COMPTEL

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# INTERIM REPORT OF COMPTEL CORPORATION 1 JANUARY - 30 SEPTEMBER 2011

In July - September, net sales grew from the previous year. Operating result was EUR 8.0 million thanks to the Axioss transaction.

Key figures for the third quarter:

- Net sales EUR 16.6 million (Q3 2010: 15.3)
- Operating result EUR 8.0 million (0.0)
- Operating result excluding one-off items EUR -0.8 million (0.0)
- Earnings per share EUR 0.08 (-0.01)
- Order backlog EUR 32.1 million (29.8)

Key figures for January - September:

- Net sales EUR 53.5 million (Q1 - Q3 2010: 54.3)
- Operating result EUR 9.0 million (4.0)
- Operating result excluding one-off items EUR 0.2 million (4.0)
- Earnings per share EUR 0.07 (0.01)

As earlier stated, Comptel's net sales in 2011 are estimated to remain at the previous year's level or to decrease slightly. Following the Axioss transaction, the operating profit for 2011 will clearly increase, but operating profit excluding the deal-related one-off items will decrease from the previous year.

**Juhani Hintikka, President and CEO:**

”During the third quarter, Comptel's business developed favourably in the Middle East and the Americas. Net sales grew in Europe West, however, in the region Europe East the deliveries remained few. Overall Comptel's net sales did not meet our expectations. In part, the hiring of new employees and investments in sales channels and service organisation had an impact on the operative result. In September, we sold the Axioss fulfillment software to Cisco, which generated a significant capital gain.

During the third quarter, we have been finalising Comptel's new strategy. Communication Service Providers (CSPs) are increasingly looking for experts to turn the explosion of data into a profitable business, and to manage the growing complexity and cost by automating their processes. They need agility in service and customer experience management to differentiate from competition.

Comptel will connect automation to real-time data collection and analysis, and seek market leadership in these areas. In addition, we will continue developing our services business. Professional services, outsourcing and business consultancy will complement our technology offering, helping us become a trusted partner in the business transformation process.

Partners will continue to play an important role in addressing the market. We will expand our partnering with small, innovative companies lacking market access, creating a new ecosystem.”

## Business Review for the Third Quarter and January - September 2011

In the third quarter, Comptel's net sales grew by 8.6 per cent from the previous year and were EUR 16.6 million (15.3). Net sales increased in Europe West, in the Middle East and in the Americas. During January - September, net sales slightly decreased from the previous year and were EUR 53.5 million (54.3).

The sale of the Axioss software to Cisco was closed in September. The consideration paid by Cisco was adjusted to EUR 22.1 million in cash. Following the impairments of goodwill and R&D capitalisations, and other deal-related expenses, the final net operating result impact of the transaction was EUR 8.8 million.

As a result of the Axioss transaction, the operating result rose to EUR 8.0 million (0.0) in the third quarter, representing 47.9 per cent of net sales. The operating result excluding deal-related one-off items was EUR 0.8 million negative (0.0). In January - September, the operating result excluding one-off items was EUR 0.2 million (4.0) representing 0.4 per cent of net sales (7.4). Investments in sales and service channels increased the operating expenses compared to the previous year.

In January - September, profit before taxes was EUR 8.8 million (3.4) and net result was EUR 7.0 million (1.6). Earnings per share for the review period were EUR 0.07 (0.01).

Tax expense for the review period was EUR 1.8 million (1.8), of which EUR 1.1 (0.7) million were withholding taxes. The cumulative amount of outstanding double withholding taxes payment is EUR 7.6 million since 2004.

The Group's order backlog increased from the previous year by 7.6 per cent and was EUR 32.1 million (29.8) at the end of the period. Maintenance agreements represent EUR 15.1 million (14.4) and other order backlog EUR 17.0 million (15.4) of the total.

