

INTERIM
REPORT
Q1 2018

JANUARY 1-MARCH 31, 2018

TELESTE

TELESTE CORPORATION INTERIM REPORT 1 JANUARY TO 31 MARCH 2018**NET SALES ON PAR WITH THE REFERENCE PERIOD, OPERATING RESULT TOOK AN UPWARD TURN, RECORD-LEVEL ORDER BACKLOG****First quarter of 2018**

- Net sales amounted to EUR 59.3 (60.9) million, a decrease of 2.7%.
- Operating result stood at EUR 0.8 (0.2) million, an increase of 289.3%.
- Undiluted earnings per share were EUR 0.03 (0.00) per share, an increase of 712.8%.
- Orders received totalled EUR 66.6 (73.6) million, a decrease of 9.5%.
- Cash flow from operations was EUR 3.0 (0.2) million, an increase of 1,149%.
- Order backlog stood at EUR 64.9 (39.6) million, an increase of 63.8%.

Outlook for 2018

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).

Comments by CEO Jukka Rinnevaara:

'Orders received in the first quarter of 2018 were on par with the previous quarter but did not reach the record level of the reference period. Order backlog increased, reaching the highest level in Teleste's history. This provides a good foundation for growth and improvement of profitability. Net sales were at the reference period level, while operating result improved clearly year-on-year. This year we will particularly focus on developing our business in three areas: achieving positive performance in the services business in Germany, successful launch of sales in the US cable operator market, and significant growth and improved performance in video security and information solutions.

Orders received by Video and Broadband Solutions decreased from last year's record level, but the order backlog increased to the highest level in Teleste's history. Approximately 60 per cent of the orders in the order backlog will be delivered this year. We won orders particularly in Switzerland, Poland and Turkey. Net sales decreased year-on-year, particularly in video security and information solutions. However, the positive development seen in new orders for video security and information solutions since last year provides good possibilities for increased net sales and improved profitability during the rest of the year. During the quarter, the business area continued to invest in future growth in the product development of distributed access architecture and in acquiring new customers in the US market. In addition, resources were added to the development of the new smart S-AWARE situational awareness system.

Net sales of Network Services improved year-on-year. Net sales increased in Germany due to the volume growth in project deliveries to a new customer. Operating result improved as a result of increased net sales and new projects. The measures carried out with our German main customer to improve profitability also contributed to the result for the quarter. In addition, negotiations to renew an important three-year frame agreement entered the final stage. The outcome of the negotiations will have a significant effect on the profitability of our services business.'

Group Operations January–March 2018

Key figures	1–3/2018	1–3/2017	Change, %	1–12/2017
Orders received, EUR million	66.6	73.6	-9.5%	262.9
Net sales, EUR million	59.3	60.9	-2.7%	234.6
EBIT, EUR million	0.8	0.2	289.3%	-7.5
EBIT, %	1.4%	0.3%		-3.2%
Result for the period, EUR million	0.6	0.1	686.7%	-9.1
Earnings per share, EUR	0.03	0.00	712.8%	-0.50
Cash flow from operations, EUR million	3.0	0.2	1,149%	19.3
Net gearing, %	14.7%	25.6%		16.8%
Equity ratio, %	48.4%	52.7%		48.3%
Personnel at period-end	1,410	1,489	-5.3%	1,446

Orders received by the Group in the first quarter totalled EUR 66.6 (73.6) million, a decrease of 9.5% on the reference period last year. Compared with the end of the reference period, order backlog increased by 63.8% to EUR 64.9 (39.6) million. Net sales stood at EUR 59.3 (60.9) million, down by 2.7% year-on-year.

Expenses for material and production services were EUR 33.5 (33.9) million, a decrease of 1.3%. Personnel expenses decreased by 7.5% to EUR 16.3 (17.6) million. Depreciation, amortisation and other operating expenses were EUR 9.0 (9.6) million, a decrease of 6.0%. Operating result increased by 289% to EUR 0.8 (0.2) million, representing 1.4% (0.3%) of net sales. Operating result was improved by the increased net sales in Network Services and the projects of a new customer in Germany. The measures carried out with our German main customer to improve profitability also contributed to the result for the quarter.

