

January 1 – September 30, 2013  
**Interim Report Q3**



## TELESTE CORPORATION INTERIM REPORT 1 JAN TO 30 SEP 2013

**IMPROVED THIRD QUARTER IN YEAR-ON-YEAR COMPARISON, FULL-YEAR OUTLOOK UNCHANGED****Third quarter of 2013**

- Orders received totaled EUR 51.1 (40.5) million, an increase of 26.2%
- Net sales amounted to EUR 46.5 (45.6) million, an increase of 1.9%
- Operating profit amounted to EUR 3.2 (2.9) million, an increase of 10.9%
- Undiluted result per share stood at EUR 0.12 (EUR 0.11)
- Operating cash flow was EUR 3.0 (-0.2) million

**Outlook for 2013**

We expect net sales and operating profit for 2013 to reach the 2012 level.

**Comments on Q3/2013 by CEO Jukka Rinnevaara:**

"The positive market development of the third quarter was brought about by growth in the demand for both broadband access capacity and video surveillance, especially in the European market. We also managed to win significant orders on account of which our order backlog increased clearly over the comparative period.

Moreover, significant consolidations took place in our main clientele like those between Vodafone and Kabel Deutschland in Germany, and Liberty Global and Virgin Media in the U.K. The impact of such consolidations on network investments is difficult to assess.

Orders received by Video and Broadband Solutions were significantly higher than in the comparative period. Particularly strong markets included the Nordic countries, the Netherlands, Poland and France. Preparations continued for the future network technology solutions with our customers. Net sales and operating profit were at par with the comparative period.

The successful adjustment of the cost structure of Network Services business in Germany and the growth in demand for broadband connections allowed for a clear improvement in the year-on-year profitability."

**Group Operations July to September 2013**

Key figures (EUR million)			
	7-9/2013	7-9/2012	Change %
Orders received	51.1	40.5	26.2%
Net sales	46.5	45.6	1.9%
EBIT	3.2	2.9	10.9%
EBIT %	6.9%	6.3%	
Profit for the period	2.0	1.9	9.4%
Other important key figures			
Earnings per share, €	0.12	0.11	8.6%
Cash flow from operations, M€	3.0	-0.2	n/a

The third-quarter orders received by Teleste Group increased by 26.2% and stood at EUR 51.1 (40.5) million. Order backlog increased totaling EUR 17.4 (13.6) million. Net sales amounted to EUR 46.5 (45.6) million. Operating profit improved and stood at EUR 3.2 (2.9) million making 6.9% (6.3%) of the net sales. Proportional material margin was slightly lower than in the period of comparison because the deliveries by the product business involved more lower-margin products.

Wages and salaries decreased and stood at EUR 12.8 (EUR 13.3) million. This decrease in payroll expenses was contributed by reduction in the number of personnel in the services business. Undiluted result per share was EUR 0.12 (0.11). Operating cash flow stood at EUR 3.0 (-0.2) million.

### Group Operations January to September 2013

Key figures (EUR million)				
	1-9/2013	1-9/2012	Change %	1-12/2012
Orders received	138.7	138.8	-0.1%	189.7
Net sales	138.7	146.4	-5.2%	193.9
EBIT	7.5	8.2	-8.5%	10.9
EBIT %	5.4%	5.6%		5.6%
Profit for the period	5.1	5.1	0.2%	6.7
Other important key figures				
Earnings per share, €	0.29	0.29	-0.2%	0.38
Cash flow from operations, EUR million	7.3	10.2	-28.6%	15.3
Net gearing, %	17.4%	21.7%	-19.7%	13.7%
Equity ratio, %	50.4%	47.5%	6.2%	50.5%
Personnel at period-end	1,283	1,308	-1.9%	1,325

On account of the good order intake in Q3 and changes in Group structure (acquisition of Asheridge in April 2013), orders received were at par with the comparative period. Net sales amounted to EUR 138.7 (146.4) million. Operating profit stood at EUR 7.5 (8.2) million making 5.4% (5.6%) of the net sales.