**Business Areas**

| **Net sales, EUR million** | **7-9 2011** | **7-9 2010** | **Change %** | **1-9 2011** | **1-9 2010** | **Change %** | **2010** |
|---|---|---|---|---|---|---|---|
| Europe East | 2.6 | 4.1 | -36.8 | 9.3 | 13.9 | -32.9 | 19.5 |
| Europe West | 4.8 | 3.7 | 27.2 | 12.9 | 12.5 | 4.0 | 17.6 |
| Asia-Pacific | 4.2 | 4.7 | -10.4 | 15.9 | 16.0 | -0.5 | 23.1 |
| Middle East and Africa | 3.3 | 1.9 | 78.6 | 9.8 | 6.7 | 45.9 | 9.8 |
| Americas | 1.8 | 1.0 | 86.2 | 5.5 | 5.3 | 3.9 | 7.8 |
| Total | 16.6 | 15.3 | 8.6 | 53.5 | 54.3 | -1.6 | 77.9 |
| **Operating result, EUR million** | | | | | | | |
| Europe East | 0.3 | 1.6 | -82.2 | 2.2 | 6.0 | -63.1 | 8.8 |
| Europe West | 2.4 | 2.3 | 6.1 | 6.6 | 7.6 | -13.0 | 11.0 |
| Asia-Pacific | 1.8 | 2.5 | -26.8 | 9.3 | 8.2 | 12.4 | 13.1 |
| Middle East and Africa | 1.2 | 0.0 | 18,729.5 | 4.0 | 0.9 | 348.1 | 2.5 |
| Americas | 0.8 | -0.1 | 851.3 | 2.6 | 2.4 | 11.2 | 4.2 |
| Unallocated costs | 1.5 | -6.3 | -123.4 | -15.7 | -21.1 | -25.7 | -30.6 |
| Total | 8.0 | 0.0 | 27,771.0 | 9.0 | 4.0 | 125.1 | 8.9 |
| **Operating result, % of net sales** | | | | | | | |
| Europe East | 11.4 | 40.2 | - | 23.7 | 43.2 | - | 45.0 |
| Europe West | 50.2 | 60.2 | - | 51.2 | 61.2 | - | 62.6 |
| Asia-Pacific | 43.5 | 53.3 | - | 58.2 | 51.5 | - | 56.6 |
| Middle East and Africa | 37.4 | 0.4 | - | 40.4 | 13.1 | - | 25.3 |
| Americas | 42.3 | -10.5 | - | 48.2 | 45.0 | - | 53.5 |
| Total | 47.9 | 0.2 | - | 16.9 | 7.4 | - | 11.4 |

As of July 2011, Comptel has divided its European business into the regions of Europe East and Europe West. Net sales and operating result remained low in Europe East due to few projects especially in the Nordic countries. In Europe West, delivery projects increased the net sales from the previous year. In Asia-Pacific, the third quarter net sales and operating result remained lower than in the previous year. However, the profitability of the region remained strong in the review period of January - December. In the Middle East and Africa as well as in the Americas, system deliveries increased the net sales significantly which improved also the profitability compared to the previous year.

In January - September, Comptel received 13 significant orders (Q1 - Q3 2010: 9), 3 fulfillment, 7 control & charge and 3 covering both of these main solution areas. As of this year, Comptel is reporting sold projects and licenses with a value of EUR 500,000 at the minimum, instead of new core licenses which value exceed EUR 100,000. This reporting of significant orders reflects better the nature of Comptel's business.

| **Net sales breakdown, EUR million** | **7-9 2011** | **7-9 2010** | **Change %** | **1-9 2011** | **1-9 2010** | **Change %** | **2010** |
|---|---|---|---|---|---|---|---|
| Licenses | 2.7 | 4.2 | -34.1 | 13.9 | 15.5 | -10.2 | 26.2 |
| Services | 5.9 | 3.5 | 68.5 | 16.0 | 14.0 | 13.9 | 18.3 |
| Maintenance agreements | 8.0 | 7.7 | 4.5 | 23.6 | 24.9 | -5.0 | 33.4 |
| Total | 16.6 | 15.3 | 8.6 | 53.5 | 54.3 | -1.6 | 77.9 |

License sales decreased from the previous year. The share of the larger system deliveries and services increased significantly during the third quarter. Maintenance revenue consists of the maintenance and support of the systems delivered.

| **Net sales by sales channel, EUR million** | **7-9 2011** | **7-9 2010** | **Change %** | **1-9 2011** | **1-9 2010** | **Change %** | **2010** |
|---|---|---|---|---|---|---|---|
| Direct sales | 12.8 | 10.4 | 22.8 | 41.3 | 36.6 | 12.9 | 48.7 |
| Partner sales | 3.9 | 4.9 | -21.3 | 12.2 | 17.8 | -31.4 | 29.2 |
| Total | 16.6 | 15.3 | 8.6 | 53.5 | 54.3 | -1.6 | 77.9 |

The share of direct sales increased. There were only a few partner projects during the period. However, the role of partners was significant in several deals booked in as direct sales.