Net financial expenses amounted to EUR 0.1 (0.1) million, a decrease of 34.5%. Direct taxes stood at EUR 0.2 (0.0) million, and the effective tax rate was 25.1% (25.3%). Undiluted earnings per share were EUR 0.03 (0.00) per share, an increase of 713%.

Cash flow from operations was EUR 3.0 (0.2) million. The increase in cash flow from operations resulted from changes in the working capital and improved performance.

Video and Broadband Solutions January–March 2018

EUR 1,000	1–3/2018	1–3/2017	Change	1–12/2017
Orders received	39,945	48,116	-17.0%	170,359
Net sales	32,596	35,403	-7.9%	142,082
EBIT	417	817	-49.0%	4,888
EBIT, %	1.3%	2.3%		3.4%

Orders received decreased by 17.0% year-on-year, amounting to EUR 39.9 (48.1) million. Compared with the end of the reference period, order backlog increased by 63.8% to EUR 64.9 (39.6) million. Net sales decreased by 7.9% to EUR 32.6 (35.4) million. Net sales decreased the most in video security and information solutions. Operating result decreased by 49.0% to EUR 0.4 (0.8) million, representing 1.3% (2.3%) of net sales. In addition to lower net sales, operating result was depressed by investments in the launching of business in new market areas.

R&D expenses amounted to EUR 3.0 (2.9) million, representing 9.3% (8.0%) of net sales in the business area. Product development projects focused on distributed access architecture, network products complying with the DOCSIS 3.1 standard (including solutions designed for the US market), video security and information solutions, and customer-specific projects. Capitalised R&D expenses amounted to EUR 1.4 (0.8) million. Depreciation on capitalised R&D expenses was EUR 0.6 (0.4) million.

Network Services January–March 2018

EUR 1,000	1–3/2018	1–3/2017	Change	1–12/2017
Orders received	26,698	25,531	4.6%	92,507
Net sales	26,698	25,531	4.6%	92,507
EBIT	404	-606		-12,437
EBIT, %	1.5%	-2.4%		-13.4%

In the first quarter, orders received and net sales increased by 4.6% to EUR 26.7 (25.5) million. Net sales increased in Germany, resulting from a new customer's projects. Operating result increased year-on-year to EUR 0.4 (-0.6) million. Operating result represented 1.5% (-2.4%) of net sales. In Germany, the measures to improve profitability and the restructuring programme continued. They will continue through the rest of 2018. The measures carried out with our German main customer to improve profitability also contributed to the result for the quarter. The negotiations to renew an important three-year frame agreement with a German customer entered the final stage.

Personnel and organisation January–March 2018

In the period under review, the average number of people employed by the Group was 1,414 (1,507/2017, 1,499/2016). Of these, 717 (751) were employed by Video and Broadband Solutions and 697 (756) by Network Services. At the end of the review period, the Group employed 1,410 people (1,489/2017, 1,496/2016), of whom 67% (65%/2017, 67%/2016) worked abroad. Approximately 2% of the Group's employees were working outside Europe.

Personnel expenses decreased by 7.5% year-on-year to EUR 16.3 (17.6/2017, 17.6/2016) million. The decrease in personnel expenses resulted from the reduced number of employees. The number of employees decreased by 6.2% compared with the average number of personnel in the reference period.

Investments and product development January–March 2018

Investments by the Group totalled EUR 1.7 (1.4) million, equal to 2.9% (2.2%) of net sales. Investments in product development amounted to EUR 1.4 (0.8) million. Of the investments, EUR 0.0 (0.2) million were carried out under financial lease arrangements.

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

Financing and Capital Structure January–March 2018

Cash flow from operations was EUR 3.0 (0.2) million. The increase in cash flow from operations resulted from changes in the working capital and improved performance.

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 (19.0) million.

On 31 March 2018, the Group's interest-bearing debt stood at EUR 33.2 (30.6) million. The Group's equity ratio was 48.4% (52.7%) and net gearing 14.7% (25.6%).

