

INTERIM
REPORT
Q3 2020



JANUARY 1-SEPTEMBER 30, 2020

TELESTE

TELESTE CORPORATION INTERIM REPORT 1 JANUARY TO 30 SEPTEMBER 2020

NET SALES AND RESULT DECREASED DUE TO THE COVID-19 PANDEMIC AND THE TECHNOLOGICAL TRANSFORMATION OF ACCESS NETWORKS, PROGRESS MADE WITH THE CABLEWAY DIVESTMENT

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.

July-September 2020, continuing operations

- Net sales amounted to EUR 35.7 (40.2) million, a decrease of 11.3%
- Adjusted operating result stood at EUR 2.2 (3.1) million, a decrease of 27.9%
- Operating result amounted to EUR 2.2 (3.1) million, a decrease of 27.9%
- Earnings per share were EUR 0.09 (0.14), a decrease of 33,0%
- Earnings per share including discontinued operations amounted to EUR -0.38 (0.14), a decrease of 366%
- Cash flow from operations, including discontinued operations, was EUR -2.8 (0.3) million, a decrease of 901%
- Orders received totalled EUR 29.8 (31.5) million, a decrease of 5.4%
- Order backlog at period-end totalled EUR 73.1 (67.5) million, an increase of 8.4%

January-September 2020, continuing operations

- Net sales amounted to EUR 105.8 (123.8) million, a decrease of 14.5%
- Adjusted operating result stood at EUR 3.8 (7.1) million, a decrease of 46.4%
- Operating result amounted to EUR 3.2 (-0.2) million, with the figure for the comparison period including losses and a provision totalling EUR 7.3 million arising from a crime against a foreign subsidiary
- Earnings per share were EUR 0.10 (-0.11)
- Earnings per share including discontinued operations amounted to EUR -0.57 (-0.13)
- Cash flow from operations was EUR 8.5 (-3.8) million
- Orders received totalled EUR 105.7 (120.2) million, a decrease of 12.1%

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.

Comments by CEO Jukka Rinnevaara:

"The net sales and operating result for the third quarter decreased year-on-year but grew compared to the preceding quarter. Orders received decreased year-on-year. The order backlog at the end of September was nevertheless at a higher level than a year ago. 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.

Orders received by Video and Broadband Solutions decreased year-on-year in the third quarter mainly in video security and information solutions, with customers in this area refraining from making purchase decisions on significant new projects. 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. 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. Net sales decreased year-on-year particularly in access network products due to the COVID-19 pandemic and as operators prepared for the deployment of distributed access architecture. As the net sales of HFC products declined, we had to continue to pursue cost savings in various functions. The decline in the demand for access network products affects the entire industry and we estimate that we have not lost market share during the pandemic and the technological transformation of access architecture. 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. The Video and Broadband Solutions business area's operating result decreased year-on-year but grew compared to the preceding quarter.

The net sales of continuing operations in the Network Services business area declined in England, where the focus was on high-added-value services, with lower-margin project services having been scaled back in the final quarter of last year. Net sales also declined in Belgium, where we discontinued the provision of loss-making field services. These changes saw profitability rise to a good level and improve substantially year-on-year. 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.

In relation to the change in strategy announced in May, we progressed according to plan with the divestment of our services business in Germany. We signed an agreement on 2 October 2020 on selling the services business in Germany to Circet Deutschland GmbH. The transaction concerns the Germany-based Cableway companies, whose services business has been classified by Teleste as an asset held for sale pursuant to IFRS 5 ("Non-current assets held for sale and discontinued operations") and reported as a discontinued operation in accordance with the standard starting from the first interim report of 2020. The closing is subject to the approval of the Federal Cartel Office in Germany. We estimate the closing to take place during the fourth quarter of 2020. When completed, the transaction will enhance Teleste's capacity to invest in the growth areas of the technology and product business and improve the Group's financial position."

Group Operations, July-September 2020, continuing operations

Key figures	7-9/2020	7-9/2019	Change
Net sales, EUR million	35.7	40.2	-11.3%
Adjusted EBIT, EUR million ¹⁾	2.2	3.1	-27.9%
Adjusted EBIT, % ¹⁾	6.2%	7.7%	
EBIT, EUR million	2.2	3.1	-27.9%
EBIT, %	6.2%	7.7%	
Result for the period, EUR million	1.7	2.5	-32.9%
Result for the period, EUR million ²⁾	-7.0	2.6	-367.7%
Earnings per share, EUR	0.09	0.14	-33.0%
Earnings per share, EUR ²⁾	-0.38	0.14	-365.5%
Cash flow from operations, EUR million ²⁾	-2.8	0.3	-900.8%
Orders received, EUR million	29.8	31.5	-5.4%

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

2) Including discontinued operations

Orders received by the Group in the third quarter totalled EUR 29.8 (31.5) million, a decrease of 5.4% year-on-year. Orders decreased in Video and Broadband Solutions as customers refrained from making purchase decisions on significant new projects and in Network Services due to the Group focusing on high-added-value design services. The order backlog totalled EUR 73.1 (67.5) million, an increase of 8.4% compared with the end of the reference period. The order backlog grew in the passenger information solutions of Video and Broadband Solutions. Net sales were EUR 35.7 (40.2) million, a decrease of 11.3% year-on-year. Net sales declined in Video and Broadband Solutions due to the technological transformation of distributed access architecture and the COVID-19 pandemic and in Network Services as the Group focused on high-added-value design services and simultaneously scaled down lower-margin project services.

