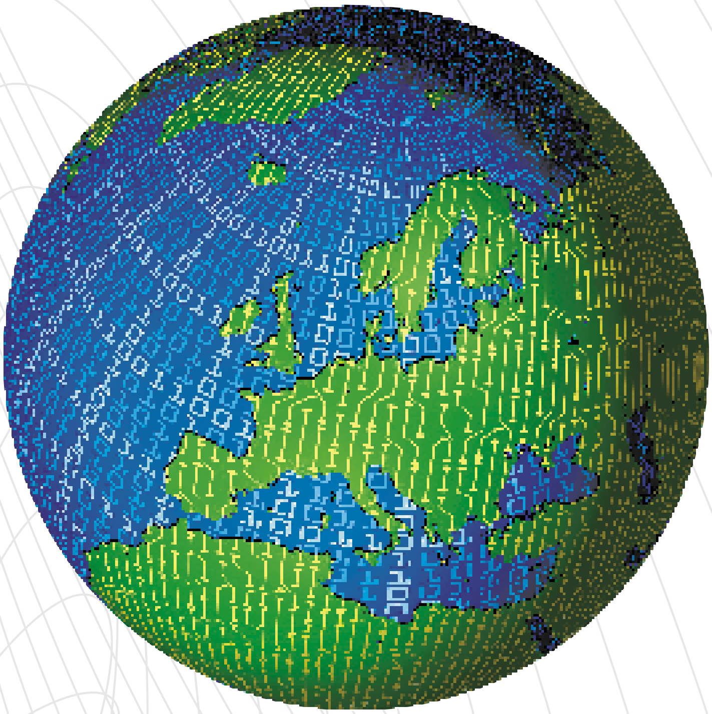
Annual Report 1999



Comptel Plc

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Information *for shareholders*

Annual General Meeting

The Annual General Meeting of Comptel Plc will be held in Hall C1 at the Helsinki Fair Centre, Messuaukio 1, 00520 Helsinki on Monday 3 April 2000 at 3pm. Shareholders should give notice of their intention to attend the Meeting by 4pm Finnish time on Wednesday 29 March 2000.

Notification to attend the Meeting may be made either by telephoning +358 800 987 33, by facsimile to +358 9 606 2727 or in writing to Comptel Plc, Ruoholahdenkatu 4, FIN-00180 Helsinki, Finland.

Shareholders registered by 29 March 2000 in the company's share register kept by the Finnish Central Securities Depository (APK) are entitled to attend the Meeting.

Dividend

The Board of Directors of Comptel Plc is to recommend to the Annual General Meeting that a dividend of 0.1 euro per share be paid for 1999. The dividend will be paid to shareholders in the company's share register kept by the Finnish Central Securities Depository at the record date, 6 April 2000. The Board of Directors is to recommend to the Meeting that the dividend be paid out on 13 April 2000.

Changes of name and address

Shareholders should notify the book-entry securities register where the book-entries are registered of any changes in name and address.

Financial reviews

Comptel's annual report is published in Finnish and English. Copies of the report may be ordered from Comptel Plc, Corporate Communications, Ruoholahdenkatu 4, FIN-00180 Helsinki, Finland. The annual report may also be viewed on the company's Internet pages at **www.comptel.com**. During the year 2000, Comptel will publish three interim reports as follows:

- interim report for January to March, 18 April 2000
- interim report for January to June, 21 July 2000
- interim report for January to September, 17 October 2000

The interim reports in Finnish and English are also available on the company's Internet pages.

Investor relations

Corporate Planning Director Ilkka Salonen
IR Assistant Tarja Hautala

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Comptel *profile*

Comptel Plc develops and delivers MDS (Mediation Device Solutions) mediation software for the telecommunications and communications industry throughout the world. MDS software provides the link between telecommunications network and operators' IT systems. Comptel has delivered MDS software to more than 140 mobile, fixed, data, Internet or satellite network operators in 40 different countries. Comptel also offers systems development services to domestic telecom operators. The company was founded in 1986 through the incorporation of Helsinki Telephone's systems development and operating services unit.

Established in 1998, Comptel's representative office in Malaysia will be strengthened by an R&D unit.

Comptel's strengths lie in its competence in the telecommunications industry and in its overall ability to understand the business and systems requirements of telecom operators. From the very outset, Comptel's mission has been to process this competence into merchandised software and services. In 1991, the company delivered its first UNIX-based mediation software to Radiolinja. MDS software was used to link the elements in Radiolinja's GSM networks and business systems with each other. The first MDS export to Asia took place in 1992 and to the United States in 1996. In 1998, Comptel established its own representative office in Malaysia to serve its customers and partners in Asia and Australia.

With its vendor independent MDS mediation software Comptel has achieved a position as a market leader in its own field. Comptel's network of partners includes major suppliers and systems integrators.

Comptel went public in 1999 and has been quoted on the Main List of the Helsinki Exchanges since 13 December the same year.

Strategy

Comptel is aimed to consolidating its position as the world's leading developer and supplier of mediation devices. R&D, business growth through partnerships and its competent people form the cornerstones of the company's strategy.

Research and development

The focus areas of Comptel's R&D are

- vendor-independent mediation devices compatible with new technologies (i.e. GPRS and UMTS) and business models and operating in multi-vendor environments. Aside from traditional voice traffic, Comptel's mediation software already works also in GPRS networks. Mediation software enables operators to manage and bill for new convergent services and third generation mobile networks,
- a high merchandising level of software,
- R&D cooperation with Helsinki Telephone Corporation and other partners, such as network component suppliers, and
- taking into account IT and telecommunications technology advances in software solutions.

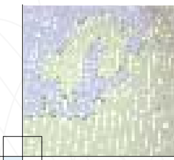
Business growth

The company is seeking business growth by

- expanding its business into all market areas (Europe, Asia and Australia, South and North America),
- improving distribution channels so that in future most of exports of MDS mediation software take place through partners,
- offering products for new technology platforms,
- increasing its portfolio of products and services,
- offering mediation solutions for all an operator's communications networks including mobile, fixed, data, IP, satellite, international and service networks
- licence revenues based on the operator's subscriber base and traffic volumes, and
- possible corporate acquisitions and cooperation agreements with suppliers in the industry.

Employees

Expert organisation needs competence and motivated personnel. Comptel is committed to training and development programmes to build on and maintain competence. Recent focus areas have included an expansion of teamwork and introducing management



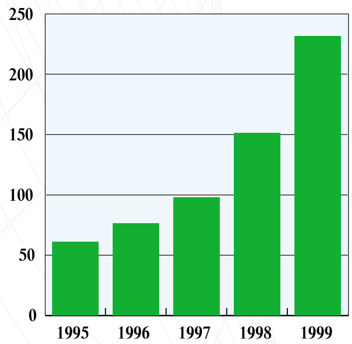
training in our expert organisation. We continue to recruit new people and are further improving our induction process and tutelage activities. In connection with the IPO, the Board of Directors decided to introduce a warrant scheme. The scheme is open to all Comptel employees who, at 9 March 2000, are permanently employed by the company and pay taxes in Finland. Any decisions in respect of options for persons hired for permanent employment after 9 March 2000 will be made on an individual basis. The entire staff will be paid an annual bonus linked to company performance. Comptel promotes the leisure time activities of its people for example through a staff club.

Key indicators

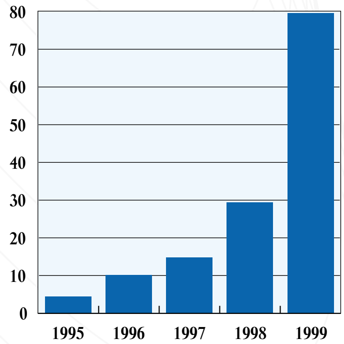
		1999	1998
Turnover	FIM million	**232.2**	151.6
	EUR million	**39.1**	25.5
- growth on the year	%	**53.2**	54.5
Operating profit	FIM million	**79.6**	29.4
	EUR million	**13.4**	4.9
- growth on the year	%	**170.6**	98.9
- as % of turnover		**34.3**	19.4
Earnings per share	FIM	**3.00**	1.00
	EUR	**0.50**	0.17
Equity per share	FIM	**6.09**	1.71
	EUR	**1.02** 1)	0.29
Dividend per share	FIM	**0.59**	0.10
	EUR	**0.10** 1)	0.02
Dividend per earnings	%	**19.8**	10.0
Research and development costs	FIM million	**16.2**	10.6
	EUR million	**2.7**	1.9
- as % of turnover		**7.0**	7.0
Equity ratio	%	**78.0**	45.9

1) Proposal by the Board of Directors

Turnover, FIM million



Operating profit, FIM million



Comptel Plc is a subsidiary of Helsinki Telephone Corporation. Helsinki Telephone Corporation has begun marketing under the name of Elisa Communications.

Managing director's *review*

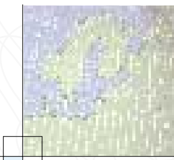
The last few months of 1999 will go down in the history of Comptel as a period of major change. Comptel became a public limited company and its shares have been quoted on the Helsinki Exchanges since December 1999. Strong investor interest in technology and growth companies ensured the flotation was successful. In early 2000, Comptel ranked among the most highly valued companies on the Main List and recognition of the company has grown considerably.

The change was a significant one for our own people, too. Nevertheless, we soon learnt our role as a listed company and adopted a new way of looking at our performance. We will now be publishing company reports on a quarterly basis. Listing also led to greater interest in us as an employer. The Extraordinary General Meeting held in November approved a warrant scheme for permanent staff employed in Finland. This further consolidates our role as a modern employer. Increasing the shareholder value of our company is therefore in the interest of management, employees and other shareholders alike.