## Financial Position

| **EUR million** | **30 Sep 2011** | **31 Dec 2010** | **Change %** | **30 Sep 2010** | **Change %** |
|---|---|---|---|---|---|
| Statement of financial position total | 78.2 | 76.4 | 2.4 | 71.6 | 9.1 |
| Liquid assets | 24.3 | 7.0 | 246.4 | 8.3 | 191.8 |
| Trade receivables, gross | 20.6 | 25.1 | -17.8 | 18.0 | 14.8 |
| Bad debt provision | -0.9 | -0.8 | 12.1 | -1.0 | -8.5 |
| Trade receivables, net | 19.7 | 24.3 | -18.9 | 17.0 | 16.2 |
| Accrued income | 9.6 | 7.6 | 26.9 | 10.4 | -7.6 |
| Deferred income related to partial debiting | 2.0 | 1.9 | 7.6 | 1.3 | 51.9 |
| Interest-bearing debt | 0.1 | 0.1 | -27.1 | 2.0 | -96.2 |
| Equity ratio, per cent | 75.3 | 71.6 | 5.1 | 71.3 | 5.6 |

The statement of financial position total on 30 September 2011 was 78.2 million, of which liquid assets amounted to EUR 24.3 million. The liquid assets increased due to the Axioss consideration paid. The dividends of EUR 4.3 million (3.2) were paid this year.

The operating cash flow was EUR 3.2 million negative (4.3) in the third quarter and EUR 3.4 million (14.9) during January - September.

The trade receivables were EUR 19.7 million (17.0) at the end of the period. The accrued income was EUR 9.6 million (10.4). The deferred income related to partial debiting was EUR 2.0 million (1.3).

Comptel Corporation has available in full a revolving credit facility of EUR 15.0 million maturing in the year 2013. The equity ratio was 75.3 per cent (71.3) and the gearing ratio was 46.7 per cent negative (-13.9).

## Research and Development (R&D)

| EUR million | 7-9 2011 | 7-9 2010 | Change % | 1-9 2011 | 1-9 2010 | Change % | 2010 |
|---|---|---|---|---|---|---|---|
| Direct R&D expenditure | 3.1 | 3.4 | -7.3 | 10.9 | 9.7 | 11.8 | 13.4 |
| Capitalisation of R&D expenditure according to IAS 38 | -1.0 | -0.9 | 14.6 | -3.1 | -3.0 | 3.1 | -3.9 |
| R&D depreciation and impairment charges | 0.9 | 0.8 | 20.4 | 2.7 | 2.6 | 0.9 | 3.7 |
| R&D expenditure, net | 3.1 | 3.3 | -6.7 | 10.5 | 9.4 | 11.5 | 13.2 |

Comptel's R&D expenditure was mainly targeted at the service fulfillment automation of telecom operators and to the management in real-time of rapidly increasing data traffic. In addition, the company is developing an integrated software platform, which will enable a cost-efficient and solution-based R&D. The R&D expenditure represented 20.3 per cent of net sales (17.9) during the period under review.

## Investments

| EUR million | 7-9 2011 | 7-9 2010 | Change % | 1-9 2011 | 1-9 2010 | Change % | 2010 |
|---|---|---|---|---|---|---|---|
| Gross investments in property, plant and equipment and intangible assets | 0.2 | 0.1 | 120.4 | 0.6 | 0.9 | -27.6 | 1.1 |

Gross investments in the financial year comprised of investments in devices, software and furnishings. The investments were funded through cash flow from operations.

## Personnel

| | 30 Sep 2011 | 30 Sep 2010 | Change % | 31 Dec 2010 |
|---|---|---|---|---|
| Number of employees at the end of period | 630 | 576 | 9,4 | 589 |

| | 1-9 2011 | 1-9 2010 | Change % | 2010 |
|---|---|---|---|---|
| Average number of personnel during the period | 618 | 586 | 5,5 | 586 |

The number of employees increased as Comptel placed more resources close to key customers and in the growth markets in line with its strategy.

In July - September, the personnel expenses were 55.7 per cent of net sales (53.4). In January - September, the personnel expenses were 50.8 per cent of net sales (48.6).

At the end of the period, 32.5 per cent (39.4) of the personnel were located in Finland, 24.6 per cent (22.0) in Malaysia, 8.9 per cent (4.7) in Bulgaria, 7.0 per cent (9.4) in the United Kingdom, 6.2 per cent (7.5) in Norway, and 20.8 per cent (17.0) in other countries where Comptel operates.

## Comptel Share

The closing share price of the period was EUR 0.62 (0.83). Comptel's market value at the end of the period was EUR 66.3 million (88.4).

| Comptel share | 7-9 2011 | 7-9 2010 | Change % | 1-9 2011 | 1-9 2010 | Change % | 2010 |
|---|---|---|---|---|---|---|---|
| Shares traded, million | 8.4 | 5.1 | 65.6 | 25.6 | 12.2 | 110.2 | 38.3 |
| Shares traded, EUR million | 4.7 | 4.3 | 8.3 | 16.6 | 10.1 | 63.6 | 29.0 |
| Highest price, EUR | 0.62 | 0.90 | -31.1 | 0.79 | 0.95 | -16.8 | 0.95 |
| Lowest price, EUR | 0.42 | 0.72 | -41.7 | 0.54 | 0.72 | -25.0 | 0.68 |

Of Comptel’s outstanding shares, 7.8 per cent (6.6) were nominee registered or held by foreign shareholders at the end of the period.

