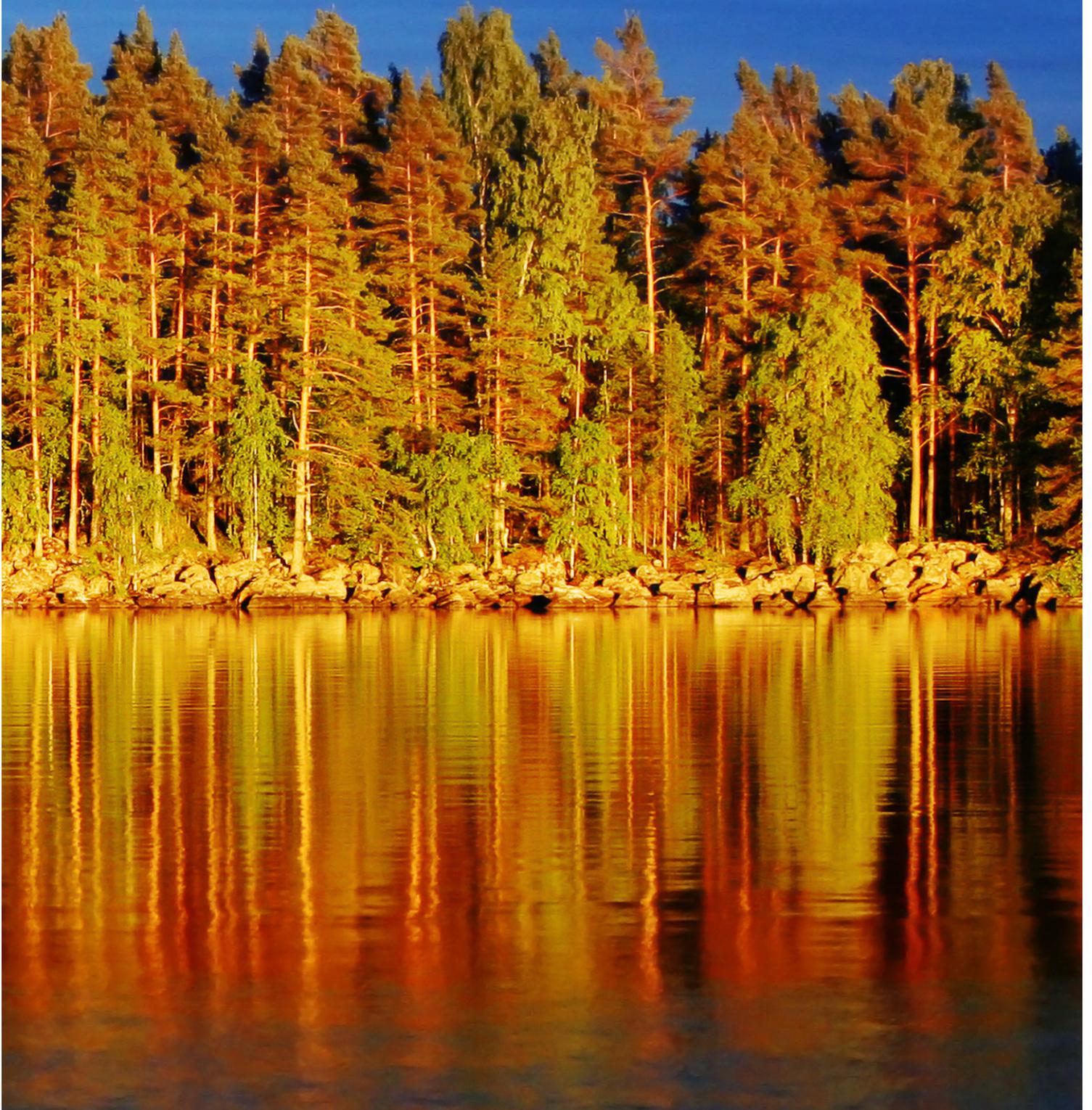


# Interim Report Q3



## TELESTE CORPORATION INTERIM REPORT 1 JAN TO 30 SEP 2014

## SUCCESSFUL THIRD QUARTER, FULL-YEAR OUTLOOK IMPROVED

## Third quarter of 2014

- Orders received totalled EUR 49.0 (51.1) million, a decrease of 4.1%
- Net sales amounted to EUR 50.4 (46.5) million, an increase of 8.4%
- Operating profit totalled EUR 4.9 (3.2) million, an increase of 55.0%
- Undiluted earnings were EUR 0.20 (0.12) per share, an increase of 72.8%
- Cash flow from operations was EUR 0.0 (3.0) million

## New guidance for the 2014 outlook

We estimate that net sales for 2014 will reach 2013 level, while our operating profit is likely to fall from the 2013 level.

