

JANUARY 1-DECEMBER 31, 2018





FINANCIAL STATEMENTS OF TELESTE CORPORATION 1 JANUARY TO 31 DECEMBER 2018

RESULT IMPROVED CLEARLY, RECORD-HIGH ORDER BACKLOG

Fourth quarter of 2018

- Net sales amounted to EUR 66.5 (58.7) million, an increase of 13.3%
- Operating result stood at EUR 2.2 (0.3) million, an increase of 779%
- Undiluted earnings per share were EUR 0.09 (-0.01)
- Orders received totalled EUR 81.0 (66.7) million, an increase of 21.4%
- Cash flow from operations was EUR 4.6 (6.4) million, a decrease of 27.0%

January–December 2018

- Net sales amounted to EUR 250.3 (234.6) million, an increase of 6.7%
- Operating result stood at EUR 9.7 (-7.5) million
- Undiluted earnings per share were EUR 0.38 (-0.50)
- Orders received totalled EUR 264.0 (262.9) million, an increase of 0.4%
- Cash flow from operations was EUR 15.0 (19.3) million, a decrease of 22.0%

The Board of Directors proposes a dividend of EUR 0.20 (0.10) per outstanding share.

Outlook for 2019

Teleste expects the company's net sales to remain at the level of 2018 (EUR 250.3 million). Operating result is expected to increase compared with 2018 (EUR 9.7 million).

Comments by CEO Jukka Rinnevaara:

'Orders received in the fourth quarter increased significantly year-on-year and quarter-on-quarter. Order backlog increased, reaching the highest level in Teleste's history. Net sales were up year-on-year in both business areas. Operating result also increased in both business areas.

Orders received by Video and Broadband Solutions increased year-on-year. In particular, orders for access network products increased clearly compared with the previous quarters. Denmark, Belgium and Austria were growth markets. We continued to invest in the development of next-generation distributed access architecture solutions. Our product range is becoming ready for new deployments in Europe and America. We progressed to the testing phase with the first customers. In 2018, we won many significant deals for video security and information solutions, and our order backlog was high at the turn of the year, forecasting strong growth also in 2019. In addition, we won a strategically significant order to deliver the situational awareness system for the Helsinki metro. The system is based on Teleste's S-AWARE platform. Approximately 75 per cent of the orders in Teleste's highest ever order backlog will be delivered in 2019. Net sales increased particularly in video security and information solutions in France, Finland and Canada. Because of the increased net sales, operating result also increased year-on-year. The launching of distributed access architecture-based network investments has been delayed, but it will provide opportunities for growth in the years to come.

Net sales of Network Services improved in Germany because of the main customer's special projects and the new frame agreement signed in spring. The operating result of the business area increased as a result of higher net sales year-on-year. The services business in Germany is still challenged by the loss made in certain subcontracted services. However, there is significant improvement potential in the management of our own operations and the subcontractor network, and we continue to systematically develop the operations. Business in the other service markets progressed mainly favourably. In 2018, we progressed according to plan in the company's strategic areas. The strategic priorities in 2019 include development of the distributed access architecture offering and successful launch of sales in the North American cable operator market; significant growth of net sales and improved performance in video security and information solutions; and development of operations and improved profitability in the services business in Germany. We believe that the measures we chosen will ensure continued profitable growth also in the years to come. In 2019, the technological transition in access networks and its timing will affect demand for our products. We expect demand for traditional HFC technology to slow down and investment in next generation distributed access architecture to increase. We predict that these investments will be launched in stages towards the end of 2019, first in North America and then in Europe. The timetable for the launches of the new architecture is difficult to predict, which is why we expect Teleste's net sales to remain on par with 2018.'

Key figures (EUR million)	10-12/2018	10-12/2017	Change
Orders received	81.0	66.7	+21.4%
Net sales	66.5	58.7	+13.3%
EBIT	2.2	0.3	+779.6%
EBIT, %	3.4%	0.4%	
Result for the period	1.6	-0.2	
Other important key figures			
Earnings per share, EUR	0.09	-0.01	
Cash flow from operations, EUR million	4.6	6.4	-27.0%

Group Operations October–December 2018

Orders received by the Group in the fourth quarter increased by 21.4% to EUR 81.0 (66.7) million. Order backlog increased during the quarter by 25.6% to EUR 71.0 (57.4) million, which is the highest order backlog in Teleste's history. Net sales increased by 13.3% to EUR 66.5 (58.7) million.

