSE (-)/ BENEFIT (+)	NET OF TAX
Cash flow hedges	-296	59	-237
Translation differences	-934	-	-934
<b>Total</b>	<b>-1,230</b>	<b>59</b>	<b>-1,171</b>

2015 EUR 1,000	BEFORE TAX	TAX EXPENSE(-)/ BENEFIT (+)	NET OF TAX
Cash flow hedges	14	-3	11
Translation differences	189	-	189
<b>Total</b>	<b>203</b>	<b>-3</b>	<b>200</b>

Reconciliation between the income tax expense recognised in the statement of comprehensive income and the taxes calculated using the Group's domestic corporate tax rate 20 %:

EUR 1,000	2016	2015
Profit before taxes	11,735	7,612
Income tax calculated using the domestic corporation tax rate	2,347	1,522
Effect of tax rates in foreign jurisdictions	125	370
Non-deductible expenses	-227	-
Non-deductible depreciations, amortisations and impairment charges	74	114
Withholding tax expense	981	926
Withholding tax refund	-3,408	-
Current year losses for which no deferred tax assets was recognised	62	-
Taxes for previous years	59	161
<b>Other items</b>	<b>64</b>	<b>-8</b>
<b>Income taxes in the consolidated statement of comprehensive income</b>	<b>77</b>	<b>3,085</b>

### 13. EARNINGS PER SHARE

The basic earnings per share is calculated by dividing the profit/loss for the year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year.

In calculating the diluted earnings per share, the weighted average number of shares is adjusted by the effect of the conversion into shares of all dilutive potential ordinary shares. Comptel has share options, which have a diluting effect, when the exercise price of the share options is lower than the fair value of the share. The fair value of the share is based on the average price of the shares during the financial period. In 2016 and 2015, the options did not have a material dilutive effect on earnings per share.

	2016	2015
Number of outstanding shares during the financial period, weighted average	108 685 905	107 370 551
Weighted average number of shares for calculation of diluted earnings per share	111 798 635	109 640 245
Profit/loss for the year attributable to equity holders of the parent (EUR 1,000)	11,658	4,527
Number of outstanding shares during the financial period, weighted average	108 685 905	107 370 551
Basic earnings per share (euro)	0.11	0.04
Profit/loss for the year attributable to equity holders of the parent (EUR 1,000)	11,658	4,527
Weighted average number of shares for calculation of diluted earnings per share	111 798 635	109 640 245
Diluted earnings per share (euro)	0.10	0.04

### 14. TANGIBLE ASSETS

EUR 1,000

**MACHINERY AND EQUIPMENT**

Cost at 1 Jan 2016	9,274
Additions	1,417
Disposals	-446
Exchange difference	-97
Cost at 31 Dec 2016	10,148
Accumulated depreciation at 1 Jan 2016	-8,122
Depreciation	-757
Disposals	352
Exchange difference	86
Accumulated depreciation at 31 Dec 2016	-8,441
Book value at 1 Jan 2016	1,152
<b>Book value at 31 Dec 2016</b>	<b>1,707</b>

The net book value of the tangible assets leased finance lease is EUR 693 thousand.

EUR 1,000

**MACHINERY AND EQUIPMENT**

Cost at 1 Jan 2015	9,218
Additions	456
Disposals	-150
Exchange difference	-250
Cost at 31 Dec 2015	9,274
Accumulated depreciation at 1 Jan 2015	-7,623
Depreciation	-847
Disposals	146
Exchange difference	202
Accumulated depreciation at 31 Dec 2015	-8,122
Book value at 1 Jan 2015	1,595
<b>Book value at 31 Dec 2015</b>	<b>1,152</b>

The net book value of the tangible assets under finance lease is EUR 179 thousand.

## 15. INTANGIBLE ASSETS

EUR 1,000	GOODWILL	PATENTS AND TRADEMARKS	DEVELOPMENT COSTS	OTHER INTANGIBLE ASSETS	TOTAL
Cost at 1 Jan 2016	22,198	1,329	48,655	15,577	87,759
Additions		132	6,185		6,317
Disposals				-28	-28
Exchange difference				-56	-56
Cost at 31 Dec 2016	22,198	1,461	54,840	15,493	93,992
Accumulated amortisation at 1 Jan 2016	-19,552	-727	-36,612	-15,385	-72,276
Amortisation		-77	-4,854	-128	-5,059
Disposals				28	28
Exchange difference				56	56
Accumulated amortisation at 31 Dec 2016	-19,552	-804	-41,466	-15,429	-77,251
Book value at 1 Jan 2016	2,646	602	12,043	192	15,483
<b>Book value at 31 Dec 2016</b>	<b>2,646</b>	<b>657</b>	<b>13,374</b>	<b>64</b>	<b>16,741</b>

EUR 1,000	GOODWILL	PATENTS AND TRADEMARKS	DEVELOPMENT COSTS	OTHER INTANGIBLE ASSETS	TOTAL
Cost at 1 Jan 2015	22,198	1,227	43,479	15,531	82,435
Additions		102	5,176		5,278
Exchange difference				46	46
Cost at 31 Dec 2015	22,198	1,329	48,655	15,577	87,759
Accumulated amortisation at 1 Jan 2015	-19,552	-649	-31,092	-15,061	-66,354
Amortisation		-78	-5,520	-311	-5,909
Exchange difference				-13	-13
Accumulated amortisation at 31 Dec 2015	-19,552	-727	-36,612	-15,385	-72,276
Book value at 1 Jan 2015	2,646	577	12,387	470	16,080
<b>Book value at 31 Dec 2015</b>	<b>2,646</b>	<b>602</b>	<b>12,043</b>	<b>192</b>	<b>15,483</b>

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## **ALLOCATION OF GOODWILL**

Goodwill has been allocated to two different product business units which form separate cash generating units. These product business units do not relate directly to reported segments by Comptel. Future cash flows can be generated from all geographical market areas. Consequently, goodwill cannot be allocated to a specific geographical segment. Goodwill has been allocated to two cash generating units which are Inventory unit and Fastermind unit. The latter was formed as a result of the Xtract acquisition in 2012. EUR 653 thousand (EUR 653 thousand in 2015) of goodwill has been allocated to Inventory unit and EUR 1,993 thousand (EUR 1,993 thousand in 2015) to Fastermind unit.

## **IMPAIRMENT TESTING**

The recoverable amount of goodwill is determined based on value in use calculations. The value in use is computed based on discounted forecast cash flows. The cash flow forecasts rely on the plans approved by the Board of Directors and management concerning in particular profitability and the growth rate of net sales. The plans cover a five-year period taking into account the recent development of the business. The used pre-tax rate discount rate is 8.3% (17.2% in 2015).

The cash flows after the five-year period for the Inventory unit have been forecasted by estimating net sales to increase with rate of 2%. Net sales is mainly generated from existing support and maintenance contracts as well as change requests to the existing systems. Based on these facts, management view is that there is a reasonable justification to use lower growth projection than the long-term economic growth estimate. Another key factor impacting the cash flows is operating expenses. Based on the impairment tests there is no need to recognise an impairment loss.

The cash flows after the five-year period for the Fastermind unit have been forecasted by estimating the future growth rate of net sales to be 2%. The global growth of communications services providers' net sales and investments was approximately 2-3% in 2015. In spite of somewhat weak economic outlook the growth rate was higher than the GDP growth in general. Consequently, using a 2% growth rate is justified. Analytics software is one of the fastest growing sectors in the telecommunications software space. Net sales growth is the key factor impacting the valuation of the unit

due to the significant growth expectation set for the unit. Based on the impairment tests there is no need to recognise an impairment loss.

The use of the testing model requires making estimates and assumptions concerning investments, market growth and general interest rate level.

## **SENSITIVITY ANALYSIS OF IMPAIRMENT TESTING**

The realisation of an impairment loss in the Inventory unit would require the long-term EBITDA level to be more than 9% higher than the management's estimate at the end of reporting period or that the discount rate to be over 25%.

The realisation of an impairment loss in the Fastermind unit would require the long-term EBITDA level to be more than 4% lower than the management's estimate at the end of reporting period or that the discount rate to be over 69%.

## 16. INVESTMENTS IN ASSOCIATES

Group has an associated company in Limerick, Ireland. Tango Telecom Ltd employed an average of 76 employees in the year 2016 (69 in 2015).

EUR 1,000	2016	2015
Carrying amount at 1 Jan	960	706
Share of results	-172	254
<b>Carrying amount at 31 Dec</b>	<b>788</b>	<b>960</b>

The accounts of the associate do not include goodwill at 31.12.2016.

Summary financial information for the Group's investments in the associate - assets, liabilities, net sales and profit / loss (EUR 1,000):

2016	ASSETS	LIABILITIES	NET SALES	PROFIT / LOSS	OWNERSHIP %
Tango Telecom Ltd. Group	6,393	2,442	7,793	-859	20

2015	ASSETS	LIABILITIES	NET SALES	PROFIT / LOSS	OWNERSHIP %
Tango Telecom Ltd. Group	6,868	2,068	9,189	1,428	20

## 17. DEFERRED TAX ASSETS AND LIABILITIES

CHANGES IN DEFERRED TAX ASSETS AND LIABILITIES DURING 2016:

EUR 1,000	31 DEC 2015	RECOGNISED IN PROFIT OR LOSS	RECOGNISED IN OTHER COMPREHENSIVE INCOME	31 DEC 2016
<b>Deferred tax assets</b>				
Reversal of depreciation and amortisation in taxation	171	-60		111
Reversal of the R&D expenses in taxation	-	1,237		1,237
Withholding taxes	6,859	-645		6,214
Share options	119	-119		-
Forward contracts	-		102	102
Bad Debt reserve	267			267
Other tax deductible temporary differences	269	42		311
<b>Total</b>	<b>7,685</b>	<b>455</b>	<b>102</b>	<b>8,242</b>

EUR 1,000	31 DEC 2015	RECOGNISED IN PROFIT OR LOSS	RECOGNISED IN OTHER COMPREHENSIVE INCOME	31 DEC 2016
<b>Deferred tax liabilities</b>				
Capitalisation of intangible assets	2,407	260		2,667
Capitalisation of and amortisation on technology in acquired business operations	10		-9	1
Impact of goodwill amortisation in taxation	131			131
Cumulative depreciation difference	20	-14		6
Other taxable temporary differences	5	-5		-
<b>Total</b>	<b>2,572</b>	<b>241</b>	<b>-9</b>	<b>2,804</b>

## 18. TRADE RECEIVABLES AND OTHER CURRENT RECEIVABLES

EUR 1,000	2016	2015
Trade receivables	38,510	40,458
Prepayments	71	59
Accruals from long-term projects	10,871	6,968
Other prepayments and accrued income	4,136	3,121
Other receivables	3,389	6,324
<b>Total</b>	<b>56,977</b>	<b>56,930</b>

No credit losses were recognised on trade receivables in 2016 (2015: EUR 83 thousand). The carrying amounts of the trade receivables and other receivables equal the related maximum exposure to credit risk. Other prepayments and accrued income mainly consist of accruals related to software services and user charges and rent accruals.

## AGEING ANALYSIS OF TRADE RECEIVABLES

EUR 1,000	GROSS 2016	IMPAIRED	NET 2016
Not past due	27,093		27,093
1-30 days past due	2,332		2,332
31-90 days past due	2,347		2,347
91-180 days past due	1,167		1,167
181-360 days past due	2,969		2,969
Over 360 days past due	4,473	-1,871	2,602
<b>Total</b>	<b>40,381</b>	<b>-1,871</b>	<b>38,510</b>

EUR 1,000	GROSS 2015	IMPAIRED	NET 2015
Not past due	29,508		29,508
1-30 days past due	3,540		3,540
31-90 days past due	3,124		3,124
91-180 days past due	2,822		2,822
181-360 days past due	1,238		1,238
Over 360 days past due	1,872	-1,646	226
<b>Total</b>	<b>42,104</b>	<b>-1,646</b>	<b>40,458</b>

## 19. CASH AND CASH EQUIVALENTS

EUR 1,000	2016	2015
Cash at bank and in hand	9,242	3,030
<b>Total</b>	<b>9,242</b>	<b>3,030</b>

## 20. CAPITAL AND RESERVES

Comptel has one class of shares, articles of association do not limit the maximum number of shares. The shares do not carry a nominal value. All shares issued are fully paid. The impacts of movement in the number of shares are as follows:

EUR 1,000	NUMBER OF SHARES	SHARE CAPITAL	FUND OF INVESTED NON-RESTRICTED EQUITY
At 1 Jan 2015	106,956,531	2,141	401
Emission of new share	346,232		
Proceeds from share options			800
Return of treasury shares	974,139		497
At 31 Dec 2015	108,276,902	2,141	1,698
Emission of new share	301,378		
Return of treasury shares	576,087		277
<b>At 31 Dec 2016</b>	<b>109,154,367</b>	<b>2,141</b>	<b>1,975</b>

The descriptions of the reserves under equity are as follows:

### FUND OF INVESTED NON-RESTRICTED EQUITY

The fund of invested non-restricted equity includes other investments of equity nature and subscription prices of shares to the extent that it is specifically not to be credited to share capital.

### TRANSLATION RESERVE

The translation reserve comprises the translation differences arising from the translation of the financial statements of the foreign subsidiaries.

### FAIR VALUE RESERVE

The fair value reserve comprises the hedging reserve including the effective portion of the cumulative net change in the fair value of cash flow hedging instruments. Comptel started to apply hedge accounting in accordance with IAS 39.

### TREASURY SHARES

Treasury shares reserve includes the acquisition cost of treasury shares held by the Group. During the financial year 2016 the company issued 300,000 new shares to the company itself. During the financial year 2016 allotted 258,782 shares to its employees based on the terms of the share-based incentive plan 2012 (2015: 281,282

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shares) and 42,596 shares to members of the Board of Directors as part of their annual compensation (2015: 64,950 shares). At the end of the financial year the company held 117,129 treasury shares (118,507 treasury shares at 31 December 2015).

### **DIVIDENDS**

The Board of Directors proposes to the Annual General Meeting that no dividend be paid for the financial period ended on 31 December 2016.

The Board of Directors proposes to the Annual General Meeting that the Annual General Meeting authorizes the Board of Directors to decide on a dividend payment

of up to a maximum of EUR 0.04 per share in one tranche for the financial period ended on 31 December 2016. The Board of Directors proposes that the authorization to decide on such dividend is conditional upon the Transaction Agreement entered into on 8 February 2017 by and between Nokia Corporation and Comptel Corporation (the "Transaction Agreement") having been terminated for any reason other than consummation of said tender offer pursuant to the Transaction Agreement, meaning that the tender offer announced by Nokia Corporation on 9 February 2017 for all of the issued and outstanding shares and option rights in Comptel Corporation is unsuccessful.