Financial items totaled EUR 0.4 (0.7) million. Taxes paid amounted to EUR 2.0 (2.4) million and the Group's tax rate was 28.3% (32.3%). Undiluted result per share was EUR 0.29 (0.29). Operating cash flow stood at EUR 7.3 (10.2) million.

### Video and Broadband Solutions July to September 2013

#### Economic Development of Video and Broadband Solutions:

	7-9/2013	7-9/2012	Change %
Orders received	28,919	19,720	46.6%
Net sales	24,258	24,794	-2.2%
EBIT	2,362	2,423	-2.5%
EBIT %	9.7%	9.8%	

Year-on-year orders received improved significantly by 46.6% standing at EUR 28.9 (19.7) million. Order backlog strengthened totaling EUR 17.4 (13.6) million. Net sales standing at EUR 24.3 (24.8) million was at par with the comparative period. Operating profit stood at EUR 2.4 (2.4) million making 9.7% (9.8%) of the net sales.

R&D expenses were 2.0 (2.4) million, i.e. 8.4% (9.8%) of the business area's net sales. Activated R&D expenses amounted to EUR 0.3 (0.2) million. The R&D efforts focused on the next generation innovative broadband solution (Data Access HUB), the future access network solutions (Docsis 3.1), video headend systems (Luminato), as well as video surveillance software development. Depreciation on R&D expenses amounted to EUR 0.3 (0.5) million.

## Video and Broadband Solutions January to September 2013

	1-9/2013	1-9/2012	Change %	1-12/2012
Orders received	73,688	69,900	5.4%	97,730
Net sales	73,696	76,571	-3.8%	101,230
EBIT	7,106	6,495	9.4%	8,497
EBIT %	9.6%	8.5%		8.4%

Orders received improved by 5.4% standing at EUR 73.7 (69.9) million.

Net sales decreased by 3.8% to EUR 73.7 (76.6) million. Operating profit increased by 9.4% standing at EUR 7.1 (6.5) million making 9.6% (8.5%) of the net sales. This improvement in the operating profit was mainly due to the good level of video surveillance deliveries, especially in the first half of the year.

Product development expenses equaled EUR 7.1 (8.3) million, in other words 9.6% (10.9%) of the net sales. Activated R&D expenses stood at EUR 0.9 (0.6) million while depreciation on product development expenses equaled EUR 1.5 (1.5) million.

## Network Services July to September 2013

### Economic Development of Network Services:

	7-9/2013	7-9/2012	Change %
Orders received	22,220	20,796	6.8%
Net sales	22,220	20,796	6.8%
EBIT	823	448	83.8%
EBIT %	3.7%	2.2%	

In the third quarter, both orders received and net sales increased by 6.8% and stood at EUR 22.2 (20.8) million. Compared to the same period in the previous year, operating profit improved clearly totaling EUR 0.8 (0.4) million, which is 3.7% (2.2%) of the net sales. This improvement in the operating profit was brought about by the successful adjustment of cost structure in Germany and the increase in demand for broadband connections.

## Network Services January to September 2013

	1-9/2013	1-9/2012	Change %	1-12/2012
Orders received	65,036	68,936	-5.7%	91,931
Net sales	65,036	69,836	-6.9%	92,645
EBIT	419	1,733	-75.8%	2,439
EBIT %	0.6%	2.5%		2.6%

Orders received totaled EUR 65.0 (68.9) million. Net sales decreased by 6.9% to EUR 65.0 (69.8) million. Operating profit equaled EUR 0.4 (1.7) million. This decline in operating profit over the comparative period was due to the low net sales and the relatively high cost structure in the first half of the year.

## Personnel and Organization January to September 2013

In the period under review, the Group had an annual average of 1,324 people (1,326/2012, 1,290/2011), of whom 562 (568) were employed by Video and Broadband Solutions, and 762 (758) by Network Services. At the end of the reporting period, the Group employed 1,283 (1,308/2012, 1,311/2011) people, of whom Video and Broadband Solutions accounted for 564 and Network Services for 719. At the end of the reporting period, 72% (73%/2012, 72%/2011) worked abroad. Employees stationed outside Europe accounted for less than 5% of the Group's personnel.