Expenses for material and manufacturing services increased by 18.3% to EUR 36.2 (30.6) million. Personnel expenses increased by 0.9% to EUR 17.9 (17.8) million. Depreciation, amortisation and other operating expenses increased by 0.2% to EUR 10.5 (10.5) million. Operating result increased by 779.6% to EUR 2.2 (0.3) million, representing 3.4% (0.4%) of net sales. The result for the reference period included EUR 0.8 million of restructuring expenses. Net financial expenses were EUR 0.1 (0.2) million. Taxes were EUR 0.5 (0.3) million. Undiluted earnings per share were EUR 0.09 (-0.01). Cash flow from operations was EUR 4.6 (6.4) million, a decrease of 27.0% resulting from changes in net working capital.

Group Operations January–December 2018

Key figures (EUR million)	1-12/2018	1-12/2017	Change
Orders received	264.0	262.9	+0.4%
Net sales	250.3	234.6	+6.7%
EBIT	9.7	-7.5	
EBIT, %	3.9%	-3.2%	
Result for the period	6.8	-9.1	
Other important key figures			
Earnings per share, EUR	0.38	-0.50	
Cash flow from operations, M€	15.0	19.3	-22.0%
Net gearing, %	5.9%	16.8%	
Equity ratio, %	51.7%	48.3%	
Personnel at period-end	1,353	1,446	-6.5%

Orders received by the Group increased by 0.4% to EUR 264.0 (262.9) million, the highest level in Teleste's history. Net sales increased by 6.7% to EUR 250.3 (234.6) million.

Operating result was EUR 9.7 million, while operating result for the reference period was EUR 7.5 million negative. Operating result represented 3.9% (-3.2%) of net sales. Result for the reference period included the goodwill impairment of EUR 7.7 million related to the services business in Germany as well as the restructuring provisions of EUR 2.4 million in Germany and Finland. Operating result improved in both Video and Broadband Solutions and Network Services. Expenses for material and manufacturing services increased by 8.0% to EUR 137.9 (127.7) million. Personnel expenses decreased by 4.9% and were EUR 66.0 (69.4) million. The decrease resulted from the decreased number of personnel. Depreciation, amortisation and other operating expenses decreased by 1.1% to EUR 38.5 (38.9) million. Net financial expenses were EUR 0.7 (0.9) million. Taxes for the Group amounted to EUR 2.2 (0.7) million, and effective tax rate was 24.5%. Undiluted earnings per share were EUR 0.38 (-0.50). Cash flow from operations was EUR 15.0 (19.3) million. Cash flow in the reference period was significantly improved by new, shorter payment terms for clients, obtained through a supplier financing programme.

Video and Broadband Solutions October–December 2018

EUR 1,000	10-12/2018	10-12/2017	Change
Orders received	51,142	43,424	+17.8%
Net sales	36,691	35,429	+3.6%
EBIT	1,942	480	+304.9%
Operating result, %	5.3%	1.4%	

Orders received increased by 17.8% year-on-year to EUR 51.1 (43.4) million. Orders received increased both in access network products and in video security and information solutions. Order backlog increased during the quarter by 25.6% and was EUR 71.0 (57.4) million at quarter-end.

Net sales increased by 3.6% to EUR 36.7 (35.4) million. Net sales increased in video security and information solutions but decreased in access network products. Operating result increased by 304.9%, standing at EUR 1.9 (0.5) million and representing 5.3% (1.4%) of net sales. Operating result was improved by the increased net sales of video security and information solutions.

R&D expenses amounted to EUR 3.4 (3.2) million, representing 9.2% (9.0%) of net sales in the business area. Product development projects focused on distributed access architecture (including solutions designed for the US market), situational awareness and video security solutions, passenger information systems and customer-specific projects. Capitalised R&D expenses amounted to EUR 1.2 (0.8) million. Depreciation on capitalised R&D expenses was EUR 0.6 (0.5) million.

Video and Broadband Solutions January–December 2018

EUR 1,000	1-12/2018	1-12/2017	Change
Orders received	152,307	170,359	-10.6%
Net sales	138,677	142,082	-2.4%
EBIT	7,738	4,888	+58.3%
EBIT, %	5.6%	3.4%	

Orders received decreased year-on-year by 10.6% to EUR 152.3 (170.4) million. The biggest decrease in orders received was seen in access network products. Net sales decreased by 2.4% to EUR 138.7 (142.1) million. Net sales decreased in access network products and increased in video security and information solutions. Operating result increased by 58.3%, standing at EUR 7.7 (4.9) million and representing 5.6% (3.4%) of net sales. Operating result was improved by the increased net sales of video security and information solutions. Operating result for the reference period was burdened by the EUR 0.8 million restructuring provision related to personnel reduction.

R&D expenses amounted to EUR 12.5 (12.1) million, representing 9.0% (8.5%) 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), situational awareness and video security solutions, passenger information systems and customer-specific projects. Capitalised R&D

expenses amounted to EUR 4.8 (3.5) million. Depreciation on capitalised R&D expenses was EUR 2.2 (1.5) million.

