

# Interim Report Q3 2020

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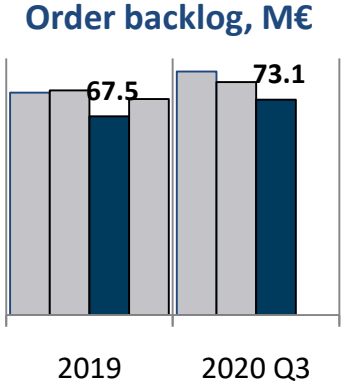
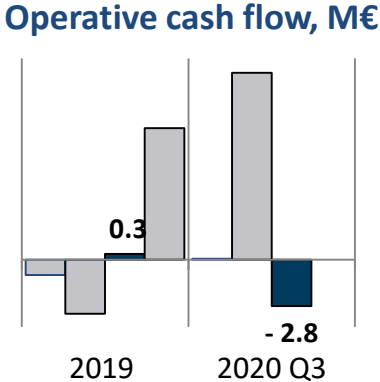
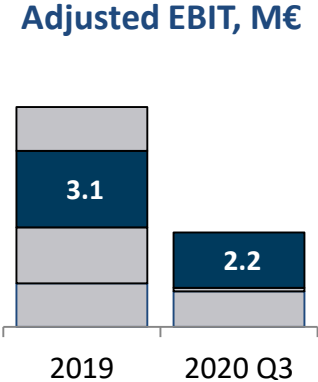
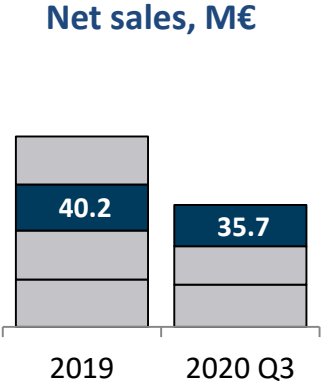
# Interim report – Q3 2020

- On 14 May 2020, Teleste announced its new strategy, according to which the company will focus on technology businesses and the higher added-value services that support them. As a result, the company has decided to divest its services business in Germany.
- Teleste Corporation's Board of Directors has decided to classify the services business of the Germany-based Cableway companies as an asset held for sale pursuant to IFRS 5 “Non-current assets held for sale and discontinued operations” and will report the business as a discontinued operation according to the standard starting from the first quarter. The business to be divested was previously reported under the Network Services business area.
- The income statement figures presented in this interim report only include continuing operations, except where otherwise noted. The figures in the statement of financial position and the cash flow statement include both continuing and discontinued operations.

# Q3 2020 highlights, continued operations

- Net sales 35,7 MEUR (40,2) -11,3 %
- Adjusted EBIT 2,2 MEUR (3,1) -27,9 %
- Earnings per share 0,09 EUR (0,14) -33,0 %
- Operative cash flow <sup>1)</sup> -2,8 MEUR (0,3) -900,8 %
- Orders received 29,8 MEUR (31,5) -5,4 %
- Order backlog 73,1 MEUR (67,5) +8,4 %

<sup>1)</sup> Including discontinued operations



# Teleste Group, continued operations – Q3 2020



- Orders received decreased year-on-year, but stayed at the level of previous quarter. Order backlog increased 8,4 % year-on-year and amounted to 73,1 M€.
- Net sales decreased year-on-year in both business areas, but increased quarter-on-quarter.
- Adjusted EBIT decreased year-on-year, but increased quarter-on-quarter.
- Operative cash flow decreased year-on-year and quarter-on-quarter.
- Discontinued operations net profit includes 7,7 M€ write off for assets held for sale.

	Q3 2020	Q3 2019	YoY change	Q2 2020	QoQ change
Orders received, M€	29,8	31,5	-5,4 %	30,0	-0,9 %
Net sales, M€	35,7	40,2	-11,3 %	33,5	6,5 %
Adjusted EBIT, M€	2,2	3,1	-27,9 %	0,1	1422,5 %
Adjusted EBIT-%	6,2 %	7,7 %		0,4 %	
EBIT, M€	2,2	3,1	-27,9 %	-0,4	
Net profit, M€ <sup>1)</sup>	-7,0	2,6	-367,7 %	-2,0	
EPS, €	0,09	0,14	-33,0 %	-0,05	
EPS, € <sup>1)</sup>	-0,38	0,14	-365,5 %	-0,11	
Operative cash flow, M€ <sup>1)</sup>	-2,8	0,3	-900,8 %	11,1	-124,8 %

