

Interim report

1 January to 31 March 2017

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CEO

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**We make your everyday life
smart, safe and smooth.**

Business areas



Video and Broadband Solutions

Broadband networks and video security and information solutions



Network Services

Comprehensive service solutions for cable networks

Network Products - We bring broadband and TV services to your home





Broadband connections



Cable TV services



Hotel TV



Hotel Wi-Fi network

Video Security and Information – Our products and solutions secure you in public places and guide your use of public transport

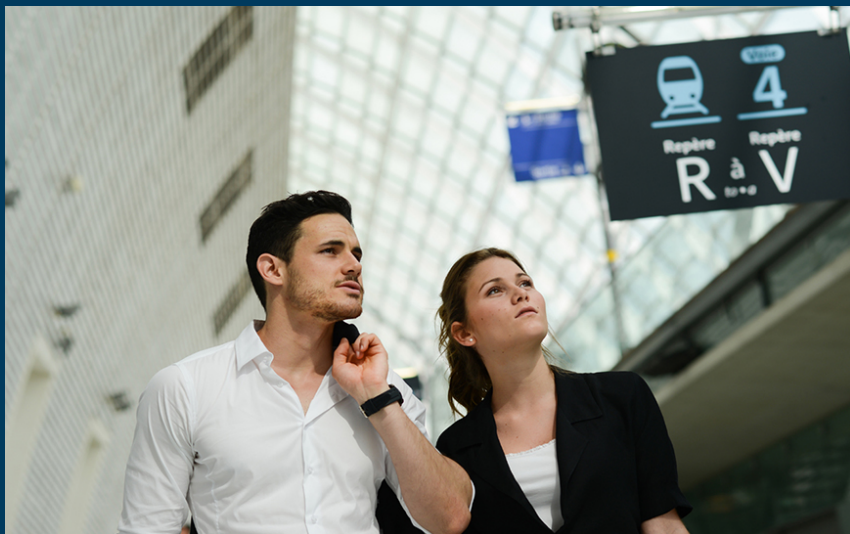




Public security



Effective and smooth operations



Route and timetable information



Display and advanced passenger information solutions

Network Services - We help you join the networked society



DESIGN



BUILDING



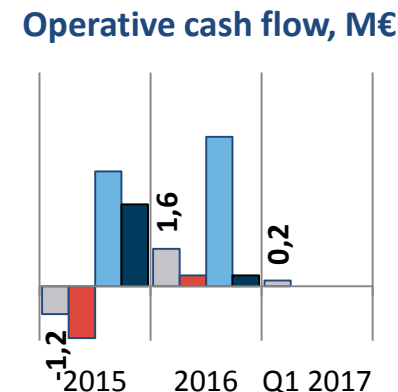
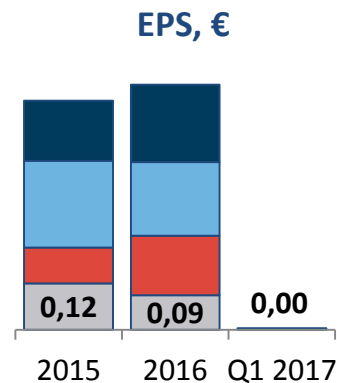
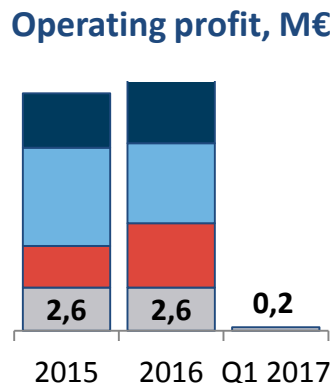
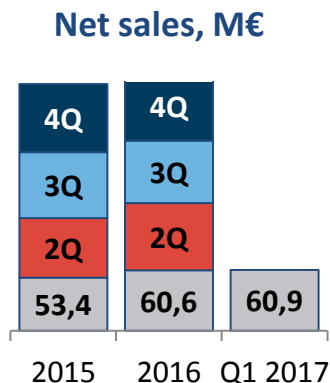
OPERATING



SERVICE AND
MAINTENANCE

Overview Q1 2017

- Net sales 60,9 MEUR (60,6) +0,5 %
- Operating profit 0,2 MEUR (2,6) -91,9 %
- Earnings per share 0,00 EUR (0,09) -95,7 %
- Operative cash flow 0,2 MEUR (1,6) -84,5 %
- Orders received 73,6 MEUR (59,3) +24,2 %



Teleste Group

Q1 2017 highlights



- Orders received grew both year-on-year and quarter-on-quarter. Orders received grew particularly in Video Security and Information systems.
- Net sales were at par year-on-year, but decreased quarter-on-quarter.
- Operating profit decreased both year-on-year and quarter-on-quarter. The decrease in operating profit resulted from decreased net sales in Video and Broadband Solutions, investments in expanding business in new market areas and the development programme to adapt our services business in Germany in accordance with our customer's changing needs.

