



INTERIM
REPORT
Q1 2019

TELESTE
ANNIVERSARY

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JANUARY 1-MARCH 31, 2019

TELESTE

TELESTE CORPORATION INTERIM REPORT 1 JANUARY TO 31 MARCH 2019

NET SALES ON PAR WITH THE REFERENCE PERIOD, ADJUSTED OPERATING RESULT INCREASED, RECORD-HIGH ORDER BACKLOG

First quarter of 2019

- Net sales amounted to EUR 58.6 (59.3) million, a decrease of 1.2%
- Adjusted operating result stood at EUR 1.3 (0.8) million, an increase of 59.4%
- Operating result amounted to EUR -6.0 (0.8) million, a decrease of 830%, including losses and a provision totalling EUR 7.3 million arising from a crime against a foreign subsidiary
- Adjusted earnings per share were EUR 0.05 (0.03) per share, an increase of 63.0%
- Earnings per share were EUR -0.35 (0.03), a decrease of 1,201%
- Cash flow from operations was EUR -0.9 (3.0) million, a decrease of 130.0%, including the assets lost due to the crime
- Orders received totalled EUR 63.0 (66.6) million, a decrease of 5.4%
- Order backlog stood at EUR 75.4 (64.9) million, an increase of 16.2%

Outlook for 2019

The company has changed its guidance by a stock exchange release issued on 6 March 2019. Teleste expects the company's net sales to remain at the level of 2018 (EUR 250.3 million). Adjusted operating result is expected to increase compared with 2018 (EUR 9.7 million).

Earlier guidance for the 2019 outlook

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:

"Net sales were on par with the reference period, while the adjusted operating result improved clearly year-on-year. Orders received decreased year-on-year. Order backlog increased, reaching the highest level in Teleste's history. This year we will continue to develop our business particularly in the following areas: significant growth and improved performance in video security and information solutions, product development in distributed access architecture, successful launch of sales in the US cable operator market and sharpening the strategy of the services business and developing its operational activities.

Orders received by Video and Broadband Solutions were on par with the good level seen in the reference period and the order backlog grew, reaching 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 France, Canada and England. Net sales increased year-on-year particularly in video security and information solutions in Switzerland, Canada and Italy. In response to the continued growth of the order backlog of public transport information systems, we have invested in improving our delivery capacity and ensuring quality. We also continued to develop the new smart S-AWARE® situational awareness system and prepare for the first customer delivery. In HFC products, we have maintained a strong market position in Europe. Deployments of distributed access architecture have been generally delayed in the industry, but new products are currently being tested together with customers in the USA and Europe.

Net sales of Network Services decreased year-on-year. The decrease in net sales was particularly due to the completion of a significant project in Germany at the end of last year and a decline in orders for network design services in Finland. To our disappointment, the operating result was negative. The negative operating result was attributable to lower net sales and the winter conditions during the first

months of the year, which complicated installation services in Germany. We will continue the determined development of our operational activities.

A crime was committed against a foreign subsidiary of Teleste during the first quarter, resulting in the subsidiary making unwarranted payments amounting to approximately EUR 7 million. Due to the difficulty of estimating the total amount of recovered losses and final damages at this stage, Teleste has recognised a non-recurring cost of EUR 7.3 million in other operating expenses in relation to the crime."

Group Operations January-March 2019

Key figures	1-3/2019	1-3/2018	Change, %	1-12/2018
Orders received, EUR million	63.0	66.6	-5.4%	264.0
Net sales, EUR million	58.6	59.3	-1.2%	250.3
Adjusted EBIT, EUR million ¹⁾	1.3	0.8	+59.4%	9.7
Adjusted EBIT, % ¹⁾	2.2%	1.4%		3.9%
EBIT, EUR million	-6.0	0.8	-830%	9.7
EBIT, %	-10.2%	1.4%		3.9%
Result for the period, EUR million	-6.4	0.6	-1,247%	6.8
Adjusted earnings per share, EUR ¹⁾	0.05	0.03	63.0%	0.38
Earnings per share, EUR	-0.35	0.03	-1,201%	0.38
Cash flow from operations, EUR million	-0.9	3.0	-130.0%	15.0
Net gearing, %	20.6%	14.7%		5.9%
Equity ratio, %	46.4%	48.4%		51.7%
Personnel at period-end	1,380	1,410	-2.1%	1,353

¹⁾ An alternative performance measure defined in the tables section of the report.