EUR 1,000	10-12/2018	10-12/2017	Change
Orders received	29,829	23,273	+28.2%
Net sales	29,829	23,273	+28.2%
EBIT	291	-226	
EBIT, %	1.0%	-1.0%	

Network Services October-December 2018

Orders received and net sales increased by 28.2% year-on-year to EUR 29.8 (23.3) million. Net sales were increased in Germany by deliveries for a large project and the service rates of the frame agreement signed with our main customer early in 2018. Operating result increased by EUR 0.5 million year-on-year to EUR 0.3 (-0.2) million. Operating result represented 1.0% (-1.0%) of net sales. Operating result improved as a result of increased net sales in Germany but decreased in England.

Network Services January–December 2018

EUR 1,000	1-12/2018	1-12/2017	Change
Orders received	111,669	92,507	+20.7%
Net sales	111,669	92,507	+20.7%
EBIT	1,983	-12,437	
EBIT, %	1.8%	-13.4%	

Orders received and net sales increased by 20.7% to EUR 111.7 (92.5) million. In particular, net sales were increased in Germany by deliveries for a large project and the service rates of the frame agreement signed with our main customer early in 2018. Operating result was EUR 2.0 million, while operating result for the reference period was EUR 12.4 million negative. The negative operating result for the reference period included the goodwill impairment and restructuring provision for the services business in Germany, totalling EUR 9.3 million.

Personnel and organisation January–December 2018

In the period under review, the average number of people employed by the Group was 1,393 (1,492/2017, 1,514/2016). Of these, 700 (763) were employed by Video and Broadband Solutions and 693 (729) by Network Services. At the end of the review period, the Group employed 1,353 people (1,446/2017, 1,511/2016), of whom 65% (65%/2017, 66%/2016) were stationed abroad. Approximately 2% of the Group's employees were working outside Europe.

Personnel expenses decreased by 4.9% year-on-year and were EUR 66.0 (69.4/2017, 72.6/2016) million. The decrease in personnel expenses was due to a lower number of personnel year-on-year. The average number of personnel decreased by 6.7%. The number of personnel decreased in both Video and Broadband Solutions and Network Services.

Investments January–December 2018

Investments by the Group totalled EUR 7.0 (7.5) million, representing 2.8% (3.2%) of net sales. Of the investments, EUR 4.8 (3.5) million were related to product development. No company acquisitions were made during the financial period. Of the investments made in the previous financial period, EUR 2.1 million were related to a company acquisition. Other investments were related to machines, equipment and information systems. Of the investments, EUR 0.2 (0.4) 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), situational awareness and video security solutions, passenger information systems and customer-specific projects.

Financing and Capital Structure January–December 2018

Cash flow from operations was EUR 15.0 (19.3) million. In the reference period, cash flow from operations was improved by the introduction of the supplier financing programme.

Teleste Corporation has credit and loan facilities with a combined total value of EUR 50.0 million. The EUR 20.0 million credit facility will run until the end of August 2020 and involves a 1+1-year extension option. The five-year loan facility of EUR 30.0 million will mature in August 2022. The loan is repaid in annual instalments of EUR 3.0 million. At the end of the period under review, the amount of unused binding credit facilities was EUR 20.0 (20.0) million. On 31 December 2018, the Group's interest-bearing debt stood at EUR 26.8 (33.2) million.

The Group's equity ratio was 51.7% (48.3%) and net gearing ratio 5.9% (16.8%).

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. Europe is the main market and business area, but the company aims to expand its business particularly in North America. Teleste's customers include cable operators, public transport operators, rolling stock 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. Our operator customers' network investments vary according to the development of technology, customers' need to upgrade and their financial structure. End-to-end deliveries of video security and information solution systems may be large in size, setting high demands for the project guotation calculation and management and, consequently, involving risks. Increased competition created by the new service providers may undermine the cable operators' ability to invest. Correct technological choices, product development 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. Customers have very demanding requirements for the performance of products, their durability in challenging conditions and their compatibility with other components of integrated systems. Regardless of careful planning and quality assurance, complex products may fail in the customer's network and lead to expensive repair obligations. 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. 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. In particular, 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.

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 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. Subcontractors' costs may increase faster than it is possible for Teleste to increase the prices of its services to its own customers. 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 services.

Teleste's strategy involves risks and uncertainties: new business opportunities may fail to be identified or successfully used. The business areas must take into account market movements, such as consolidations among our customers and competitors. Periods of technological transition, such as operators migrating to distributed access architecture, may significantly change the competitive positions of the current suppliers and attract new competitors to the market. 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 has denied the patent infringements. On 29 January 2019, the court issued its decision on one of the complaints. The decision was favourable for Teleste. The decision will be final after the appeal period, unless it is appealed. The other litigation is still pending. According to the assessment by Teleste's management, the results of these litigations are not expected to have a material effect on Teleste's financial position.