Year-on-year wages and salaries decreased by 4.7% and amounted to EUR 41.7 (43.8/Jan to Sep/2012, 39.1/Jan to Sep/2011) million. This reduction in wages and salaries was contributed by performance-based bonuses, growth in the activation of R&D wages and salaries and payroll adjustments in the first

quarter. In Finland, adjustments agreed in the cooperation procedures can be extended until March 2014, if required.

M.Sc. (Econ) Juha Hyytiäinen (46) has been appointed new Chief Financial Officer and member of the Management Team of Teleste Corporation. Mr. Hyytiäinen's employment will begin on 18 November 2013. Teleste's current CFO, Erja Saarikoski, will leave the company in early 2014.

### **Investments in January to September 2013**

Investments by the Group for the period under review totaled EUR 5.3 (2.5) million accounting for 3.8% (1.7%) of the net sales. EUR 3.5 million of these investments involved the acquisition of Asheridge. Investments in product development equaled EUR 0.9 (0.6) million. R&D investments involved the distributed access network solution and video surveillance software. Other investments were made in machinery and equipment for production and services as well as for modifications made in the production facilities in Finland. Investments of EUR 0.1 (0.8) million were made under financial lease arrangements.

### **Financing and Capital Structure in January to September 2013**

Operating cash flow stood at EUR 7.3 (10.2) million. This decrease in cash flow from operations was primarily due to diminished EBITDA and taxes paid. At the end of the period under review, the amount of unused binding stand-by credits amounted to EUR 15.0 (16.0) million. The current binding stand-by credits of EUR 40.0 million run till August 2015.

The Group's equity ratio equaled 50.4% (47.5%) and net gearing was 17.4% (21.7%). Interest bearing debt on 30 September 2013 stood at EUR 26.3 (25.1) million.

### **Essential Operational Risks of Business Areas**

Founded in 1954, Teleste is a technology and services company consisting of two business areas: Video and Broadband Solutions and Network Services. With Europe as the main market area, our clients include European cable operators and specified organizations in the public sector.

As to Video and Broadband Solutions, client-specific and integrated deliveries of solutions create favorable conditions for growth, even if the involved resource allocation and technical implementation pose a challenge involving, therefore, also reasonable risks. Our customers' network investments vary based on the relevant need for upgrading and their financial structure. Significant part of Teleste's competition comes from the USA so the exchange rate of euro up against the US dollar affects our competitiveness. The exchange rate development of the Chinese renminbi to euro affects our material costs.

The company hedges against short-term currency exposure by means of forward contracts. The tight financial market in Europe may slow down our customers' investment plans. Furthermore, a weakening in the consumer purchasing power in Europe could slow down the network investments by the cable operators. Availability of components is subject to natural phenomena, such as floods and earthquakes. Severe weather conditions have an impact on the business areas' ability to deliver their products and services. Correct technological choices and their timing are vital for our success.

Net sales of Network Services comes, for the most part, from a small number of large European customers, so a significant change in the demand for our services by any one of them is reflected in the actual deliveries. To ensure quality of services and cost-efficiency along with efficient service process management, customer satisfaction and improvements in productivity require innovative solutions in terms of processes, products and logistics. Smooth operation of cable networks requires effective technical management and functional hardware solutions in accordance with contractual obligations. This, in turn, demands continuous and determined development of skill levels in Teleste's own personnel as well as those of our subcontractors. In addition, our ability to deliver and compete may be constrained by the adequacy of our sub-contractor network capacity. Tender calculation and management of larger projects with overall responsibility are complex and risky.

