

A photograph of a woman with long dark hair, wearing a white t-shirt and blue jeans, reaching out with both hands towards a young child who is running away from her. The child is wearing a light blue shirt and dark blue jeans. They are in a hospital hallway with a gurney on the right and a rack of medical supplies on the left. The background is slightly blurred, showing other people and hospital equipment.

FINANCIAL STATEMENT 2016

JANUARY 1-DECEMBER 31, 2016

TELESTE

FINANCIAL STATEMENTS OF TELESTE CORPORATION 1 JANUARY TO 31 DECEMBER 2016**INCREASED NET SALES AND OPERATING PROFIT IN 2016****Fourth quarter of 2016**

- Net sales amounted to EUR 68.6 (68.4) million, an increase of 0.2%
- Operating profit stood at EUR 4.3 (3.3) million, an increase of 32.4%
- Undiluted result per share was EUR 0.21 (0.16) per share, an increase of 28.7%
- Orders received totalled EUR 64.6 (68.2) million, a decrease of 5.3%
- Cash flow from operations was EUR 0.5 (3.5) million, a decrease of 86.9%

January–December 2016

- Net sales amounted to EUR 259.5 (247.8) million, an increase of 4.8%
- Operating profit stood at EUR 15.6 (14.3) million, an increase of 9.3%
- Undiluted result per share was EUR 0.65 (0.61) per share, an increase of 6.8%
- Orders received totalled EUR 244.3 (251.3) million, a decrease of 2.8%
- Cash flow from operations was EUR 8.8 (4.9) million, an increase of 78.1%

The Board of Directors proposes a dividend of EUR 0.25 (0.23) per outstanding share.

Outlook for 2017

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.

Comments by CEO Jukka Rinnevaara:

'In the fourth quarter, net sales increased and were the highest in Teleste's history, but orders received decreased year-on-year. As a result of this, the order backlog continued to decrease. Net sales were improved by increased services business in the UK. Operating profit increased significantly as a result of the performance of Video and Broadband Solutions, but services business made a loss. Our full-year net sales and operating profit were the highest in Teleste's history.

Orders received by Video and Broadband Solutions in the fourth quarter decreased in Video Security and Information solutions. Net sales reached the level of the comparative period. The biggest increase in deliveries of access network products was seen in Denmark, Belgium and Norway. We estimate that Teleste's position remained strong in access network products. Operating profit increased significantly. Operating profit was improved by the higher year-on-year 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.

In the fourth quarter, net sales of Network Services reached the level of the comparative period, but operating profit was predictably negative. 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 operations and operating profit developed positively in the UK, and we can be satisfied with the performance in Switzerland, Finland and Belgium.'

Year 2016 was particularly important with regard to the renewal of the access network product range. We developed and launched in the market the leading products in our industry that comply with the DOCSIS 3.1 standard. With our competitive products and good customer service, we were able to strengthen our leading position in the European cable operator market. In the video security and passenger information market, we continued to develop competitive solutions and to deliver solutions to important reference customers, such as the police organisation of Paris. Our progress with new customers was promising, but orders were postponed as a result of delayed investment decisions. Operational problems were experienced in services business in Germany in the latter part of the year. In the other markets, services business progressed according to plan.

Year 2016 ended with record-level net sales and operating profit. After seven consecutive years of improved performance, we estimate that 2017 will be a gap year in terms of growth and improvement of profitability. We estimate that demand in our market continues strong, but the scheduling of investments by our customers varies. As a result of the low order backlog early in the year, the weight of net sales and operating profit will be on the second half of 2017. In addition, we are preparing to reorganise and adapt our services business in Germany in accordance with our customers' changing needs. The markets in our field of business will grow significantly in North America. Our investments in new market areas will increase costs to some extent in 2017. With these measures, we will ensure our opportunities for profitable growth in the long term.'

Group Operations in October–December 2016

Key figures (M€)	10-12/2016	10-12/2015	Change
Orders received	64.6	68.2	-5.3%
Net sales	68.6	68.4	+0.2%
EBIT	4.3	3.3	+32.4%
EBIT %	6.3%	4.8%	
Profit for the period	3.7	2.9	28.7%
Other important key figures			
Earnings per share, EUR	0.21	0.16	+28.7%
Cash flow from operations, M€	0.5	3.5	-86.9%

Fourth-quarter orders received by Teleste Group decreased by 5.3% and stood at EUR 64.6 (68.2) million. Order backlog decreased during the quarter by EUR 3.9 million to EUR 26.9 (42.2) million. Net sales grew by 0.2% to EUR 68.6 (68.4) million, the highest quarterly net sales in Teleste's history.

