



Half year financial report 1.1-30.6.2018

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Business areas



Video and Broadband Solutions

Broadband networks and video security and information solutions



Network Services

Comprehensive service solutions for cable networks

Market area and personnel

TELESTE



**Teleste's expertise and competitive edge are based on the motivated and professional personnel.
Teleste employs over 1400 people.
Outside Finland worked 65 % of the personnel.**

Teleste Group - Q2 2018

- Orders received decreased year-on-year and quarter-on-quarter in Video and Broadband Solutions. Order backlog increased by 31.5% on the reference period.
- Both business areas increased their net sales year-on-year and quarter-on-quarter.
- Operating result was clearly positive and increased q-o-q. The operating result for the reference period included the goodwill impairment and restructuring provision for the services business in Germany totalling EUR 9.3 million.
- The cash flow from operations decreased y-o-y, but remained on par q-o-q.

	Q2 2018	Q2 2017	Change	Q1 2018	Change
Orders received, M€	60,2	64,5	-6,7 %	66,6	-9,7 %
Net sales, M€	65,2	58,7	11,0 %	59,3	9,9 %
EBIT, M€	3,5	-9,3		0,8	322,6 %
EBIT, %	5,3 %	-15,8 %		1,4 %	
EBIT ¹⁾ , M€	3,5	0,0	7589,1 %	0,8	322,6 %
Net profit, M€	2,3	-9,7		0,6	320,6 %
EPS, €	0,13	-0,54		0,03	316,0 %
Operative cash flow, M€	3,1	14,1	-78,1 %	3,0	1,3 %

¹⁾ Excluding goodwill impairment and restructuring provision

Video and Broadband Solutions - Q2 2018

- Orders received decreased clearly both y-o-y and q-o-q. Orders received decreased in access network products. Order backlog increased by 31.5 % y-o-y.
- Net sales was on par y-o-y and increased q-o-q. Net sales increased in video security and information solutions.
- Operating result increased both y-o-y and q-o-q. Operating result was improved by the net sales of video security and information solutions, which increased y-o-y.

	Q2 2018	Q2 2017	Change	Q1 2018	Change
Orders received, M€	32,2	42,6	-24,4 %	39,9	-19,4 %
Net sales, M€	37,2	36,8	1,1 %	32,6	14,1 %
EBIT, M€	2,6	2,1	28,4 %	0,4	533,5 %
EBIT, %	7,1 %	5,6 %		1,3 %	
EBIT ¹⁾ , M€	2,6	2,1	28,4 %	0,4	533,5 %
Average personnel	720	777	-7,3 %	717	0,5 %

¹⁾ Excluding restructuring provision

Network Services - Q2 2018

- Both orders received and net sales grew y-o-y and q-o-q. Net sales increased in Germany and England. In Germany, net sales were increased by deliveries for a large project and the service rates implemented according to the new frame agreement signed with our main customer.
- Operating result was positive and grew both y-o-y and q-o-q. Operating result for the reference period was burdened by the goodwill impairment of EUR 7.7 million related to the services business in Germany as well as the restructuring provision of EUR 1.6 million.

	Q2 2018	Q2 2017	Change	Q1 2018	Change
Orders received, M€	28,0	21,9	27,5 %	26,7	4,7 %
Net sales, M€	28,0	21,9	27,5 %	26,7	4,7 %
EBIT, M€	0,8	-11,3		0,4	105,0 %
EBIT, %	3,0 %	-51,6 %		1,5 %	
EBIT ¹⁾ , M€	0,8	-2,0		0,4	105,0 %
Average personnel	710	743	-4,4 %	697	1,8 %

¹⁾ Excluding goodwill impairment and restructuring provision

Teleste Group, January – June 2018

	1-6 2018	1-6 2017	Change	1-12 2017
Orders received, M€	126,8	138,1	-8,2 %	262,9
Net sales, M€	124,5	119,6	+4,0 %	234,6
EBIT, M€	4,3	-9,0		-7,5
EBIT, %	3,4 %	-7,6 %		-3,2 %
EBIT ¹⁾ , M€	4,3	0,3	+1573 %	2,5
Net profit, M€	2,9	-9,6		-9,1
Operative cash flow, M€	6,1	14,3	-57,2 %	19,3

