



INTERIM  
REPORT  
Q3 2017

JANUARY 1-SEPTEMBER 30, 2017

**TELESTE**



Building a  
**SMART, SAFE,  
SMOOTH**  
future.

**TELESTE CORPORATION INTERIM REPORT 1 JANUARY TO 30 SEPTEMBER 2017****NET SALES AND RESULT DECREASED, ORDERS RECEIVED INCREASED****July–September 2017**

- Net sales amounted to EUR 56.2 (62.9) million, a decrease of 10.5%
- Operating result stood at EUR 1.2 (4.8) million, a decrease of 74.2%
- Undiluted result per share was EUR 0.04 (0.20), a decrease of 80.3%
- Orders received totalled EUR 58.0 (53.2) million, an increase of 9.1%
- Cash flow from operations was EUR -1.4 (6.3) million, a decrease of 122.5%

**January–September 2017**

- Net sales amounted to EUR 175.9 (191.0) million, a decrease of 7.9%
- Operating result stood at EUR -7.8 (11.3) million, a decrease of 169.0%
- Excluding the restructuring expenses and the goodwill impairment for the services business in Germany, the operating result was EUR 1.5 (11.3) million, a decrease of 86.7%.
- Undiluted result per share was EUR -0.49 (0.45), a decrease of 210.4%.
- Undiluted result per share excluding the restructuring expenses and the goodwill impairment for the services business in Germany was EUR 0.02 (0.45) million, a decrease of 95.4%.
- Orders received totalled EUR 196.2 (179.7), an increase of 9.2%.
- Cash flow from operations was EUR 12.9 (8.3) million, an increase of 55.2%.

**Outlook for 2017**

We estimate that net sales for 2017 will remain below the reference period and that the operating result for 2017 will remain clearly below the reference period level. The operating result for the second half of 2017 is expected to be considerably better than in the first half.

**Comments by CEO Jukka Rinnevaara:**

“Orders received and order backlog increased in the third quarter year-on-year. Net sales were down year-on-year in both business areas. Operating result decreased year-on-year, mainly because of lower net sales.

Orders received by Video and Broadband Solutions increased year-on-year. Demand for video security and information solutions continued to be favourable during the quarter, with France, Spain and Finland as the growth markets. The need to increase access network capacity continued. However, operators’ investment decisions may be delayed, partially due to plans to introduce next generation distributed architecture.

The order backlog increased, but a significant proportion of video security and information solutions deliveries will take place over the coming financial periods. Net sales decreased both in access network products and in video security and information solutions. Operating result decreased year-on-year, mainly because of lower net sales. Despite the low net sales, we continued our product development and marketing investments in the US cable operator market, as well as our product development investments, in order to ensure our capacity to deliver the increased order backlog for passenger information solutions.

Net sales of Network Services decreased in England as a result of changes in customer projects. The business area improved its operating result year-on-year, but it remained negative. Measures to improve profitability were continued in Germany, and a restructuring program was started. The program will progress in stages and continue into 2018. In addition, we are currently negotiating with a customer on

extending a significant frame agreement. We also launched projects for new customers and continued to invite subcontractors to tender for contracts.

Business area trends and the market outlook are still favourable, but operational problems in services business and the scheduling of the order backlog for passenger information solutions reduced profitability in this quarter and the entire year so far. The investments in new US markets and new advanced video security and information solutions will still burden our profitability in 2018 to some extent. However, we believe that these investments will create significant growth opportunities for us within the next few years."

### Group Operations, July–September 2017

Key figures (M€)	Jul-Sep 2017	Jul-Sep 2016	Change
Orders received	58.0	53.2	+9.1%
Net sales	56.2	62.9	-10.5%
Operating result	1.2	4.8	-74.2%
Operating result % of net sales	2.2%	7.7%	
Result for the financial period	0.7	3.6	-80.3%
Earnings per share, EUR	0.04	0.20	-80.3%
Cash flow from operations	-1.4	6.3	-122.5%

Orders received by the Group in the third quarter totalled EUR 58.0 (53.2) million, an increase of 9.1% year-on-year. Order backlog increased by 52.9% to EUR 47.2 (30.9) million.

Net sales decreased by 10.5% to EUR 56.2 (62.9) million. Net sales decreased particularly in Video and Broadband Solutions. Operating result decreased by 74.2% year-on-year to EUR 1.2 (4.8) million, representing 2.2% (7.7%) of net sales. Operating result decreased in Video and Broadband Solutions, mainly due to lower net sales. Personnel expenses amounted to EUR 15.2 (16.7) million and were down by 9.1% year-on-year. Expenses for material and manufacturing services decreased by 6.5% to EUR 31.3 (33.5) million. Net financial expenses amounted to EUR 0.2 (0.2) million, an increase of 28.8% year-on-year. Undiluted result per share was EUR 0.04 (0.20), a decrease of 80.3% year-on-year.

