

Interim report Q3



TELESTE CORPORATION INTERIM REPORT 1 JANUARY TO 30 SEPTEMBER 2016

QUARTERLY NET SALES AND OPERATING PROFIT DOWN, GUIDANCE UNCHANGED

July to September 2016

- Net sales amounted to EUR 62.9 (66.2) million, a decrease of 5.0%
- Operating profit stood at EUR 4.8 (5.9) million, a decrease of 18.5%
- Undiluted result per share equalled EUR 0.20 (0.23), a decrease of 15.2%
- Orders received totalled EUR 53.2 (62.0) million, a decrease of 14.3%
- Cash flow from operations was EUR 6.3 (4.8) million, an increase of 30.2%

January to September 2016

- Net sales amounted to EUR 191.0 (179.4) million, an increase of 6.5%
- Operating profit stood at EUR 11.3 (11.0) million, an increase of 2.5%
- Undiluted result per share equalled EUR 0.45 (0.45), a decrease of 0.9%
- Orders received totalled EUR 179.7 (183.1) million, a decrease of 1.9%
- Cash flow from operations was EUR 8.3 (1.5) million, an increase of 467%

Outlook for 2016

We estimate that net sales and operating profit for 2016 will exceed the 2015 level.

Comments on the third quarter of 2016 by CEO Jukka Rinnevaara:

"Results for the third quarter were divided. Net sales of Video and Broadband Solutions declined, but the result developed favourably. Net sales of Network Services remained at par with the comparative period, but the operating loss was disappointing. As a whole, net sales and operating profit of the Group fell short of the record figures of the comparative period.

Orders received and net sales by Video and Broadband Solutions remained below the comparative period level. In spite of delayed network investments by a number of our operator customers, cable operators strengthened their position in the broadband market. As a result, our view concerning positive sustained investment demand for access networks remained strong. Orders for rail transport passenger information systems fell, since ordering decisions by our customers were delayed and certain projects were lost. In spite of lower net sales the higher year-on-year average gross margin in the access network products increased the operating profit of the business area.

Net sales of Network Services remained at par with the comparative period, but the operating profit fell considerably and resulted in an operating loss. In Germany, the launch of services for our main customer in a new geographical area did not materialize as planned, resulting in a significant decline of the operating profit. In addition, the supply of services containing subcontracted construction work showed a loss. Corrective action in respect of the loss-making German operations has been taken, but this is not expected to improve the profit before the end of the year. As for other markets, we managed to increase the net sales of our services business and improve the result. Our investments in the UK paid off and the result from the launched new business was positive."

Group Operations in July to September 2016

Key figures (M€)	7-9/2016	7-9/2015	Change
Orders received	53.2	62.0	-14.3%
Net sales	62.9	66.2	-5.0%
Operating profit	4.8	5.9	-18.5%
Operating profit margin	7.7%	8.9%	
Profit for the period	3.6	4.2	-15.2%
Earnings per share, €	0.20	0.23	-15.2%
Cash flow from operations	6.3	4.8	+30.2%

In the third quarter, orders received by the Group amounted to EUR 53.2 (62.0) million, down 14.3% over last year's comparative period. The year-on-year order backlog decreased by 27.5% to EUR 30.9 (42.6) million.

Net sales decreased by 5.0% to EUR 62.9 (66.2) million. Net sales by Video and Broadband Solutions decreased. Compared to the same period in the previous year, operating profit decreased by 18.5% standing at EUR 4.8 (5.9) million, which is 7.7% (8.9%) of the net sales. Operating profit of Video and Broadband Solutions increased, whereas that of Network Services was in the red. Personnel expenses totalled EUR 16.7 (17.1) million, a year-on-year decrease of 2.3%. Net financial expenses totalled EUR 0.2 (0.4) million, a year-on-year decrease of 51.2%. Undiluted result per share stood at EUR 0.20 (EUR 0.23).

Cash flow from operations was EUR 6.3 (4.8) million, an increase of 30.2%. This increase in the cash flow from operations was as a result of changes in the working capital.