Expenses for material and production services decreased by 1.2% to EUR 36.8 (37.2) million. Personnel expenses totalled EUR 19.1 (18.1) million, an increase of 5.8%. These expenses were pushed up by the 1.6% increase in the number of personnel and the allocation of incentives. Depreciation, amortisation and other fixed operating expenses decreased by 5.3% to EUR 10.2 (10.8) million. Operating profit increased by 32.4% to EUR 4.3 (3.3) million, representing 6.3% (4.8%) of net sales. Other income included reversed provision of EUR 1.3 million for earn-out related to the Mitron acquisition. Taxes stood at EUR 0.6 (0.2) million. Undiluted result per share was EUR 0.21 (0.16). Cash flow from operations was EUR 0.5 (3.5) million, a decrease of 86.9% resulting from changes in net working capital.

Group Operations in January–December 2016

Key figures (M€)	1-12/2016	1-12/2015	Change
Orders received	244.3	251.3	-2.8%
Net sales	259.5	247.8	+4.8%
EBIT	15.6	14.3	+9.3%
EBIT %	6.0%	5.8%	
Profit for the financial period	11.8	11.0	+7.3%
Other important key figures			
Earnings per share, EUR	0.65	0.61	+6.8%
Cash flow from operations, M€	8.8	4.9	+78.1%
Net gearing, %	25.0%	26.3%	
Equity ratio, %	52.5%	48.3%	
Personnel at period-end	1,511	1,506	+0.3%

Orders received by the Group decreased by 2.8%, standing at EUR 244.3 (251.3) million. Net sales increased, reaching the highest level in Teleste's history and amounting to EUR 259.5 (247.8) million, an increase of 4.8%.

Expenses for material and production services increased by 6.8% to EUR 137.1 (128.3) million. Personnel expenses totalled EUR 72.6 (70.5) million, an increase of 2.9%. Personnel expenses increased because of the increased number of personnel. Depreciation, amortisation and other fixed operating expenses increased by 0.4% to EUR 37.6 (37.5) million. Operating profit grew by 9.3%, amounting to EUR 15.6 (14.3) million. Taxes for the Group amounted to EUR 3.0 (2.9) million and the effective tax rate was 20.3% (21.0%). Undiluted earnings per share increased by 6.8% to EUR 0.65 (0.61). Cash flow from operations increased by 78.1% to EUR 8.8 (4.9) million. Cash flow was increased by changes in net working capital.

Video and Broadband Solutions October–December 2016

EUR 1,000	10-12/2016	10-12/2015	Change
Orders received	39,548	43,419	-8.9%
Net sales	43,496	43,584	-0.2%
EBIT	5,309	2,666	+99.1%
EBIT, %	12.2%	6.1%	

Orders received decreased year-on-year by 8.9% to EUR 39.5 (43.4) million. The biggest decrease in orders received was seen in video security and information solutions. Order backlog decreased during the quarter by EUR 3.9 million to EUR 26.9 (42.2) million. Net sales decreased by 0.2% to EUR 43.5 (43.6) million. Operating profit increased by 99.1%, standing at EUR 5.3 (2.7) million and representing 12.2% (6.1%) of net sales. Operating profit was improved by the higher year-on-year average gross margin in access network products. In addition, operating profit included other income resulting from reversed provision of EUR 1.3 (0.7) million for earn-out related to a prior acquisition, as no earn-out became payable.

R&D expenses amounted to EUR 3.0 (3.2) million, representing 7.0% (7.4%) of the business area's net sales. Capitalised R&D expenses amounted to EUR 0.9 (0.8) million. Depreciation on capitalised R&D expenses was EUR 0.3 (0.4) million. Product development projects focused on network products complying with the DOCSIS 3.1 standard, distributed access architecture, video security and information solutions and customer-specific projects.

Video and Broadband Solutions in January–December 2016

EUR 1,000	1-12/2016	1-12/2015	Change
Orders received	149,011	157,951	-5.7%
Net sales	164,231	154,396	+6.4%
EBIT	16,482	12,781	+29.0%
EBIT %	10.0%	8.3%	

Year-on-year orders received decreased by 5.7%, standing at EUR 149.0 (158.0) million. Orders received decreased in access network products. Net sales grew by 6.4%, amounting to EUR 164.2 (154.4) million. Net sales were increased by access network product deliveries. Operating profit increased by 29.0%, standing at EUR 16.5 (12.8) million and representing 10.0% (8.3%) of net sales. Operating profit was improved by the increased net sales of access network products and the slightly higher year-on-year gross margin. In addition, operating profit included other income resulting from reversed provision of EUR 2.3 (1.1) million for earn-out related to a prior acquisition, as no earn-out became payable.