Cash flow from operations was EUR -1.4 (6.3) million, a decrease of 122.5% Cash flow from operations fell as a result of changes in operational performance and working capital.

### Group Operations, January–September 2017

Key figures (M€)	Jan-Sep 2017	Jan-Sep 2016	Change, %	Jan-Dec 2016
Orders received	196.2	179.7	+9.2%	244.3
Net sales	175.9	191.0	-7.9%	259.5
Operating result	-7.8	11.3	-169.0%	15.6
Operating result, %	-4.4%	5.9%		6.0%
Result for the financial period	-8.9	8.1	-210.4%	11.8
Earnings per share, EUR	-0.49	0.45	-210.4%	0.65
Cash flow from operations	12.9	8.3	+55.2%	8.8
Net gearing, %	24.6%	25.6%		25.0%
Equity ratio, %	47.7%	50.5%		52.5%
Personnel at period-end	1,468	1,505	-2.5%	1,511

Orders received by the Group increased by 9.2% to EUR 196.2 (179.7) million. Net sales decreased by 7.9%, amounting to EUR 175.9 (191.0) million.

Operating result was in the red by EUR 7.8 million. Operating result in the comparative period was EUR 11.3 million. Operating result represented -4.4% (5.9%) of net sales. The loss was mainly generated by

the goodwill impairment of EUR 7.7 million related to the services business in Germany and the restructuring provision of EUR 1.6 million for improving the profitability of the services business in Germany. Excluding the goodwill impairment of the services business in Germany and the restructuring provision, the operating result was EUR 1.5 million. The operating result was also decreased by the lower net sales in Video and Broadband Solutions. Personnel expenses amounted to EUR 51.6 (53.4) million and were down by 3.4%. Expenses for material and manufacturing services decreased by 3.2% to EUR 97.0 (100.3) million. Net financial expenses were EUR 0.7 (0.8) million, down by 11.6%. Taxes for the Group amounted to EUR 0.4 (2.4) million. Undiluted result per share was EUR -0.49 (0.45).

Cash flow from operations was EUR 12.9 (8.3) million. Cash flow was improved by changes in the working capital and particularly by new, shorter payment terms for clients obtained with a supplier financing programme.

#### Video and Broadband Solutions, July–September 2017

Key figures (EUR 1,000)	Jul–Sep 2017	Jul–Sep 2016	Change
Orders received	36,264	30,601	+18.5%
Net sales	34,469	40,273	-14.4%
Operating result	1,534	5,545	-72.3%
Operating result, %	4.5%	13.8%	

Orders received totalled EUR 36.3 (30.6) million, an increase of 18.5% on the reference period. Order backlog increased by 52.9% to EUR 47.2 (30.9) million. Order backlog increased in passenger information solutions and access network products. Most of the order backlog for passenger information solutions will be delivered in 2018 or later. Net sales decreased by 14.4% to EUR 34.5 (40.3) million. Net sales decreased both in video security and information solutions and in access network products. Operating result decreased by 72.3% to EUR 1.5 (5.5) million, representing 4.5% (13.8%) of net sales. The decrease in operating result was mainly due to lower net sales.

R&D expenses in the business area amounted to EUR 3.0 (2.4) million, representing 8.7% (5.8%) of net sales. Product development projects focused on network products designed for the US market, distributed access architecture, video security and information solutions, and customer-specific projects. Capitalised R&D expenses amounted to EUR 0.6 (0.6) million. Depreciation on R&D expenses was EUR 0.3 (0.3) million.

#### Video and Broadband Solutions, January–September 2017

Key figures (EUR 1,000)	Jan–Sep 2017	Jan–Sep 2016	Change	Jan–Dec 2016
Orders received	126,935	109,463	+16.0%	149,011
Net sales	106,654	120,735	-11.7%	164,231
Operating result	4,408	11,173	-60.5%	16,482
Operating result, %	4.1%	9.3%		10.0%

Orders received increased by 16.0% to EUR 126.9 (109.5) million. Net sales decreased by 11.7% to EUR 106.7 (120.7) million. Operating result decreased by 60.5%, amounting to EUR 4.4 (11.2) million. Operating result percentage was 4.1% (9.3%). The decrease in operating result was mainly due to lower net sales.