Group Operations in January to September 2016

Key figures (M€)	1-9/2016	1-9/2015	Change	1-12/2015
Orders received	179.7	183.1	-1.9%	251.3
Net sales	191.0	179.4	+6.5%	247.8
Operating profit	11.3	11.0	+2.5%	14.3
Operating profit, %	5.9%	6.1%		5.8%
Profit for the period	8.1	8.1	-0.3%	11.0
Earnings per share, €	0.45	0.45	-0.9%	0.61
Cash flow from operations	8.3	1.5	+467.3%	4.9
Net gearing, %	25.6%	29.0%		26.3%
Equity ratio, %	50.5%	46.8%		48.3%
Personnel at period-end	1,505	1,496	+0.6%	1,506

Orders received by the Group decreased by 1.9% and stood at EUR 179.7 (183.1) million. Net sales increased 6.5% equalling EUR 191.0 (179.4) million. Operating profit grew by 2.5% standing at EUR 11.3 (11.0) million. Personnel expenses totalled EUR 53.4 (52.4) million, an increase of 1.9%. Net financial expenses totalled EUR 0.8 (0.2) million, an increase of 306%. Foreign exchange gains reduced the net financial expenses in the comparative period. Taxes for the Group amounted to EUR 2.4 (2.7) million while the Group's tax rate equalled 22.9% (25.1%). Undiluted result per share decreased by 0.9% to EUR 0.45 (0.45). Cash flow from operations stood at EUR 8.3 (1.5) million.

Video and Broadband Solutions in July to September 2016

Key figures (1,000 €)	7-9/2016	7-9/2015	Change
Orders received	30,601	39,616	-22.8%
Net sales	40,273	43,760	-8.0%
Operating profit	5,545	5,113	+8.4%
Operating profit, %	13.8%	11.7%	

Orders received totalled EUR 30.6 (39.6) million, a decrease of 22.8% over the comparative period. Order backlog decreased by 27.5% to EUR 30.9 (42.6) million. The order backlog decreased most in the access network products, because network upgrades by certain major operators have been delayed. Net sales decreased by 8.0% to EUR 40.3 (43.8) million. This decrease in net sales was due to year-on-year reduction in deliveries of access network products. Operating profit increased by 8.4% to EUR 5.5 (5.1) million, representing 13.8% (11.7%) of the net sales. The operating profit was improved by the higher year-on-year average gross margin from access network products.

R&D expenses for the business area amounted to EUR 2.4 (2.0) million making 6.7% (4.6%) of the net sales. Product development projects focused on network products complying with the DOCSIS 3.1 standard, distributed access architecture, video security and information solutions, as well as customer-specific projects. Capitalized R&D expenses amounted to EUR 0.6 (0.3) million. Depreciation on capitalised R&D expenses equalled EUR 0.3 (0.2) million.

Video and Broadband Solutions in January to September 2016

Key figures (1,000 €)	1-9/2016	1-9/2015	Change	1-12/2015
Orders received	109,463	114,532	-4.4 %	157,951
Net sales	120,735	110,812	+9.0%	154,396
Operating profit	11,173	10,115	+10.5%	12,781
Operating profit, %	9.3%	9.1%		8.3%

Orders received decreased by 4.4% and stood at EUR 109.5 (114.5) million. Net sales grew by 9.0 % amounting to EUR 120.7 (110.8) million. Operating profit increased 10.5% equalling EUR 11.2 (10.1) million. Operating profit margin was 9.3% (9.1%).

Product development expenses equalled EUR 8.1 (7.8) million, in other words, 6.7% (7.0%) of the net sales. Activated R&D expenses stood at EUR 1.5 (0.9) million while depreciation on product development expenses equalled EUR 0.8 (0.7) million. Product development projects focused on network products complying with the DOCSIS 3.1 standard, distributed access architecture, video security and information solutions, as well as customer-specific projects.