The authorization to decide on payment of dividend shall be valid until the end of 31 December 2017. Based on this authorization, the Board of Directors is entitled to decide on the dividend record date, dividend payment date and other matters required by the matter. When deciding on the possible payment of dividend, the Board of Directors shall assess the company's liquidity and financial position as required by the Companies Act.

## 21. SHARE-BASED PAYMENTS

### SHARE OPTIONS

The Group has had two share option schemes during the financial year. The options in question have been granted to the key personnel as well as to a subsidiary fully owned by Comptel Corporation. The fair value of the shares has been determined by using the Black&Scholes model.

2016	2014A	2014B	2014C	2015A	2015B
Grant date	13/02/14	16/03/15	03/02/16	09/09/15	09/09/15
Subscription period	1.2.16 -31.1.18	1.2.17 -31.1.19	1.2.18 -31.1.20	15.8.18 -15.9.19	15.8.19 -15.9.19
Subscription value date	13/02/14	16/03/15	03/02/16	08/09/15	08/09/15
Inputs to the value model:					
Share price at grant date	0,55	0,97	1,33	1,15	1,15
Excercise price	0,48	0,88	1,51	0,89	0,89
Expected volatility	33 %	36 %	34 %	25 %	25 %
Expected life of share options	1,1	2,1	3,1	2,7	2,7
Risk free interest	0,00 %	0,00 %	0,00 %	0,00 %	0,00 %
Fair value of the share option at the grant date	0,54	0,28	0,39	0,11	0,11
Granted share options	2,100,000	900,000	970,000	1,739,130	1,739,130

2015	2009C	2014A	2014B	2015A	2015B
Grant date	14/04/11	13/02/14	16/03/15	09/09/15	09/09/15
Subscription period	1.11.13 -30.11.15	1.2.16 -31.1.18	1.2.17 -31.1.19	15.8.18 -15.9.19	15.8.19 -15.9.19
Subscription value date	14/04/11	13/02/14	16/03/15	08/09/15	08/09/15
Inputs to the value model:					
Share price at grant date	0,54	0,55	0,97	1,15	1,15
Excercise price	0,51	0,51	0,91	0,92	0,92
Expected volatility	-	33 %	35 %	25 %	25 %
Expected life of share options	-	2,1	3,1	3,7	3,7
Risk free interest	0,00 %	0,00 %	0,00 %	0,00 %	0,00 %
Fair value of the share option at the grant date	0,06	0,54	0,28	0,11	0,11
Granted share options	-	2,100,000	950,000	1,739,130	1,739,130

For the option scheme approved in 2009, the total number of share options issued is 4,200,000. The share options may be exercised to subscribe a maximum of 4,200,000 Comptel Corporation shares in total. The share subscription period is for option 2009A, 1 November 2011-30 November 2013, for option 2009B, 1 November 2012-30 November 2014 and for option 2009C, 1 November 2013-30 November 2015. The members of the Executive Board were not included in 2009 option program.

The Annual General Meeting of Shareholders has on 12 March 2014 decided on the issue of the share options to the Comptel Group key personnel as part of the incentive and commitment program. The total number of share options issued is 4,200,000. The share subscription period for options 2014A (2,200,000 options) is

1.2.2016 - 31.1.2018, the share subscription period for the options 2014B (1,000,000 options) is 1.2.2017 - 31.1.2019 and the share subscription period for the options 2014C (1,000,000 options) is 1.2.2018 - 31.1.2020.

Based on the authorisation given by the Annual General Meeting, the Board of Directors has on 9 September 2015 decided on the issue of the share options to the CEO of the company as part of the remuneration, incentive and commitment program. The total number of share options issued is 3,478,260. The share subscription period for options 2015A (1,739,130 options) is 15.8.2018 - 15.9.2019, the share subscription period for the options 2015B (1,739,130 options) is 15.8.2019 - 15.9.2019.

Changes in the number of the outstanding share options and weighted average exercise prices during the period were as follows:

<b>2016</b>	<b>2014A</b>	<b>2014B</b>	<b>2014C</b>	<b>2015A</b>	<b>2015B</b>
Outstanding at the beginning of the year	2,100,000	950,000	0	1,739,130	1,739,130
Granted during the year		30,000	1,000,000		
Exercised during the year	576,087				
Forfeited during the year		80,000	30,000		
Expired during the year					
Outstanding at the end of the year	1,523,913	900,000	970,000	1,739,130	1,739,130
Exercisable at the end of the year					
Weighted average exercise price (euro)	0,48	0,88	1,51	0,89	0,89

<b>2015</b>	<b>2009C</b>	<b>2014A</b>	<b>2014B</b>	<b>2015A</b>	<b>2015B</b>
Outstanding at the beginning of the year	974,000	2,120,000	0	0	0
Granted during the year		80,000	970,000	1,739,130	1,739,130
Exercised during the year	973,139				
Forfeited during the year		100,000	20,000		
Expired during the year	861				
Outstanding at the end of the year		2,100,000	950,000	1,739,130	1,739,130
Exercisable at the end of the year					
Weighted average exercise price (euro)	0,51	0,51	0,91	0,92	0,92

The number and average exercise prices of the share options outstanding at the end of the period:

YEAR OF EXPIRATION	2016		2015	
	AVERAGE EXERCISE PRICE, EUR/SHARE	NUMBER OF OPTIONS	AVERAGE EXERCISE PRICE, EUR/SHARE	NUMBER OF OPTIONS
2018	0.48	1,523,913	0.51	2,100,000
2019	0.88	4,378,260	0.92	4,428,260
2020	0.89	970,000		

The expected volatility has been determined based on the historical volatility for a period equalling to the option vesting period.

In 2016, the expense recognised in respect of the option schemes amounted to EUR 426 thousand (2015: EUR 304 thousand).

#### SHARE-BASED INCENTIVE PLAN

The Board of Directors of Comptel Corporation approved a new share-based incentive plan for the Group key personnel in February 2012.

The aim of the new plan is to combine the objectives of the shareholders and the target group of employees in order to increase the value of the company, commit the target group to the company and to offer them a competitive reward plan based on long-term shareholding in the company.

The Matching Share Plan includes two performance periods, both beginning on 2 May 2012. The performance periods will end on 2 May 2015 and on 2 May 2016. The pre-requisite for participation to the plan and the receipt of reward from the performance periods requires that a target person owns the company's shares or acquires them up to a number pre-determined by the Board of Directors. Furthermore, the potential reward from the plan is tied to the validity of the target person's employment or service or contractual relation.

Rewards from the Plan will be paid partly in the form of company's shares and partly in cash in 2015 and 2016.

The cost of the program is recognised under employee benefit expenses over the vesting period. In 2016, EUR 427 thousand was expensed (in 2015, EUR 607 thousand)

The outstanding option schemes and share-based incentive programs are described in more detail in Section Shares and shareholders.

## 22. PENSION OBLIGATIONS

Comptel has pension plans in various countries that are based on the local legislation and well-established practices. In Finland the pension arrangement is mainly managed through the Finnish Statutory Employment Pension Scheme (TyEL) which is a defined contribution plan.

## 23. PROVISIONS

Movements in provisions during 2016:

EUR 1,000	PROVISION FOR WARRANTY	LEASE PROVISION	TOTAL
Balance at 1 Jan 2016	109	981	1,090
Provisions made during the year	-2	-972	-974
Provisions used during the year	-	-	-
Exchange difference	-	-	-
<b>Balance at 31 Dec 2016</b>	<b>107</b>	<b>9</b>	<b>116</b>

EUR 1,000	2016	2015
Non-current provisions	-	-
Current provisions	116	1,090
<b>Total</b>	<b>116</b>	<b>1,090</b>

### PROVISION FOR WARRANTY

A provision for warranties is recognised when the underlying product including a warranty is sold. The provision is based on management estimates on warranty costs which will materialise.

### LEASE PROVISION

This item includes the provisions made for unoccupied leased facilities.

## 24. FINANCIAL LIABILITIES

EUR 1,000	2016	2015
<b>Non-current financial liabilities measured at amortised cost</b>		
Loans from financial institutions	-	33
Finance lease liabilities	491	58
<b>Total</b>	<b>491</b>	<b>91</b>
<b>Current financial liabilities measured at amortised cost</b>		
Loans from financial institutions	8,788	6,963
Finance lease liabilities	205	112
<b>Total</b>	<b>8,993</b>	<b>7,075</b>

The fair values of liabilities are presented in note 27. Financial risk management.

Comptel had bank loans amounting to EUR 8,000 thousand at 31 December 2016 (EUR 5,000 thousand at 31 December 2015) and EUR 815 thousand of the overdraft limit (2015 EUR 979 thousand). Comptel has a credit facility consisting of EUR 20 million Revolving Credit Facility and EUR 5 million overdraft capacity. The facility is valid until 31 July 2018. At 31 December 2016 the available credit from the revolving credit facility was EUR 12 million. Comptel's subsidiary has a loan in the amount of EUR 33 thousand from Finnvera with fixed amortisation schedule. The last instalment will be paid on 15 August 2017.

The interest rate of the Facility is floating and determined based on prevailing IBOR. The weighted average interest rate is 0.5% (2015: 0,7%). The interest of the loan from Finnvera is determined based on 6 months euribor. At 31 December 2016 the interest rate was 3.6% (2015: 3,7%).

## MATURITY ANALYSIS OF FINANCE LEASE LIABILITIES

EUR 1,000	2016	2015
<b>Finance lease liabilities - minimum lease payments</b>		
Less than one year	238	126
Between one and five years	580	62
<b>Total</b>	<b>818</b>	<b>188</b>
<b>Finance lease liabilities - present value of minimum lease payments</b>		
Less than one year	206	112
Between one and five years	527	57
<b>Total</b>	<b>733</b>	<b>170</b>
Future financial charges	77	7

## 25. TRADE AND OTHER CURRENT LIABILITIES

EUR 1,000	2016	2015
Trade payables	2,728	2,116
Advances received from long-term contracts	5,016	3,270
Accrued expenses and deferred income	27,673	26,034
Other liabilities	2,015	6,802
<b>Total</b>	<b>37,432</b>	<b>38,222</b>

The accrued expenses and deferred income mainly comprise of accruals related to deferred revenue, accrued employee benefits and accrued operating expenses.

## 26. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value hierarchy for financial instruments measured at fair value.

EUR 1,000	FAIR VALUE AT 31.12.2016			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
<b>Forward contracts measured at fair value through profit or loss</b>				
Receivables		108		108
Liabilities		633		633
<b>Forward contracts measured at fair value recognised in other comprehensive income</b>				
Receivables		52		52
Liabilities		561		561
<b>Financial assets available-for-sale</b>				
Other shares			87	87

EUR 1,000	FAIR VALUE AT 31.12.2015			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
<b>Forward contracts measured at fair value through profit or loss</b>				
Liabilities		138		138
<b>Forward contracts measured at fair value recognised in other comprehensive income</b>				
Liabilities		214		214
<b>Financial assets available-for-sale</b>				
Other shares			87	87

Comptel's derivative contracts at fair value through the profit or loss accounts and contracts under the hedge accounting are determined using quoted market price and valuation methods.

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## 27. FINANCIAL RISK MANAGEMENT

Comptel is exposed to financial risks in its ordinary business operations. The objective of Comptel's risk management is to minimise the adverse effects arising from fluctuations of financial markets on the Group's cash flows, result and equity. Comptel's general risk management principles are approved by the Board of Directors and their implementation is the responsibility of the Chief Financial Officer (CFO) together with the business units. Comptel's financial policy is risk-adverse. The main financial risks for the Group are currency risk and credit risk. Financial management identifies and assesses risks and acquires the instruments needed to hedge against risks together with operating units. Hedging transactions are carried out in accordance with the written risk management principles approved by the Board of Directors. Comptel uses foreign currency forwards in its currency risk management. Other currency instruments may be used based on a resolution of the Board of Directors.

### CURRENCY RISK

Comptel operates globally and is therefore exposed to currency risks arising from various currency positions. In Comptel's business operations the major currencies are Euro and US Dollar (USD). An other significant currency is UK Pound Sterling (GBP).

Comptel hedges open foreign currency positions. The currency position is monitored on a 12-month rolling period twice a month. Comptel started to apply hedge accounting in accordance with IAS 39 from 1.10.2014. The changes in the fair value of the hedging instruments for the financial assets and liabilities are recognised through profit and loss accounts.

The hedging instruments are forward contracts entered into with banks. The hedging forward contract is denominated in the same currency as the underlying item resulting the value of the hedging instrument to change in the opposite way compared to the underlying item.

The invoicing of sales orders follows the progress of projects, which causes timely uncertainty. Moreover, the realised turnover of trade receivables exceeds the terms in the client agreements. The hedging of the future cash flows is timed taking these facts into account.

### INTEREST RATE RISK

Interest rate risk is the risk that cash flows or the result will fluctuate because of changes in market interest rates. Comptel's interest-bearing liabilities at 31 December 2016 totalled EUR 9,485 thousand (2015: EUR 7,167 thousand). Comptel had bank loans amounting to EUR 8,993 thousand at 31 December 2016 ( EUR 6,963 thousand at 31 December 2015). Comptel has a loan facility, which consists of EUR 20 million revolving credit facility and EUR 5 million overdraft capacity on current bank account. The ending date for the facility is 31 July 2018. At 31 December 2016 the amount available under the Revolving Credit Facility was EUR 12 million. Comptel's subsidiary has a loan in the amount of EUR 33 thousand from Finnvera with fixed amortisation schedule. The last instalment will be paid on 15 August 2017.

The interest rate of the loan facility is floating and determined based on prevailing IBOR. The weighted average interest rate is 0.5%. The interest of the loan from Finnvera is determined based on 6 months euribor. At 31 December 2016 the interest rate was 3.7.

Corporate did not have interest rate swap contracts at the end of the Fiscal Year.

Possible short-term investments in financial securities give rise to interest rate risk but the impact of such risk is not significant. Comptel's revenues and operating cash flows are mainly independent of the fluctuations of market rates.

### CREDIT RISK

Credit risk is the risk that one party will cause a financial loss for the Group by failing to discharge an obligation. In Comptel credit risk mainly arises from trade receivables related to customers, derivatives and cash and cash equivalents.

Credit risk management principles are defined in Comptel's documented procedures (Risk Management Principles, Currency hedging in Comptel Corporation and General principles of liquidity management). Credit risk management in respect of derivatives and investments is centralised to the Group accounting department, in respect of clients and credit control to the business area organisation.