Key Risks Faced by the Business Areas

Founded in 1954, Teleste is a technology and services company consisting of two business areas: Video and Broadband Solutions and Network Services. With Europe as the main market and business area, the company is also expanding its business outside Europe. Teleste's customers include cable operators, public transport operators, train manufacturers and specified organisations in the public sector.

In Video and Broadband Solutions, customer-specific and integrated deliveries of solutions create favourable conditions for growth. On the other hand, the allocation of resources to the deliveries and the technical implementation are demanding tasks, which is why there are also risks involved. 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 quotation 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. 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 and goal-directed development of the skills and knowledge of our personnel and subcontractors. In addition, the sufficiency and usage rates of our personnel and subcontractor network influence the company's delivery capacity and profitability. 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 exploited. 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. The litigation is still pending. According to the assessment by Teleste's management, the results of these litigations are not expected to have material effect on Teleste's financial position.

Group Structure

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

Shares and Changes in Share Capital

On 31 March 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 6.70 (8.25) and the highest was EUR 7.44 (9.62). Closing price on 31 March 2018 stood at EUR 6.80 (8.71). According to Euroclear Finland Ltd, the number of shareholders at the end of the period under review was 5,504 (5,851). Foreign and nominee-registered holdings accounted for 7.4% (5.4%) of the shares. From 1 January to 31 March 2018, a total of 0.4 (0.6) million Teleste shares were traded on the Nasdaq Helsinki, and the value of shares traded was EUR 3.1 (5.3) million.

On 31 March 2018, 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 March 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 Nasdaq Helsinki at the market price of the time of the purchase.
- The Board of Directors may decide on issuing new shares and/or transferring the company's own shares held by the company, so that the maximum total number of shares issued and/or transferred is 2,000,000.
- The total number of new shares to subscribe for under the special rights granted by the Company and own shares held by the Company to be transferred may not exceed 1,000,000 shares, which number is included in the above maximum number concerning new shares and the Group's own shares held by the Company.

Events after the end of the review period

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 AGM decided to choose 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.

Directed share issue

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.

The Audit Committee of the Board of Directors

Teleste's Board of Directors established an Audit Committee on 5 April 2018. Jannica Fagerholm was elected Chair of the Audit Committee, and Pertti Ervi and Kai Telanne were elected as members.

Outlook for 2018

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 reach 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 have entered the final stage. The outcome of the negotiations 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).

2 May 2018

Teleste Corporation
Board of Directors

Jukka Rinnevaara
President and CEO

This interim report has been compiled in compliance with IAS 34, as it is accepted within EU, using the recognition and valuation principles with those used in the Annual Report. Teleste has prepared this interim report applying the same accounting principles as those described in detail in its the consolidated financial statements except for the adoption of new standards and amendments effective as of January 1, 2018. The data stated in this report is unaudited.

**STATEMENT OF COMPREHENSIVE
INCOME (tEUR)**

	1-3/2018	1-3/2017	Change %	1-12/2017
Net Sales	59,294	60,934	-2.7 %	234,589
Other operating income	342	433	-21.1 %	1,531
Materials and services	-33,491	-33,948	-1.3 %	-127,673
Personnel expenses	-16,314	-17,628	-7.5 %	-69,406
Depreciation	-1,541	-1,323	16.5 %	-5,263
Impairment loss	0	0	n/a	-7,705
Other operating expenses	-7,468	-8,257	-9.6 %	-33,623
Operating profit	821	211	289.3 %	-7,549
Financial income	73	119	-38.0 %	537
Financial expenses	-149	-235	-36.3 %	-1 458
Profit after financial items	745	95	684.9 %	-8,470
Profit before taxes	745	95	684.9 %	-8,470
Taxes	-187	-24	679.5 %	-675
Net profit	558	71	686.7 %	-9,145
Attributable to:				
Equity holders of the parent	576	71	712.8 %	-9,106
Non-controlling interests	-19	0	n/a	-40
	558	71	686.7 %	-9,145
Earnings per share for result of the year attributable to the equity holders of the parent (expressed in euro per share)				
Basic	0.03	0.00	712.8 %	-0.50
Diluted	0.03	0.00	714.8 %	-0.50
Total comprehensive income for the period (tEUR)				
Net profit	558	71	686.7 %	-9,145
Possible items with future net profit effect				
Translation differences	-110	361	n/a	-423
Cash flow hedges	-2	35	n/a	58
Total comprehensive income for the period	446	467	-4.5 %	-9,511
Attributable to:				
Equity holders of the parent	481	467	3.0 %	-9,432
Non-controlling interests	-35	0	n/a	-78
Equity holders of the parent	446	467	-4.5 %	-9,511