## Previous guidance for the 2014 outlook

We estimate that net sales and operating profit for the year 2014 will not reach the 2013 level.

## Comments on the third quarter of 2014 by President and CEO Jukka Rinnevaara:

"Network investments by the European cable operators picked up following a quiet early year and we achieved very good results in the third quarter. Operating profit for the third quarter was one of the best in Teleste's history. In our estimation we have been able to strengthen our position in the cable network market, and the frame agreement signed in August with the Altice Group provides a good example of this.

Demand for Video and Broadband Solutions remained at a good level. Operators are planning to upgrade their networks utilizing the new Docsis 3.1 telecommunications standard. Teleste's new Docsis 3.1 products have proven to be competitive, and we can bring them at the forefront of the market. Our good ability to deliver enabled us to achieve excellent profitability in almost all product areas. We grew strongly particularly in the sales of HFC access network equipment. Our net sales increased most in the French, German and the UK markets. We have managed to respond to the price competition by continued streamlining of our supply chain.

Demand for Network Services remained stable. Profitability has developed positively in Germany, and we achieved a good result in the Finnish, Belgian and Swiss services businesses. Operating profit was weakened, however, by investments aimed at expanding our business in the UK, where the offered new services did not yet reach a positive result in the third quarter."

## Group Operations in July-September 2014

Key figures (EUR million)	7-9/2014	7-9/2013	Change
Orders received	49.0	51.1	-4.1%
Net sales	50.4	46.5	+8.4%
EBIT	4.9	3.2	+55.0%
Operating profit margin	9.8%	6.9%	

Profit for the period	3.6	2.0	+75.2%
Other important key figures			
Earnings per share, €	0.20	0.12	+72.8%
Cash flow from operations	-0.0	3.0	-100.1%

The Group's order intake for the third quarter decreased by 4.1% and totalled EUR 49.0 (51.1) million. Highly successful equipment deliveries decreased the order backlog to EUR 16.0 (17.4) million. Net sales increased by 8.4% to EUR 50.4 (46.5) million. Operating profit increased 55.0% and stood at EUR 4.9 (3.2) million, representing 9.8% (6.9%) of net sales.

Operating profit was significantly improved by Video and Broadband Solutions, which increased its net sales while slightly decreasing the relative share of cost of materials. Personnel expenses increased by 7.2% and totalled EUR 13.7 (12.8) million. Personnel costs were pushed up by a higher number of employees in Network Services. Use of subcontracting has been replaced to a degree by our own personnel.

Undiluted earnings per share were EUR 0.20 (0.12). Exchange rate gains from financial items improved the profit for the period. Operating cash flow stood at EUR 0.0 (3.0) million.

### Group Operations in January-September 2014

Key figures (EUR million)	1-9/2014	1-9/2013	Change %	1-12/2013
Orders received	146.3	138.7	+5.4%	188.9
Net sales	143.3	138.7	+3.3%	192.8
EBIT	7.6	7.5	+1.1%	11.0
Operating profit margin	5.3%	5.4%		5.7%
Profit for the period	5.4	5.1	5.8%	8.1
Other important key figures				
Earnings per share, €	0.31	0.29	+4.3%	0.47
Cash flow from operations	1.8	7.3	-75.8%	10.0
Net gearing	19.6%	17.4%		13.8%
Equity ratio	52.6%	50.4%		52.7%
Personnel at period-end	1 318	1 283	2,7 %	1 261

Orders received increased 5.4% to EUR 146.3 (138.7) million. Net sales grew by 3.3% amounting to EUR 143.3 (138.7) million. Operating profit increased 1.1% and stood at EUR 7.6 (7.5) million, representing 5.3% (5.4%) of net sales.

Personnel expenses amounted to EUR 43.1 (41.7) million. Net financing expenses amounted to EUR 0.1 (0.4) million. Taxes for the Group amounted to EUR 2.1 (2.0) million while the Group's tax rate was 28.0% (28.3%). Undiluted earnings per share were EUR 0.31 (0.29). Operating cash flow stood at EUR 1.8 (7.3) million.

### Video and Broadband Solutions in July-September 2014

Key figures (1,000 €)	7-9/2014	7-9/2013	Change
Orders received	27,571	28,919	-4.7%
Net sales	28,909	24,258	+19.2%
EBIT	4,421	2,362	+87.2%
Operating profit margin	15.3%	9.7%	

Orders received declined by 4.7% from the comparative period standing at EUR 27.6 (28.9) million. Highly successful product deliveries decreased the order backlog to EUR 16.0 (17.4) million. Net sales increased 19.2% equalling EUR 28.9 (24.3) million. We managed to increase our net sales in almost all product

categories. Operating profit grew by 87.2% amounting to EUR 4.4 (2.4) million. Operating profit margin was 15.3% (9.7%). This increase in the operating profit was enabled, in particular, by good demand for, and delivery ability in, our access network products.

