



INTERIM
REPORT
Q3 2021

JANUARY 1–SEPTEMBER 30, 2021

TELESTE

ADJUSTED OPERATING RESULT ON PAR WITH THE REFERENCE PERIOD, NET SALES DECREASED, COMPONENT AVAILABILITY RESTRICTED DELIVERIES, STRONG GROWTH IN ORDERS RECEIVED

July-September 2021

- Net sales amounted to EUR 32.3 (35.7) million, a decrease of 9.5%
- Adjusted operating result was EUR 2.3 (2.2) million, an increase of 2.6%
- Operating result amounted to EUR 2.3 (2.2) million, an increase of 2.6%
- Earnings per share, including discontinued operations, amounted to EUR 0.10 (-0.38)
- Cash flow from operations, including discontinued operations, was EUR 3.0 (-2.8) million
- Orders received totalled EUR 44.1 (29.8) million, an increase of 48.3%
- Order backlog at period-end totalled EUR 96.0 (73.1) million, an increase of 31.4%

January-September 2021

- Net sales amounted to EUR 105.1 (105.8) million, a decrease of 0.6%
- Adjusted operating result was EUR 4.9 (3.8) million, an increase of 29.5%
- Operating result amounted to EUR 8.1 (3.2) million, including non-recurring income from insurance compensation of EUR 3.2 million, an increase of 150.2%
- Earnings per share, including discontinued operations, amounted to EUR 0.35 (-0.57)
- Cash flow from operations was EUR 15.3 (8.5) million, an increase of 80.6%
- Orders received totalled EUR 124.0 (105.7) million, an increase of 17.4%

The income statement figures presented in this interim 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 (updated)

Teleste estimates that the net sales of the continuing operations in 2021 will reach 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.

Global supply chain disruptions and component availability issues have restricted the deliveries of Teleste's products and cause uncertainty to the deliveries of the remainder of the year in spite of the strong order backlog.

Comments by CEO Jukka Rinnevaara:

“The most positive aspect of the third quarter was the strong growth in orders received. Orders increased in access network products as well as public transport information solutions and video security solutions. Consequently, our order backlog grew to a record-high level. At the same time, net sales for the quarter declined year-on-year in all of Teleste's businesses. This was partly due to component availability problems but also the timing of customer deliveries. The operating result increased slightly year-on-year mainly due to the improved gross margin. Cash flow from operations developed favourably. Component availability problems were a key challenge during the quarter and they affected our delivery capacity. We have been able to partially pass the increased freight and material costs on to our sales prices. While the pandemic is not yet entirely over in our markets, business is gradually returning to normal unless new COVID-19 variants complicate the situation again.

Data communications operators started investments in distributed access architecture. In order to increase the capacity of their networks, major operators have also increased their orders for Teleste's next-generation products. The deliveries of traditional HFC technology products declined slightly, as expected. Net sales also decreased in the services business, but we expect demand to pick up during the remainder of the year. During the quarter, we focused on the strategic development of capabilities and resources required by the technological transformation. In particular, we continued the development of products in accordance with distributed access architecture and the DOCSIS 4.0 standard. We introduced new smart next-generation amplifiers in the North American market. The new energy-efficient and environmentally friendly products are a key part of our sustainable solutions for building a connected society.

During the quarter, we received significant new orders from major train manufacturers, public transport operators and public authorities, which further strengthened our order backlog. Geographically, the most significant orders for train solutions are delivered to Germany, the UK and Canada, while a follow-up order for video surveillance solutions was received in the Middle East. The record-high order backlog provides a good foundation for business growth. Our aim is to improve profitability and, as one development measure, we have started an investment to expand our production facilities to increase our own production in Littoinen. The expansion will be completed in the latter part of next year. Component availability problems and price increases also affected the video security and public transport information solutions businesses during the third quarter.

In spite of the strong order backlog, the most significant risk pertaining to the achievement of the targets set for this year is related product deliveries and the availability of electronic components. We expect the component shortage and problems with the availability of materials to continue and affect our capacity to deliver products also in 2022. We will continue our efforts to source the necessary components for our product deliveries.

As announced in the stock exchange release on 3 November 2021, I will step down as CEO of Teleste at the end of this year and will retire in accordance with the contract during the next year after the transition period. I wish Esa Harju the best of luck and success in his new, interesting post as CEO. As a long-term member of the Management Group, he knows the company well. Together with Esa, we will ensure that the transfer of responsibilities will take place smoothly.