OP-Pohjola Group Central Cooperative notified on 2 February 2011 that the total holdings in Comptel Corporation shares of its interest communities and the mutual funds managed by the subsidiary of OP-Pohjola have decreased to below the threshold of 5 per cent.

During the period, Comptel Corporation allotted 312,920 shares as part of share-based incentives to persons involved in the program and 110,148 shares to the members of the Board of Directors as part of their annual compensation.

The company held 183,900 of its own shares at the end of the period, which is 0.17 per cent of the total number of its shares. The total counter-book value of the shares held by the company was EUR 3,678.

During the review period, a total of 1,310,000 share options 2009C have been distributed to the key personnel of Comptel Group. The current share subscription price for option 2009C is EUR 0.67, which corresponds to the trade volume weighted average quotation of the Comptel share on the NASDAQ OMX Helsinki during 1 April - 30 April 2011.

## Corporate Governance

The Annual General Meeting (AGM), held on 23 March 2011, re-elected the following members for the Board of Directors: Mr Olli Riikkala, Mr Hannu Vaajoensuu, Mr Timo Kotilainen, Mr Juhani Lassila, Mr Petteri Walldén and Mr Henri Österlund. In its meeting held after the AGM, the Board of Directors re-elected Mr Olli Riikkala as chairman and Mr Hannu Vaajoensuu as vice chairman. Mr Juhani Lassila continues as chairman of the audit committee in which the other members are Mr Petteri Walldén and Mr Henri Österlund. Mr Olli Riikkala continues as chairman of the compensation committee in which the other members are Mr Timo Kotilainen and Mr Hannu Vaajoensuu.

The AGM approved the proposal of Board of Directors that a dividend of EUR 0.04 per share be paid for 2010. The dividend was paid on 8 April 2011.

The AGM authorised the Board of Directors to decide on share issues amounting to a maximum of 21,400,000 new shares and on repurchase of the company's own shares up to a maximum number of 10,700,000 shares. The authorisations are valid until 30 June 2012.

A separate stock exchange release about the authorisations given and other decisions made by the Annual General Meeting was published on 23 March 2011.

Mr Juhani Hintikka has acted as the President and CEO of Comptel as of 3 January 2011.

As of 1 July 2011, Comptel Group has the following five reportable business segments: Europe East, Europe West, Asia-Pacific, Middle East and Africa, Americas.

In September, Mr Gareth Senior, CTO and member of the Executive Board, transferred to Cisco as part of the Axioss transaction. Mr Simo Sääskilahti, responsible for Corporate Development and member of the Executive Board, resigned to join an employer in another sector. Their duties were distributed among current Executive Board members. Mr Sami Ahonen was appointed as Senior Vice President, Legal and M&A, and member of the Group Executive Board as of 1 October 2011. He has earlier acted as General Counsel of Comptel.

## Subsequent Events

The Board of Directors of Comptel Corporation has decided to convene an Extraordinary General Meeting (EGM) to be held in Helsinki on 29 November 2011. The Board proposes to the EGM that a repayment of capital of EUR 0.07 per share and a dividend of EUR 0.03 per share be paid, totalling EUR 10,687,091. The repayment of capital and the dividend are proposed to be paid in December 2011.

## Near-term Risks and Uncertainties

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

Characteristics for Comptel's field of industry are significant quarterly variations of net sales and profit, which are related to customers' purchasing behaviour and the timing of major single deals.

Comptel is implementing a customer and partner intimate business model which requires getting competent resources closer to key customers and partners in certain growth markets.

Comptel operates globally so it is exposed to risks arising from different currency positions. Exchange rate changes between the Euro, which is the company's reporting currency, and the US Dollar, UK Pound Sterling and Norwegian Krone affect the company's net sales, expenses and net profit.

The application process to prevent Comptel's double taxation is still pending with the Ministry of Finance in Finland. Comptel is striving to change the treatment of its withholding taxation for those countries where the issue is still pending. Resolving the matter between states, however, includes factors beyond the Company's control.

The risks and uncertainties of Comptel are described more in detail in Comptel's annual report 2010.

## Outlook

Comptel's net sales in 2011 are estimated to remain at the previous year's level or to decrease slightly. Following the Axioss transaction, the operating profit for 2011 will clearly increase, but operating profit excluding the deal-related one-off items will decrease from the previous year.

## TABLE PART

The interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU. The accounting policies and methods of computation adopted in the financial statements are consistent with those of the annual financial statements for the year ended 2010 except for the application of new or amended standards and interpretations as set forth in note 1.