Group structure

The parent company has a branch office in the Netherlands and subsidiaries in 14 countries outside Finland.

Shares and changes in share capital

On 31 December 2018, 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 5.12 (6.51) and the highest was EUR 7.58 (9.62). Closing price on 31 December 2018 stood at EUR 5.26 (6.68). According to Euroclear Finland Ltd, the number of shareholders at the end of the period under review was 5,531 (5,618). Foreign and nominee-registered holdings accounted for 6.2% (6.6%) of the holdings. The value of Teleste's shares traded on the Nasdaq Helsinki from 1 January to 31 December 2018 was EUR 13.3 (16.8) million. In the period under review, 2.0 (2.0) million Teleste shares were traded on the stock exchange. Teleste's share is quoted in the technology section of Nasdaq Helsinki.

On 5 April 2018, Teleste Corporation's Board of Directors decided on a directed share issue without consideration, relating to the payment of the reward for the 2015–2017 performance period of Teleste Group's share-based incentive plan 2015. In the share issue, a total of 42,771 Teleste Corporation shares in the possession of Teleste Corporation were conveyed without consideration to key persons included in the share-based incentive plan, in accordance with the terms of the plan. On 31 December 2018, the Group held 821,182 (863,953) of its own shares, all held by the parent company Teleste Corporation. At the end of the review period, the Group's holding of the total number of shares amounted to 4.3% (4.6%).

On 31 December 2018, 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 Nasdag 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 5 October 2019.

Decisions by the Annual General Meeting

The Annual General Meeting (AGM) of Teleste Corporation held on 5 April 2018 adopted the financial statements and consolidated financial statements for 2017 and discharged the Board of Directors and the CEO from liability for the financial period 2017. The AGM confirmed the dividend of EUR 0.10 per share as proposed by the Board. The dividend was paid on 16 April 2018 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, Timo Miettinen, Timo Luukkainen and Kai Telanne were re-elected as members of Teleste Corporation's Board of Directors, and Heikki Mäkijärvi was elected as a new Board member. Pertti Ervi was elected Chair of the Board in the organising meeting held after the AGM. The Board of Directors decided to establish an audit committee. Jannica Fagerholm was elected Chair of the Audit Committee, and Pertti Ervi and Kai Telanne were elected as members.

The AGM decided to elect one auditor for Teleste Corporation. Audit 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 of Directors 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 issuances of 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. The authorisations override any previous authorisations to decide on issuances of new shares and on granting stock option rights or other special rights entitling to shares.

Outlook for 2019

The business objective of Video and Broadband Solutions is to maintain its strong market position in Europe and to strengthen this market position particularly in Northern America.

Demand for broadband services by cable operators continues to grow. Household broadband services are estimated to grow by 30–40 per cent a year. European cable operators have been able to competitively respond to the increasing demand by investing in DOCSIS 3.1 standard-compliant 1.2 GHz frequency range network upgrades. Investments in expansion of the traditional HFC network infrastructure frequency range continue, but operators are already planning investment in next-generation distributed access architecture network solutions. For years now, the cable industry, including Teleste, has been preparing for the next technology wave with which investment in cable network infrastructure can be competitively continued also in the years to come. We expect that new investment projects that are based on distributed access architecture requires careful preparation, and we expect that upgrade projects will increase and more and more operators will launch distributed architecture investment projects in 2020. Transition to distributed architecture provides Teleste with growth opportunities, but it also involves risks. Growth is enabled by the increased value of access network optical products as well as the possibility to use the technological transition to expand business into the North America markets. Achieving interoperability with the cable network central systems is the most

significant risk. We estimate that net sales from access network products in 2019 will be on par with the previous year, including the launch of distributed architecture product sales.

Ensuring safety in city environments, increase of public transport services and the increasing popularity of smart digital systems for a smoother life provide a foundation for growing business. Public transport operators must ensure smooth running of services and infrastructure as well as passenger safety. Supply of real-time information for passengers is essential for flexible public transport. The public transport information systems market as well as video security and situational awareness systems market are expected to grow in 2019. The prices of traditional video security systems have fallen and competition has increased considerably. Video security solutions are becoming increasingly smart, including pattern recognition and artificial intelligence. Furthermore, a need is arising in the market for comprehensive situational awareness systems that include management of other sensor-level data flows in addition to video image and automate operating processes in exceptional situations. Ensuring competitiveness requires Teleste to continuously make R&D investments in new intelligent solutions. In addition, it is necessary to improve the productivity and cost-efficiency of business. The order backlog of video security and information solutions increased in 2018. Characteristic for the business, a considerable proportion of deliveries will be distributed over several years. We estimate that net sales for video security and information solutions will continue to increase in 2019 from the previous year.

