



HALF YEAR
FINANCIAL
REPORT
H1 2021

JANUARY 1 – JUNE 30, 2021

TELESTE

TELESTE CORPORATION HALF YEAR FINANCIAL REPORT 1 JANUARY TO 30 JUNE 2021

NET SALES, ADJUSTED OPERATING RESULT AND ORDER BACKLOG INCREASED

April-June 2021

- Net sales amounted to EUR 35.8 (33.5) million, an increase of 6.8%
- Adjusted operating result was EUR 1.1 (0.1) million
- Operating result amounted to EUR 1.1 (-0.4) million
- Earnings per share including discontinued operations amounted to EUR 0.04 (-0.11)
- Cash flow from operations, including discontinued operations, was EUR 9.6 (11.1) million, a decrease of 13.6%
- Orders received totalled EUR 43.9 (30.0) million, an increase of 46.0%
- Order backlog at period-end totalled EUR 84.2 (79.0) million, an increase of 6.5%

January-June 2021

- Net sales amounted to EUR 72.8 (70.1) million, an increase of 3.9%
- Adjusted operating result stood at EUR 2.6 (1.6) million, an increase of 67.6%
- Operating result amounted to EUR 5.8 (1.0) million, including non-recurring income from insurance compensation of EUR 3.2 million
- Earnings per share including discontinued operations amounted to EUR 0.25 (-0.18)
- Cash flow from operations, including discontinued operations, was EUR 12.2 (11.2) million, an increase of 9.2%
- Orders received totalled EUR 79.9 (75.9) million, an increase of 5.3%

The income statement figures presented in this half year financial report only include continuing operations, except where otherwise noted. The figures in the balance sheet and the cash flow statement include both continuing and discontinued operations.

Outlook for 2021

Teleste estimates that the net sales of the continuing operations in 2021 will reach or exceed the level of 2020 and that the adjusted operating result will exceed the adjusted operating result of 2020. The net sales of the continuing operations in 2020 were EUR 145.0 million, and the adjusted operating result was EUR 5.1 million.

However, the COVID-19 pandemic continues to cause uncertainty among Teleste's customers and in the company's own operations in the 2021 financial period.

Comments by CEO Jukka Rinnevaara:

“The development of key figures during the second quarter was favourable compared to the reference period, which was influenced by the COVID-19 pandemic last year. Orders received increased substantially during the second quarter and elevated the order backlog to a record-high level. Orders received increased in public transport information solutions and video security solutions. Net sales increased year-on-year in public transport information solutions, video security solutions and access network products. The operating result improved due to the increase in net sales. While the pandemic is not yet over in our markets, business is gradually returning to normal unless new COVID-19 variants complicate the situation again. Through careful precautions, Teleste has been able to largely ensure the continuity of its operations in spite of the pandemic.

Data communications operators' distributed access architecture deployment projects are in the start-up stage. During the second quarter, we received orders for distributed network architecture products from our significant customers and announced a cooperation agreement with Liberty Global. In many industries, the rapid recovery of the global economy has had a negative impact on the availability of raw materials. In electronics components, in particular, the continued allocation situation has increased the prices of components. Ensuring the ability to deliver products and keep costs under control has become more challenging than usual. So far, we have managed to solve the component availability problems relatively well, but the situation will still require special attention during the second half of the year. The availability of components will, to some degree, limit the deliveries of products during the remainder of the year. Consequently, the effect of the deliveries of distributed architecture products on net sales and operating result for this year will also be limited.

In video security solutions and public transport information solutions, we received significant new orders, such as video security solutions for Alstom's train project in South Africa and for a video security solution to be delivered to a customer in the Middle East. The high order backlog for public transport information solutions and video security solutions provides a good foundation for business development, and our goal is to improve our profitability from the current level. We are also planning to expand our own production operations to improve profitability in the long term. Component availability issues and price increases will also affect the video security and public transport information solutions businesses during the remainder of the year.

The focus areas for this year include the development of next-generation access architecture products and the necessary capabilities, progress in the North American market as well as growth and improved profitability in public transport information solutions and video security solutions. Managing the risks associated with the development of the pandemic, the global component shortage and the increase in the price of materials and freight will require special attention during the remainder of the year.”

Group Operations April-June 2021

Key figures	4-6/2021	4-6/2020	Change
Net sales, EUR million	35.8	33.5	+6.8%
Adjusted EBIT, EUR million ¹⁾	1.1	0.1	+674.1%
Adjusted EBIT, % ¹⁾	3.2%	0.4%	
EBIT, EUR million	1.1	-0.4	
EBIT, %	3.2%	-1.2%	
Result for the period, EUR million	0.8	-1.0	
Result for the period, EUR million ²⁾	0.8	-2.0	
Earnings per share, EUR	0.04	-0.05	
Earnings per share, EUR ²⁾	0.04	-0.11	
Cash flow from operations, EUR million ²⁾	9.6	11.1	-13.6%
Orders received, EUR million	43.9	30.0	+46.0%

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

²⁾ Including discontinued operations

Orders received by the Group in the second quarter totalled EUR 43.9 (30.0) million, an increase of 46.0% on the reference period last year. Orders received increased in public transport information solutions and video security solutions. Net sales increased by 6.8% to EUR 35.8 (33.5) million. Net sales increased in public transport information solutions, video security solutions and access network products.