Network Services in July to September 2016

Key figures (1,000 €)	7-9/2016	7-9/2015	Change
Orders received	22,589	22,432	+0.7%
Net sales	22,589	22,432	+0.7%
Operating profit	-717	811	-188.4%
Operating profit, %	-3.2%	3.6%	

In the third quarter, net sales amounted to EUR 22.6 (22.4) million, up 0.7% over the comparative period. Net sales grew in the UK. Operating profit decreased by 188% from the comparison period and was EUR 0.7 million in the red, while the operating profit in the comparative period was EUR 0.8 million positive. Operating profit was -3.2% (3.6%) of the net sales. In Germany, the launch of services for our main customer in a new geographical area did not materialize as planned, resulting in decline of the operating profit. In addition, the supply of services containing subcontracted construction work showed a loss. Corrective action in respect of the loss-making operations has been taken. Business and the operating profit developed positively in the UK, Switzerland, Finland and Belgium.

Network Services in January to September 2016

Key figures (1,000 €)	1-9/2016	1-9/2015	Change	1-12/2015
Orders received	70,231	68,554	+2.4%	93,362
Net sales	70,231	68,554	+2.4 %	93,362
Operating profit	128	914	-86.0%	1,520
Operating profit, %	0.2%	1.3%		1.6%

Net sales grew by 2.4% amounting to EUR 70.2 (68.6) million. Net sales grew in the UK and declined in Germany. Operating profit equalled EUR 0.1 (0.9) million. Operating profit fell in Germany and grew in all other markets.

Personnel and Organisation in January to September 2016

In the period under review, the Group had an annual average of 1,515 people (1,485/2015, 1,292/2014), of whom 745 (694) were employed by Video and Broadband Solutions, and 770 (791) by Network Services. At the end of the reporting period, the Group employed 1,505 (1,496/2015, 1,318/2014) people, of whom Video and Broadband Solutions accounted for 743 (704) and Network Services for 763 (792). At the end of the reporting period, 66% (68%/2015, 72%/2014) of the Group's employees were stationed outside Finland and 3% outside Europe.

Personnel costs amounted to EUR 53.4 million (52.4/2015, 43.1/2014). This increase in the personnel expenses was mainly brought about by the increased number of employees in Video and Broadband Solutions.

Investments and Product Development in January to September 2016

In the period under review, investments by the Group totalled EUR 3.7 (14.6) million accounting for 2.0% (8.1%) of the net sales. In the comparative period, EUR 11.5 million of these investments involved the acquisition of Mitron. Product development investments totalled EUR 1.5 (0.8) million. Investments of EUR 0.5 (0.2) million were made under financial lease arrangements.

Product development projects focused on network products complying with the DOCSIS 3.1 standard, distributed access architecture, video security and information solutions, as well as customer-specific projects.

Financing and Capital Structure in January to September 2016

Cash flow from operations stood at EUR 8.3 (1.5) million. This increased cash flow from operating activities was brought about by net working capital, which grew less than in the comparative period.

The parent company has at its disposal financial and credit facilities amounting to a total of EUR 45.0 million. These binding credit limits are valid until the end of March 2018. At the end of the period under review, the amount of unused binding credit facilities amounted to EUR 15.0 (11.1) million. On 30 September 2016, the Group's interest-bearing debt stood at EUR 35.4 (36.7) million.

The Group's equity ratio equalled 50.5% (46.8%) while net gearing was 25.6% (29.0%).

Essential Operational Risks of our 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 organisations 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 concerned resource allocation and technical implementation pose a challenge involving, therefore, also reasonable risks. In particular, deliveries of integrated security and information solutions for the passenger transport may be large in size, setting high demands for the project quotation calculation and management and, consequently, there are risks involved. Our customers' network investments vary based on the relevant need for upgrading and their financial structure.

A 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 US dollar and the Chinese renminbi to the euro affects our product costs. The company hedges against short-term currency exposure by means of forward exchange contracts. The modest performance in terms of economic growth and the financial challenges faced by the European public sector may slow down the implementation of 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. Consequences of natural phenomena or accidents such as fire, may reduce the availability of components in the order-delivery chain of electronics industry or suspend our own manufacturing operations. Correct technological choices and their timing are vital to our success. A variety of technologies are used in products and solutions, and the intellectual property rights associated with the application of these technologies can be interpreted in different ways by different parties. Such divergences can lead to costly investigations or litigation. Regardless of careful planning and quality assurance, complex products may fail in the customer's network and lead to expensive repair obligations.