In Network Services, operators will increase their demand for various services as a result of changes in access architectures. 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. In our largest market area, Germany, we will continue to improve the efficiency of operations, strengthen the capabilities of the organisation and renew the subcontractor network. In addition, we will invest in the continuous improvement of customer satisfaction. In 2018, we completed an important delivery project in Germany, and the forecast for 2019 does not include a similar project. Therefore, we estimate that net sales of Network Services will decrease in 2019 compared with the previous year.

Teleste expects the company's net sales to remain at the level of 2018 (EUR 250.3 million). Operating result is expected to increase compared with 2018 (EUR 9.7 million).

6 February 2019

Teleste Corporation Board of Directors Jukka Rinnevaara President and CEO Teleste's Annual Report for 2018, which includes the audited financial statements, will be published no later than week 11 2019. 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

	10-12/2018	10-12/2017	Change %
Net sales	66,519	58,702	13.3 %
Other operating income Raw material and consumables used Employee benefits expense Depreciations	421 -36,224 -17,939 -1,497	474 -30,626 -17,772 -1,313	-11.2 % 18.3 % 0.9 % 14.0 %
Other operating expenses Operating profit	-9,047 2,233	-9,210 254	-1.8 % 779.6 %
Financial income Financial expenses Profit before taxes	55 -160 2,129	123 -331 46	-55.1 % -51.8 % 4505.8 %
Taxes	-494	-259	90.8 %
Profit for the period	1,635	-213	n/a
Profit attributable to: Owners of the parent company Non-controlling interests	1,658 -23 1,635	-173 -40 -213	n/a n/a
Earnings per share for profit of the year attributable t Basic (expressed in euro per share) Diluted (expressed in euro per share)	o the equity holders 0.09 0.09	of the parent -0.01 -0.01	n/a n/a
Total comprehensive income for the period, 1000 euros			
Net profit Items that may be reclassified to profit or loss:	1,635	-213	n/a
Translation differences Fair value reserve Total comprehensive income for the period	-124 -12 1,498	-56 58 -211	122.6 % n/a n/a
Total comprehensive income attributable to: Owners of the parent company Non-controlling interests	1,515 -17 1,498	-133 -78 -211	n/a -78.2 % n/a
STATEMENT OF COMPREHENSIVE INCOME, 1000 euros	1-12/2018	1-12/2017	Change %
Net sales	250,346	234,589	6.7 %

Other operating income Raw material and consumables used Employee benefits expense Depreciation Impairment on goodwill Other operating expenses Operating profit	1,766 -137,905 -66,014 -5,980 0 -32,492 9,721	1,531 -127,673 -69,406 -5,263 -7,705 -33,623 -7,549	15.3 % 8.0 % -4.9 % 13.6 % -100.0 % -3.4 % n/a
Financial income Financial expenses Profit before taxes	325 -986 9,060	537 -1,458 -8,470	-39.4 % -32.4 % n/a
Taxes	-2,219	-675	228.5 %
Profit for the period	6,841	-9,145	n/a
Profit attributable to: Owners of the parent company Non-controlling interests	6,975 -133 6,841	-9,106 -40 -9,145	n/a n/a
Earnings per share for profit of the year attributable to th Basic (expressed in euro per share) Diluted (expressed in euro per share)	ne equity holders o 0.38 0.38	f the parent -0.50 -0.50	n/a n/a
Total comprehensive income for the period (tEUR) Net profit	6,841	-9,145	n/a
Items that may be reclassified to profit or loss: Translation differences Fair value reserve Total comprehensive income for the period	-241 -3 6,598	-423 58 -9,511	-43.1% n/a n/a
Total comprehensive income attributable to: Owners of the parent company Non-controlling interests	6,705 -108 6,598	-9,432 -78 -9,511	n/a 37.6 % n/a

STATEMENT OF FINANCIAL POSITION, 1000 euros

Assets 1000 euros

	31.12.2018	31.12.2017	Change %
Non-current assets			
Property, plant and equipment	11,268	9,469	19.0 %
Goodwill	30,573	30,814	-0.8 %
Other intangible assets	8,601	9,637	-10.7 %
Other non-current financial assets	561	693	-19.0 %
Deferred tax assets	2,131	2,061	3.4 %
Total	53,135	52,674	0.9 %
Current assets			
Inventories	32,833	33,689	-2.5 %
Trade and other receivables	50,500	45,520	10.9 %
Income tax receivables	288	362	-20.2 %