Global development prospects for our industry are bright. Mobile, Internet and data traffic are expected to show growth potential. The importance of vendor-independent mediation software is growing because our customer operators want to be independent of billing and network systems suppliers. To retain their competitiveness, telecom operators must be capable of getting new services quickly and flexibly onto the market. Our mediation software solutions enable them to do just that.

Our decision to set up our own operations in Kuala Lumpur has proved to be correct. Our representative office there will be further empowered during the year 2000 by spinning off the unit and setting up an R&D unit in association with it. Work is also under way on a feasibility study to set up in North America.

Progress has been made with our strategy as planned. We have been able to retain our global leadership as a supplier of mediation software. We are well placed to further



consolidate our international position. Nearly all telecom operators in Finland are now using MDS mediation software.

One of the cornerstones of our growth strategy is cooperation with acclaimed global partners. During the year under review we consolidated and expanded cooperation with Hewlett-Packard, Logica, Intec, Andersen Consulting and Cap Gemini. Growth also depends on our commitment to R&D to ensure the compatibility of our MDS solutions with new information technologies. Development work is already under way in respect of e-business and we launched the first e-Broker pilot projects with Helsinki Telephone Corporation and Hewlett-Packard. As part of the Helsinki Telephone Corporation Group, we also have access to telecom operator competence. This helps us to better understand our customers' business. Listing also brought us new alternatives to implement our growth strategy through possible corporate acquisitions.

The focus of our R&D activities during 1999 was an MDS mediation solution designed for billing services provided in a GPRS network. The first is already at the delivery stage to RadioMobil a.s. in the Czech Republic in cooperation with our partner Logica. I believe that GSM operators will widely use GPRS solutions in Europe and Asia. I am convinced that rolling out networks to an increasingly greater extent depends on terminal availability, which may not currently progress at the pace generally envisaged. Nevertheless, this does not have a significant impact on investments made in the GPRS telecommunications infrastructure because operators have to acquire the networks, billing systems and software before the network can be used.

MDS for GPRS is part of our new Business Program aimed at quickly building practical solutions into commercial products in a new technological environment. In this way our most advanced operator customers are able to improve their competitiveness and to operate cost-effectively when collecting the information required for billing from service users.

Generating results has always been part of Comptel's business culture. This was also the case in 1999, when our operating profit soared to a new record of FIM 79.6 million, an increase of 171 per cent on the figure for the previous year. Exports already account for over 60 per cent of turnover. Earnings per share tripled from FIM 1 to FIM 3 on the year. The Board of Directors is to recommend to the Annual General Meeting of Shareholders that a dividend of 0.1 euro (FIM 0.59) be paid per share. Under the flotation terms, the shares offered in the combined offering and sale last November are entitled to a full dividend for the 1999 financial year.

I would like to sincerely thank our customers for the confidence they have placed in us, and our employees and partners for a busy, successful year. I would also like to thank the more than 47,000 subscribers who participated in our share offering. The interest in our company exceeded all our expectations. This is a positive note on which to take the company further.

Heikki Tetri
Managing Director

MDS *Mediation Software*

Comptel's main products are MDS (Mediation Device Solutions) mediation software. The MDS product portfolio features two main product lines: MDS/AMD (Accounting Mediation Device) software, which collects and processes call and usage data for an operator's billing and other administrative systems, and MDS/SAS (Subscriber Administration System) software, which activates services and manages subscriber data. There are also different kinds of added value service software such as MDS Credit Guard (credit control) and MDS/AMD-DB database software based on these main product lines. Maintenance, Help Desk, installation and training services are also provided for mediation software.

MDS mediation solutions have been delivered to more than 140 mobile, fixed, data, Internet and satellite network operators in 40 countries throughout the world.

Comptel took part in the GSM World Congress in Cannes with its MDS software.

The world's leading supplier of vendor-independent mediation software

Use of vendor-independent mediation software enables operators to concentrate on developing their core businesses such as quickly bringing new services onto the market and real-time billing. Mediation software takes care of call and usage data collection and subscriber administration. Flexible, reliable and easily scalable mediation software enhances efficiency in increasingly complex networks and in billing services and flexes to meet changing business environments.

Comptel's MDS mediation software solutions have been designed to function in multi-vendor environments, where they can be integrated into very different network, service and information system concepts. MDS software is ideal for mobile networks (including GSM, CDMA, TDMA, GPRS, EDGE and UMTS), fixed networks, Internet (IP) networks, satellite and data networks alike.

Over 200 interface modules for different network components have been developed for Comptel's MDS software. These modules are compatible with all major billing and subscriber management systems. Modularity makes it easy to develop new software interfaces. The software is available for four different UNIX platforms (Compaq, Hewlett-Packard, IBM and Sun). MDS software was developed in the 1980s and the first UNIX-based MDS mediation software was delivered in 1991. Since then, the software has been continuously improved and is now being developed using modern tools such as C++, Java, CORBA and Oracle. The fourth UNIX version of MDS/SAS software was announced in June and work is currently under way on the fourth UNIX version of MDS/AMD software.

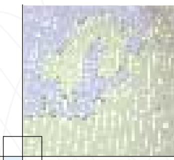
MDS/AMD (Accounting Mediation Device)

MDS/AMD software collects call and usage data from network elements, processes the data and forwards it for use by an operator's billing and other information systems. Besides invoicing, operators can use the information for example to analyse customer behaviour.

MDS/SAS (Subscriber Administration System)

MDS/SAS is subscriber information management software, which automates activation of a telecom operator's subscriber and provisioning information to network elements. The software is responsible for the agreed user classification of subscribers and access to services and activates various services.

MDS/SAS manages specified changes and provides the administrative systems with the information they need to know about the changes made. The software is also able to describe new services in such a way that administrative information systems do not "need to know" the technical details of the network. This makes it quicker to launch new products on the market.



Business *development*

The market

Comptel's MDS mediation software forms the link between the downstream systems supporting an operator's business and various network elements. MDS software is designed to collect, aggregate, secure and convert information about calls and callers from the operator's network to enable the operator's customer care and billing systems to use that information. Global growth in the telecommunications industry and technological advances in the field play an important role in Comptel's future.

Recent years have seen explosive growth in the telecommunications industry in the wake of technological progress and deregulation of the industry. Technological advances and new communications networks are enabling telecom operators to provide new services such as WAP, the Internet and other converging network services, short message services, etc. alongside traditional voice services.

The annual GSM World Congress in Cannes is a major event bringing mobile players and service providers together.

Opening up the industry to competition has paved the way for the entry of new operators into the market. Competition depends on the ability to roll out services quickly onto the market, and on the price, quality and diversity of the services offered.

In recent years, mobile communications and the Internet have been the fastest growing business areas for telecommunications operators. It is thought that traditional fixed network calls will increasingly switch to IP (Internet Protocol) networks. Data traffic is expected to grow in both fixed and mobile networks. GPRS, EDGE and UMTS will make Internet services available also in mobile networks.

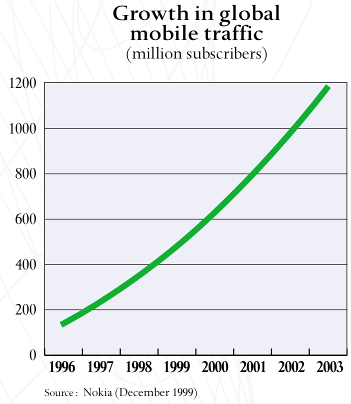
Heavy investments continued to be made in the telecommunications industry in 1999. New mobile licences were granted in Europe, Asia and America. Alongside new mobile operators, new fixed network operators entered the market in both Europe (city operators) and in North America (CLEC or Competitive Local Exchange Carrier). Many GSM operators announced investments in GPRS networks. The first third generation mobile network licences (UMTS) were granted in Finland.

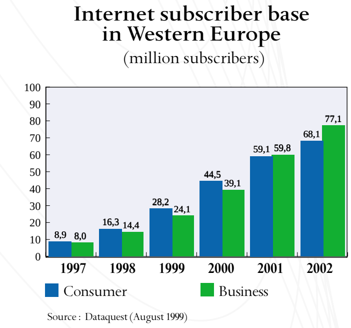
MDS business

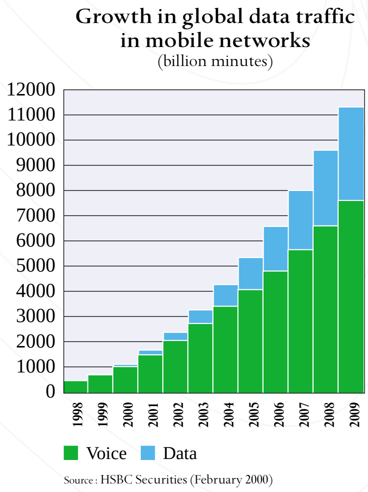
Comptel's products and services in mediation software comprise software licences, installation and training services and maintenance and support functions. Most of Comptel's MDS sales and deliveries take place in cooperation with our global network of partners. Licence revenues account for 70-80 per cent of income from software deliveries. Licence fees are determined by number of subscribers and traffic volume.

During the year under review Comptel made significant deliveries to Belgium, Portugal, France and Switzerland in Europe and to Singapore, Hong Kong and Taiwan in Asia. The first Globalstar satellite network deliveries got under way to South America, Mexico and Brazil, as well as to the USA and Canada.

Comptel also made several MDS deliveries to mobile operators in South America and two new ones in Australia. At home, MDS software was supplied for the billing of intelligent network services.