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. Improvements in customer satisfaction and productivity require efficient control of service process management as well as innovative solutions in processes, products, and logistics to ensure the quality of services and cost effectiveness. Smooth operation of cable networks necessitates efficient technical management of the networks and functional solutions for devices in accordance with contractual obligations. This, in turn, demands continuous and determined development of skills and competencies in Teleste's own personnel as well as those of our subcontractors. In addition, adequacy and utilisation rates of our own personnel and subcontractor network capacity affect the Company's delivery capacity and profitability. Tender calculation and management of larger projects with overall responsibility are complex and risky. Severe weather conditions may affect the supply conditions of our products and services.

Teleste's strategy involves risks and uncertainties: new business opportunities may fail to be identified or they cannot be acted upon successfully. The business areas will have to keep an eye on market movements, such as consolidations among the customers and competitors. Intensifying competition may decrease the prices of products and solutions faster than we manage to reduce the manufacturing and delivery costs of our products. Various information systems are critical to the development, manufacturing and supply of products to our customers. Maintenance of information systems and deployment of new systems involve risks that may affect our ability to deliver products and services. Information systems may also be subject to external threats, from which we aim to protect ourselves. Acquisition of skilled personnel and maintenance of their competence require encouragement, development, and recruitment, which can fail.

The Board of Directors annually reviews any essential risks related to the company operation and the management thereof. Risk management constitutes an integral part of the strategic and operative practices of our business areas. Risks are reported to the Board on a regular basis.

The company has covered any major risks of loss related to 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 II Oy was merged with the parent company on 30 September 2016.

Shares and Changes in Share Capital

On 30 September 2016, EM Group Oy was the largest single shareholder with a holding of 23.2%. EM Group Oy's Board of Directors have signed draft terms of demerger proposing the division of EM Group Oy into three new acquiring companies through a full demerger. Of these, the new acquiring company Tianta Oy (alternatively Taanti Oy) named in the draft terms of demerger would own EM Group Oy's current holding of approximately 23.2% in Teleste Corporation in accordance with the draft terms of demerger. It is the intention that the implementation of the demerger would be registered on 1 January 2017.

In the period under review, the lowest company share price was EUR 7.29 (5.32) while the highest was EUR 9.89 (8.14). Closing price on 30 September 2016 stood at EUR 9.43 (7.60). According to Euroclear Finland Ltd, the number of shareholders at the end of the period under review was 5,903 (5,102). Foreign and nominee-registered holdings accounted for 7.2% (7.2%). The value of shares traded on the

Nasdaq Helsinki on 1 January to 30 September 2016 was EUR 21.0 (18.2) million. In the period under review, 2.4 (2.6) million Teleste shares were traded on the stock exchange.

On 30 September 2016, the number of own shares in the Group's possession was 863,953; all of these are held by the parent company Teleste Corporation. At the end of the period, the Group's holding of the total amount of shares amounted to 4.6% (4.6%).

On 30 September 2016, the registered share capital of Teleste stood at EUR 6,966,932.80 divided into 18,985,588 shares.

Valid authorisations at the end of the review period:

- Purchases of own shares: maximum 1,200,000 of the Company's own shares, valid until 6 October 2017.
- Issue of new shares: maximum 4,000,000 shares, valid until 31 March 2017.
- Disposal of own shares in possession: maximum 1,800,000 shares, valid until 31 March 2017.
- 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 authorisation is valid until 31 March 2017.

Decisions by the Annual General Meeting

The Annual General Meeting (AGM) of Teleste Corporation on 7 April 2016 confirmed the financial statements for 2015 and discharged the Board of Directors and the CEO from liability for the financial period. The AGM confirmed the dividend of EUR 0.23 per share as proposed by the Board. The dividend was paid to non-treasury shares on 18 April 2016.