Expenses for material and manufacturing services decreased by 12.3% to EUR 17.5 (20.0) million. Personnel expenses decreased by 0.8% and amounted to EUR 10.3 (10.3) million. Other operating expenses decreased by 32.0% to EUR 3.9 (5.7) million. Depreciation and amortisation amounted to EUR 1.9 (1.7) million, an increase of 12.9%. The adjusted operating result decreased by 27.9% to EUR 2.2 (3.1) million, representing 6.2% (7.7%) of net sales. EBIT decreased by 27.9% to EUR 2.2 (3.1) million, representing 6.2% (7.7%) of net sales. Net financial items were EUR -0.2 (0.2) million. Earnings per share were EUR 0.09 (0.14), a decrease of 33.0% year-on-year.

Non-current assets held for sale were measured at the estimated sales price less the estimated costs of completing the transaction in accordance with an agreement signed on 2 October 2020. The remeasurement led to impairment of EUR 7.7 million being recognised in the third quarter.

Cash flow from operations was EUR -2.8 (0.3) million. Cash flow from operations decreased due to the growth of net working capital. Net working capital was increased by the decrease of advance payments received and the repayment of the COVID-19 relief received in the second quarter.

Group Operations, January-September 2020, continuing operations

Key figures	1-9/2020	1-9/2019	Change	1-12/2019
Net sales, EUR million	105.8	123.8	-14.5%	165.3
Adjusted EBIT, EUR million ¹⁾	3.8	7.1	-46.4%	8.8
Adjusted EBIT, % ¹⁾	3.6%	5.7%		5.3%
EBIT, EUR million	3.2	-0.2		1.9
EBIT, %	3.1%	-0.2%		1.1%
Result for the period, EUR million	1.9	-1.9		-0.3
Result for the period, EUR million ²⁾	-10.4	-2.3		-1.7
Earnings per share, EUR	0.10	-0.11		-0.02
Earnings per share, EUR ²⁾	-0.57	-0.13		-0.07
Cash flow from operations, EUR million ²⁾	8.5	-3.8		4.1
Net gearing, % ²⁾	33.5%	39.6%		34.1%
Equity ratio, % ²⁾	44.7%	47.4%		49.5%
Orders received, EUR million	105.7	120.2	-12.1%	167.5
Order backlog, EUR million	73.1	67.5	+8.4%	73.2
Personnel at period-end	862	888	-2.9%	867

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

²⁾ Including discontinued operations

Orders received by the Group decreased by 12.1% to EUR 105.7 (120.2) million. Orders received decreased in Video and Broadband Solutions and in Network Services. Net sales decreased by 14.5% to EUR 105.8 (123.8) million. Net sales declined in both business areas due to the COVID-19 pandemic and in Video and Broadband Solutions due to the technological transformation of distributed access architecture and in Network Services as the Group focused on high-added-value design services and simultaneously scaled down lower-margin project services.

Expenses for material and manufacturing services decreased by 16.3% to EUR 52.2 (62.4) million. Personnel expenses amounted to EUR 33.1 (33.9) million, down by 2.3%. Other operating expenses amounted to EUR 13.1 (24.3) million. Other operating expenses in the comparison period included a provision totalling EUR 7.3 million recognised in relation to the loss of assets due to a crime committed against a foreign subsidiary and the handling of the case. Depreciation and amortisation amounted to EUR 5.3 (5.0) million, an increase of 5.1%. The adjusted operating result decreased by 46.4% to EUR 3.8 (7.1) million, representing 3.6% (5.7%) of net sales. The operating result was EUR 3.2 (-0.2) million, or 3.1% (-0.2%) of net sales. Net financial expenses were EUR 0.5 (0.0) million and direct taxes amounted to EUR 0.9 (1.8) million. Earnings per share were EUR 0.10 (-0.11).

Non-current assets held for sale were measured at the estimated sales price less the estimated costs of completing the transaction in accordance with an agreement signed on 2 October 2020. The remeasurement led to impairment of EUR 7.7 million being recognised in the third quarter.

Cash flow from operations, including discontinued operations, was EUR 8.5 (-3.8) million. Cash flow from operations increased due to the release of working capital. Net working capital declined due to a decrease in advance payments invoiced for project deliveries and lower trade receivables. The Group also improved its liquidity by delaying the payment of taxes and employer contributions as well as taking advantage of other COVID-19 relief offered by the authorities in the second quarter.

Video and Broadband Solutions July-September 2020

Key figures (EUR 1,000)	7-9/2020	7-9/2019	Change
Orders received	24,656	25,864	-4.7%
Net sales	30,590	34,641	-11.7%
EBIT	1,754	3,013	-41.8%
EBIT, %	5.7%	8.7%	

Orders received totalled EUR 24.7 (25.9) million, a decrease of 4.7% on the reference period. Orders received decreased in passenger information solutions, with customers in this area refraining from making purchase decisions on significant new projects. The order backlog totalled EUR 73.1 (67.5) million, an increase of 8.4% compared with the end of the reference period. The order backlog increased in passenger information solutions. Of the order backlog, EUR 22.2 (21.9) million is associated with deliveries this year, EUR 28.9 (23.6) million with deliveries next year and the rest with deliveries after 2021. Net sales decreased by 11.7% to EUR 30.6 (34.6) million. Net sales decreased particularly in access network products. EBIT decreased by 41.8% to EUR 1.8 (3.0) million, representing 5.7% (8.7%) of net sales. The decline in EBIT was attributable to lower net sales.

R&D expenses in the business area amounted to EUR 2.6 (3.4) million, representing 8.4% (9.7%) of net sales. Product development projects were focused on distributed access architecture 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 0.8 (1.1) million. Depreciation on R&D expenses was EUR 0.9 (0.6) million.

Video and Broadband Solutions January-September 2020

Key figures (EUR 1,000)	1-9/2020	1-9/2019	Change	1-12/2019
Orders received	90,132	101,648	-11.3%	143,455
Net sales	90,255	105,209	-14.2%	141,351
EBIT	2,770	6,789	-59.2%	8,056
EBIT, %	3.1%	6.5%		5.7%

Orders received totalled EUR 90.1 (101.6) million, a decrease of 11.3%. Orders received decreased both in access network products and in video security and information systems. Net sales decreased by 14.2% to EUR 90.3 (105.2) million. Net sales decreased particularly in access network products. Orders received and net sales were affected by operators' expectations regarding the transition to distributed access architecture technology as well as the COVID-19 pandemic. EBIT decreased by 59.2% to EUR 2.8 (6.8) million, representing 3.1% (6.5%) of net sales. The decline in EBIT was attributable to lower net sales.