Research and development expenses were EUR 2.1 (2.0) million, representing 7.4% (8.4%) of the business area's net sales. Capitalized R&D expenses amounted to EUR 0.1 (0.3) million. Product development projects focused on network products complying with the Docsis 3.1 standard and on customer-specific projects. Depreciation on R&D expenses amounted to EUR 0.3 (0.3) million.

#### Video and Broadband Solutions in January-September 2014

Key figures (1,000 €)	1-9/2014	1-9/2013	Change	1-12/2013
Orders received	80,365	73,688	+9.1%	97,815
Net sales	77,401	73,696	+5.0%	101,716
EBIT	7,057	7,106	-0.7%	9,460
Operating profit margin	9.1%	9.6%		9.3%

Orders received increased 9.1% to EUR 80.4 (73.7) million. Net sales grew by 5.0% amounting to EUR 77.4 (73.7) million. Thanks to the strong third quarter, operating profit reached the previous year's level of EUR 7.1 (7.1) million. Operating profit margin was 9.1% (9.6%).

Product development expenses equalled EUR 7.7 (7.1) million, in other words 10.0% (9.6%) of net sales. Capitalized R&D expenses amounted to EUR 0.7 (0.9) million while depreciation on R&D expenditure totalled EUR 0.9 (1.5) million. Product development projects focused on network products complying with Docsis 3.1 standard, network management system, distributed access architecture and customer-specific projects.

#### Network Services in July-September 2014

Key figures (1,000 €)	7-9/2014	7-9/2013	Change
Orders received	21,455	22,220	-3.4%
Net sales	21,455	22,220	-3.4%
EBIT	516	823	-37.3%
Operating profit margin	2.4%	3.7%	

Third-quarter net sales stood at EUR 21.5 (22.2) million, which is 3.4% less than in the comparative period. Net sales declined mainly in Germany. Compared to the same period in the previous year, operating profit decreased by 37.3% standing at EUR 0.5 (0.8) million, which is 2.4% (3.7%) of net sales. This decline in operating profit was primarily due to investments made in the UK services business expansion, which has not yet achieved a positive operating result.

#### Network Services in January-September 2014

Key figures (1,000 €)	1-9/2014	1-9/2013	Change	1-12/2013
Orders received	65,908	65,036	+1.3%	91,060
Net sales	65,908	65,036	+1.3%	91,060
EBIT	554	419	+32.2%	1,587
Operating profit margin	0.8%	0.6%		1.7%

Net sales grew by 1.3% amounting to EUR 65.9 (65.0) million. Operating profit equalled EUR 0.6 (0.4) million. Operating profit has improved in Germany, whereas investments in the expansion of our UK services business burden it.

#### Personnel and Organization in January-September 2014

In the period under review, the Group had an annual average of 1,292 people (1,324/2013, 1,326/2012), of whom 564 (562) were employed by Video and Broadband Solutions, and 728 (762) by Network

Services. At the end of the reporting period, the Group employed 1,318 people (1,283/2013, 1,308/2012), of which 554 worked for Video and Broadband Solutions and 763 for Network Services. At the end of the reporting period the share of those working abroad was 72% (72%/2013, 73%/2012). 3% of the Group's employees worked outside of Europe.

Personnel expenses increased by 3.3% from the comparison period and totalled EUR 43.1 (41.7 1-9/2013, 43.8 1-9/2012) million. This increase in personnel costs was affected by growth in personnel in the UK and cost reduction measures in Finland in 2013.

The ability to deliver of our Finnish production was improved, among others, by using temporary workforce, particularly in the third quarter. At the end of the period the number of temporary labour in the Finnish production was 25 people.

### **Investments and Product Development in January-September 2014**

Investments by the Group for the period under review totalled EUR 2.9 (5.3) million accounting for 2.0% (3.8%) of net sales. Investments in the comparative period included acquisition of Asheridge. Investments in product development equalled EUR 0.7 (0.9) million. Investments of EUR 0.3 (0.1) million were made under financial lease arrangements.

Product development projects focused on network products complying with Docsis 3.1 standard, network management system, distributed access architecture and customer-specific projects.