The AGM decided that the Board of Directors consists of six members. Mr. Pertti Ervi, Ms. Jannica Fagerholm, Mr. Esa Harju and Mr. Kai Telanne were re-elected as members of Teleste Corporation's Board of Directors. New Members of the Board were elected Messrs. Timo Luukkainen and Timo Miettinen. Mr. Timo Miettinen was elected Chair of the Board in the organising meeting held immediately after the AGM.

The Annual General Meeting decided that the number of auditors of Teleste Corporation shall be one. KPMG Oy Ab, Authorised Public Accountants, was elected as the auditor of the Company and KPMG Oy Ab has appointed Mr. Petri Kettunen, APA, as the principally responsible auditor.

The Annual General Meeting decided to authorise the Board of Directors to decide on repurchasing the Company's own shares. Based on this authorisation, the Board of Directors may repurchase a maximum of 1,200,000 own shares of the Company otherwise than in proportion to the holdings of the shareholders by using the non-restricted equity through the regulated market on Nasdaq Helsinki Ltd at the market price prevailing at the time of acquisition. The authorisation to repurchase own shares is valid for 18 months from the resolution of the Annual General Meeting.

Outlook for 2016

The business objective of Video and Broadband Solutions is to maintain its strong market position in Europe and to strengthen this market position in selected new markets outside Europe. Network capacity will continue to grow driven by the new broadband and video services provided by the operators, even if some cable operators have shifted their network investments scheduled for 2016 over to the next year. Our new products in line with the DOCSIS 3.1 communication standard allow the cable operators to increase their network capacity competitively. Price erosion in the market continues. Changes in the value of the euro, particularly against the US dollar and the Chinese renminbi, affect Teleste's competitiveness, on the one hand, and product manufacturing costs, on the other. The positive trend in the markets for video security and passenger information solutions will continue whereas the public sector decisions concerning the initiation of projects may be delayed by the current economic situation. The security solution for public areas introduced in Paris provides new opportunities for other major cities of the world. Train manufacturers and public transport operators benefit from Teleste's video security and passenger information solutions.

As to Network Services, our business objective is to further develop the operational efficiency and increase the share of those services that provide our customers with higher value. Our aim is to improve the profitability of the provided services particularly in Germany. We estimate the demand for all-inclusive network services in our key target markets to continue at least at the previous year level.

We estimate that net sales and operating profit for 2016 will exceed the 2015 level.

1 November 2016

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 report applying the same accounting principles as those described in detail in its the consolidated financial statements. The data stated in this report is unaudited. The changes in IAS1, IFRS13 and IAS19 have been applied in this report and they do not have any material impact on the financial reporting.

STATEMENT OF COMPREHENSIVE INCOME (tEUR)

	7-9/2016	7-9/2015	Change %	1-12/2015
Net Sales	62,862	66,192	-5.0 %	247,758
Other operating income	736	137	435.7 %	2,854
Materials and services	-33,464	-34,611	-3.3 %	-128,300
Personnel expenses	-16,702	-17,102	-2.3 %	-70,532
Other operating expenses	-7,372	-7,536	-2.2 %	-32,604
Depreciation	-1,233	-1,157	6.6 %	-4,874
Operating profit	4,828	5,924	-18.5 %	14,302
Financial income and expenses	-190	-390	-51.2 %	-363
Profit after financial items	4,637	5,534	-16.2 %	13,939
Profit before taxes	4,637	5,534	-16.2 %	13,939
Taxes	-1,083	-1,341	-19.2 %	-2,928
Net profit	3,554	4,193	-15.2 %	11,011
Attributable to:				
Equity holders of the parent	3,554	4,193	-15.2 %	11,011
Earnings per share for result of the year attributable to the equity holders of the parent (expressed in € per share)				
Basic	0.20	0.23	-15.2 %	0.61
Diluted	0.20	0.23	-15.2 %	0.61
Total comprehensive income for the period (tEUR)				
Net profit	3,554	4,193	-15.2 %	11,011
Possible items with future net profit effect				
Translation differences	-286	-362	-21.0 %	240
Fair value reserve	-3	8	n/a	31
Total comprehensive income for the period	3,265	3,839	-14.9 %	11,282
Attributable to:				
Equity holders of the parent	3,265	3,839	-14.9 %	11,282