R&D expenses amounted to EUR 11.0 (11.0) million, representing 6.8% (7.1%) of net sales. Capitalised R&D expenses amounted to EUR 2.5 (1.7) million. Depreciation on capitalised R&D expenses amounted to EUR 1.2 (1.1) million. Product development projects focused on network products complying with the DOCSIS 3.1 standard, distributed access architecture, video security and information solutions and customer-specific projects.

Network Services in October–December 2016

1,000 euros	10-12/2016	10-12/2015	Change
Orders received	25,066	24,809	+1.0%
Net sales	25,066	24,809	+1.0%
EBIT	-975	607	-260.7%
EBIT %	-3.9%	2.4%	

Year-on-year orders received and net sales increased by 1.0% to EUR 25.1 (24.8) million. The highest increase in net sales was seen in the UK, while in Germany net sales decreased. Operating profit dropped significantly, being EUR 1.0 million negative and representing -3.9% (+2.4%) of net sales. Operating profit in the comparative period was EUR 0.6 million. The losses were incurred in Germany, where the service deliveries 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.

Network Services in January–December 2016

EUR 1,000	1-12/2016	1-12/2015	Change
Orders received	95,297	93,362	+2.1%
Net sales	95,297	93,362	+2.1%
EBIT	-847	1,520	-155.7%
EBIT %	-0.9%	1.6%	

Orders received and net sales increased by 2.1% to EUR 95.3 (93.4) million. Net sales increased particularly in the UK and decreased in Germany. Operating profit dropped significantly, being EUR 0.8 million negative and representing -0.9% (+1.6%) of net sales. Operating profit in the comparative period was EUR 1.5 million. The losses were incurred in Germany, resulting from deliveries of services that included subcontracted excavation work and the launching of services in a new geographical area. Operating profit improved year-on-year in the UK, Switzerland, Finland and Belgium.

Personnel and organisation in January–December 2016

In the period under review, the average number of people employed by the Group was 1,514 (1,485/2015, 1,302/2014); of these, 747 (697) were employed by Video and Broadband Solutions and 767 (788) by Network Services. At the end of the review period, the Group employed 1,511 people (1,506/2015, 1,343/2014), of whom 66% (68%/2015, 72%/2014) were stationed abroad. Approximately 2% of the Group's employees were working outside Europe.

Personnel expenses increased from the previous year by 2.9% to EUR 72.6 (70.5/2015, 59.5/2014) million. Personnel expenses increased mainly because of the increased number of personnel. The average number of personnel increased by 1.9%. The increase was in Video and Broadband Solutions.

Investments in January–December 2016

Investments by the Group totalled EUR 5.5 (16.9) million, equalling 2.1% (6.8%) of net sales. Of the investments made in the comparison period, EUR 11.5 million were related to the acquisition of Mitron. Investments in product development amounted to EUR 2.5 (1.7) million. Other investments involved information systems, machinery and equipment. Of the investments, EUR 0.6 (1.7) million were carried out 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, and customer-specific projects.

Financing and Capital Structure in January–December 2016

Cash flow from operations stood at EUR 8.8 (4.9) million. The year-on-year increase in the operating cash flow resulted from a decrease in net working capital.

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 was EUR 19.0 (17.7) million. On 31 December 2016, the Group's interest-bearing debt stood at EUR 30.6 (33.0) million.

The Group's equity ratio was 52.5% (48.3%) and net gearing 25.0% (26.3%).

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 clients include European cable operators and specified organisations in the public sector.

In Video and Broadband Solutions, client-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. 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. 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. 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. 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 utilisation 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, manufacturing 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 said litigations are not expected to have material effect on Teleste's financial position.

Group Structure

The parent company has branch offices in Australia, the Netherlands and Denmark and 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 31 December 2016, 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 7.29 (5.32) and the highest was EUR 10.24 (9.88). Closing price on 31 December 2016 stood at EUR 8.86 (9.80). According to Euroclear Finland Ltd, the number of shareholders at the end of the period under review was 5,923 (5,355). Foreign and nominee-registered holdings accounted for 5.2% (5.0%) of the holdings. The value of shares traded on the Nasdaq Helsinki from 1 January to 31 December 2016 was EUR 30.6 (24.6) million. In the period under review, 3.5 (3.3) million Teleste shares were traded on the stock exchange. As of 1 January 2017 Teleste's share is quoted on Nasdaq Helsinki, the Mid-Cap segment.