Orders received by the Group in the first quarter totalled EUR 63.0 (66.6) million, a decrease of 5.4% on the reference period last year. Compared with the end of the reference period, the order backlog increased by 16.2% to EUR 75.4 (64.9) million. Net sales stood at EUR 58.6 (59.3) million, down by 1.2% year-on-year.

Expenses for material and manufacturing services were EUR 31.4 (33.5) million, a decrease of 6.3%. Personnel expenses increased by 1.9% to EUR 16.6 (16.3) million. Depreciation and amortisation amounted to EUR 2.3 (1.5) million, an increase of 51.8%. Depreciation recognised in accordance with IFRS 16, which was adopted on 1 January 2019, totalled EUR 1.1 million. The adoption of the new standard did not have a material effect on the operating result. Other operating expenses amounted to EUR 14.8 (7.5) million, including a provision totalling EUR 7.3 recognised in relation to the loss of assets due to a crime committed against a foreign subsidiary and the handling of the case. This provision lowers the operating result but has been eliminated from the adjusted operating result. The provision is reported as an item that is not allocated to the segments. The adjusted operating result increased by 59.4% to EUR 1.3 (0.8) million, representing 2.2% (1.4%) of net sales. The operating result was improved by the Video and Broadband Solutions business area's increased net sales and higher gross margin than in the reference period. Financial items totalled EUR 0.1 (-0.1) million. Direct taxes amounted to EUR 0.5 (0.2) million. In accordance with the conservatism principle, no deferred taxes have been recognised on the losses caused by the crime against a foreign subsidiary. The result for the period was EUR -6.4 (0.6) million, a decrease of 1,247%. Adjusted earnings per share were EUR 0.05 (0.03) per share, an increase of 63.0%

Cash flow from operations was EUR -0.9 (3.0) million. Cash flow from operations was reduced by the loss of assets due to a crime against a foreign subsidiary.

Video and Broadband Solutions January-March 2019

EUR 1,000	1-3/2019	1-3/2018	Change	1-12/2018
Orders received	39,690	39,945	-0.6%	152,307

Net sales	35,277	32,596	+8.2%	138,677
EBIT	2,208	417	+429.5%	7,738
EBIT, %	6.3%	1.3%		5.6%

Orders received were on par with the reference period, amounting to EUR 39.7 (39.9) million. Compared with the end of the reference period, the order backlog increased by 16.2% to EUR 75.4 (64.9) million. Net sales increased by 8.2% to EUR 35.3 (32.6) million. Net sales increased in video security and information systems. Operating result increased by 429.5% to EUR 2.2 (0.4) million, representing 6.3% (1.3%) of net sales. Operating result was improved by the growth of the net sales of video security and information systems and a focus on higher-margin products in the sale of access network products.

R&D expenses amounted to EUR 2.9 (3.0) million, representing 8.3% (9.3%) of the business area's net sales. 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 1.1 (1.4) million. Depreciation on capitalised R&D expenses was EUR 0.7 (0.6) million.

Network Services January-March 2019

EUR 1,000	1-3/2019	1-3/2018	Change	1-12/2018
Orders received	23,323	26,698	-12.6%	111,669
Net sales	23,323	26,698	-12.6%	111,669
EBIT	-901	404	-323.0%	1,983
EBIT, %	-3.9%	1.5%		1.8%

Orders received and net sales decreased by 12.6% and amounted to EUR 23.3 (26.7) million. The decrease in net sales was particularly due to the completion of a significant project in Germany at the end of last year and a decline in orders for network design services in Finland. Operating result declined year-on-year and was negative at EUR -0.9 (0.4) million. Operating result represented -3.9% (1.5%) of net sales. The negative operating result was attributable to lower net sales and the winter conditions during the first months of the year, which complicated installation services in Germany.