STATEMENT OF COMPREHENSIVE INCOME (tEUR)

	1-9/2016	1-9/2015	Change %	1-12/2015
Net Sales	190,966	179,365	6.5 %	247,758
Other operating income	1,458	1,853	-21.3 %	2,854
Materials and services	-100,289	-91,052	10.1 %	-128,300
Personnel expenses	-53,428	-52,449	1.9 %	-70,532

Other operating expenses	-23,766	-23,126	2.8 %	-32,604
Depreciation	-3,640	-3,562	2.2 %	-4,874
Operating profit	11,301	11,029	2.5 %	14,302
Financial income and expenses	-807	-199	306.0 %	-363
Profit after financial items	10,494	10,830	-3.1 %	13,939
Profit before taxes	10,494	10,830	-3.1 %	13,939
Taxes	-2,403	-2,717	-11.5 %	-2,928
Net profit	8,090	8,114	-0.3 %	11,011
Attributable to:				
Equity holders of the parent	8,090	8,114	-0.3 %	11,011
Earnings per share for result of the year attributable to the equity holders of the parent (expressed in € per share)				
Basic	0.45	0.45	-0.9 %	0.61
Diluted	0.45	0.45	-0.9 %	0.61

Total comprehensive income for the period (tEUR)				
Net profit	8,090	8,114	-0.3 %	11,011
Possible items with future net profit effect				
Translation differences	-884	-33	n/a	240
Fair value reserve	-206	20	n/a	31
Total comprehensive income for the period	7,000	8,101	-13.6 %	11,282
Attributable to:				
Equity holders of the parent	7,000	8,101	-13.6 %	11,282

STATEMENT OF FINANCIAL POSITION (tEUR)

	30/09/2016	30/09/2015	Change %	31/12/2015
Non-current assets				
Intangible assets	6,763	6,317	7.1 %	6,653
Goodwill	37,366	38,211	-2.2 %	37,849
Tangible assets	11,333	10,554	7.4 %	11,648
Deferred tax asset	1,682	1,929	-12.8 %	1,843
Available-for-sale investments	693	694	0.0 %	704
	57,838	57,705	0.2 %	58,698
Current assets				
Inventories	34,873	31,710	10.0 %	32,661
Trade and other receivables	55,041	57,428	-4.2 %	60,422
Cash and cash equivalents	14,723	15,179	-3.0 %	12,677
	104,638	104,317	0.3 %	105,759
Total assets	162,476	162,022	0.3 %	164,458
Shareholder's equity and liabilities				

Share capital	6,967	6,967	0.0 %	6,967
Other equity	73,546	67,306	9.3 %	70,578
	80,513	74,274	8.4 %	77,545
Non-current liabilities				
Deferred tax liability	1,694	1,657	2.2 %	1,662
Non-current liabilities, interest-bearing	33,145	35,997	-7.9 %	30,723
Non-current interest-free liabilities	206	3,511	-94.1 %	2,730
Non-current provisions	971	1,341	-27.6 %	1,026
	36,015	42,506	-15.3 %	36,141
Current liabilities				
Current interest-bearing liabilities	2,240	741	202.3 %	2,315
Trade Payables and other liabilities	41,941	42,171	-0.5 %	46,505
Tax liability, income tax	1,226	1,502	-18.4 %	1,062
Current provisions	541	828	-34.7 %	889
	45,948	45,242	1.6 %	50,771
Total shareholder's equity and liabilities	162,476	162,022	0.3 %	164,458

CONSOLIDATED CASH FLOW STATEMENT (tEUR)