¹⁾ Excluding goodwill impairment and restructuring provision

Video and Broadband Solutions, January – June 2018

	1-6 2018	1-6 2017	Change	1-12 2017
Orders received, M€	72,1	90,7	-20,4 %	170,4
Net sales, M€	69,8	72,2	-3,3 %	142,1
EBIT, M€	3,1	2,9	+6,4 %	4,9
EBIT, %	4,4 %	4,0 %		3,4 %
EBIT ¹⁾ , M€	3,1	2,9	+6,4 %	5,6
Average personnel	718	764	-6,0 %	763

¹⁾ Excluding restructuring provision

Network Services, January – June 2018

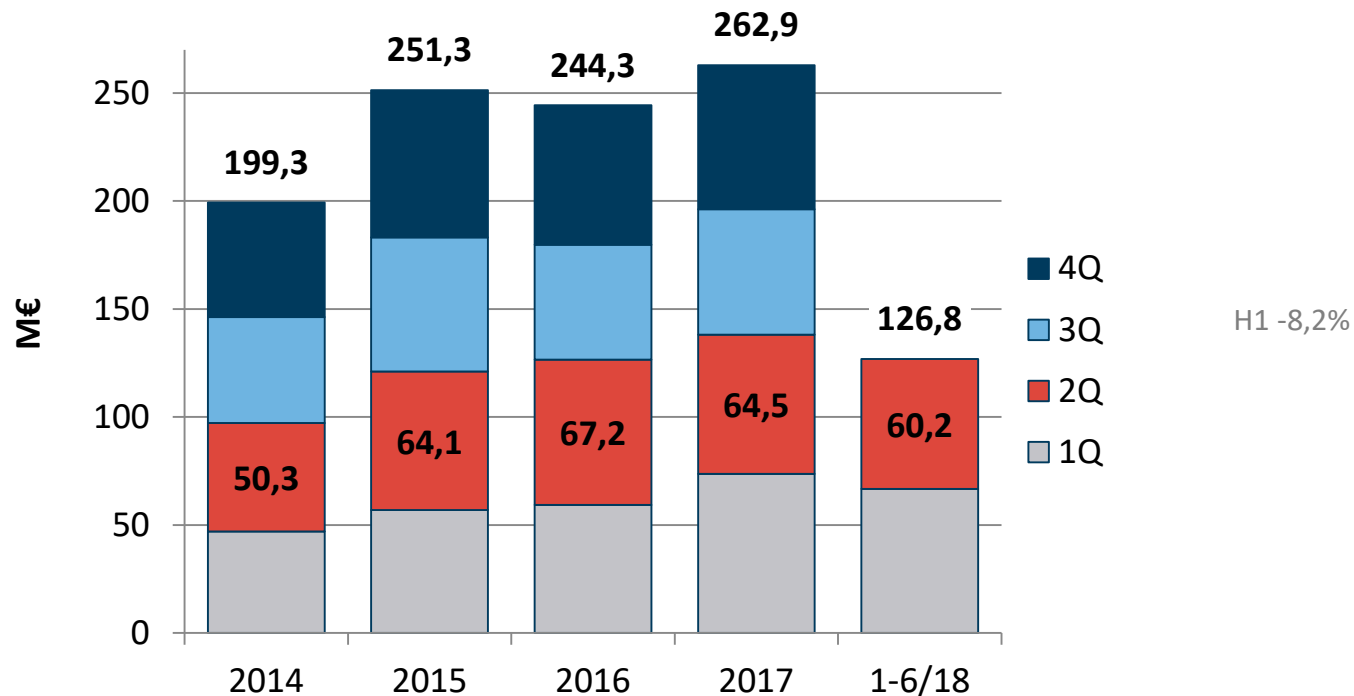
	1-6 2018	1-6 2017	Change	1-12 2017
Orders received, M€	54,7	47,5	+15,2 %	92,5
Net sales, M€	54,7	47,5	+15,2 %	92,5
EBIT, M€	1,2	-11,9		-12,4
EBIT, %	2,3 %	-25,1 %		-13,4 %
EBIT ¹⁾ , M€	1,2	-2,6		-3,1
Average personnel	703	749	-6,1 %	729

