

Interim report 1-6 2020

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Interim report – H1 2020

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

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

Business areas



Video and Broadband Solutions

Broadband networks and video security and information solutions



Network Services

Comprehensive higher added-value service solutions for operators

COVID-19 summary

1(2)

- The negative impacts of the COVID-19 pandemic on Teleste's operations continued in the second quarter. In response to the measures imposed by the authorities in various countries, operators restricted or suspended their broadband network construction, while certain customers in passenger information solutions were 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 until now.
- Our personnel and our in-house manufacturing activities have remained operational.
- The gradual lifting of restrictions on movement began in our target markets and the operations of our customers were partially normalised in June.
- The pandemic situation remains difficult in certain markets, such as the USA.

COVID-19 summary

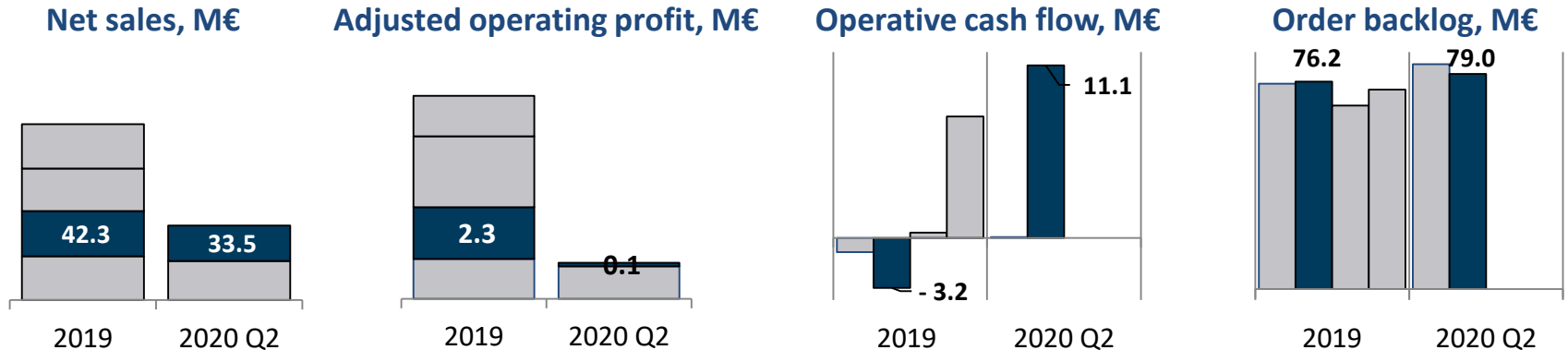
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- The overall impact of the pandemic on Teleste's business is still extremely difficult to estimate due to the uncertainty related to the development of the pandemic and its potential second wave.
- We have carried out measures to achieve cost savings as well as ensure our delivery capacity and liquidity. We began adjusting our subcontracting in production and initiated temporary layoffs and other cost saving measures.
- Our personnel have demonstrated a high degree of flexibility with regard to the cost savings and new operating methods, and I want to take this opportunity to thank them.
- Teleste's highest priorities are to ensure the safety of employees and ensure the continuity of business to serve its customers.

Q2 2020 highlights, continued operations

▪ Net sales	33,5 MEUR	(42,3)	-20,7 %
▪ Adjusted operating profit	0,1 MEUR	(2,3)	-93,5 %
▪ Earnings per share	-0,05 EUR	(0,07)	-117,9 %
▪ Operative cash flow ¹⁾	11,1 MEUR	(-3,2)	
▪ Orders received	30,0 MEUR	(43,1)	-30,3 %
▪ Order backlog	79,0 MEUR	(76,2)	+3,7 %

¹⁾ Including discontinued operations



Teleste Group, continued operations – Q2 2020



- Orders received and net sales decreased year-on-year and quarter-on-quarter. COVID-19 played a role in the decline in both business areas, while the technological transformation of distributed access architecture was also a factor in the lower net sales of Video and Broadband Solutions.
- Order backlog increased 3,7 % year-on-year and amounted to 79,0 M€.
- Adjusted EBIT reduced year-on-year and quarter-on-quarter resulting from reduced net sales.
- Operative cash flow increased year-on-year and quarter-on-quarter.