On 31 December 2016, 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 31 December 2016, 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:

- Purchases of own shares: up to a maximum of 1,200,000 of the company's own shares, valid until 6 October 2017.
- Issue of new shares: up to a maximum of 4,000,000 shares, valid until 31 March 2017.
- Disposal of own shares held by the company: up to a maximum of 1,800,000 shares, valid until 31 March 2017.
- The maximum number of shares that may be subscribed by virtue of the special rights granted by the company is 2,500,000; the special rights are included in the above maximum warrants concerning new shares and own shares held by the Group. The authorisation is valid until 31 March 2017.

Decisions by the Annual General Meeting

The Annual General Meeting (AGM) of Teleste Corporation held 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. Dividend was paid on 18 April 2016 on shares other than own shares held by the Company.

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

The AGM decided to elect one auditor for Teleste Corporation. Authorised public accountant firm KPMG Oy Ab was elected 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 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.

Board member Esa Harju resigned from the Board to join the company's Management Team. He is responsible for Video Security and Information from 1 December 2016.

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.

8 February 2017

Teleste Corporation
Board of Directors

Jukka Rinnevaara
President and CEO

Teleste's Annual Report for 2016, which includes the audited financial statements, will be published no later than 17th of March 2017. The Company will issue a statement of its corporate governance as a separate report, which will be published together with the Annual Report, and will be simultaneously available on the Company's web site.

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. The data stated in this report is audited.

STATEMENT OF COMPREHENSIVE INCOME, 1000 euros

	10-12/2016	10-12/2015	Change %
Net sales	68,562	68,393	0.2 %
Other operating income	1,914	1,001	91.2 %
Raw material and consumables used	-36,789	-37,248	-1.2 %
Employee benefits expense	-19,138	-18,083	5.8 %
Depreciations	-1,294	-1,313	-1.5 %
Other operating expenses	-8,921	-9,478	-5.9 %
Operating profit	4,334	3,273	32.4 %
Financial income	835	5	n/a
Financial expenses	-841	-169	398.1 %
Profit before taxes	4,328	3,109	39.2 %
Taxes	-598	-211	183.6 %
Profit for the period	3,729	2,898	28.7 %
Attributable to:			
Equity holders of the parent	3,729	2,898	28.7 %
Earnings per share for profit of the year attributable to the equity holders of the parent			
Basic (expressed in euro per share)	0.21	0.16	28.7 %
Diluted (expressed in euro per share)	0.20	0.16	28.0 %
Total comprehensive income for the period, 1000 euros			
Net profit	3,729	2,898	28.7 %
Items that may be reclassified to profit or loss:			
Translation differences	5	273	-98.2 %
Fair value reserve	71	11	545.5 %
Total comprehensive income for the period	3,805	3,181	19.6 %
Attributable to:			
Equity holders of the parent	3,805	3,181	19.6 %

STATEMENT OF COMPREHENSIVE INCOME, 1000 euros

	1-12/2016	1-12/2015	Change %
Net sales	259,528	247,758	4.8 %
Other operating income	3,372	2,854	18.1 %
Raw material and consumables used	-137,078	-128,300	6.8 %
Employee benefits expense	-72,566	-70,532	2.9 %
Depreciation	-4,934	-4,874	1.2 %
Other operating expenses	-32,687	-32,604	0.3 %
Operating profit	15,635	14,302	9.3 %

Financial income	1,224	582	110.4 %
Financial expenses	-2,038	-945	115.7 %
Profit before taxes	14,821	13,939	6.3 %
Taxes	-3,001	-2,928	2.5 %
Profit for the period	11,820	11,011	7.3 %
Attributable to:			
Equity holders of the parent	11,820	11,011	7.3 %
Earnings per share for profit of the year attributable to the equity holders of the parent			
Basic (expressed in euro per share)	0.65	0.61	6.8 %
Diluted (expressed in euro per share)	0.65	0.61	6.6 %
Total comprehensive income for the period (tEUR)			
Net profit	11,820	11,011	7.3 %
Items that may be reclassified to profit or loss:			
Translation differences	-879	240	n/a
Fair value reserve	-135	31	n/a
Total comprehensive income for the period	10,806	11,282	-4.2 %
Attributable to:			
Equity holders of the parent	10,806	11,282	-4.2 %