¹⁾ Excluding goodwill impairment and restructuring provision

Orders received

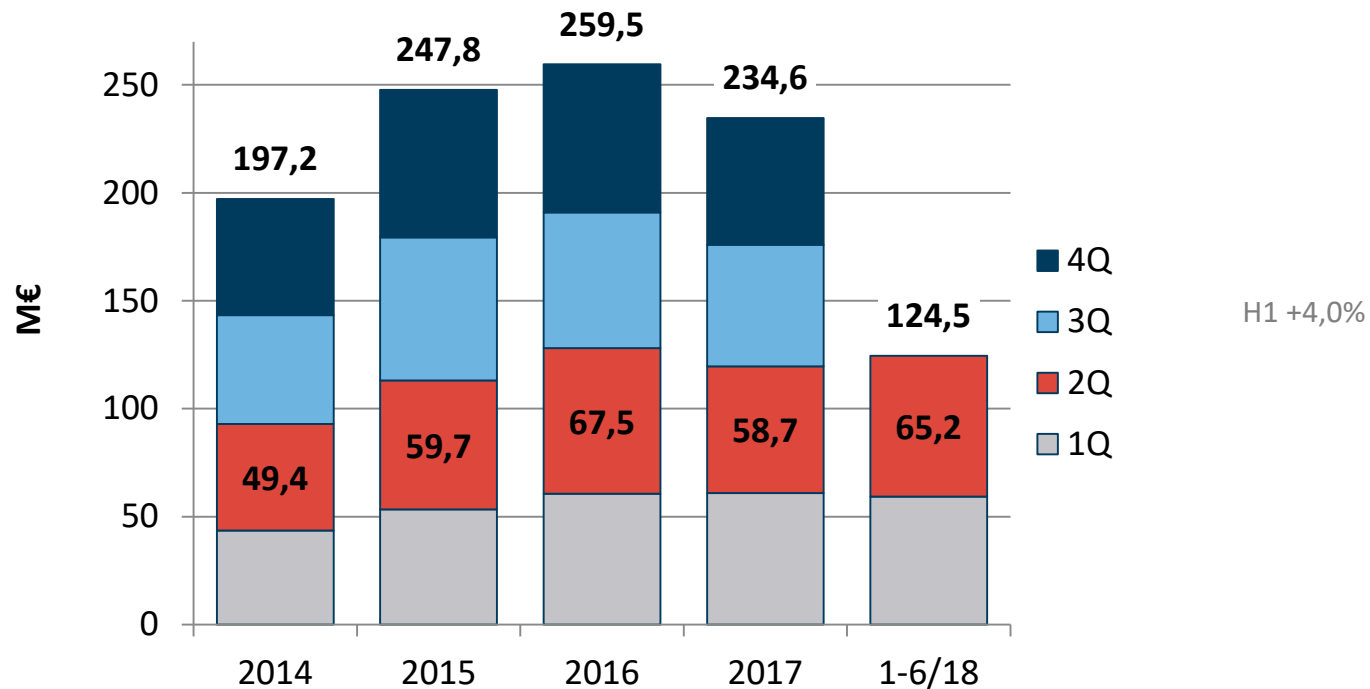
Teleste, M€