	Q2 2020	Q2 2019	YoY change	Q1 2020	QoQ change
Orders received, M€	30,0	43,1	-30,3 %	45,9	-34,5 %
Net sales, M€	33,5	42,3	-20,7 %	36,6	-8,3 %
Adjusted EBIT, M€	0,1	2,3	-93,5 %	1,4	-89,7 %
Adjusted EBIT-%	0,4 %	5,3 %		3,9 %	
EBIT, M€	-0,4	2,3	-117,9 %	1,4	-128,4 %
Net profit, M€ ¹⁾	-2,0	1,4	-239,1 %	-1,4	
EPS, €	-0,05	0,07	-176,1 %	0,06	-184,4 %
EPS, € ¹⁾	-0,11	0,08	-235,4 %	-0,07	
Operative cash flow, M€ ¹⁾	11,1	-3,2		0,1	16533 %

¹⁾ Including discontinued operations

Video and Broadband Solutions – Q2 2020



- Orders received decreased year-on-year and quarter-on-quarter both in access network products and video security and information solutions. Order volumes were affected by operators' expectations regarding the transition to distributed access architecture as well as the COVID-19 pandemic.
- Order backlog increased 3,7 % year-on-year and amounted to 79,0 M€. 48% of deliveries scheduled for this year.
- Net sales decreased year-on-year and quarter-on-quarter both in access network products and video security and information solutions. Certain customers have been forced to close down their factories and delay projects due to COVID-19 pandemic.
- EBIT reduced year-on-year and quarter-on-quarter resulting from reduced net sales.

	Q2 2020	Q2 2019	YoY change	Q1 2020	QoQ change
Orders received, M€	25,0	36,1	-30,8 %	40,5	-38,3 %
Net sales, M€	28,5	35,3	-19,4 %	31,2	-8,8 %
EBIT, M€	-0,2	1,6	-112,2 %	1,2	-115,8 %
EBIT-%	-0,7 %	4,4 %		3,9 %	
Average personnel	653	688	-5,1 %	667	-2,1 %

Network Services, continued operations – Q2 2020 **TELESTE**

- Teleste revised its network services strategy, according to which the company will focus on the higher added-value services in the UK, Switzerland, Finland, Poland and Belgium.
- Orders received and net sales decreased year-on-year and quarter-on-quarter 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.
- EBIT decreased year-on-year, but increased quarter-on-quarter. Reduction was due to net sales being lower than in the reference period as well as restructuring measures implemented in Belgium. The restructuring costs in Belgium have been eliminated from adjusted EBIT only at the Group level.

	Q2 2020	Q2 2019	YoY change	Q1 2020	QoQ change
Orders received, M€	5,1	7,0	-27,7 %	5,4	-5,7 %
Net sales, M€	5,1	7,0	-27,7 %	5,4	-5,7 %
EBIT, M€	0,3	0,7	-50,7 %	0,2	56,7 %
EBIT-%	6,7 %	9,8 %		4,0 %	
Average personnel	199	211	-5,6 %	194	3,0 %

Teleste Group, January - June 2020

Continued operations

	1-6 2020	1-6 2019	YoY change	1-12 2019
Orders received, M€	75,9	88,8	-14,5 %	167,5
Net sales, M€	70,1	83,5	-16,1 %	165,3
Adjusted EBIT, M€	1,6	4,0	-60,7 %	8,8
Adjusted EBIT, %	2,2 %	4,8 %		5,3 %
EBIT, M€	1,0	-3,3		1,9
Net profit, M€	0,2	-4,5		-0,3
Operative cash flow, M€	11,2	-4,1		4,1

