

A woman with dark hair, wearing a dark quilted jacket over a blue and white striped shirt, is sitting on a dark bench. She is looking to her right with a slight smile. The background is a blurred cityscape at night with warm, bokeh lights.

# Financial Statement 2016

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# Disclaimer

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smart, safe and smooth.**



# Business areas



## Video and Broadband Solutions

Broadband networks and video security and information solutions



## Network Services

Comprehensive service solutions for cable networks

# Major events in 2016

- In January Teleste reached an agreement with Multimedia Polska on development of next generation TV content delivery system based on Teleste **Ubique platform**.
- **Mr. Timo Miettinen** was selected as the COB of Teleste Board of Directors.
- In June Teleste reached an agreement with the global telecommunication company Huawei to deliver the next generation of intelligent amplifiers for use in **TDC Group's cable network upgrade in Denmark** to the new DOCSIS 3.1 technology. The cable network upgrade project is significant in European scale and will, when finished, be the first complete network transformation performed to DOCSIS 3.1 standard.
- In July Teleste received an order to deliver its S-VMX video security solution to upgrade and expand the video security system for the **Paris police, Préfecture de Police**. The video security system was used, among others, for the UEFA EURO 2016 football championships.
- In October Teleste's fully owned subsidiary Mitron signed a frame agreement **with Swarco Sverige AB** concerning the delivery of passenger display equipment to the Swedish Transport Administration. The agreement covers the delivery of real time RGB-LED passenger information displays for train stations in Sweden.
- In December **Mr. Esa Harju** was appointed a member of the Management Team of Teleste, assuming the responsibility for the Video Security and Information Business Unit. At the same time Johan Slotte took over the position of regional director covering all Teleste's operations in Germany, Austria and Switzerland (DACH) in addition to his former tasks.
- Teleste crossed the line of **100 000 delivered units of** access network products complying the DOCSIS 3.1 standard.
- Sold over **500.000 units of Teleste AC network products**.
- In addition several commercial projects (LGI, VF, Telenor, Altice, DNA, Delta, SNCF, ASFING, CTA, Alstom; DB), strategy projects, internal development projects and new products launches.
- **Net sales and operating profit were the highest in Teleste's history**



# Teleste Group – Q4 2016 highlights



- Orders received decreased year-on-year, but grew quarter-on-quarter.
- Net sales were the highest in Teleste’s history, growing slightly year-on-year and clearly quarter-on-quarter.
- Operating profit grew year-on-year, but decreased quarter-on-quarter. Networks Services operating profit was negative.
- Operative cash flow decreased year-on-year and quarter-on-quarter due to changes in net working capital.

	Q4 2016	Q4 2015	YoY change	Q3 2016	QoQ change
Orders received, M€	64,6	68,2	-5,3 %	53,2	21,5 %
Net sales, M€	68,6	68,4	0,2 %	62,9	9,1 %
EBIT, M€	4,3	3,3	32,4 %	4,8	-10,2 %
EBIT-%	6,3 %	4,8 %		7,7 %	
Net profit, M€	3,7	2,9	28,7 %	3,6	5,0 %
EPS, €	0,21	0,16	28,7 %	0,20	4,9 %
Operative cash flow, M€	0,5	3,5	-86,9 %	6,3	-92,8 %

## Video and Broadband Solutions – Q4 2016 highlights

- Orders received decreased year-on-year, but increased quarter-on-quarter. Progress with new customers was promising, but orders received were postponed resulting from delayed investment decisions.
- Net sales stood at the same level year-on-year and grew quarter-on-quarter.
- Operating profit grew significantly year-on-year, but decreased quarter-on-quarter. Operating profit was improved year-on-year by the higher average gross margin in access network products. In addition, operating profit included other income resulting from reversed provision for earn-out related to a prior acquisition.