All figures in the financial report have been rounded and consequently the sum of the individual figures can deviate from the sum figure. The interim report is unaudited.

| **Consolidated Statement of Comprehensive Income (EUR 1,000)** | **1 Jan – 30 Sep 2011** | **1 Jan – 30 Sep 2010** | **1 Jul – 30 Sep 2011** | **1 Jul – 30 Sep 2010** |
|---|---|---|---|---|
| | | | | |
| **Net sales** | 53,481 | 54,344 | 16,640 | 15,321 |
| | | | | |
| Other operating income | 19,715 | 421 | 19,700 | 401 |
| | | | | |
| Materials and services | -3,288 | -1,776 | -1,271 | -147 |
| Employee benefits | -27,174 | -26,434 | -9,269 | -8,178 |
| Depreciation, amortisation and impairment charges | -12,630 | -4,499 | -10,027 | -1,367 |
| Other operating expenses | -21,082 | -18,049 | -7,796 | -6,001 |
| | -64,174 | -50,757 | -28,365 | -15,693 |
| | | | | |
| **Operating profit/loss** | 9,022 | 4,008 | 7,975 | 29 |
| | | | | |
| Financial income | 1,018 | 726 | 617 | -435 |
| Financial expenses | -1,228 | -1,326 | -560 | 240 |
| | | | | |
| **Profit/loss before income taxes** | 8,812 | 3,407 | 8,032 | -166 |
| | | | | |
| Income taxes | -1,789 | -1,826 | 486 | -730 |
| | | | | |
| **Profit/loss for the period** | 7,023 | 1,581 | 8,518 | -897 |
| | | | | |
| **Other comprehensive income** | | | | |
| Cash flow hedges | -412 | 250 | -764 | 1,062 |
| Translation differences | -113 | 720 | -96 | -279 |
| Income tax relating to components of other comprehensive income | 107 | -65 | 199 | -276 |
| | | | | |
| **Total comprehensive income for the period** | 6,605 | 2,486 | 7,856 | -389 |
| | | | | |
| **Profit/loss attributable to:** | | | | |
| Equity holders of the parent company | 7,023 | 1,581 | 8,518 | -897 |
| | | | | |
| **Total comprehensive income attributable to:** | | | | |
| Equity holders of the parent company | 6,605 | 2,486 | 7,856 | -389 |
| | | | | |
| **Shareholders of the parent company:** | | | | |
| | | | | |
| Earnings per share, EUR | 0.07 | 0.01 | 0.08 | -0.01 |
| Earnings per share, diluted, EUR | 0.07 | 0.01 | 0.08 | -0.01 |

| Consolidated Statement of Financial Position (EUR 1,000) | 30 Sep 2011 | 31 Dec 2010 |
|---|---|---|
| | | |
| **Assets** | | |
| | | |
| **Non-current assets** | | |
| Goodwill | 10,832 | 19,626 |
| Other intangible assets | 8,853 | 10,948 |
| Tangible assets | 1,441 | 1,842 |
| Investments in associates | 1,003 | 1,003 |
| Available-for sale financial assets | 87 | 87 |
| Deferred tax assets | 683 | 783 |
| Other non-current receivables | 489 | 432 |
| | 23,389 | 34,721 |
| | | |
| **Current assets** | | |
| Trade and other current receivables | 30,425 | 34,616 |
| Cash and cash equivalents | 24,347 | 7,028 |
| | 54,772 | 41,644 |
| | | |
| **Total assets** | 78,161 | 76,365 |
| | | |
| **Equity and liabilities** | | |
| | | |
| **Equity attributable to equity holders of the parent company** | | |
| | | |
| Share capital | 2,141 | 2,141 |
| Fund of invested non-restricted equity | 7,651 | 7,575 |
| Translation differences | -971 | -858 |
| Retained earnings | 43,133 | 40,287 |
| **Total equity** | 51,955 | 49,146 |
| | | |
| **Non-current liabilities** | | |
| Deferred tax liabilities | 5,131 | 5,762 |
| Provisions | 2,738 | 1,954 |
| Non-current financial liabilities | 38 | 68 |
| Other non-current liabilities | - | 1 |
| | 7,908 | 7,784 |
| | | |
| **Current liabilities** | | |
| Trade and other current liabilities | 18,260 | 19,398 |
| Current financial liabilities | 38 | 36 |
| | 18,298 | 19,435 |
| | | |
| **Total liabilities** | 26,206 | 27,219 |
| | | |
| **Total equity and liabilities** | 78,161 | 76,365 |