STATEMENT OF FINANCIAL POSITION, 1000 euros

Assets 1000 euros

	31.12.2016	31.12.2015	Change %
Non-current assets			
Property, plant and equipment	11,325	11,648	-2.8 %
Goodwill	37,374	37,849	-1.3 %
Other intangible assets	7,171	6,653	7.8 %
Available-for-sale investments	693	704	-1.6 %
Deferred tax assets	1,833	1,843	-0.6 %
Total	58,396	58,698	-0.5 %
Current assets			
Inventories	33,544	32,661	2.7 %
Trade and other receivables	60,269	60,159	0.2 %
Income tax receivables	407	263	54.9 %
Cash	9,496	12,677	-25.1 %
Total	103,716	105,759	-1.9 %
Total assets	162,112	164,458	-1.4 %
Equity and liabilities			
Equity attributable to equity holders of the parent			
Share capital	6,967	6,967	0.0 %
Share premium	1,504	1,504	0.0 %
Translation differences	-978	-99	884.6 %
Invested non restricted equity	3,004	3,140	-4.3 %
Retained profits	73,924	66,033	11.9 %
Total	84,422	77,545	8.9 %

Non-current liabilities			
Interest-bearing liabilities	28,036	30,723	-8.7 %
Other liabilities	135	2,730	-95.0 %
Deferred tax liabilities	1,630	1,662	-1.9 %
Provisions	1,081	1,026	5.4 %
Total	30,882	36,141	-14.6 %
Current liabilities			
Trade and other liabilities	41,900	46,505	-9.9 %
Current tax payable	1,477	1,062	39.1 %
Provisions	858	889	-3.5 %
Interest-bearing liabilities	2,573	2,315	11.1 %
Total	46,808	50,771	-7.8 %
Total liabilities	77,691	86,912	-10.6 %
Equity and liabilities total	162,112	164,458	-1.4 %

CONSOLIDATED CASH FLOW STATEMENT, 1000 euros

	1.1.-31.12. 2016	1.1.-31.12. 2015	Change %
Cash flows from operating activities			
Profit for the period	11,820	11,011	7.3 %
Adjustments for:			
Non-cash transactions	2,924	3,856	-24.2 %
Interest and other financial expenses	2,038	961	112.1 %
Interest income and other financial income	-1,224	-582	110.4 %
Dividends	-2	-3	-33.3 %
Taxes	3,001	2,928	2.5 %
Change in working capital			
Increase/decrease in trade and other receivables	-110	-5,096	-97.8 %
Increase/decrease in inventories	-884	-6,950	-87.3 %
Increase/decrease in trade and other payables	-4,810	1,361	n/a
Increase/decrease in provisions	-24	197	n/a
Paid interests and other financial expenses	-2,038	-945	115.7 %
Received interests and dividends	1,224	582	110.4 %
Paid taxes	-3,151	-2,400	31.3 %
Cash flow from operating activities	8,765	4,920	78.1 %
Cash flow from investing activities			
A conditional supplementary contract price for prior subsidiary acquisition	-485	-1,147	-57.7 %
Purchases of property, plant and equipment (PPE)	-1,410	-1,258	12.1 %
Proceeds from sales of PPE	43	17	152.9 %
Purchases of intangible assets	-2,507	-1,644	52.5 %
Acquisition of subsidiary, net of cash acquired	0	-6,826	n/a
Net cash used in investing activities	-4,359	-10,858	-59.9 %
Cash flow from financing activities			
Proceeds from borrowings	4,170	44,300	-90.6 %
Payments of borrowings	-6,099	-38,130	-84.0 %
Payment of finance lease liabilities	-611	-391	56.3 %
Dividends paid	-4,168	-3,694	12.8 %
Proceeds from issuance of ordinary shares	0	-1,382	n/a

Net cash used in financing activities	-6,708	703	n/a
Change in cash			
Cash and cash equivalents 1.1.	12,677	17,672	-28.3 %
Effect of currency changes	-879	240	n/a
Cash and cash equivalents 31.12.	9,496	12,677	-25.1 %

Consolidated statement of changes in equity, 1000 euros

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
Equity										
31.12.2015		6,967	1,504	-99	66,034	3,140	0	77,545	0	77,545
Total										
comprehensive										
income for the										
period		0	0	-879	11,820	0	-135	10,806	0	10,806
Dividends		0	0	0	-4,168	0	0	-4,168	0	-4,168
Equity-settled										
share-based										
payments					235			235	0	235
Equity										
31.12.2016		6,967	1,504	-978	73,922	3,140	-135	84,422	0	84,422