**STATEMENT OF FINANCIAL POSITION
(tEUR)**

	31/03/2018	31/03/2017	Change %	31/12/2017
Non-current assets				
Intangible assets	10,056	7,374	36.4 %	9,469
Goodwill	30,716	37,415	-17.9 %	30,814
Property, plant, equipment	9,089	11,204	-18.9 %	9,637
Other non-current financial assets	765	693	10.3 %	693
Deferred tax asset	2,641	2,122	24.4 %	2,061
	53,267	58,809	-9.4 %	52,674
Current assets				
Inventories	33,259	32,821	1.3 %	33,689
Trade and other receivables	47,832	60,661	-21.1 %	45,520
Tax Receivable, income tax	551	708	-22.2 %	362
Cash and cash equivalents	22,557	8,857	154.7 %	21,230
	104,199	103,048	1.1 %	100,801
Total assets	157,466	161,857	-2.7 %	153,475
Shareholder's equity and liabilities				
Share capital	6,967	6,967	0.0 %	6,967
Other equity	64,984	77,949	-16.6 %	63,755
Owners of the parent company	71,952	84,917	-15.3 %	70,722
Non-controlling interests	594	0	n/a	630
EQUITY	72,546	84,917	-14.6 %	71,352
Non-current liabilities				
Deferred tax liability	1,471	1,314	11.9 %	1,429
Non-current liabilities, interest-bearing	28,389	28,982	-2.0 %	28,394
Non-current interest-free liabilities	1,153	100	1054.0 %	1,159
Non-current provisions	630	1,076	-41.4 %	619
	31,642	31,472	0.5 %	31,601
Current liabilities				
Current interest-bearing liabilities	4,836	1,651	192.9 %	4,853
Trade Payables and Other Liabilities	46,757	41,265	13.3 %	43,763
Tax liability, income tax	743	1,671	-55.5 %	719
Current provisions	942	881	6.9 %	1,186
	53,278	45,468	17.2 %	50,522
Total shareholder's equity and liabilities	157,466	161,857	-2.7 %	153,475

**CONSOLIDATED CASH FLOW
STATEMENT (tEUR)**

	1-3/2018	1-3/2017	Change %	1-12/2017
Cash flows from operating activities				
Profit for the period	558	71	685.8 %	-9,145
Adjustments	2,825	1,468	92.4 %	16,087
Interest and other financial expenses and incomes	-76	-116	-34.5 %	-921
Paid Taxes	-904	-932	-3.0 %	-1,765
Change in working capital	644	-247	-360.7 %	14,998
Cash flow from operating activities	3,047	244	1148.8 %	19,254
Cash flow from investing activities				
Purchases of property, plant and equipment (PPE)	-196	-335	-41.5 %	-1,975
Proceeds from sales of PPE	98	7	1300.0 %	210
Purchases of intangible assets	-1,441	-766	88.1 %	-3,123

Purchase of investments	-90	0	n/a	0
Acquisition of subsidiaries, net of cash acquired	0	0	n/a	-996
Net cash used in investing activities	-1,629	-1,094	48.9 %	-5,884
Cash flow from financing activities				
Proceeds from borrowings	3,165	0	n/a	4,000
Payments of borrowings	-3,029	0	n/a	-1,138
Payment of leasing liabilities	-176	-150	17.3 %	-638
Dividends paid	0	0	n/a	-4,530
Capital investment by non-controlling interests	0	0	n/a	708
Net cash used in financing activities	-40	-150	-73.3 %	-1,598
Change in cash				
Cash in the beginning	21,230	9,496	123.6 %	9,496
Effect of currency changes	-51	361	n/a	-38
Change	1,378	-1,000	n/a	11,772
Cash at the end	22,557	8,857	154.7 %	21,230