New products

MDS for GPRS

One of the most significant developments in respect of the MDS portfolio of products was the MDS for GPRS software announced in September. The GPRS network (General Packet Radio Service) is an extension of the existing GSM network, enabling rapid data transmission and the use of Internet services from a GPRS mobile phone. The first GPRS delivery was made to Czech-based GSM operator RadioMobil a.s. in cooperation with Logica, a systems integrator and software company. Logica's solution is based on an extension of MDS software and is integrated into a billing system supplied by Logica. Using the system built, RadioMobil is one of the first operators in the world to be able to bill for GPRS services.

Comptel has more than 20 different nationalities represented among its employees.

Aside from mobile GSM/GPRS networks, technology is also progressing towards utilising IP networks and services in WAP phones, for instance. Billing for these voice/image/video services differs from traditional criteria based on time or volume. Now billing criteria can include service quality, content or the bandwidth offered. Technological development of MDS mediation software has taken into account the requirements of IP networks and the company announced the first solutions relating to IP mediation development work.

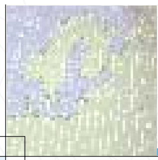
MDS Credit Guard

The first MDS Credit Guard software was delivered to Helsinki Telephone Corporation in September 1999. The service is known as Laskulukko (invoice limit) and is used by HTC's GSM 1800 customers. Credit Guard monitors customer calls almost in real time and the accrued cost of the services used and closes the services specified in advance once the agreed limit has been reached. Customers can use SMS (Short Message System) to also control the user limit and monitor costs themselves. MDS Credit Guard functions use both MDS/AMD and MDS/SAS software.

GPRS Charging Gateway

In 1997, Comptel and Nokia signed an OEM agreement under which Nokia markets Comptel's MDS product under the Nokia OMD brand throughout the world as part of its own network management system. In 1999, Comptel and Nokia extended the OEM agreement to cover the GPRS Charging Gateway product. GPRS Charging Gateway is part of GPRS network delivery.

MDS software development is now taking into account wireless terminals of the future.



Exports of MDS software, FIM million	1996	1997	1998	**1999**
Direct sales	12.5	25.0	41.1	**54.3**
Sales through partners	4.6	5.6	36.6	**88.6**
Total	17.1	30.6	77.7	**142.9**
Exports as % of turnover	22.3	31.2	51.3	**61.5**

MDS/AMD-DB, database for collecting usage data

MDS/AMD-DB is an Oracle based database software that can be used to record call data collected from the telecommunication network for reporting, analysis and billing purposes. Different systems can use the database in real time. The first customer project was launched in 1999.

Business Programs

Rapid technological advances and the need of telecom operators to commercially deploy new technology are factors which led Comptel to develop new ways of operating, where all services are taken into account in MDS mediation software to keep in pace with global competition. MDS for GPRS, MDS Credit Guard and IP mediation software were commercialised through Business Programs of R&D, marketing and sales.

Delivery and support services

In keeping with Comptel's strategy of increasing deliveries of mediation software through partners we developed and standardised operation and delivery processes throughout the entire service chain. Our efforts in this respect are aimed towards cost effectiveness and quality assurance, which we particularly addressed during 1999. Involvement of our partners in the service chain ensures an awareness of the business environment and insight into local conditions, supporting customer satisfaction through greater communication.

MDS training witnessed dynamic growth in 1999. Besides our own people, customers and partners from around the world took part in training events.

We piloted our team organisation model, succesfully introducing it simultaneously in customer support and product development.

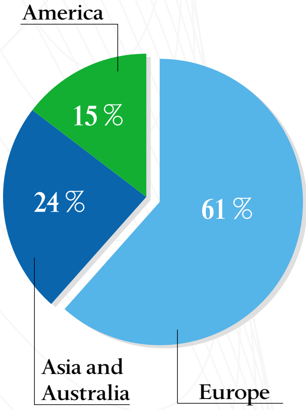
Year 2000

The year under review saw the culmination of preparations for the year 2000 (Y2K). In respect of Comptel's products, transition into the year 2000 went smoothly in all market areas, with no significant Y2K issues emerging. This is strong testament to the strength of MDS software and the competence of our people.

Partners

Comptel's growth strategy is based on the development of its global marketing and distribution channels. To this end, Comptel has concluded numerous agreements with leading international systems integrators and hardware manufacturers. Sales through these systems partners have grown significantly since 1996. In 1999, our partners accounted for 62 per cent of net exports of MDS software.

Comptel exports by main market area 1999



Hewlett-Packard is one of Comptel's strategic partners.

Cooperation with our partners intensified during the year. Comptel and Logica, an international systems integrator, signed a cooperation agreement under which Logica will offer its own billing and customer management software in connection with Comptel's MDS products on a global basis. Moreover, the companies will offer Comptel's mediation solutions support services to telecom operators in North America.

Logica is one of Comptel's global integrator partners.

Cooperation with Hewlett-Packard expanded during the year and the companies announced that they would integrate Comptel's MDS products into HP's SIU (Smart Internet Usage) product, which collects usage data from IP networks, to create a comprehensive system to collect mobile service usage data. IBM strengthened distribution of Comptel's MDS, especially in South America.

Strategic cooperation with Sun Microsystems Inc. was launched and the first MDS solution supporting a Sun Solaris platform was delivered to Belgacom Mobile in Belgium. Together with Cap Gemini, delivery of MDS was made to the StarHub operator in Singapore. December saw the signing of a cooperation agreement with Intec Systems to integrate MDS software into an inter-operator accounting.

Systems Development

Comptel's Systems Development produces customised information systems consultation, planning, programming and maintenance services to Finnish telecoms operators. The company has developed most of Helsinki Telephone Corporation and Päijät-Hämeen Puhelin's business support systems. Comptel's sound insight into the operator business is a distinct competitive advantage when selling MDS mediation software to international operators.

During 1999, Systems Development delivered a GSM 1800 billing system to Päijät-Hämeen Puhelin, an order system to FINNETCom, e-bill and Data Warehouse systems and IT and systems architecture consultancy to Helsinki Telephone Corporation. Y2K preparations also tied up resources. Specification for shifting over to use of the euro began in 1999 and efforts will be stepped up in the year 2000.

The process-based CoMet system used in project management and systems work was further developed by using UML (Unified Modelling Language) and the CASE tool supporting it. In respect of new technology, EJB (Enterprise Java Beans) architecture pilots were used to support systems work in the networking world of e-business.

Comptel's network of partners

Systems integrators	Hardware manufacturers	Software suppliers
Andersen Consulting	Compaq	Geneva
CSC	Hewlett-Packard	Hewlett-Packard
Cap Gemini	IBM	IBM
Compaq	Sun	INTEC
debis Systemhaus	Nokia (OEM)	KSCL
EDS		Kenan
Hewlett-Packard		LHS
IBM		Logica
Logica		Oracle
		Portal
		TCS
		XACCT

Research *and Development*

Research and Development addressed the new software generation of MDS products, GPRS and other IP network usage collecting and management software and Comptel's latest products; MDS Credit Guard, to control call users' credit balance, and MDS/AMD-DB, a database for usage data collection. Research and development costs were mostly related to MDS deliveries and were derived from direct R&D projects and from indirect R&D projects relating to customer deliveries. Direct R&D costs in 1999 totalled FIM 16.2 million. The company charges all incurred R&D expenditure against the profit for the year. At the end of the year under review, around 25 per cent of Comptel's employees were involved in R&D work.

A decision was taken in 1999 to set up a separate R&D unit at the Kuala Lumpur office in Malaysia.

Comptel's R&D group is divided in four units: software production, product management, research projects and Internet application development. Additionally, the group is responsible for quality improvement. R&D's core function is to build practical systems for future use of the information society so that the costs arising from fixed and wireless networks can be allocated to the right user, whether it be an ISDN, xDSL, GSM, GPRS, IP, UMTS/3G or any other future network. Provisioning should be able to be managed automatically through a common interface as in self-service concepts via the Internet.

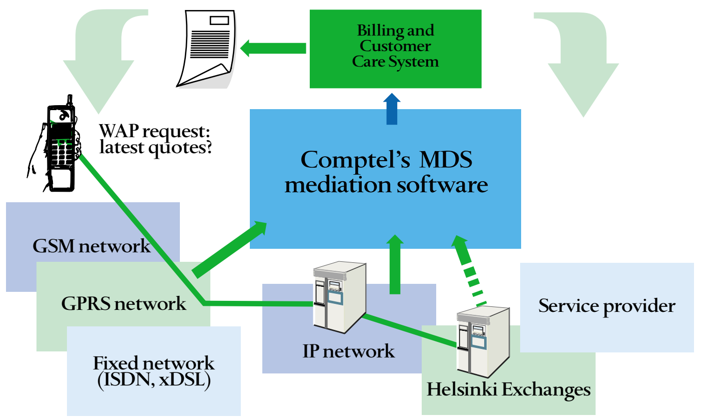
The role of mediation software increases in GPRS networks

The role and value of mediation software in GPRS and third generation networks are highlighted with the Internet and new services. Comptel's vision is that MDS mediation software offers telecom operators a solution that contains tools for the management of various networks in the face of rapidly changing technology.

New network technologies and new types of services limited by place and content broaden the range of services. At the same time, they also place demands on billing and enable telecom operators to create new bases for charging, thus increasing their competitive advantage. Charging for a service on the basis of time or volume is no longer enough. Service content, quality, speed or guaranteed throughput can also be charging criteria. It should be possible to tailor services, (i.e. to block expensive services). There is also a growing requirement for real-time services and the number of pre-paid and on-line payment functions, etc. is also increasing.