Business segments 2016, 1000 euros	Video and Broadband Solutios	Network Services	Group
External sales			
Services	6,813	95,297	102,110
Goods	157,418	0	157,418
External sales total	164,231	95,297	259,528
Operating profit of segments	16,482	-847	15,635
Financial items			-814
Profit before taxes			14,821

Business segments 2015, 1000 euros	Video and Broadband Solutions	Network Services	Group
External sales			
Services	7,860	93,362	101,222
Goods	146,536	0	146,536
External sales total	154,396	93,362	247,758
Operating profits of the segments	12,781	1,520	14,302
Financial items			-363
Profit before taxes			13,939

Geographical segments 2016, 1000 euros	Nordic countries	Other Europe	Finland	Others	Group
Sales by origin	22,483	202,063	17,398	17,584	259,528
Assets	97	13,679	42,570	217	56,563
Capital expenditure for the period	37	1,312	4,122	17	5,488

Geographical segments 2015, 1000 euros	Nordic countries	Other Europe	Finland	Others	Group
Sales by origin	20,290	209,172	12,223	6,073	247,758
Assets	82	13,750	42,763	260	56,855
Capital expenditure for the period	0	1,843	14,982	123	16,948

Information per quarter, 1000 euros	10-12/16	7-9/16	4-6/16	1-3/16	10-12/15	1-12/2016	1-12/2015
Video and Broadband Solutions							
Order intake	39,548	30,601	42,470	36,392	43,419	149,011	157,951
Net sales	43,496	40,273	42,769	37,693	43,584	164,231	154,396
EBIT	5,309	5,545	3,180	2,449	2,666	16,482	12,781
EBIT %	12.2 %	13.8 %	7.4 %	6.5 %	6.1 %	10.0 %	8.3 %
Network Services							
Order intake	25,066	22,589	24,719	22,923	24,809	95,297	93,362
Net sales	25,066	22,589	24,719	22,923	24,809	95,297	93,362
EBIT	-975	-717	691	154	607	-847	1,520
EBIT %	-3.9 %	-3.2 %	2.8 %	0.7 %	2.4 %	-0.9 %	1.6 %
Total							
Order intake	64,614	53,190	67,189	59,315	68,228	244,308	251,313
Net sales	68,562	62,862	67,488	60,616	68,393	259,528	247,758
EBIT	4,334	4,828	3,871	2,603	3,273	15,635	14,302
EBIT %	6.3 %	7.7 %	5.7 %	4.3 %	4.8 %	6.0 %	5.8 %

Commitments and contingencies, 1000 euros	2016	2015	Change %
Rental liabilities	3,971	2,980	33.3 %
Lease liabilities	5,173	4,878	6.0 %
Value of underlying forward contracts	22,550	24,599	-8.3 %
Market value of forward contracts	334	-27	n/a
Interest rate swap	10,000	10,000	0.0 %
Market value of interest swap	-135	0	n/a
Guarantees	5,275	3,124	68.9 %

The number of employees broken down by following categories 31.12.	2016	2015	Change %
Research and development	149	149	0.0 %
Production and material management	1,090	1,089	0.1 %
Sales and marketing	198	197	0.5 %
Administration	74	71	4.2 %
Total	1,511	1,506	0.3 %