R&D expenses amounted to EUR 8.5 (9.8) million, representing 9.4% (9.3%) of net sales. Product development projects were focused on distributed access architecture 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 2.9 (3.1) million and depreciation on capitalised R&D expenses to EUR 2.3 (1.9) million.

Network Services, July-September 2020, continuing operations

Teleste has revised its strategy, according to which the company will focus on technology business operations and the services of higher added value supporting them. In accordance with the new strategy, Teleste will divest its extensive cable network field service operations in Germany to focus on higher-added-value services in the future. The services business of the Germany-based Cableway companies has been classified as an asset held for sale pursuant to IFRS 5 ("Non-current assets held for sale and discontinued operations") and Teleste reports the business as a discontinued operation in accordance with the standard. The business classified as an asset held for sale has not been reported under the figures of the Network Services business area as of the beginning of the first quarter. Teleste will continue its higher-added-value services business in the UK, Switzerland, Finland, Poland and Belgium.

Key figures (EUR 1,000)	7-9/2020	7-9/2019	Change
Orders received	5,114	5,605	-8.8%
Net sales	5,114	5,605	-8.8%
EBIT	469	70	+569.8%
EBIT, %	9.2%	1.2%	

Orders received and net sales in the third quarter totalled EUR 5.1 (5.6) million, a decrease of 8.8% on the reference period. Net sales declined 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 was EUR 0.5 (0.1) million, an increase of 570% year-on-year. EBIT represented 9.2% (1.2%) of net sales. EBIT grew in England, where the focus was on high-added-value design services, and in Finland, where cost adjustments improved earnings.

Network Services, January-September 2020, continuing operations

Key figures (EUR 1,000)	1-9/2020	1-9/2019	Change	1-12/2019
Orders received	15,527	18,578	-16.4%	23,996
Net sales	15,527	18,578	-16.4%	23,996
EBIT	1,021	288	+255.1%	776
EBIT, %	6.6%	1.5%		3.2%

Orders received and net sales decreased by 16.4% year-on-year, amounting to EUR 15.5 (18.6) million. Net sales declined due to the restrictions imposed in response to the COVID-19 pandemic and 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. The restructuring costs associated with the operations in Belgium have been eliminated from adjusted EBIT only at the Group level. EBIT increased by 255% to EUR 1.0 (0.3) million, representing 6.6% (1.5%) of net sales. EBIT increased in England, Finland and Switzerland. The growth of EBIT was attributable to the focus on higher-added-value design services and cost adjustments.

Discontinued operations

The result of the operations classified as an asset held for sale pursuant to IFRS 5 (“Non-current assets held for sale and discontinued operations”) was EUR -8.8 (0.1) million in the third quarter, including impairment of EUR 7.7 million recognised on assets. The result of discontinued operations for January-September was EUR -12.3 (-0.4) million, including impairment of EUR 7.7 million recognised on assets. The assets of the business classified as an asset held for sale on the consolidated balance sheet amounted to EUR 14.7 million and the liabilities totalled EUR 13.4 million as of 30 September 2020. By divesting its Germany-based services business operations, Teleste seeks to safeguard its financial position and its ability to invest in technology and services business growth areas.

Personnel and organisation January-September 2020

The Group's continuing operations employed an average of 857 (901) people during the review period. Of these, 655 (684) were employed by Video and Broadband Solutions and 202 (216) by Network Services. At the end of the review period, the Group's continuing operations employed 862 (888) people, of whom 642 (686) were employed by Video and Broadband Solutions and 220 (202) by Network Services. At the end of the review period, 47.1% (46.9%) of the employees were stationed abroad, and 3% of the Group's employees were working outside Europe. Personnel expenses amounted to EUR 33.1 (33.9) million.

Investments and product development in January-September 2020, including discontinued operations

Investments by the Group totalled EUR 5.3 (8.8) million, representing 3.4% (5.0%) of net sales. Capitalised product development investments totalled EUR 2.9 (3.1) million, leases capitalised in accordance with IFRS 16 amounted to EUR 1.3 (2.8) million and other investments in tangible and intangible assets came to EUR 1.1 (2.8) million. Product development projects were focused on distributed access architecture including solutions designed for the US market, situational awareness and video security solutions, passenger information systems and customer-specific projects.

Financing and capital structure January-September 2020, including discontinued operations

Cash flow from operations was EUR 8.5 (-3.8) million. Cash flow from operations increased due to the release of working capital. Net working capital declined due to a decrease in advance payments invoiced for project deliveries and lower trade receivables. The Group also improved its liquidity by delaying the payment of taxes and employer contributions as well as taking advantage of other COVID-19 relief offered by the authorities in the second quarter.

To strengthen its financing reserve, Teleste Corporation signed a new financing agreement on 10 August 2020 regarding the withdrawal of a loan of EUR 6.0 million. The loan has a maturity of 4 years and it will be repaid in fixed instalments in six-month intervals.

Teleste Corporation has credit and loan facilities with a combined total value of EUR 56.0 million. The EUR 20.0 million credit facility will run until the end of August 2021 and includes a one-year extension option. The 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 remaining loan principal amounted to EUR 21.0 million on 30 September 2020. At the end of the period under review, the amount of unused binding credit facilities was EUR 20.0 (17.8) million.

At period-end, the Group's interest-bearing debt stood at EUR 34.0 (35.9) million. The Group's equity ratio was 44.7% (47.4%) and net gearing ratio 33.5% (39.6%).