	Q4 2016	Q4 2015	YoY change	Q3 2016	QoQ change
Orders received, M€	39,5	43,4	-8,9 %	30,6	29,2 %
Net sales, M€	43,5	43,6	-0,2 %	40,3	8,0 %
EBIT, M€	5,3	2,7	99,1 %	5,5	-4,3 %
EBIT-%	12,2 %	6,1 %		13,8 %	
Average personnel	752	709	6,1 %	762	-1,3 %

# Network Services – Q4 2016 highlights

- Net sales stood at the same level year-on-year and increased quarter-on-quarter. The net sales increased in the UK, while in Germany the net sales decreased year-on-year.
- Operating profit was predictably negative and decreased both year-on-year and quarter-on-quarter. The losses were incurred in Germany, where deliveries of services that included subcontracted excavation work showed a loss. Corrective measures were initiated in the autumn, but they have not yet improved the performance.
- Business and operating profit developed favourably in the UK, Switzerland, Finland and Belgium.

	Q4 2016	Q4 2015	YoY change	Q3 2016	QoQ change
Orders received, M€	25,1	24,8	1,0 %	22,6	11,0 %
Net sales, M€	25,1	24,8	1,0 %	22,6	11,0 %
EBIT, M€	-1,0	0,6		-0,7	
EBIT-%	-3,9 %	2,4 %		-3,2 %	
Average personnel	759	779	-2,6 %	769	-1,3 %



# Teleste Group, January – December 2016

- Net sales and operating profit record high.
- We launched renewed access network product portfolio in accordance with the DOCSIS 3.1 standard, 100 000 pcs delivered.
- We strengthened our leading position in European cable operator markets, AC product portfolio 500 000 pcs delivered.
- In VSI markets we continued to deliver solutions to important reference customers, such as the police organisation of Paris.
- Orders have been postponed as a result of delayed investment decisions.
- Operational problems in services business in the latter part of the year, other markets progressed according to plan.

	1-12 2016	1-12 2015	Muutos
Orders received, M€	244,3	251,3	-2,8 %
Net sales, M€	259,5	247,8	+4,8 %
EBIT, M€	15,6	14,3	+9,3 %
EBIT, %	6,0 %	5,8 %	
Profit for the financial period, M€	11,8	11,0	+7,3 %
Earnings per share, €	0,65	0,61	+6,8 %
Cash flow from operations, M€	8,8	4,9	+78,1 %

# Video and Broadband Solutions, January – December 2016

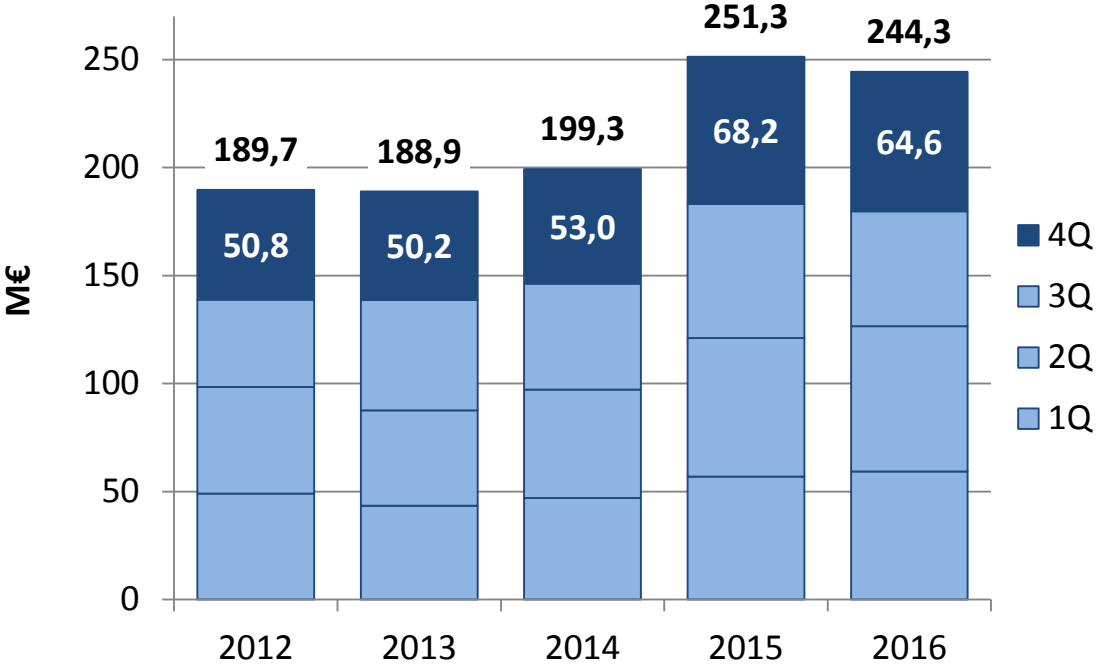
	1-12 2016	1-12 2015	YoY change
Orders received, M€	149,0	158,0	-5,7 %
Net sales, M€	164,2	154,4	+6,4 %
EBIT, M€	16,5	12,8	+29,0 %
EBIT-%	10,0 %	8,3 %	
Average personnel	747	697	+7,1 %