Comptel's customers are mainly mid-size or large teleoperators. The Group's

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clientele is large and geographically widely dispersed, which decreases the customer risk of the Group.

Comptel's business consists of deliveries of large productised IT system and the value of a single project may be several million euro. Therefore the risk associated with a single project or an individual client may be significant. Furthermore some of Comptel's clients operate in countries that are or have been war zone areas, which in part increases credit risk.

Comptel has no significant credit risk concentrations, since no individual customer or customer group represents a material risk. In delivery projects partial advance invoicing is generally used. Furthermore credit risk is reduced by progress payments invoiced based on percentage of completion. In some countries letter of credits are used.

Comptel has a policy for writing off trade receivables. According to the policy a bad debt provision of 50% of the total value is generally booked if the receivable is overdue more than 360 days and a provision of 100% is impacted when the receivable is overdue more than 540 days. No credit losses were recognised in the statement of comprehensive income in the financial year 2016 (2015 credit losses recognised EUR 83 thousand). The ageing analysis of trade receivables is presented in note 18. Trade receivables and other current receivables.

### **LIQUIDITY RISK**

Liquidity risk means insufficient financing or higher than normal financing expenses when business environment deteriorates and financing is needed. The objective of liquidity risk management is to maintain sufficient liquidity and ensure that financing of business operations is available when needed quickly enough. Part of the Group's liquid funds can be invested in mutual funds based on the principles approved by the Board of Directors. Comptel's main source of financing has been the operating cash flow. Cash levels are monitored on a daily basis.

At 31 December 2015 the Group's cash and cash equivalents totalled EUR 9,242 thousand (EUR 3,030 thousand at 31 December 2015). At 31 December 2016 Comptel's interest-bearing liabilities totalled EUR 9,485 thousand (EUR 7,166 thousand in 2015).

Under the Revolving Credit Facility in place until 2018 there is still EUR 12 million available for draw-down. The Facility contains a covenant whereby Group equity ratio must be at least 35 %. At 31 December 2016 Comptel's equity ratio was 58.6 % (2015: 52.4 %). In addition, the arrangement contains a covenant, according to which the net debt to the Group's EBITDA must be equivalent or less than 2.75. At 31 December 2016 the net debt to EBITDA was 0.01 (31 December 2015 0.27). The covenants are reported every three months. Furthermore, Comptel has an option for TyEL (earnings-related pension) premium loan amounting to EUR 14.4 million.

The following table sets forth maturity analysis based on contractual cash flows. Cash flow includes both loan repayments and interest payments.

<b>2016, EUR 1,000</b>	<b>CARRYING AMOUNT</b>	<b>CONTRACTUAL CASH FLOW</b>	<b>1-6 MONTHS</b>	<b>7-12 MONTHS</b>	<b>1-2 YEARS</b>	<b>3-5 YEARS</b>
<b>Non-derivative financial liabilities</b>						
Loans from financial institutions	8,788	8,798	8,765	33	-	-
Finance lease liabilities	697	774	103	103	343	225
Trade payables	2,728	2,728	2,728	-	-	-
<b>Derivative financial liabilities</b>						
<b>Forward contracts under hedge accounting</b>						
Net Cash flow	-508	-508	-378	-130	-	-

<b>2015, EUR 1,000</b>	<b>CARRYING AMOUNT</b>	<b>CONTRACTUAL CASH FLOW</b>	<b>1-6 MONTHS</b>	<b>7-12 MONTHS</b>	<b>1-2 YEARS</b>	<b>3-5 YEARS</b>
<b>Non-derivative financial liabilities</b>						
Loans from financial liabilities	6,996	7,007	6,95	23	34	-
Finance lease liabilities	170	177	67	46	64	-
Trade payables	2,116	2,116	2,116	-	-	-
<b>Derivative financial liabilities</b>						
<b>Forward contracts under hedge accounting</b>						
Net cash flow	-138	-138	-135	-3	-	-

## FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

1 000 EUROS	BOOK VALUE 31/12/16	FAIR VALUE 31/12/16	BOOK VALUE 31/12/15	FAIR VALUE 31/12/15
<b>Financial assets</b>				
<b>Financial assets at fair value through profit or loss</b>				
Forward contracts (level 2)	108	108	-	-
Available-for-sale financial assets (level 3)	87	87	87	87
Non-current trade receivables	4,473	4,473	1,872	1,872
Current trade receivables	35,908	35,908	40,232	40,232
Other current receivables	3,115	3,115	7,133	7,133
Cash and cash equivalents	9,242	9,242	3,030	3,030
<b>Financial liabilities</b>				
<b>Financial liabilities at fair value through profit or loss</b>				
Forward contracts (level 2)	633	633	138	138
Trade payables and other liabilities	36,799	36,799	38,020	38,020
Non-current loans from financial institutions	-	-	33,000	33,000
Non-current finance lease liabilities	491	491	58	58
Current loans from financial institutions	7,973	7,973	5,044	5,056
Current bank overdraft facility	815	815	1,918	1,918
Current finance lease liabilities	205	205	112	112
Other current liabilities	-	-	-	-

## CAPITAL STRUCTURE MANAGEMENT

The purpose of Comptel capital structure management is to support the business operations by securing normal operational demands and grow shareholder value in the long-term. Comptel aims at continuing profitable business by investing in R&D and enhancing its presence on the global market place. Comptel's profit distribution is typically 30 to 60 per cent of the net income for the previous financial year. The amount of dividends paid may vary according to the near-term economic outlook as well as Comptel's financial position.

Gearing in 2016 and 2015 was as follows:

EUR 1,000	2016	2015
Interest-bearing liabilities	9,485	7,167
Cash and cash equivalents	-9,242	-3,030
Interest-bearing net liabilities	243	4,137
<b>Total equity</b>	<b>45,048</b>	<b>37,324</b>
<b>Gearing</b>	<b>0.5%</b>	<b>11.1%</b>

## EXPOSURE TO CURRENCY RISK

EUR 1,000	2016		2015	
	USD	GBP	USD	GBP
Loan receivables	417	-	404	-
Trade receivables	11,291	1,535	10,259	1,709
Cash and cash equivalents	10	5	6	4
Trade payables	-357	-6,312	-430	-7,584
<b>Net statement of financial position exposure</b>	<b>11,361</b>	<b>-4,772</b>	<b>10,239</b>	<b>-5,871</b>
Order backlog (12 months)	22,224	3,262	20,887	4,680
Hedging				
Forward contracts (12 months)	-26,686	167	-26,207	6,142
<b>Total net exposure</b>	<b>6,899</b>	<b>-1,343</b>	<b>4,919</b>	<b>4,951</b>

## SENSITIVITY TO FOREIGN EXCHANGE RATES

A 10% weakening/strengthening of the euro against the currencies below at 31 December would have affected equity and result after taxes as follows:

2016, EUR 1,000	EQUITY	RESULT
USD	-2,256/2,256	-601/601
GBP	-2,604/2,604	-604/604

2015, EUR 1,000	EQUITY	RESULT
USD	-1,390/1,390	-90/90
GBP	-2,530/2,530	-300/300

In calculating the sensitivity related to exchange rate changes the following assumptions were used:

- a +/- 10% exchange rate change
- the position comprises foreign currency financial assets and financial liabilities, i.e. loans, trade receivables, cash and cash equivalents, trade payables and derivative instruments. This applies to companies operating in currency which is different from the currency subject to the sensitivity analysis.

## FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The carrying amount of the loans is EUR 9,485 thousand and the fair value is EUR 9,572 thousand. For other financial assets and liabilities their carrying amounts equal their fair values as the discounting has no material effect considering the short maturity of these items.

Derivative instruments measured at fair value:

2016, EUR 1,000	POSITIVE FAIR VALUE (CARRYING AMOUNT)	NEGATIVE FAIR VALUE (CARRYING AMOUNT)	NOMINAL VALUE OF UNDERLYING INSTRUMENT
Forward contracts - all	159	1,193	39,981
Forward contracts - under hedge accounting	52	561	-

2015, EUR 1,000	POSITIVE FAIR VALUE (CARRYING AMOUNT)	NEGATIVE FAIR VALUE (CARRYING AMOUNT)	NOMINAL VALUE OF UNDERLYING INSTRUMENT
Forward contracts - all	-	351	39,046
Forward contracts - under hedge accounting	-	213	-

## 28. ADJUSTMENTS TO CASH FLOWS FROM OPERATING ACTIVITIES

Non-cash transactions or items that are not part of cash flows from operating activities:

EUR 1,000	2016	2015
Other operating income	-27	-62
Depreciation, amortisation and impairment charges	5,817	6,756
Exchange differences	43	994
Share of result of associates	172	-287
Share-based payments	492	428
Other adjustments	-	5
<b>Total</b>	<b>6,497</b>	<b>7,834</b>

## 29. OPERATING LEASES

Minimum lease payments on non-cancellable office facilities leases and other operating leases are payable as follows:

EUR 1,000	2016	2015
Less than one year	2,395	2,161
Between one and five years	5,722	1,218
More than five years	548	-
<b>Total</b>	<b>8,665</b>	<b>3,379</b>

Comptel has leased the office premises it uses. These leases typically run for a period from one to ten years, and normally with an option to renew the lease after that date. The index, renewal and other terms of the agreements are diverse.

The statement of comprehensive income for the year 2016 includes lease expenses for the office premises amounting to EUR 2,824 thousand (2015: EUR 3,035 thousand).

## 30. COMMITMENTS AND CONTINGENCIES

EUR 1,000	2016	2015
Bank guarantees, short term	3,021	2,286
Bank guarantees, long term	1,115	441
<b>Total</b>	<b>4,136</b>	<b>2,727</b>
Corporate mortgages	200	200
Collaterals given on behalf of others		
Guarantees	-	29

## 31. RELATED PARTY TRANSACTIONS

The Comptel Group companies are as follows:

COMPANY	DOMICILE	2016		2015	
		GROUP HOLDING (%)	GROUP VOTING	OMISTUSOSUUS (%)	OSUUS ÄÄNIVALLASTA (%)
Comptel Corporation	Finland				
Comptel Communications Holdings Ltd.	UK	100.00	100.00	100.00	100.00
Comptel Communications Ltd.	UK	100.00	100.00	100.00	100.00
Comptel Communications AS	Norway	100.00	100.00	100.00	100.00
Comptel Communications Brasil Ltda	Brazil	100.00	100.00	100.00	100.00
Comptel Communications EOOD	Bulgaria	100.00	100.00	100.00	100.00
Comptel Communications Inc.	USA	100.00	100.00	100.00	100.00
Comptel Communications Oy	Finland	100.00	100.00	100.00	100.00
Comptel Communications Sdn Bhd	Malaysia	100.00	100.00	100.00	100.00
Comptel Ltd	UK	0.00	100.00	0.00	100.00
Comptel FWD Oy (2015: Xtract Oy)	Finland	100.00	100.00	100.00	100.00
Comptel Communications India Private Ltd.	India	100.00	100.00	100.00	100.00
Comptel Communications S.r.l.	Italy	100.00	100.00	100.00	100.00
Comptel Palvelut Philippines, Inc.	Philippines	100.00	100.00	100.00	100.00

The Comptel Group has a related party relationship with its associates, the Board of Directors, President and CEO, the Executive Board and also with people and companies under Comptel management's influence. More information about the investments in associates is given in the note number 16.

Transactions, which have been entered into with related parties, are as follows:

EUR 1,000	2016	2015
<b>Other operating income</b>		
Associates	2	-
<b>Interest revenue</b>		
Associates	8	8
<b>Non-current receivables</b>		
Associates	128	121

#### CONTINGENT LIABILITIES ASSUMED ON BEHALF OF GROUP COMPANIES

In 2008, Comptel Corporation gave a performance guarantee, still in force, on behalf of its subsidiary. The total value of this agreement is USD 4 million. Comptel gave a guarantee of GBP 700 thousand for its subsidiary in 2009.

#### KEY MANAGEMENT COMPENSATION

The key management personnel compensation includes wages, employee benefits and expenses from the share and option plans of the President and CEO, the members of the Board of Directors and the members of the Executive Board.

EUR 1,000	2016	2015
Salaries and other short-term employee benefits	1,798	2,169
Share-based payments	295	725
<b>Total</b>	<b>2,093</b>	<b>2,894</b>

The employee benefits of the President and CEO and the members of the Board of Directors of the parent company:

EUR 1,000	2016	2015
President and CEO	567	868
<b>Board of Directors at 31 Dec 2016</b>		
Ervi Pertti	65	59
Berlemann Thomas	32	-
Söderström Eriikka	37	31
Vaajoensuu Hannu	42	39
Vasara Antti	38	31
<b>Former Board members</b>		
Mäkijärvi Heikki	2	31
<b>Total</b>	<b>216</b>	<b>191</b>

GUARANTEES AND OTHER CONTINGENT LIABILITIES	2016	2015
Guarantees	-	29

An additional defined contribution pension plan has been agreed on for the President and CEO of the parent company. Yearly pension expense is 15% of salary. The retirement age is based on the Finnish Statutory Employment Pension Scheme (TyEL).

New options were granted to the former and current members of the Executive Board in 2016, total number of the share options was 360,000 (In 2014 480,000). No new options were granted to the President and CEO in 2016 (In 2015 3,618,260). At 31 December 2016 the management had 660,000 share options, which were not exercisable (2015: 5,448,260 share options, of which 860,000 were exercisable).

The compensation to the members of the Board of Directors has been paid by giving shares in Comptel Corporation with 40% of the annual gross compensation.

The management of the Group had no loans referred to in the Companies Act, chapter 8, article 6.