Key risks faced by the business areas

Founded in 1954, Teleste is a technology and services company consisting of two business areas: Video and Broadband Solutions and Network Services. Europe is the main market and business area, but the company aims to expand its business, particularly in North America. Teleste's customers include cable operators, public transport operators, train manufacturers and specified organisations in the public sector.

In Video and Broadband Solutions, customer-specific and integrated deliveries of solutions create favourable conditions for growth. On the other hand, the allocation of resources to the deliveries and the technical implementation are demanding tasks, which is why there are also risks involved. Our operator customers' network investments vary according to the development of technology, customers' need to upgrade and their financial structure. End-to-end deliveries of video security and information solution systems may be large in size, setting high demands for the project quotation calculation and management and, consequently, involving risks. Increased competition created by the new service providers may undermine the cable operators' ability to invest. Correct technological choices, product development and their timing are vital to our success. Various technologies are used in our 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 may fail in the customer's network and lead to expensive repair obligations. The consequences of natural phenomena and global disruptions, such as an epidemic, or accidents, such as a fire, may reduce the availability of components in the order-delivery chain of the electronics industry or suspend our own manufacturing operations. Customs levies imposed by major powers in the world economy and other trade war measures may have a negative effect on component supply chains and, in particular, the profitability of products exported to the United States. 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. Many competitors in the business area come from the United States, which is why the exchange rate of the euro against the US dollar has an effect on our competitiveness. In particular, the development of the

exchange rates of the US dollar and the Chinese renminbi against the euro influences our product costs and result. The company hedges against short-term currency exposure by means of forward exchange contracts. Future treaties between the UK and the European Union could make deliveries to English customers more difficult.

Net sales of Network Services come mainly from a small number of large European customers. Therefore, a significant change in the demand for our services by any one of them is reflected in the actual deliveries and profitability. The improvement of customer satisfaction and productivity requires efficient service process management, as well as innovative process, product and logistics solutions to ensure the quality and cost-efficiency of services. The smooth functioning of cable networks requires efficient technical management of the networks and suitable equipment solutions in accordance with contractual obligations. 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 company's delivery capacity and profitability. Subcontractors' costs may increase faster than it is possible for Teleste to increase the prices of its services to its own customers. In larger projects with overall responsibility, tender calculation and project management are complex tasks that involve risks. Severe weather conditions may affect our ability to deliver services. On 2 October 2020, Teleste signed an agreement on the sale of the Germany-based Cableway companies. Non-current assets held for sale were measured at the estimated sales price less the estimated costs of completing the transaction in accordance with the agreement. The remeasurement led to impairment of EUR 7.7 million being recognised in the third quarter. The final purchase price depends on the net working capital and net debt at the closing date. The closing is subject to the approval of the Federal Cartel Office in Germany. While the Group has sought to account for the factors that have a negative effect on the purchase price in measuring the value of the assets, the final purchase price and the closing of the transaction still involve risks.

Teleste's strategy involves risks and uncertainties: new business opportunities may fail to be identified or successfully used. The business areas must take into account market movements, such as consolidations among our customers and competitors. Periods of technological transformation, such as operators migrating to distributed access architecture, 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.

Various information systems are critical to the development, manufacture and supply of products to our customers. The maintenance of information systems and deployment of new systems involve risks that may affect our 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. Recruiting and maintaining skilled personnel requires encouragement, development and recruitment efforts, which can fail.

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, operators have reduced or suspended their broadband network construction, while certain customers in passenger 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. Our personnel and our in-house production activities have remained operational. The company initiated measures in the first quarter to ensure its liquidity and financial

position. The COVID-19 pandemic had a negative impact on net sales and EBIT in the second and third quarters. If the stricter restrictions on movement in society imposed by the authorities in various countries were to remain in effect or be reintroduced, we expect that the negative impact on Teleste's net sales for the remainder of the year would be significant.

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 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 operation.

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

On 30 September 2020, Tianta Oy was the largest single shareholder with a holding of 23.4%.

In the period under review, the lowest price of the company's share was EUR 3.51 (5.20) and the highest price was EUR 5.78 (6.80). The closing price on 30 September 2020 was EUR 3.94 (5.54). According to Euroclear Finland Ltd, the number of shareholders at the end of the period under review was 5,632 (5,508). Foreign and nominee-registered holdings accounted for 5.1% (6.6%) of the share capital. The value of Teleste's shares traded on Nasdaq Helsinki from 1 January to 30 September 2020 was EUR 8.1 (6.5) million. In the period under review, 1.8 (1.1) million Teleste shares were traded on the stock exchange.

On 22 April 2020, Teleste Corporation's Board of Directors decided on a directed share issue without consideration, relating to the reward payment for the performance period 2017-2019 of Teleste Group's share-based incentive plan 2015. In the share issue, 22,402 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 30 September 2020, the Group held 776,419 (798,821) 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 4.1% (4.2%).

On 30 September 2020, 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 subscribe 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 21 October 2021.

Decisions by the Annual General Meeting

The Annual General Meeting (AGM) of Teleste Corporation held on 22 April 2020 adopted the financial statements and consolidated financial statements for 2019 and discharged the members of the Board of Directors and the CEO from liability for the financial period 2019. The AGM resolved to authorise the Board of Directors to resolve, at its discretion, on the distribution of a maximum of EUR 0.10 per share as dividend from the retained earnings and/or as repayment of capital from the fund for invested unrestricted equity in one or more instalments. The authorisation is valid until the opening of the next AGM. The company will announce each Board resolution on the distribution of funds separately and confirm the relevant record and payment dates in such announcements.

The AGM decided that the Board of Directors shall consist of six members. The annual remuneration to be paid to the members of the Board of Directors were resolved on as follows: 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. In addition, EUR 400 per meeting shall be paid to the members of the Board of Directors' Audit Committee as a meeting fee. However, a separate meeting fee shall not be paid to the chairman of the Audit Committee.