It is important for our business areas to take into account any market developments such as consolidations taking place among the clientele and competition. The threats to information systems must be minimized to ensure business continuity. The Board of Directors annually reviews any essential

risks related to the company operation and their management. Risk management is an integral part of the strategic and operational activities of the business areas. Risks and their probability are reported to the Board in conjunction with regular monthly reports.

The company has covered any major risks of loss involving the business areas through insurance policies. Insurance will also cover credit loss risks related to sales receivables. In the period under review, no such legal proceedings or judicial procedures were pending that would have had any essential significance for the Group operation.

## **Group Structure**

Parent company Teleste has branch offices in Australia, the Netherlands, and Denmark with subsidiaries in 13 countries outside Finland. In April 2013 Teleste Management Oy became a Group company through exchange of shares. Teleste Management II Oy, founded in December 2011, has been consolidated in the Teleste Group figures on account of financial arrangements. Suomen Turvakamera Oy has been merged with Teleste Corporation on 30 April 2013. In Germany, the Group Structure has been streamlined. Asheridge Group has been consolidated with the Group figures as of 7 April 2013.

## **Shares and Changes in Share Capital**

On 30 September 2013, EM Group Oy was the largest single shareholder with a holding of 23.50%.

In the period under review, the lowest company share price was EUR 3.81 (3.04) and the highest was EUR 4.42 (4.44). Closing price on 30 September 2013 stood at EUR 4.12 (4.38). According to Euroclear Finland Ltd the number of shareholders at the end of the period under review was 5106 (5187). Foreign ownership accounted for 5.62% (5.96%). From 1 January to 30 September 2013, trading with Teleste share at NASDAQ OMX Helsinki amounted to EUR 7.0 (8.2) million. In the period under review, 1.7 (2.1) million Teleste shares were traded on the stock exchange.

At the end of September 2013, the Group held 1,189,654 (1,302,985) of its own shares, of which the parent company Teleste Corporation had 266,654 shares while the Group and controlled companies had 923,000 shares, respectively. At the end of the period, the Group's holding of the total amount of shares amounted to 6.34% (6.96%).

On 30 September 2013, Teleste's registered share capital stood at EUR 6,966,932.80 divided in 18,762,320 shares.

The period for subscription of Teleste 2007B options expired on 30 April 2013. No Teleste Corporation shares were subscribed by the specified options in the subscription period. On 21 August 2013, 33,730 shares were subscribed by means of 2007C options. Up until 30 April 2014, 2007C options allow for subscription of maximum 280,000 Teleste Corporation shares. Teleste 2007C options have been listed on NASDAQ OMX Helsinki Oy since 2 April 2012.

## **Decisions by the Annual General Meeting**

The Annual General Meeting (AGM) of Teleste Corporation on 12 April 2013 confirmed the financial statements for 2012 and discharged the Board of Directors and the CEO from liability for the financial period. The AGM confirmed the dividend of EUR 0.17 per share proposed by the Board. The dividend was paid out on 24 April 2013.

Ms. Marjo Miettinen, Mr. Pertti Ervi, Mr. Esa Harju, Mr. Kai Telanne and Mr. Petteri Walldén continue in Teleste's Board of Directors. Jannica Fagerholm was elected new member of the Board of Directors. Pertti Raatikainen's membership of the Board of Directors ended. Ms. Marjo Miettinen was elected Chair of the Board in the organizational meeting held immediately after the AGM.

Authorized Public Accountants KPMG Oy Ab continue as the auditor until the next AGM. Mr. Esa Kailiala, accountant authorized by the Central Chamber of Commerce of Finland, was chosen auditor-in-charge.

Valid authorizations granted by the AGM:

- Authorization to purchase own shares: 1,400,000
- Disposal of own shares: 1,779,985, valid until the 2014 Annual General Meeting
- Issue of new shares: 5,000,000, valid until the 2014 Annual General Meeting

- Pursuant to the special rights granted by the company, the maximum number of shares is 2,500,000; these special rights are included in the authorization to issue 5,000,000 new shares.

In the period under review, 113,331 treasury shares were conveyed. This conveyance was related to the acquisition of the share capital of the management holding company Teleste Management Oy, which was carried out through a share exchange.