Group Operations, July-September 2021

Key figures	7-9/2021	7-9/2020	Change
Net sales, EUR million	32.3	35.7	-9.5%
Adjusted EBIT, EUR million ¹⁾	2.3	2.2	+2.6%
Adjusted EBIT, % ¹⁾	7.1%	6.2%	
EBIT, EUR million	2.3	2.2	+2.6%
EBIT, %	7.1%	6.2%	
Result for the period, EUR million	1.9	1.7	+9.8%
Result for the period, EUR million ²⁾	1.9	-7.0	
Earnings per share, EUR	0.10	0.10	+8.3%
Earnings per share, EUR ²⁾	0.10	-0.38	
Cash flow from operations, EUR million ²⁾	3.0	-2.8	
Orders received, EUR million	44.1	29.8	+48.3%

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 44.1 (29.8) million, an increase of 48.3% year-on-year. Orders increased in public transport information solutions and video security solutions as well as access network products. The order backlog totalled EUR 96.0 (73.1) million, an increase of 31.4% year-on-year. The order backlog grew in all areas of the product portfolio. Net sales were EUR 32.3 (35.7) million, a decrease of 9.5% year-on-year. Net sales decreased in access network products due to the technological transformation of distributed access architecture and in public transport information solutions due to component availability problems.

Other operating income of EUR 0.9 million includes a gain of EUR 0.5 million on the disposal of the minority share held in a company that manufactures access network products in China. This is also reported in the adjusted operating result. Similarly, the costs related to the sale of the minority share of the Chinese company have been deducted from the adjusted operating result in previous financial periods.

Expenses for material and manufacturing services decreased by 17.2% to EUR 14.5 (17.5) million. Personnel expenses increased by 1.0% to EUR 10.4 (10.3) million. Other operating expenses increased by 5.9% to EUR 4.1 (3.9) million. Depreciation amounted to EUR 1.9 (1.9) million, an increase of 2.0%. The adjusted operating result increased by 2.6% to EUR 2.3 (2.2) million, representing 7.1% (6.2%) of net sales. The operating result increased by 2.6% to EUR 2.3 (2.2) million, representing 7.1% (6.2%) of net sales. Net financial items were EUR +0.1 (-0.2) million. Earnings per share amounted to EUR 0.10 (0.10), an increase of 8.3% year-on-year.

Cash flow from operations was EUR 3.0 (-2.8) million. Cash flow from operations increased due to net working capital being lower than in the comparison period.

R&D expenses amounted to EUR 2.6 (2.6) million, representing 8.1% (7.2%) 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 1.4 (0.8) million. Depreciation on capitalised R&D expenses was EUR 1.1 (0.9) million.

Group Operations, January-September 2021

Key figures	1-9/2021	1-9/2020	Change	1-12/2020
Net sales, EUR million	105.1	105.8	-0.6%	145.0
Adjusted EBIT, EUR million ¹⁾	4.9	3.8	+29.5%	5.1
Adjusted EBIT, % ¹⁾	4.7%	3.6%		3.5%
EBIT, EUR million	8.1	3.2	+150.2%	4.5
EBIT, %	7.7%	3.1%		3.1%
Result for the period, EUR million	6.3	1.9	+236.4%	2.8
Result for the period, EUR million ²⁾	6.3	-10.4		-8.0
Earnings per share, EUR	0.35	0.11	+218.4%	0.16
Earnings per share, EUR ²⁾	0.35	-0.57		-0.43
Cash flow from operations, EUR million ²⁾	15.3	8.5	+80.6%	13.1
Net gearing, % ²⁾	12.6%	33.5%		17.0%
Equity ratio, % ²⁾	54.5%	44.7%		48.8%
Orders received, EUR million	124.0	105.7	+17.4%	148.8
Order backlog, EUR million	96.0	73.1	+31.4%	77.1
Personnel at period-end	862	862	+0.0%	858

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

²⁾ Including discontinued operations

The Group's orders received totalled EUR 124.0 (105.7) million, an increase of 17.4%. Orders increased in public transport information solutions and video security solutions as well as access network products. Net sales decreased by 0.6% to EUR 105.1 (105.8) million. Net sales decreased in network services but increased in public transport information solutions and video security solutions. The other operating income of EUR 4.8 (1.1) million includes non-recurring income from insurance compensation in the amount of EUR 3.2 million, which is reported as an adjustment gain, and a gain of EUR 0.5 million on the disposal of the minority share held in a company that manufactures access network products in China.