Expenses for material and manufacturing services amounted to EUR 16.4 (17.2) million, a decrease of 4.9%. Personnel expenses amounted to EUR 12.2 (11.2) million, an increase of 9.7%. The change in personnel expenses was attributable to the increase in the average number of personnel and the unit costs of labour as well as by temporary layoffs and performance-based bonuses for personnel. Other operating expenses amounted to EUR 4.6 (4.3) million, an increase of 6.7%. Depreciation amounted to EUR 1.8 (1.7) million, an increase of 3.3%. The adjusted operating result was EUR 1.1 (0.1) million, representing 3.2% (0.4%) of net sales. The operating result was EUR 1.1 (-0.4) million. The operating result was improved by the growth of net sales. Net financial expenses amounted to EUR 0.1 (0.6) million. The result for the period came to EUR 0.8 (-1.0) million and earnings per share were EUR 0.04 (-0.05).

Cash flow from operations, including discontinued operations, was EUR 9.6 (11.1) million. Cash flow from operations was influenced by the improved operating result as well as the decrease in net working capital. Working capital was released from inventories and trade receivables as well as advance payments invoiced

for project deliveries. Cash flow in the comparison period was improved by COVID-19 relief, which had a total effect of EUR 3.3 million.

R&D expenses amounted to EUR 3.1 (2.7) million, representing 8.6% (8.1%) of consolidated net sales. Product development projects focused on distributed access architecture and next-generation amplifiers, 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 1.2 (0.9) million. Depreciation on capitalised R&D expenses was EUR 0.9 (0.7) million.

Group Operations, January-June 2021

Key figures	1-6/2021	1-6/2020	Change	1-12/2020
Net sales, EUR million	72.8	70.1	+3.9%	145.0
Adjusted EBIT, EUR million ¹⁾	2.6	1.6	+67.6%	5.1
Adjusted EBIT, % ¹⁾	3.6%	2.2%		3.5%
EBIT, EUR million	5.8	1.0	+472.0%	4.5
EBIT, %	8.0%	1.5%		3.1%
Result for the period, EUR million	4.5	0.2	+2349%	2.8
Result for the period, EUR million ²⁾	4.5	-3.4		-8.0
Earnings per share, EUR	0.25	0.02	+1559%	0.16
Earnings per share, EUR ²⁾	0.25	-0.18		-0.43
Cash flow from operations, EUR million ²⁾	12.2	11.2	+9.2%	13.1
Net gearing, % ²⁾	13.9%	25.4%		17.0%
Equity ratio, % ²⁾	51.0%	48.4%		48.8%
Orders received, EUR million	79.9	75.9	+5.3%	148.8
Order backlog, EUR million	84.2	79.0	+6.5%	77.1
Personnel at period-end	884	849	+4.2%	858

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

²⁾ Including discontinued operations

Orders received by the Group increased by 5.3% to EUR 79.9 (75.9) million. Orders received increased in public transport information solutions and video security solutions. The order backlog grew by 6.5% to a

record-high level of EUR 84.2 million. Net sales increased by 3.9% to EUR 72.8 (70.1) million. Net sales increased in public transport information solutions, video security solutions and access network products.

Expenses for material and manufacturing services decreased by 1.1% to EUR 34.3 (34.7) million. Personnel expenses amounted to EUR 24.3 (22.8) million, an increase of 6.5%. Other operating expenses decreased by 4.4% to EUR 8.8 (9.2) million. Depreciation amounted to EUR 3.5 (3.4) million, an increase of 3.7%. The adjusted operating result was EUR 2.6 (1.6) million, an increase of 67.6%. The adjusted operating result represented 3.6% (2.2%) of net sales. The operating result was EUR 5.8 (1.0) million, or 8.0% (1.5%) of net sales. The operating result includes non-recurring insurance compensation in the amount of EUR 3.2 million, which is reported as an adjustment item. Net financial items were EUR 0.1 (-0.3) million and the Group's direct taxes amounted to EUR 1.4 (0.5) million. The Group's effective tax rate was 24.1% (75.0%). The effective tax rate for the comparison period was increased by the loss-making business in Germany. The result for the period came to EUR 4.5 (0.2) million. Earnings per share were EUR 0.25 (0.02).

Cash flow from operations was EUR 12.2 (11.2) million. The increase in cash flow from operations was attributable to the improved operating result as well as the release of working capital and non-recurring income of EUR 3.2 million. During the first half of the year, the company repaid COVID-19 relief received in the financial year 2020, such as the deferred payment of taxes and employer contributions.

R&D expenses amounted to EUR 5.9 (5.9) million, representing 8.1% (8.5%) of consolidated net sales. Capitalised R&D expenses amounted to EUR 2.4 (2.1) million. Depreciation on capitalised R&D expenses came to EUR 1.9 (1.4) million.

Personnel and organisation January-June 2021

The Group's continuing operations employed 854 (856) people on average during the period under review. At the end of the review period, the Group employed 884 (849) people, of whom 45% (46%) worked abroad. Approximately 3% (3%) of the Group's employees were working outside Europe.

Personnel expenses amounted to EUR 24.3 (22.8) million, an increase of 6.5%. The change in personnel expenses was attributable to the increase in the average number of personnel and the unit costs of labour as well as by temporary layoffs that ended in the first quarter and performance-based bonuses, which were not paid for January-June 2020. The temporary layoffs of employees that began in spring 2020 ended in the first quarter of this year.

Investments and product development in January-June 2021, including discontinued operations

Investments by the Group totalled EUR 4.8 (4.3) million, representing 6.7% (4.1%) of net sales. Investments in product development amounted to EUR 2.4 (2.1) million and other investments to EUR 2.4 (2.2) million.