All the above are examples of services that require telecom operators to have automatic systems to manage and in which MDS mediation software provides a solution to user and usage information management alike.

MDS mediation software enables the use of convergent services.



Report of *the Board of Directors*

General

Comptel Plc (earlier Oy Comptel Ab) develops and delivers MDS (Mediation Device Solutions) software to the telecom and communications industry throughout the world. The company also provides system development services to Finnish telecom operators.

Comptel Plc's turnover rose by 53.2 per cent to stand at FIM 232.2 (151.6) million. Exports were up by 83.9 per cent to reach FIM 142.9 (77.7) million, accounting for 61.5 per cent (51.3%) of turnover. Operating profit soared by 170.6 per cent to FIM 79.6 (29.4) million, equivalent to 34.3 per cent (19.4%) of turnover.

Improved profitability was due to mobile subscriptions and traffic, which grew faster than expected towards the end of the year, and license updates based on growth. The relative fall in the share of hardware sales and lower than expected overall costs of our Y2K exercise and flotation also had a positive impact on profitability.

Turnover

Company turnover was FIM 232.2 million, up by 53.2 per cent on the figure for the previous year.

Business development

The year under review saw a continuation of heavy investments in the telecommunications industry, especially in the company's strong market areas in Europe, Asia and Australia. New mobile phone licences issued in Europe and South America in particular benefited turnover in the company's new market areas. The first licenses for third generation UMTS (Universal Mobile Telecommunication System) were awarded in Finland during the year under review.

Several telecom operators announced investments in GPRS (General Packet Radio Service) during the year under review. This will create potential for additional deliveries of the MDS for GPRS product portfolio. The 1999 financial year saw the MDS product portfolio expand into new satellite networks, including Globalstar and ICO.

Price competition is becoming increasingly tough, especially in Europe and Asia.

Performance

The operating profit rose to FIM 79.6 million, up by 170.6 per cent on the year, equivalent to 34.3 per cent of turnover compared to 19.4 per cent a year earlier. This encouraging performance is against a background of the increased contribution made by MDS products and exports to turnover, higher licence revenues based on a growing number of operator customers, fixed costs rising slower than turnover and low variable costs.

Research and development

R&D costs related mainly to MDS deliveries and were derived both from direct R&D projects and indirect R&D projects relating to customer deliveries. Around 25 per cent of the company's people were involved in R&D projects. During the year under review, direct R&D costs amounted to FIM 16.2 million.

The year under review saw a sharp rise in R&D investment, with the core areas being a new software generation of the MDS platform products, GPRS and other IP network usage data gathering and management software and the latest products – MDS Credit Guard and MDS/AMD-DB. The company charges all R&D expenditure against the profits for the year.

Share offering and financial position

Comptel's financial position remained strong throughout the year. At 31 December 1999 the balance sheet total was FIM 190.1 million, of which current investments, cash in hand and at bank totalled FIM 161.7 million. The company had no interest-bearing liabilities at year-end and its equity ratio was 78 per cent. Comptel became a publicly listed company and has been quoted on the Main List of the Helsinki Exchanges since 13 December 1999.

An explanation of the increase in subscribed capital, options issued and authorisations vested in the Board of Directors is given under Shares and shareholders on page 29.

The parent company had a 60.5 per cent interest at the balance sheet date.

Investments

Gross fixed asset investments during the year under review amounted to FIM 17.0 million. Investments principally related to acquisition of a 17.5 per cent stake in Arcus Software Oy (this interest is expected to rise to 20% during the year 2000), basic improvements to leased premises and investments in hardware and other equipment.

Employees

The company employed 339 people at the end of the year under review. This represents an increase of 27.9 per cent or 74 more employees than during the corresponding period a year earlier. Most of these new employees were recruited by the Project and Product Sales and R&D units. The company expanded into new leased premises at Ruoholahdenkatu 8 and 14 in Helsinki. The representative office in Malaysia hired an additional 12 employees and moved to new leased premises in Kuala Lumpur. Comptel employed an average of 314 persons during the 1999 financial year (240 in 1998).

Partners

Exports of MDS products through our partners accounted for 62 per cent (47%) of total exports. Today, our partners provide us with distribution channels and local customer services on all continents. Comptel increased its partners' training in its products.

Events taking place after 31 December 1999

Comptel Plc concluded cooperation agreements with Intec Systems Ltd, Geneva Technology Ltd and XACCT Technologies Inc. Comptel participated in the GSM World 2000 Congress in Cannes, France. Among the products exhibited were MDS for GPRS products and Geneva Technology Ltd's billing system for GPRS customers.

Comptel Plc's Board of Directors has decided to adopt, from 16 March 2000, the insider holder instructions drawn up and issued by the Helsinki Exchanges, the Central Chamber of Commerce and the Confederation of Finnish Industry and Employers.

Prospects for the year 2000

Growth is expected to focus on the Asian and American markets and is likely to be more modest in the European markets, where competition is extremely tough. In the light of new investments made by operators, particularly in GPRS-IP networks, and the continued dynamic growth in the number of mobile network subscribers, prospects remain good for the current year.

Comptel expects to employ more staff than in 1999 and, in addition to research and development activities, is especially giving priority to improving MDS sales and delivery capacity.

Comptel continues its commitment to strengthening cooperation with global suppliers as a provider of distribution channels and support services.

Work is underway on setting up an R&D unit in Malaysia and the company is currently exploring possibilities to establish itself in North America.

Company management believes that the mediation market will continue to grow and that mediation products will play a significant role in the application of new billing models as well as traditional billing mechanisms. New billing elements include content services, service quality, bandwidth, etc.

Hardware is expected to account for a higher share of sales than during the previous year.

Auditors

The company's auditors were SVH Pricewaterhouse Coopers Oy, authorised public accountants.

Board of Directors

Members of Comptel Plc's Board of Directors were Jukka Alho, chairman, Ann-Maj Majuri-Ahonen and Matti Tossavainen.

Board of Director's proposal for the disposal of profits

The profit for the financial year	FIM 64,006,587.15
and retained earnings of	FIM 15,984,912.98
make a total of at the disposal of the Annual General Meeting	FIM 79,991,500.13
The Board of Directors proposes payment of a dividend of	- FIM 12,723,862.20
and that be retained	FIM 67,267,637.93

Helsinki, 14 February 2000

Jukka Alho

Ann-Maj Majuri-Ahonen　　Matti Tossavainen

Heikki Tetri
Managing Director

Profit and loss *account*

	Notes	1 Jan - 31 Dec 1999 FIM 1000	1 Jan - 31 Dec 1999 EUR 1000	1 Jan - 31 Dec 1998 FIM 1000	1 Jan - 31 Dec 1998 EUR 1000
Turnover	2	232,238	39,059	151,564	25,491
Other operating income		458	77	314	53
Materials and services	3	22,870	3,846	18,395	3,094
Staff costs	4	80,527	13,544	69,044	11,612
Depreciation and value adjustments	5	11,213	1,886	6,158	1,036
Other operating charges	6	38,452	6,467	28,856	4,853
		153,062	25,743	122,453	20,595
Operating profit		79,634	13,393	29,425	4,949
Financial income and charges	7	4,512	759	50	8
Profit before exceptional items		84,146	14,152	29,475	4,957
Exceptional items	8	0	0	-6,000	-1,009
Profit before appropriations and taxes		84,146	14,152	23,475	3,948
Appropriations	9	3,325	559	-355	-60
Taxes	10	23,464	3,946	7,768	1,306
Profit for the financial year		64,007	10,765	15,352	2,582

Balance *sheet*

	Notes	31 Dec 1999 FIM 1000	31 Dec 1999 EUR 1000	31 Dec 1998 FIM 1000	31 Dec 1998 EUR 1000
ASSETS					
Fixed assets	11				
Intangible assets		**7,337**	**1,234**	5,250	883
Tangible assets		**18,547**	**3,119**	16,383	2,755
Financial assets		**2,449**	**412**	1,042	175
		28,333	**4,765**	22,675	3,813
Current assets					
Short-term debtors	12	**39,636**	**6,666**	37,498	6,307
Cash in hand and at banks		**122,110**	**20,538**	30,059	5,056
		161,746	**27,204**	67,557	11,363
		190,079	**31,969**	90,232	15,176
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity	13				
Subscribed capital		**12,724**	**2,140**	1,050	176
Share premium account		**35,791**	**6,020**	0	0
Contingency fund		**0**	**0**	825	139
Retained earnings		**15,985**	**2,688**	13,344	2,244
Profit for the financial year		**64,007**	**10,765**	15,352	2,582
		128,507	**21,613**	30,571	5,141
Accumulated appropriations	14	**2,030**	**341**	5,355	901
Provisions for liabilities and charges	15	**1,300**	**219**	5,350	900
Creditors	17				
Short-term creditors		**58,242**	**9,796**	48,956	8,234
		58,242	**9,796**	48,956	8,234
		190,079	**31,969**	90,232	15,176