KEY FIGURES	IFRS 2016	IFRS 2015	IFRS 2014	IFRS 2013	IFRS 2012
Profit and loss account, balance sheet					
Net sales, Meur	259.5	247.8	197.2	192.8	193.9
Change %	4.8 %	25.7 %	2.3 %	-0.6 %	5.6 %
Sales outside Finland, %	93.3 %	95.1 %	92.5 %	93.2 %	93.4 %
Operating profit, Meur	15.6	14.3	11.1	11.0	10.9
% of net sales	6.0 %	5.8 %	5.6 %	5.7 %	5.6 %
Profit after financial items, Meur	14.8	13.9	10.8	10.7	10.1
% of net sales	5.7 %	5.6 %	5.5 %	5.5 %	5.2 %
Profit before taxes, Meur	14.8	13.9	10.8	10.7	10.1
% of net sales	5.7 %	5.6 %	5.5 %	5.5 %	5.2 %
Profit for the financial period, Meur	11.8	11.0	8.5	8.1	6.7
% of net sales	4.6 %	4.4 %	4.3 %	4.2 %	3.5 %
R&D expenditure, Meur	11.1	11.0	10.3	10.0	11.2
% of net sales	4.3 %	4.4 %	5.2 %	5.2 %	5.8 %
Gross investments, Meur	5.5	16.9	3.7	6.3	3.3
% of net sales	2.1 %	6.8 %	1.9 %	3.3 %	1.7 %
Interest bearing liabilities, Meur	30.6	33.0	24.4	24.3	22.1
Shareholder's equity, Meur	84.4	77.5	70.7	65.6	60.6
Total assets, Meur	162.1	164.5	132.5	124.3	120.2
Personnel and orders					
Average personnel	1,514	1,485	1,302	1,306	1,326
Order backlog at year end, Meur	26.9	42.2	15.2	13.1	17.0
Orders received, Meur	244.3	251.3	199.3	188.9	189.7
Key metrics					
Return on equity, %	14.6 %	14.9 %	12.5 %	12.9 %	11.6 %
Return on capital employed, %	14.8 %	14.2 %	12.2 %	13.0 %	13.0 %
Equity ratio, %	52.5 %	48.3 %	53.4 %	52.7 %	50.5 %
Net gearing, %	25.0 %	26.3 %	9.5 %	13.8 %	13.7 %
Earnings per share, euro	0.65	0.61	0.48	0.47	0.38
Earnings per share fully diluted, euro	0.65	0.61	0.48	0.46	0.38
Shareholders equity per share, euro	4.66	4.28	3.94	3.73	3.48
Teleste share					
Highest price, euro	10.24	9.88	5.29	4.47	4.44
Lowest price, euro	7.29	5.32	4.25	3.78	3.04
Closing price, euro	8.86	9.80	5.27	4.25	4.17
Average price, euro	8.69	7.42	4.67	4.17	3.98
Price per earnings	13.6	16.1	11.0	9.1	10.8
Market capitalization, Meur	160.6	177.6	98.7	79.6	78.1
Stock turnover, Meur	30.6	24.6	10.9	9.2	10.8
Turnover, number in millions	3.5	3.3	2.3	2.2	2.7
Turnover, % of share capital	18.5 %	17.5 %	12.5 %	11.7 %	14.4 %
Average number of shares	18985588	18985588	18918869	18743507	18728590
Number of shares at the year-end	18985588	18985588	18985588	18816691	18728590
Average number of shares, diluted w/o own shares	18169002	18036667	17729215	17513799	17688527
Number of shares at the year-end, diluted w/o own shares	18216369	18121635	17795934	17838599	17709672
Paid dividend, Meur	4.5	4.2	3.6	3.3	3.0
Dividend per share, euro	0.25*	0.23	0.20	0.19	0.17
Dividend per net result, %	38.3 %	37.7 %	41.7 %	40.8 %	44.5 %
Effective dividend yield, %	2.8 %	2.3 %	3.8 %	4.5 %	4.1 %

* The Board's proposal to the AGM

	Number of shares	% of shares	% of votes
Treasury shares			
Teleste companies own shares 31.12.2016	863,953	4.55%	4.55%

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 31.12.2016	Number of shares	% of share capital
EM Group Oy	4,409,712	23.2
Mandatum Life Insurance Company Limited	1,679,200	8.8
Ilmarinen Mutual Pension Insurance Company	1,084,475	5.7
Teleste Oyj	863,953	4.6
Kaleva Mutual Insurance Company	824,641	4.3
Varma Mutual Pension Insurance Company	521,150	2.7
The State Pension Fund	500,000	2.6
Julius Tallberg Corp.	281,608	1.5
Nieminen Jorma Juhani	250,000	1.3
Danske Invest Finnish Small Cap Fund	247,800	1.3

