

Interim report

2 November 2016

Q3 2016

We make your everyday life Smarter, Safer and Smoother

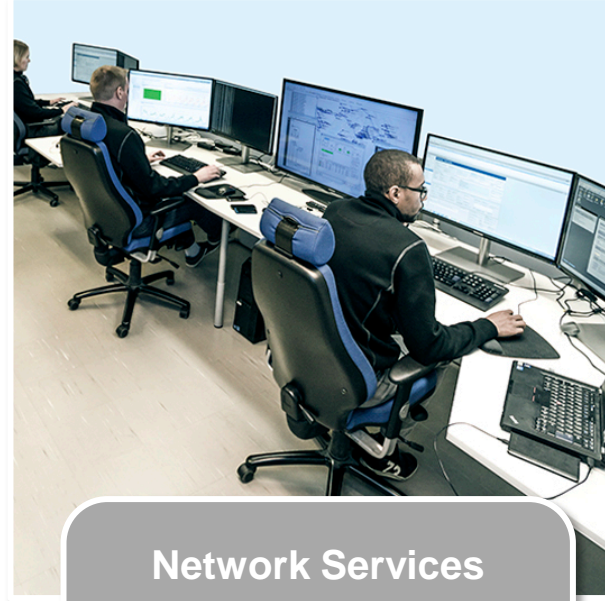


Business Areas



Video and Broadband Solutions

Broadband networks and video security and information solutions



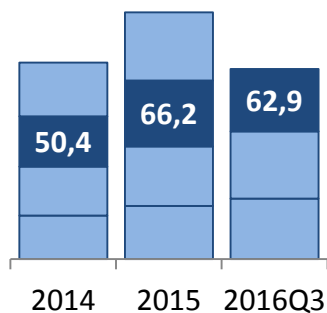
Network Services

Comprehensive service solutions for cable networks

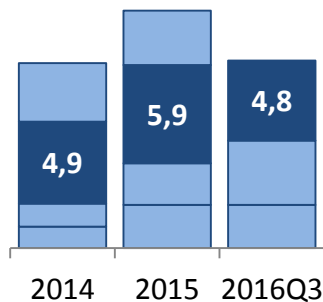
Overview Q3 2016

▪ Net sales	62,9 MEUR	(66,2)	-5,0 %
▪ Operating profit	4,8 MEUR	(5,9)	-18,5 %
▪ Earnings per share	0,20 EUR	(0,23)	-15,2 %
▪ Operative cash flow	6,3 MEUR	(4,8)	+30,2 %
▪ Orders received	53,2 MEUR	(62,0)	-14,3 %

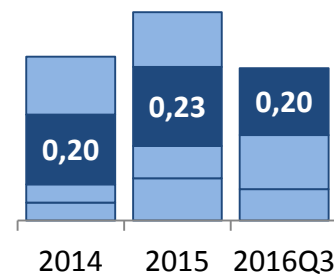
Net sales, M€



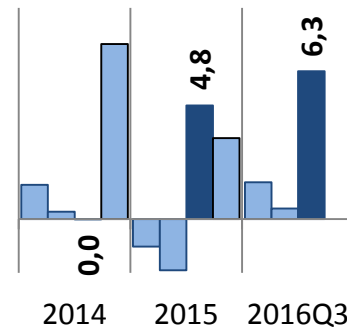
Operating profit, M€



EPS, €



Operative cash flow, M€



Teleste Group – Q3 2016 highlights

- Orders received reduced both year-on-year and quarter-on-quarter. According to our view the demand for broadband solutions, video security and information solutions will recover and remain positive amongst Teleste's customer base.
- Net sales fell short of the record figures of Q3 2015.
- Operating profit reduced year-on-year compared to record result of Q3 2015, due to operating loss of Network Services business area.
- Operating cash flow grew both year-on-year and quarter-on-quarter.