R&D expenses amounted to EUR 8.9 (8.1) million, representing 8.3% (6.7%) of net sales. Product development projects focused on distributed access architecture, network products complying with the DOCSIS 3.1 standard (including solutions designed for the US market) video security and information solutions, and customer-specific projects. Capitalised R&D expenses amounted to EUR 2.4 (1.5) million, and depreciation on capitalised R&D expenses to EUR 1.1 (0.8) million.

## Network Services, July–September 2017

Key figures (EUR 1,000)	Jul-Sep 2017	Jul-Sep 2016	Change
Orders received	21,779	22,589	-3.6%
Net sales	21,779	22,589	-3.6%
Operating result	-288	-717	
Operating result, %	-1.3%	-3.2%	

Net sales for the third quarter stood at EUR 21.8 (22.6) million, down by 3.6% year-on-year. Net sales decreased in England. Operating result improved by EUR 0.4 million year-on-year but remained negative at EUR -0.3 million. Operating result represented -1.3% (-3.2%) of net sales. Measures to improve profitability were continued in Germany, and a restructuring program was started.

## Network Services January–September 2017

Key figures (EUR 1,000)	Jan-Sep 2017	Jan-Sep 2016	Change	Jan-Dec 2016
Orders received	69,234	70,231	-1.4%	95,297
Net sales	69,234	70,231	-1.4%	95,297
Operating result	-12,211	128	-9,613%	-847
Operating result, %	-17.6%	0.2%		-0.9%

Net sales decreased by 1.4% to EUR 69.2 (70.2) million. Net sales decreased in England. Operating result was negative by EUR 12.2 million, while operating result in the comparative period was EUR 0.1 million. The principal reasons for the negative operating result were operational problems in Germany, the goodwill impairment of EUR 7.7 million related to the services business in Germany and the provision of EUR 1.6 million for a restructuring program that will progress in stages and continue into 2018.

## Personnel and organisation, January–September 2017

In the period under review, the average number of people employed by the Group was 1,506 (1,515/2016, 1,485/2015). Of these, 766 (745) were employed by Video and Broadband Solutions and 740 (770) by Network Services. At the end of the review period, the Group employed 1,468 people (1,505/2016, 1,496/2015). Of these, 753 (743) were employed by Video and Broadband Solutions and 715 (763) by Network Services. At the end of the review period, 65% (66%/2016, 68%/2015) of the employees were stationed abroad. Approximately 2% of the Group's employees were working outside Europe.

Personnel expenses amounted to EUR 51.6 million (53.4/2016, 52.4/2015). The decrease in personnel expenses was due to a lower number of employees year-on-year.

## Investments and product development, January–September 2017

Investments by the Group totalled EUR 4.0 (3.7) million, equal to 2.3% (2.0%) of net sales. Investments in product development amounted to EUR 2.4 (1.5) million. Of the investments, EUR 0.4 (0.5) million were carried out under financial lease arrangements.

Product development projects focused on distributed access architecture, network products complying with the DOCSIS 3.1 standard (including solutions designed for the US market) video security and information solutions, and customer-specific projects.

## Financing and Capital Structure, January–September 2017

Cash flow from operations was EUR 12.9 (8.3) million. Cash flow was improved by changes in the working capital and particularly by new, shorter payment terms for clients obtained with a supplier financing programme.

In August, Teleste Corporation signed new credit and loan facilities with a total value of EUR 50.0 million. The new financing agreements replaced the previous ones. The financing agreements include a

five-year loan of EUR 30.0 million and a three-year credit facility of EUR 20.0 million. The credit facility involves a 1+1-year extension option. At the end of the period under review, the amount of unused binding credit facilities was EUR 20.0 (15.0) million. On 30 September 2017, the Group's interest-bearing debt stood at EUR 33.6 (35.4) million.

The Group's equity ratio was 47.7% (50.5%) and net gearing ratio was 24.6% (25.6%).

### **Key Risks Faced by the 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 customers include cable operators, public transport operators, train manufacturers and specified organisations in the public sector.

In Video and Broadband Solutions, customer-specific and integrated deliveries of solutions create favourable conditions for growth. On the other hand, the allocation of resources to the deliveries and the technical implementation are demanding tasks, which is why there are also risks involved. In particular, deliveries of integrated safety and information systems for passenger transport may be large in size, setting high demands for the project quotation calculation and management and, consequently, involving risks. Our customers' network investments vary depending on their need to upgrade and their financial structure.