Personnel and organisation January-March 2019

In the period under review, the average number of people employed by the Group was 1,369 (1,414/2018, 1,507/2017). Of these, 672 (717) were employed by Video and Broadband Solutions and 696 (697) by Network Services. At the end of the review period, the Group employed 1,380 people (1,410/2018, 1,489/2017), of whom 66% (67%/2018, 65%/2017) were stationed abroad. Approximately 2% of the Group's employees were working outside Europe.

Personnel expenses increased by 1.9% year-on-year and were EUR 16.6 (16.3/2018, 17.6/2017) million. The increase in personnel expenses was attributable to wage increases and the lower amount of capitalised R&D costs compared to the reference period.

Investments and product development January-March 2019

Investments by the Group totalled EUR 2.5 (1.7) million, representing 4.2% (2.9%) of net sales. Of the investments, EUR 1.0 (0.0) million were carried out under lease or financial lease arrangements. The IFRS 16 standard, which was adopted on 1 January 2019, had an effect of EUR +1.0 million on the reported investments.

Investments in product development amounted to EUR 1.1 (1.4) million. 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.

Financing and capital structure January-March 2019

Cash flow from operations was EUR -0.9 (3.0) million. Cash flow from operations was reduced by the loss of assets due to a crime against a foreign subsidiary.

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 loan facility of EUR 30.0 million will mature in August 2022. The loan is repaid in annual instalments of EUR 3.0 million. The remaining loan principal amounted to EUR 24.0 million on 31 March 2019. At the end of the period under review, the amount of unused binding credit facilities was EUR 20.0 (20.0) million.

On 31 March 2019, the Group's interest-bearing debt stood at EUR 32.7 (33.2) million. The Group's equity ratio was 46.4% (48.4%) and net gearing ratio 20.6% (14.7%). The IFRS 16 standard adopted on 1 January 2019 increased interest-bearing debt by EUR 6.9 million and had the following effect on key figures: equity ratio -2.2 percentage points and net gearing ratio +9.7 percentage points.

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 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. 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 are also exposed to external threats and we strive to protect ourselves from these threats through technical solutions and by increasing the security competence of our personnel. Teleste Group is also targeted by illegal activities and fraud attempts that may have a significant effect on the financial result. The Group strives to minimise these risks by continuing to develop good governance practices and increasing the security competence of its personnel. 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 Audit Committee 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 other litigation is still pending. According to the assessment of 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 March 2019, Tianta Oy was the largest single shareholder with a holding of 23.2%.

In the period under review, the lowest price of the company's share was EUR 5.26 (6.70) and the highest price was EUR 6.80 (7.44). The closing price on 31 March 2019 stood at EUR 5.90 (6.80). According to Euroclear Finland Ltd, the number of shareholders at the end of the period under review was 5,550 (5,504). Foreign and nominee-registered holdings accounted for 6.8% (7.4%) of the holdings. From 1 January to 31 March 2019, a total of 0.6 (0.4) million Teleste shares were traded on Nasdaq Helsinki, and the value of the shares traded was EUR 3.4 (3.1) million.

On 31 March 2019, 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 March 2019, 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 4 April 2019 adopted the financial statements and consolidated financial statements for 2018 and discharged the members of the Board of Directors and the CEO from liability for the financial period 2018. The AGM confirmed the dividend of EUR

0.20 per share for the year 2018 as proposed by the Board. The dividend was paid on 15 April 2019 on shares other than own shares held by the company.

The AGM decided that the Board of Directors shall consist of seven members. Pertti Ervi, Jannica Fagerholm, Timo Luukkainen, Heikki Mäkijärvi and Kai Telanne were re-elected as members of Teleste Corporation's Board of Directors, and Jussi Himanen and Vesa Korpimies were elected as new Board members. Pertti Ervi was elected Chair of the Board in the organising meeting held after the AGM on 4 April 2019. Jannica Fagerholm was elected Chair of the Audit Committee, with Pertti Ervi and Vesa Korpimies elected as members.