<sup>1)</sup> Including discontinued operations

# Video and Broadband Solutions – Q3 2020

- Orders received decreased year-on-year and quarter-on-quarter in video security and information solutions as customers did not make purchase orders for new significant projects.
- Order backlog increased 8,4 % year-on-year and amounted to 73,1 M€.
- Net sales decreased year-on-year, but increased quarter-on-quarter. Net sales decreased especially in access network products resulting from COVID-19 pandemic and operators preparing for investments based on distributed access architecture.
- EBIT decreased year-on-year but increased quarter-on-quarter resulting from changes of net sales.

	Q3 2020	Q3 2019	YoY change	Q2 2020	QoQ change
Orders received, M€	24,7	25,9	-4,7 %	25,0	-1,3 %
Net sales, M€	30,6	34,6	-11,7 %	28,5	7,5 %
EBIT, M€	1,8	3,0	-41,8 %	-0,2	
EBIT-%	5,7 %	8,7 %		-0,7 %	
Average personnel	646	693	-6,8 %	653	-1,1 %

# Network Services, continued operations – Q3 2020 *TELESTE*

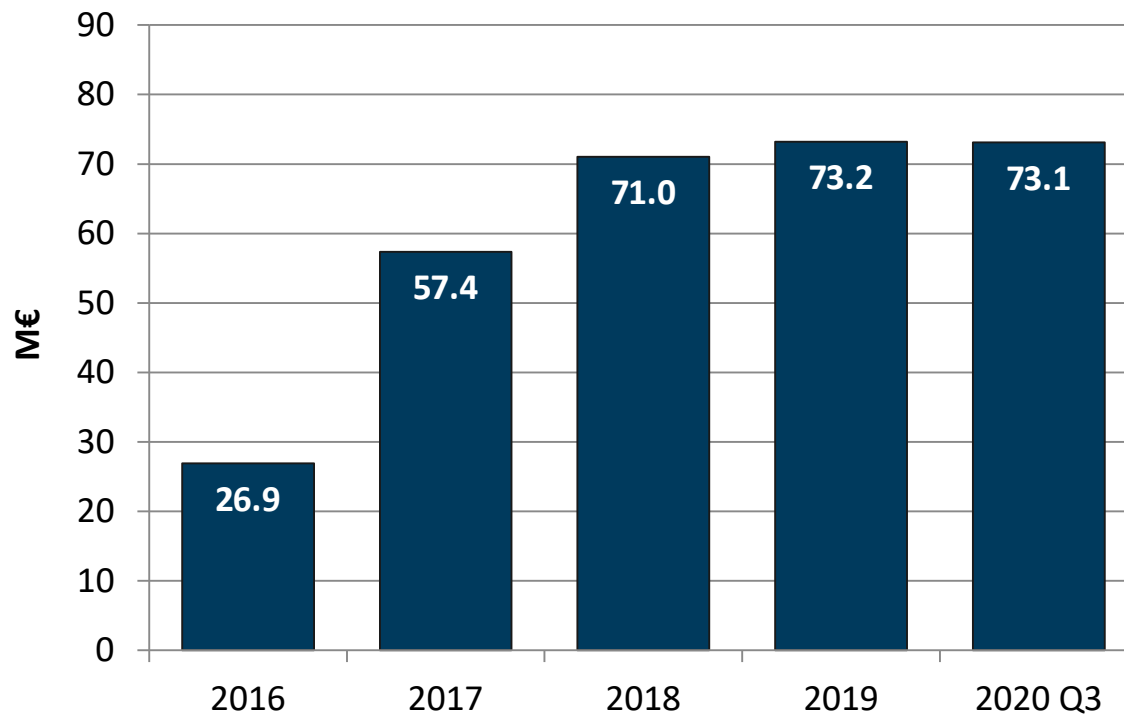
- Teleste revised its network services strategy, according to which the company will focus on the higher added-value services in the UK, Switzerland, Finland, Poland and Belgium.
- Orders received and net sales decreased year-on-year but increased quarter-on-quarter. Net sales declined year-on-year in England, where the focus was on high-added-value design services and the scaling down of lower-margin project services. Net sales also declined in Belgium, where we discontinued the provision of loss-making field services.
- EBIT increased year-on-year and quarter-on-quarter. EBIT grew in England, where the focus was on high-added-value design services, and in Finland, where cost adjustments improved earnings.