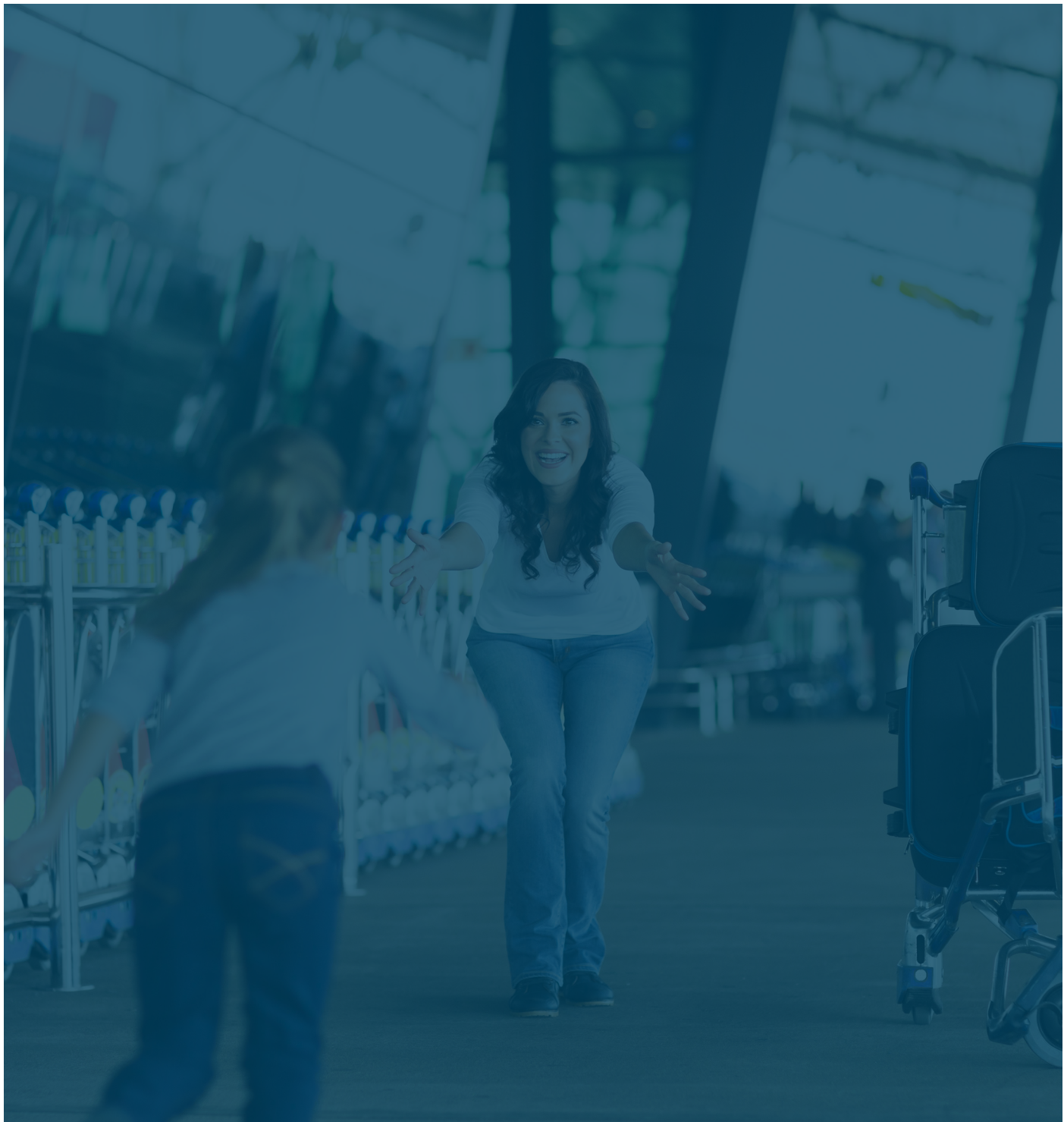
Shareholders by sector	Number of shareholders	% of Owners	Number of shares	% of shares
Households	5,555	93,79	4,890,310	27.0
Public sector institutions	4	0,07	2,115,725	11.7
Financial and insurance institutions	19	0,32	3,431,114	18.9
Corporations	273	4,61	7,487,726	41.3
Non-profit institutions	28	0,47	73,000	0.4

Foreign	44	0,74	145,849	0.8
Total	5,923	100,00	18,143,724	100.0
Of which nominee registered	8	0,10	841,864	4.4

Number of shares	Number of shareholders	% of shareholders	Number of shares	% of shares
1 - 100	1,509	25,5	94,259	0,5
101 - 500	2,576	43,5	698,715	3,7
501 – 1,000	852	14,4	684,533	3,6
1,001 – 5,000	799	13,5	1,738,120	9,2
5,001 – 10,000	87	1,5	625,361	3,3
10,001 – 50,000	71	1,2	1,458,723	7,7
50,001 – 100,000	8	0,1	539,826	2,8
100,001 – 500,000	14	0,2	3,258,559	17,2
500,001 -	7	0,1	9,887,492	52,1
Total	5,923	100,0	18,985,588	100,0
of which nominee registered	8	0,1	841,864	4,4

Notes

Notes



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