# KEY FIGURES

<b>FINANCIAL SUMMARY</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Net sales, EUR 1,000	82,428	82,668	85,714	97,728	100,011
Net sales, change %	7.4	0.3	3.7	14.0	2.3
Operating profit/loss, EUR 1,000	-13,517	7,308	8,311	8,474	11,003
Operating profit/loss, change %	-213.6	154.1	13.7	2.0	29.8
Operating profit/loss, as % of net sales	-16.4	8.8	9.7	8.7	11.0
Profit/loss before taxes, EUR 1,000	-13,955	5,554	7,436	7,612	11,735
Profit/loss before taxes, as % of net sales	-16.9	6.7	8.7	7.8	11.7
Return on equity, %	-37.2	9.3	17.5	12.8	28.3
Return on investment, %	-36.3	16.1	19.5	18.3	23.9
Equity ratio, %	46.8	50.5	52.4	52.4	58.7
Gross investments in tangible and intangible assets, EUR 1,000 <sup>1)</sup>	4,484	551	740	558	1,549
Gross investments in tangible and intangible assets, as % of net sales <sup>1)</sup>	5.4	0.7	0.9	0.6	1.5
Research and development expenditure, EUR 1,000	18,581	17,790	16,791	20,299	21,794
Research and development expenditure, as % of net sales	22.5	21.5	19.6	20.8	21.8
Order backlog, EUR 1,000	48,368	40,756	55,213	66,344	65,717
Average number of employees during the financial period	700	684	665	723	791
Interest-bearing net liabilities, EUR 1,000	3,541	2,228	-1,789	4,137	243
Gearing ratio, %	13.1	7.7	-5.4	11.1	0.5
Debt-equity ratio %	31.0	30.3	22.7	19.2	21.0

<sup>1)</sup> The figure does not include investments in development projects. Includes the acquisition of Xtract in 2012. The gross capital investments excluding the acquisition amounted EUR 1,678 thousand, which is 2.0% of net sales.

**PER SHARE DATA**

	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
EPS, EUR	-0.12	0.02	0.05	0.04	0.11
Diluted EPS, EUR	-0.12	0.02	0.05	0.04	0.10
Equity per share, EUR	0.25	0.27	0.31	0.34	0.41
Dividend per share, EUR <sup>2)</sup>	0.00	0.01	0.02	0.03	0.00
Dividend per earnings, % <sup>2)</sup>	-	41.20	39.54	72.65	-
Effective dividend yield, % <sup>2)</sup>	-	2.10	2.00	1.60	-
P/E ratio	-3.3	19.80	19.40	43.40	22.10
Highest share price	0.63	0.59	1.00	1.93	2.65
Lowest share price	0.37	0.38	0.48	0.84	1.19
Yearly average share price (VWAP)	0.47	0.46	0.60	1.20	1.92
Market value at year-end, million EUR	42.8	51,5	105,8	198.1	258.7
Trading volume	26,734,489	18,358,693	27,778,321	41,222,529	48,358,484
Development of exchange of shares %	25.0	17.1	25.9	38.0	44.3
Adjusted number of shares at the end of period	107,054,810	107,421,270	107,421,270	108,395,409	109,271,496
of which the number of treasury shares	161,219	161,219	464,739	118,507	117,129
Outstanding shares at the end of period	106,893,591	107,260,051	106,956,531	108,276,902	109,154,367
Adjusted average number of shares during the period	106,863,518	106,893,591	107,284,900	107,370,551	108,685,905
Average number of shares, dilution included	107,650,327	106,893,591	107,625,526	109,640,245	111,798,635

<sup>2)</sup> The Board's proposal

# DEFINITIONS OF KEY FIGURES

Operating margin %	=	$\frac{\text{Operating profit/loss}}{\text{Net sales}} \times 100$	Earnings per share (EPS)	=	$\frac{\text{Profit/loss for the financial year attributable to equity shareholders}}{\text{Average number of outstanding shares for the financial year}}$
Profit margin (before income taxes) %	=	$\frac{\text{Profit/loss before taxes}}{\text{Net sales}} \times 100$	Equity per share	=	$\frac{\text{Equity attributable to the equity holders of the parent company}}{\text{Adjusted number of shares at end of period}}$
Return on equity % (ROE)	=	$\frac{\text{Profit/loss}}{\text{Total equity (average during year)}} \times 100$	Dividend per share	=	$\frac{\text{Dividend}}{\text{Adjusted number of shares at end of period}}$
Return on investment % (ROI)	=	$\frac{\text{Profit/loss before taxes + financial expenses}}{\text{Total equity + interest bearing liabilities (average during year)}} \times 100$	Dividend per earnings %	=	$\frac{\text{Dividend per share}}{\text{Earnings per share (EPS)}} \times 100$
Equity ratio %	=	$\frac{\text{Total equity}}{\text{Statement of financial position total – advances received}} \times 100$	Effective dividend yield %	=	$\frac{\text{Dividend per share}}{\text{Share closing price at end of period}} \times 100$
Gross investments in tangible and intangible assets, as % of net sales	=	$\frac{\text{Gross investments in tangible and intangible assets}}{\text{Net sales}} \times 100$	P/E-ratio	=	$\frac{\text{Share closing price at end of period}}{\text{Earnings per share (EPS)}}$
Research and development expenditure, as % of net sales	=	$\frac{\text{Research and development expenditure}}{\text{Net sales}} \times 100$	Development of exchange of shares %	=	$\frac{\text{Volume of exchange of shares}}{\text{Adjusted number of shares at the end of period}}$
Gearing ratio %	=	$\frac{\text{Interest-bearing liabilities - cash and cash equivalents}}{\text{Total equity}} \times 100$			
Debt-equity ratio %	=	$\frac{\text{Interest-bearing liabilities}}{\text{Total equity}} \times 100$			

# PARENT COMPANY INCOME STATEMENT, FAS

EUR 1,000	NOTES	1 JAN - 31 DEC 2016	1 JAN - 31 DEC 2015
Net sales	2	92,794	93,137
Other operating income	3	14	54
Materials and services	4	-1,640	-3,896
Personnel expenses	5	-19,520	-18,083
Depreciation and amortisation	6	-124	-310
Other operating expenses	7	-66,106	-65,440
		-87,390	-87,730
<b>Operating profit/loss</b>		<b>5,418</b>	<b>5,462</b>
Financial income	8	3,422	703
Financial expenses	9	-967	-1,490
<b>Profit/loss before appropriations and income taxes</b>		<b>7,873</b>	<b>4,675</b>
Group contribution, received		480	550
Group contribution, granted		-145	-
Income taxes	10	698	-3,496
<b>Profit/loss for the period</b>		<b>8,906</b>	<b>1,729</b>

# PARENT COMPANY BALANCE SHEET, FAS

EUR 1,000	NOTES	31 DEC 2016	31 DEC 2015
<b>ASSETS</b>			
<b>Non-current assets</b>	11		
Other intangible assets		288	246
Tangible assets		62	96
Investments		3,683	3,180
		4,032	3,522
<b>Current assets</b>			
Non-current receivables	12	4,851	4,140
Current receivables	13	52,958	52,547
Cash and cash equivalents		3,803	193
		56,761	52,740
<b>TOTAL ASSETS</b>		<b>65,644</b>	<b>60,402</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>	14		
Share capital		2,141	2,141
Fund of invested non-restricted equity		1,974	1,698
Fair value reserve		-407	-
Retained earnings		2,529	4,266
Profit/loss for the period		8,906	1,729
		15,143	9,834
<b>Provisions</b>	15	107	109
<b>Liabilities</b>			
Non-current liabilities	16	145	-
Current liabilities	17	50,249	50,459
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>65,644</b>	<b>60,402</b>

# PARENT COMPANY STATEMENT OF CASH FLOWS, FAS

EUR 1,000	1 JAN - 31 DEC 2016	1 JAN - 31 DEC 2015
<b>Cash flows from operating activities</b>		
Profit/loss before appropriations and income taxes	7,873	4,675
Adjustments:		
Depreciation, amortisation and impairment charges	124	310
Financial income and expenses	-976	176
Dividend income	-1,000	-
Other adjustments	67	12
Change in working capital:		
Change in trade and other current receivables	-932	-8,662
Change in trade and other current liabilities	-1,374	2,599
Change in provisions	-2	-161
Interest paid	-194	-256
Interest received	1,171	5
Taxes paid and tax returns received	698	-3,496
<b>Net cash from operating activities</b>	<b>5,454</b>	<b>-4,798</b>
<b>Cash flows from investing activities</b>		
Investments in subsidiaries	-883	-180
Investments in tangible and intangible assets	-132	-212
Dividends received	1,000	-
Change in other non-current receivables	-121	-
Proceeds from repayments of loans	13	243
Loans granted	-585	-543
<b>Net cash used in investing activities</b>	<b>-708</b>	<b>-692</b>

EUR 1,000	1 JAN - 31 DEC 2016	1 JAN - 31 DEC 2015
<b>Cash flows from financing activities</b>		
Dividends paid	-3,248	-2,139
Additional investment into equity	277	497
Proceeds from share options	-	800
Proceeds from borrowings	33,715	27,979
Repayment of borrowings	-31,879	-28,063
<b>Net cash used in financing activities</b>	<b>-1,136</b>	<b>-926</b>
<b>Change in cash and cash equivalents</b>	<b>3,610</b>	<b>-6,416</b>
Cash and cash equivalents at the beginning of period	193	6,609
Cash and cash equivalents at the end of period	3,803	193
<b>Change</b>	<b>3,610</b>	<b>-6,416</b>

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# NOTES TO THE FINANCIAL STATEMENTS OF THE PARENT COMPANY, FAS

## 1. ACCOUNTING PRINCIPLES FOR THE FINANCIAL STATEMENTS

### COMPANY PROFILE

Comptel Corporation is a Finnish public limited liability company organised under the laws of Finland. Founded in 1986, Comptel Corporation is one of the leading providers of telecom software and services in convergent mediation and charging, predictive analytics and service fulfillment. Comptel Corporation is listed on NASDAQ OMX Helsinki (CTL1V). The parent company of the Comptel Group, Comptel Corporation, is domiciled in Helsinki and its registered address is Salmisaarenaukio 1, 00180 Helsinki. Comptel Corporation's separate financial statements are prepared in accordance with Finnish Accounting Standards (FAS).

### PRESENTATION OF FINANCIAL INFORMATION

All financial information presented in euro has been rounded to the nearest thousand and consequently the sum of the individual figures can deviate from the total figure.

### FOREIGN CURRENCY TRANSACTIONS

Transactions denominated in foreign currencies are translated at the exchange rates prevailing on the dates of the transactions. Foreign currency monetary balances are translated at the closing rate at the

balance sheet date. Non-monetary items measured at fair value in a foreign currency are translated at the closing rate at the balance sheet date. Gains and losses resulting from transactions in foreign currencies and translation of monetary items are recognised on the income statement, with the exception of the forward contracts that are hedging the future cash flow. The change in the fair value of the effective portion of the hedging instrument is recognised in other comprehensive income and presented in equity in the fair value reserve.

### TANGIBLE ASSETS, INTANGIBLE ASSETS AND OTHER LONG-TERM EXPENDITURE

Tangible assets, intangible assets and other long-term expenditure are stated at historical cost less cumulative depreciation and amortisation and any impairment losses. Where parts of an item of tangible assets, an intangible asset or parts of other long-term expenditure have different useful lives, they are accounted for as separate items of tangible assets, intangible assets or other long-term expenditure. Maintenance, repairs and renewals are generally expensed during the financial period in which they are incurred except for large renovation expenditure relating to leased premises that are capitalised under other long-term expenditure.

Depreciation and amortisation is charged to the income statement on a straight-line basis over the estimated useful life of an asset. The depreciation/amortisation period for all assets is four years, with the

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exception of the basic refurbishment of leased premises and capitalized patent expenses. Leased assets are amortised over the shorter of the period of five years and the lease term. Capitalized patent expenses are depreciated within ten years. The amortisation period for goodwill is five years.

Gains and losses on sales and disposals of the abovementioned assets are included in operating income and in operating expenses, respectively.

The difference between the annual depreciation according to plan and the depreciation made in taxation is shown as a separate item under appropriations in the income statement. The accumulated depreciation difference is shown under appropriations between the shareholders' equity and liabilities in the balance sheet.

## **RESEARCH AND DEVELOPMENT COSTS**

Research and development costs are expensed during the period in which they occur. Government grants that compensate the company for the development costs are deducted from the related expenses in the income statement.

## **LEASES**

Lease payments are expensed during the financial period in which they occur.

## **PENSION OBLIGATIONS**

The pension plans of the parent company are arranged in accordance

with the Finnish legislation. Contributions based on the regularly reviewed actuarial calculations prepared by the pension insurance company are recognised as an expense in the income statement in the year to which they relate

## **PROVISIONS**

A provision is based on an existing obligation and it is recognised on the balance sheet when an entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

A provision for onerous contracts is recognised when the expected benefits to be derived by the company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

## **INCOME TAXES**

The income taxes in the income statement consist of income tax based on taxable profit for the financial period, adjustments to prior year taxes and withholding taxes treated as non-deductible.

## **REVENUE RECOGNITION AND NET SALES**

Revenue from the sale of goods is recognised when significant risks and rewards of ownership have been transferred to the buyer. Revenue from services is recognised when the service has been performed. License revenue that includes no work performance is recognised when the licence is delivered. The number of subscribers at a client

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is reviewed continuously. If their number exceeds the number agreed on in the terms of the licence, the client is charged for the increased number of subscribers. This licence upgrade revenue is recognised upon invoicing. Service revenue is recognised when the performance obligations are fulfilled. Maintenance revenue is recognised on a straight-line basis over the maintenance term.

## **LONG-TERM PROJECTS**

Revenue and expenses from a long-term project are recognised using the percentage of completion method, when the outcome of a long-term project can be estimated reliably. The revenue from a long-term project comprises licence income and work. The outcome of a long-term project can be estimated reliably when the revenue and expenses expected as well as the progress made towards completing a particular project can be measured reliably and when it is probable that the economic benefits associated with the project will flow to the company. In Comptel the percentage of completion of a long-term project is determined by the relation of accrued work hours to estimated overall work hours. When it is probable that total project costs will exceed total project revenue, the expected loss is recognised as an expense immediately.

Net sales are adjusted for sales-related indirect taxes and other adjusting items.

A separate warranty provision is recognised to cover costs under warranty periods following the completion of the projects. The total estimated margin of onerous projects is recognised as an expense and a provision.

## **TRADE RECEIVABLES**

Trade receivables are recognised at the original invoice amount to customers and stated at their cost less impairment losses.

## **CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise cash, bank balances and other short-term highly liquid investments with original maturities of three months or less from the date of acquisition. Bank overdrafts, if any, are included within current liabilities.

## **DERIVATIVE FINANCIAL INSTRUMENTS**

### **Principles**

Receivables, debt and cash flow in foreign currencies can be hedged. Cash flows are hedged against currency fluctuations in respect of those projects for which revenue is recognised based on the percentage of completion method and invoices issued in a currency other than euro.

### **Recognition and measurement**

The company uses currency forward contracts to hedge foreign currency receivables, liabilities and future incoming cash flow.

Exchange rate gains and losses are recognised as adjustments to sales or in exchange rate gains and losses under financial items, depending on the nature of the underlying item.

Comptel applies the hedge accounting for the foreign currency order backlog. If a derivative meets the conditions of a cash flow hedge, the change in the fair value of the effective portion of the hedging instrument is recognised in other comprehensive income and presented in equity in the fair value reserve.