Cash	22,240	21,230	4.8 %
Total	105,861	100,801	5.0 %
	105,001	100,001	5.0 /0
Total assets	150,000	152 /75	
TULATASSELS	158,996	153,475	3.6 %
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	-1,570	-1,404	11.8 %
Invested non restricted equity	3,048	3,062	-0.5 %
		•	
Retained profits	66,691	60,593	10.1 %
Non-controlling interests	522	630	-17.1 %
Total	77,163	71,352	8.1 %
Non-current liabilities			
Interest-bearing liabilities	22,590	28,394	-20.4 %
Other liabilities	81	1,159	-93.0 %
		•	
Deferred tax liabilities	1,607	1,429	12.5 %
Provisions	266	619	-56.9 %
Total	24,545	31,601	-22.3 %
Current liabilities			
Trade and other liabilities	51,089	43,763	16.7 %
Current tax payable	966	719	34.3 %
Provisions	1,012	1,186	-14.7 %
Interest-bearing liabilities	4,222	4,853	-13.0 %
Total	57,288	50,522	13.4 %
Total liabilities	81,833	82,123	-0.4 %
Equity and liabilities total	158,996	153,475	3.6 %
CONSOLIDATED CASH FLOW STATEMENT, 1000 e	uros		
	1.131.12.	1.131.12.	Change %
	2018	2017	_
Cash flows from operating activities			
Profit for the period	6,841	-9,145	n/a
•	0,041	-7,145	170
Adjustments for:	F 000	12.000	
Depreciation, amortisation and impairment	5,980	12,968	-53.9 %
Other non-cash items	850	1,529	-44.4 %
Financial income and expenses	662	921	-28.1 %
Dividends	-4	-6	-33.3 %
Taxes	2,219	675	228.5 %
Change in working capital		0/5	220.5 /0
	4 000	14740	- /-
Increase/decrease in trade and other receivables	-4,980	14,749	n/a
Increase/decrease in inventories	857	-145	n/a
Increase/decrease in trade and other payables	4,514	260	1636.2 %
Increase/decrease in provisions		134	293.0 %
Paid interests and other financial expenses	527		
	-986		-32.4 %
•	-986	-1,458	
Received interests and dividends	-986 325	-1,458 537	-39.4 %
•	-986	-1,458	
Received interests and dividends Paid taxes	-986 325 -1,796	-1,458 537 -1,765	-39.4 % 1.8 %
Received interests and dividends	-986 325	-1,458 537	-39.4 %

Cash flow from investing activities Purchases of property, plant and equipment			
(PPE)	-825	-1,975	-58.2 %
Proceeds from sales of PPE	166	210	-21.0 %
Purchases of intangible assets	-4,843	-3,123	55.1 %
Purchase of investments	-143	0	n/a
Acquisition of subsidiary, net of cash acquired	0	-996	n/a
Net cash used in investing activities	-5,645	-5,884	-4.1 %
Cash flow from financing activities			
Proceeds from borrowings	4,087	4,000	2.2 %
Payments of borrowings	-10,009	-1,138	779.5 %
Payment of finance lease liabilities	-655	-638	2.7 %
Dividends paid	-1,816	-4,530	-59.9 %
Capital investment by non-controlling interests	0	708	n/a
Net cash used in financing activities	-8,393	-1,598	425.2 %
Change in cash			
Cash and cash equivalents 1.1.	21,230	9,496	123.6 %
Effect of currency changes	39	-38	n/a
Cash and cash equivalents 31.12.	22,240	21,230	4.8 %

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

Fouity	Α	В	С	D	Е	F	G	н	I
Equity 31.12.2017 New standards	6,967	1,504	-1,404	60,592	3,140	-78	70,722	630	71,352
& other changes Total comprehensive income for the				179			179		179
period	0	0		6,975	0	0	6,975	-133	6,841
Dividends Equity-settled share-based	0	0	0	-1,816	0	0	-1,816	0	-1,816
payments Translation				850			850	0	850
differences Equity	0	0	-165	-86	0	-15	-266	25	-241
31.12.2018	6,967	1,504	-1,569	66,691	3,140	-92	76,640	522	77,163

Business segments euros External sales Services Goods External sales total Operating profit of s Financial items Profit before taxes			133,9 138,6	and 587 990 577 738	Network Services 111,669 0 111,669 1,983	5 9) 9	Group 116,356 133,990 250,346 9,721 -661 9,060
Business segments euros External sales	2017, 1000		Broadba Solutio	and	Network Services		Group
External sales Services Goods External sales total Operating profits of Financial items Profit before taxes	the segments		134,5 142,0		92,507 (92,507 -12,437) 7	100,074 134,515 234,589 -7,549 -921 -8,470
Geographical segm 1000 euros Sales by origin Assets Capital expenditure		cour	ordic htries 4,606 348 228	Other Europe 201,367 7,013 1,618	Finland 15,172 43,520 5,143	Others 9,201 122 0	Group 250,346 51,003 6,989
Geographical segm 1000 euros	ents 2017,		ordic ntries	Other Europe	Finland	Others	Group
Sales by origin Assets Capital expenditure	for the period	28	3,634 154 80	179,884 6,398 3,101	13,296 43,806 4,168	12,774 255 134	234,589 50,613 7,482
Segment information per quarter, 1000 euro	10-12/18	7-9/18	4-6/18	1-3/18	10-12/17	1-12/2018	1-12/2017
Video and Broadbar Order intake Net sales EBIT EBIT %	nd Solutions 51,142 36,691 1,942 5.3 %	29,032 32,191 2,737 8.5 %	32,189 37,199 2,642 7.1 %	39,945 32,596 417 1.3 %	43,424 35,429 480 1.4 %	152,307 138,677 7,738 5.6 %	170,359 142,082 4,888 3.4 %
Network Services Order intake Net sales EBIT EBIT %	29,829 29,829 291 1.0 %	27,179 27,179 460 1.7 %	27,963 27,963 828 3.0 %	26,698 26,698 404 1.5 %	23,273 23,273 -226 -1.0 %	111,669 111,669 1,983 1.8 %	92,507 92,507 -12,437 -13.4 %
Total Order intake Net sales	80,970 66,519	56,211 59,370	60,152 65,163	66,643 59,294	66,697 58,702	263,976 250,346	262,866 234,589