### **Financing and Capital Structure in January-September 2014**

Operating cash flow stood at EUR 1.8 (7.3) million. This decrease in cash flows from operating activities was primarily due to engagement of working capital to trade receivables. At the end of the period under review, the amount of unused binding credit facilities amounted to EUR 16.0 (15.0) million. Current committed revolving credit facilities of EUR 40.0 million are in place until August 2015.

The Group's equity ratio was 52.6% (50.4%) while net gearing equalled 19.6% (17.4%). On 30 September 2014, the Group's interest-bearing debt stood at EUR 25.5 (26.3) million.

### **Essential Operational Risks of Business Areas**

Founded in 1954, Teleste is a technology and services company consisting of two business areas – Video and Broadband Solutions and Network Services. With Europe as the main market area, our clients include European cable operators and specified organizations in the public sector.

As to Video and Broadband Solutions, client-specific and integrated deliveries of solutions create favourable conditions for growth, even if the involved resource allocation and technical implementation pose a challenge involving, therefore, also reasonable risks. Our customers' network investments vary based on the relevant need for upgrading and their financial structure. Significant part of Teleste's competition comes from the USA so the exchange rate of euro up against the US dollar affects our competitiveness. The exchange rate development of the Chinese renminbi to euro affects our material costs.

The company hedges against short-term currency exposure by means of forward contracts. The situation in the European financial markets may slow down our customers' investment plans. Furthermore, a weakening in the consumer purchasing power in Europe could slow down the network investments by the cable operators. Competition increased by the new service providers (OTT) may undermine the cable operators' ability to invest. Availability of components is subject to natural phenomena, such as floods and earthquakes. Severe weather conditions have an impact on the business areas' ability to deliver products and services. Correct technological choices and their timing are vital for our success.

Net sales of Network Services comes, for the most part, from a small number of large European customers, so a significant change in the demand for our services by any one of them is reflected in the actual deliveries and profitability. To ensure quality of services and cost-efficiency along with efficient service process management, customer satisfaction and improvements in productivity require innovative solutions in terms of processes, products and logistics. Smooth operation of cable networks requires effective technical management and functional hardware solutions in accordance with contractual

obligations. This, in turn, demands continuous and determined development of skills and competences in Teleste's own personnel as well as those of our subcontractors. In addition, Teleste's ability to deliver and compete may be constrained by the adequacy of our sub-contractor network capacity. Tender calculation and management of larger projects with overall responsibility are complex and include risks.

It is important for our business areas to take into account any market developments such as consolidations taking place among the clientele and competition. The threats to information systems must be minimized to ensure business continuity. The Board of Directors annually reviews any essential risks related to the company operation and their management. Risk management is an integral part of the strategic and operational activities of the business areas. Risks are reported to the Board on a regular basis.

The company has covered any major risks of loss involving the business areas through insurance policies. Insurance will also cover credit loss risks related to sales receivables. In the period under review, no such legal proceedings or judicial procedures were pending that would have had any essential significance for the Group operation.

### **Group Structure**

Parent company Teleste has branch offices in Australia, the Netherlands, and Denmark with subsidiaries in 14 countries outside Finland. Teleste Management Oy was merged with the parent company on 28 February 2014. Teleste Management II Oy, founded in December 2011, has been consolidated in the Teleste Group figures on account of financial arrangements.

### **Shares and Changes in Share Capital**

On 30 September 2014, EM Group Oy was the largest single shareholder with a holding of 23.2%.

In the period under review, the lowest company share price was EUR 4.25 (3.81) and the highest was EUR 5.14 (4.42). Closing price on 30 September 2014 stood at EUR 5.00 (4.12). According to Euroclear Finland Ltd the number of shareholders at the end of the period under review was 4,931 (5,106). Foreign ownership accounted for 4.9% (5.6%). The value of shares traded on the NASDAQ Helsinki on 1 January to 30 September 2014 was EUR 7.6 (7.0) million. In the period under review, 1.7 (1.7) million Teleste shares were traded on the stock exchange.

At the end of September 2014, the Group held 1,189,654 of its own shares, of which the parent company Teleste Corporation had 647,654 shares while the Group and controlled companies had 542,000 shares, respectively. At the end of the period, the Group's holding of the total amount of shares amounted to 6.3% (6.3%).

The share subscription period for stock option rights 2007C began on 1 April 2012 and ended on 30 April 2014. Stock option rights 2007C enabled subscription of 280,000 shares in total. Based on option rights 2007C, a total of 256,998 Teleste Corporation's new shares were subscribed. Those 2007C option rights that were not used before the expiry of the subscription period, are null and void.

On 30 September 2014, the registered share capital of Teleste stood at EUR 6,966,932.80 divided in 18,985,588 shares.