Many competitors in the business area come from the USA, which is why the exchange rate of the euro against the US dollar has an effect on our competitiveness. The development of the exchange rates of the US dollar and the Chinese renminbi against the euro influences our product costs. The company hedges against short-term currency exposure by means of forward exchange contracts. The modest economic growth and the challenges faced by the European public sector may slow down the implementation of customers' investment plans. Furthermore, a reduction in consumer purchasing power in Europe may slow down the cable operators' network investments. Increased competition created by the new service providers (OTT) may undermine the cable operators' ability to invest. The consequences of natural phenomena or accidents, such as fire, may reduce the availability of components in the order-delivery chain of the electronics industry or suspend our own manufacturing operations. Correct technological choices and their timing are vital to our success. Various technologies are used in our 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 difficulties of interpretation may lead to costly investigations or court proceedings. 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 come mainly from a small number of large European customers. Therefore, a significant change in the demand for our services by any one of them is reflected in the actual deliveries and profitability. The improvement of customer satisfaction and productivity requires efficient service process management, as well as innovative process, product and logistics solutions to ensure the quality and cost-efficiency of services. The smooth functioning of cable networks requires efficient technical management of the networks and suitable equipment solutions in accordance with contractual obligations. This, in turn, requires continuous and goal-directed development of the skills and knowledge of our personnel and subcontractors. In addition, the sufficiency and usage rates of our personnel and subcontractor network influence the company's delivery capacity and profitability. In larger projects with overall responsibility, tender calculation and project management are complex tasks that involve risks. Severe weather conditions may affect our ability to deliver products and services.

Teleste's strategy involves risks and uncertainties: new business opportunities may fail to be identified or successfully exploited. The business areas must take into account market movements, such as consolidations among our customers and competitors. Intensified competition may decrease the prices of products and solutions faster than we are able to reduce our products' manufacturing and delivery costs. Various information systems are critical to the development, manufacture and supply of products to our customers. The 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 exposed to external threats and we need to protect them. Recruiting and maintaining skilled personnel requires encouragement, development and recruitment efforts, which can fail.

The Board of Directors annually reviews essential business risks and their management. Risk management constitutes an integral part of the strategic and operational activities of the business areas. Risks are reported to the Board on a regular basis.

On 23 December 2016, a competitor of Teleste filed two complaints against Teleste Limited, demanding damages from the company for the infringement of two patents. Teleste denies patent infringement in both cases. According to the assessment by Teleste's management, the results of these litigations are not expected to have material effect on Teleste's financial position.

## **Group Structure**

The parent company has branch offices in Australia and the Netherlands and subsidiaries in 14 countries outside Finland.

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

On 30 September 2017, Tianta Oy was the largest single shareholder with a holding of 23.2%.

In the period under review, the lowest company share price was EUR 7.15 (7.29) and the highest was EUR 9.62 (9.89). The closing price on 30 September 2017 stood at EUR 7.53 (9.43). According to Euroclear Finland Ltd, the number of shareholders at the end of the period under review was 5,741 (5,903). Foreign and nominee-registered holdings accounted for 6.6% (7.2%) of the holdings. The value of Teleste's shares traded on the Nasdaq Helsinki from 1 January to 30 September 2017 was EUR 13.4 (21.0) million. In the period under review, 1.6 (2.4) million Teleste shares were traded on the stock exchange.

On 30 September 2017, the Group held 863,953 of its own shares, all held by the parent company Teleste Corporation. At the end of the period, the Group's holding of the total number of shares amounted to 4.6% (4.6%).

On 30 September 2017, the company's registered share capital stood at EUR 6,966,932.80, divided into 18,985,588 shares.

Valid authorisations at the end of the review period:

- The Board of Directors may acquire 1,200,000 own shares of the company otherwise than in proportion to the holdings of the shareholders with unrestricted equity through trading on the regulated market organised by Nasdaq Helsinki at the market price of the time of the purchase.
- The Board of Directors may decide on issuing new shares and/or transferring the company's own shares held by the company, so that the maximum total number of shares issued and/or transferred is 2,000,000.
- The total number of new shares to subscribe for under the special rights granted by the Company and own shares held by the Company to be transferred may not exceed 1,000,000 shares, which number is included in the above maximum number concerning new shares and the Group's own shares held by the Company.
- These authorisations are valid until 6 October 2018.

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

The Annual General Meeting (AGM) of Teleste Corporation held on 6 April 2017 adopted the financial statements for 2016 and discharged the Board of Directors and the CEO from liability for the financial period 2016. The AGM confirmed the dividend of EUR 0.25 per share as proposed by the Board. The dividend was paid on 19 April 2017 on shares other than own shares held by the Company.