Expenses for material and manufacturing services decreased by 6.5% to EUR 48.8 (52.2) million. Personnel expenses amounted to EUR 34.7 (33.1) million, an increase of 4.8%. Other operating expenses decreased by 1.4% to EUR 12.9 (13.1) million. Depreciation amounted to EUR 5.4 (5.3) million, an increase of 3.1%. The adjusted operating result increased by 29.5% to EUR 4.9 (3.8) million, representing 4.7% (3.6%) of net sales. The operating result increased by 150.2% to EUR 8.1 (3.2) million, representing 7.7% (3.1%) of net sales. Net financial items were EUR 0.2 (-0.5) million and direct taxes amounted to EUR 1.9 (0.9) million. The Group's effective tax rate was 23.4% (31.6%). The result for the reporting period came to EUR 6.3 (1.9) million, an increase of 236.4%. Earnings per share amounted to EUR 0.35 (0.11), an increase of 218.4% year-on-year.

Cash flow from operations, including discontinued operations, was EUR 15.3 (8.5) million. Cash flow from operations increased due to the improved operating result as well as the release of working capital. Net working capital decreased due to trade receivables and advance payments for project deliveries.

R&D expenses amounted to EUR 8.5 (8.5) million, representing 8.1% (8.0%) of consolidated net sales. Capitalised R&D expenses amounted to EUR 3.8 (2.9) million. Depreciation on capitalised R&D expenses was EUR 3.0 (2.3) million.

Personnel and organisation January-September 2021

The Group's continuing operations employed 868 (857) people on average during the period under review. At the end of the review period, the Group's continuing operations employed 862 (862) people, of whom 45.6% (47.1%) worked abroad. Approximately 3.1% of the Group's employees were working outside Europe.

Personnel expenses amounted to EUR 34.7 (33.1) million. 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 performance-based bonuses, which were not paid for January-June 2020. Personnel expenses in the comparison period were also reduced by temporary layoffs of employees, which ended in the first quarter of this year.

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

Investments by the Group totalled EUR 7.5 (5.3) million, representing 7.1% (3.4%) of net sales. Capitalised product development investments totalled EUR 3.8 (2.9) million, leases capitalised in accordance with IFRS 16 amounted to EUR 2.7 (1.3) million and other investments in tangible and intangible assets came to EUR 1.0 (1.1) 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, passenger information systems and customer-specific projects.

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

Cash flow from operations was EUR 15.3 (8.5) million. Cash flow from operations increased due to the improved operating result as well as the release of working capital. Net working capital decreased due to trade receivables and advance payments for project deliveries. 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 46.0 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 10.0 million credit facility will run until the end of August 2022 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 10.0 (20.0) million.

At period-end, the Group's interest-bearing debt stood at EUR 27.9 (34.0) million. The Group's equity ratio was 54.5% (44.7%) and net gearing ratio 12.6% (33.5%).

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 business risks

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 and further expanding. The company estimates that the risks associated with availability may still lead to delays in deliveries. 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. 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. Although the direct impact of the pandemic on Teleste's operations has so far been limited, disruptions in the supply chain of electronic components and many other materials have affected and may continue to affect Teleste's delivery capacity.

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 September 2021, Tianta Oy was the largest single shareholder with a holding of 25.0%.

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 September 2021 stood at EUR 5.14 (3.94). According to Euroclear Finland Ltd, the number of shareholders at the end of the period under review was 5,613 (5,632). Foreign and nominee-registered holdings accounted for 4.2% (5.1%) of the share capital. The value of Teleste's shares traded on Nasdaq Helsinki from 1 January to 30 September 2021 was EUR 12.0 (8.1) million. In the period under review, 2.2 (1.8) million Teleste shares were traded on the stock exchange.

On 30 September 2021, 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 September 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, 2021 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

Teleste's Board of Directors has appointed Esa Harju (born 1967) as the new Chief Executive Officer of Teleste Corporation. Harju will take up his post as CEO on 1 January 2022. Teleste's current CEO, Jukka Rinnevaara, will retire from the company in 2022, in accordance with his contract, following a transition period.

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 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. In 2021, the development of the market has also been negatively affected by the global problems associated with the availability of components and materials. However, the market is expected to return to growth in 2022, provided that the availability of components and materials improves. Ensuring competitiveness requires Teleste to continuously make R&D investments in new intelligent solutions. Improvements in project management and operational efficiency in business are also necessary. Teleste strengthened its market position in video security and information solutions in 2020 and this trend has continued in 2021. We estimate that the net sales in 2021 will reach the level of the reference year. However, this estimate involves uncertainty related to the availability of components and materials, the pandemic and the timing of projects.