### **Decisions by the Annual General Meeting**

The Annual General Meeting (AGM) of Teleste Corporation on 1 April 2014 confirmed the financial statements for 2013 and discharged the Board of Directors and the CEO from liability for the financial period. The AGM confirmed the dividend of EUR 0.19 per share proposed by the Board. The dividend was paid out on 11 April 2014.

Ms. Marjo Miettinen, Mr. Pertti Ervi, Ms. Jannica Fagerholm, Mr. Esa Harju, Mr. Kai Telanne and Mr. Petteri Walldén continue in Teleste's Board of Directors. Ms. Marjo Miettinen was elected Chair of the Board in the organizational meeting held immediately after the AGM.

Authorized Public Accountants KPMG Oy Ab continues as the auditor until the next AGM. Mr. Esa Kailiala, accountant authorized by the Central Chamber of Commerce of Finland, was chosen auditor-in-charge.

On 1 April 2014, the Annual General Meeting decided on the following authorizations of the Board of Directors:

- Purchases of own shares: maximum of 1,200,000 shares. This authorization is valid for 18 months from the date of the decision.
- Issue of new shares: maximum of 4,000,000 shares, valid for three years from the date of the decision.
- Disposal of own shares in possession: maximum of 1,800,000 shares, valid for three years from the date of the decision.
- Based on the special rights granted by the Company, the number of shares to subscribe may not exceed 2,500,000 shares; these special rights are included in the maximum warrants concerning new shares and the Group's own shares mentioned above. This authorization will be valid for three years from the date of the decision.

### **Events after the end of period**

Teleste announced on 28 October 2014 having signed a three-year agreement with SNCF (French National Railway Company) concerning the high-level maintenance of its video surveillance system. The value of this agreement was over two million euros.

### **Outlook for 2014**

Video and Broadband Solutions aim at maintaining a strong market position in Europe and expand into selected new markets. Network capacity will continue to increase driven by the new broadband and video services provided by the operators. New products in line with communication standard Docsis 3.1 will enable network operators to activate their investments. Price erosion in the market continues. The positive trend in the video surveillance market will continue, but the public sector decisions to start projects may be delayed in the current economic climate.

The business objective of Network Services is to develop the operational efficiency and increase their services business requiring higher level of competence. We estimate the demand for comprehensive network services in our key target markets to continue at par with the comparative year.

### **New guidance for the 2014 outlook**

We estimate that net sales for 2014 will reach 2013 level, while our operating profit is likely to fall from the 2013 level.

### **Previous guidance for the 2014 outlook**

We estimate that net sales and operating profit for the year 2014 will not reach the 2013 level.

29 October 2014

Teleste Corporation  
Board of Directors

Jukka Rinnevaara  
President and CEO

This interim report has been compiled in compliance with IAS 34, as it is accepted within EU, using the recognition and valuation principles with those used in the Annual Report. Teleste has prepared this interim report applying the same accounting principles as those described in detail in its consolidated financial statements. The data stated in this report is unaudited. The changes in IAS1, IFRS13 and IAS19 have been applied in this interim report and they do not have any material impact on the financial reporting.

**STATEMENT OF COMPREHENSIVE INCOME (tEUR)**

	<b>7-9/2014</b>	<b>7-9/2013</b>	<b>Change %</b>	<b>1-12/2013</b>
Net Sales	50,365	46,478	8.4 %	192,775
Other operating income	281	347	-19.1 %	840
Materials and services	-24,368	-23,350	4.4 %	-94,456
Personnel expenses	-13,743	-12,815	7.2 %	-56,949
Other operating expenses	-6,508	-6,390	1.8 %	-26,536
Depreciation	-1,089	-1,085	0.4 %	-4,628
Operating profit	4,937	3,185	55.0 %	11,047
Financial income and expenses	90	-239	n/a	-386
Profit after financial items	5,027	2,946	70.6 %	10,660
Profit before taxes	5,027	2,946	70.6 %	10,660
Taxes	-1,462	-911	60.5 %	-2,513
Net profit	3,565	2,035	75.2 %	8,147
Attributable to:				
Equity holders of the parent	3,565	2,035	75.2 %	8,147
Earnings per share for result of the year attributable to the equity holders of the parent (expressed in € per share)				
Basic	0.20	0.12	72.8 %	0.47
Diluted	0.20	0.11	75.6 %	0.46
Total comprehensive income for the period (tEUR)				
Net profit	3,565	2,035	75.2 %	8,147
Possible items with future net profit effect				
Translation differences	-126	44	n/a	-559
Fair value reserve	-33	-19	73.7 %	16
Total comprehensive income for the period	3,406	2,060	65.3 %	7,604
Attributable to:				
Equity holders of the parent	3,406	2,060	65.3 %	7,604