The AGM decided that the Board of Directors shall consist of five members. Pertti Ervi, Jannica Fagerholm, Timo Miettinen, Timo Luukkainen and Kai Telanne were re-elected as members of Teleste Corporation's Board of Directors. Timo Miettinen was elected Chair of the Board in the organising meeting held after the AGM.

The AGM decided to choose one auditor for Teleste Corporation. Authorised public accountant firm KPMG Oy Ab was chosen as the Company's auditor. The auditor has appointed Petri Kettunen, APA, as the auditor in charge.



The Annual General Meeting decided to authorise the Board to decide on the purchase of the company's own shares. According to the authorisation, the Board of Directors may acquire 1,200,000 own shares of the company otherwise than in proportion to the holdings of the shareholders with unrestricted equity through trading on the regulated market organised by Nasdaq Helsinki Ltd at the market price of the time of the purchase. This authorisation is valid for 18 months from the date of the AGM's decision. The authorisation overrides any previous authorisations to purchase the company's own shares.

The Annual General Meeting decided to authorise the Board of Directors to decide on issuing new shares and/or transferring the Company's own shares held by the Company and/or granting special rights referred to in Chapter 10, section 1 of the Limited Liability Companies Act in accordance with the Board's proposal. Under the authorisation, the Board of Directors has the right to decide on issuing new shares and/or transferring the Company's own shares held by the Company, so that the maximum total number of shares issued and/or transferred is 2,000,000. The total number of new shares to subscribe for under the special rights granted by the Company and own shares held by the Company to be transferred may not exceed 1,000,000 shares, which number is included in the above maximum number concerning new shares and the Group's own shares held by the Company.

The authorisations are valid for 18 months from the date of the AGM's decision.

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

- In its meeting held on 4 October 2017, Teleste's Board of Directors elected Pertti Ervi as the new Chair of the Board. Timo Miettinen continues as a member of the company's Board of Directors.
- Teleste acquired iqu Systems GmbH, the German company specialised in intelligent passenger information systems and software. Through the acquisition, Teleste will complement its offering of passenger information solutions for public transport, one of the company's key areas. In 2017, net sales of the acquired company are estimated to reach over EUR 2 million, but the acquisition will not have any significant impact on Teleste's financial figures in the current year. iqu Systems employs about 20 people and it will be a part of Teleste's Video Security and Information business unit.

### **Outlook for 2017**

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, with operators responding to consumers' new and expanding broadband and video service needs. We estimate the demand for access network products in Europe to continue on a par with 2016. Teleste's entire access network product portfolio has been renewed in accordance with the DOCSIS 3.1 standard, and our offering allows cable operators to increase their network capacity competitively. Our customers are becoming consolidated and our competitors are introducing their own DOCSIS 3.1 products to the market, resulting in pressure on the pricing of products. The American markets in particular are growing strongly, providing significant growth opportunities for Teleste's access network products. In 2017, we have invested in access network products suitable for new markets and also established a subsidiary to promote the sales of broadband network products to cable network operators in North America. The objective of these investments is the long-term increase in sales.

Demand for video security solutions for public spaces continues worldwide, but some investment decisions may be delayed by the economic situation. Teleste's video security solution for public space introduced in Paris provides new opportunities for other major cities of the world. The added value in the ecosystem has increasingly shifted to software and intelligence, and price erosion in the traditional video security equipment market continues. New innovations and solutions are also changing the rail industry passenger information solution business. It is necessary to improve the productivity and cost-efficiency of traditional business. The improvement of competitiveness requires R&D investments in new intelligent solutions. Although the orders received in the first half of 2017 for video security and information solutions clearly exceeded the previous year's level, the weight of deliveries is on the coming years.

As to Network Services, our business objective is to further develop operational efficiency and increase the share of those services that provide our customers with higher added value. Subcontracting costs of the services business in Germany have risen significantly, contributing to the loss made by the business,

while the results of the profitability improvement programme have been delayed. For these reasons, there was an impairment in the goodwill of the German services business, and restructuring efforts aimed at improving profitability were launched. We estimate the demand for all-inclusive network services in our key target markets to continue at least at the level of the previous year.

We estimate that net sales for 2017 will remain below the reference period and that the operating result for 2017 will remain clearly below the reference period level. The operating result for the second half of 2017 is expected to be considerably better than in the first half.

8 November 2017

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.