Jussi Himanen, Vesa Korpimies, Mirel Leino, 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 22 April 2020, the Board of Directors elected Timo Luukkainen as its Chairman. Mirel Leino was elected chair of the Audit Committee, with Jussi Himanen and Vesa Korpimies as members.

The AGM decided to choose one auditor for Teleste Corporation. The audit firm KPMG Oy Ab was chosen as the company's auditor. The auditor has appointed Petri Kettunen, APA, as the auditor in charge.

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 subscribe 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 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.

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The AGM resolved, in accordance with the proposal of the Board of Directors, to establish a shareholders' nomination board that prepares matters concerning the appointment and remuneration of the Board of Directors. Further, the AGM adopted the charter of the nomination board according to the proposal of the Board of Directors. The AGM also approved the proposal by the Board of Directors for the remuneration policy of the governing bodies of the company.

Events after the end of the review period

On 2 October 2020, Teleste signed an agreement on selling the services business in Germany to Circet Deutschland GmbH. The transaction concerns the Germany-based Cableway companies, whose services business has been classified by Teleste as an asset held for sale pursuant to IFRS 5 ("Non-current assets held for sale and discontinued operations") and reported as a discontinued operation in accordance with the standard starting from the first interim report of 2020. The preliminary net purchase price is EUR 8.0 million, which will be paid in cash at the closing. The final purchase price depends on the net working capital and net debt at the closing date. The closing is subject to the approval of the Federal Cartel Office in Germany. We estimate the closing to take place during the fourth quarter of 2020. The non-recurring loss arising from the transaction will significantly decrease the parent company's equity, which is estimated to be EUR 27 million after the divestment. By divesting its services business in Germany, Teleste seeks safeguard its ability to invest in technology and product business growth areas as well as improve its financial position.

Operating environment in 2020

The business objective of Video and Broadband Solutions is to maintain its strong market position in Europe and to strengthen this market position particularly in Northern America.

The demand for broadband services by cable operators continues to grow. Household broadband traffic is estimated to grow at an annual rate of 30–40% in the next few years. Broadband traffic has increased sharply during the COVID-19 pandemic due to the growth of remote work and remote 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. 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. Teleste will continue to invest in the development of expertise and new technology as well as customer projects. Operators' investments in distributed access architecture have been delayed compared with previous schedule estimates and the COVID-19 pandemic is likely to cause further delays, with field testing by operators having to be postponed. We estimate that operators' distributed access architecture deployment projects will commence in 2021. The transformation to distributed architecture provides Teleste with growth opportunities, but it also involves risks. Growth is enabled by the increased value of access network optical products as well as the possibility to use the technological transformation to expand business into the North American markets. Achieving interoperability with the cable network central systems is the most significant risk. The net sales of access network products will decrease year-on-year due to the COVID-19 pandemic and the technological transformation.

Ensuring safety in city environments, 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. Video security solutions are becoming increasingly smart, including pattern recognition and artificial intelligence. Furthermore, 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. In particular, the market growth of public transport information systems will be slowed down in the near future by the reduction in the use of public transport caused by the COVID-19 pandemic as well as delays in investments and projects. The market has declined in 2020, but it is expected to return to growth starting from 2021, provided that the pandemic does not lead to new negative movement in the market. Ensuring competitiveness requires Teleste to continuously make R&D investments in new intelligent solutions. In addition, it is necessary to improve the productivity and cost-efficiency of business. Teleste's market share in public transport information systems is expected to continue to grow in 2020. Characteristic for the business, a considerable proportion of deliveries will be distributed over several years. The COVID-19 pandemic has delayed projects and deliveries in 2020. For this reason, we estimate that the net sales of video security and information solutions in 2020 will be on par with the previous year, with a substantial proportion of net sales taking place in latter part of the year. However, this estimate involves uncertainty caused by the pandemic in the final months of the year.

In the Network Services business area, operators' network investments are expected to also increase the demand for services in the long term. Teleste's aim is to focus on high-added-value services and increase the operational efficiency of the services business. In line with the new strategy, the company will divest its extensive field service operations in Germany. The services business in Germany has been classified as an asset held for sale and the company reports it as a discontinued operation in accordance with IFRS 5. On 2 October 2020, Teleste signed an agreement on selling the services business in Germany to Circet Deutschland GmbH. The closing of the transaction is subject to the approval of the Federal Cartel Office in Germany. In our continuing services business operations, we see growth opportunities particularly in network design services. Due to the COVID-19 pandemic, operator customers began to restrict upgrades on their networks starting from March. These restrictions continued in the second quarter but began to be gradually relaxed. Estimating the net sales for the remainder of the year involves uncertainty depending on the development of the pandemic.

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.

28 October 2020

Teleste Corporation

Jukka Rinnevaara

Board of Directors

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 the consolidated financial statements except for the adoption of new standards and amendments effective as of January 1, 2020. The data stated in this report is unaudited.