### **Outlook for 2013**

Network capacity will continue to increase driven by the new video services provided by the operators. However, comparisons made by the operators concerning the future access network technologies could delay the launch of investments. We estimate profitability of Video and Broadband Solutions to improve over the comparative period.

We estimate profitability of Network Services to remain below the comparative period.

We expect net sales and operating profit for 2013 to reach the 2012 level.

30 October 2013

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 2012 consolidated financial statements. The data stated in this report is unaudited. The changes in IAS1, IFRS13 and IAS19 have been applied in this interim report and they do not have any material impact on the financial reporting.

**STATEMENT OF COMPREHENSIVE  
INCOME (tEUR)**

	<b>7-9/2013</b>	<b>7-9/2012</b>	<b>Change %</b>	<b>1-12/2012</b>
Net Sales	46,478	45,590	1.9 %	193,875
Other operating income	347	0	n/a	1,150
Materials and services	-23,350	-21,867	6.8 %	-94,747
Personnel expenses	-12,815	-13,258	-3.3 %	-58,511
Other operating expenses	-6,390	-6,256	2.1 %	-25,753
Depreciation	-1,085	-1,338	-18.9 %	-5,078
Operating profit	3,185	2,871	10.9 %	10,936
Financial income and expenses	-239	43	n/a	-822
Profit after financial items	2,946	2,914	1.1 %	10,115
Profit before taxes	2,946	2,914	1.1 %	10,115
Taxes	-911	-1,054	-13.6 %	-3,412
Net profit	2,035	1,860	9.4 %	6,703
Attributable to:				
Equity holders of the parent	2,035	1,860	9.4 %	6,703
Earnings per share for result of the year attributable to the equity holders of the parent (expressed in € per share)				
Basic	0.12	0.11	8.6 %	0.38
Diluted	0.11	0.11	8.5 %	0.38
Total comprehensive income for the period (tEUR)				
Net profit	2,035	1,860	9.4 %	6,703
Possible items with future net profit effect				
Translation differences	44	322	-86.3 %	631
Fair value reserve	-19	36	n/a	144
Total comprehensive income for the period	2,060	2,218	-7.1 %	7,478
Attributable to:				
Equity holders of the parent	2,060	2,218	-7.1 %	7,478

**STATEMENT OF COMPREHENSIVE  
INCOME (tEUR)**

	<b>1-9/2013</b>	<b>1-9/2012</b>	<b>Change %</b>	<b>1-12/2012</b>
Net Sales	138,732	146,407	-5.2 %	193,875
Other operating income	805	788	2.2 %	1,150
Materials and services	-66,951	-72,265	-7.4 %	-94,747



Personnel expenses	-41,705	-43,759	-4.7 %	-58,511
Other operating expenses	-19,759	-19,074	3.6 %	-25,753
Depreciation	-3,597	-3,869	-7.0 %	-5,078
Operating profit	7,525	8,228	-8.5 %	10,936
Financial income and expenses	-424	-718	-40.9 %	-822
Profit after financial items	7,101	7,510	-5.4 %	10,115
Profit before taxes	7,101	7,510	-5.4 %	10,115
Taxes	-2,008	-2,428	-17.3 %	-3,412
Net profit	5,093	5,082	0.2 %	6,703
Attributable to:				
Equity holders of the parent	5,093	5,082	0.2 %	6,703
Earnings per share for result of the year attributable to the equity holders of the parent (expressed in € per share)				
Basic	0.29	0.29	-0.2 %	0.38
Diluted	0.29	0.29	-0.3 %	0.38
Total comprehensive income for the period (tEUR)				
Net profit	5,093	5,082	0.2 %	6,703
Possible items with future net profit effect				
Translation differences	-427	679	n/a	631
Fair value reserve	32	120	-73.3 %	144
Total comprehensive income for the period	4,698	5,881	-20.1 %	7,478
Attributable to:				
Equity holders of the parent	4,698	5,881	-20.1 %	7,478