| Consolidated Statement of Cash Flows (EUR 1,000) | 1 Jan – 30 Sep 2011 | 1 Jan – 30 Sep 2010 |
|---|---|---|
| | | |
| **Cash flows from operating activities** | | |
| | | |
| Profit/loss for the period | 7,023 | 1,581 |
| Adjustments: | | |
| Non-cash transactions or items that are not part of cash flows from operating activities | -6,506 | 5,687 |
| Interest and other financial expenses | 43 | 115 |
| Interest income | -28 | -16 |
| Income taxes | 1,789 | 1,826 |
| Change in working capital: | | |
| Change in trade and other current receivables | 4,304 | 11,270 |
| Change in trade and other current liabilities | -1,570 | -5,263 |
| Change in provisions | 785 | -70 |
| Interest paid | -43 | -139 |
| Interest received | 23 | 11 |
| Income taxes paid and tax returns received | -2,398 | -147 |
| | | |
| **Net cash from operating activities** | 3,421 | 14,855 |
| | | |
| **Cash flows from investing activities** | | |
| Investments in tangible assets | -355 | -842 |
| Investments in intangible assets | -281 | -36 |
| Investments in development projects | -3,061 | -2,970 |
| Proceeds from sale of intangible assets | 21,903 | - |
| Change in other non-current receivables | -53 | -14 |
| | | |
| **Net cash used in investing activities** | 18,153 | -3,862 |
| | | |
| **Cash flows from financing activities** | | |
| | | |
| Dividends paid | -4,270 | -3,191 |
| Acquisition of Corporation’s own shares | - | -468 |
| Lease payments | -29 | - |
| Proceeds from borrowings | - | 6,000 |
| Repayment of borrowings | - | -12,000 |
| | | |
| **Net cash used in financing activities** | -4,299 | -9,659 |
| | | |
| **Net change in cash and cash equivalents** | 17,275 | 1,334 |
| | | |
| Cash and cash equivalents at the beginning of the period | 7,028 | 6,730 |
| Cash and cash equivalents at the end of the period | 24,347 | 8,345 |
| Change | 17,319 | 1,615 |
| | | |
| Effects of changes in foreign exchange rates | 43 | 282 |

| **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 | Treasury shares | Retained earnings | Total |
| Equity at 31 Dec 2009 | 2,141 | 7,499 | -1,757 | -45 | -287 | 38,748 | 46,299 |
| Dividends | | | | | | -3,191 | -3,191 |
| Acquisition of Corporation's own shares | | | | | -468 | | -468 |
| Transfer of treasury shares | | 76 | | | 155 | -155 | 76 |
| Share-based compensation | | | | | | 583 | 583 |
| Total comprehensive income for the period | | | 720 | 185 | | 1,581 | 2,486 |
| Equity at 30 Sep 2010 | 2,141 | 7,575 | -1,037 | 140 | -600 | 37,566 | 45,785 |

| **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 | Treasury shares | Retained earnings | Total |
| Equity at 31 Dec 2010 | 2,141 | 7,575 | -858 | -40 | -600 | 40,927 | 49,146 |
| Dividends | | | | | | -4,270 | -4,270 |
| Transfer of treasury shares | | 76 | | | 225 | -225 | 76 |
| Share-based compensation | | | | | | 398 | 398 |
| Total comprehensive income for the period | | | -113 | -305 | | 7,023 | 6,605 |
| Equity at 30 Sep 2011 | 2,141 | 7,651 | -971 | -345 | -375 | 43,853 | 51,955 |

## Notes

### 1. Application of new or amended standards and interpretations

On 1 January 2011 the Group adopted the following new and amended standards and interpretations endorsed by the EU and that are applicable to Comptel:

Revised IAS 24 *Related Party Disclosures*. The amendment simplifies and clarifies the definition of a related party and relaxes the disclosure requirements of business operations between public enterprises.

*Improvements to IFRSs* (May 2010) (mainly effective for financial periods beginning on or after 1 July 2010). Under this procedure minor and non-urgent amendments are grouped together and carried out through a single document annually.

### 2. Segment information

Net sales by segment

| EUR 1,000 | **1 Jan – 30 Sep 2011** | **1 Jan – 30 Sep 2010** | **1 Jul – 30 Sep 2011** | **1 Jul – 30 Sep 2010** |
|---|---|---|---|---|
| | | | | |
| Europe East | 9,325 | 13,895 | 2,573 | 4,069 |
| Europe West | 12,949 | 12,456 | 4,758 | 3,741 |
| Asia-Pacific | 15,890 | 15,971 | 4,204 | 4,694 |
| Middle East and Africa | 9,816 | 6,727 | 3,310 | 1,854 |
| Americas | 5,501 | 5,296 | 1,795 | 964 |
| Group total | 53,481 | 54,344 | 16,640 | 15,321 |