Other investments included investments in property, plant and equipment as well as a business premises lease of EUR 1.6 million.

Product development projects focused on distributed access architecture and next-generation amplifiers, including solutions designed for the US market, situational awareness and video security solutions, public transport information solutions and customer-specific projects.

Financing and capital structure January-June 2021, including discontinued operations

Cash flow from operations was EUR 12.2 (11.2) million. Cash flow from operations increased due to the improved operating result as well as the release of working capital. Working capital was released from inventories. During the first half of the year, the company repaid COVID-19 relief received in the financial year 2020, such as the deferred payment of taxes and employer contributions.

Teleste Corporation has credit and loan facilities with a combined total value of EUR 56.0 million. The five-year 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 EUR 20.0 million credit facility will run until the end of August 2021 and includes a one-year extension option. The loan of EUR 6.0 million has a maturity of 4 years, and it will be repaid in fixed instalments in six-month intervals by August 2024. At the end of the period under review, the amount of unused binding credit facilities was EUR 20.0 (20.0) million.

At period-end, the Group's interest-bearing debt stood at EUR 31.2 (32.1) million. The Group's equity ratio was 51.0% (48.4%) and net gearing ratio 13.9% (25.4%).

Discontinued operations

The services business of the Germany-based Cableway companies were classified as an asset held for sale pursuant to IFRS 5 ("Non-current assets held for sale and discontinued operations"), and, in accordance with the standard, Teleste reported the business of the Cableway companies as a discontinued operation in the financial period 2020. The divestment was completed on 2 November 2020 and the final transaction price was the price reported in the financial statements of 31 December 2020. We estimate that the divested services business will not have an impact on the income statement for the financial period 2021. The income statement comparison figures for 2020 presented in interim reports in 2021 only include continuing operations, unless otherwise provided. The comparison figures in the balance sheet and the cash flow statement include both continuing and discontinued operations.

Key risks faced by the business areas

Europe is Teleste's main market and business area, but the company aims to expand its business in North America. Teleste's customers include data communications operators, public transport operators, train manufacturers and specified organisations in the public sector.

Teleste's strategy involves risks and uncertainties, such as that new business opportunities may fail to be identified or successfully used. The company must anticipate market changes such as the significance of consolidation among customers or competitors. Periods of technological transformation, such as operators migrating to distributed access architecture in access networks, 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. Correct technological choices, product development and their timing are vital to success. Product development contains calculated risks and should they materialise, the value of the product development investments can decrease. Expanding business operations to new markets is demanding. The Group's investments in growth in the North American market will not necessarily lead to the desired results.

In the technology and product business, client-specific and integrated deliveries of solutions create favourable conditions for growth, even if the involved resource allocation and technical implementation pose a challenge and therefore also involve reasonable risks. Data communications operators' network investments vary according to the development of technology, customers' need to upgrade networks and their capacity to invest. The demand for video security and information solutions also fluctuates on the basis of large individual project deliveries. End-to-end deliveries of systems and projects may be large in size and take place over several years, setting high demands for the project quotation calculation and management and, consequently, involve risks. Increased competition created by the new service providers may undermine the cable operators' ability to invest. Various technologies are used in Teleste's 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 and solutions may fail in the customer's operational environment and lead to expensive repair obligations. Teleste is also committed to its customers' high requirements for quality and delivery reliability in network services, which calls for a highly effective service process management system and continuous process development to ensure the quality and cost-efficiency of services. 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 delivery capacity and profitability of services. Subcontractors' costs may increase faster than it is possible for Teleste to increase the prices of its services to its own customers.

Various information systems are critical to the development, manufacture and supply of products to customers. The maintenance of information systems and deployment of new systems involve risks that may affect 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 may also be targeted by illegal activities and fraud attempts that could 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. The development of personnel competence, employee engagement and recruitment involves risks that influence how competitiveness is maintained and developed.

The consequences of natural phenomena and global disruptions, such as a pandemic, or accidents, such as a fire or a flood, may reduce the availability of components in the order-delivery chain of the electronics industry or suspend our own manufacturing operations. Fluctuations in demand in the global economy may lead to sudden price increases for raw materials, components and freight, whose negative impact on the gross margin Teleste cannot eliminate by increasing the prices of its products or project deliveries. The challenges related to the availability of raw materials and components that began last year are still ongoing. The company estimates that the risks associated with availability may lead to delays in deliveries, but these delays are not expected to last long. Customs levies imposed by different countries and changes or restrictions on exports or imports may have a negative effect on component supply chains and the profitability of products. Many competitors in the provision of access network technologies come from the United States, which is why the exchange rate of the euro against the US dollar has an effect on competitiveness. In particular, the development of the exchange rates of the US dollar and the Chinese renminbi against the euro influences product costs and result. The company hedges against short-term currency exposure by means of forward exchange contracts and stock options.

The COVID-19 pandemic presents risks to Teleste's supply chain, the company's own operating capacity, the operating capacity of customers and the demand for Teleste's products and services. Thus far, in response to the restrictive measures imposed by the authorities in various countries due to the COVID-19 pandemic, operators have reduced or suspended their broadband network construction, while certain customers in public transport information solutions have been forced to close down their factories and delay projects. The effects of the pandemic on Teleste's supply chain and component availability have been limited thus far. Our personnel and our in-house production activities have mainly remained operational. The company initiated measures in the first quarter of 2020 to safeguard its liquidity and financial position. The COVID-19 pandemic has had a negative impact on net sales and operating result from the second quarter of 2020 onwards.