	Q3 2016	Q3 2015	YoY change	Q2 2016	QoQ change
Orders received, M€	53,2	62,0	-14,3 %	67,2	-20,8 %
Net sales, M€	62,9	66,2	-5,0 %	67,5	-6,9 %
EBIT, M€	4,8	5,9	-18,5 %	3,9	24,7 %
EBIT-%	7,7 %	8,9 %		5,7 %	
Net profit, M€	3,6	4,2	-15,2 %	2,9	23,7 %
EPS, €	0,20	0,23	-15,2 %	0,16	23,7 %
Operative cash flow, M€	6,3	4,8	30,2 %	0,5	1298,3 %

Video and Broadband Solutions – Q3 2016 highlights

- Orders received and net sales reduced both year-on-year and quarter-on-quarter. In spite of delayed network investments by a number of cable operators, our view concerning positive sustained investment demand for access networks remained strong. Orders for rail information solutions reduced, since ordering decisions by our customers were delayed.
- Operating profit grew both year-on-year and quarter-on-quarter. The higher year-on-year average gross margin in the access network products increased the operating profit of the business area.

	Q3 2016	Q3 2015	YoY change	Q2 2016	QoQ change
Orders received, M€	30,6	39,6	-22,8 %	42,5	-27,9 %
Net sales, M€	40,3	43,8	-8,0 %	42,8	-5,8 %
EBIT, M€	5,5	5,1	8,4 %	3,2	69,5 %
EBIT-%	13,8 %	11,7 %		7,4 %	
Average personnel	762	712	7,3 %	748	-0,4 %

Network Services – Q3 2016 highlights

- Net sales remained at par year-on-year and reduced quarter-on-quarter. Net sales grew in the UK and reduced in Germany.
- Operating profit fell considerably both year-on-year and quarter-on-quarter and resulted in an operating loss. Operating loss took place in Germany.
- Services business and the operating profit developed positively in the UK, Switzerland, Finland and Belgium.

	Q3 2016	Q3 2015	YoY change	Q2 2016	QoQ change
Orders received, M€	22,6	22,4	0,7 %	24,7	-8,6 %
Net sales, M€	22,6	22,4	0,7 %	24,7	-8,6 %
EBIT, M€	-0,7	0,8		0,7	
EBIT-%	-3,2 %	3,6 %		2,8 %	
Average personnel	769	788	-2,4 %	767	0,3 %

Teleste Group, January – September 2016

	1-9 2016	1-9 2015	YoY change	1-12/2015
Orders received, M€	179,7	183,1	-1,9 %	251,3
Net sales, M€	191,0	179,4	+6,5 %	247,8
EBIT, M€	11,3	11,0	+2,5 %	14,3
EBIT-%	5,9 %	6,1 %		5,8 %
Net profit, M€	8,1	8,1	-0,3 %	11,0
EPS, €	0,45	0,45	-0,9 %	0,61
Operative cash flow, M€	8,3	1,5	+467,3 %	4,9

Video and Broadband Solutions, January – September 2016

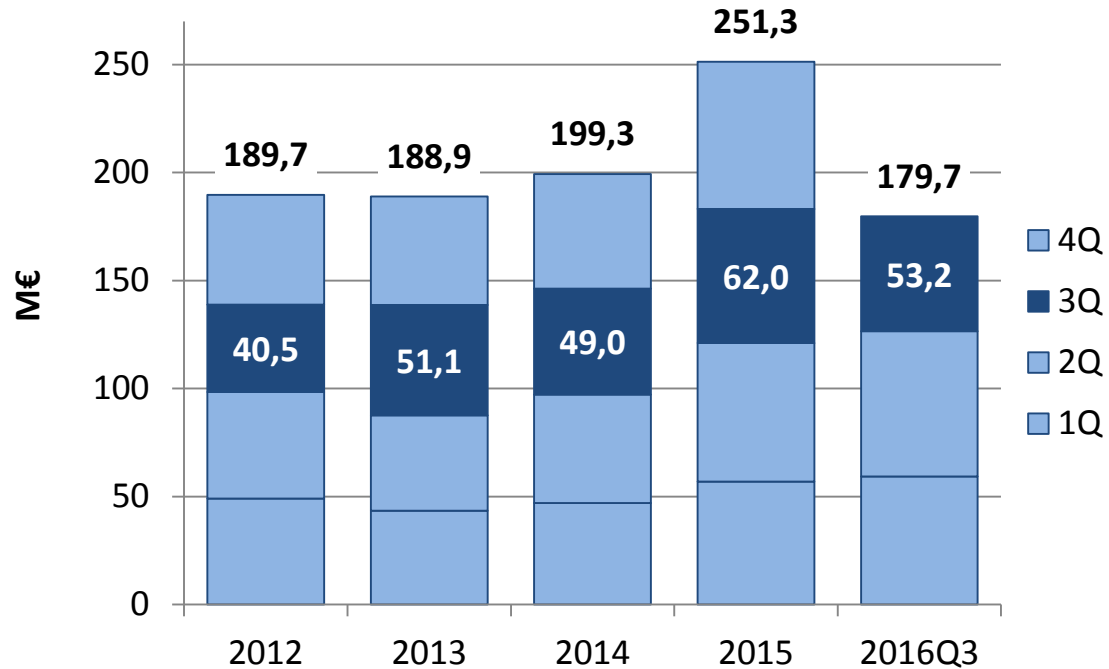
	1-9 2016	1-9 2015	YoY change	1-12/2015
Orders received, k€	109 463	114 532	-4,4 %	157 951
Net sales, k€	120 735	110 812	+9,0 %	154 396
EBIT, k€	11 173	10 115	+10,5 %	12 781
EBIT-%	9,3 %	9,1 %		8,3 %
Average personnel	745	694	+7,5 %	697