Operating profit/loss by segment

| EUR 1,000 | **1 Jan – 30 Sep 2011** | **1 Jan – 30 Sep 2010** | **1 Jul – 30 Sep 2011** | **1 Jul – 30 Sep 2010** |
|---|---|---|---|---|
| | | | | |
| Europe East | 2,214 | 6,000 | 292 | 1,637 |
| Europe West | 6,629 | 7,617 | 2,389 | 2,251 |
| Asia-Pacific | 9,251 | 8,229 | 1,830 | 2,501 |
| Middle East and Africa | 3,962 | 884 | 1,238 | 7 |
| Americas | 2,650 | 2,383 | 759 | -101 |
| Group unallocated expenses | -15,684 | -21,105 | 1,468 | -6,266 |
| Group operating profit/loss total | 9,022 | 4,008 | 7,975 | 29 |
| Financial income and expenses | -210 | -600 | 57 | -195 |
| Group profit/loss before income taxes | 8,812 | 3,407 | 8,032 | -166 |

### 3. Income tax expense

Tax expense according to the statement of comprehensive income for the period was EUR 1,789 thousand (EUR 1,826 thousand 2010).

In 2006, Adjustment of the Tax Office for Major Corporations refused to accept the crediting of taxes withheld at source in taxation of 2004 and 2005.

The Ministry of Finance has come to an agreement with Greece and Romania. Relating to these countries, Comptel has booked EUR 595 thousand tax receivables for taxes withheld in 2004 - 2008. The refund process pertaining to these countries is still pending with the relevant tax authorities. Comptel is pursuing the negotiations with the Ministry of Finance and other countries that have withheld tax at source to avoid double taxation.

According to the Board of Adjustment’s decision currently in force, Comptel Corporation has expensed taxes withheld at source amounting to EUR 1,020 thousand in January – September (EUR 713 thousand).

### 4. Tangible assets

| EUR 1,000 | **1 Jan – 30 Sep 2011** | **1 Jan – 30 Sep 2010** |
|---|---|---|
| | | |
| Additions | 355 | 842 |
| Disposals | - | -31 |

### 5. Related party transactions

The Comptel Group has a related party relationship with its associate, the Board of Directors, the Executive Board and also with people and companies under Comptel management's influence.

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

| EUR 1,000 | **1 Jan – 30 Sep 2011** | **1 Jan – 30 Sep 2010** |
|---|---|---|
| | | |
| **Associate** | | |
| Purchases of goods and services | 130 | 100 |
| Interest income | 6 | 6 |
| | | |
| **Companies under management's influence** | | |
| Purchases of goods and services | 12 | 35 |

| EUR 1,000 | **30 Sep 2011** | **31 Dec 2010** |
|---|---|---|
| | | |
| **Associate** | | |
| Non-current receivables | 89 | 83 |
| Trade and other current liabilities | - | - |
| | | |
| **Companies under management's influence** | | |
| Trade and other current liabilities | 1 | 1 |

Remuneration to key management

The key management personnel compensation includes the employee benefits of the members of the Board of Directors and the Executive Board.

| EUR 1,000 | **1 Jan – 30 Sep 2011** | **1 Jan – 30 Sep 2010** |
|---|---|---|
| | | |
| Salaries and other short-term employee benefits | 2,325 | 1,751 |
| Share-based payments | 179 | 314 |
| Total | 2,504 | 2,064 |

### 6. Commitments

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

| EUR 1,000 | **30 Sep 2011** | **31 Dec 2010** |
|---|---|---|
| | | |
| Less than one year | 3,230 | 3,597 |
| Between one and five years | 8,989 | 11,226 |
| More than five years | - | 751 |
| Total | 12,219 | 15,574 |

The group had no material capital commitments for the purchase of tangible assets at 30 September 2011 and 30 September 2010.

## 7. Contingent liabilities

| EUR 1,000 | **30 Sep 2011** | **31 Dec 2010** |
|---|---|---|
| | | |
| Bank guarantees | 1,550 | 2,061 |

## 8. Subsequent Events

The Board of Directors of Comptel Corporation has decided to convene an Extraordinary General Meeting (EGM) to be held in Helsinki on 29 November 2011. The Board proposes to the EGM that a repayment of capital of EUR 0.07 per share and a dividend of EUR 0.03 per share be paid, totalling EUR 10,687,091. The repayment of capital and the dividend are proposed to be paid in December 2011.

## 9. The impact of the Axioss software sale on the operating result

During the reporting period Comptel sold the Axioss software to Cisco.

The impact on the net operating result is as follows:

| EUR 1,000 | |
|---|---|
| | |
| Sales price | 22,122 |
| Impairment of intangible assets related to the operations sold | -2,198 |
| Expenses related to the asset sale | -219 |
| Other operating income, net | 19,705 |
| | |
| Goodwill impairment | -8,742 |
| | |
| Impact on operating result | 10,963 |

The asset sale resulted in one-off expenses of 2,165 thousand euros which impacted the operating result.