Outlook for 2021 (updated)

Teleste estimates that the net sales of the continuing operations in 2021 will reach 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.

Global supply chain disruptions and component availability issues have restricted the deliveries of Teleste's products and cause uncertainty to the deliveries of the remainder of the year in spite of the strong order backlog.

3 November 2021

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, 2021. The data stated in this report is unaudited.

STATEMENT OF COMPREHENSIVE INCOME (tEUR)	7-9/2021	7-9/2020	Change %	1-12/2020
Continued operations				
Net Sales	32,316	35,704	-9.5 %	144,983
Other operating income	864	64	1242.9 %	1,783
Materials and services	-14,498	-17,516	-17.2 %	-72,039
Personnel expenses	-10,374	-10,268	1.0 %	-45,156
Depreciation	-1,933	-1,896	2.0 %	-7,241
Other operating expenses	-4,095	-3,866	5.9 %	-17,814
Operating profit	2,280	2,222	2.6 %	4,516
Financial income	265	239	10.9 %	836
Financial expenses	-156	-435	-64.1 %	-1,670
Profit after financial items	2,389	2,026	17.9 %	3,681
Profit before taxes	2,389	2,026	17.9 %	3,681
Taxes	-518	-323	60.6 %	-905
Net profit of continued operations	1,871	1,704	9.8 %	2,777
Discontinued operations				
Net profit of discontinued operations	0	-8,750	n/a	-10,812
Net profit	1,871	-7,046	n/a	-8,035
Attributable to:				
Equity holders of the parent	1,899	-6,997	n/a	-7,827
Non-controlling interests	-28	-50	n/a	-209
	1,871	-7,046	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	0.10	-0.38	n/a	-0.43
Diluted	0.10	-0.38	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	0.10	0.10	8.3 %	0.16
Diluted	0.10	0.10	8.3 %	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	-0.48	n/a	-0.59
Diluted	0.00	-0.48	n/a	-0.59
Total comprehensive income for the period (tEUR)				
Net profit	1,871	-7,046	n/a	-8,035
Possible items with future net profit effect				
Translation differences	-310	-284	9.1 %	-606
Cash flow hedges	0	13	-100.0 %	62
Total comprehensive income for the period	1,561	-7,318	n/a	-8,579
Attributable to:				
Equity holders of the parent	1,583	-7,255	n/a	-8,344

Non-controlling interests	-22	-63	n/a	-235
	1,561	-7,318	n/a	-8,579
Continued operations	1-9/2021	1-9/2020	Change %	1-12/2020
Net Sales	105,108	105,782	-0.6 %	144,983
Other operating income	4,819	1,111	333.9 %	1,783
Materials and services	-48,787	-52,189	-6.5 %	-72,039
Personnel expenses	-34,695	-33,110	4.8 %	-45,156
Depreciation	-5,436	-5,273	3.1 %	-7,241
Other operating expenses	-12,899	-13,079	-1.4 %	-17,814
Operating profit	8,110	3,242	150.2 %	4,516
Financial income	825	668	23.5 %	836
Financial expenses	-649	-1,152	-43.7 %	-1,670
Profit after financial items	8,286	2,757	200.5 %	3,681
Profit before taxes	8,286	2,757	200.5 %	3,681
Taxes	-1,941	-871	122.8 %	-905
Net profit of continued operations	6,346	1,886	236.4 %	2,777
Discontinued operations				
Net profit of discontinued operations	0	-12,324	n/a	-10,812
Net profit	6,346	-10,437	n/a	-8,035
Attributable to:				
Equity holders of the parent	6,459	-10,296	n/a	-7,827
Non-controlling interests	-113	-142	n/a	-209
	6,346	-10,437	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	0.35	-0.57	n/a	-0.43
Diluted	0.35	-0.56	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	0.35	0.11	218.4 %	0.16
Diluted	0.35	0.11	218.7 %	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	-0.68	n/a	-0.59
Diluted	0.00	-0.68	n/a	-0.59
Total comprehensive income for the period (tEUR)				
Net profit	6,346	-10,437	n/a	-8,035
Possible items with future net profit effect				
Translation differences	105	-1,154	-109.1 %	-606
Cash flow hedges	0	46	-100.0 %	62
Total comprehensive income for the period	6,450	-11,544	n/a	-8,579
Attributable to:				
Equity holders of the parent	6,549	-11,387	n/a	-8,344
Non-controlling interests	-98	-158	n/a	-235
Equity holders of the parent	6,450	-11,544	n/a	-8,579