<b>STATEMENT OF COMPREHENSIVE INCOME (tEUR)</b>	<b>7-9/2017</b>	<b>7-9/2016</b>	<b>Change %</b>	<b>1-12/2016</b>
Net Sales	56,248	62,862	-10.5 %	259,528
Other operating income	500	736	-32.0 %	3,372
Materials and services	-31,275	-33,464	-6.5 %	-137,078
Personnel expenses	-15,182	-16,702	-9.1 %	-72,566
Depreciation	-1,295	-1,233	5.0 %	-4,934
Other operating expenses	-7,751	-7,372	5.1 %	-32,687
Operating profit	1,246	4,828	-74.2 %	15,635
Financial income and expenses	-245	-190	28.8 %	-814
Profit after financial items	1,000	4,637	-78.4 %	14,821
Profit before taxes	1,000	4,637	-78.4 %	14,821
Taxes	-299	-1,083	-72.4 %	-3,001
Net profit	702	3,554	-80.3 %	11,820
Attributable to:				
Equity holders of the parent	702	3,554	-80.3 %	11,820
Earnings per share for result of the year attributable to the equity holders of the parent (expressed in € per share)				
Basic	0.04	0.20	-80.3 %	0.65
Diluted	0.04	0.20	-80.4 %	0.65
Total comprehensive income for the period (tEUR)				
Net profit	702	3,554	-80.3 %	11,820
Possible items with future net profit effect				
Translation differences	-216	-286	-24.5 %	-879
Fair value reserve	-11	-3	266.7 %	-135
Total comprehensive income for the period	475	3,265	-85.5 %	10,806
Attributable to:				
Equity holders of the parent	475	3,265	-85.5 %	10,806
<b>STATEMENT OF COMPREHENSIVE INCOME (tEUR)</b>	<b>1-9/2017</b>	<b>1-9/2016</b>	<b>Change %</b>	<b>1-12/2016</b>
Net Sales	175,888	190,966	-7.9 %	259,528
Other operating income	1,058	1,458	-27.4 %	3,372
Materials and services	-97,047	-100,289	-3.2 %	-137,078
Personnel expenses	-51,634	-53,428	-3.4 %	-72,566
Depreciation	-3,950	-3,640	8.5 %	-4,934
Impairment loss	-7,705	0	n/a	0

Other operating expenses	-24,413	-23,766	2.7 %	-32,687
Operating profit	-7,803	11,301	-169.0 %	15,635
Financial income and expenses	-713	-807	-11.6 %	-814
Profit after financial items	-8,516	10,494	-181.2 %	14,821
Profit before taxes	-8,516	10,494	-181.2 %	14,821
Taxes	-417	-2,403	-82.7 %	-3,001
Net profit	-8,933	8,090	-210.4 %	11,820
Attributable to:				
Equity holders of the parent	-8,933	8,090	-210.4 %	11,820
Earnings per share for result of the year attributable to the equity holders of the parent (expressed in € per share)				
Basic	-0.49	0.45	-210.4 %	0.65
Diluted	-0.49	0.45	-209.9 %	0.65
Total comprehensive income for the period (tEUR)				
Net profit	-8,933	8,090	-210.4 %	11,820
Possible items with future net profit effect				
Translation differences	-233	-884	-73.6 %	-879
Fair value reserve	41	-206	n/a	-135
Total comprehensive income for the period	-9,125	7,000	-230.3 %	10,806
Attributable to:				
Equity holders of the parent	-9,125	7,000	-230.3 %	10,806

#### STATEMENT OF FINANCIAL POSITION (tEUR)

	30/09/2017	30/09/2016	Change %	31/12/2016
<b>Non-current assets</b>				
Intangible assets	8,633	6,763	27.6 %	7,171
Goodwill	29,482	37,366	-21.1 %	37,374
Tangible assets	9,871	11,333	-12.9 %	11,325
Deferred tax asset	2,955	1,682	75.7 %	1,833
Available-for-sale investments	693	693	0.0 %	693
	51,635	57,838	-10.7 %	58,396
<b>Current assets</b>				
Inventories	34,036	34,873	-2.4 %	33,544
Trade and other receivables	47,788	55,041	-13.2 %	60,676
Cash and cash equivalents	16,145	14,723	9.7 %	9,496
	97,969	104,638	-6.4 %	103,715
<b>Total assets</b>	<b>149,603</b>	<b>162,475</b>	<b>-7.9 %</b>	<b>162,112</b>
<b>Shareholder's equity and liabilities</b>				
Share capital	6,967	6,967	0.0 %	6,967
Other equity	63,978	73,546	-13.0 %	77,455
	70,944	80,513	-11.9 %	84,422