The AGM decided to choose one auditor for Teleste Corporation. The 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 in accordance with the proposal of the Board. 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. The new shares may be issued and the company's own shares held by the company may be conveyed either against payment or for free. New shares may be issued and the company's own shares held by the company may be conveyed to the company's shareholders in proportion to their current shareholdings in the company, or by waiving the shareholder's pre-emption right, through a directed share issue if the company has a weighty financial reason to do so. The new shares may also be issued in a free share issue to the company itself.

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 eighteen (18) months from the resolution of the Annual General Meeting. 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 4 April 2019, Teleste Corporation's Board of Directors decided on a directed share issue without consideration, relating to the payment of the reward for the 2016-2018 performance period of Teleste Group's share-based incentive plan 2015. In the share issue, a total of 22,361 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.

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 will be launched in Europe and North America in 2019. The transition to the new 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 American 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). Adjusted operating result is expected to increase compared with 2018 (EUR 9.7 million).

8 May 2019

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, 2019. The data stated in this report is unaudited.

**STATEMENT OF COMPREHENSIVE INCOME
(tEUR)**

	1-3/2019	1-3/2018	Change %	1-12/2018
Net Sales	58,600	59,294	-1.2 %	250,346
Other operating income	595	342	74.3 %	1,766
Materials and services	-31,396	-33,491	-6.3 %	-137,905
Personnel expenses	-16,627	-16,314	1.9 %	-66,014
Depreciation	-2,340	-1,541	51.8 %	-5,980
Other operating expenses	-14,823	-7,468	98.5 %	-32,492
Operating profit	-5,991	821	-829.8 %	9,721
Financial income	318	73	332.9 %	325
Financial expenses	-201	-149	34.5 %	-986
Profit after financial items	-5,874	745	-888.5 %	9,060
Profit before taxes	-5,874	745	-888.5 %	9,060
Taxes	-524	-187	179.8 %	-2,219
Net profit	-6,398	558	-1246.8 %	6,841
Attributable to:				
Equity holders of the parent	-6,358	576	-1203.1 %	6,975
Non-controlling interests	-40	-19	113.6 %	-133
	-6,398	558	-1246.8 %	6,841
Earnings per share for result of the year attributable to the equity holders of the parent (expressed in euro per share)				
Basic	-0.35	0.03	-1200.5 %	0.38
Diluted	-0.35	0.03	-1201.5 %	0.38
Total comprehensive income for the period (tEUR)				
Net profit	-6,398	558	-1246.8 %	6,841
Possible items with future net profit effect				
Translation differences	210	-110	-290.8 %	-241
Cash flow hedges	2	-2	-233.8 %	-3
Total comprehensive income for the period	-6,185	446	-1486.9 %	6,598
Attributable to:				
Equity holders of the parent	-6,155	481	-1379.3 %	6,705
Non-controlling interests	-30	-35	-14.3 %	-108
Equity holders of the parent	-6,185	446	-1486.9 %	6,598

**STATEMENT OF FINANCIAL POSITION
(tEUR)**

	31/3/2019	31/3/2018	Change %	31/12/2018
Non-current assets				
Intangible assets	11,572	10,056	15.1 %	11,268
Goodwill	30,686	30,716	-0.1 %	30,573

Property, plant, equipment	15,371	9,089	69.1 %	8,601
Other non-current financial assets	564	765	-26.2 %	561
Deferred tax asset	2,258	2,641	-14.5 %	2,131
	60,451	53,267	13.5 %	53,135
Current assets				
Inventories	37,410	33,259	12.5 %	32,833
Trade and other receivables	47,670	47,832	-0.3 %	50,500
Tax Receivable, income tax	341	551	-38.0 %	288
Cash and cash equivalents	18,022	22,557	-20.1 %	22,240
	103,443	104,199	-0.7 %	105,861
Total assets	163,894	157,466	4.1 %	158,996
Shareholder's equity and liabilities				
Share capital	6,967	6,967	0.0 %	6,967
Other equity	63,696	64,984	-2.0 %	69,674
Owners of the parent company	70,663	71,952	-1.8 %	76,641
Non-controlling interests	492	594	-17.3 %	522
EQUITY	71,154	72,546	-1.9 %	77,163
Non-current liabilities				
Deferred tax liability	1,618	1,471	10.0 %	1,607
Non-current liabilities, interest-bearing	26,016	28,389	-8.4 %	22,590
Non-current interest-free liabilities	79	1,153	-93.2 %	81
Non-current provisions	268	630	-57.5 %	266
	27,981	31,642	-11.6 %	24,545
Current liabilities				
Current interest-bearing liabilities	6,671	4,836	37.9 %	4,222
Trade Payables and Other Liabilities	55,385	46,757	18.5 %	51,089
Tax liability, income tax	975	743	31.2 %	966
Current provisions	1,728	942	83.5 %	1,012
	64,759	53,278	21.5 %	57,288
Total shareholder's equity and liabilities	163,894	157,466	4.1 %	158,996