EBIT	2,233	3,197	3,470	821	254	9,721	-7,549
EBIT %	3.4 %	5.4 %	5.3 %	1.4 %	0.4 %	3.9 %	-3.2 %

New Standards

Teleste has adopted IFRS 15 Revenue from Contracts with Customers as of January 1, 2018. The cumulative effect of the new standard was recorded in the opening balance and it increased the equity with 73 thousand euro. All changeds was allocated to VBS segment.

Net sales by category, thousand euro

	10-12/18	7-9/18	4-6/18	1-3/18	10-12/17	1-12/2018	1-12/2017
Goods	35,617	31,499	35,480	31,394	33,123	133,990	134,223
Service	30,903	27,871	29,682	27,900	25,579	116,356	100,367
Total	66,519	59,370	65,163	59,294	58,702	250,346	234,589

Order backlog

Teleste is reporting order backlog for the VBS segment. The value of order backlog is open orders to be delivered in the future. At December 31, 2018 about 73.1 % of the order backlog will be delivered during the next 12 months. Teleste has not restated the order backlog for year 2017 as the effect IFRS 15 is not material.

Thousand euro	12/18	9/18	6/18	3/18	12/17
VBS order backlog end of period	71,017	56,652	59,721	64,918	57 383

Teleste on has adopted IFRS 9 Financial Instruments as of January 1, 2018. The cumulative effect of the new standard was recorded in the opening balance and it increased the equity with 22 thousand euro. The main effect of IFRS 9 concerns timing of expected credit losses.

Teleste has adopted amendment of IFRS 2 Share based payments as of January 1, 2018.

Commitments and contingencies, 1000 euro Rental liabilities Lease liabilities Value of underlying forward contracts Market value of forward contracts Interest rate swap Market value of interest swap Guarantees	95	10,0	75 98 74 27 00 31	2017 3,699 4,656 23,169 -204 10,000 -78 4,479	Change % -0.7 % -20.6 % -10.8 % n/a 0.0 % 3.8 % -37.2 %
The number of employees broken down by following categories 31.12. Research and development Production and material management Sales and marketing Administration Total		9. 1	48 37 90 78	2017 150 1,026 194 76 1,446	Change % -1.3 % -8.7 % -2.1 % 2.6 % -6.4 %
KEY FIGURES Profit and loss account, balance sheet Net sales, Meur	IFRS 2018 250.3	IFRS 2017 234.6	IFRS 2016 259.5	IFF 201 247	5 2014

Net sales, Meur	250.3	234.6	259.5	247.8	197.2
Change %	6.7 %	-9.6 %	4.8 %	25.7 %	2.3 %
Sales outside Finland, %	93.9 %	94.3 %	93.3 %	95.1 %	92.5 %
Operating profit, Meur	9.7	-7.5	15.6	14.3	11.1
% of net sales	3.9 %	-3.2 %	6.0 %	5.8 %	5.6 %
Profit after financial items, Meur	9.1	-8.5	14.8	13.9	10.8