#### STATEMENT OF FINANCIAL POSITION (tEUR)

	30.9.2013	30.9.2012	Change %	31.12.2012
Non-current assets				
Property, plant, equipment	10,578	10,032	5.4 %	10,127
Goodwill	33,376	31,400	6.3 %	31,350
Other intangible assets	4,352	4,644	-6.3 %	4,174
Deferred tax assets	2,206	1,833	20.3 %	2,086
Available-for-sale investments	286	287	-0.3 %	294
	50,798	48,196	5.4 %	48,031
Current assets				
Inventories	21,307	21,131	0.8 %	19,495
Trade and other receivables	36,237	42,315	-14.4 %	38,811
Cash and cash equivalents	15,450	12,311	25.5 %	13,880
	72,994	75,757	-3.6 %	72,186
Total assets	123,791	123,952	-0.1 %	120,217
Shareholder's equity and liabilities				
Share capital	6,967	6,967	0.0 %	6,967

Other equity	55,003	51,111	7.6 %	52,912
Non-controlling interest	425	695	-38.9 %	678
	62,396	58,773	6.2 %	60,557
Non-current liabilities				
Provisions	783	605	29.4 %	503
Deferred tax liabilities	1,902	2,182	-12.8 %	1,297
Non interest bearing liabilities	2,400	3,394	-29.3 %	22
Interest-bearing liabilities	814	665	22.4 %	788
	5,899	6,846	-13.8 %	2,610
Current liabilities				
Trade payables and other liabilities	28,858	31,660	-8.9 %	32,612
Current tax payable	267	1,040	-74.3 %	2,075
Provisions	850	1,211	-29.8 %	1,004
Interest-bearing liabilities	25,521	24,422	4.5 %	21,360
	55,496	58,333	-4.9 %	57,050
Total shareholder's equity and liabilities	123,791	123,952	-0.1 %	120,217

#### **CONSOLIDATED CASH FLOW STATEMENT (tEUR)**

	<b>1-9/2013</b>	<b>1-9/2012</b>	<b>Change %</b>	<b>1-12/2012</b>
Cash flows from operating activities				
Profit for the period	5,093	5,082	0.2 %	6,703
Adjustments	6,029	7,069	-14.7 %	9,110
Interest and other financial expenses and incomes	-424	-295	43.7 %	-397
Paid Taxes	-3,816	-2,087	82.8 %	-4,290
Change in working capital	418	450	-7.1 %	4,171
Cash flow from operating activities	7,300	10,219	-28.6 %	15,297
Cash flow from investing activities				
Acquisition of subsidiary, net of cash acquired	-3,541	-580	510.6 %	-828
Purchases of property, plant and equipment (PPE)	-977	-1,242	-21.3 %	-1,110
Purchases of intangible assets	-897	-480	86.9 %	-844
Net cash used in investing activities	-5,415	-2,302	135.3 %	-2,782
Cash flow from financing activities				
Proceeds from borrowings	5,000	0	n/a	0
Payments of borrowings	-2,029	-9,249	-78.1 %	-11,821
Dividends paid	-2,962	-2,440	21.4 %	-2,440
Proceeds from issuance of ordinary shares	103	0	n/a	0
Net cash used in financing activities	112	-11,689	n/a	-14,261
Change in cash				
Cash in the beginning	13,880	15,404	-9.9 %	15,404
Change in cash during period	1,997	-3,772	n/a	-1,746
Effect of currency changes	-427	679	n/a	221
Cash at the end	15,450	12,311	25.5 %	13,880