	1-9/2016	1-9/2015	Change %	1-12/2015
Cash flows from operating activities				
Profit for the period	8,090	8,114	-0.3 %	11,011
Adjustments	6,851	6,477	5.8 %	7,056
Interest and other financial expenses and incomes	-807	-199	306.0 %	-363
Paid Taxes	-2,239	-2,328	-3.8 %	-2,400
Change in working capital	-3,581	-10,598	-66.2 %	-10,384
Cash flow from operating activities	8,314	1,466	467.3 %	4,920
Cash flow from investing activities				
A conditional supplementary contract price for prior subsidiary acquisitions	-485	-1,147	-57.7 %	-1,147
Purchases of property, plant and equipment (PPE)	-1,100	-997	10.3 %	-1,258
Proceeds from sales of PPE	31	17	82.4 %	17
Purchases of intangible assets	-1,523	-873	74.5 %	-1,644
Acquisition of subsidiary, net of cash acquired	0	-6,826	n/a	-6,826
Net cash used in investing activities	-3,077	-9,826	-68.7 %	-10,858
Cash flow from financing activities				
Proceeds from borrowings	4,170	40,300	-89.7 %	44,300
Payments of borrowings	-2,308	-29,324	-92.1 %	-38,521
Dividends paid	-4,168	-3,694	12.8 %	-3,694
Purchases of own shares	0	-1,382	n/a	-1,382
Net cash used in financing	-2,306	5,900	n/a	703

activities

Change in cash

Cash in the beginning	12,677	17,672	-28.3 %	17,672
Change in cash during period	2,931	-2,460	n/a	-5,235
Effect of currency changes	-884	-33	n/a	240
Cash at the end	14,724	15,179	-3.0 %	12,677

KEY FIGURES

	1-9/2016	1-9/2015	Change %	1-12/2015
Earnings per share, EUR	0.45	0.45	-0.9 %	0.61
Earnings per share fully diluted, EUR	0.45	0.45	-0.9 %	0.61
Shareholders' equity per share, EUR	4.44	4.10	8.3 %	4.28
Return on equity	13.6 %	14.9 %	-8.5 %	14.9 %
Return on capital employed	13.8 %	15.0 %	-8.3 %	14.2 %
Equity ratio	50.5 %	46.8 %	7.9 %	48.3 %
Gearing	25.6 %	29.0 %	-11.7 %	26.3 %
Investments, tEUR	3,730	14,582	-74.4 %	16,948
Investments % of net sales	2.0 %	8.1 %		6.8 %
Order backlog, tEUR	30,878	42,605	-27.5 %	42,150
Personnel, average	1,515	1,485	2.0 %	1,485
Number of shares (thousands) including own shares	18,986	18,986	0.0 %	18,986
Highest share price, EUR	9.89	8.14	21.5 %	9.88
Lowest share price, EUR	7.29	5.32	37.0 %	5.32
Average share price, EUR	8.61	6.98	23.3 %	7.42
Turnover, in million shares	2.4	2.6	-6.5 %	3.3
Turnover, in MEUR	21.0	18.2	15.2 %	24.6

Treasury shares

	Number of shares	% of shares	% of votes
Possession of company's own shares 30.9.2016	863,953	4.55%	4.55%

Contingent liabilities and pledged assets (tEUR)

Leasing and rent liabilities	9,158	7,995	14.5 %	7,858
Derivative instruments (tEUR)				
Value of underlying forward contracts	25,172	30,815	-18.3 %	24,599
Market value of forward contracts	616	-102	n/a	-27
Interest rate swap	10,000	11,000	-9.1 %	10,000
Market value of interest swap	-206	-10	1908.2 %	0

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

OPERATING SEGMENTS (tEUR)	1-9/2016	1-9/2015	Change %	1-12/2015
Video and Broadband Solutions				
Orders received	109,463	114,532	-4.4 %	157,951
Net sales	120,735	110,812	9.0 %	154,396
EBIT	11,173	10,115	10.5 %	12,781
EBIT%	9.3 %	9.1 %		8.3 %
Network Services				
Orders received	70,231	68,554	2.4 %	93,362
Net sales	70,231	68,554	2.4 %	93,362
EBIT	128	914	-86.0 %	1,520
EBIT%	0.2 %	1.3 %		1.6 %
Total				
Orders received	179,694	183,086	-1.9 %	251,313
Net sales	190,966	179,365	6.5 %	247,758
EBIT	11,301	11,029	2.5 %	14,302
EBIT%	5.9 %	6.1 %		5.8 %
Financial items	-807	-199	306.0 %	-363
Operating segments net profit before taxes	10,494	10,830	-3.1 %	13,939