CONSOLIDATED CASH FLOW STATEMENT (tEUR)

	1-3/2019	1-3/2018	Change %	1-12/2018
Cash flows from operating activities				
Profit for the period	-6,398	558	-1246.8 %	6,841
Adjustments	2,854	2,825	1.0 %	9,707
Interest and other financial expenses and incomes	117	-76	-254.0 %	-661
Paid Taxes	-686	-904	-24.1 %	-1,796
Change in working capital	3,200	644	396.9 %	917
Cash flow from operating activities	-913	3,047	-130.0%	15,009
Cash flow from investing activities				
Purchase of tangible and intangible assets	-1,553	-1,637	-5.1 %	-5,668
Proceeds from sales of PPE	123	98	25.5 %	166
Purchase of investments	0	-90	n/a	-143
Net cash used in investing activities	-1,430	-1,629	-12.2 %	-5,645
Cash flow from financing activities				
Proceeds from borrowings	0	3,165	-100.0 %	4,087
Payments of borrowings	-876	-3,029	-71.1 %	-10,009
Payment of leasing liabilities	-1,087	-176	517.6 %	-655
Dividends paid	0	0	n/a	-1,816
Net cash used in financing activities	-1,963	-40	4807.5 %	-8,393

Change in cash				
Cash in the beginning	22,240	21,230	4.8 %	21,230
Effect of currency changes	88	-51	n/a	39
Change	-4,306	1,378	n/a	971
Cash at the end	18,021	22,557	-20.1 %	22,240

KEY FIGURES	1-3/2019	1-3/2018	Change %	1-12/2018
Earnings per share, EUR	-0.35	0.03	-1200.3 %	0.38
Earnings per share fully diluted, EUR	-0.35	0.03	-1203.4 %	0.38
Shareholders' equity per share, EUR	3.92	4.00	-2.1 %	4.25
Return on equity	-34.5 %	3.1 %	-1213.3 %	9.2 %
Return on capital employed	-21.9 %	3.3 %	-762.4 %	9.3 %
Equity ratio	46.4 %	48.4 %	-4.0 %	51.7 %
Gearing	20.6 %	14.7 %	40.2 %	5.9 %
Investments, tEUR	2,451	1,701	44.1 %	6,989
Investments % of net sales	4.2 %	2.9 %	45.8 %	2.8 %
Order backlog, tEUR	75,429	64,918	16.2 %	71,017
Personnel, average	1,369	1,414	-3.2 %	1,393
Number of shares (thousands) including own shares	18,986	18,986	0.0 %	18,986
Highest share price, EUR	6.80	7.44	-8.6 %	7.58
Lowest share price, EUR	5.26	6.70	-21.5 %	5.12
Average share price, EUR	6.09	7.12	-14.6 %	6.72
Turnover, in million shares	0.6	0.4	29.7 %	2.0
Turnover, in MEUR	3.4	3.1	10.8 %	13.3

ALTERNATIVE PERFORMANCE MEASURES

Adjusted operating profit	1,309	821	59.4 %	9,721
Adjusted earning per share, EUR	0.05	0.03	63.0 %	0.38