Funds *statement*

	31 Dec 1999		31 Dec 1998	
	FIM 1000	**EUR 1000**	FIM 1000	EUR 1000
Net cash inflow from operating activities				
Operating profit	**79,634**	**13,393**	29,425	4,949
Reconciliation of operating profit to cash flows	**10,755**	**1,809**	5,844	983
Change in net working capital	**5,554**	**934**	12,698	2,136
Interest received	**1,961**	**330**	547	92
Other financial items	**0**	**0**	0	0
Taxes paid	**-23,370**	**-3,931**	-6,495	-1,092
Group contribution paid	**0**	**0**	-6,000	-1,009
Net cash inflow from operating activities, total	**74,534**	**12,535**	36,019	6,058
Net cash inflow/outflow from investments				
Investments in tangible and intangible assets	**-15,485**	**-2,604**	-13,509	-2,272
Income from assignments of tangible and intangible assets	**0**	**0**	562	95
Investments in other financial assets	**-1,294**	**-218**	-40	-7
Income from assignments of other financial assets	**605**	**102**	0	0
Net cash inflow/outflow, total	**-16,174**	**-2,720**	-12,987	-2,184
Cash flow before financing	**58,360**	**9,815**	23,032	3,874
Financing				
Dividends paid	**-2,100**	**-353**	-2,100	-353
Rights issue	**35,791**	**6,020**	0	-
Net cash inflow/outflow from financing	**33,691**	**5,667**	-2,100	-353
Cash flow after financing	**92,051**	**15,482**	20,932	3,521
Change in liquid assets	**92,051**	**15,482**	20,932	3,521
Liquid assets at 1 Jan	**30,059**	**5,056**	9,127	1,535
Liquid assets at 31 Dec	**122,110**	**20,537**	30,059	5,056

Financial *indicators*

In Finnish marks	1995	1996	1997	1998	**1999**
Five year financial summary					
Turnover, FIM 1000	61,094	76,635	98,118	151,564	**232,238**
Turnover, increase %	-0.4	25.4	28.0	54.5	**53.2**
Operating profit, FIM 1000	4,382	10,189	14,795	29,425	**79,634**
Operating profit, increase %	-26.3	132.5	45.2	98.9	**170.6**
Operating profit as % of turnover	7.2	13.3	15.1	19.4	**34.3**
Profit before exceptional items, provisions and taxes, FIM 1000	4,721	10,349	15,916	29,475	**84,146**
Profit before exceptional items, provisions and taxes as % of turnover	7.7	13.5	16.2	19.4	**36.2**
Profit before appropriations and taxes, FIM 1000	3,721	7,349	12,916	23,475	**84,146**
Profit before appropriations and taxes as % of turnover	6.1	9.6	13.2	15.5	**36.2**
Return on equity, % (ROE)	35.2	66.8	66.2	73.5	**77.3**
Return on investment, % (ROI)	7.7	17.4	29.8	75.9	**78.1**
Equity ratio, %	39.6	43.5	54.2	45.9	**78.0**
Gross fixed asset investments, FIM 1000	3,381	4,327	10,013	13,564	**17,018**
Gross fixed asset investments as % of turnover	5.5	5.6	10.2	8.9	**7.3**
Research and development costs, FIM 1000	n/a 1)	n/a 1)	n/a 1)	10,607	**16,204**
Research and development costs as % of turnover	n/a 1)	n/a 1)	n/a 1)	7.0	**7.0**
Back orders, FIM 1000	n/a 2)	n/a 2)	n/a 2)	69,600 3)	**79,500**
Average number of employees during the financial year	121	147	182	240	**314**
Interest-bearing net liabilities, FIM 1000	-4,094	-6,878	-9,127	-30,059	**-122,110**
Gearing ratio, %	-45.1	-52.8	-43.1	-83.7	**-93.7**

1) Research and development costs were not monitored in the current manner between 1995 and 1997. Research and development costs exclude development work carried out to develop products in association with customer projects.
2) Back orders were not monitored in the same way between 1995 and 1997.
3) Back orders for 1998 have been adjusted to correspond to the general recommendations issued by the Finnish Accounting Standards Board on 17 December 1999.

	1995	1996	1997	1998	**1999**
Per share data					
EPS, FIM	0.16	0.35	0.54	1.00	**3.00**
Diluted EPS, FIM	0.16	0.35	0.54	1.00	**2.99**
Equity per share, FIM	0.43	0.62	1.01	1.71	**6.09**
Dividend per share, FIM 1)	0.05	0.05	0.10	0.10	**0.59**
Dividend per earnings, % 1)	32.1	14.2	18.5	10.0	**19.8**
Effective dividend yield, %	n/a	n/a	n/a	n/a	**0.14**
P/E ratio	n/a	n/a	n/a	n/a	**138.4**
Adjusted number of shares at balance sheet date 2)	21,000,000	21,000,000	21,000,000	21,000,000	**21,400,000**
Adjusted average number of shares for the financial year	21,000,000	21,000,000	21,000,000	21,000,000	**21,030,685**
Number of diluting shares	21,000,000	21,000,000	21,000,000	21,000,000	**21,506,031**

1) Board of Directors' proposal
2) Until 22 October 1999 there were 105 shares. The financial indicators use 21,000,000 shares because the Extraordinary General Meeting held on 6 October 1999 decided, under a resolution entered in the trade register on 22 October 1999, to raise the number of Comptel shares from 105 to 21,000,000 without increasing the share capital.

Financial *indicators*

In euros	1995	1996	1997	1998	**1999**
Five year financial summary					
Turnover, EUR 1000	10,275	12,889	16,502	25,491	**39,059**
Turnover, increase %	-0.4	25.4	28.0	54.5	**53.2**
Operating profit, EUR 1000	737	1,714	2,488	4,949	**13,393**
Operating profit, increase %	-26.3	132.5	45.2	98.9	**170.6**
Operating profit as % of turnover	7.2	13.3	15.1	19.4	**34.3**
Profit before exceptional items, provisions and taxes, EUR 1000	794	1,741	2,677	4,957	**14,152**
Profit before exceptional items, provisions and taxes as % of turnover	7.7	13.5	16.2	19.4	**36.2**
Profit before appropriations and taxes, EUR 1000	626	1,236	2,172	3,948	**14,152**
Profit before appropriations and taxes as % of turnover	6.1	9.6	13.2	15.5	**36.2**
Return on equity, % (ROE)	35.2	66.8	66.2	73.5	**77.3**
Return on investment, % (ROI)	7.7	17.4	29.8	75.9	**78.1**
Equity ratio, %	39.6	43.5	54.2 [1]	45.9	**78.0**
Gross fixed asset investments, EUR 1000	569	728	1,684 [1]	2,281	**2,862**
Gross fixed asset investments as % of turnover	5.5	5.6	10.2 [2]	8.9	**7.3**
Research and development costs, EUR 1000	n/a [1]	n/a [1]	n/a [1]	1,784	**2,725**
Research and development costs as % of turnover	n/a [1]	n/a [1]	n/a [1]	7.0	**7.0**
Back orders, EUR 1000	n/a [2]	n/a [2]	n/a [2]	11,705 [3]	**13,371**
Average number of employees during the financial year	121	147	182	240	**314**
Interest-bearing net liabilities, EUR 1000	-688	-1,156	-1,535	-5,055	**-20,537**
Gearing ratio, %	-45.1	-52.8	-43.1	-83.7	**-93.7**

[1] Research and development costs were not monitored in the current manner between 1995 and 1997. Research and development costs exclude development work carried out to develop products in association with customer projects.
[2] Back orders were not monitored in the same way between 1995 and 1997.
[3] Back orders for 1998 have been adjusted to correspond to the general recommendations issued by the Finnish Accounting Standards Board on 17 December 1999.

Per share data	1995	1996	1997	1998	**1999**
EPS, euro	0.03	0.06	0.09	0.17	**0.50**
Diluted EPS, EUR	0.03	0.06	0.09	0.17	**0.50**
Equity per share, EUR	0.07	0.10	0.17	0.29	**1.02**
Dividend per share, EUR [1]	0.01	0.01	0.02	0.02	**0.10**
Dividend per earnings, % [1]	32.1	14.2	18.5	10.0	**19.8**
Effective dividend yield, %	n/a	n/a	n/a	n/a	**0.14**
P/E ratio	n/a	n/a	n/a	n/a	**138.4**
Adjusted number of shares at balance sheet date [2]	21,000,000	21,000,000	21,000,000	21,000,000	**21,400,000**
Adjusted average number of shares for the financial year	21,000,000	21,000,000	21,000,000	21,000,000	**21,030,685**
Number of diluting shares	21,000,000	21,000,000	21,000,000	21,000,000	**21,506,031**

[1] Board of Directors' proposal
[2] Until 22 October 1999 there were 105 shares. The financial indicators use 21,000,000 shares because the Extraordinary General Meeting held on 6 October 1999 decided, under a resolution entered in the trade register on 22 October 1999, to raise the number of Comptel shares from 105 to 21,000,000 without increasing the share capital.

Formulae *for financial summary indicators*

Return on equity % (ROE)	=	$\frac{\text{Result before exceptional items and taxes - taxes}}{\text{Shareholders' equity (average during the year)}}$	x 100
Return on investment % (ROI) (average for year)	=	$\frac{\text{Result before exceptional items and taxes + financial charges}}{\text{Balance sheet total - non-interest-bearing liabilities}}$	x 100
Equity ratio %	=	$\frac{\text{Shareholders' equity}}{\text{Balance sheet total - advances received}}$	x 100
Earnings per share (EPS)	=	$\frac{\text{Result before exceptional items and taxes - taxes}}{\text{Adjusted average number of shares for the financial year}}$	
Dividend per share	=	$\frac{\text{Dividend}}{\text{Adjusted number of shares at balance sheet date}}$	
Dividend per earnings %	=	$\frac{\text{Dividend per share}}{\text{Earnings per share (EPS)}}$	x 100
Effective dividend yield %	=	$\frac{\text{Dividend per share}}{\text{Share closing price at balance sheet date}}$	x 100
P/E ratio	=	$\frac{\text{Share closing price at balance sheet date}}{\text{Earnings per share (EPS)}}$	
Equity per share	=	$\frac{\text{Shareholders' equity}}{\text{Adjusted number of shares at balance sheet date}}$	
Gearing ratio %	=	$\frac{\text{Interest bearing liabilities - liquid assets}}{\text{Shareholders' equity}}$	x 100

Notes to *the financial statements*

1. Accounting principles

Consolidated financial statements

The company has no subsidiary undertakings and thus prepares no consolidated financial statements. The company has no associated undertakings.