Non-current liabilities				
Deferred tax liability	1,405	1,694	-17.0 %	1,630
Non-current liabilities, interest-bearing	31,667	33,145	-4.5 %	28,036
Non-current interest-free liabilities	94	206	-54.2 %	135
Non-current provisions	855	971	-11.9 %	1,081
	34,022	36,015	-5.5 %	30,882
Current liabilities				
Current interest-bearing liabilities	1,927	2,240	-14.0 %	2,573
Trade Payables and Other Liabilities	40,624	41,941	-3.1 %	41,900
Tax liability, income tax	1,280	1,226	4.4 %	1,477
Current provisions	805	541	49.0 %	858
	44,637	45,948	-2.9 %	46,808
Total shareholder's equity and liabilities	149,603	162,476	-7.9 %	162,113

### CONSOLIDATED CASH FLOW STATEMENT (tEUR)

	1-9/2017	1-9/2016	Change %	1-12/2016
Cash flows from operating activities				
Profit for the period	-8,933	8,090	-210.4 %	11,820
Adjustments	12,784	6,851	86.6 %	6,737
Interest and other financial expenses and incomes	-713	-807	-11.6 %	-814
Paid Taxes	-1,718	-2,239	-23.3 %	-3,151
Change in working capital	11,479	-3,581	-420.6 %	-5,827
Cash flow from operating activities	12,899	8,314	55.2 %	8,765
Cash flow from investing activities				
A conditional supplementary contract price for prior subsidiary acquisitions	0	-485	n/a	-485
Purchases of property, plant and equipment (PPE)	-1,732	-1,100	57.5 %	-1,410
Proceeds from sales of PPE	11	31	-64.5 %	43
Purchases of intangible assets	-2,271	-1,523	49.1 %	-2,507
Net cash used in investing activities	-3,992	-3,077	29.7 %	-4,359
Cash flow from financing activities				
Proceeds from borrowings	4,000	4,170	-4.1 %	4,170
Payments of borrowings	-1,495	-2,308	-35.2 %	-6,710
Dividends paid	-4,530	-4,168	8.7 %	-4,168
Net cash used in financing activities	-2,025	-2,306	-12.2 %	-6,708
Change in cash				
Cash in the beginning	9,496	12,677	-25.1 %	12,677
Change in cash during period	6,882	2,931	134.8 %	-2,302
Effect of currency changes	-233	-884	-73.6 %	-879
Cash at the end	16,145	14,724	9.7 %	9,496

### KEY FIGURES

	1-9/2017	1-9/2016	Change %	1-12/2016
Earnings per share, EUR	-0.49	0.45	-210.4 %	0.65
Earnings per share fully diluted, EUR	-0.49	0.45	-209.8 %	0.65
Shareholders' equity per share, EUR	3.91	4.44	-11.8 %	4.66
Return on equity	-15.1 %	13.6 %	-210.7 %	14.6 %

Return on capital employed	-9.1 %	13.8 %	-166.4 %	14.8 %
Equity ratio	47.7 %	50.5 %	-5.3 %	52.5 %
Gearing	24.6 %	25.6 %	-4.1 %	25.0 %
Investments, tEUR	4,003	3,730	7.3 %	5,488
Investments % of net sales	2.3 %	2.0 %	16.5 %	2.1 %
Order backlog, tEUR	47,211	30,878	52.9 %	26,930
Personnel, average	1,506	1,515	-0.6 %	1,514
Number of shares (thousands) including own shares	18,986	18,986	0.0 %	18,986
Highest share price, EUR	9.62	9.89	-2.7 %	10.24
Lowest share price, EUR	7.15	7.29	-1.9 %	7.29
Average share price, EUR	8.44	8.61	-1.9 %	8.69
Turnover, in million shares	1.6	2.4	-34.7 %	3.5
Turnover, in MEUR	13.4	21.0	-35.9 %	30.6

### Treasury shares

	Number of shares		% of shares	% of votes
Possession of company's own shares 30.9.2017	863,953		4.55%	4.55%
Contingent liabilities and pledged assets (tEUR)				
Leasing and rent liabilities	7,592	9,158	-17.1 %	9,144
Derivative instruments (tEUR)				
Value of underlying forward contracts	22,210	25,172	-11.8 %	22,550
Market value of forward contracts	-463	616	n/a	334
Interest rate swap	10,000	10,000	0.0 %	10,000
Market value of interest swap	-94	-206	-54.4 %	-135