% of net sales	3.6 %	-3.6 %	5.7 %	5.6 %	5.5 %
Profit before taxes, Meur	9.1	-8.5	14.8	13.9	10.8
% of net sales	3.6 %	-3.6 %	5.7 %	5.6 %	5.5 %
Profit for the financial period, Meur	6.8	-9.1	11.8	11.0	8.5
% of net sales	2.7 %	-3.9 %	4.6 %	4.4 %	4.3 %
R&D expenditure, Meur	12.5	12.1	11.1	11.0	10.3
% of net sales	5.0 %	5.1 %	4.3 %	4.4 %	5.2 %
Gross investments, Meur	7.0	7.5	5.5	16.9	3.7
% of net sales	2.8 %	3.2 %	2.1 %	6.8 %	1.9 %
Interest bearing liabilities, Meur	26.8	33.2	30.6	33.0	24.4
Shareholder's equity, Meur	77.2	71.4	84.4	77.5	70.7
Total assets, Meur	159.0	153.5	162.1	164.5	132.5
Personnel and orders					
Average personnel	1,393	1,492	1,514	1,485	1,302
Order backlog at year end, Meur	71.0	57.4	26.9	42.2	15.2
Orders received, Meur	264.0	262.9	244.3	251.3	199.3
Key metrics					
Return on equity, %	9.2 %	-11.7 %	14.6 %	14.9 %	12.5 %
Return on capital employed, %	9.3 %	-6.6 %	14.8 %	14.2 %	12.2 %
Equity ratio, %	51.7 %	48.3 %	52.5 %	48.3 %	53.4 %
Net gearing, %	5.9 %	16.8 %	25.0 %	26.3 %	9.5 %
Earnings per share, euro	0.38	-0.50	0.65	0.61	0.48
Earnings per share fully diluted, euro	0.38	-0.50	0.65	0.61	0.48
Shareholders equity per share, euro	4.25	3.94	4.66	4.28	3.94
Teleste share					
Highest price, euro	7.58	9.62	10.24	9.88	5.29
Lowest price, euro	5.12	6.51	7.29	5.32	4.25
Closing price, euro	5.26	6.68	8.86	9.80	5.27
Average price, euro	6.72	8.19	8.69	7.42	4.67
Price per earnings	13.8	-13.3	13.6	16.1	11.0
Market capitalization, Meur	99.9	126.8	160.6	177.6	98.7
Stock turnover, Meur	13.3	16.8	30.6	24.6	10.9
Turnover, number in millions	2.0	2.0	3.5	3.3	2.3
Turnover, % of share capital	10.4 %	10.8 %	18.5 %	17.5 %	12.5 %
Average number of shares	18985588	18985588	18985588	18985588	18918869
Number of shares at the year-end Average number of shares, diluted w/o	18985588	18985588	18985588	18985588	18985588
own shares	18168088	18202396	18169002	18036667	17729215
Number of shares at the year-end, diluted w/o own shares	18155300	18172350	18216369	18121635	17795934
Paid dividend, Meur	3.6	1.8	4.5	4.2	3.6
Dividend per share, euro	0.20*	0.10	0.25	0.23	0.20
Dividend per net result, %	53.1 %	neg.	38.3 %	37.7 %	41.7 %
Effective dividend yield, %	3.8 %	1.5 %	2.8 %	2.3 %	3.8 %

* The Board's proposal to the AGM

Treasury shares	Number of shares	% of shares	% of votes
Teleste companies own shares 31.12.2018	821,182	4.33 %	4.33 %

Largest shareholders 31.12.2018	Number of shares	% of shares
Tianta Oy	4,409,712	23.2
Mandatum Life Insurance Company Limited	1,679,200	8.8
Ilmarinen Mutual Pension Insurance Company	899,475	4.7
Kaleva Mutual Insurance Company	824,641	4.3
Teleste Oyj	821,182	4.3
Varma Mutual Pension Insurance Company	521,150	2.7
The State Pension Fund	500,000	2.6
Wipunen varainhallinta Oy	300,000	1.6
Mariatorp Oy	300,000	1.6
OP-Finland Small Firms Fund	280,737	1.5

Shareholders by sector 31.12.2018	Number of shareholders	% of Owners	Number of shares	% of shares
Households	5,172	93.5	4,664,942	24.6
Public sector institutions	4	0.1	1,930,725	10.2
Financial and insurance institutions	26	0.5	4,874,221	25.7
Corporations	264	4.8	7,358,769	38.8
Non-profit institutions	26	0.5	63,285	0.3
Foreign and nominee registered owners	39	0.7	93,646	0.5
Total	5,531	100.0	18,985,588	100.0
Of which nominee registered	10	0.2	1,081,051	5.7

Number of shares 31.12.2018	Number of shareholders	% of share- holders	Number of shares	% of shares
1 - 100	1,482	26.8	89,028	0.5
101 - 500	2,357	42.6	632,853	3.3
501 – 1 000	752	13.6	602,916	3.2
1 001 – 5 000	738	13.3	1,622,693	8.5
5 001 – 10 000	93	1.7	657,385	3.5
10 001 – 50 000	80	1.4	1,618,498	8.5
50 001 – 100 000	7	0.1	535,142	2.8
100 001 – 500 000	15	0.3	3,319,704	17.5
500 001 -	7	0.1	9,907,369	52.2
Total	5,531	100.0	18,985,588	100.0
of which nominee registered	10	0.2	1,081,051	5.7

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
	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
	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

ADDITIONAL INFORMATION: CEO Jukka Rinnevaara, phone +358 2 2605 611

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