## 2. NET SALES

EUR 1,000	2016	2015
<b>By geographical area</b>		
Europe	60,924	39,831
Asia-Pacific	23,736	25,791
Middle East and Africa	6,633	16,791
Americas	1,501	10,725
<b>Total</b>	<b>92,794</b>	<b>93,137</b>

Net sales figures have been calculated based on the area, where the work was delivered to.

### REVENUE RECOGNITION USING PERCENTAGE OF COMPLETION METHOD, EUR 1,000

	2016	2015
Net sales recognised as revenue according to percentage of completion	21,322	21,731
Amount recognised as revenue during the financial year and previous years for long-term projects in progress	9,272	12,932
Total costs of incomplete long-term projects	6,452	5,775
Backlog of orders of long-term projects according to percentage of completion	18,473	18,371
Prepayments and accrued income recognised on the basis of percentage of completion	2,910	2,845
Deferred income and accruals recognised on the basis of percentage of completion	4,812	2,477

## 3. OTHER OPERATING INCOME

EUR 1,000	2016	2015
Gain on sale of tangible and intangible assets	-	0
Other	14	54
<b>Total</b>	<b>14</b>	<b>54</b>

## 4. MATERIALS AND SERVICES

EUR 1,000	2016	2015
<b>Purchases</b>	<b>-39</b>	<b>-88</b>
External services	1,679	3,984
<b>Total</b>	<b>1,640</b>	<b>3,896</b>

## 5. PERSONNEL EXPENSES

EUR 1,000	2016	2015
Wages and salaries	15,841	14,479
Pension expenses	2,822	2,814
Other social security costs	867	791
<b>Total</b>	<b>19,520</b>	<b>18,083</b>

### MANAGEMENT SALARIES AND OTHER COMPENSATION

	2016	2015
Members of the Board of Directors	216	191

Information on the remuneration of the Group management is presented in more detail in note 31. Related party transactions to the consolidated financial statements.

	2016	2015
Average number of personnel	218	208

### PENSION COMMITMENTS IN RESPECT OF MEMBERS OF THE BOARD OF DIRECTORS AND THE PRESIDENT AND CEO

An additional defined contribution pension plan has been agreed on for the President and CEO. The retirement age is based on the Finnish Statutory Employment Pension Scheme (TyEL).

## 6. DEPRECIATION, AMORTISATION AND IMPAIRMENT CHARGES

EUR 1,000	2016	2015
<b>Depreciation and amortisation</b>		
Intangible rights	90	268
Machinery and equipment	34	42
<b>Total</b>	<b>124</b>	<b>310</b>

## 7. OTHER OPERATING EXPENSES

EUR 1,000	2016	2015
Lease payments	1,094	1,420
Travel expenses	2,148	1,593
Marketing expenses	2,159	2,066
Software expenses	3,413	3,493
Consulting expenses	4,995	3,409
Group charges	49,644	49,137
Other operating expenses	2,653	4,323
<b>Total</b>	<b>66,106</b>	<b>65,440</b>

AUDITOR'S FEES	2016	2015
<b>Ernst &amp; Young</b>		
Audit	170	233
Tax consultation	74	79
Other services	30	5
<b>Total</b>	<b>274</b>	<b>317</b>
<b>Total auditor's fees</b>	<b>274</b>	<b>317</b>

## 8. FINANCIAL INCOME

EUR 1,000	2016	2015
<b>Interest income</b>		
From Group companies	18	13
From others	1,153	67
<b>Income from dividends</b>		
From Group companies	1,000	204
<b>Exchange gains</b>		
From others	1,252	418
<b>Total</b>	<b>3,422</b>	<b>703</b>

## 9. FINANCIAL EXPENSES

EUR 1,000	2016	2015
<b>Interest expenses</b>		
To others	118	93
<b>Other financial expenses</b>		
To others	76	162
<b>Exchange losses</b>		
To others	773	1,234
<b>Total</b>	<b>967</b>	<b>1,490</b>

## 10. INCOME TAXES

EUR 1,000	1.1.-31.12. 2016	1.1.-31.12. 2015
Withholding tax expense	2,613	3,420
Withholding tax refund	-3,408	-
Taxes from previous years	32	31
Taxes from previous years	65	45
<b>Total</b>	<b>-698</b>	<b>3,496</b>

## 11. NON-CURRENT ASSETS

INTANGIBLE ASSETS			
EUR 1,000	INTANGIBLE RIGHTS	OTHER LONG-TERM EXPENDITURE	TOTAL
Cost at 1 Jan 2016	11,125	450	11,574
Additions	132	0	132
Cost at 31 Dec 2016	11,256	450	11,706
Accumulated amortisation at 1 Jan 2016	10,908	421	11,328
Amortisation	83	6	90
Accumulated amortisation at 31 Dec 2016	10,991	427	11,418
<b>Book value at 31 Dec 2016</b>	<b>265</b>	<b>23</b>	<b>288</b>

EUR 1,000	INTANGIBLE RIGHTS	OTHER LONG-TERM EXPENDITURE	TOTAL
Cost at 1 Jan 2015	11,022	417	11,439
Additions	103	32	135
Cost at 31 Dec 2015	11,125	450	11,574
Accumulated amortisation at 1 Jan 2015	10,643	417	11,060
Amortisation	265	3	268
Accumulated amortisation at 31 Dec 2015	10,908	421	11,328
<b>Book value at 31 Dec 2015</b>	<b>217</b>	<b>29</b>	<b>246</b>

<b>TANGIBLE ASSETS</b>	<b>MACHINERY AND EQUIPMENT</b>
Cost at 1 Jan 2016	3,977
Additions	-
Cost at 31 Dec 2016	3,977
Accumulated depreciation at 1 Jan 2016	3,881
Depreciation	34
Accumulated depreciation at 31 Dec 2016	3,916
<b>Book value at 31 Dec 2016</b>	<b>62</b>

<b>TANGIBLE ASSETS</b>	<b>MACHINERY AND EQUIPMENT</b>
Cost at 1 Jan 2015	3,900
Additions	77
Cost at 31 Dec 2015	3,977
Accumulated depreciation at 1 Jan 2015	3,840
Depreciation	42
Accumulated depreciation at 31 Dec 2015	3,881
<b>Book value at 31 Dec 2015</b>	<b>96</b>

<b>INVESTMENTS</b>	<b>SHARES IN GROUP COMPANIES</b>	<b>SHARES IN ASSOCIATED COMPANIES</b>	<b>SHARES IN OTHER INVESTMENTS</b>	<b>TOTAL</b>
Cost at 1 Jan 2016	2,692	400	87	3,180
Additions	503	-	-	503
Decreases	-	-	-	-
Cost at 31 Dec 2016	3,195	400	87	3,683
<b>Book value at 31 Dec 2016</b>	<b>3,195</b>	<b>400</b>	<b>87</b>	<b>3,683</b>

<b>INVESTMENTS</b>	<b>SHARES IN GROUP COMPANIES</b>	<b>SHARES IN ASSOCIATED COMPANIES</b>	<b>SHARES IN OTHER INVESTMENTS</b>	<b>TOTAL</b>
Cost at 1 Jan 2015	2,792	400	87	3,279
Additions	180	-	-	180
Decreases	-280	-	-	-280
Cost at 31 Dec 2015	2,692	400	87	3,180
<b>Book value at 31 Dec 2015</b>	<b>2,692</b>	<b>400</b>	<b>87</b>	<b>3,180</b>

## 12. NON-CURRENT RECEIVABLES

EUR 1,000	2016	2015
<b>Receivables from Group companies</b>		
Loan receivables	3,470	3,470
Prepayments and accrued income	1,030	596
<b>Total</b>	<b>4,500</b>	<b>4,019</b>
<b>Receivables from associated companies</b>		
Loan receivables	75	75
Prepayments and accrued income	53	46
<b>Total</b>	<b>128</b>	<b>121</b>
<b>Receivables</b>		
Other receivables	109	-
Prepayments and accrued income	114	-
<b>Total</b>	<b>223</b>	<b>-</b>
<b>Non-current receivables total</b>	<b>4,851</b>	<b>4,140</b>

Capital loans of EUR 3,470 thousand have been granted to the subsidiary Xtract Oy in accordance with the Companies Act chapter 12, constituting a non-current loan receivable. The interest of the loan is the base rate set by the Ministry of Finance +1.55%. The accrued interest balance is 117,462.60 euros.

Accrued income of 1,030 thousand euros is the capital contribution received in from the subsidiary Comptel Communications Oy.

## 13. CURRENT RECEIVABLES

EUR 1,000	2016	2015
<b>Receivables from Group companies</b>		
Trade receivables	1,342	2,671
Loan receivables	1,440	868
Other receivables	678	572
<b>Total</b>	<b>3,461</b>	<b>4,111</b>
<b>Receivables from others</b>		
Prepayments	1	1
Trade receivables	32,955	33,457
Other receivables	2,683	6,326
Prepayments and accrued income	13,859	8,653
<b>Total</b>	<b>49,497</b>	<b>48,437</b>
<b>Current receivables total</b>	<b>52,958</b>	<b>52,547</b>
<b>Specification of prepayments and accrued income</b>		
Accrued income capitalised according to degree of completion	2,910	2,845
Other prepayments	10,949	5,808
<b>Total</b>	<b>13,859</b>	<b>8,653</b>

## 14. EQUITY

### RESTRICTED EQUITY EUR 1,000

	2016	2015
Share capital at 1 Jan	2,141	2,141
<b>Share capital at 31 Dec</b>	<b>2,141</b>	<b>2,141</b>

### NON-RESTRICTED EQUITY EUR 1,000

	2016	2015
Fund of invested non-restricted equity at 1 Jan	1,698	401
New shares	276	497
Share based compensation	-	800
<b>Fund of invested non-restricted equity at 31 Dec</b>	<b>1,974</b>	<b>1,698</b>
Fair value reserve 1.1.	-	-
Decreases	-407	-
<b>Fair value reserve</b>	<b>-407</b>	<b>-</b>
Retained earnings at 1 Jan	4,268	6,340
Correction to previous years	-283	-
Transfer of treasury shares	66	66
Dividends paid	-3,248	-2,139
<b>Retained earnings at 31 Dec</b>	<b>802</b>	<b>4,266</b>
<b>Profit/loss for the financial year</b>	<b>8,906</b>	<b>1,729</b>
<b>Equity, total</b>	<b>15,143</b>	<b>9,834</b>

### BREAKDOWN OF DISTRIBUTABLE FUNDS EUR 1,000

	2016	2015
Fund of invested non-restricted equity	1,974	1,698
Fair value reserve	-407	-
Retained earnings	2,529	4,266
Profit/loss for the financial year	8,906	1,729
<b>Total</b>	<b>13,002</b>	<b>7,693</b>

## 15. PROVISIONS

EUR 1,000	2016	2015
Provisions at 1 Jan	109	270
Provisions made during the financial year	107	109
Provisions used during the financial year	-109	-270
<b>Provisions at 31 Dec</b>	<b>107</b>	<b>109</b>

The provisions consist of a warranty provision. In 2012, the provisions include also a provision recognised for unoccupied leased office facilities and a cost reserve for fulfilling obligations pertaining to customer projects.

## 16. NON-CURRENT LIABILITIES

EUR 1,000	2016	2015
<b>Liabilities to Group companies</b>		
Other liabilities	145	-
<b>Total</b>	<b>145</b>	<b>-</b>

## 17. CURRENT LIABILITIES

EUR 1,000	2016	2015
<b>Liabilities to Group companies</b>		
Trade payables	17,895	24,427
Other liabilities	-	21
<b>Total</b>	<b>17,895</b>	<b>24,448</b>
<b>Liabilities to others</b>		
Trade payables	2,123	1,745
Loans	8,815	6,979
Other liabilities	1,693	525
Accrued expenses and deferred income	19,729	16,762
<b>Total</b>	<b>32,354</b>	<b>26,011</b>
<b>Current liabilities total</b>	<b>50,249</b>	<b>50,459</b>
<b>Specification of accrued expenses and deferred income</b>		
Personnel expenses	4,333	4,195
Items recognised on the basis of percentage of completion method	4,812	2,477
Other accrued expenses and deferred income items related to revenue recognition	9,137	9,074
Other accrued expenses and deferred income items	1,442	1,016
<b>Total</b>	<b>19,724</b>	<b>16,762</b>

## 18. DEFERRED TAX ASSETS

EUR 1,000	2016	2015
<b>Deferred tax assets, which have not been booked in the balance sheet:</b>		
Reversal of depreciation and amortisation in taxation	111	171
Reversal of the R&D expenses in taxation	1,237	-
Impairment loss on trade receivables	6,215	6,860
<b>Total</b>	<b>7,563</b>	<b>7,032</b>

## 19. COLLATERALS, COMMITMENTS AND OTHER CONTINGENT LIABILITIES

### LEASE COMMITMENTS EUR 1,000

	2016	2015
Amounts payable during the next financial year	211	152
Amounts payable later	243	102
<b>Total</b>	<b>454</b>	<b>253</b>

The leases the company has entered into generally run for a period of three years and contain no redemption commitments.

### RENTAL COMMITMENTS EUR 1,000

	2016	2015
Amounts payable during the next financial year	1,110	1,324
Amounts payable later	4,928	657
<b>Total</b>	<b>6,038</b>	<b>1,981</b>

### GUARANTEES EUR 1,000

	2016	2015
Bank guarantees due within one year	3,021	2,286
Bank guarantees due later	836	441
<b>Total</b>	<b>3,858</b>	<b>2,728</b>

### COLLATERALS GIVEN ON BEHALF OF OTHERS EUR 1,000

	2016	2015
Guarantees	-	29

### CONTINGENT LIABILITIES ASSUMED ON BEHALF OF GROUP COMPANIES

In 2008, Comptel Corporation has given a performance guarantee on behalf of its subsidiary, still valid on 31 December 2012. The total value of this agreement is USD 4 million. Comptel gave a guarantee of GBP 700 thousand for its subsidiary in 2009.

### DERIVATIVE INSTRUMENTS EUR 1,000

	2016	2015
<b>Forward exchange contracts</b>		
Market value	-1 034	-351
Value of underlying instrument	39 981	39 046

Forward exchange contracts are used for hedging purposes.

### THE BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF PARENT COMPANY PROFIT

According to the parent company balance sheet at 31 December 2016 the parent company's distributable funds were EUR 13,002,142.59.

The Board of Directors proposes to the Annual General Meeting that no dividend be paid for the financial period ended on 31 December 2016.