Network Services, January – September 2016

	1-9 2016	1-9 2015	YoY change	1-12/2015
Orders received, k€	70 231	68 554	+2,4 %	93 362
Net sales, k€	70 231	68 554	+2,4 %	93 362
EBIT, k€	128	914	-86,0 %	1 520
EBIT-%	0,2 %	1,3 %		1,6 %
Average personnel	770	791	-2,7 %	788

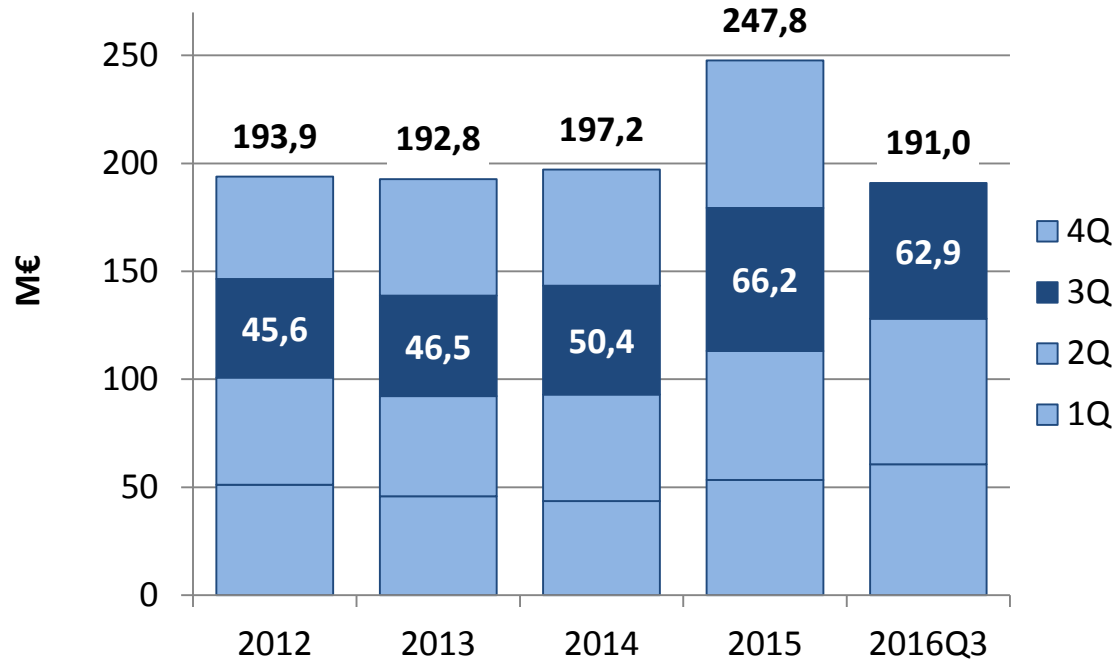
Orders Received

Teleste Group, M€



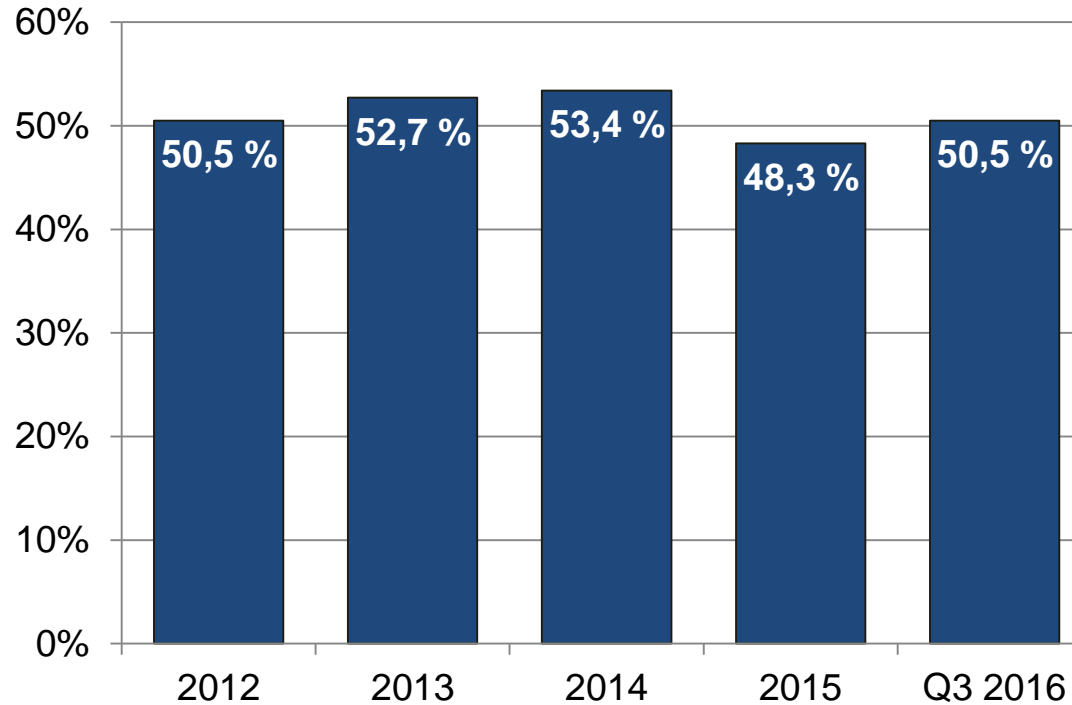
Net Sales

Teleste Group, M€



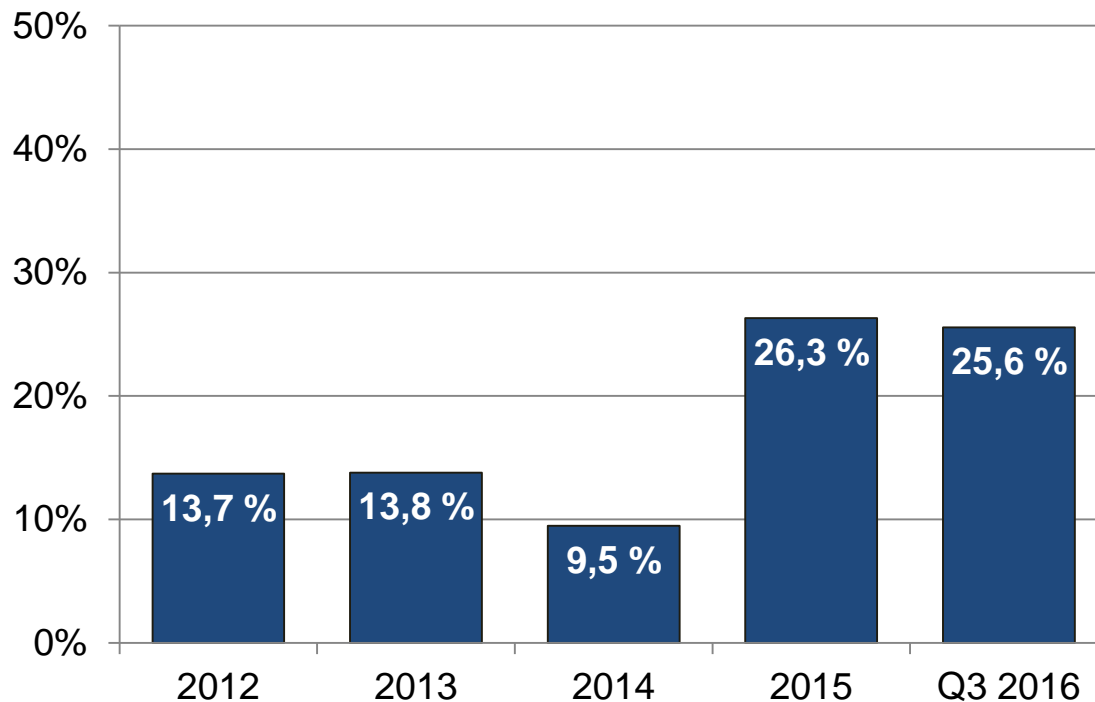
Equity Ratio (at the end of period)