	Q1 2017	Q1 2016	YoY change	Q4 2016	QoQ change
Orders received, M€	73,6	59,3	24,2 %	64,6	14,0 %
Net sales, M€	60,9	60,6	0,5 %	68,6	-11,1 %
EBIT, M€	0,2	2,6	-91,9 %	4,3	-95,1 %
EBIT-%	0,3 %	4,3 %		6,3 %	
Net profit, M€	0,1	1,7	-95,7 %	3,7	-98,1 %
EPS, €	0,00	0,09	-95,7 %	0,21	-98,1 %
Operative cash flow, M€	0,2	1,6	-84,5 %	0,5	-45,9 %

Video and Broadband Solutions

Q1 2017 highlights

- Orders received increased both year-on-year and quarter-on-quarter. Orders received grew particularly in video security and information solutions. The deliveries of these orders are mainly scheduled for 2018 and later.
- Net sales decreased both year-on-year and quarter-on-quarter. Net sales decreased mainly in video security and information solutions because of the low order backlog in the beginning of the period.
- Operating profit decreased both year-on-year and quarter-on-quarter. Operating profit decreased mainly as a result of the decreased net sales. In addition the operating profit was depressed by investments in the expanding business in new market areas.

	Q1 2017	Q1 2016	YoY change	Q4 2016	QoQ change
Orders received, M€	48,1	36,4	32,2 %	39,5	21,7 %
Net sales, M€	35,4	37,7	-6,1 %	43,5	-18,6 %
EBIT, M€	0,8	2,4	-66,6 %	5,3	-84,6 %
EBIT-%	2,3 %	6,5 %		12,2 %	
Average personnel	751	726	3,4 %	752	-0,1 %

Network Services

Q1 2017 highlights

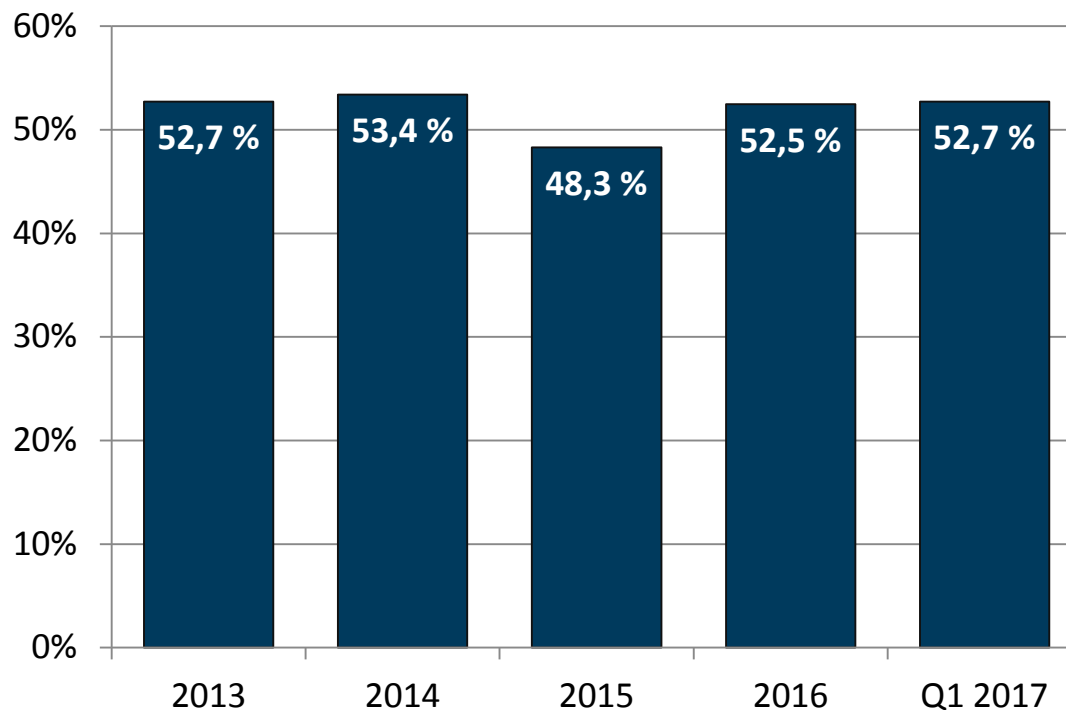
- Net sales and orders received increased both year-on-year and quarter-on-quarter. Net sales increased in all markets except Belgium.
- Operating profit decreased significantly year-on-year but grew quarter-on-quarter. Operating result was negative as estimated. The losses were incurred in Germany, where deliveries of services that included subcontracted excavation work showed a loss and the productivity of other services did not reach the target level.
- The development programme launched in the autumn involved preparing to reorganise and adapt the services business in Germany in accordance with our customers' changing needs.
- Operating profit developed favourably in the UK, Switzerland and Finland.