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Net sales

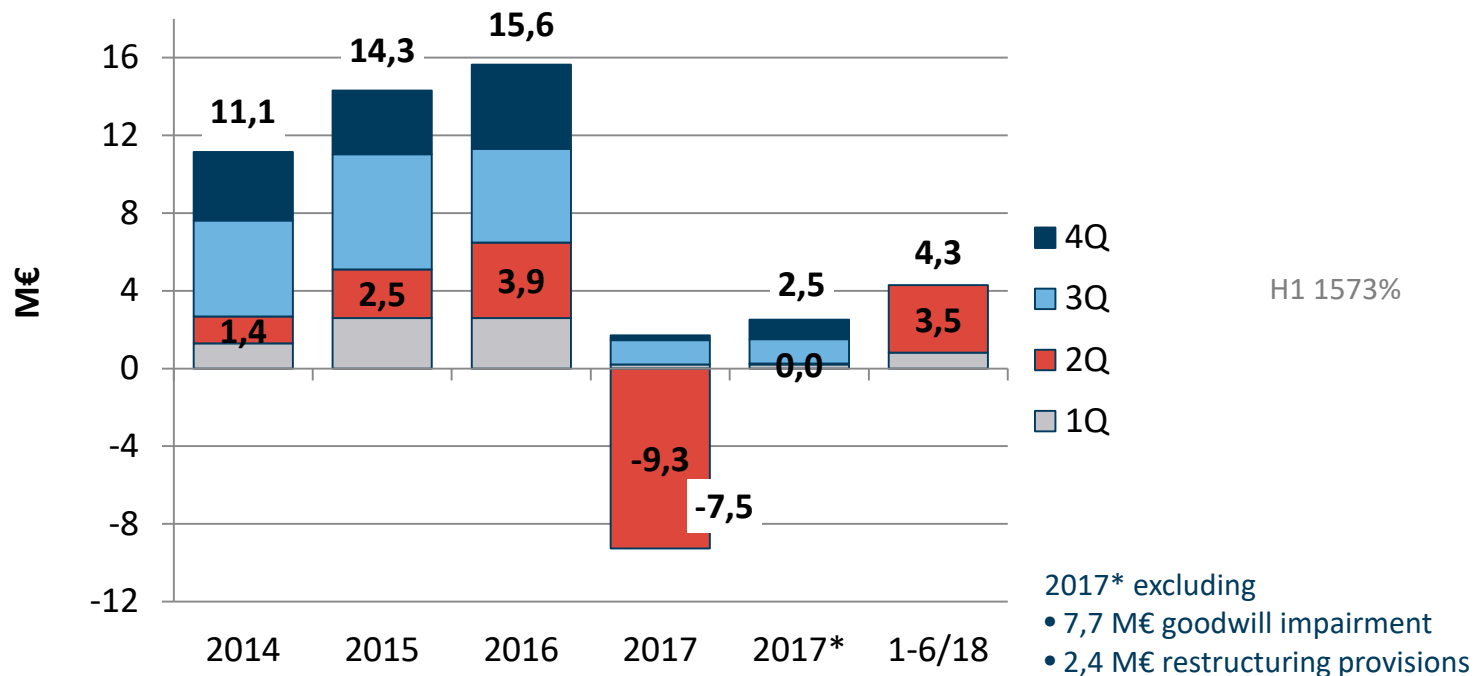
Teleste, M€



Operating result

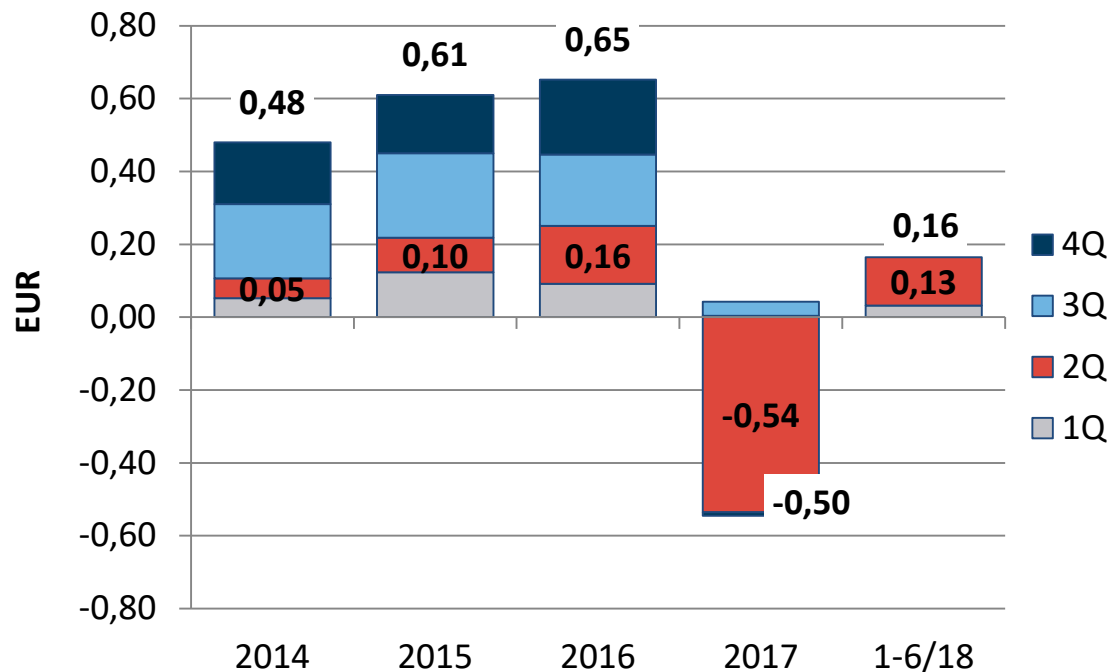