KEY FIGURES	1-3/2018	1-3/2017	Change %	1-12/2017
Earnings per share, EUR	0.03	0.00	712.8 %	-0.50
Earnings per share fully diluted, EUR	0.03	0.00	714.8 %	-0.50
Shareholders' equity per share, EUR	4.00	4.69	-14.6 %	3.94
Return on equity	3.1 %	0.3 %	825.2 %	-11.7 %
Return on capital employed	3.3 %	1.1 %	189.3 %	-6.6 %
Equity ratio	48.4 %	52.7 %	-8.2 %	48.3 %
Gearing	14.7 %	25.6 %	-42.7 %	16.8 %
Investments, tEUR	1,701	1,357	25.4 %	7,482
Investments % of net sales	2.9 %	2.2 %	30.4 %	3.2 %
Order backlog, tEUR	64,918	39,643	63.8 %	57,383
Personnel, average	1,414	1,507	-6.2 %	1,492
Number of shares (thousands) including own shares	18,986	18,986	0.0 %	18,986
Highest share price, EUR	7.44	9.62	-22.7 %	9.62
Lowest share price, EUR	6.70	8.25	-18.8 %	6.51
Average share price, EUR	7.12	8.83	-19.3 %	8.19
Turnover, in million shares	0.4	0.6	-28.6 %	2.0
Turnover, in MEUR	3.1	5.3	-42.4 %	16.8

Treasury shares

	Number of shares		% of shares	% of votes
Possession of company's own shares 31.3.2018	863,953		4.55%	4.55%
Contingent liabilities and pledged assets (tEUR)				
Leasing and rent liabilities	8,391	9,368	-10.4 %	8,355

Derivative instruments (tEUR)				
Value of underlying forward contracts	21,912	24,545	-10.7 %	23,169
Market value of forward contracts	-79	76	-203.9 %	-204
Interest rate swap	10,000	10,000	0.0 %	10,000
Market value of interest swap	-70	-100	-30.0 %	-78

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

OPERATING SEGMENTS (tEUR)	1-3/2018	1-3/2017	Change %	1-12/2017
Video and Broadband Solutions				
Orders received	39,945	48,116	-17.0 %	170,359
Net sales	32,596	35,403	-7.9 %	142,082
EBIT	417	817	-49.0 %	4,888
EBIT%	1.3 %	2.3 %		3.4 %
Network Services				
Orders received	26,698	25,531	4.6 %	92,507
Net sales	26,698	25,531	4.6 %	92,507
EBIT	404	-606	-166.7 %	-12,437
EBIT%	1.5 %	-2.4 %		-13.4 %
Total				
Orders received	66,643	73,647	-9.5 %	262,866
Net sales	59,294	60,934	-2.7 %	234,589
EBIT	821	211	289.1 %	-7,549
EBIT%	1.4 %	0.3 %		-3.2 %
Financial items	-76	-116	-34.5 %	-921
Operating segments net profit before taxes	745	95	684.2 %	-8,470

Information per quarter (tEUR)	1-3/18	10-12/17	7-9/17	4-6/17	1-3/17	4/2017-3/2018
Video and Broadband Solutions						
Orders received	39,945	43,424	36,264	42,555	48,116	162,188
Net sales	32,596	35,429	34,469	36,782	35,403	139,275
EBIT	417	480	1,534	2,057	817	4,487
EBIT %	1.3 %	1.4 %	4.5 %	5.6 %	2.3 %	3.2 %
Network Services						
Orders received	26,698	23,273	21,779	21,924	25,531	93,674
Net sales	26,698	23,273	21,779	21,924	25,531	93,674
EBIT	404	-226	-288	-11,316	-606	-11,426
EBIT %	1.5 %	-1.0 %	-1.3 %	-51.6 %	-2.4 %	-12.2 %
Total						
Orders received	66,643	66,697	58,044	64,478	73,647	255,862
Net sales	59,294	58,702	56,248	58,706	60,934	232,950
EBIT	821	254	1,246	-9,259	211	-6,939
EBIT %	1.4 %	0.4 %	2.2 %	-15.8 %	0.3 %	-3.0 %