STATEMENT OF COMPREHENSIVE INCOME (tEUR)	7-9/2020	7-9/2019	Change %	1-12/2019
Continuing operations				
Net Sales	35,704	40,246	-11.3 %	165,348
Other operating income	64	506	-87.3 %	2,210
Materials and services	-17,516	-19,961	-12.3 %	-83,340
Personnel expenses	-10,268	-10,347	-0.8 %	-46,049
Depreciation	-1,896	-1,679	12.9 %	-6,747
Other operating expenses	-3,866	-5,682	-32.0 %	-29,532
Operating profit	2,222	3,083	-27.9 %	1,890
Financial income	239	392	-39.0 %	1,036
Financial expenses	-435	-179	143.1 %	-1,268
Profit after financial items	1,738	3,296	-47.3 %	1,658
Profit before taxes	2,026	3,296	-38.5 %	1,658
Taxes	-323	-757	-57.4 %	-1,987
Net profit of continuing operations	1,704	2,539	-32.9 %	-328
Discontinued operations				
Net profit of discontinued operations	-8,750	93	-9495.8 %	-1,324
Net profit	-7,046	2,632	-367.7 %	-1,653
Attributable to:				
Equity holders of the parent	-6,997	2,632	-365.8 %	-1,327
Non-controlling interests	-50	0	n/a	-327
	-7,046	2,632	-367.7 %	-1,653
Earnings per share for result of the year attributable to the equity holders of the parent (expressed in euro per share)				
Basic	-0.38	0.14	-365.5 %	-0.07
Diluted	-0.38	0.14	-365.5 %	-0.07
Earnings per share for result of the year of continuing operations attributable to the equity holders of the parent (expressed in euro per share)				
Basic	0.09	0.14	-33.0 %	-0.02
Diluted	0.09	0.14	-33.0 %	-0.02
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	-0.48	0.01	-9484.3 %	-0.07
Diluted	-0.48	0.01	-9484.3 %	-0.07
Total comprehensive income for the period (tEUR)				
Net profit	-7,046	2,632	-367.7 %	-1,653
Possible items with future net profit effect				
Translation differences	-284	-204	39.2 %	299
Cash flow hedges	13	11	15.8 %	19
Total comprehensive income for the period	-7,318	2,438	-400.1 %	-1,335

Attributable to:				
Equity holders of the parent	-7,255	2,417	-400.2 %	-1,019
Non-controlling interests	-63	21	-394.4 %	-316
	-7,318	2,438	-400.1 %	-1,335
Continuing operations	1-9/2020	1-9/2019	Change %	1-12/2019
Net Sales	105,782	123,787	-14.5 %	165,348
Other operating income	1,111	1,612	-31.1 %	2,210
Materials and services	-52,189	-62,378	-16.3 %	-83,340
Personnel expenses	-33,110	-33,883	-2.3 %	-46,049
Depreciation	-5,273	-5,016	5.1 %	-6,747
Other operating expenses	-13,079	-24,345	-46.3 %	-29,532
Operating profit	3,242	-223	-1551.7 %	1,890
Financial income	668	773	-13.5 %	1,036
Financial expenses	-1,152	-739	55.9 %	-1,268
Profit after financial items	2,757	-190	-1553.9 %	1,658
Profit before taxes	2,757	-190	-1553.9 %	1,658
Taxes	-871	-1,752	-50.3 %	-1,987
Net profit of continuing operations	1,886	-1,942	-197.1 %	-328
Discontinued operations				
Net profit of discontinued operations	-12,324	-401	2972.8 %	-1,324
Net profit	-10,437	-2,343	345.5 %	-1,653
Attributable to:				
Equity holders of the parent	-10,296	-2,291	349.4 %	-1,327
Non-controlling interests	-142	-52	171.4 %	-327
	-10,437	-2,343	345.5 %	-1,653
Earnings per share for result of the year attributable to the equity holders of the parent (expressed in euro per share)				
Basic	-0.57	-0.13	348.6 %	-0.07
Diluted	-0.57	-0.13	356.7 %	-0.07
Earnings per share for result of the year of continuing operations attributable to the equity holders of the parent (expressed in euro per share)				
Basic	0.10	-0.11	-197.0 %	-0.02
Diluted	0.10	-0.11	-197.0 %	-0.02
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	-0.68	-0.02	2967.2 %	-0.07
Diluted	-0.68	-0.02	2968.2 %	-0.07
Total comprehensive income for the period (tEUR)				
Net profit	-10,437	-2,343	345.5 %	-1,653
Possible items with future net profit effect				
Translation differences	-1,154	-133	764.6 %	299
Cash flow hedges	46	4	1107.4 %	19
Total comprehensive income for the period	-11,544	-2,473	366.9 %	-1,335
Attributable to:				

Equity holders of the parent	-11,387	-2,446	365.6 %	-1,019
Non-controlling interests	-158	-27	483.8 %	-316
Equity holders of the parent	-11,544	-2,473	366.9 %	-1,335

STATEMENT OF FINANCIAL POSITION (tEUR)	30/09/2020	30/09/2019	Change %	31/12/2019
Non-current assets				
Intangible assets	13,092	12,151	7.7 %	12,907
Goodwill	30,221	30,469	-0.8 %	30,668
Property, plant, equipment	9,585	16,241	-41.0 %	17,038
Other non-current financial assets	627	573	9.4 %	645
Deferred tax asset	1,458	2,025	-28.0 %	1,924
	54,982	61,459	-10.5 %	63,182
Current assets				
Inventories	27,044	40,546	-33.3 %	37,409
Trade and other receivables	30,950	46,410	-33.3 %	40,112
Tax Receivable, income tax	713	701	1.7 %	683
Cash and cash equivalents	13,074	7,594	72.2 %	8,249
	71,781	95,251	-26.5 %	86,452
Assets reported in discontinued operations	14,698			
Total assets	141,462	156,710	-10.8 %	149,634
Shareholder's equity and liabilities				
Share capital	6,967	6,967	0.0 %	6,967
Other equity	54,411	63,971	-14.9 %	65,606
Owners of the parent company	61,378	70,938	-13.5 %	72,573
Non-controlling interests	403	495	-18.6 %	206
EQUITY	61,779	71,433	-13.5 %	72,779
Non-current liabilities				
Deferred tax liability	1,535	1,815	-15.4 %	1,603
Non-current liabilities, interest-bearing	26,425	26,245	0.7 %	26,501
Non-current interest-free liabilities	470	77	509.0 %	79
Non-current provisions	442	266	66.2 %	93
	28,872	28,403	1.7 %	28,275
Current liabilities				
Current interest-bearing liabilities	5,416	9,642	-43.8 %	6,531
Trade Payables and Other Liabilities	29,616	44,708	-33.8 %	39,238
Tax liability, income tax	1,529	1,231	24.2 %	1,283
Current provisions	855	1,294	-33.9 %	1,528
	37,416	56,874	-37.3 %	48,579
Liabilities reported in discontinued operations	13,394			
Total shareholder's equity and liabilities	141,462	156,710	-10.8 %	149,634
CONSOLIDATED CASH FLOW STATEMENT (tEUR)				
	1-9/2020	1-9/2019	Change %	1-12/2019
Cash flows from operating activities				
Profit for the period	-10,437	-2,343	345.5 %	-1,653
Adjustments	17,284	9,131	89.3 %	12,405
Interest and other financial expenses and incomes	-662	-50	1230.6 %	-380
Paid Taxes	-980	-1,573	-37.7 %	-1,725
Change in working capital	3,247	-8,961	-136.2 %	-4,589
Cash flow from operating activities	8,451	-3,796	-322.6 %	4,058
Cash flow from investing activities				