The Board of Directors proposes to the Annual General Meeting that the Annual General Meeting authorizes the Board of Directors to decide on a dividend payment of up to a maximum of EUR 0.04 per share in one tranche for the financial period ended on 31 December 2016. The Board of Directors proposes that the authorization to decide on such dividend is conditional upon the Transaction Agreement entered into on 8 February 2017 by and between Nokia Corporation and Comptel Corporation (the "Transaction Agreement") having been terminated for any reason other than consummation of said tender offer pursuant to the Transaction Agreement, meaning that the tender offer announced by Nokia Corporation on 9 February 2017 for all of the issued and outstanding shares and option rights in Comptel Corporation is unsuccessful.

The authorization to decide on payment of dividend shall be valid until the end of 31 December 2017. Based on this authorization, the Board of Directors is entitled to decide on the dividend record date, dividend payment date and other matters required by the matter. When deciding on the possible payment of dividend, the Board of Directors shall assess the company's liquidity and financial position as required by the Companies Act.

# SHARES AND SHAREHOLDERS

The share of Comptel Corporation is listed in the NASDAQ OMX Helsinki under the code CTL1V. Comptel has one series of shares. Each share equals to one (1) vote at the Shareholders' General Meeting. The share capital of the company has not changed during the financial year ended. The company's share capital on 31 December 2016 amounted to 2,141,096.20 euros, and the total number of shares was 109,271,496.

## AUTHORISATIONS TO THE BOARD OF DIRECTORS

The annual General meeting on 6 April 2016 granted to the Board of Directors an authorisation to decide on share issues and granting special rights entitling to shares. A maximum of 21,400,000 shares can be issued. A maximum of 10,700,000 of the company's treasury shares held by the company can be conveyed and/or received on basis on the special rights.

The authorisations are valid until 30 June 2017. However, the authorisation to implement the company's share-based incentive programs is valid until five years from the AGM resolution. A separate stock release regarding the authorisations to the Board of Directors has been given on 6 April 2016.

## SHARE OPTION SCHEMES

Comptel has currently two share option schemes.

### SHARE OPTION SCHEME 2014

Based on the authorization given by the Annual General Meeting, the Board of Directors of Comptel Corporation has decided on 5 February 2014 to issue stock options to the key personnel of the Comptel Group.

The maximum total number of stock options issued is 4,200,000, and they entitle their holders to subscribe each one share for maximum total of 4,200,000 new shares in the Company or existing shares held by the Company. The new option scheme replaces the share option scheme 2012.

Of the stock options, 2,200,000 are marked with the symbol 2014A, 1,000,000 are marked with the symbol 2014B and 1,000,000 are marked with the symbol 2014C.

The subscription price for stock option 2014A is EUR 0.48 per share, which is the trade volume weighted average quotation of the share on NASDAQ Helsinki Ltd during 15.2.–15.3.2014 deducted by the dividends and capital repayment paid. The subscription prices for stock options 2014B is EUR 0.88 per share, which is the trade volume weighted average quotation of the share on NASDAQ Helsinki Ltd during 15.2.–15.3.2015 deducted by the dividends and capital repayment paid. The subscription prices for stock options 2014C is EUR 1.51 per share, which is the trade volume weighted average quotation of the share on NASDAQ Helsinki Ltd during 15.2.–15.3.2016 deducted by the dividends and capital repayment paid.

The share subscription periods for the options will be: 2014A 1.2.2016–31.1.2018, 2014B 1.2.2017–31.1.2019 and 2014C 1.2.2018–31.1.2020.

The share subscriptions may result in increase of the number of the company shares, maximum of 4,200,000 shares.

### SHARE OPTION SCHEME 2015

Based on the authorization given by the Annual General Meeting held on 9 April 2015, the Board of Directors has decided on 9 September 2015 to issue stock options to the President and CEO of Comptel Group. The maximum total number of stock options issued is 3,478,260, and they entitle the holder to subscribe each one share for maximum total of 3,478,260 new or existing shares held by the company.

Out of the subscription rights 1,739,130 options are marked by 2015A and 1,739,130 options by 2015B. The subscription price for the stock options 2015A and 2015B is EUR 0.89 per share, which is the trade volume weighted average quotation of the share in NASDAQ Helsinki during 12 August 2015–8 September 2015 deducted by 20% and the dividends and capital repayment paid.

The share subscription periods for the options will be: 2015A 15.8.2018–15.9.2019, 2015B 15.8.2019–15.9.2019.

The share subscriptions may result in increase of the number of the company shares, maximum of 3,478,260 shares.

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# SIGNATURES OF THE BOARD OF DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

Helsinki, 16 February 2017



Pertti Ervi  
*Chairman of the Board*



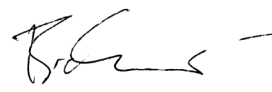
Hannu Vaajoensuu  
*Vice Chairman of the Board*



Eriikka Söderström  
*Member of the Board*



Antti Vasara  
*Member of the Board*



Thomas Berlemann  
*Member of the Board*



Juhani Hintikka  
*President & CEO*

The Auditor's Note

Our auditor's report has been issued today.

Helsinki, 16 February 2017

Ernst & Young Oy  
Authorised Public Accountant Firm



Mikko Järventausta  
Authorised Public Accountant

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# AUDITOR'S REPORT (TRANSLATION OF THE FINNISH ORIGINAL)

To the Annual General Meeting of Comptel Corporation

## REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

### OPINION

We have audited the financial statements of Comptel Corporation (business identity code 0621455-2) for the year ended 31 December, 2016. The financial statements comprise the consolidated statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and notes, including a summary of significant accounting policies, as well as the parent company's income statement, balance sheet, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position as well as its financial performance and its cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

### BASIS FOR OPINION

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of Financial Statements* section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

### Revenue recognition

We refer to the accounting principles for the consolidated financial statements and the notes 2 and 4.

The Group has a number of revenue streams, including license and maintenance contracts and long-term projects. Due to the multitude and variety of contractual terms with customers, significant management judgement is needed to account for the revenue streams, and therefore, revenue could be subject to misstatement, whether due to fraud or error.

Our audit procedures to address the risk of material misstatement relating to

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revenue recognition included, among others:

- Assessing the compliance of the Group's accounting policies over revenue recognition with applicable accounting standards.
- Analyzing the contractual language and revenue recognition criteria in a sample of new sales contracts.
- Testing a sample of sales transactions for timing of revenue recognition, including also evaluation of percentage of completion calculations of long term projects.
- Considering the appropriateness of the Group's disclosures in respect of revenues.

#### **Impairment testing of goodwill**

We refer to the accounting principles for the consolidated financial statements and the note 15.

At the balance sheet date, the value of goodwill amounted to 2.646 k€ representing 3 % of the total assets and 6 % of the total equity. Procedures over management's annual impairment test for goodwill were significant to our audit because the test involves estimates. The Group management applies significant judgment in determining assumptions in respect of future market and economic conditions such as economic growth, revenue and margin developments.

Our audit procedures to address the risk of material misstatement relating to the impairment testing included, among others:

- Involving valuation specialists to assist us in evaluating the assumptions and methodologies used by the Group in the testing, in particular those related to determination of weighted average cost of capital.
- Evaluating key assumptions included in the impairment testing with a focus on the projected financial information and testing the allocation of the assets, liabilities, revenues and expenses to each of the cash generating units.
- Assessing retrospectively the outcome of the management's prior year estimates.
- Considering the appropriateness of the Group's disclosures in respect of impairment testing

#### **Recoverability of deferred tax assets**

We refer to the accounting principles for the consolidated financial statements and the notes 12 and 17.

At the balance sheet date, the value of deferred tax assets amounted to 8.242 k€, recognized mainly with respect of withholding taxes. The management's assessment of the recoverability of deferred tax assets was significant to our audit because the related tax legislation is complex and the recoverability is also based on assumptions on the projected financial information.

Our audit procedures to address the risk of material misstatement relating to the recoverability of deferred tax assets included, among others:

- Assessing the compliance of the Group's accounting policies over recognizing and measuring deferred tax assets with applicable accounting standards.
- Involving tax specialists to assist us in evaluating the application of the tax legislation in the management's assessment of the recoverability of deferred tax assets.
- Evaluating key assumptions included in the management's assessment with a focus on the Company's projected financial information.
- Considering the appropriateness of the Group's disclosures in respect of deferred tax assets.

#### **RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR FOR THE FINANCIAL STATEMENTS**

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

### **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF FINANCIAL STATEMENTS**

misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or

the group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of

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the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## OTHER REPORTING REQUIREMENTS

### OTHER INFORMATION

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises information included in the report of the Board of Directors and in the Annual Report, but does not include the financial statements and our report thereon. We obtained the report of the Board of Directors prior to the date of the auditor's report, and the Annual Report is expected to be made available to us after the date of the auditor's report.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement in the information included in the report of the Board of Directors, we are required to report this fact. We have nothing to report in this regard.

Helsinki, 16 February 2017

Ernst & Young Oy  
Authorized Public Accountant Firm



Mikko Järventausta  
Authorized Public Accountant

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# CORPORATE GOVERNANCE STATEMENT 2016

*This Corporate Governance Statement for 2016 has been issued according to the Finnish Corporate Governance Code 2015, [www.cg-finland.fi](http://www.cg-finland.fi). The Corporate Governance Statement is published together with the Financial Statements and the Board of Directors' Report for 2016.*

## GOVERNING PRINCIPLES

Comptel Corporation is a Finnish public limited company which duties and responsibilities of the executive bodies are defined according to the Finnish law. Comptel Corporation complies with the Finnish Limited Liability Companies Act, other regulations concerning publicly traded companies, Comptel Corporation's Articles of Association and the rules of NASDAQ Helsinki Ltd. Comptel complies with the Finnish Corporate Governance Code issued by the Securities Market Association which entered into force on 1 January 2016.

The highest decision making bodies of Comptel Corporation are the Annual General Meeting, the Board of Directors and the President and CEO of the Group.

## GENERAL MEETING

The highest decision-making power in Comptel Corporation is vested in the Annual General Meeting. In the Annual General Meeting shareholders decide on the adoption of the financial statements, the use of the profit shown on the balance sheet, the discharge from liability of the Board members as well as the President and CEO, the number of Board members and the remuneration paid to the Board members and auditors. The Annual General Meeting elects the members of the Board of Directors and the Auditor. In addition, any other business

mentioned in the notice of the meeting is dealt with during the Annual General Meeting.

The Annual General Meeting of Comptel Corporation is summoned by the company's Board of Directors. According to the company's Articles of Association, the Annual General Meeting must be held each year before the end of June, on a date set by the Board of Directors.

Comptel Corporation's latest Annual General Meeting was held on 6 April 2016. The documents concerning the Annual Meeting are available at <http://www.comptel.com/investors/eng/governance/annual-general-meeting>.

## BOARD OF DIRECTORS

The duties and responsibilities of the Board of Directors are primarily defined by the Finnish Limited Liability Companies Act and the Articles of Association of Comptel Corporation. The Board of Directors controls and supervises the operational management of the company. The Board of Directors is responsible for ensuring that the company's financial accounting and financial management are properly organised.

The Board of Directors' Charter specifies the Board's duties, business to be handled, meeting practices and the decision-making processes. According to the Rules of Procedure, the Board of Directors handles and decides on all matters that are financially, commercially or fundamentally significant to the Group's operations.

The Board of Directors confirms the Group's strategy, budget, corporate structure, major corporate arrangements and investments. Furthermore, the Board of Directors approves and confirms the principles of risk management, appoints and discharges the President and CEO, and decides on the terms and conditions of employment for the President and CEO. The Board confirms also the terms and conditions

of employment of the members of the Executive Board.

The Board of Directors regularly evaluates its own operations and working practices. The Board also carries out a self-assessment in relation to its operations and working practices once a year.

As specified in the Articles of Association, the General Meeting elects a minimum of three and a maximum of six Board members. The Board members are elected for one year at a time so that the term of office for all Board members ends at the close of the following year's Annual General Meeting. The Board of Directors elects a Chairman and a Vice Chairman from among its members.

Proposal for the composition of the Board of Directors is prepared by the major shareholders together with the Chairman of the Board. Diversity principles of the Board of Directors composition promote good corporate governance and supports open discussion based on different perspectives and the board's independent decision-making. Diversity principles can be found from <http://www.comptel.com/investors/eng/governance/board-of-directors>.

In 2016, the Board of Directors convened 21 times (2015:19). The average attendance of the members was 95% (2015: 96%).

The Annual General Meeting for 2016 elected the following five Board members:

<b>NAME</b>	<b>POSITION</b>	<b>ATTENDANCE %</b>
Pertti Ervi	Chairman	100%
Hannu Vaajoensuu	Vice Chairman	100%
Thomas Berlemann	Board member	93%
Eriikka Söderström	Board member	90%
Antti Vasara	Board member	100%

The biographical details and the information on the holdings of the members of the Board of Directors are available at <http://www.comptel.com/investors/eng/governance/board-of-directors>.

All members of the Board are independent of the company and the company's significant shareholders.

Ms. Tiina Sarhimaa, General Counsel, Head of Legal, serves as the secretary for the Board of Directors.

## **AUDIT COMMITTEE**

In its first meeting held on 6 April 2016, the Board of Directors decided to establish an audit committee to deal with the preparation of matters relating to the company's financial reporting and control.

Ms. Eriikka Söderström was elected as the Chairman of the audit committee, and Mr. Pertti Ervi and Mr. Antti Vasara as the members of the audit committee. It was noted that all the members of the audit committee are independent from the company and its significant shareholders.

The Audit Committee monitors, instructs and evaluates Comptel's risk management, internal supervision and management systems, IT systems, financial reporting as well as auditing of the accounts and internal auditing in accordance with its written charter approved by the Board of Directors.

The Audit Committee is neither a decision-making nor an executive body. It is the responsibility of the management to prepare consolidated financial statements in accordance with laws and regulations and of the company's external auditor to audit the financial statements.

During 2016, audit committee convened 4 times. All members of the audit committee attended all meetings in 2016.

## PRESIDENT AND CEO

The President and CEO is responsible for ensuring that the objectives, strategies, future plans, outlines and goals set by the Board of Directors are implemented and achieved by the group. The President and CEO prepares the matters to be decided by the Board of Directors and executes the decisions made.

The President and CEO is appointed by the Board of Directors. The Board of Directors decides on the terms and conditions of President and CEO's employment, including the salary, other compensations and fringe benefits that are defined in the CEO's employment contract.

Mr. Juhani Hintikka has acted as the President and CEO of Comptel Corporation since 2011. The biographical details and information on the holdings of the President and CEO are available at <http://www.comptel.com/investors/eng/governance/executive-board>.