BRIDGE OF CALCULATION

Operating profit	-5,991	821	-829.8 %	9,721
Cost item caused by a crime	7,298	0	n/a	0
Adjusted operating profit	1,309	821	59.4 %	9,721
Net profit/loss to equity holder	-6,358	576	-1203.1 %	6,975
Outstanding shares during the quarter	18,164	18,122	0.2 %	18,122
Earnings per share, basic	-0.35	0.03	-1200.5 %	0.38
Net profit/loss to equity holder	-6,358	576	-1203.1 %	6,975
Cost item caused by a crime	7,298	0	n/a	0
Outstanding shares during the quarter	18,164	18,122	0.2 %	18,122
Adjusted earnings per share, EUR	0.05	0.03	63.0 %	0.38

Treasury shares

	Number of shares	% of shares	% of votes
Possession of company's own shares 31.3.2019	821,182	4.33%	4.33%

Contingent liabilities and pledged assets (tEUR)

Leasing and rent liabilities	853	8,391	-89.8 %	7,372
Derivative instruments (tEUR)				
Value of underlying forward contracts	20,490	21,912	-6.5 %	20,674
Market value of forward contracts	239	-79	-402.5 %	227
Interest rate swap	10,000	10,000	0.0 %	10,000
Market value of interest swap	-98	-70	40.0 %	-81

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

OPERATING SEGMENTS (tEUR)	1-3/2019	1-3/2018	Change %	1-12/2018
Video and Broadband Solutions				
Orders received	39,690	39,945	-0.6 %	152,307
Net sales	35,277	32,596	8.2 %	138,677
EBIT	2,208	417	429.5 %	7,738
EBIT%	6.3 %	1.3 %		5.6 %
Network Services				
Orders received	23,323	26,698	-12.6 %	111,669
Net sales	23,323	26,698	-12.6 %	111,669
EBIT	-901	404	-323.0 %	1,983
EBIT%	-3.9 %	1.5 %		1.8 %
Total Segments				
Orders received	63,013	66,643	-5.4 %	263,976
Net sales	58,600	59,294	-1.2 %	250,346
EBIT	1,309	821	59.4 %	9,721
EBIT%	2.2 %	1.4 %		3.9 %
Total Group				
Unallocated item	-7,298	0	n/a	0
EBIT	-5,991	821	-829.8 %	9,721
EBIT%	-10.2 %	1.4 %		3.9 %
Financial items	117	-76	-254.0 %	-661
Operating segments net profit before taxes	1,424	745	91.1 %	9,060
Net sales by category	1-3/2019	1-3/2018	Change %	1-12/2018
Goods	34,411	31,394	9.6 %	133,990
Service	24,189	27,900	-13.3 %	116,356
Total	58,600	59,294	-1.2 %	250,346
VBS Order backlog, tEUR	1-3/2019	1-3/2018	Change %	1-12/2018
	75,429	64,918	16.2 %	71,017

Information per quarter (tEUR)	1-3/19	10-12/18	7-9/18	4-6/18	1-3/18	4/2018-3/2019
Video and Broadband Solutions						
Orders received	39,690	51,142	29,032	32,189	39,945	152,052
Net sales	35,277	36,691	32,191	37,199	32,596	141,359
EBIT	2,208	1,942	2,737	2,642	417	9,529
EBIT %	6.3 %	5.3 %	8.5 %	7.1 %	1.3 %	6.7 %

Network Services							
Orders received	23,323	29,829	27,179	27,963	26,698	108,294	
Net sales	23,323	29,829	27,179	27,963	26,698	108,294	
EBIT	-901	291	460	828	404	678	
EBIT %	-3.9 %	1.0 %	1.7 %	3.0 %	1.5 %	0.6 %	
Total segments							
Orders received	63,013	80,970	56,211	60,152	66,643	260,346	
Net sales	58,600	66,519	59,370	65,163	59,294	249,653	
EBIT	1,309	2,233	3,197	3,470	821	10,207	
EBIT %	2.2 %	3.4 %	5.4 %	5.3 %	1.4 %	4.1 %	
Total group							
Unallocated item	-7,298	0	0	0	0	0	
EBIT	-5,991	2,233	3,197	3,470	821	10,207	
EBIT %	-10.2 %	3.4 %	5.4 %	5.3 %	1.4 %	4.1 %	