<b>KEY FIGURES</b>	<b>1-9/2013</b>	<b>1-9/2012</b>	<b>Change %</b>	<b>1-12/2012</b>
Earnings per share, EUR	0.29	0.29	-0.2 %	0.38
Earnings per share fully diluted, EUR	0.29	0.29	-0.3 %	0.38
Shareholders' equity per share, EUR	3.55	3.37	5.3 %	3.48
Return on equity	11.0 %	11.9 %	-7.0 %	11.6 %
Return on capital employed	11.5 %	13.0 %	-11.9 %	13.0 %
Equity ratio	50.4 %	47.5 %	6.2 %	50.5 %
Gearing	17.4 %	21.7 %	-19.7 %	13.7 %
Investments, tEUR	5,273	2,522	109.1 %	3,325
Investments % of net sales	3.8 %	1.7 %	120.6 %	1.7 %
Order backlog, tEUR	17,392	13,629	27.6 %	17,000
Personnel, average	1,324	1,326	-0.2 %	1,326
Number of shares, average (thousands) including own shares	18,734	18,729	0.0 %	18,729
Highest share price, EUR	4.42	4.44	-0.5 %	4.44
Lowest share price, EUR	3.81	3.04	25.3 %	3.04
Average share price, EUR	4.12	3.97	3.8 %	3.98
Turnover, in million shares	1.7	2.1	-17.8 %	2.7
Turnover, in MEUR	7.0	8.2	-14.4 %	10.8
Treasury shares				
	Number of shares		% of shares	% of votes
Teleste companies possession of own shares 30.9.2013	1,189,654		6.34 %	6.34 %
Contingent liabilities and pledged assets (tEUR)				
Leasing and rent liabilities	6,907	9,026	-23.5 %	8,528
Derivative instruments (tEUR)				
Value of underlying forward contracts	7,830	1,913	309.3 %	5,936
Market value of forward contracts	-257	-50	414.0 %	-109
Value of underlying interest swap contracts	11,000	2,500	340.0 %	9,000
Market value of interest swap contracts	10	-46	n/a	-22

According to IFRS 7 the currency exchange contracts and interest swap contracts are in level 2.

According to IFRS 7 the available for sales assets are in level 3.

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

<b>OPERATING SEGMENTS (tEUR)</b>	<b>1-9/2013</b>	<b>1-9/2012</b>	<b>Change %</b>	<b>1-12/2012</b>
Video and Broadband Solutions				
Orders received	73,688	69,900	5.4 %	97,730
Net sales	73,696	76,571	-3.8 %	101,230
EBIT	7,106	6,495	9.4 %	8,497
EBIT%	9.6 %	8.5 %		8.4 %

# Network Services

Orders received	65,036	68,936	-5.7 %	91,931
Net sales	65,036	69,836	-6.9 %	92,645
EBIT	419	1,733	-75.8 %	2,439
EBIT%	0.6 %	2.5 %		2.6 %

# Total

Orders received	138,724	138,836	-0.1 %	189,661
Net sales	138,732	146,407	-5.2 %	193,875
EBIT	7,525	8,228	-8.5 %	10,936
EBIT%	5.4 %	5.6 %		5.6 %
Financial items	-424	-718	-40.9 %	-821
Operating segments net profit before taxes	7,101	7,510	-5.4 %	10,115

## INFORMATION PER QUARTER (tEUR)

7-9/13 4-6/13 1-3/13 10-12/12 7-9/12 10/2012-9/2013

# Video and Broadband Solutions

Orders received	28,919	23,350	21,419	27,830	19,720	101,518
Net sales	24,258	25,625	23,813	24,659	24,794	98,355
EBIT	2,362	2,308	2,436	2,002	2,423	9,108
EBIT %	9.7 %	9.0 %	10.2 %	8.1 %	9.8 %	9.3 %

# Network Services

Orders received	22,220	20,870	21,946	22,995	20,796	88,031
Net sales	22,220	20,870	21,946	22,809	20,796	87,845
EBIT	823	-570	166	706	448	1,125
EBIT %	3.7 %	-2.7 %	0.8 %	3.1 %	2.2 %	1.3 %

# Total

Orders received	51,139	44,220	43,365	50,825	40,516	189,549
Net sales	46,478	46,495	45,759	47,468	45,590	186,200
EBIT	3,185	1,738	2,602	2,708	2,871	10,233
EBIT %	6.9 %	3.7 %	5.7 %	5.7 %	6.3 %	5.5 %