Consolidated statement of changes in equity, 1000 euros
Attributable to equity holders of the parent (tEUR)

	A	B	C	D	E	F	G	H	I
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								
Shareholder's equity 1.1.2018	6,967	1,504	-1,404	60,606	3,140	-78	70,735	630	71,365
New standards				96			96		96
Profit/loss for the period				576		0	576	-19	557
Equity-settled share-based payments				639			639		639
Translation differences			-137	44	0		-93	-17	-110
Cash flow hedges					0	-2	-2		-2
Shareholder's equity 31.3.2018	6,967	1,504	-1,541	61,961	3,140	-80	71,952	594	72,546
Shareholder's equity 1.1.2017	6,967	1,504	-978	73,922	3,140	-135	84,420	0	84,420
Total comprehensive income for the period			361	71		35	467		467
Equity-settled share-based payments				30			30		30
Shareholder's equity 31.3.2017	6,967	1,504	-617	74,023	3,140	-100	84,917	0	84,917

CALCULATION OF KEY FIGURES

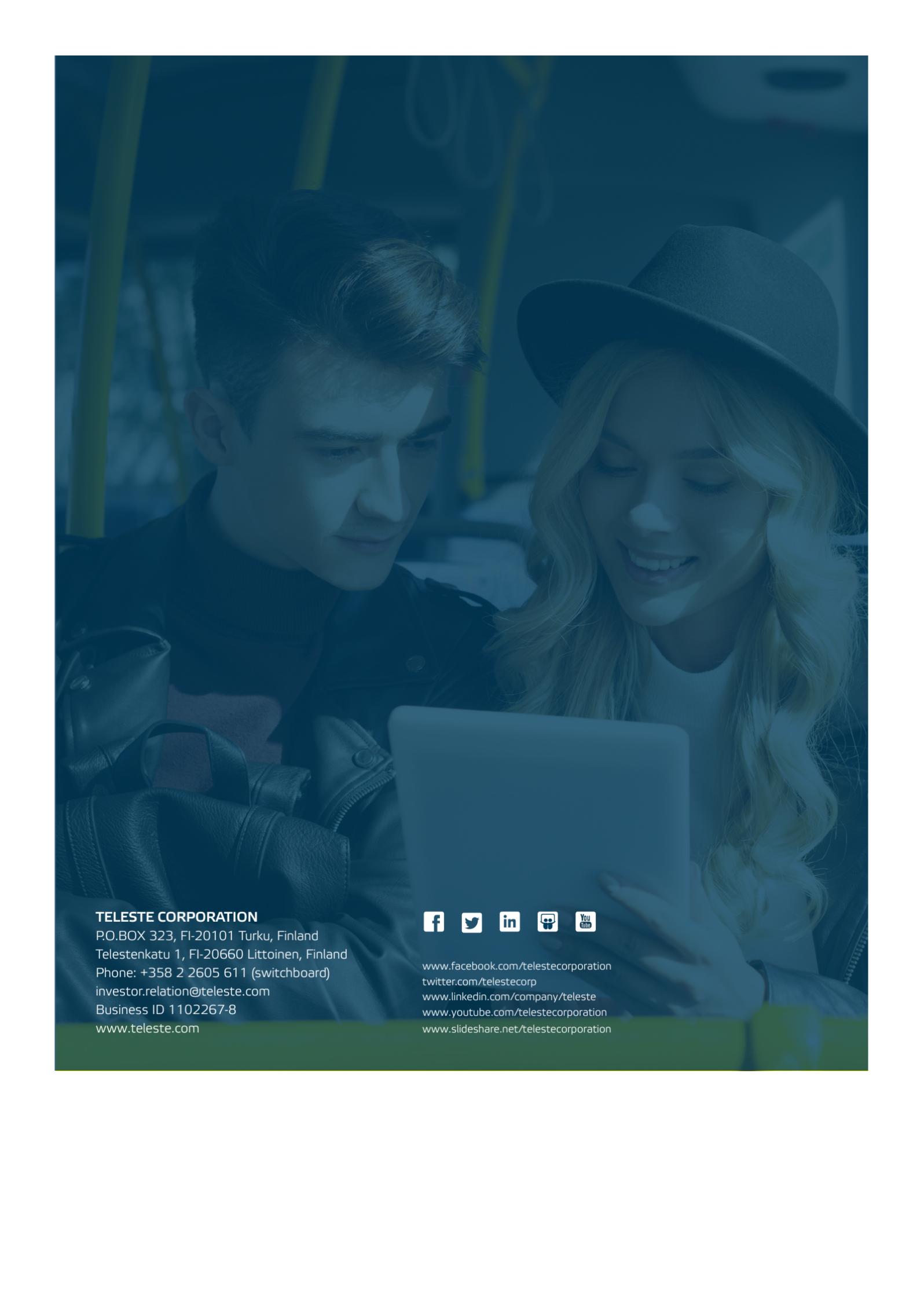
Return on equity:	$\frac{\text{Profit/loss for the financial period}}{\text{Shareholders' equity (average)}} \times 100$
Return on capital employed:	$\frac{\text{Profit/loss for the period after financial items + financing charges}}{\text{Total assets - non-interest-bearing liabilities (average)}} \times 100$
Equity ratio:	$\frac{\text{Shareholders' equity}}{\text{Total assets - advances received}} \times 100$
Gearing:	$\frac{\text{Interest bearing liabilities - cash in hand and in bank - interest bearing assets}}{\text{Shareholders' equity}} \times 100$
Earnings per share:	$\frac{\text{Profit for the period attributable to equity holder of the parent}}{\text{Weighted average number of ordinary shares outstanding during the period}}$
Earnings per share, diluted:	$\frac{\text{Profit for the period attributable to equity holder of the parent (diluted)}}{\text{Average number of shares - own shares + number of options at the period-end}}$