**STATEMENT OF COMPREHENSIVE INCOME (tEUR)**

	<b>1-9/2014</b>	<b>1-9/2013</b>	<b>Change %</b>	<b>1-12/2013</b>
Net Sales	143,310	138,732	3.3 %	192,775
Other operating income	784	805	-2.6 %	840
Materials and services	-70,631	-66,951	5.5 %	-94,456

Personnel expenses	-43,091	-41,705	3.3 %	-56,949
Other operating expenses	-19,647	-19,759	-0.6 %	-26,536
Depreciation	-3,114	-3,597	-13.4 %	-4,628
Operating profit	7,611	7,525	1.1 %	11,047
Financial income and expenses	-128	-424	-69.9 %	-386
Profit after financial items	7,483	7,101	5.4 %	10,660
Profit before taxes	7,483	7,101	5.4 %	10,660
Taxes	-2,094	-2,008	4.3 %	-2,513
Net profit	5,389	5,093	5.8 %	8,147
Attributable to:				
Equity holders of the parent	5,389	5,093	5.8 %	8,147

Earnings per share for result of the year attributable to the equity holders of the parent (expressed in € per share)

Basic	0.31	0.29	4.3 %	0.47
Diluted	0.30	0.29	5.3 %	0.46

Total comprehensive income for the period (tEUR)

Net profit	5,389	5,093	5.8 %	8,147
Possible items with future net profit effect				
Translation differences	-175	-427	-59.0 %	-559
Fair value reserve	-32	32	n/a	16
Total comprehensive income for the period	5,182	4,698	10.3 %	7,604
Attributable to:				
Equity holders of the parent	5,182	4,698	10.3 %	7,604

#### STATEMENT OF FINANCIAL POSITION (tEUR)

	30.09.2014	30.09.2013	Change %	31.12.2013
Non-current assets				
Property, plant, equipment	9,906	10,578	-6.4 %	10,499
Goodwill	33,444	33,376	0.2 %	33,252
Other intangible assets	3,843	4,352	-11.7 %	4,448
Deferred tax assets	1,966	2,206	-10.9 %	2,002
Available-for-sale investments	694	286	142.5 %	294
	49,853	50,798	-1.9 %	50,494
Current assets				
Inventories	21,629	21,307	1.5 %	19,762
Trade and other receivables	45,395	36,237	25.3 %	38,844
Cash and cash equivalents	12,000	15,450	-22.3 %	15,229
	79,024	72,994	8.3 %	73,835
Total assets	128,877	123,791	4.1 %	124,329
Shareholder's equity and liabilities				
Share capital	6,967	6,967	0.0 %	6,967
Other equity	60,319	55,003	9.7 %	58,160
Non-controlling interest	483	425	13.5 %	425

	67,769	62,396	8.6 %	65,552
Non-current liabilities				
Provisions	598	783	-23.6 %	634
Deferred tax liabilities	1,143	1,902	-39.9 %	1,293
Non interest bearing liabilities	2,621	2,400	9.2 %	2,414
Interest bearing liabilities	655	814	-19.5 %	470
	5,017	5,899	-15.0 %	4,810
Current liabilities				
Trade payables and other liabilities	29,743	28,858	3.1 %	28,130
Current tax payable	648	267	142.7 %	1,206
Provisions	863	850	1.5 %	832
Interest bearing liabilities	24,838	25,521	-2.7 %	23,799
	56,091	55,496	1.1 %	53,967
Total shareholder's equity and liabilities	128,877	123,791	4.1 %	124,329