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 and the Board of Directors on a regular basis.

In the period under review, no such legal proceedings or judicial procedures were pending that would have had any essential significance for the Group's operations.

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

Pursuant to the authorisation issued by the Annual General Meeting, Teleste Corporation's Board of Directors decided, on 10 March 2021, on a directed share issue without consideration, relating to the reward payment for the performance period 2018-2020 of Teleste Group's share-based incentive plan 2018. In the share issue, 8,225 Teleste Corporation shares held by the company were conveyed without consideration to

the key employees participating in the share-based incentive plan in accordance with the terms and conditions of the plan on 19 March 2021.

On 30 June 2021, Tianta Oy was the largest single shareholder with a holding of 25.0% (23.3%).

In the period under review, the lowest price of the company's share was EUR 4.47 (3.51) and the highest price was EUR 6.66 (5.78). The closing price on 30 June 2021 stood at EUR 6.22 (4.36). According to Euroclear Finland Ltd, the number of shareholders at the end of the period under review was 5,744 (5,580). Foreign and nominee-registered holdings accounted for 4.3% (5.3%) of the share capital. The value of Teleste shares traded on Nasdaq Helsinki from 1 January to 30 June 2021 was EUR 9.8 (6.1) million. In the period under review, 1.8 (1.3) million Teleste shares were traded on the stock exchange.

At the end of June, the Group held 768,194 (776,419) 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 4.0% (4.1%).

On 30 June 2021, 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 be subscribed 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.
- These authorisations are valid until 6 October 2022.

Decisions by the Annual General Meeting

The Annual General Meeting (AGM) of Teleste Corporation held on 7 April 2021 adopted the financial statements and consolidated financial statements for 2020 and discharged the members of the Board of Directors and the CEO from liability for the financial period 2020. In accordance with the proposal of the Board of Directors, the AGM resolved that, based on the adopted balance sheet, a dividend of EUR 0.12 per share be paid for the financial period that ended on December 31, 2020 for shares other than those held by the Company. The dividend record date was 9 April 2021 and the dividend was paid out on 16 April 2021.

The AGM decided that the Board of Directors shall consist of six members. Jussi Himanen, Vesa Korpimies, Mirel Leino-Haltia, Timo Luukkainen, Heikki Mäkijärvi and Kai Telanne were elected as members of Teleste Corporation's Board of Directors. In its organisational meeting held after the AGM on 7 April 2021, the Board of Directors elected Timo Luukkainen as its Chairman. Mirel Leino-Haltia was elected Chair of the Audit Committee, with Jussi Himanen and Vesa Korpimies as members.

It was decided that the annual remuneration of the members of the Board of Directors will remain unchanged: EUR 66,000 per year for the chairman and EUR 33,000 per year for each member. The annual remuneration of the Board member who acts as the chairman of the Audit Committee shall be EUR 49,000 per year. Of the annual remuneration to be paid to the Board members, 40% of the total gross remuneration amount will be used to purchase Teleste Corporation's shares for the Board members through trading on a regulated market organised by Nasdaq Helsinki Ltd and the rest will be paid in cash. However, a separate meeting fee shall not be paid to the members of the Board of Directors nor the Chairman of the Audit Committee. The members of the Board's Audit Committee are paid a meeting fee of EUR 400 for the meetings of the Audit Committee they attend.

The AGM decided to choose one auditor for Teleste Corporation. The audit firm PricewaterhouseCoopers Oy was chosen as the company's auditor. The audit firm appointed Markku Launis, APA, as the auditor in charge. It was decided that the auditor's fees will be paid according to the invoice approved by the Company.

The AGM approved the company's Remuneration Report for 2020.

The AGM 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.

The AGM 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 be subscribed 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 decided on by the AGM are valid for eighteen (18) months from the resolution of the AGM. 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.

Events after the end of the review period

On 9 August 2021, Teleste Corporation signed an agreement on a overdraft limit of EUR 10 million, valid until the end of August 2022.

Operating environment in 2021

Teleste's goal is to maintain its strong market position in Europe and to strengthen the market position in North America.

The demand for broadband services by data communications operators continues to grow. Household broadband traffic has grown at an annual rate of 30-40% in recent years. Broadband traffic has increased sharply during the COVID-19 pandemic due to the growth of teleworking and online education and the higher consumption of streaming services. It is possible that part of the growth created by the pandemic will remain a permanent phenomenon, which could accelerate network investments when the restrictions imposed due to the pandemic are lifted. 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 during the past few years. Investments in the expansion of the traditional HFC network infrastructure frequency range continue, but with a lower volume than in the past few years. Operators are already planning investment in next-generation distributed access architecture network solutions as set out in the DOCSIS 4.0 standard. The vision is to offer up to 10 Gbps connections to households. 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. Operators' investments in distributed access architecture have been delayed from the schedule estimates made in the previous years, and the COVID-19 pandemic has caused further delays as field testing by operators has had to be postponed. We estimate that operators' distributed access architecture deployment projects will commence at the end of 2021. The R&D projects of 1.8 GHz access network products set out in the DOCSIS 4.0 standard have been launched. We estimate that the deployment projects of these products will begin in 2023. The growth is enabled by the increased value of access network optical products as well

as the opportunity to take advantage of the technological transformation to expand business into the North American markets. Achieving interoperability with the cable network central systems is a significant risk. We estimate that the net sales of the access network products and services in 2021 will reach or exceed the level of the reference year. However, this estimate involves uncertainty caused by the pandemic and the timing of the technological transformation. Component availability issues and price increases require special attention during the second half of the year in both access network products and in video security and information solutions.