	Q3 2020	Q3 2019	YoY change	Q2 2020	QoQ change
Orders received, M€	5,1	5,6	-8,8 %	5,1	1,2 %
Net sales, M€	5,1	5,6	-8,8 %	5,1	1,2 %
EBIT, M€	0,5	0,1	569,8 %	0,3	39,1 %
EBIT-%	9,2 %	1,2 %		6,7 %	
Average personnel	213	212	0,7 %	199	6,8 %



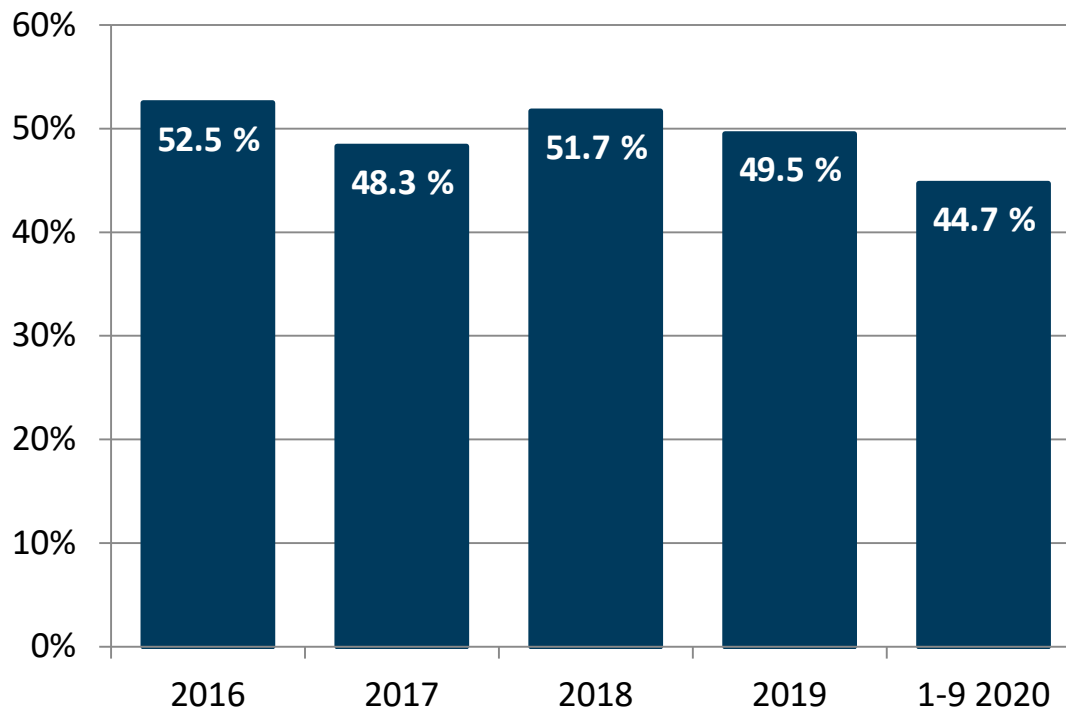
# Order Backlog (at the end of period)

## Teleste Group



# Equity Ratio (at the end of period)

## Teleste Group, including discontinued operations



# Teleste Group, January - September 2020

## Continued operations

	1-9 2020	1-9 2019	YoY change	1-12 2019
Orders received, M€	105,7	120,2	-12,1 %	167,5
Net sales, M€	105,8	123,8	-14,5 %	165,3
Adjusted EBIT, M€	3,8	7,1	-46,4 %	8,8
Adjusted EBIT, %	3,6 %	5,7 %		5,3 %
EBIT, M€	3,2	-0,2		1,9
Net profit, M€	1,9	-1,9		-0,3
Net profit, M€ <sup>1)</sup>	-10,4	-2,3		-1,7
Operative cash flow, M€	8,5	-3,8		4,1