# Network Services, January – December 2016

	1-12 2016	1-12 2015	YoY change
Orders received, M€	95,3	93,4	+2,1 %
Net sales, M€	95,3	93,4	+2,1 %
EBIT, M€	-0,8	1,5	-155,7 %
EBIT-%	-0,9 %	1,6 %	
Average personnel	767	788	-2,7 %

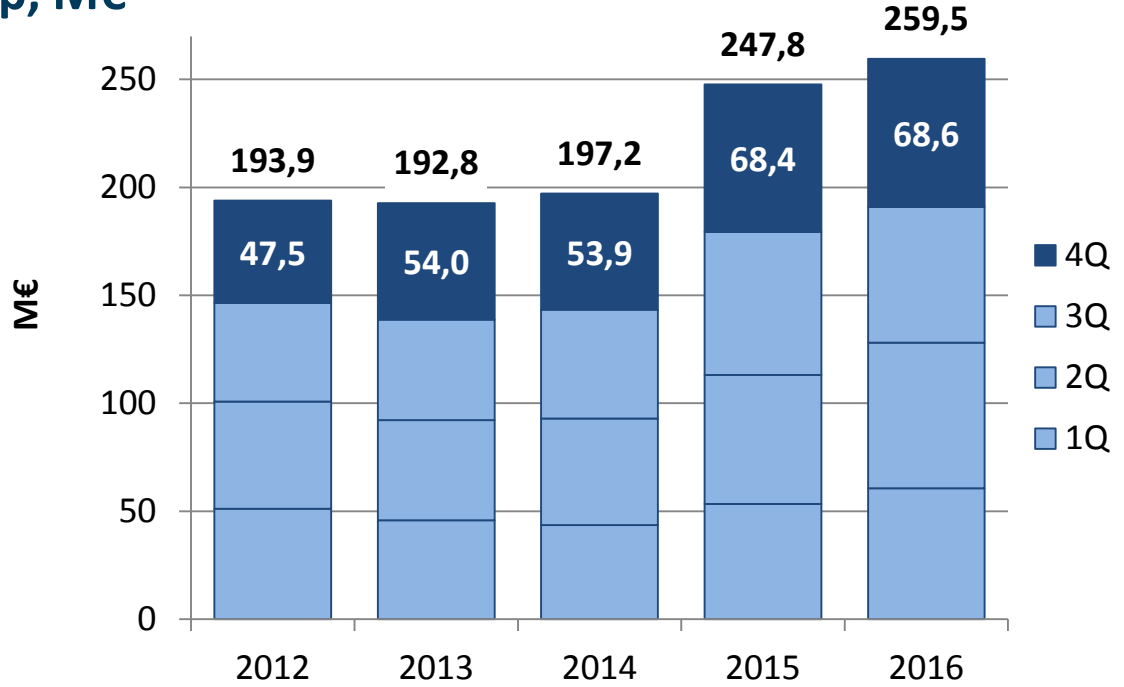
# Orders Received

Teleste Group, M€



# Net Sales

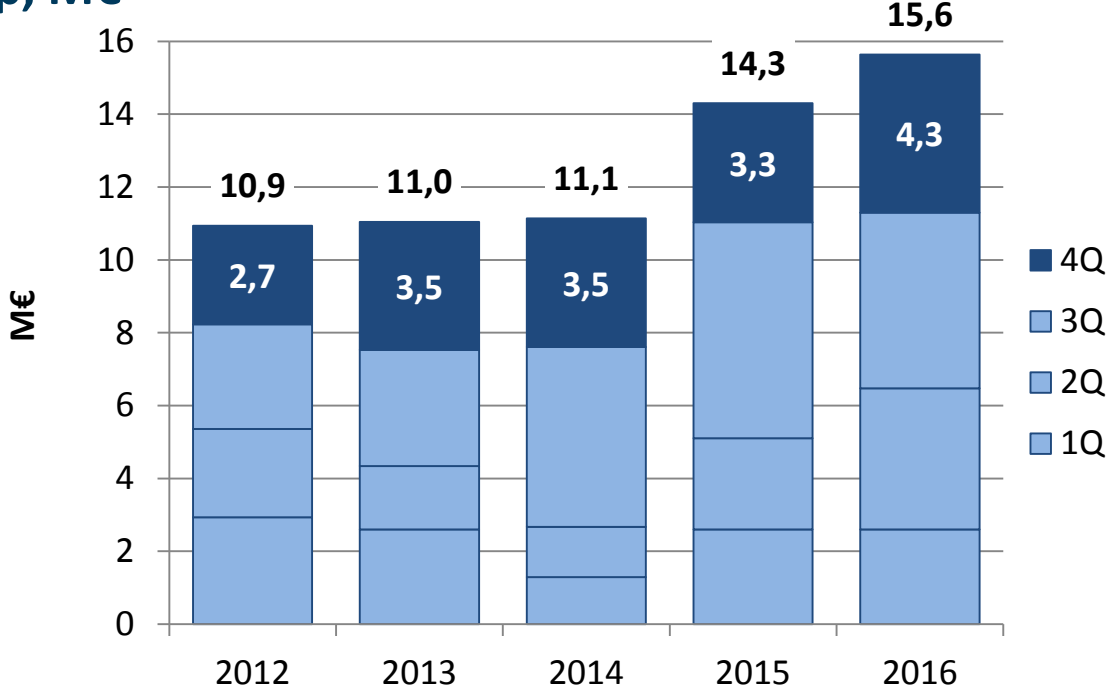
## Teleste Group, M€





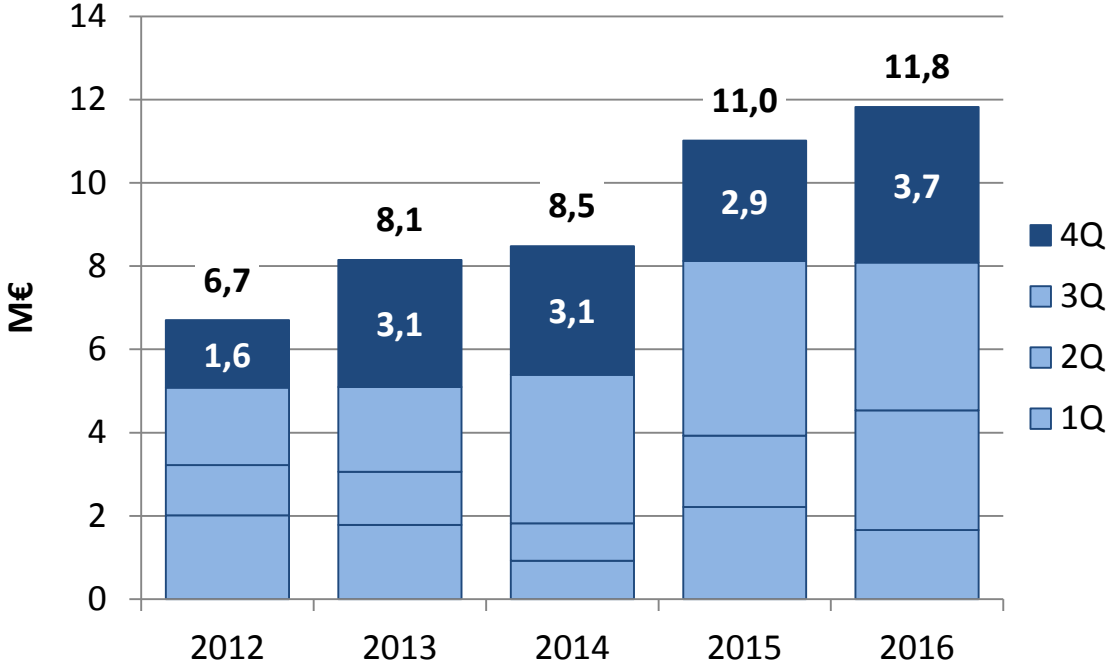