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
Shareholder's equity 1.1.2019	6,967	1,504	-1,570	66,691	3,140	-92	76,640	522	77,162
New standards				0			0		0
Total comprehensive income for the period				-6,358		0	-6,358	-40	-6,398
Equity-settled share-based payments				177			177		177
Translation differences			35	166	0		201	9	210
Cash flow hedges					0	2	2		2
Shareholder's equity 31.3.2019	6,967	1,504	-1,534	60,676	3,140	-90	70,662	492	71,154
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		0	96		96
Total comprehensive income for the period				576			576	-19	557
Equity-settled share-based payments				639	0	0	639	0	639

Translation differences			-137	44			-93	-17	-110
Cash flow hedges						-2	-2		-2
Shareholder's equity 31.3.2019	6,967	1,504	-1,541	61,961	3,140	-80	71,951	594	72,546

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

ALTERNATIVE PERFORMANCE MEASURES

Effective from the beginning of 2019, Teleste has started to report non-IFRS alternative performance measures. The calculation of the alternative performance measures does not take into account income or expense items affecting comparability that are non-recurring or infrequently occurring and not part of the ordinary course of business. The purpose of presenting the alternative performance measures is to improve comparability, and they do not replace the performance measures and key figures presented in accordance with IFRS. The alternative performance measures reported by the Group are adjusted operating result and adjusted earnings per share. Adjusted operating result and adjusted earnings per share exclude material items affecting comparability that are not part of the ordinary course of business. The adjusted items are recognised in the income statement within the corresponding income or expense group.

Adjusted operating profit	Operating profit is adjusted with items which are non-recurring or infrequently.
Adjusted earnings per share:	Adjusted Profit for the period attributable to equity holder of the parent ----- Weighted average number of ordinary shares outstanding during the period

New Standards

Teleste has a IFRS 16 Leases standard from 1. January 2019. This new standard replaces IAS 17 Leases. As a result of the new IFRS 16 "Leases" standard, the Group recognised non-cancellable leases on the balance sheet. The right-of-use assets increased the balance sheet with 6.9 million euro and the interest bearing liabilities with 6.9 million euro.

A simplified method has been used for the transition, and the comparison figures from the year preceding the transition have not been adjusted. The Group made use of an easement allowed in the standard according to which short-term leases of assets with minor value do not need to be recognised on the balance sheet.

The impact of the new standard is an increase of -1 103 thousand euro depreciation of right-to-use assets and a decrease of the same amount of rents in other operating expenses. Interest expenses increased by -44 thousand euro in finance expenses. Impact on operating profit is minor.

The investments for the period do not include the recognition of right-to-use assets of 6.9 million euro.

Major shareholders, as sorted by number of shares - March 31, 2019

	Number of shares	% of shares
Tianta Oy	4,409,712	23.2
Mandatum Life Insurance Company Limited	1,683,200	8.9
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	350,000	1.8
Mariatorp Oy	300,000	1.6
OP-Finland Small Firms Fund	280,737	1.5

	Nbr. of shareholders	% of Owners	Shares	% of shares
Shareholders by sector March 31, 2019				
Households	5,196	93.6	4,689,400	24.7
Public sector institutions	4	0.1	1,930,725	10.2
Financial and insurance institutions	23	0.4	4,885,220	25.7
Corporations	260	4.7	7,305,169	38.5
Non-profit institutions	26	0.5	63,285	0.3
Foreign	41	0.7	111,789	0.6
Total	5,550	100.0	18,985,588	100.0
Of which nominee registered	10	0.2	1,170,104	6.2