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

OPERATING SEGMENTS (tEUR)	1-9/2017	1-9/2016	Change %	1-12/2016
Video and Broadband Solutions				
Orders received	126,935	109,463	16.0 %	149,011
Net sales	106,654	120,735	-11.7 %	164,231
EBIT	4,408	11,173	-60.5 %	16,482
EBIT%	4.1 %	9.3 %		10.0 %
Network Services				
Orders received	69,234	70,231	-1.4 %	95,297
Net sales	69,234	70,231	-1.4 %	95,297
EBIT	-12,211	128	-9613.0 %	-847
EBIT%	-17.6 %	0.2 %		-0.9 %
Total				
Orders received	196,169	179,694	9.2 %	244,308
Net sales	175,888	190,966	-7.9 %	259,528
EBIT	-7,803	11,301	-169.0 %	15,635
EBIT%	-4.4 %	5.9 %		6.0 %

Financial items	-713	-807	-11.6 %	-814
Operating segments net profit before taxes	-8,516	10,494	-181.2 %	14,821

**Information per quarter (tEUR)**

**Video and Broadband Solutions**

	7-9/17	4-6/17	1-3/17	10-12/16	7-9/16	10/2016-9/2017
Orders received	36,264	42,555	48,116	39,548	30,601	166,483
Net sales	34,469	36,782	35,403	43,496	40,273	150,149
EBIT	1,534	2,057	817	5,309	5,545	9,717
EBIT %	4.5 %	5.6 %	2.3 %	12.2 %	13.8 %	6.5 %

**Network Services**

Orders received	21,779	21,924	25,531	25,066	22,589	94,300
Net sales	21,779	21,924	25,531	25,066	22,589	94,300
EBIT	-288	-11,316	-606	-975	-717	-13,186
EBIT %	-1.3 %	-51.6 %	-2.4 %	-3.9 %	-3.2 %	-14.0 %

**Total**

Orders received	58,044	64,478	73,647	64,614	53,190	260,783
Net sales	56,248	58,706	60,934	68,562	62,862	244,449
EBIT	1,246	-9,259	211	4,334	4,828	-3,469
EBIT %	2.2 %	-15.8 %	0.3 %	6.3 %	7.7 %	-1.4 %

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

	A	B	C	D	E	F	G
A	Share capital						
B	Share premium						
C	Translation differences						
D	Retained earnings						
E	Invested free capital						
F	Other funds						
G	Total						
Shareholder's equity	A	B	C	D	E	F	G
1.1.2017	6,967	1,504	-978	73,922	3,140	-135	84,420
Total comprehensive income for the period			-233	-8,933	0	41	-9,125
Paid dividend				-4,530			-4,530
Equity-settled share-based payments				182			182
Shareholder's equity							
30.9.2017	6,967	1,504	-1,211	60,641	3,140	-94	70,944
Shareholder's equity							
1.1.2016	6,967	1,504	-99	66,034	3,140	0	77,547
Total comprehensive income for the period			-885	8,091	0	-206	7,000
Paid dividend				-4,168			-4,168
Equity-settled share-based payments				136			136
Shareholder's equity							
30.9.2016	6,967	1,504	-984	70,093	3,140	-206	80,513

## 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 by number of shares September 30, 2017

	Number of shares	% of shares
Tianta 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 Corporation	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
Nieminen Jorma Juhani	250,000	1.32
Sijotusrahasto Taaleritehdas Mikro Markka	238,109	1.25
Ingman Finance Oy Ab	235,000	1.24



<b>Shareholders by sector September 30, 2017</b>	<b>Number of shareholders</b>	<b>% of Owners</b>	<b>Shares</b>	<b>% of shares</b>
Households	5,384	93.78	4,656,180	24.52
Public sector institutions	4	0.07	2,115,725	11.14
Financial and insurance institutions	20	0.35	4,484,290	23.62
Corporations	262	4.56	7,535,835	39.69
Non-profit institutions	26	0.45	80,085	0.42
Foreign	45	0.78	113,473	0.60
Total	5,741	100.00	18,985,588	100.00
Of which nominee registered	9	0.16	1,133,959	5.97

<b>Number of shares Septmeber 30, 2017</b>	<b>Number of shareholders</b>	<b>% of shareholders</b>	<b>Number of shares</b>	<b>% of shares</b>
1-100	1,531	26.67	93,187	0.49
101-500	2,467	42.97	664,656	3.50
501-1,000	805	14.02	646,701	3.41
1,001-5,000	756	13.17	1,670,372	8.80
5,001-10,000	83	1.45	603,142	3.18
10,001-50,000	69	1.20	1,369,761	7.21
50,001-100,000	9	0.16	610,183	3.21
100,001-500,000	13	0.23	2,851,623	15.02
500,001-& above	8	0.14	10,475,963	55.18
Total	5,741	100.00	18,985,588	100.00
of which nominee registered	9	0.16	1,133,959	5.97







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