## EXECUTIVE BOARD

The duty of Comptel's Executive Board is to assist the President and CEO. The Executive Board consists of the directors of the business units and the units supporting business operations.

The Executive Board is responsible for integrating the activities of the group and its parts into an operating plan associated with the annual budget to implement group's strategies. During the year the results of the operations in relation to the budget and operating plan are handled in the Executive Board monthly.

In 2016, the members of the Executive Board were, in addition to President and CEO, Mr. Antti Koskela (EVP SO), Mr. Niilo Fredrikson

(EVP ID), Mr. Tom Jansson (CFO), Mr. Michele Cambriani (CCO), Ms. Niina Pesonen (SVP HR), Mr. Ari Vanttinen (SVP Marketing) and Mr. Jussi Himanen (SVP Strategy).

The biographical details and information on the holdings of the members of the Executive Board are available at <http://www.comptel.com/investors/eng/governance/executive-board>.

In 2016, the Executive Board convened 12 times (2015:11).

## AUDITING

According to the Finnish Auditing Act, statutory audits comprise the auditing of the accounts, financial statements, Board's report and administration. The Annual General Meeting must be provided with an Auditor's Report including an opinion on whether the financial statements give correct and sufficient information about the Group's result and financial position at the close of the financial year. The Auditors report to the Board of Directors on their work and observations. The auditor verifies and reports also to the Board of Directors in an ongoing manner about observations concerning Comptel's administration and operations.

The Annual General Meeting 2016 elected Ernst & Young Oy as the Auditor of Comptel. Mr. Mikko Järventausta (APA) has acted as Principal Auditor during the financial year 2016.

The fees paid to the Auditor for the auditing services as well as for any other services, are specified in the financial statements for the year 2016:

	EUR
Audit Fees	229,880
Fees for non-audit services	104,033

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## RELATED PARTY TRANSACTIONS

The company has identified its related parties and assesses and monitors related party transactions and maintains a list of the company's close associates. Related party transactions are described in more detail in the notes of Consolidated Financial Statements that are available at: <http://www.comptel.com/investors/eng/governance/related-party-transactions>.

## INSIDER ADMINISTRATION

Comptel complies with the insider guidelines of NASDAQ Helsinki. In accordance with the applicable stock exchange regulation (MAR/EU No 596/2014), Comptel reports financial instrument transactions by persons discharging managerial responsibilities and their close associates with a stock exchange release. The company management and persons closely associated with them shall notify all their transactions to the issuer and the Finnish Financial Supervisory Authority. The releases are available at: <http://www.comptel.com/investors/eng/share-shareholders/transactionsofthemanagement>

Persons defined by Comptel's insider management are obliged to comply with the no-trading period (so-called closed window), which commences 30 days prior to the publication of each interim report or financial statements release but no later than 7 days prior to the end of each quarter, and expires 24 hours after such publication.

## INTERNAL CONTROL AND RISK MANAGEMENT

### INTERNAL CONTROL

Internal control comprises of processes that provide reasonable

assurance regarding the achievement of the company's objectives in the efficiency of operations, cost effective use of resources, reliability of financial reporting and compliance with the laws and regulations as well as the internal practices. Audit Committee of the Board of Directors and management reviews and Board of Directors approves internal controls.

The objective of Comptel's internal control is to ensure that:

- company's operations are efficient and profitable
- financial and operational information is reliable
- entire Group complies with the regulations and policies

Internal control is not a separate process, but part of company's day-to-day operations. Internal control covers Comptel processes, policies and organisational structures that help to ensure that the company is achieving its objectives, the business conduct is ethical, the assets are managed responsibly and that financial reporting is organised properly.

Internal control includes, for example, monthly management reporting, revenue recognition management, HR management policies, processes defined by the quality system, Group's approval policy delegation of authority and monitoring the compliance with regulations, policies and practices.

The Group's financial administration monitors internal and external accounting and reconciles and investigates the possible differences between the two. The financial reporting process is monitored by the Audit Committee. In connection with the statutory audit, the Auditor reviews the control environment of the financial reporting as part of auditing the administration.

### RISK MANAGEMENT

Risk management is an integral part of Comptel's internal control. Risk

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management and internal control are integrated at the process level. Risk management refers to a systematic process to identify, evaluate and control risks due to external factors as well as risks arising from the Group's own activity.

The Board of Directors has ratified the principles of risk management defining the risk management objectives and general practices, and also the tasks and responsibilities connected with risk management.

The Chief Financial Officer is in charge of coordinating risk management within the Group. The business units have the primary responsibility for identification and management of any and all risks that have an impact on their operations. Risk evaluation and management is an important part of the Group's annual business planning and strategy process, budgeting, as well as the preparatory and decision making processes connected with commercial offers, agreements and investments and other operative activities.

Comptel's business is subject to various risks and uncertainties. Comptel evaluates key risks related to its business continuously and up to date information on the business and other risks related to Comptel are disclosed periodically in the annual and interim reports available at <http://www.comptel.com/investors/eng/governance/risk-management>.

## **INTERNAL AUDIT**

The purpose of the internal audit is to ensure that the business processes, financial processes and administrative processes of the company are performed in compliance with corporate governance principles. Activities are controlled to ensure profitable business operations.

Internal audit at Comptel is part of the financial administration. Internal audit is conducted on a case by case basis, if a need for an

audit is detected. Whenever necessary, external experts are used to complement the audit activities. Where appropriate, the results of internal audits are reported to the Audit Committee and to the Board of Directors.

# COMPTTEL'S REMUNERATION STATEMENT 2016

This Remuneration Statement for 2016 has been issued according to the Finnish Corporate Governance Code 2015 [www.cgfinland.fi](http://www.cgfinland.fi) and is published together with the Financial Statements, Corporate Governance Statement and the Board of Directors' Report for 2016.

## DECISION-MAKING PROCEDURE CONCERNING REMUNERATION

According to Comptel Corporation's Articles of Association, the Annual General Meeting decides the compensation to be paid to the members of the Board of Directors.

Board of Directors makes decisions on the salaries and other financial benefits of the President and CEO (CEO) and the other corporate executives, following the one-over-one principle.

## MAIN PRINCIPLES OF THE REMUNERATION

Comptel Group's remuneration schemes have been designed to promote competitiveness and long-term financial success of the company and to contribute to the favorable development of shareholder value. Remuneration schemes are based on predetermined and measurable performance and result criteria. Comptel has long-term and short-term performance based remuneration schemes.

## REMUNERATION OF THE BOARD OF DIRECTORS

### ANNUAL FEES AND MEETING FEES

The Annual General Meeting 2016 decided to keep the fees unchanged as follows

- Chairman 53,000 euros per year

- Vice chairman EUR 33,000 per year
- Members EUR 26,000 per year
- Attendance allowance EUR 500 per meeting; and
- for possible committee meetings, EUR 600 per meeting for the chairman and EUR 500 per meeting for the members

### THE TOTAL ANNUAL AND MEETING FEES PAID TO BOARD MEMBERS (EUR):

	2016	2015	2014
Ervi Pertti	64,500	59,000	61,000
Mäkijärvi Heikki	2,500	31,000	26,500
Söderström Eriikka	36,900	30,500	31,500
Vaajoensuu Hannu	42,500	39,000	40,500
Vasara Antti	38,000	31,000	33,500
Berlemann Thomas	32,000	-	-
<b>Total</b>	<b>216,400</b>	<b>190,500</b>	<b>194,500</b>

The Annual General Meeting resolved that the members will also get reasonable travel expenses compensated.

### BOARD COMPENSATION PAID IN SHARES

Out of the annual compensation paid to the Board members, 40 percent of the total gross compensation amount is used to purchase Comptel's shares in public trading through NASDAQ Helsinki Ltd or alternatively by using the own shares held by the company. The shares will be disposed as soon as possible after the Annual General Meeting. There are no restrictions related to the shares paid as part of the board compensation.

The members of the Board of Directors do not participate in a share-based incentive plan or share option schemes.

## THE NUMBER OF SHARES PAID TO THE BOARD MEMBERS AS COMPENSATION DURING THE FISCAL YEAR:

	2016	2015	2014
Ervi Pertti	21,200	20,990	39,259
Mäkijärvi Heikki	-	10,297	19,259
Söderström Eriikka	10,400	10,297	19,259
Vaajoensuu Hannu	13,200	13,069	24,444
Vasara Antti	10,400	10,297	19,259
Berlemann Thomas	10,400	-	-
<b>Total</b>	<b>65,600</b>	<b>64,950</b>	<b>121,480</b>

Information on the share holdings of the members of the Board of Directors is available at: <http://www.comptel.com/investors/eng/governance/board-of-directors>.

## REMUNERATION OF THE CEO AND CORPORATE EXECUTIVES

### EXECUTIVE REMUNERATION SCHEME

The company seeks to offer a competitive remuneration package to retain and attract talented key resources. The current remuneration of the CEO and other Corporate Executives consists of a fixed monthly salary, a short-term bonus scheme and a long-term share-based incentive plan.

The potential earnings from the bonus scheme depend on achieving the Group targets which are the development of net sales and operating profit. The business area leaders also have order intake as a target. The target setting takes place annually.

## SHARE-BASED INCENTIVE PLAN

The Board of Directors resolved on a new stock option incentive plan 5 February 2014 for the group key personnel as part of the company's incentive and commitment program. The incentive plan 2014 replaced the incentive plan 2012, and therefore the prerequisite for subscribing the stock options under the new incentive plan is that the employee simultaneously relinquishes his or her rights to stock options under the 2012 incentive plan. The target group of the Plan consists of approximately 30 people. The aim of the new plan is to combine the objectives of the shareholders and the key personnel in order to increase the value of the Company, to commit the key personnel to the Company, and to offer them a competitive reward plan based on long-term shareholding in the Company.

A maximum total of 4,200,000 options will be granted and they entitle their holders to subscribe to a maximum of 4,200,000 new or existing Company's own shares. Of the stock options, 2,200,000 are to be marked with the symbol 2014A, 1,000,000 are to be marked with the symbol 2014B and 1,000,000 are to be marked with the symbol 2014C.

The subscription price for each option is defined as the weighted average trade price of the Company's stock in NASDAQ Helsinki as follows: for the option 2014A between February 15 – March 15, 2014, for the options 2014B between February 15 – March 15, 2015 and for the options 2014C February 15 – March 15, 2016. The subscription periods for the shares are as follows: for options 2014A February 1, 2016 - January 31, 2018; for options 2014B February 1, 2017 - January 31, 2019 and for options 2014C February 1, 2018 - January 31, 2020.

## FINANCIAL BENEFITS BASED ON THE SERVICE CONTRACT OF THE CEO

### SALARY AND OTHER BENEFITS OF THE CEO

CEO remuneration package consist of a variable part, the annual short-term bonus schema (STI), which is on the target level 50% of the annual base salary and 100% of the annual base salary at maximum. The annual bonus is based on Comptel's revenue, EBIT and the revenue of FWD unit. CEO is eligible for the annual short-term bonus schema payout, if he has a valid service contract on the last day of the year. Long-term share-based incentive plan (LTI) earning and restriction periods are defined in the respective plans.

### SALARIES AND OTHER BENEFITS PAID TO PRESIDENT AND CEO JUHANI HINTIKKA (EUR):

	2016	2015	2014
Salary and benefits	327,375	317,710	312,218
Bonuses	100,265	201,659	207,573
Shares (EUR)	-	349,032	65,209
<b>Total</b>	<b>427,640</b>	<b>868,401</b>	<b>585,000</b>

### SHARE-BASED INCENTIVE PLAN OF THE CEO

The Board of Directors resolved on a new share-based incentive plan 9 September 2015 for President and CEO Juhani Hintikka (Share Option Scheme 2015). As part of the incentive plan, Mr. Hintikka invested EUR 800,000 in Comptel by purchasing a total of 3,478,260 million share subscription rights with a price of EUR 0.23 per unit. The

subscription rights entitle to subscribe shares worth up to EUR 3.2 million during agreed subscription periods.

The share subscription price is EUR 0.92 which is a time-weighted average price in NASDAQ Helsinki 12. August 2015 – 8. September 2015 deducted with 20 percent. The price of a subscription right together with the share price is EUR 1.15 which corresponds the price of a Comptel share at the time of the Board resolution.

Exercising the right to subscribe new shares enables Mr. Hintikka to increase his current direct and indirect ownership of 1.1 percent in the company up to maximum of approximately 4 percent of the share capital and voting rights of Comptel, if Mr. Hintikka exercises all subscription rights and if new shares are issued in connection with the share subscriptions.

The subscription rights are marked with symbol 2015A (share subscription period 15 August 2018. – 15 September 2015) and 2015B (share subscription period 15. August 2019 - 15. September 2019). After the share subscriptions with stock options, the number of the company's shares may increase by a maximum of 3 478 260 shares, if new shares are issued in the share subscription.

### THE NUMBER OF SHARE-BASED INCENTIVES OF PRESIDENT AND CEO JUHANI HINTIKKA:

	2016	2015	2014
Options 2014A	-	20,000	400,000
Options 2014B	-	120,000	-
Options 2015	-	3,478,260	-

Information on share holdings of the CEO is available at:  
<http://www.comptel.com/investors/eng/governance/board-of-directors>.

## RETIREMENT AND PENSION

The retirement age of CEO Hintikka is determined by the Employees' Pension Act (TyEL). Based on the Act, the retirement age is 1 January 2017 onwards 65 years and 4 months. In addition to the statutory pension, he is entitled to an additional pension scheme which amounts to 15 percent of the merit according to TyEL. The scheme is contribution-based pension scheme.

## TERMINATION OF THE CEO'S AGREEMENT

Juhani Hintikka's period of notice is six months if dismissed by the company and three months if the CEO resigns himself. If the company terminates the employment relationship, compensation equal to the salary of 12 months will be paid.

## SALARIES AND OTHER BENEFITS OF THE EXECUTIVE TEAM:

Executive Team's remuneration package consists of a variable part, the annual short-term bonus schema (STI), which has a role specific content, target and maximum level payout. Executive Team members are eligible for the annual short-term bonus schema payout, if the member has a valid employment contract on the last day of the year. Long-term share-based incentive plan (LTI) earning and restriction periods are defined in the respective plans.

2016	
Salary and benefits	1,749,642
Bonuses	581,360
Shares (EUR)	474,930
<b>Total</b>	<b>2,805,932</b>

## THE NUMBER OF SHARE-BASED INCENTIVES OF THE EXECUTIVE TEAM:

2016	
Options 2014A	-
Options 2014B	300,000
Options 2014C	360,000

Information on the share holdings of the members of Executive Team is available at: <http://www.comptel.com/investors/eng/governance/board-of-directors>.