Information per quarter (tEUR)	7-9/16	4-6/16	1-3/16	10-12/15	7-9/15	10/2015-9/2016
Video and Broadband Solutions						
Orders received	30,601	42,470	36,392	43,419	39,616	152,882
Net sales	40,273	42,769	37,693	43,584	43,760	164,319
EBIT	5,545	3,180	2,449	2,666	5,113	13,685
EBIT %	13.8 %	7.4 %	6.5 %	6.1 %	11.7 %	8.3 %
Network Services						
Orders received	22,589	24,719	22,923	24,809	22,432	95,040
Net sales	22,589	24,719	22,923	24,809	22,432	95,040
EBIT	-717	691	154	607	811	889
EBIT %	-3.2 %	2.8 %	0.7 %	2.4 %	3.6 %	0.9 %
Total						
Orders received	53,190	67,189	59,315	68,228	62,048	247,922
Net sales	62,862	67,488	60,616	68,393	66,192	259,359
EBIT	4,828	3,871	2,603	3,273	5,924	14,575
EBIT %	7.7 %	5.7 %	4.3 %	4.8 %	8.9 %	5.1 %

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								
(tEUR)	A	B	C	D	E	F	G	H	I
Shareholder's equity 1.1.2016	6,967	1,504	-99	66,034	3,140	0	77,545	0	77,545
Total comprehensive income for the period			-885	8,091	0	-206	7,000	0	7,000
Paid dividend				-4,168	0	0	-4,168	0	-4,168
Equity-settled share-based payments				136	0	0	136	0	136
Shareholder's equity 30.9.2016	6,967	1,504	-984	70,093	3,140	-206	80,513	0	80,513
Shareholder's equity 1.1.2015	6,967	1,504	-339	58,139	3,954	-31	70,194	487	70,682
Total comprehensive income for the period			-33	8,114		20	8,101	0	8,101
Used options					-814		-814	0	-814
Paid dividend				-3,802			-3,802	108	-3,694
Interest, non controll party				10			10	-10	0
Equity-settled share-based payments				585			585	-585	0
Shareholder's equity 30.9.2015	6,967	1,504	-372	63,046	3,140	-11	74,274	0	74,274

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 at 30/9/2016	Number of shares	% of share capital
EM Group Oy	4,409,712	23.23
Mandatum Life Insurance Company Limited	1,679,200	8.84
Ilmarinen Mutual Pension Insurance Company	1,084,475	5.71
Teleste Oyj	863,953	4.55
Kaleva Mutual Insurance Company	824,641	4.34
Varma Mutual Pension Insurance Company	521,150	2.74
The State Pension Fund	500,000	2.63
Julius Tallberg Corp.	281,608	1.48
Nieminen Jorma Juhani	250,000	1.32

Shareholders by sector at 30/9/2016	Number of shareholders	% of Owners	Number of shares	Number of shares %
Households	5,551	94.04	4,909,398	27.6
Public sector institutions	3	0.05	2,105,625	11.8
Financial and insurance institutions	17	0.29	3,237,891	18.2
Corporations	259	4.39	7,243,453	40.7
Non-profit institutions	30	0.51	126,793	0.7
Foreign owners	43	0.73	165,501	0.9
Total	5,903	100	17,788,661	100
Nominee registered	0	0	1,196,927	6.3

Number of shares at 30/9/2016	Number of shareholders	% of shareholders	Number of shares	% of shares
1 - 100	1,490	25.2	93,802	0.5
101 - 500	2,590	43.9	701,150	3.7
501 - 1,000	832	14.1	670,075	3.5
1,001 - 5,000	806	13.7	1,757,137	9.3
5,001 - 10,000	85	1.4	600,622	3.2
10,001 - 50,000	69	1.2	1,355,811	7.1
50,001 - 100,000	10	0.2	682,905	3.6
100,001 - 500,000	14	0.2	3,360,670	17.7
500,001 -	7	0.1	9,763,416	51.4
Total	5,903	100	18,985,588	100
of which nominee registered	8	0.1	1,196,927	6.3

TELESTE



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