Growing urban environments and their safety, the increase of public transport services and the increasing popularity of smart digital systems for a smoother life provide a foundation for growing business in the coming years. Public transport operators and other authorities must ensure smooth operation of services and infrastructure as well as the safety of people. Public transport information systems are continuously developing to be increasingly smart and real-time. The intelligence of video security solutions increases and 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. We estimate that the market growth of public transport information systems has decreased in 2020 by the reduction in the use of public transport caused by the COVID-19 pandemic as well as delays in investments and projects. However, the market is expected to return to growth at the end of 2021 provided that the prolongation of the pandemic does not lead to a new negative movement in the market. Ensuring competitiveness requires Teleste to continuously make R&D investments in new intelligent solutions. Improvement in project management and operational efficiency in business are also necessary. Teleste strengthened its market position in video security and information solutions during 2020. We estimate that the net sales in 2021 will reach or exceed the level of the reference year. However, this estimate involves uncertainty caused by the pandemic and the timing of the projects.

Outlook for 2021

Teleste estimates that the net sales of the continuing operations in 2021 will reach or exceed the level of 2020 and that the adjusted operating result will exceed the adjusted operating result of 2020. The net sales of the continuing operations in 2020 were EUR 145.0 million, and the adjusted operating result was EUR 5.1 million.

However, the COVID-19 pandemic continues to cause uncertainty among Teleste's customers and in the company's own operations in the 2021 financial period.

11 August 2021

Teleste Corporation

Jukka Rinnevaara

Board of Directors

President and CEO

This half year financial 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 report applying the same accounting principles, as those described in detail in the consolidated financial statements except for the adoption of new standards and amendments effective as of January 1, 2021. The data stated in this report is unaudited.

STATEMENT OF COMPREHENSIVE INCOME (tEUR)	4-6/2021	4-6/2020	Change %	1-12/2020
Continued operations				
Net Sales	35,782	33,516	6.8 %	144,983
Other operating income	365	504	-27.6 %	1,783
Materials and services	-16,384	-17,222	-4.9 %	-72,039
Personnel expenses	-12,233	-11,155	9.7 %	-45,156
Depreciation	-1,764	-1,707	3.3 %	-7,241
Other operating expenses	-4,632	-4,339	6.7 %	-17,814
Operating profit	1,135	-404	n/a	4,516
Financial income	243	88	175.5 %	836
Financial expenses	-295	-692	-57.3 %	-1,670
Profit after financial items	1,083	-1,007	n/a	3,681
Profit before taxes	1,083	-1,007	n/a	3,681
Taxes	-286	11	-2600.5 %	-905
Net profit of continued operations	798	-995	n/a	2,777
Discontinued operations				
Net profit of discontinued operations	0	-984	n/a	-10,812
Net profit	798	-1,979	n/a	-8,035
Attributable to:				
Equity holders of the parent	804	-1,946	n/a	-7,827
Non-controlling interests	-6	-33	n/a	-209
	798	-1,979	n/a	-8,035
Earnings per share for result of the year attributable to the equity holders of the parent (expressed in euro per share)				
Basic	0.04	-0.11	n/a	-0.43
Diluted	0.04	-0.11	n/a	-0.43
Earnings per share for result of the year of continued operations attributable to the equity holders of the parent (expressed in euro per share)				
Basic	0.04	-0.05	n/a	0.16
Diluted	0.04	-0.05	n/a	0.16
Earnings per share for result of the year of discontinued operations attributable to the equity holders of the parent (expressed in euro per share)				
Basic	0.00	-0.05	n/a	-0.59
Diluted	0.00	-0.05	n/a	-0.59

Total comprehensive income for the period (tEUR)				
Net profit	798	-1,979	n/a	-8,035
Possible items with future net profit effect				
Translation differences	225	298	-24.5 %	-606
Cash flow hedges	0	22	-100.0 %	62
Total comprehensive income for the period	1,022	-1,659	n/a	-8,579
Attributable to:				
Equity holders of the parent	1,032	-1,618	n/a	-8,344
Non-controlling interests	-10	-41	n/a	-235
	1,022	-1,659	n/a	-8,579

Continued operations	1-6/2021	1-6/2020	Change %	1-12/2020
Net Sales	72,792	70,079	3.9 %	144,983
Other operating income	3,955	1,046	278.0 %	1,783
Materials and services	-34,289	-34,673	-1.1 %	-72,039
Personnel expenses	-24,321	-22,842	6.5 %	-45,156
Depreciation	-3,503	-3,377	3.7 %	-7,241
Other operating expenses	-8,804	-9,213	-4.4 %	-17,814
Operating profit	5,830	1,019	472.0 %	4,516
Financial income	559	429	30.5 %	836
Financial expenses	-493	-717	-31.3 %	-1,670
Profit after financial items	5,897	731	706.6 %	3,681
Profit before taxes	5,897	731	706.6 %	3,681
Taxes	-1,423	-548	159.4 %	-905
Net profit of continued operations	4,474	183	2349.2 %	2,777
Discontinued operations				
Net profit of discontinued operations	0	-3,574	n/a	-10,812
Net profit	4,474	-3,391	n/a	-8,035
Attributable to:				
Equity holders of the parent	4,560	-3,299	n/a	-7,827
Non-controlling interests	-86	-92	n/a	-209
	4,474	-3,391	n/a	-8,035