Teleste Group, M€

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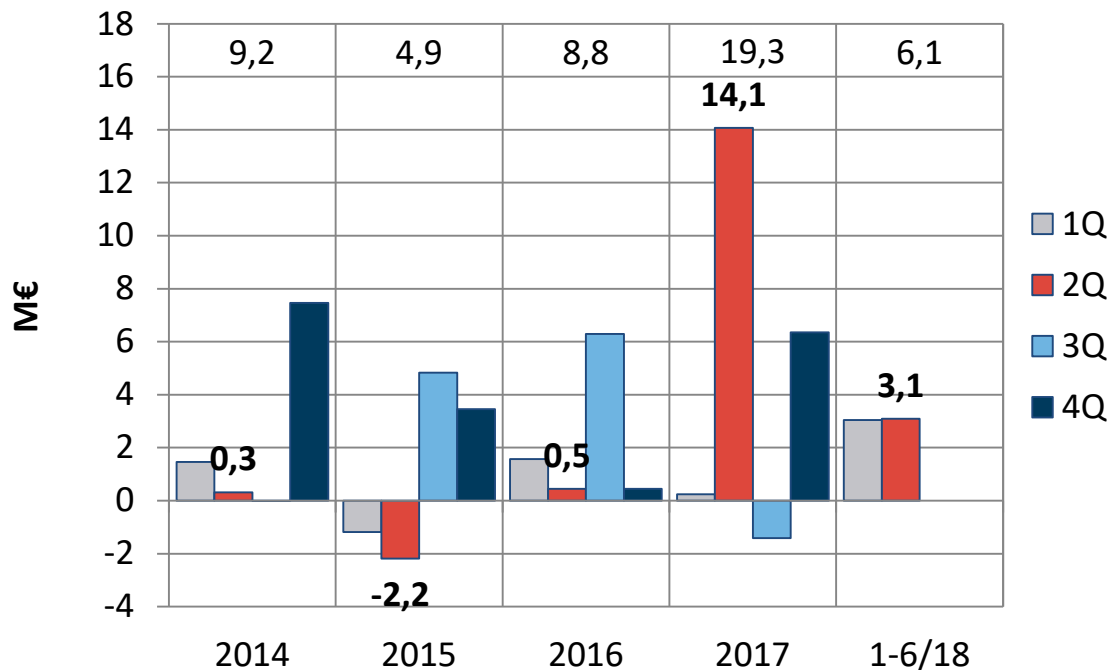
Earnings per share