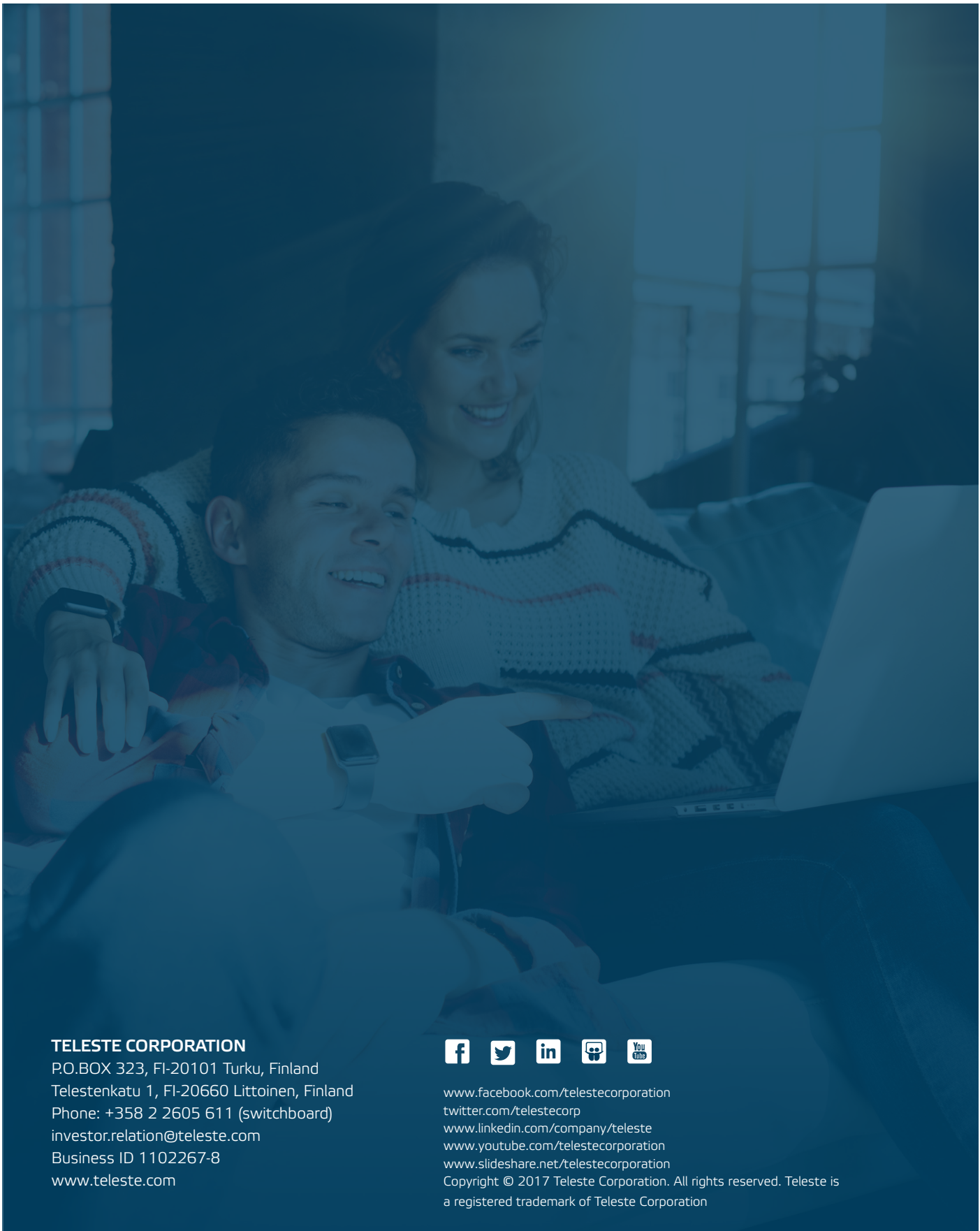
Major shareholders by distribution of shares March 31, 2019

Number of shares	Nbr. of shareholders	% of shareholders	Nbr. of shares	% of shares
1-100	1,512	27.2	89,956	0.5
101-500	2,353	42.4	628,923	3.3
501-1,000	762	13.7	614,556	3.2
1,001-5,000	730	13.2	1,615,168	8.5
5,001-10,000	87	1.6	629,720	3.3
10,001-50,000	77	1.4	1,538,149	8.1
50,001-100,000	7	0.1	514,282	2.7
100,001-500,000	15	0.3	3,385,803	17.8
500,001-& above	7	0.1	9,969,031	52.5
Total	5,550	100.0	18,985,588	100.0
of which nominee registered	10	0.2	1,170,104	6.2

Notes



Building a
**SMART, SAFE,
SMOOTH**
future.



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