# Operating Profit

Teleste Group, M€



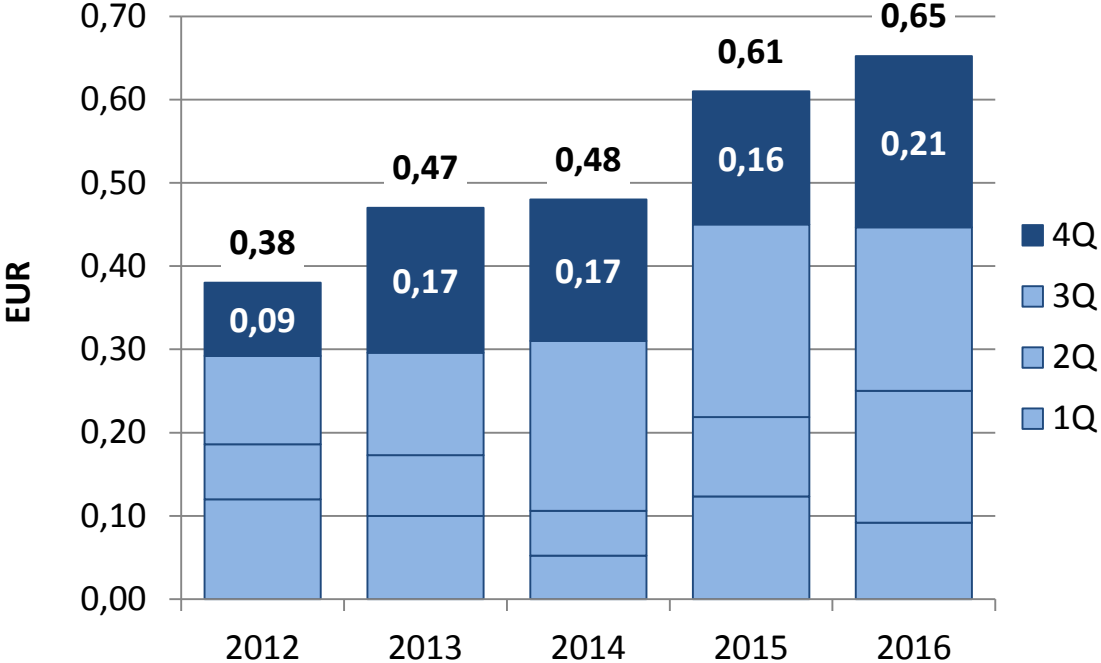
# Net Profit

## Teleste Group, M€



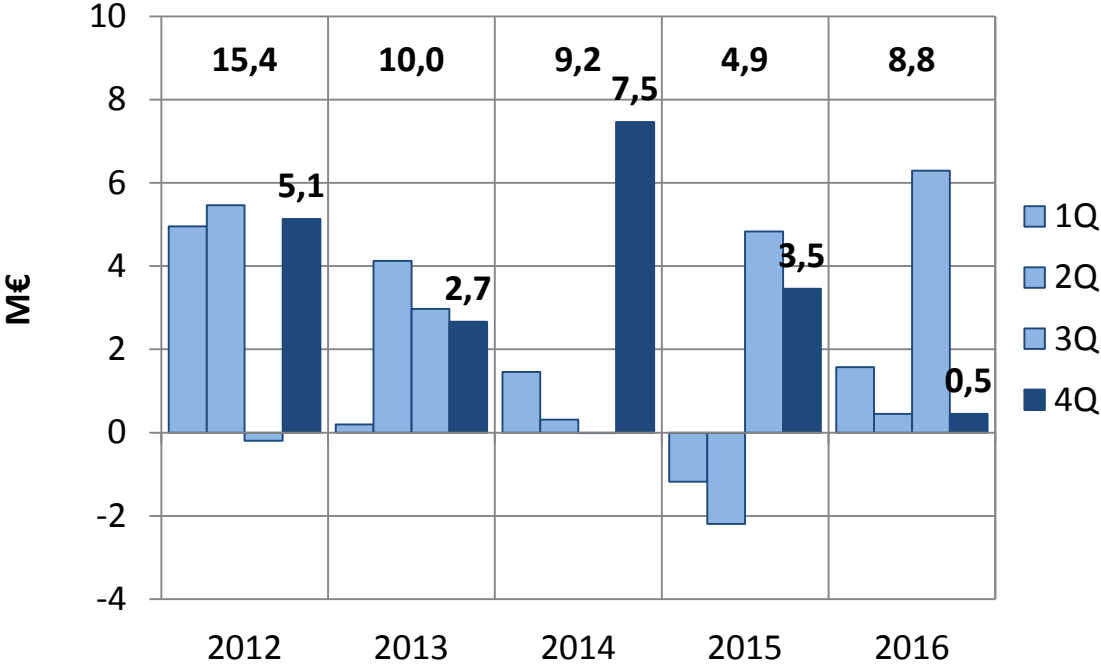
# Earnings Per Share

## Teleste Group, EUR



# Cash Flow From Operations

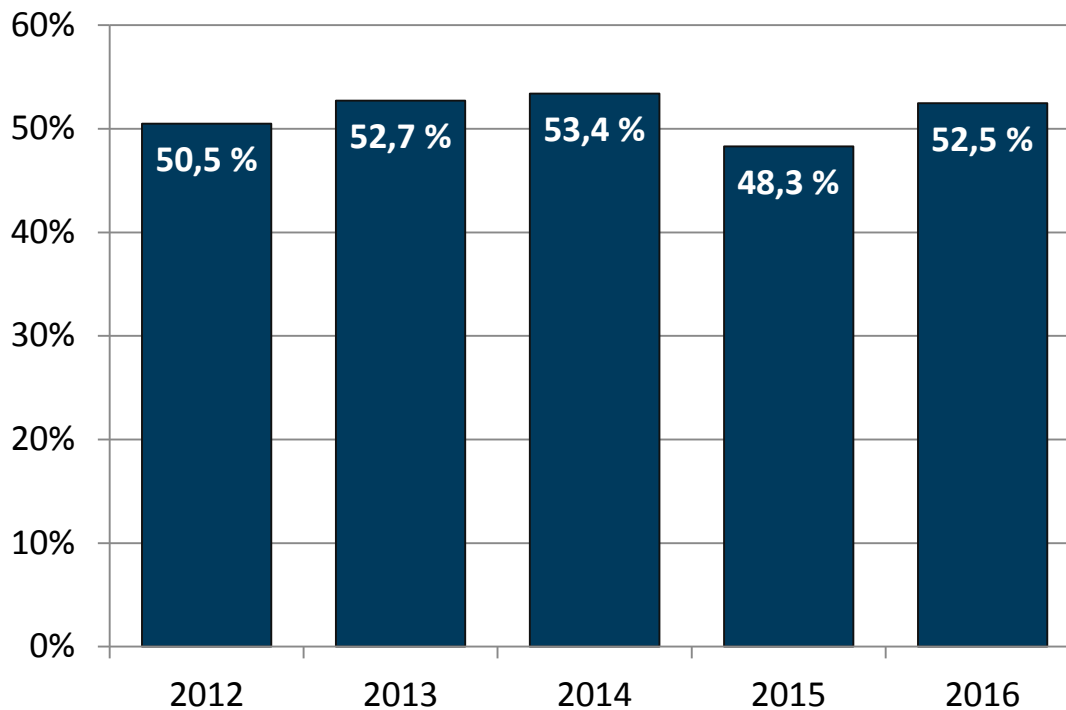
Teleste Group, M€



# Equity Ratio (at the end of period)

## Teleste Group

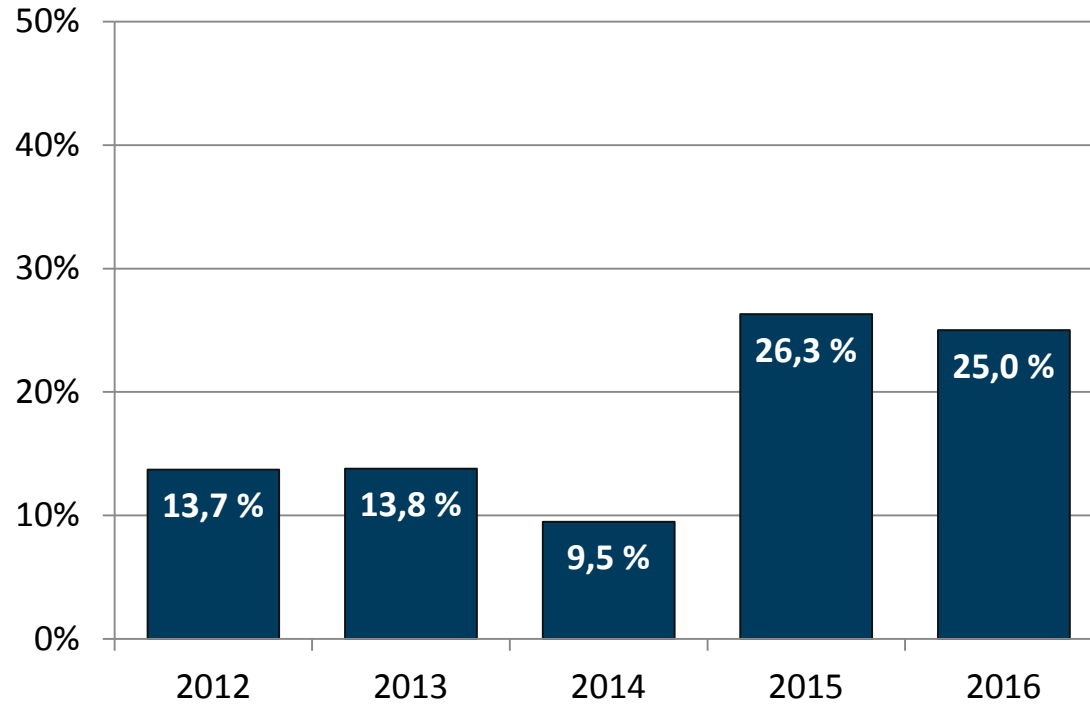