## 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 1.1.2013	6,967	1,504	685	48,007	2,737	-22	59,878	678	60,557

Total comprehensive income for the period			-427	5,093	0	32	4,698	0	4,698
Paid dividend				-3,119	0	0	-3,119	157	-2,962
Interest, non controll party				43	0	0	43	-43	0
Used share options					103	0	103	0	103
Equity-settled share-based payments				0	367	0	367	-367	0
Shareholder's equity 30.9.2013	6,967	1,504	258	50,024	3,207	10	61,970	425	62,396
Shareholder's equity 1.1.2012	6,967	1,504	54	43,559	2,737	-166	54,655	623	55,278
Total comprehensive income for the period	0	0	679	5,082	0	120	5,881	0	5,881
Paid dividend	0	0	0	-2,569	0	0	-2,569	129	-2,440
Interest, non controll party	0	0	0	57	0	0	57	-57	0
Equity-settled share-based payments	0	0	0	54	0	0	54	0	54
Shareholder's equity 30.9.2012	6,967	1,504	733	46,183	2,737	-46	58,078	695	58,773

#### 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

#### SHAREHOLDERS 30.9.2013

	Shares	%
EM Group Oy	4,409,712	23.50
Mandatum Life Insurance Company Limited	1,679,200	8.95
Ilmarinen Mutual Pension Insurance Company	953,854	5.08
Kaleva Mutual Insurance Company	824,641	4.40
OP-Finland Small Firms Fund	630,712	3.36
Teleste Management II Oy	542,000	2.89
Varma Mutual Pension Insurance Company	521,150	2.78
The State Pension Fund	500,000	2.66
Teleste Management Oy	381,000	2.03
FIM Fenno Equity fund	271,242	1.45

#### SECTOR DISPERSION 30.9.2013

	Shareholders	%	Shares	%
Households	4,725	92.5	4,633,923	24.7
Public sector institutions	6	0.1	2,009,004	10.7
Financial and insurance institutions	14	0.3	3,419,917	18.2
Corporations	285	5.6	7,261,069	38.7
Non-profit institutions	35	0.7	384,067	2.0
Foreign and nominee registered owners	41	0.8	1,054,340	5.6
Total	5,106	100.0	18,762,320	100.0

#### AMOUNT OF SHARES 30.9.2013

	Shareholders	%	Shares	%
1 - 100	1,129	22.1	77,324	0.4
101 - 500	2,192	42.9	601,516	3.2
501 - 1,000	793	15.5	653,444	3.5
1001 - 5,000	804	15.7	1,768,092	9.4
5,001 - 10,000	93	1.8	670,603	3.6
10,001 - 50,000	68	1.3	1,299,461	6.9
50,001 - 100,000	4	0.1	341,055	1.8
100,001 - 500,000	16	0.3	3,789,556	20.2
500,001 -	7	0.1	9,561,269	51.0
Total	5,106	100.0	18,762,320	100.0
of which nominee registered			837,775	4.5

The following assets and liabilities were preliminary recognised in the acquisition of Asheridge:

1 000 €	Recognised fair values on acquisition
Fair values used in consolidation	
Trade marks (inc. in intangible assets)	0
Customer relationship (inc. in intangible assets)	730
Technology (inc. in intangible assets)	533
Inventories	727
Trade receivables	1 126
Book values used in consolidation	
Tangible asstes	731
Other receivables	81
Cash and cash equivalents	219
Total assets	4 147
Book values used in consolidation	
Interest-bearing liabilities	1 209
Trade payables	1 084
Deferred tax liabilites	315
Other liabilities	242
Total liabilities	2 850
Net identifiable assets and liabilities	1 297
Total consideration	3 553
Goodwill on acquisition	2 257
Consideration paid in cash	-1 184
Cash and cash equivalents in acquired subsidiary	219
Total net cash outflow on the acquisition	-965



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