Earnings per share for result of the year attributable to the equity holders of the parent
(expressed in euro per share)

Basic	0.25	-0.18	n/a	-0.43
Diluted	0.25	-0.18	n/a	-0.43

Earnings per share for result of the year of continued operations attributable to the equity holders of the parent
(expressed in euro per share)

Basic	0.25	0.02	1558.5 %	0.16
Diluted	0.25	0.02	1559.0 %	0.16
Earnings per share for result of the year of discontinued operations attributable to the equity holders of the parent (expressed in euro per share)				
Basic	0.00	-0.20	n/a	-0.59
Diluted	0.00	-0.20	n/a	-0.59
Total comprehensive income for the period (tEUR)				
Net profit	4,474	-3,391	n/a	-8,035
Possible items with future net profit effect				
Translation differences	415	-869	-147.7 %	-606
Cash flow hedges	0	34	-100.0 %	62
Total comprehensive income for the period	4,889	-4,226	n/a	-8,579
Attributable to:				
Equity holders of the parent	4,966	-4,132	n/a	-8,344
Non-controlling interests	-76	-95	n/a	-235
Equity holders of the parent	4,889	-4,226	n/a	-8,579
STATEMENT OF FINANCIAL POSITION (tEUR)				
	30.6.2021	30.6.2020	Change %	31.12.2020
Non-current assets				
Intangible assets	13,178	13,317	-1.0 %	12,816
Goodwill	30,642	30,299	1.1 %	30,502
Property, plant, equipment	10,145	10,387	-2.3 %	9,052
Other non-current financial assets	749	633	18.5 %	698
Deferred tax asset	1,797	1,381	30.1 %	2,203
	56,511	56,016	0.9 %	55,270
Current assets				
Inventories	25,720	21,759	18.2 %	28,225
Trade and other receivables	30,090	31,019	-3.0 %	28,867
Tax Receivable, income tax	350	630	-44.3 %	428
Cash and cash equivalents	21,987	14,354	53.2 %	20,224
	78,147	67,763	15.3 %	77,745
Assets reported in discontinued operations				
	0	22,259		0
Total assets	134,658	146,037	-7.8 %	133,015
Shareholder's equity and liabilities				
Share capital	6,967	6,967	0.0 %	6,967
Other equity	58,802	61,511	-4.4 %	55,803
Owners of the parent company	65,769	68,478	-4.0 %	62,770
Non-controlling interests	244	473	-48.5 %	320
EQUITY	66,013	68,951	-4.3 %	63,090
Non-current liabilities				
Deferred tax liability	1,790	1,679	6.6 %	1,518
Non-current liabilities, interest-bearing	25,092	23,828	5.3 %	24,716
Non-current interest-free liabilities	781	492	58.7 %	832

Non-current provisions	392	45	767.4 %	119
	28,055	26,044	7.7 %	27,184
Current liabilities				
Current interest-bearing liabilities	6,061	5,707	6.2 %	6,256
Trade Payables and Other Liabilities	32,855	31,049	5.8 %	33,893
Tax liability, income tax	661	1,408	-53.0 %	880
Current provisions	1,012	1,339	-24.4 %	1,711
	40,590	39,502	2.8 %	42,741
Liabilities reported in discontinued operations	0	11,540		0
Total shareholder's equity and liabilities	134,658	146,037	-7.8 %	133,015
CONSOLIDATED CASH FLOW STATEMENT (tEUR)				
	1-6/2021	1-6/2020	Change %	1-12/2020
Cash flows from operating activities				
Profit for the period	4,474	-3,391	n/a	-8,035
Adjustments	4,495	6,556	-31.4 %	17,293
Interest and other financial expenses and incomes	-145	-375	-61.2 %	-993
Paid Taxes	-882	-505	74.7 %	-1,255
Change in working capital	4,298	8,926	-51.8 %	6,062
Cash flow from operating activities	12,241	11,212	9.2 %	13,071
Cash flow from investing activities				
Purchase of tangible and intangible assets	-2,643	-3,086	-14.4 %	-5,130
Proceeds from sales of PPE	39	28	41.6 %	171
Divestment of subsidiaries, net of cash disposed	-3,749	0	n/a	6,276
Purchase of investments	0	6	-100.0 %	-77
Net cash used in investing activities	-6,353	-3,052	n/a	1,239
Cash flow from financing activities				
Proceeds from borrowings	0	500	-100.0 %	6,466
Payments of borrowings	-750	-567	32.3 %	-3,569
Payment of leasing liabilities	-1,067	-2,091	-49.0 %	-3,794
Dividends paid	-2,330	0	n/a	-1,685
Changes in non-controlling interest	0	362	-100.0 %	349
Net cash used in financing activities	-4,147	-1,796	n/a	-2,232
Change in cash				
Cash in the beginning	20,225	8,249	145.2 %	8,249
Effect of currency changes	22	-23	-196.1 %	-103
Change	1,741	6,363	-72.6 %	12,078
Cash at the end	21,987	14,590	50.7 %	20,225
KEY FIGURES				
	1-6/2021	1-6/2020	Change %	1-12/2020
Operating profit, continued operations	5,830	1,019	472.0 %	4,516
Earnings per share, EUR	0.25	-0.18	n/a	-0.43
Earnings per share fully diluted, EUR	0.25	-0.18	n/a	-0.43
Shareholders' equity per share, EUR	3.48	3.63	-4.3 %	3.46
Return on equity	13.9 %	-9.6 %	n/a	-11.8 %
Return on capital employed	13.3 %	-2.4 %	n/a	-4.5 %