Teleste Group, EUR



Cashflow from operations

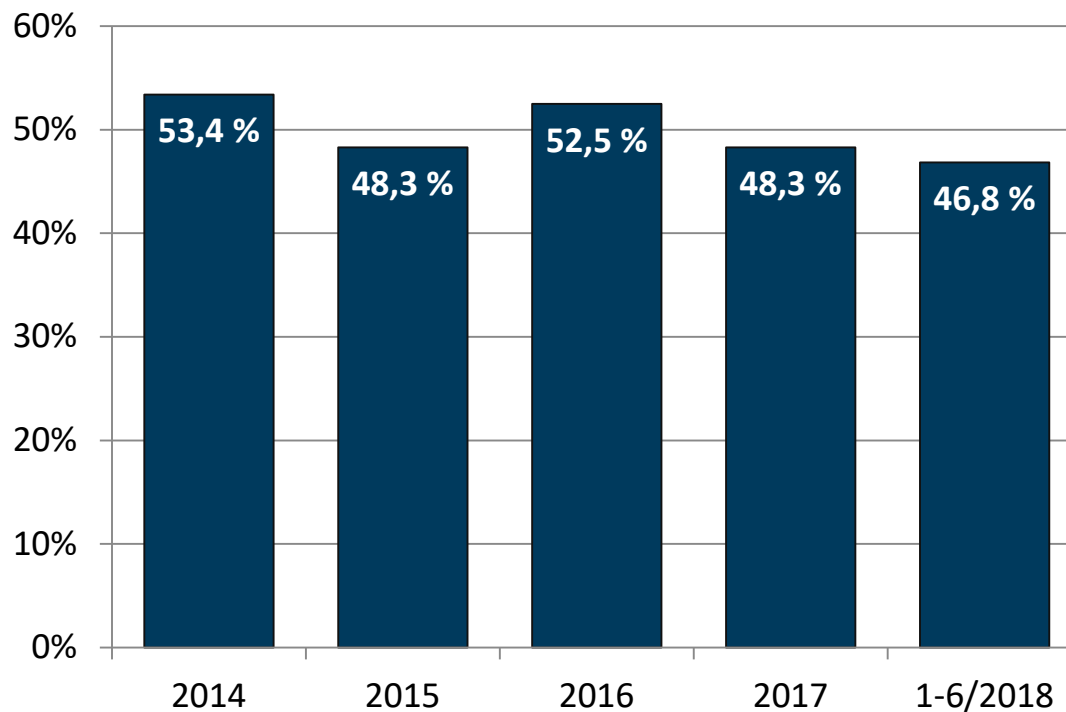
Teleste Group, M€



Equity ratio (at the end of period)

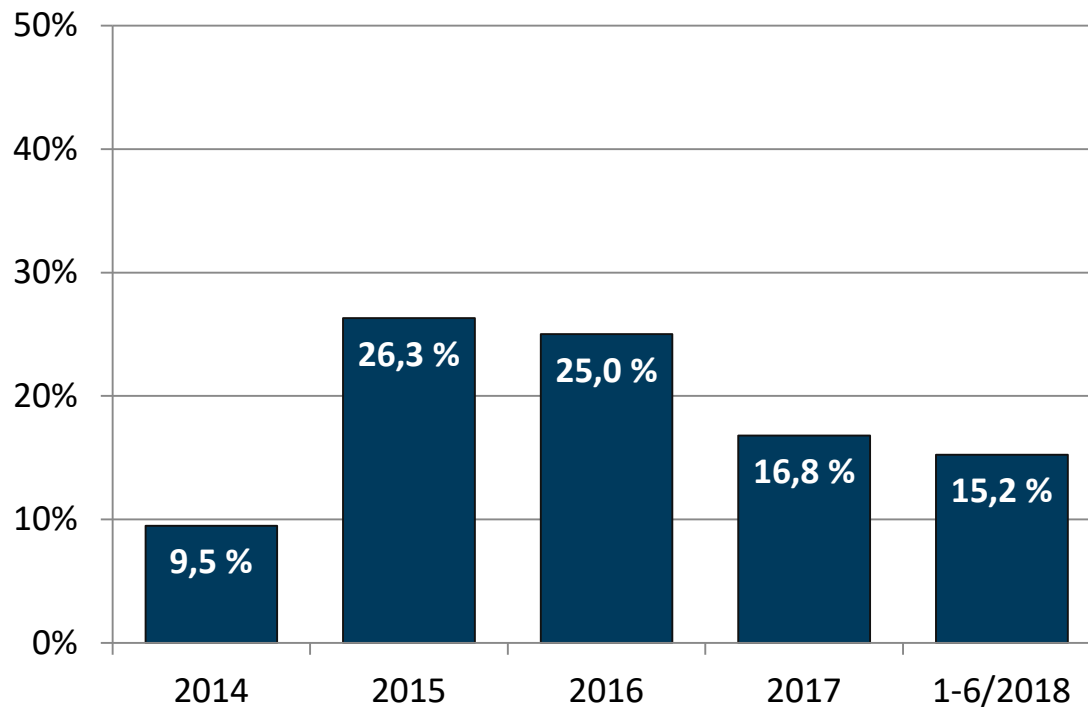
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Gearing (at the end of the period)