Comparability with the previous year

There have been no changes in the accounting principles or in the company's operations that would hamper comparability with the figures for the previous year.

Turnover

Content

Turnover is calculated on the basis of sales revenue less indirect sales taxes and other sales adjustment items. Debts reasonably likely to be uncollectible are estimated and booked as a credit loss in accordance with good accounting practice. Credit losses appear under Other operating charges.

Sales capitalisation principle

Income from the sale of services is capitalised on delivery, with the exception of long-term projects, which are capitalised on the basis of degree of completion.

Capitalisation on the basis of degree of completion complies with Chapter 5 Article 4 of the Accounting Act, subject, however, to smaller projects being capitalised on delivery. One of the conditions of capitalisation on the basis of degree of completion is that it must be possible to reliably estimate the profitability of each separate project. The degree of completion of a project is determined by the relation of accrued costs to estimated overall costs. The proportion of the invoice of a project exceeding the estimated degree of completion is booked under Creditors as Advance payments if payment has been obtained from the customer for the invoice in question.

Capitalisation of projects complies with the prudence concept. No profit is capitalised for projects at an early stage of completion. The total estimated margin of loss-making projects is booked as a charge and provision for liabilities and charges.

In respect of projects invoiced in a currency other than the company's domestic currency, cash flows are essentially hedged against currency fluctuations.

Licence fees are capitalised on expiry of the guarantee period.

Foreign currency items

The financial statements have been prepared in Finnish marks. Transactions denominated in foreign currency are booked at the exchange rates on the day the transaction took place. Debts, liabilities and commitments in the balance sheet at the closing date are translated into Finnish marks at the middle exchange rates quoted at the balance sheet date. Exchange rate gains and losses arising from the valuation of debtors and liabilities are booked as translation differences.

Derivative instruments

Principles

The company concludes forward exchange rate contracts to hedge against receivables and funds denominated in foreign currency. Derivative instruments are valued at the market value.

Booking and valuation practice

Derivative instruments used by the company are forward exchange rate contracts. Changes in the value of forward exchange rate contracts taken to hedge against currency risks are booked so that the interest difference of exchange rate futures, if it is material, is allocated for the validity of the contract and the allocated share is booked under interest received or paid. Translation items are booked under sales adjustment items or exchange gains and losses depending on what is hedged.

Any open futures contracts are valued using the middle exchange rate at the balance sheet date and booked in the profit and loss account, except for forward exchange rate contracts sold, which are booked on the basis of their effect on earnings as the cash flow is realised. The nominal values and market value (maturity cost) of all unexpired forward contracts appear as liabilities in the notes to the financial statements irrespective of whether they have been treated as income in the accounts.

Other operating income

Proceeds from the disposal of fixed assets are booked under Other operating income.

Pension costs

The company's pension arrangements have been dealt with in accordance with local legislation. Pension costs are booked on an accrual basis as a charge in the financial year. Statutory pension liability is fully covered by annual pension insurance premiums.

R&D expenditure

R&D expenditure is booked during the financial year in which it occurs. R&D contributions received are shown as a cost deduction.

Rent

Rent is booked during the year in which it occurs.

Taxes

Taxes for the financial year

Taxes for the financial year under review and previous years have been booked on an accrual basis in the profit and loss account under Taxes.

Deferred tax liabilities and assets

Deferred tax liabilities and assets are not booked in the profit and loss account but presented in the notes to the financial statements. The deferred tax liability included in accumulated depreciation difference does not appear as a separate item in the profit and loss account and balance sheet.

Fixed assets and other long-term expenditure

The book value of fixed assets and other long-term expenditure appears in the balance sheet as acquisition cost less accumulated planned depreciation. The book values of fixed assets do not include revaluations. Maintenance and repair costs are booked as charges during the financial year they occur, with the exception of major refurbishment costs of leased premises, which are included in other long-term expenditure.

The company has booked planned depreciation since 1994. Fixed assets are depreciated over a period of four years, with the exception of the basic refurbishment of leased premises in which case the period is four years or the length of the tenancy agreement, whichever is the shorter. Until the end of 1998, all fixed assets were depreciated over a period of five years.

The difference between planned depreciation and depreciation made in taxation appears in the profit and loss account as a separate item under Appropriations and accumulated depreciation under Accumulated appropriations in shareholders' equity and liabilities in the balance sheet.

Cash at bank and in hand

Cash at bank and in hand includes cash and bank account statements.

Shareholders' equity

The distribution of dividend proposed by the Board of Directors to the Annual General Meeting is not booked in the financial statements. Dividends are not taken into account until the decision of the Annual General Meeting.

Liabilities

The company reports future leasing payments payable under leasing agreements and the nominal values and market value of unexpired derivative contracts.

2. Turnover

	31 Dec 1999		31 Dec 1998	
	FIM 1000	EUR 1000	FIM 1000	EUR 1000
By geographical area				
Finland	89,380	15,033	73,871	12,424
Other European countries	87,429	14,704	44,465	7,478
Asia	27,780	4,672	16,046	2,699
North America	20,699	3,481	10,133	1,704
Australia	5,899	992	3,261	548
Africa	1,051	177	3,788	637
Total	**232,238**	**39,059**	**151,564**	**25,490**

Turnover figures are according to the actual area the work was delivered to.

The company operates in the telecommunications industry.

Income according to degree of completion

Turnover capitalised according to degree of completion	80,800	13,590	30,800	5,180
Number of undelivered long-term projects capitalised during the financial year and previous years	48,100	8,090	14,301	2,405
Back orders of long-term projects				
capitalised on delivery	56,400	9,486	56,800	9,553
capitalised according to degree of completion	23,100	3,885	12,800	2,153
Advances invoiced for long-term projects in the course of construction	22,999	3,868	11,922	2,005

No provisions for liabilities and charges are booked in respect of long-term projects.

Unlike the previous year, the turnover for long-term projects to be capitalised according to degree of completion shown in the notes to the financial statements does not include licence fees relating to the projects in question where such fees are capitalised on expiry of the guarantee period.

3. Materials and services

Raw materials and consumables (supplies)				
Purchases during the financial year	3,560	599	7,588	1,276
External services	19,310	3,248	10,807	1,818
Total	**22,870**	**3,847**	**18,395**	**3,094**

4. Staff costs

Wages and salaries	64,201	10,798	56,077	9,431
Pension costs	10,528	1,771	8,192	1,378
Other social security costs	5,798	975	4,775	803
Total	**80,527**	**13,544**	**69,044**	**11,612**
Average number of employees during the financial year				
White collar employees	314		240	
Total	**314**		**240**	

	31 Dec 1999		31 Dec 1998	
	FIM 1000	EUR 1000	FIM 1000	EUR 1000
No fees were paid to members of the Board of Directors.				

Pension commitments in respect of members of the Board of Directors and managing directors
The retirement age of the company's managing director is set at 58 years.

5. Depreciation and value adjustments

Depreciation on intangible rights	2,019	340	969	163
Depreciation on other long-term expenditure	1,124	189	708	119
Depreciation on machinery and equipment	8,070	1,357	4,481	754
Total	**11,213**	**1,886**	**6,158**	**1,036**

6. Other operating charges

Rent	7,596	1,277	5,046	849
Distribution costs	8,816	1,483	7,105	1,195
Other operating charges	22,040	3,707	16,705	2,809
Total	**38,452**	**6,467**	**28,856**	**4,853**

7. Financial income and charges

Dividends received				
from others	23	4	22	4
Dividends received, total	**23**	**4**	**22**	**4**
Other interest received and similar income				
from group undertakings	1,231	207	317	53
from others	3,265	549	230	39
Other interest received and similar income, total	**4,496**	**756**	**547**	**92**
Interest paid and similar charges				
to others	7	1	519	87
Interest paid and other similar charges, total	**7**	**1**	**519**	**87**
Financial income and charges, total	**4,512**	**759**	**50**	**8**
Net exchange gains and losses are included in Financial income and charges	2,535	426	-481	-81

8. Exceptional items

Exceptional charges	-	-	6,000	1,009
Total	-	-	**6,000**	**1,009**

Exceptional charges during the financial year 1 January to 31 December 1999 are group contributions made.