Business areas, January - June 2020

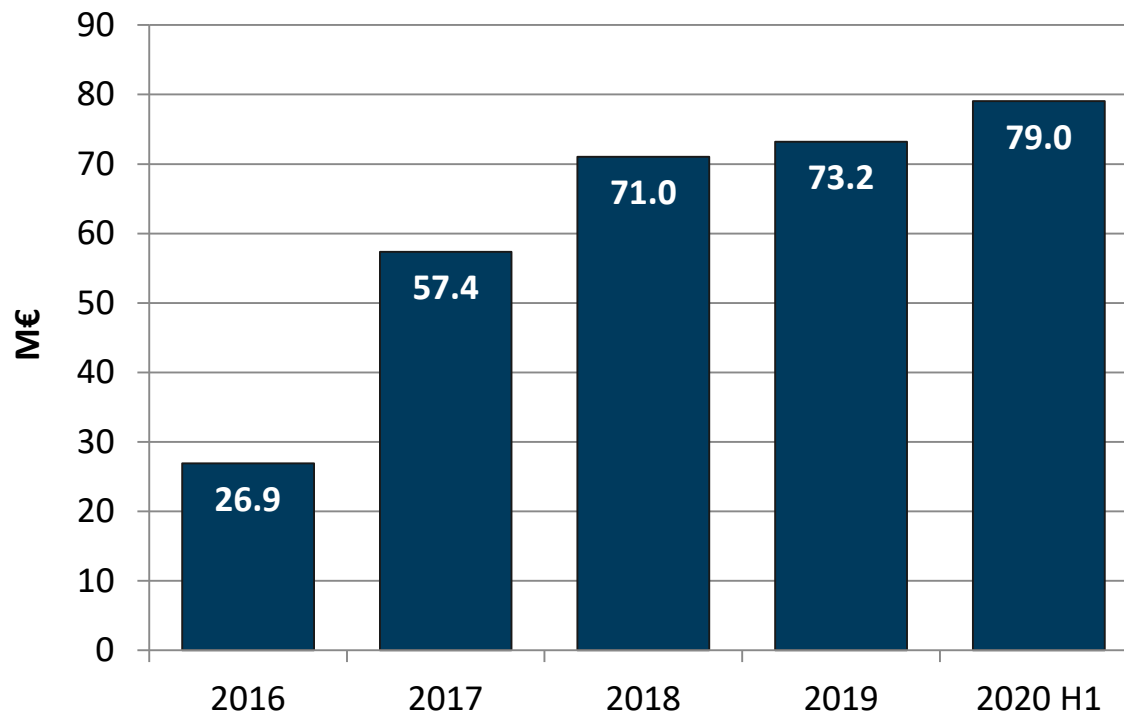
Continued operations

Video and Broadband Solutions	1-6 2020	1-6 2019	YoY change	1-12 2019
Orders received, M€	65,5	75,8	-13,6 %	143,5
Net sales, M€	59,7	70,6	-15,5 %	141,4
EBIT, M€	1,0	3,8	-73,1 %	8,1
EBIT, %	1,7 %	5,4 %		5,7 %
Average personnel	660	680	-2,9 %	665

Network Services	1-6 2020	1-6 2019	YoY change	1-12 2019
Orders received, M€	10,4	13,0	-19,7 %	24,0
Net sales, M€	10,4	13,0	-19,7 %	24,0
EBIT, M€	0,6	0,2	154,4 %	0,8
EBIT, %	5,3 %	1,7 %		3,2 %
Average personnel	197	219	-10,0 %	202