### CONSOLIDATED CASH FLOW STATEMENT (tEUR)

	1-9/2014	1-9/2013	Change %	1-12/2013
Cash flows from operating activities				
Profit for the period	5,389	5,093	5.8 %	8,147
Adjustments	5,336	6,029	-11.5 %	7,608
Interest and other financial expenses and incomes	-128	-424	-69.9 %	-403
Paid Taxes	-2,652	-3,816	-30.5 %	-3,402
Change in working capital	-6,179	418	n/a	-1,989
Cash flow from operating activities	1,766	7,300	-75.8 %	9,961
Cash flow from investing activities				
A conditional supplementary contract price for prior subsidiary acquisitions	0	-3,541	n/a	-2,585
Purchases of property, plant and equipment (PPE)	-1,439	-977	47.3 %	-1,180
Purchases of intangible assets	-725	-897	-19.2 %	-1,442
Acquisition of subsidiary, net of cash acquired	0	0	n/a	-965
Acquisition of assets available for sale	-407	0	n/a	0
Net cash used in investing activities	-2,571	-5,415	-52.5 %	-6,172
Cash flow from financing activities				
Proceeds from borrowings	1,000	5,000	-80.0 %	5,000
Payments of borrowings	-284	-2,029	-86.0 %	-4,178
Dividends paid	-3,462	-2,962	16.9 %	-2,962
Proceeds from issuance of ordinary shares	497	103	382.5 %	270
Net cash used in financing activities	-2,249	112	n/a	-1,870
Change in cash				
Cash in the beginning	15,229	13,880	9.7 %	13,880
Change in cash during period	-3,054	1,997	n/a	1,919
Effect of currency changes	-175	-427	-59.0 %	-571
Cash at the end	12,000	15,450	-22.3 %	15,229

### KEY FIGURES

	1-9/2014	1-9/2013	Change %	1-12/2013
Earnings per share, EUR	0.31	0.29	6.9 %	0.47
Earnings per share fully diluted, EUR	0.30	0.29	4.2 %	0.46

Shareholders' equity per share, EUR	3.78	3.55	6.5 %	3.73
Return on equity	10.8 %	11.0 %	-1.8 %	12.9 %
Return on capital employed	11.4 %	11.5 %	-0.9 %	13.0 %
Equity ratio	52.6 %	50.4 %	4.4 %	52.7 %
Gearing	19.6 %	17.4 %	12.6 %	13.8 %
Investments, tEUR	2,875	5,273	-45.5 %	6,313
Investments % of net sales	2.0 %	3.8 %		3.3 %
Order backlog, tEUR	16,033	17,392	-7.8 %	13,100
Personnel, average	1,292	1,324	-2.4 %	1,306
Number of shares (thousands) including own shares	18,910	18,734	0.9 %	18,744
Highest share price, EUR	5.14	4.42	16.3 %	4.47
Lowest share price, EUR	4.25	3.81	11.5 %	3.78
Average share price, EUR	4.53	4.12	10.0 %	4.17
Turnover, in million shares	1.7	1.7	-1.0 %	2.2
Turnover, in MEUR	7.6	7.0	9.0 %	9.2

#### Treasury shares

	Number of shares		% of shares	% of votes
Possession of company's own shares 30.9.2014	1,189,654		6.27 %	6.27 %

#### Contingent liabilities and pledged assets (tEUR)

Leasing and rent liabilities	6,179	6,907	-10.5 %	6,748
Derivative instruments (tEUR)				
Value of underlying forward contracts	5,217	7,830	-33.4 %	7,633
Market value of forward contracts	34	-257	n/a	-209
Interest rate swap	11,000	11,000	0.0 %	11,000
Market value of interest swap	-38	10	n/a	-6

Taxes are computed on the basis of the tax on the profit for the period.

<b>OPERATING SEGMENTS (tEUR)</b>	<b>1-9/2014</b>	<b>1-9/2013</b>	<b>Change %</b>	<b>1-12/2013</b>
Video and Broadband Solutions				
Orders received	80,365	73,688	9.1 %	97,815
Net sales	77,401	73,696	5.0 %	101,716
EBIT	7,057	7,106	-0.7 %	9,460
EBIT%	9.1 %	9.6 %		9.3 %
Network Services				
Orders received	65,908	65,036	1.3 %	91,060
Net sales	65,908	65,036	1.3 %	91,060
EBIT	554	419	32.2 %	1,587
EBIT%	0.8 %	0.6 %		1.7 %
Total				
Orders received	146,273	138,724	5.4 %	188,875

Net sales	143,310	138,732	3.3 %	192,776
EBIT	7,611	7,525	1.1 %	11,047
EBIT%	5.3 %	5.4 %		5.7 %
Financial items	-128	-424	-69.9 %	-386
Operating segments net profit before taxes	7,483	7,101	5.4 %	10,660

**Information per quarter  
(tEUR)**

**7-9/14      4-6/14      1-3/14      10-12/13      7-9/13      10/2013-9/2014**

Video and Broadband Solutions						
Orders received	27,571	27,898	24,896	24,127	28,919	104,492
Net sales	28,909	27,007	21,485	28,020	24,258	105,421
EBIT	4,421	1,835	801	2,354	2,362	9,411
EBIT %	15.3 %	6.8 %	3.7 %	8.4 %	9.7 %	8.9 %

**Network Services**

Orders received	21,455	22,405	22,048	26,024	22,220	91,932
Net sales	21,455	22,405	22,048	26,024	22,220	91,932
EBIT	516	-452	490	1,168	823	1,722
EBIT %	2.4 %	-2.0 %	2.2 %	4.5 %	3.7 %	1.9 %