9. Appropriations

Difference between planned depreciation and depreciation made in taxation	3,325	559	-354	-60
Total	**3,325**	**559**	**-354**	**-60**

10. Income tax

Income tax on exceptional items	-	-	-1,680	-283
Income tax on ordinary operations	23,464	3,946	9,448	1,589
Taxes, total	**23,464**	**3,946**	**7,768**	**1,306**

11. Fixed assets

FIM 1000

	Intangible assets			Tangible assets	Financial assets		
	Intangible rights	Other long-term expenditure	Total	Machinery and equipment	Group undertakings	Other shares	Total
Acquisition cost at at 1 Jan 1999	**4,945**	**3,541**	**8,486**	**25,536**	**1,042**	-	**35,064**
Increase	3,151	2,078	5,229	10,256		1,555	17,040
Disposals				30	147		177
Decrease	791		791	5,830			6,621
Transfers between items							
Acquisition cost at 31 Dec 1999	**7,305**	**5,619**	**12,924**	**29,932**	**895**	**1,555**	**45,306**
Accumulated depreciation at 1 Jan 1999	2,086	1,149	3,235	9,154	-	-	12,389
Accumulated depreciation on decrease and transfers	-791		-791	-5,839	-	-	-6,630
Depreciation for the financial year	2,019	1,124	3,143	8,070	-	-	11,213
Value adjustments							
Accumulated depreciation at 31 Dec 1999	3,314	2,273	5,588	11,385	-	-	16,973
Book value at 31 Dec 1999	**3,991**	**3,346**	**7,337**	**18,546**	**895**	**1,555**	**28,333**

11. Fixed assets

EUR 1000

	Intangible assets			Tangible assets	Financial assets		
	Intangible rights	Other long-term expenditure	Total	Machinery and equipment	Group undertakings	Other shares	Total
Acquisition cost at at 1 Jan 1999	**832**	**596**	**1,428**	**4,295**	**175**	-	**5,898**
Increase	530	349	879	1,725		262	2,866
Disposals				5	25		30
Decrease	133		133	981			1,114
Transfers between items							
Acquisition cost at 31 Dec 1999	**1,229**	**945**	**2,174**	**5,034**	**150**	**262**	**7,620**
Accumulated depreciation at 1 Jan 1999	351	193	544	1,539	-	-	2,083
Accumulated depreciation on decrease and transfers	-133		-133	-982			-1,115
Depreciation for the financial year	340	189	529	1,357	-	-	1,886
Value adjustments							
Accumulated depreciation at 31 Dec 1999	557	382	939	1,915	-	-	2,854
Book value at 31 Dec 1999	**671**	**563**	**1,234**	**3,120**	**150**	**262**	**4,766**

12. Debtors

	1999 FIM 1000	1999 EUR 1000	1998 FIM 1000	1998 EUR 1000
Short-term				
Amounts owed by group undertakings				
Trade debtors	10,406	1,750	10,180	1,712
Prepayments and accrued income	859	144	32	5
Amounts owed by others				
Trade debtors	26,839	4,514	25,002	4,205
Prepayments and accrued income	1,532	258	2,284	384
Short-term debtors, total	**39,636**	**6,666**	**37,498**	**6,306**

13. Shareholders' equity

	1999 FIM 1000	1999 EUR 1000	1998 FIM 1000	1998 EUR 1000
Subscribed capital at 1 Jan	1,050	177	1,050	177
Scrip issue	11,436	1,923	-	-
New issue	238	40	-	-
Subscribed capital at 31 Dec	**12,724**	**2,140**	**1,050**	**177**
Share premium account at 1 Jan	-	-	-	-
Issue premium [1]	35,791	6,020	-	-
Share premium account at 31 Dec	**35,791**	**6,020**	-	-
Contingency fund at 1 Jan	825	139	825	139
Scrip issue	-825	-139	-	-
Contingency fund at 31 Dec	-	-	**825**	**139**
Retained earnings at 1 Jan	28,696	4,826	15,444	2,597
Dividend paid	-2,100	-353	-2,100	-353
Scrip issue	-10,611	-1,785	-	-
Retained earnings at 31 Dec	**15,985**	**2,688**	**13,344**	**2,244**
Profit for the financial year	**64,007**	**10,765**	**15,352**	**2,582**
Shareholders' equity, total	**128,507**	**21,613**	**30,571**	**5,141**
Statement of distributable funds at 31 Dec				
Retained earnings	15,985	2,688	13,344	2,244
Profit for the financial year	64,007	10,765	15,352	2,582
Distributable funds, total	**79,992**	**13,453**	**28,696**	**4,826**

[1] The issue premium shown is less fees paid to the lead managers.

14. Accumulated appropriations

	1999 FIM 1000	1999 EUR 1000	1998 FIM 1000	1998 EUR 1000
Accumulated depreciation difference at 1 Jan	5,355	901	5,000	841
Change in depreciation difference	-3,325	-559	355	60
Accumulated depreciation difference at 31 Dec	**2,030**	**342**	**5,355**	**901**

	1999		1998	
	FIM 1000	EUR 1000	FIM 1000	EUR 1000
15. Provisions for liabilities and charges				
Other provisions at 1 Jan	5,350	900	980	165
Increase during the financial year	-	-	5,350	900
Decrease during the financial year	-4,050	-681	-980	-165
Total	**1,300**	**219**	**5,350**	**900**

Provision relating to upgrading new product versions to which the company is committed to manage Y2K problems.

16. Deferred tax liabilities and assets

Deferred tax assets				
from matching differences	377	63	1,498	252
Total	**377**	**63**	**1,498**	**252**

17. Short-term creditors

Amounts owed to group undertakings				
Trade creditors	1,506	253	1,621	273
Accruals and deferred income	-	-	6,000	1,009
Amounts owed to others				
Advances received	22,999	3,868	11,922	2,005
Trade creditors	6,285	1,057	7,784	1,309
Other creditors	3,429	577	3,918	659
Accruals and deferred income	24,023	4,040	17,711	2,979

The most significant accruals and deferred income relate to accrued taxes and staff costs.

Short-term creditors, total	**58,242**	**9,795**	**48,956**	**8,234**
Leasing commitments				
Amounts payable under leasing agreements	**2,875**	**484**	**2,915**	**490**
Amounts payable during the current year	1,597	269	1,382	232
Amounts payable later	1,278	215	1,533	258

Leasing agreements are mostly valid for three years and contain no redemption clauses.

Other liabilities

Derivative instruments

Forward exchange contracts				
Market value	-1,899	-319	-263	-44
Value of underlying instrument	35,423	5,958	25,420	4,275

Comptel Plc is part of the Helsinki Telephone Corporation Group. The company's parent is Helsinki Telephone Corporation, whose parent is HPY Holding Corporation. The financial statements of Helsinki Telephone Corporation and HPY Holding Corporation are available from HTC's head office at Korkeavuorenkatu 35-37, FIN-00130 HELSINKI.

Shares *and shareholders*

Subscribed capital and shares

The company's registered and fully paid share capital at the balance sheet date was 2,140,000 euro. Under the Articles of Association, the minimum and maximum share capital is 2,100,000 euro and 8,400,000 euro respectively.

Meeting on 8 November 1999, the Extraordinary General Meeting authorised the Board of Directors to issue a minimum of one and a maximum of 400,000 options. Disapplying the pre-emption rights of existing shareholders, the options would be offered for subscription to Comptel Plc's key persons. The options are intended as part of an incentive scheme to commit key persons to the company. The subscription period for options commenced on 1 December 1999 and expires on 1 December 2000.

Of the warrants, 200,000 will be endorsed with the letter A and 200,000 with the letter B. Each warrant entitles the bearer to subscribe to one of the company's shares having a countervalue of 0.1 euro. Warrants endorsed with the letter A may be exercised from 15 June 2001 and those with the letter B from 15 December 2002. The exercise period for both series expires on 15 June 2004. The exercise price is 21.44 euro and is payable upon subscription.

The subscription price of warrants has been fixed so that it is equivalent to the final subscription price of the shares offered to public and institutional investors in the flotation issue plus 15 per cent in accordance with the option terms.

The shares give entitlement to any dividend starting from the financial year in which they were subscribed. Should the employment of any person entitled to subscription end for any reason other than by retirement or death, he or she shall immediately offer the company consideration for those options in respect of which the exercise period has not commenced before the last day of employment.

During the financial year the Board of Directors issued 153,000 of the warrants it was authorised to and another 125,200 before the books were closed. At the date the books were closed, the authorisation was still valid for 121,800 warrants.

The warrants issued during the year under review give entitlement to 153,000 shares and 0.71 per cent of the votes conveyed by shares. All warrants issued before the books were closed give entitlement to 1.28 per cent of the company's total shares and votes.

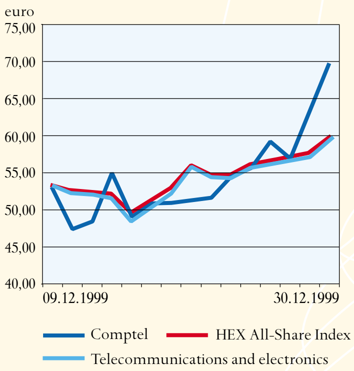
At its meeting on 8 November 1999, the Extraordinary General Meeting also authorised the Board of Directors to decide within one year of the meeting whether to issue a convertible bond loan and/or grant options and/or decide whether to increase the share capital through one or more new issues provided that such issuance of a convertible bond loan, options or new shares may not result in the issuance of more than 4,200,000 new shares.

The share capital may be increased by a maximum of 420,000 euro. During the year under review, the authorisation was used to issue 400,000 shares. The issue was divided into an employee issue (210,000 shares) and a public issue (190,000 shares). The Board of Directors justified disapplying the pre-emption rights of existing shareholders on the grounds that the issue was intended to broaden the company's ownership base and to commit employees to the company.

The issues took place in November 1999 in connection with the company's listing on the Helsinki Stock Exchange. Under the terms and conditions of subscription the subscription period was from 25 November to 2 December 1999, although it was closed earlier owing to oversubscription. The price per share in the public issue was 16.50 euro and in the employee issue 14.85 euro. The issue price was fixed according to the situation prevailing in the securities market and on the basis of a competitor analysis carried out by analysts.