Major shareholders by number of shares March 31, 2018

	Number of shares	% of shares
Tianta Oy	4,409,712	23.23
Mandatum Life Insurance Company Limited	1,679,200	8.84
Ilmarinen Mutual Pension Insurance Company	1,084,475	5.71
Teleste Oyj	863,953	4.55
Kaleva Mutual Insurance Company	824,641	4.34
Varma Mutual Pension Insurance Company	521,150	2.74
The State Pension Fund	500,000	2.63
Mariatorp Oy	250,000	1.32
Sijoitusrahasto Taaleritehdas Mikro Markka	238,109	1.25
Ingman Finance Oy Ab	235,000	1.24

Shareholders by sector March 31, 2018	Number of shareholders	% of Owners	Number of shares	% of shares
Households	5,158	93.71	4,465,939	23.52
Public sector institutions	4	0.07	2,115,725	11.14
Financial and insurance institutions	20	0.36	4,649,489	24.49
Corporations	254	4.61	7,549,991	39.77
Non-profit institutions	26	0.47	82,385	0.43
Foreign	42	0.76	122,059	0.64
Total	5,504	100.00	18,985,588	100.00
Of which nominee registered	9	0.16	1,273,724	6.71

Major shareholders by distribution of shares March 31, 2018	Number of shareholders	% of shareholders	Number of shares	% of shares
1-100	1,474	26.78	89,183	0.47
101-500	2,369	43.04	636,338	3.35
501-1,000	748	13.59	605,609	3.19
1,001-5,000	724	13.15	1,584,619	8.35
5,001-10,000	84	1.53	600,595	3.16
10,001-50,000	75	1.36	1,476,040	7.77
50,001-100,000	9	0.16	676,230	3.56
100,001-500,000	13	0.24	2,694,012	14.19
500,001-& above	8	0.15	10,622,962	55.95
Total	5,504	100.00	18,985,588	100.00
of which nominee registered	9	0.16	1,273,724	6.71



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