**Total**

Orders received	49,026	50,303	46,944	50,151	51,139	196,424
Net sales	50,365	49,412	43,533	54,044	46,478	197,354
EBIT	4,937	1,383	1,291	3,522	3,185	11,133
EBIT %	9.8 %	2.8 %	3.0 %	6.5 %	6.9 %	5.6 %

**Attributable to equity holders of the parent (tEUR)**

A	Share capital									
B	Share premium									
C	Translation differences									
D	Retained earnings									
E	Invested free capital									
F	Other funds									
G	Total									
H	Share of non-controlling interest									
I	Total equity									
		A	B	C	D	E	F	G	H	I
Shareholder's equity 1.1.2014		6,967	1,504	126	53,079	3,457	-6	65,127	425	65,552
Total comprehensive income for the period				-175	5,389	0	-32	5,182	0	5,182
Used share options						497		497	0	497
Paid dividend					-3,564			-3,564	102	-3,462
Interest, non controll party					44			44	-44	0
Equity-settled share-based payments					0			0	0	0
Shareholder's equity 30.9.2014		6,967	1,504	-49	54,948	3,954	-38	67,286	483	67,769

Shareholder's equity 1.1.2013	6,967	1,504	685	48,007	2,737	-22	59,878	678	60,557
Total comprehensive income for the period			-427	5,093		32	4,698	0	4,698
Used share options					103		103	0	103
Paid dividend				-3,119			-3,119	157	-2,962
Interest, non controll party				43			43	-43	0
Equity-settled share-based payments					367		367	-367	0
Shareholder's equity 30.9.2013	6,967	1,504	258	50,024	3,207	10	61,970	425	62,396

### CALCULATION OF KEY FIGURES

Return on equity:	Profit/loss for the financial period ----- * 100 Shareholders' equity (average)
Return on capital employed:	Profit/loss for the period after financial items + financing charges ----- * 100 Total assets - non-interest-bearing liabilities (average)
Equity ratio:	Shareholders' equity ----- * 100 Total assets - advances received
Gearing:	Interest bearing liabilities - cash in hand and in bank - interest bearing assets ----- * 100 Shareholders' equity
Earnings per share:	Profit for the period attributable to equity holder of the parent ----- Weighted average number of ordinary shares outstanding during the period
Earnings per share, diluted:	Profit for the period attributable to equity holder of the parent (diluted) ----- Average number of shares - own shares + number of options at the period-end

**Major shareholders 30.9.2014**

	<b>Number of shares</b>	<b>% of share capital</b>
EM Group Oy	4,409,712	23.23
Mandatum Life Insurance Company Limited	1,679,200	8.84
Ilmarinen Mutual Pension Insurance Company	963,860	5.08
Kaleva Mutual Insurance Company	824,641	4.34
Teleste Oyj	647,654	3.41
OP-Finland Small Firms Fund	630,712	3.32
Teleste Management II Oy	542,000	2.85
Varma Mutual Pension Insurance Company	521,150	2.74
The State Pension Fund	500,000	2.63
FIM Fenno Equity Fund	271,288	1.43

<b>Shareholders by sector 30.9.2014</b>	<b>Number of shareholders</b>	<b>% of Owners</b>	<b>Number of shares</b>	<b>Number of shares %</b>
Households	4,590	93.08	4,591,201	24.2
Public sector institutions	3	0.06	1,985,010	10.5
Financial and insurance institutions	18	0.37	3,804,286	20.0
Corporations	253	5.13	7,308,247	38.5
Non-profit institutions	29	0.59	368,742	1.9
Foreign and nominee registered owners	38	0.77	928,102	4.9
Total	4,931	100.0	18,985,588	100.0

<b>Number of shares 30.9.2014</b>	<b>Number of shareholders</b>	<b>% of shareholders</b>	<b>Number of shares</b>	<b>% of shares</b>
1 - 100	1,088	22.1	73,184	0.4
101 - 500	2,134	43.3	579,816	3.1
501 - 1,000	769	15.6	634,031	3.3
1,001 - 5,000	753	15.3	1,652,138	8.7
5,001 - 10,000	88	1.8	632,900	3.3
10,001 - 50,000	71	1.4	1,396,033	7.4
50,001 - 100,000	4	0.1	393,090	2.1
100,001 - 500,000	16	0.3	3,405,467	17.9
500,001 -	8	0.2	10,218,929	53.8
Total	4,931	100.0	18,985,588	100.0
of which nominee registered			732,685	3.9





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