Teleste Group



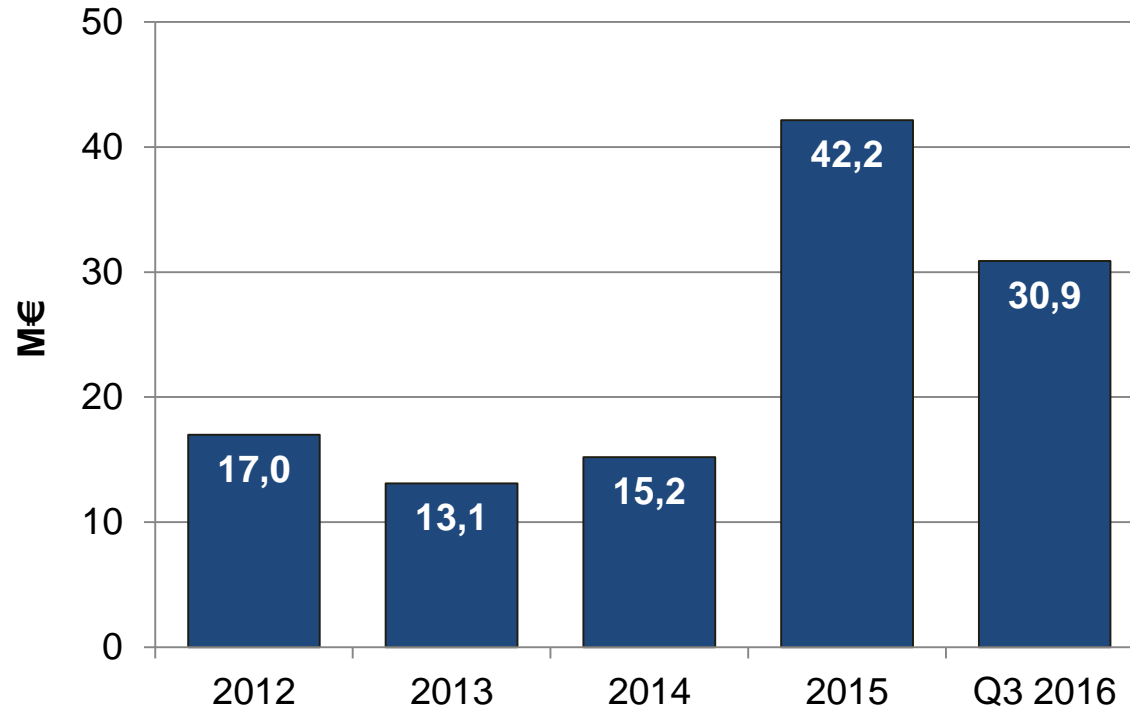
Gearing

Teleste Group



Order Backlog (at the end of period)

Teleste Group



Outlook 2016

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. Network capacity will continue to grow. Driven by the new broadband and video services provided by the operators, even if some cable operators have shifted their network investments scheduled for 2016 over to the next year. Our new products in line with the DOCSIS 3.1 communication standard allow the cable operators to increase their network capacity competitively. Price erosion in the market continues. Changes in the value of the euro, particularly against the US dollar and the Chinese renminbi, affect Teleste's competitiveness, on the one hand, and product manufacturing costs, on the other. The positive trend in the markets for **video security and passenger information solutions** will continue whereas the public sector decisions concerning the initiation of projects may be delayed by the current economic situation. The security solution for public areas introduced in Paris provides new opportunities for other major cities of the world. Train manufacturers and public transport operators benefit from Teleste's video security and passenger information 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 value. Our aim is to improve the profitability of the provided services particularly in Germany. We estimate the demand for all-inclusive network services in our key target markets to continue at least at the previous year level.

We estimate that net sales and operating profit for 2016 will exceed the 2015 level.