Equity ratio	51.0 %	48.4 %	5.4 %	48.8 %
Gearing	13.9 %	25.4 %	-45.3 %	17.0 %
Investments, tEUR	4,847	4,285	13.1 %	6,588
Investments % of net sales	6.7 %	4.1 %	61.7 %	4.5 %
Order backlog, tEUR	84,196	79,033	6.5 %	77,086
Personnel, average	854	856	-0.2 %	856
Number of shares (thousands) including own shares	18,986	18,986	0.0 %	18,986
Highest share price, EUR	6.66	5.78	15.2 %	5.78
Lowest share price, EUR	4.47	3.51	27.4 %	3.51
Average share price, EUR	5.46	4.62	18.2 %	4.40
Turnover, in million shares	1.8	1.3	38.5 %	3.1
Turnover, in MEUR	9.8	6.1	61.2 %	13.8

ALTERNATIVE PERFORMANCE MEASURES

	4-6/2021	4-6/2020	Change%	1-6/2021	1-6/2020	Change%	1-12/2020
Adjusted operating profit, continued operations	1,135	147	674.1 %	2,630	1,569	67.6 %	5,066
Adjusted earning per share, EUR	0.04	-0.08	n/a	0.07	-0.15	n/a	-0.06

BRIDGE OF CALCULATION

Operating profit, continued operations	1,135	-404	n/a	5,830	1,019	472.0 %	4,516
Other non-recurring items	0	0	n/a	-3,200	0	n/a	0
Business reorganization	0	550	-100.0 %	0	550	-100.0 %	550
Adjusted operating profit, continued operations	1,135	147	674.1 %	2,630	1,569	67.6 %	5,066
Net profit/loss to equity holder	804	-1,946	n/a	4,560	-3,299	n/a	-7,827
Outstanding shares during the quarter	18,217	18,209	0.0 %	18,215	18,198	0.1 %	18,204
Earnings per share, basic	0.04	-0.11	n/a	0.25	-0.18	n/a	-0.43
Net profit/loss to equity holder	804	-1,946	n/a	4,560	-3,299	n/a	-7,827
Other non-recurring items	0	0	n/a	-3,200	0	n/a	0
Business reorganization	0	550	-100.0 %	0	550	-100.0 %	550
Business disposals	0	0	n/a	0	0	n/a	6,106
Outstanding shares during the quarter	18,217	18,209	0.0 %	18,215	18,198	0.1 %	18,204
Adjusted earnings per share, EUR	0.04	-0.08	n/a	0.07	-0.15	n/a	-0.06

Treasury shares

	Number of shares	% of shares	% of votes
Possession of company's own shares 30.6.2021	768,194	4.05 %	4.05 %

Contingent liabilities and pledged assets (tEUR)

Leasing and rent liabilities	927	878	5.6 %	921
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Derivative instruments (tEUR)

Value of underlying forward contracts	20,317	19,515	4.1 %	18,515
Market value of forward contracts	211	161	30.8 %	-473
Interest rate swap	0	10,000	-100.0 %	0
Market value of interest swap	0	-28	-100.0 %	0

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

Net sales by category	1-6/2021	1-6/2020	Change %	1-12/2020
Goods	60,740	56,730	7.1 %	118,524
Service	12,052	13,349	-9.7 %	26,458
Total	72,792	70,079	3.9 %	144,983

Order backlog, tEUR	30.6.2021	30.6.2020	Change %	31.12.2020
	84,196	79,033	6.5 %	77,086

Information per quarter (tEUR)	4-6/21	1-3/21	10-12/20	7-9/20	4-6/20	7/2020- 6/2021
Orders received	43,861	36,042	43,186	29,770	30,032	152,858
Net sales	35,782	37,010	39,200	35,704	33,516	147,696
EBIT	1,135	4,695	1,274	2,223	-404	9,327
EBIT%	3.2 %	12.7 %	3.3 %	6.2 %	-1.2 %	6.3 %

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	Owners of the parent company								
H	Non-controlling interests								
I	Total equity								
	A	B	C	D	E	F	G	H	I
Shareholder's equity									
1.1.2021	6,967	1,504	-1,557	52,716	3,140	0	62,770	319	63,090

Total comprehensive income for the period				4,560			4,560	-86	4,474
Dividend distribution				-2,186			-2,186		-2,186
Equity-settled share-based payments				220			220		220
Translation differences			83	323			406	9	415
Shareholder's equity 30.6.2021	6,967	1,504	-1,474	55,633	3,140	0	65,769	243	66,013
Shareholder's equity 1.1.2020	6,967	1,504	-1,594	62,616	3,140	-62	72,573	206	72,779
New standards and other changes				-139			-139		-139
Total comprehensive income for the period				-3,299			-3,299	-92	-3,391
Equity-settled share-based payments				146			146	0	146
Translation differences			-221	-615			-836	-3	-838
Cash flow hedges				0		34	34	0	34
Changes of non-controlling interests without change in control				0			0	362	362
Shareholder's equity 30.6.2020	6,967	1,504	-1,815	58,709	3,140	-28	68,477	473	68,951

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

Major shareholders, as sorted by number of shares - June 30, 2021

	Number of shares	% of shares
Tianta Oy	4,748,298	25.0
Mandatum Life Insurance Company Limited	1,683,900	8.9
Ilmarinen Mutual Pension Insurance Company	899,475	4.7
Kaleva Mutual Insurance Company	824,641	4.3
Teleste Oyj	768,194	4.0
Mariatorp Oy	608,584	3.2
Wipunen Varainhallinta Oy	600,000	3.2
Varma Mutual Pension Insurance Company	521,150	2.7
The State Pension Fund	500,000	2.6
OP-Finland Small Firms Fund	240,408	1.3