	Q1 2017	Q1 2016	YoY change	Q4 2016	QoQ change
Orders received, M€	25,5	22,9	11,4 %	25,1	1,9 %
Net sales, M€	25,5	22,9	11,4 %	25,1	1,9 %
EBIT, M€	-0,6	0,2		-1,0	
EBIT-%	-2,4 %	0,7 %		-3,9 %	
Average personnel	756	773	-2,2 %	759	-0,4 %

Equity Ratio (at the end of period)

Teleste Group

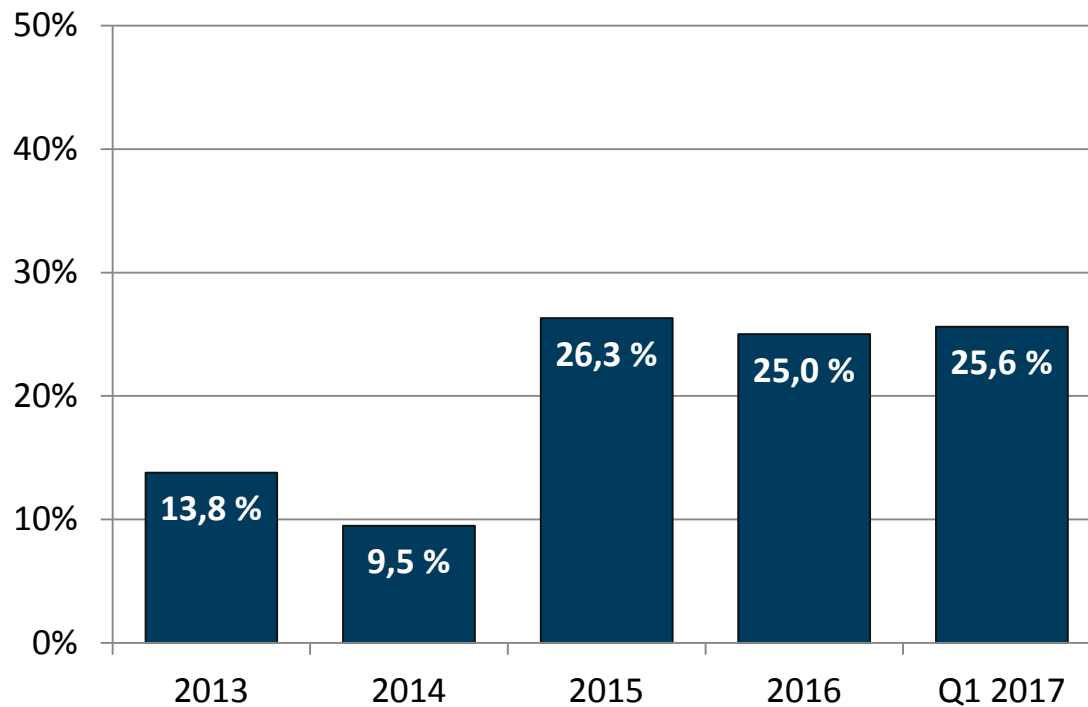
TELESTE



Gearing

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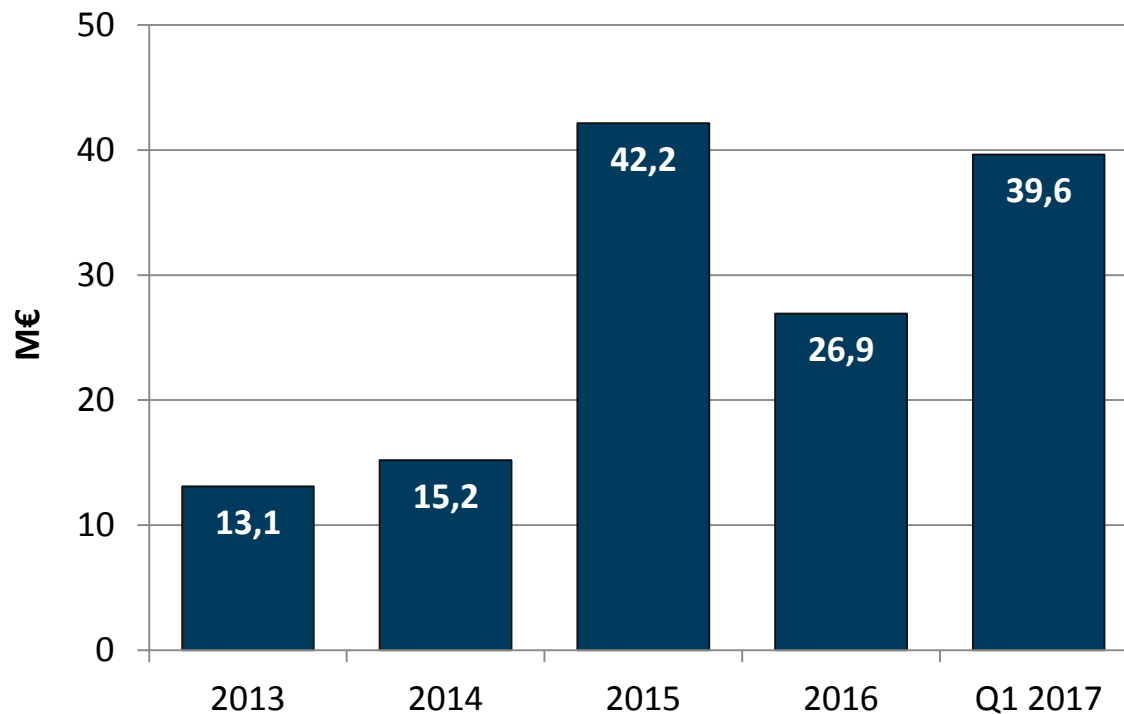
TELESTE



Order Backlog (at the end of period)

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TELESTE



Outlook for 2017

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. Due to the low order backlog, the weight of net sales and operating profit of Video and Broadband Solutions will be on the second half of the year.

Network capacity will continue to grow, with operators responding to consumers' new and expanding *broadband and video service needs*. We estimate the demand for access network products in Europe to continue on a par with 2016. Teleste's entire access network product portfolio has been renewed in accordance with the DOCSIS 3.1 standard, and our offering allows the cable operators to increase their network capacity competitively. Our clientele is becoming consolidated and our competitors are introducing their own DOCSIS 3.1 products in the market, resulting in pressure on the pricing of products. The American markets in particular are growing strongly, providing significant growth opportunities for Teleste's access network products. In 2017, we will start investing in access network products that are suitable for new markets. The objective of the investments is the long-term increase in sales.

Demand for *video security solutions* for public spaces continues worldwide, but some investment decisions may be delayed by the economic situation. Teleste's video security solution for public space introduced in Paris provides new opportunities for other major cities of the world. The added value in the ecosystem has increasingly shifted to software and intelligence, and price erosion in the traditional video security equipment market continues. New innovations and solutions are also changing the rail industry passenger information solution business. 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.

As to **Network Services**, our business objective is to further develop the operational efficiency and increase the share of those services that provide our customers with higher added value. Our aim is to improve the profitability of the provided services particularly in Germany. We are preparing to reorganise and adapt our services in Germany in accordance with our customers' changing needs. We estimate the demand for all-inclusive network services in our key target markets to continue at least at the level of the previous year.

We estimate that net sales and operating profit for 2017 will remain below the 2016 level, due to the low order backlog in the beginning of the financial period, the adaptation measures in services business in Germany and the investments in growth in new market areas.

One Teleste

Mission

We make your everyday life
smart, safe, and smooth.

Vision

Best partner for
networked society