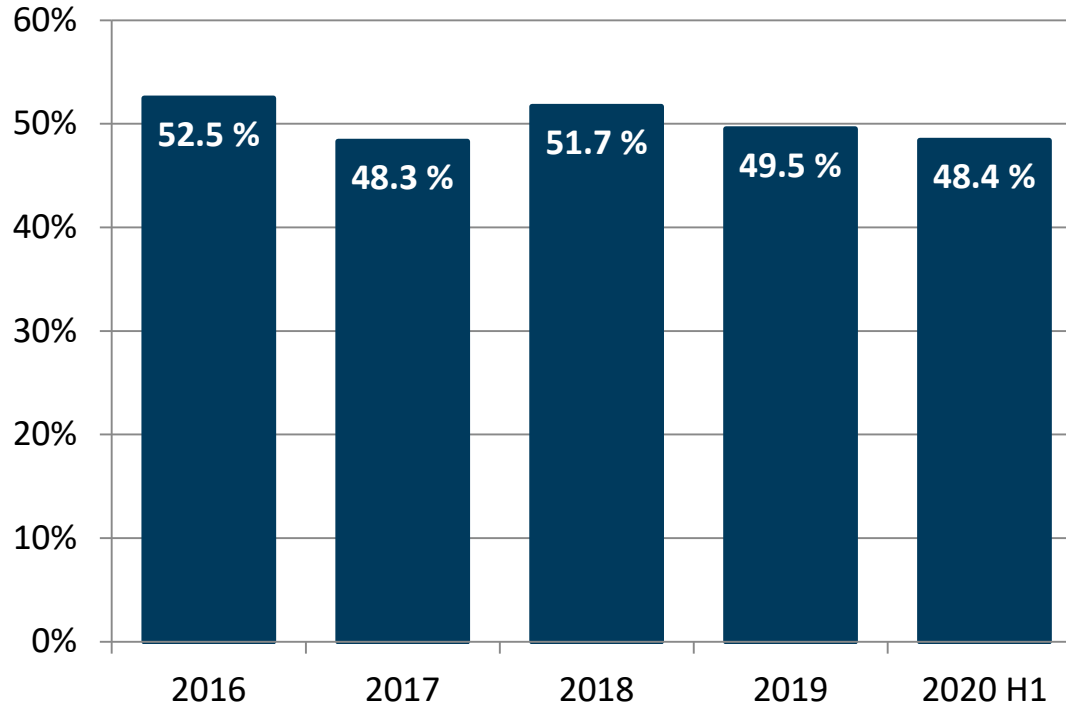
Order Backlog (at the end of period)

Teleste Group



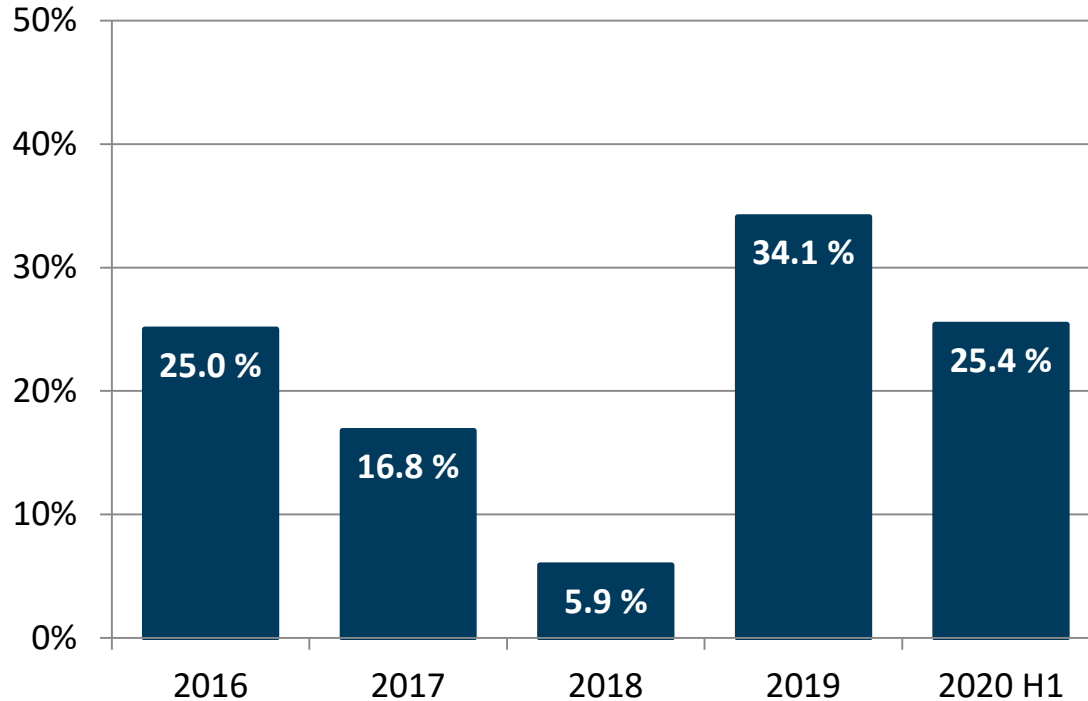
Equity Ratio (at the end of period)