Purchase of tangible and intangible assets	-4,127	-5,998	-31.2 %	-8,749
Proceeds from sales of PPE	85	188	-54.7 %	475
Acquisition of subsidiaries, net of cash acquired	0	0	n/a	-1,050
Purchase of investments	0	-1,050	n/a	-77
Net cash used in investing activities	-4,041	-6,860	-41.1 %	-9,401
Cash flow from financing activities				
Proceeds from borrowings	6,476	3,900	66.1 %	0
Payments of borrowings	-3,569	-1,007	254.3 %	-489
Payment of leasing liabilities	-2,562	-3,332	-23.1 %	-4,499
Dividends paid	0	-3,637	-100.0 %	-3,630
Changes in non-controlling interest	354	0	n/a	0
Net cash used in financing activities	700	-4,077	-117.2 %	-8,618
Change in cash				
Cash in the beginning	8,249	22,240	-62.9 %	22,240
Effect of currency changes	-77	88	-187.7 %	-28
Change	5,109	-14,733	-134.7 %	-13,961
Cash at the end	13,282	7,594	74.9 %	8,249

KEY FIGURES

	1-9/2020	1-9/2019	Change %	1-12/2019
Operating profit	3,242	-223	-1551.7 %	1,890
Earnings per share, EUR	-0.57	-0.13	348.6 %	-0.07
Earnings per share fully diluted, EUR	-0.57	-0.13	356.7 %	-0.07
Shareholders' equity per share, EUR	3.25	3.93	-17.2 %	4.00
Return on equity	-20.7 %	-4.2 %	392.0 %	-2.2 %
Return on capital employed	-9.8 %	0.3 %	-3787.4 %	1.6 %
Equity ratio	44.7 %	47.4 %	-5.8 %	49.5 %
Gearing	33.5 %	39.6 %	-15.4 %	34.1 %
Investments, tEUR	5,318	8,782	-39.4 %	12,981
Investments % of net sales, including discontinued operations	3.4 %	5.0 %	-31.4 %	7.9 %
Order backlog, tEUR	73,100	67,456	8.4 %	73,223
Personnel, average	1,305	1,370	-4.7 %	1,363
Personnel, average, continuing operations	857	901	-4.9 %	895
Number of shares (thousands) including own shares	18,986	18,986	0.0 %	18,986
Highest share price, EUR	5.78	6.80	-15.0 %	6.80
Lowest share price, EUR	3.51	5.20	-32.5 %	5.04
Average share price, EUR	4.46	5.84	-23.6 %	5.72
Turnover, in million shares	1.8	1.1	60.5 %	1.6
Turnover, in MEUR	8.1	6.5	24.1 %	9.2

ALTERNATIVE PERFORMANCE MEASURES

Adjusted operating profit, continuing operations	3,792	7,075	-46.4 %	8,832
Adjusted earning per share, EUR	-0.11	0.28	-140.2 %	0.31

BRIDGE OF CALCULATION

Operating profit, continuing operations	3,242	-223	-1551.7 %	1,890
Cost item caused by a crime	0	7,298	-100.0 %	6,942
Business reorganization	550	0	n/a	0
Adjusted operating profit, continuing operations	3,792	7,075	-46.4 %	8,832

Net profit/loss to equity holder	-10,296	-2,291	349.4 %	-1,327
Outstanding shares during the quarter	18,209	18,179	0.2 %	18,181
Earnings per share, basic	-0.57	-0.13	348.7 %	-0.07
Net profit/loss to equity holder	-10,296	-2,291	349.4 %	-1,327
Cost item caused by a crime	0	7,298	-100.0 %	6,942
Business reorganization	550	0	n/a	0
Discontinued operations, fair value adjustment	7,730	0	n/a	0
Outstanding shares during the quarter	18,209	18,179	0.2 %	18,181
Adjusted earnings per share, EUR	-0.11	0.28	-140.2 %	0.31

Treasury shares

	Number of shares		% of shares	% of votes
Possession of company's own shares 30.9.2020	776,419		4.09%	4.09%

Contingent liabilities and pledged assets (tEUR)

Leasing and rent liabilities	856	809	5.9 %	886
Derivative instruments (tEUR)				
Value of underlying forward contracts	17,379	21,885	-20.6 %	21,146
Market value of forward contracts	-99	451	-121.9 %	-48
Interest rate swap	10,000	10,000	0.0 %	10,000
Market value of interest rate swap	-15	-96	-84.0 %	-65