## 10. Key figures

| **Financial summary** | **1 Jan – 30 Sep 2011** | **1 Jan – 30 Sep 2010** | **1 Jan – 31 Dec 2010** |
|---|---|---|---|
| | | | |
| Net sales, EUR 1,000 | 53,481 | 54,344 | 77,888 |
| Net sales, change % | -1.6 | 2.0 | 4.0 |
| Operating profit/loss, EUR 1,000 | 9,022 | 4,008 | 8,908 |
| Operating profit/loss, change % | 125.1 | 289.5 | 775.2 |
| Operating profit/loss, as % of net sales | 16.9 | 7.4 | 11.4 |
| Profit/loss before taxes, EUR 1,000 | 8,812 | 3,407 | 8,512 |
| Profit/loss before taxes, as % of net sales | 16.5 | 6.3 | 10.9 |
| Return on equity, % | - | - | 9.9 |
| Return on investment, % | - | - | 16.3 |
| Equity ratio, % | 75.3 | 71.3 | 71.6 |
| Gross investments in tangible and intangible assets, EUR 1,000 | 636 | 878 | 1,124 |
| Gross investments in tangible and intangible assets, as % of net sales | 1.2 | 1.6 | 1.4 |
| Capitalisations according to IAS 38 to intangible assets | 3,061 | 2,970 | 3,932 |

| | | | |
|---|---|---|---|
| Research and development expenditure, EUR 1,000 | 10,867 | 9,723 | 13,414 |
| Research and development expenditure, as % of net sales | 20.3 | 17.9 | 17.2 |
| Order backlog, EUR 1,000 [1)] | 32,098 | 29,819 | 34,049 |
| Average number of employees during the period | 618 | 586 | 586 |
| Interest-bearing net liabilities, EUR 1,000 | -24,270 | -6,345 | -6,923 |
| Gearing ratio, % | -46.7 | -13.9 | -14.1 |

[1)] The order book may vary significantly during the financial period.

| **Per share data** | **1 Jan – 30 Sep 2011** | **1 Jan – 30 Sep 2010** | **1 Jan – 31 Dec 2010** |
|---|---|---|---|
| | | | |
| Earnings per share (EPS), EUR | 0.07 | 0.01 | 0.04 |
| EPS diluted, EUR | 0.07 | 0.01 | 0.04 |
| Equity per share, EUR | 0.49 | 0.43 | 0.46 |
| Dividend per share, EUR | - | - | 0.04 |
| Dividend per earnings, % | - | - | 90.6 |
| Effective dividend yield, % | - | - | 5.8 |
| P/E ratio | - | - | 15.6 |
| | | | |
| Adjusted number of shares at the end of the period | 107,054,810 | 107,054,810 | 107,054,810 |
| of which the number of treasury shares | 183,900 | 559,905 | 599,905 |
| Outstanding shares | 106,870,910 | 106,454,905 | 106,454,905 |
| Adjusted average number of shares during the period | 106,768,209 | 106,484,597 | 106,477,113 |
| Average number of shares, dilution included | 106,768,209 | 106,764,963 | 107,398,488 |

## 11. Definition of key figures

Operating margin % $= \frac{\text{Operating profit/loss}}{\text{Net sales}} \times 100$

Profit margin (before income taxes) % $= \frac{\text{Profit/loss before taxes}}{\text{Net sales}} \times 100$

Return on equity % (ROE) $= \frac{\text{Profit/loss}}{\text{Total equity (average during year)}} \times 100$

Return on investment % (ROI) $= \frac{\text{Profit/loss before taxes + financial expenses}}{\text{Total equity + interest bearing liabilities (average during the year)}} \times 100$

Equity ratio % $= \frac{\text{Total equity}}{\text{Statement of financial position total – advances received}} \times 100$

Gross investments in tangible and intangible assets, as % of net sales $= \frac{\text{Gross investments in tangible and intangible assets}}{\text{Net sales}} \times 100$

Research and development expenditure, as % of net sales $= \frac{\text{Research and development expenditure}}{\text{Net sales}} \times 100$

Gearing ratio % $= \frac{\text{Interest-bearing liabilities – cash and cash equivalents}}{\text{Total equity}} \times 100$

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 | |
| Equity per share | = | Equity attributable to the equity holders of the parent company / Adjusted number of shares at the end of period | |
| Dividend per share | = | Dividend / Adjusted number of shares at the end of period | |
| Dividend per earnings % | = | Dividend per share / Earnings per share (EPS) | x100 |
| Effective dividend yield % | = | Dividend per share / Share closing price at end of period | x100 |
| P/E ratio | = | Share closing price at end of period / Earnings per share (EPS) | |

Comptel Corporation will announce its financial statements bulletin for 2011 on 10 February 2012.

COMPTEL CORPORATION
Board of Directors

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