The subscribed capital was increased by 40,000 euro and 400,000 shares issued. Subsequent to the increase the company had 21,400,000 outstanding shares and subscribed capital of 2,140,000 euro. The new shares issued are equivalent to 1.9 per cent of the subscribed capital and votes. At 31 December 1999, the authorisation was still valid for 3,800,000 shares. The new shares subscribed in November 1999 give entitlement to the full dividend paid for the 1999 financial year.

Share performance
(closing price)



Comptel's Board of Directors has no authorisation to purchase the company's own shares.

Management interests

Members of the Board of Directors and the managing director hold a total of 0.174 per cent of the company's outstanding shares and options and 0.021 per cent of the votes. The options can give them 0.153 per cent of the votes and share capital.

Share performance

The company's shares closed at 69.84 euro on 30 December 1999. The highest and lowest quoted prices during the year were 73.00 euro and 40.50 euro respectively. The middle price is not given since the shares were only traded between 9 and 30 December 1999. The company's market capitalisation at the balance sheet date was 1,494.6 euro million.

Quotation and trading

Comptel Plc's shares are listed on the Main List of the Helsinki Exchanges under the code CTL 1V. A total of 11,606,600, equivalent to 54.2 per cent, of the company's shares were traded between 9 and 30 December 1999 at a total price of 354.1 million euro.

Largest shareholders as at 31 December 1999

	Number of shares	Holding, %	Share of votes, %
1 Helsinki Telephone Corporation	12,950,000	60.5	60.5
2 Ilmarinen Mutual Pension Insurance Company	70,000	0.3	0.3
3 Tapio Mutual Pension Insurance Company	70,000	0.3	0.3
4 Mutual Insurance Company Pension-Fennia	70,000	0.3	0.3
5 Local Goverment Pensions Institution	70,000	0.3	0.3
6 Varma-Sampo	70,000	0.3	0.3
7 OP-Tuotto Sijoitusrahasto	68,200	0.3	0.3
8 Alfred Berg Finland Sijoitusrahasto	66,400	0.3	0.3
9 SITRA National Fund for Research and Development	65,675	0.3	0.3
10 OP-Delta Sijoitusrahasto	60,000	0.3	0.3
11 Sampo-Life Insurance Company Ltd	60,000	0.3	0.3
12 The LEL Employment Pension Fund	58,850	0.3	0.3
13 Mutual Insurance Company Kaleva	50,000	0.2	0.2
14 Tapiola General Mutual Insurance Company	50,000	0.2	0.2
15 Sijoitusrahasto Alfred Berg Optimal	49,100	0.2	0.2
16 Sijoitusrahasto Alfred Berg Portfolio	46,500	0.2	0.2
17 Sijoitusrahasto Alfred Berg Small Cap	44,300	0.2	0.2
18 Enterprise-Fennia Mutual Insurance Company	40,000	0.2	0.2
19 OP-Pirkka Sijoitusrahasto	36,300	0.2	0.2
20 PT Pension Fund	35,400	0.2	0.2
Nominee registered	3,939,172	18.4	18.4
Other than above	3,430,103	16.0	16.0

Shareholdings by owner group at 31 December 1999

	Number of shares	% of total
Public companies	22,550	0.10
Private companies	13,325,409	62.27
Finance and insurance companies	1,395,152	6.52
Public sector entities	794,805	3.71
Charitable organisations	207,275	0.97
Private households	1,651,032	7.72
Foreign	29,180	0.14
Nominee registered	3,939,172	18.41
Joint accounts and waiting list	35,425	0.16
Number of shares issued	21,400,000	100.00

Analysis of shareholdings as at 31 December 1999

Size of shareholding	Number of shareholders	% of total	Number of shares	% of total
1 – 10	79	0.21	630	0.00
11 – 25	32,847	87.66	820,595	3.83
26 – 50	758	2.02	36,114	0.17
51 – 100	1,268	3.38	115,134	0.54
101 – 500	1,856	4.95	427,795	2.00
501 – 1 000	306	0.82	232,892	1.09
1 001 – 5 000	233	0.62	469,269	2.19
5 001 – 10 000	44	0.12	358,933	1.68
10 001 –100 000	80	0.21	2,374,020	11.09
100 001 – 1 000 000	0	0.00	0	0.00
Over 1 000 000	2	0.01	16,529,193	77.24
Joint accounts and waiting list			35,425	0.17
	37,473	100.00	21,400,000	100.00

The following analysts rate Comptel Plc as an investment:

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Auditors' *report*

To the shareholders of Comptel Plc

We have audited the accounting, the financial statements and the corporate governance of Comptel Plc for the period from January 1 to December 31, 1999. The financial statements, which include the report of the Board of Directors income statement, balance sheet and notes to the financial statements, have been prepared by the Board of Directors and the Managing Director. Based on our audit we express an opinion on these financial statements and on corporate governance.

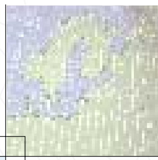
We have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. The purpose of our audit of corporate governance is to examine that the members of the Board of Directors and the Managing Director have legally complied with the rules of the Companies Act.

In our opinion the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as defined in the Accounting Act, of the company's result of operations as well as of the financial position. The financial statements can be adopted and the members of the Board of Directors and the Managing Director can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the distributable earnings is in compliance with the Companies Act.

Helsinki, 7 March 2000

SVH Pricewaterhouse Coopers Oy
Authorised Public Accountants

Henrik Sormunen
Authorised Public Accountant



Corporate *governance*

Comptel's Executive Board comprises (from the left): Jorma Heinonen (until 20.3.2000), Ilkka Salonen, Heikki Tetri, Mikael Nygård, Markku Penttinen, Jari Annala, Jarkko Jylhä and Ari Asikainen.

Under the provisions of the Finnish Companies Act and Comptel's Articles of Association, the supervision and corporate governance of the company is vested in the shareholders represented at the Annual General Meeting, the Board of Directors and the managing director.

Board of Directors

The Board of Directors comprises between three and six members. Under the Articles of Association, the Board of Directors elects a chairman and deputy chairman from among its members. All Comptel's existing Board members are employed by Helsinki Telephone Corporation.

Jukka Alho, born 1952, MSc (Eng), chair-man of the Board of Directors since 1994, Senior Executive Vice President, Helsinki Telephone Corporation.

Ann-Maj Majuri-Ahonen, born 1946, MSc (Econ & Bus Adm), member of the Board of Directors since 1994, Senior Vice President, CFO, Helsinki Telephone Corporation.

Matti Tossavainen, born 1950, LTech, member of the Board of Directors since 1993, Senior Vice President, Large Accounts, Helsinki Telephone Corporation.

Managing director

Heikki Tetri, born 1944, student of mathematics, Managing Director since 1986.

Auditors

The company's auditors are SVH Pricewaterhouse Coopers Oy, authorised public accountants, with Henrik Sormunen APA as the principal auditor.

Executive Board

Comptel's Executive Board comprises the managing director and seven company directors.

Heikki Tetri, chairman of the Executive Board.

Jorma Heinonen, born 1954, Deputy Managing Director. A telecommunications engineer, joined the company in 1996.

Jarkko Jylhä, born 1949, MA, Deputy Managing Director, Director of Systems Development, joined the company in 1986.

Jari Annala, born 1967, MSc (Eng) Technology Director, joined the company in 1990.

Ari Asikainen, born 1954, MSc (Econ & Bus Adm), Director of Finance, joined the company in 1990.

Mikael Nygård, born 1949, student of philosophy, Sales Director, with responsibility for customer service and sales, joined the company in 1988.

Markku Penttinen, born 1961, MSc (Eng) Director, with responsibility for MDS delivery and support services, joined the company in 1986.

Ilkka Salonen, born 1965, MSc (Econ & Bus Adm), CEFA, Corporate Planning Director, with responsibility for investor relations, joined the company on 21 February 2000.

Comptel's Board of Directors comprises Jukka Alho (left), Ann-Maj Majuri-Ahonen and Matti Tossavainen.

Customers *throughout the world*

More than 140 MDS customers in 40 countries

Abbreviations and vocabulary of the field:

BACC	Billing And Customer Care
CCBS	Customer Care and Billing System
CDMA	Code Division Multiple Access
CLEC	Competitive Local Exchange Carrier (in the USA)
CoMet	Comptel Methodology
EDGE	Enhanced Data Rates for GSM Evolution
EJB	Enterprice Java Beans
GSM	Global System for Mobile Communications
GPRS	General Packet Radio Service
GPRS Charging Gateway	Charging gateway for GPRS networks
IN	Intelligent Network
IP	Internet Protocol
ISDN	Integrated Services Digital Network
MDS	Mediation Device Solutions, Comptel's mediation solution
MDS/AMD	Accounting Mediation Device, Comptel's software for call collection, a member of Comptel's MDS product family
MDS/AMD-DB	Data Warehouse for the usage data of the networks, a member of Comptel's MDS product family
MDS Credit Guard	Cost control of usage data of calls and services, a member of Comptel's MDS product family
MDS for GPRS	Comptel's mediation software for GPRS networks
MDS/SAS	Subscriber Administration System, Comptel's software for service provisioning, a member of Comptel's MDS product family
OEM	Original Equipment Manufacturer
OMD	Nokia OMD is a mediation solution of Nokia Networks which includes Comptel's MDS.
SIU	Smart Internet Usage, Hewlett-Packard's product for collecting usage data in the IP network
SMS	Short Messaging Service
TDMA	Time Division Multiple Access
UML	Unified Modelling Language
UMTS	Universal Mobile Telecommunications System
WAP	Wireless Application Protocol
xDSL	x Digital Subscriber Line
3G	Third generation mobile networks