## RETIREMENT AND TERMINATION OF EXECUTIVE TEAM'S EMPLOYMENT AGREEMENTS

The retirement age of the Executive Team members is based on applicable local legislation. The termination of the agreements of the Executive Team members varies from 2 months to 6 months in case of employer's notice and varies from 2 months to 3 months in the case the employee gives the notice.

# BOARD OF DIRECTORS 31 DECEMBER 2016

## **PERTTI ERVI**

Born 1957, B.Sc. (Electronics)  
Chairman of the Board since 2012

### **Main career history**

Computer 2000 AG, Co-President 1995–2000  
Computer 2000 Finland Oy, Managing Director –1995

### **Main board memberships**

Chairman of the Board in Efecte Oy  
Member of the Board in F-Secure Corporation and  
Teleste Corporation  
*Comptel shares 185,013*

## **HANNU VAAJOENSUU**

Born 1961, M.Sc. (Economics)  
Vice Chairman of the Board since 2005

### **Main career history**

Basware Corporation, Full-time Chairman of the Board  
2005–2010, CEO 1999–2004, Partner, Executive  
Director 1991–1999

### **Main board memberships**

Chairman of the Board in Basware Corporation, Evolta  
Oy, Sparklike Oy and Solita Oy  
Member of the Board in BC Platforms AG, Efecte Oy,  
The Federation of Finnish Technology Industries  
*Comptel shares 185,797*

## **ERIIKKA SÖDERSTRÖM**

Born 1968, M.Sc. (Economics)  
Member of the Board since 2012

### **Main career history**

F-Secure Corporation, CFO 2017–  
Kone Corporation, CFO 2014–2016  
Kone Corporation, Corporate Controller 2013–2014  
Vacon Plc, Chief Financial Officer 2009–2013  
Oy Nautor Ab, Chief Financial Officer 2008  
Nokia Siemens Networks, Corporate Controller 2007  
Nokia Networks, various finance and control roles  
1994–2006

*Comptel shares 83,968*

## **ANTTI VASARA**

Born 1965, Doctor of Technology (Technical Physics)  
Member of the Board since 2012

### **Main career history**

VTT Technical Research Center of Finland,  
President & CEO 2015–  
Tieto Corporation, Executive Vice President,  
Product Development Services 2012–2015  
Nokia, Senior Vice President, Mobile Phones  
Product Development 2010–2012  
Nokia, Senior Vice President, various leading positions

in product programs and hardware development,  
corporate strategy and software sales & marketing  
2003–2010

SmartTrust Ab, CEO 2000–2003

McKinsey & Company, Senior Engagement Manager  
1993–2000

### **Main board memberships**

Nexxon Ltd (UK)  
*Comptel shares 79,968*

## **THOMAS BERLEMANN**

Born 1963, B.Sc. (Economics)  
Member of the Board since 2016

### **Main career history**

Webhelp DACH, CEO 2016–  
B2X Care Solutions, CEO 2014–2015  
Deutsche Telekom, 2003–2013 including: CEO at  
T-Mobile Netherlands 2012–2013; Director Sales &  
Service at Telekom Deutschland 2009–2011; CEO  
at Deutsche Telekom Kundenservice & MB T-Home  
2007–2009  
America Online, Senior Vice President Member  
Services Europe 2001–2003

### **Main board memberships**

Telekom Deutschland GmbH 2009–2011, T-Mobile  
Germany 2003–2009  
*Comptel shares 6,753*

# EXECUTIVE BOARD MEMBERS 31 DECEMBER 2016

## **JUHANI HINTIKKA, PRESIDENT AND CEO**

Born 1966, M.Sc. (Engineering)

Joined Comptel in 2011. Has held several general management and executive positions in research and development, operations and sales at Nokia and Nokia Siemens Networks since 1999, latest the global Head of Operations Support Solutions Business Line at NSN. Has previously worked in Konecranes Group and in KONE Group. Member of the Board of Directors of Comptel Corporation during 2007–2008.

*Comptel shares: 969,999 and 305,000 owned by his investment company Lee Capital Oy; share options 2014A: 420,000; 2014B: 120,000; 2015A: 1,739,130; 2015B: 1,739,130*

## **MICHELE CAMPRIANI, CCO**

Born in 1968, M.Sc. (Electronic Engineering).

Joined Comptel in 2015, a member of the Executive Board since 2016. He has previously held various executive and senior sales positions at Hewlett Packard and Sunrise Telecom. He founded and was CEO of Accanto Systems. Most recently he was International VP of sales at Empirix Inc.

*Comptel shares: 0; share options 2014C: 60,000*

## **TOM JANSSON, CFO**

Born 1968, M.Sc. (Econ.)

Joined Comptel 2013, has previously held several senior finance positions during his long tenure at Tellabs, latest Director of Finance International in Tellabs Corporation.

*Comptel shares: 0; share options 2014A: 200,000; 2014B: 60,000, 2014C: 60,000*

## **JUSSI HIMANEN, SENIOR VICE PRESIDENT, CORPORATE DEVELOPMENT**

Born 1972, M.Sc. (Industrial Engineering)

Joined Comptel in 2012, member of the Executive Board since 2015. Has previously held various strategy and product management positions in Nokia Siemens Networks and Nokia since 1998. Prior to that worked in Sonera during 1997–1998.

*Comptel shares: 37,500; share options 2014A: 50,000; 2014B: 60,000; 2014C: 60,000*

## **ANTTI KOSKELA, EXECUTIVE VICE PRESIDENT, SERVICE ORCHESTRATION**

Born 1971, M.Sc. (Engineering)

Joined Comptel in 2011, member of the Executive Board since 2011. Has previously held several

management positions in Nokia Siemens Networks since 1999, latest Head of the Communication & Entertainment Solutions Business Line at. Prior to that, worked in Ericsson during 1994–1999.

*Comptel shares: 68,700; share options 2014A: 87,440; 2014B: 60,000, 2014C: 60,000*

## **NILO FREDRIKSON, EXECUTIVE VICE PRESIDENT, INTELLIGENT DATA**

Born in 1980, M.Sc. (Tech.) and M.Sc. (Econ.)

Joined Comptel in 2016, member of the Executive Board since 2016. Previously, held several management positions at Microsoft since 2006, latest Director of Partner Marketing for Office 365 and Skype for Business. Prior to that, spent 1999–2005 as an entrepreneur founding and growing start-ups.

*Comptel shares: 0; share options 2014C: 60,000*

## **NIINA PESONEN, SENIOR VICE PRESIDENT, HUMAN RESOURCES**

Born 1965, M.Sc. (Social and Behavioral)

Joined Comptel in 2007, member of the Executive Board since 2007. Has previously held several HR management and development positions in Nokia since 1992. Her latest positions were Business HR

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Director for the Delivery Operations of Nokia Networks and HR Head for North East Region in Nokia Siemens Networks.

*Comptel shares: 124,999; share options 2014A: 150,000; 2014B: 60,000, 2014C: 60,000*

### **ARI VÄNTTINEN, CMO**

Born 1969, M.Sc. (Economics)

Joined Comptel in 2014, member of Executive Board since 2014. Has previously held various marketing executive and management roles at McAfee and Stonesoft Plc since 2010. Before that management consultant at Talent Partners 2007–2010 and marketing management and business development roles at Nokia Networks 2004–2007.

*Comptel shares: 0; share options 2014A: 45,000; 2014B: 60,000, 2014C: 60,000*

# SHAREHOLDER INFORMATION

## ANNUAL GENERAL MEETING

The Annual General Meeting of Comptel shareholders to be held Scandic Marina Congress Center, meeting room Fennia I, at the address Katajanokanlaituri 6, 00160 Helsinki, starting at 5 PM on Tuesday, 4 April 2017.

A shareholder, who wants to participate in the Annual General Meeting, shall register for the Meeting no later than 10:00 AM (Finnish time) on 30 March 2017 by giving a prior notice of participation to the Company.

Such notice can be given:

- a) by notice at Company's website: <http://www.comptel.com>;
- b) by telephone at +358 20 770 6877, from 9:00 AM to 4:00 PM (Finnish time) Monday to Friday;
- c) by telefax at +358 9 70011 224; or
- d) by regular mail to Comptel Corporation, P.O. Box 1000, FI-00181 Helsinki, Finland (envelopes should be marked "Annual General Meeting")

Each shareholder, who is registered on 23 March 2017 in the shareholders' register of the Company held by Euroclear Finland Ltd, has the right to participate in the Annual General Meeting. A shareholder, whose shares are registered on his/her personal Finnish book-entry account, is registered in the shareholders' register of the Company.

## DIVIDEND AND FINANCIAL STATEMENTS

The Board of Directors proposes to the Annual General Meeting that no dividend be paid for the financial period ended on 31 December 2016.

The proposals of the Board of Directors as well as this notice are available on Comptel Corporation's website at [www.comptel.com](http://www.comptel.com). The annual report of Comptel Corporation, including the Company's annual accounts, the consolidated annual accounts, the report of the Board of Directors and the Auditor's report, is available on the above-mentioned website no later than 14 March 2017. The proposals of the Board of Directors and the annual accounts documents are also available at the Meeting.

## PUBLICATION OF INTERIM REPORTS

In 2017, Comptel corporation will publish interim reports as follows:

- Q1 January - March on Friday 21 April 2017
- Q2 January - June on Tuesday 18 July 2017
- Q3 January - September on Friday 20 October 2017

Comptel publishes its Interim Reports, Financial Statements Bulletin and Annual Reports in English and Finnish. The financial reports are available on Comptel's website at [www.comptel.com](http://www.comptel.com) under Investors. Documents may also be ordered by email [communications@comptel.com](mailto:communications@comptel.com) or by phone +358 700 1131.

## INVESTOR CONTACTS

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[tom.jansson@comptel.com](mailto:tom.jansson@comptel.com)

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# COMPTTEL PRESENCE

## EUROPE

- Helsinki** Finland
- Düsseldorf** Germany
- The Hague** The Netherlands
- Istanbul** Turkey
- Milan** Italy
- Moscow** Russia
- Oslo** Norway
- Reading** UK
- Sofia** Bulgaria
- Stockholm** Sweden

## AMERICAS

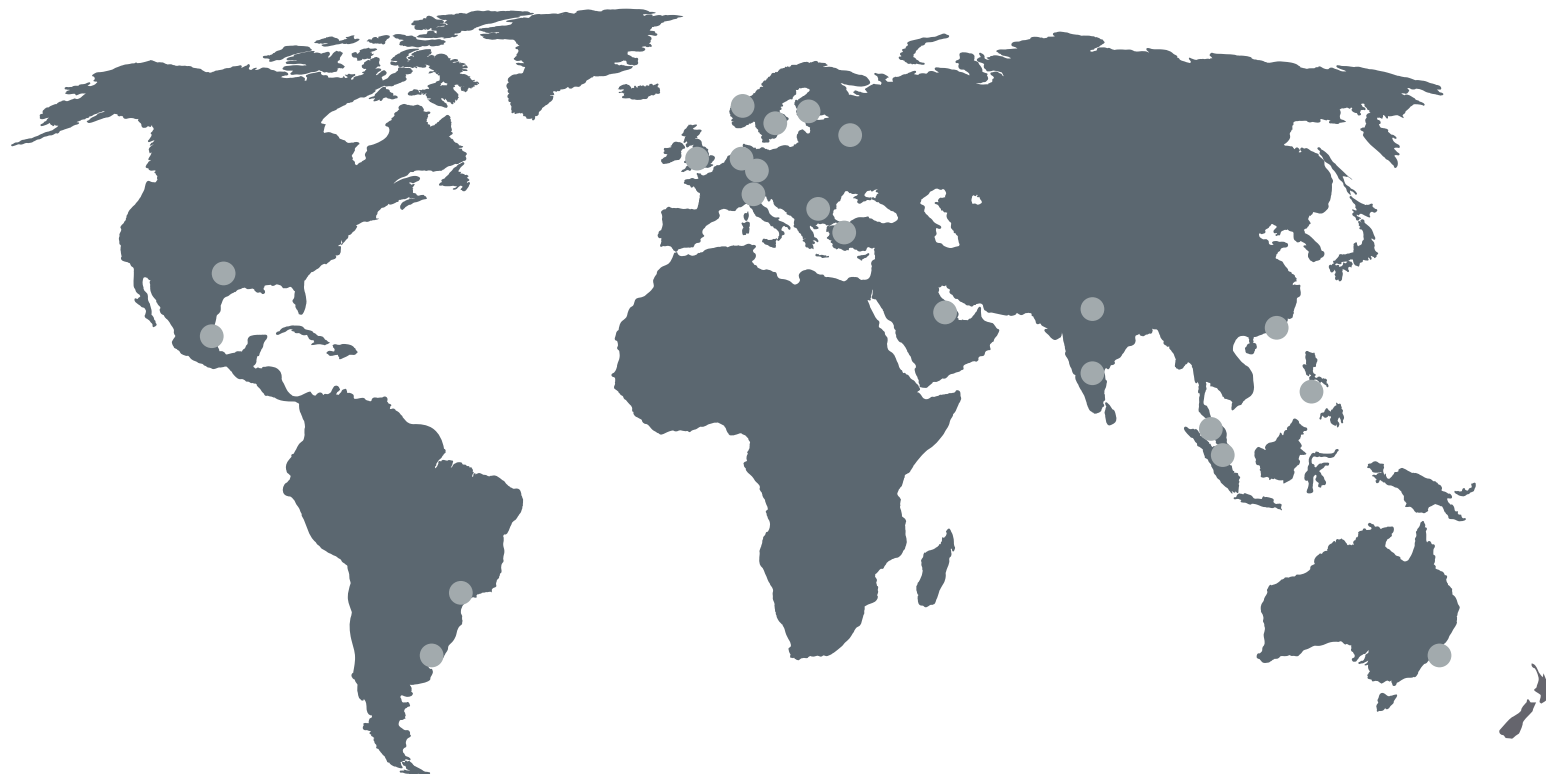
- Buenos Aires** Argentina
- DF Mexico** Mexico
- São Paulo** Brazil
- Dallas** USA

## ASIA PACIFIC

- Kuala Lumpur** Malaysia
- Hong Kong** China
- Jakarta** Indonesia
- Bangalore** India
- New Delhi** India
- Sydney** Australia
- Makati City** Philippines

## MIDDLE EAST AND AFRICA

- Dubai** United Arab Emirates





**comptel**

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