<sup>1)</sup> Including discontinued operations

# Business areas, January - September 2020

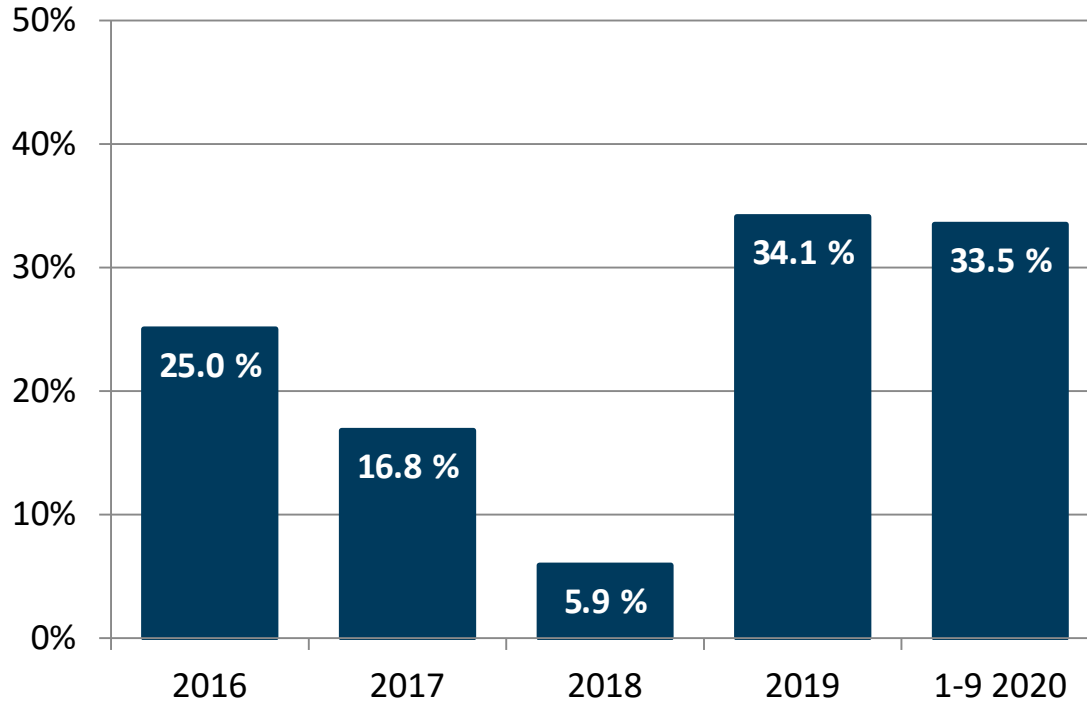
## Continued operations

<b>Video and Broadband Solutions</b>	<b>1-9 2020</b>	<b>1-9 2019</b>	<b>YoY change</b>	<b>1-12 2019</b>
Orders received, M€	90,1	101,6	-11,3 %	143,5
Net sales, M€	90,3	105,2	-14,2 %	141,4
EBIT, M€	2,8	6,8	-59,2 %	8,1
EBIT, %	3,1 %	6,5 %		5,7 %
Average personnel	655	684	-4,3 %	682

<b>Network Services</b>	<b>1-9 2020</b>	<b>1-9 2019</b>	<b>YoY change</b>	<b>1-12 2019</b>
Orders received, M€	15,5	18,6	-16,4 %	24,0
Net sales, M€	15,5	18,6	-16,4 %	24,0
EBIT, M€	1,0	0,3	+255,1 %	0,8
EBIT, %	6,6 %	1,5 %		3,2 %
Average personnel	202	216	-6,7 %	213

# Net gearing (at the end of period)

## Teleste Group, including discontinued operations



## Covid-19 summary

- The key themes of the past quarter were the recovery from the first wave of the COVID-19 pandemic, the continued technological transformation of cable networks and the divestment project pertaining to the services business in Germany.
- The orders received in the access network products business also remained at a modest level as cable operators postponed their network updates due to the COVID-19 pandemic and the ongoing technological transformation.
- In the Network Services business area the situation concerning the services of our continuing operations returned to normal, and the COVID-19 pandemic did not have significant financial impacts in the third quarter.
- **Our personnel and our in-house production activities have remained operational.**

## Covid-19 summary

- The order backlog for passenger information solutions for the remainder of the year is at a high level, but the COVID-19 pandemic may delay deliveries.
- New distributed access architecture products are currently being tested together with customers in Europe and the USA, but the COVID-19 pandemic is slowing down the testing process.

## Outlook for 2020

Due to the COVID-19 pandemic, many countries in Teleste's main market area have imposed restrictions effecting Teleste's customers' and company's own operations. At present, it is difficult to estimate the extent of the negative impact of the pandemic on Teleste's net sales and operating result for the financial period 2020.

**We estimate the company's comparable net sales and comparable adjusted operating result of continuing operations for 2020 will remain below the 2019 level.**