Teleste Group, including discontinued operations



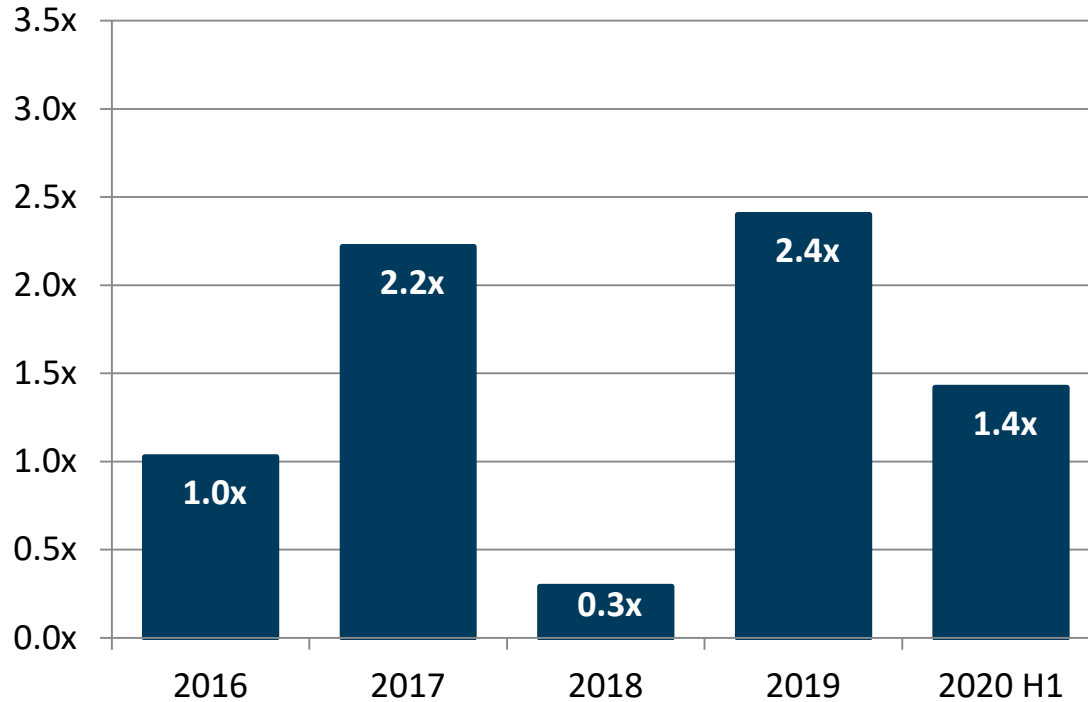
Net gearing (at the end of period)

Teleste Group, including discontinued operations



Net Debt / EBITDA (12 mth rolling)

Teleste Group



Outlook for 2020

Due to the COVID-19 pandemic, many countries in Teleste's main market area have imposed strict and extensive restrictions on the daily functioning of society. At present, it is extremely 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.