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

OPERATING SEGMENTS (tEUR)	1-9/2020	1-9/2019	Change %	1-12/2019
Video and Broadband Solutions				
Orders received	90,132	101,648	-11.3 %	143,455
Net sales	90,255	105,209	-14.2 %	141,351
EBIT	2,770	6,789	-59.2 %	8,056
EBIT%	3.1 %	6.5 %		5.7 %
Network Services				
Orders received	15,527	18,578	-16.4 %	23,996
Net sales	15,527	18,578	-16.4 %	23,996
EBIT	1,021	288	255.1 %	776
EBIT%	6.6 %	1.5 %		3.2 %
Total Segments				
Orders received	105,659	120,226	-12.1 %	167,451
Net sales	105,782	123,787	-14.5 %	165,347
EBIT	3,792	7,077	-46.4 %	8,832
EBIT%	3.6 %	5.7 %		5.3 %
Total Group, continuing operations				
Unallocated item	-550	-7,298	-92.5 %	-6,942
EBIT	3,242	-223	-1551.7 %	1,890
EBIT%	3.1 %	-0.2 %		1.1 %
Financial items	-484	34	-1539.4 %	-232
Operating segments net profit before taxes	2,757	-190	-1553.9 %	1,658
Net sales by category	1-9/2020	1-9/2019	Change %	1-12/2019
Goods	89,408	102,501	-12.8 %	133,990

Service	16,374	21,286	-23.1 %	31,358
Total	105,782	123,787	-14.5 %	165,348
VBS Order backlog, tEUR	1-9/2020 73,100	1-9/2019 67,456	Change % 8.4 %	1-12/2019 73,223

Information per quarter (tEUR)

	7-9/20	4-6/20	1-3/20	10-12/19	7-9/19	10/2019-9/2020
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Video and Broadband Solutions

Orders received	24,656	24,978	40,498	41,807	25,864	131,939
Net sales	30,590	28,462	31,203	36,142	34,641	126,397
EBIT	1,754	-191	1,208	1,266	3,013	4,037
EBIT %	5.7 %	-0.7 %	3.9 %	3.5 %	8.7 %	3.2 %

Network Services

Orders received	5,114	5,054	5,359	5,419	5,605	20,946
Net sales	5,114	5,054	5,359	5,419	5,605	20,946
EBIT	469	337	215	488	70	1,509
EBIT %	9.2 %	6.7 %	4.0 %	9.0 %	1.2 %	7.2 %

Total segments

Orders received	29,770	30,032	45,857	47,226	31,469	152,885
Net sales	35,704	33,516	36,562	41,561	40,246	147,343
EBIT	2,222	147	1,423	1,754	3,083	5,546
EBIT %	6.2 %	0.4 %	3.9 %	4.2 %	7.7 %	3.8 %

Total group, continuing operations

Unallocated item	0	-550	0	356	0	-194
EBIT	2,222	-404	1,423	2,110	3,083	5,352
EBIT %	6.2 %	-1.2 %	3.9 %	5.1 %	7.7 %	3.6 %

Consolidated statement of changes in equity, 1000 euros

Attributable to equity holders of the parent (tEUR)

	A	B	C	D	E	F	G	H	I
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									
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				-176			-176		-176
Total comprehensive income for the period				-10,296			-10,296	-142	-10,437
Equity-settled share-based payments				370			370		370
Translation differences			-295	-843			-1,138	-16	-1,154

Cash flow hedges						46	46		46
Changes of non-controlling interests without change in control								354	354
Shareholder's equity 30.9.2020	6,967	1,504	-1,889	51,671	3,140	-15	61,377	403	61,779
Shareholder's equity 1.1.2019	6,967	1,504	-1,570	66,691	3,140	-92	76,640	522	77,162
New standards and other changes				0			0	0	0
Total comprehensive income for the period				-2,291			-2,291	-52	-2,343
Dividend distribution				-3,637			-3,637	0	-3,637
Equity-settled share-based payments				370			370	0	370
Translation differences			-118	-32			-149	25	-124
Cash flow hedges						4	4	0	4
Shareholder's equity 30.9.2019	6,967	1,504	-1,687	61,102	3,140	-88	70,938	495	71,433

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 - September 30, 2020

	Number of shares	% of shares
Tianta Oy	4,430,760	23.4
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	776,419	4.1
Varma Mutual Pension Insurance Company	521,150	2.8
Mariatorp Oy	510,010	2.7
The State Pension Fund	500,000	2.6
Wipunen varainhallinta Oy	425,000	2.2
OP-Finland Small Firms Fund	250,053	1.3

Shareholders by sector September 30, 2020	Nbr. of shareholders	% of Owners	Shares	% of shares
Households	5,300	94.1	5,019,918	26.4
Public sector institutions	3	0.1	1,920,625	10.1
Financial and insurance institutions	23	0.4	4,206,711	22.2
Corporations	252	4.5	7,718,622	40.7
Non-profit institutions	20	0.4	43,918	0.2
Foreign	34	0.6	75,794	0.4
Total	5,632	100.0	18,985,588	100.0
Of which nominee registered	11	0.2	888,474	4.7

Major shareholders by distribution of shares September 30, 2020

Number of shares	Nbr. of shareholders	% of shareholders	Nbr. of shares	% of shares
1-100	1,591	28.3	90,833	0.5
101-500	2,280	40.5	615,245	3.2
501-1,000	800	14.2	638,573	3.4
1,001-5,000	765	13.6	1,698,798	9.0
5,001-10,000	86	1.5	601,830	3.2
10,001-50,000	81	1.4	1,610,471	8.5
50,001-100,000	6	0.1	425,395	2.2
100,001-500,000	15	0.3	2,948,886	15.5
500,001-& above	8	0.1	10,355,557	54.5
Total	5,632	100.0	18,985,588	100.0
of which nominee registered	11	0.2	888,474	4.7

ADDITIONAL INFORMATION:

CEO Jukka Rinnevaara, phone +358 2 2605 611

DISTRIBUTION:

Nasdaq Helsinki
Main Media
www.teleste.com



TELESTE CORPORATION

P.O.BOX 323, FI-20101 Turku, Finland
Telestenkatu 1, FI-20660 Littoinen, Finland
Phone: +358 2 2605 611 (switchboard)
investor.relation@teleste.com
Business ID 1102267-8
www.teleste.com



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