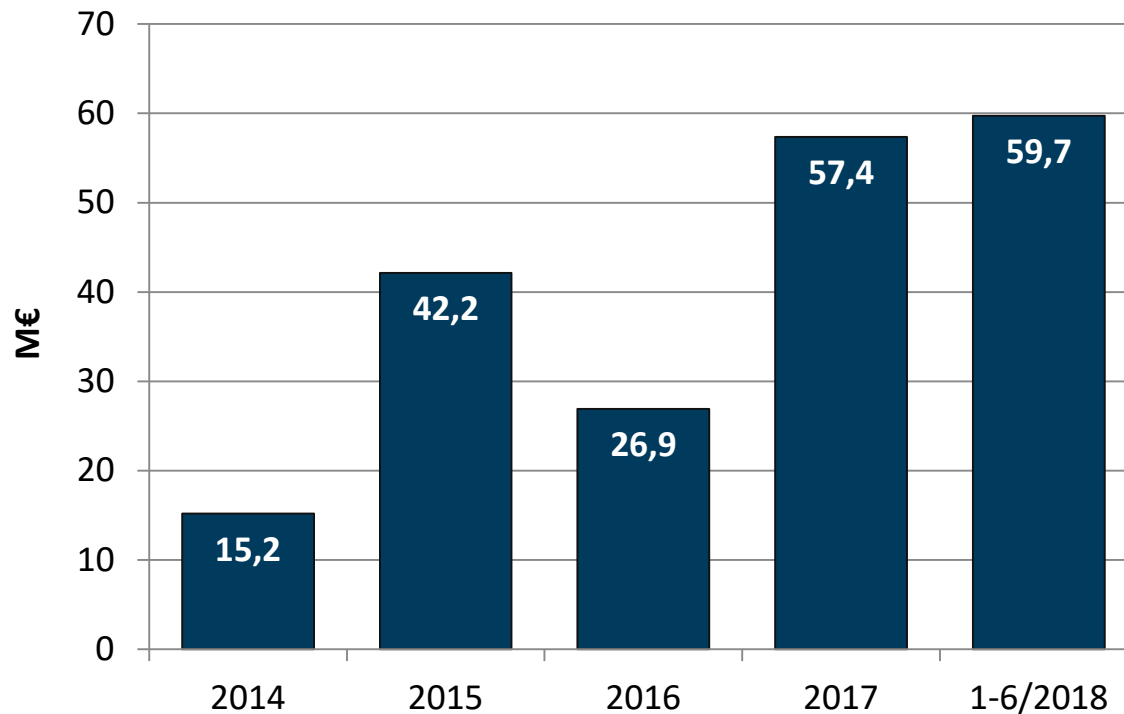
Teleste



Order backlog (at the end of the period)

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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. In particular, investments in the North American market will continue in 2018.

Network capacity will continue to grow, with operators responding to consumers' new and expanding broadband and video service needs. Teleste's entire access network product portfolio has been renewed in accordance with the DOCSIS 3.1 standard, and our offering allows cable operators to increase their network capacity competitively. In 2018, two network upgrade projects will be completed that are significant on the European scale. Operators will launch new upgrade projects. However, there is uncertainty associated with the timing of these projects, as operators are already considering next-generation distributed access architecture solutions. We expect that new investment projects that are based on distributed access architecture will be launched in Europe and, in particular, in North America in 2018 and 2019. The change in access network technology also has an effect on suppliers' competitive position. Teleste continues investing in distributed access architecture technology and access network products that are suitable for new markets. In addition, the target of the subsidiary established in the US is to promote the sales of broadband network products to the cable network operators in North America. The objective of these investments is the long-term increase in sales. We estimate that net sales from access network products in 2018 will remain below the level of 2017.

The improvement of safety in city environments, the increase of public transport services, and the increasing popularity of smart systems for a smoother life provide a foundation for new business opportunities. Demand for **video security solutions** for public spaces continues worldwide, but competition in the industry has increased considerably and price erosion in the traditional video security equipment market continues. Video security solutions are becoming increasingly smart, including pattern recognition and artificial intelligence. Furthermore, a need is arising in the market for more comprehensive situation awareness systems that include management of other sensor-level data flows in addition to video image. New innovations and solutions are also changing the public transport passenger information solution business. Supply of real-time information for passengers is essential for safe and flexible public transport. It is necessary to improve the productivity and cost-efficiency of traditional business. The improvement of competitiveness requires R&D investments in new intelligent solutions. Although the orders received in 2017 for video security and information solutions increased, a significant portion of the deliveries is scheduled for the coming years. We estimate that net sales for 2018 will increase clearly from the previous year.

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. The negotiations to renew an important three-year frame agreement with a German customer were concluded and the new agreement was signed at the beginning of May. The new agreement will have a significant effect on the profitability of our services business. We estimate that net sales for 2018 will increase from the previous year.

Teleste expects the company's net sales to increase in 2018 compared with 2017 (EUR 234.6 million). Operating result is expected to be clearly positive. However, due to the ongoing investments, it will not yet reach the record level of 2016 (EUR 15.6 million).

Our Vision

Best partner for networked
society