**TELESTE**





# Gearing

## Teleste Group



# Outlook for 2017

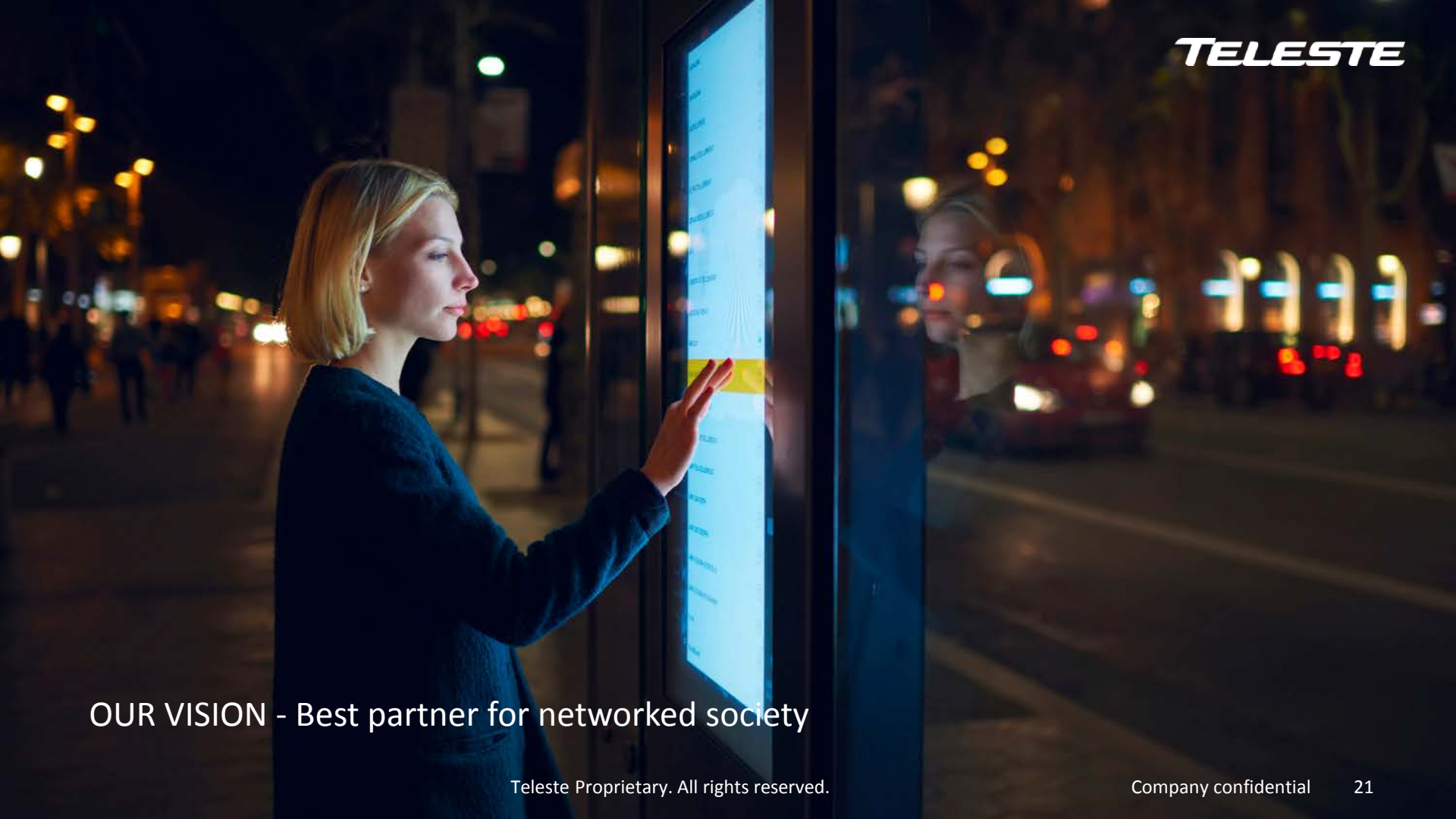
The business objective of **Video and Broadband Solutions** is to maintain its strong market position in Europe and to strengthen this market position in selected new markets outside Europe. Due to the low order backlog, the weight of net sales and operating profit of Video and Broadband Solutions will be on the second half of the year.

**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 at 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 the cable operators to increase their network capacity competitively. Our clientele is becoming consolidated and our competitors are introducing their own DOCSIS 3.1 products in 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 will start investing in access network products that are suitable for new markets. The objective of the 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.

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 added value. Our aim is to improve the profitability of the provided services particularly in Germany. We are preparing to reorganise and adapt our services in Germany in accordance with our customers' changing needs. 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 and operating profit for 2017 will remain below the 2016 level, due to the low order backlog in the beginning of the financial period, the adaptation measures in services business in Germany and the investments in growth in new market areas.**



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