Shareholders by sector June 30, 2021	Nbr. of shareholders	% of Owners	Shares	% of shares
Households	5,420	94.4	5,073,771	26.7
Public sector institutions	3	0.1	1,920,625	10.1
Financial and insurance institutions	18	0.3	3,517,260	18.5
Corporations	251	4.4	8,221,568	43.3
Non-profit institutions	20	0.3	43,918	0.2
Foreign	32	0.6	208,446	1.1
Total	5,744	100.00	18,985,588	100.0
Of which nominee registered	10	0.2	603,597	3.2

Major shareholders by distribution of shares June 30, 2021

Number of shares	Nbr. of shareholders	% of shareholders	Nbr. of shares	% of shares
1-100	1,696	29.5	92,311	0.5
101-500	2,308	40.2	618,545	3.3
501-1,000	804	14.0	651,778	3.4
1,001-5,000	738	12.8	1,662,958	8.8
5,001-10,000	92	1.6	647,027	3.4
10,001-50,000	78	1.4	1,568,855	8.3
50,001-100,000	8	0.1	601,247	3.2
100,001-500,000	12	0.2	2,488,625	13.1
500,001-& above	8	0.1	10,654,242	56.1
Total	5,744	100.0	18,985,588	100.0
of which nominee registered	10	0.2	603,597	3.2

ADDITIONAL INFORMATION:

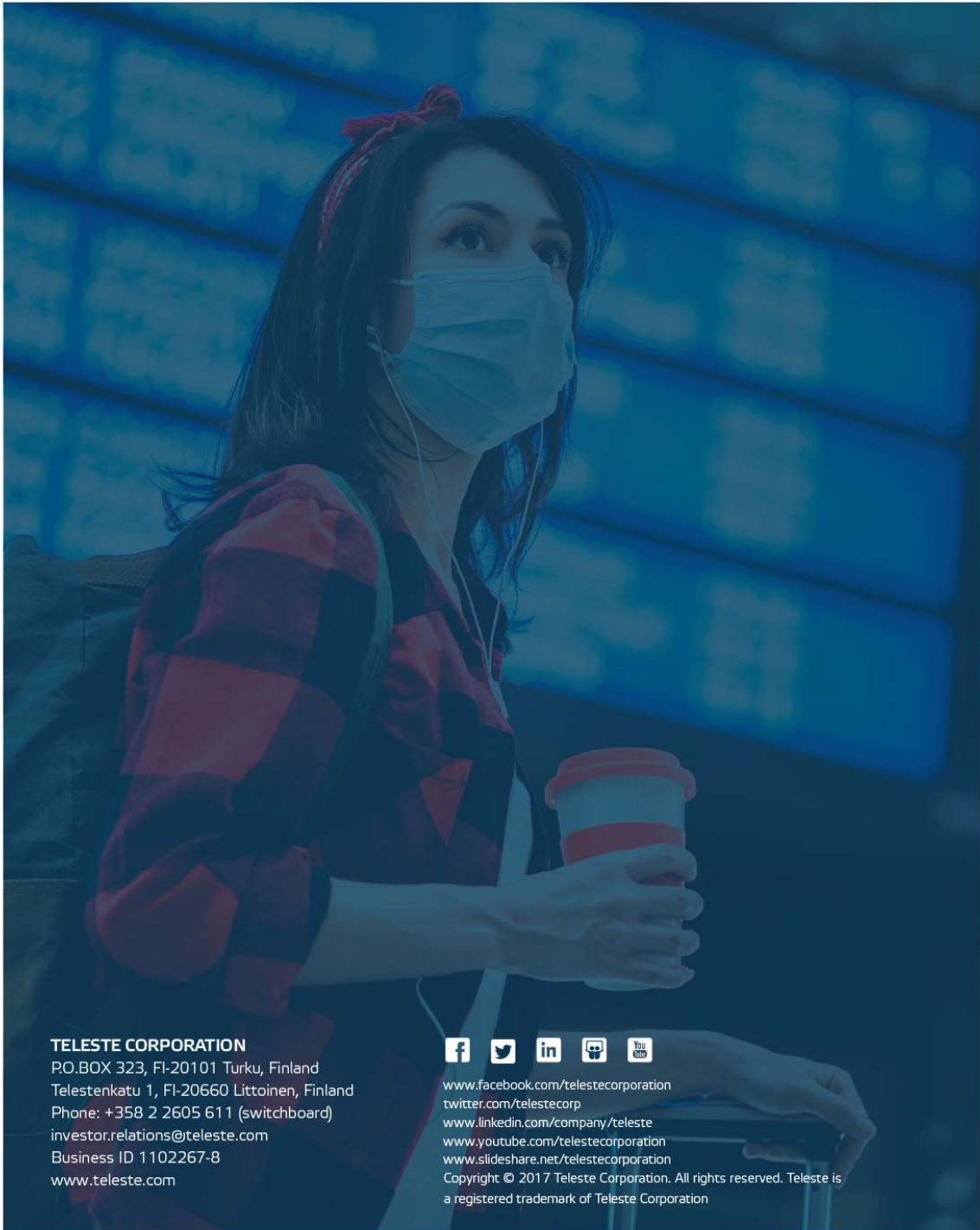
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