STATEMENT OF FINANCIAL POSITION (tEUR)	30.9.2021	30.9.2020	Change %	31.12.2020
Non-current assets				
Intangible assets	13,389	13,092	2.3 %	12,816
Goodwill	30,610	30,221	1.3 %	30,502
Property, plant, equipment	10,780	9,585	12.5 %	9,052
Other non-current financial assets	316	627	-49.6 %	698
Deferred tax asset	1,386	1,458	-4.9 %	2,203
	56,480	54,982	2.7 %	55,270
Current assets				
Inventories	28,101	27,044	3.9 %	28,225
Trade and other receivables	27,661	30,950	-10.6 %	28,867
Tax Receivable, income tax	396	713	-44.4 %	428
Cash and cash equivalents	19,281	13,074	47.5 %	20,224
	75,439	71,781	5.1 %	77,745
Assets reported in discontinued operations	0	14,698		0
Total assets	131,920	141,462	-6.7 %	133,015
Shareholder's equity and liabilities				
Share capital	6,967	6,967	0.0 %	6,967
Other equity	60,692	54,410	11.5 %	55,803
Owners of the parent company	67,659	61,377	10.2 %	62,770
Non-controlling interests	222	403	-44.9 %	320
EQUITY	67,881	61,779	9.9 %	63,090
Non-current liabilities				
Deferred tax liability	1,842	1,535	20.0 %	1,518
Non-current liabilities, interest-bearing	6,628	26,425	-74.9 %	24,716
Non-current interest-free liabilities	753	470	60.3 %	832
Non-current provisions	366	442	-17.3 %	119
	9,589	28,872	-66.8 %	27,184
Current liabilities				
Current interest-bearing liabilities	21,238	5,416	292.2 %	6,256
Trade Payables and Other Liabilities	31,457	29,616	6.2 %	33,893
Tax liability, income tax	753	1,529	-50.7 %	880
Current provisions	1,000	855	17.0 %	1,711
	54,449	37,416	45.5 %	42,741
Liabilities reported in discontinued operations	0	13,394		0
Total shareholder's equity and liabilities	131 920	141 462	-6,7 %	133 015
CONSOLIDATED CASH FLOW STATEMENT (tEUR)	1-9/2021	1-9/2020	Change %	1-12/2020
Cash flows from operating activities				
Profit for the period	6,346	-10,437	n/a	-8,035
Adjustments	6,206	17,284	-64.1 %	17,293
Interest and other financial expenses and incomes	-148	-662	-77.7 %	-993
Paid Taxes	-900	-980	-8.2 %	-1,255
Change in working capital	3,759	3,247	15.8 %	6,062
Cash flow from operating activities	15,263	8,451	80.6 %	13,071
Cash flow from investing activities				
Purchase of tangible and intangible assets	-4,169	-4,127	1.0 %	-5,130
Proceeds from sales of PPE	53	85	-37.4 %	171

Divestment of subsidiaries, net of cash disposed	-3,749	0	n/a	6,276
Purchase of investments	0	0	n/a	-77
Net cash used in investing activities	-7,865	-4,041	n/a	1,239
Cash flow from financing activities				
Proceeds from borrowings	0	6,476	-100.0 %	6,466
Payments of borrowings	-4,500	-3,569	26.1 %	-3,569
Payment of leasing liabilities	-1,572	-2,562	-38.6 %	-3,794
Dividends paid	-2,321	0	n/a	-1,685
Changes in non-controlling interest	0	354	-100.0 %	349
Net cash used in financing activities	-8,394	700	-1299.9 %	-2,232

Change in cash

Cash in the beginning	20,225	8,249	145.2 %	8,249
Effect of currency changes	52	-77	-167.2 %	-103
Change	-995	5,109	-119.5 %	12,078
Cash at the end	19,281	13,282	45.2 %	20,225

KEY FIGURES

	1-9/2021	1-9/2020	Change %	1-12/2020
Operating profit, continued operations	8,110	3,242	150.2 %	4,516
Earnings per share, EUR	0.35	-0.57	n/a	-0.43
Earnings per share fully diluted, EUR	0.35	-0.56	n/a	-0.43
Shareholders' equity per share, EUR	3.58	3.25	9.9 %	3.46

Return on equity	12.9 %	-20.7 %	n/a	-11.8 %
Return on capital employed	12.4 %	-9.8 %	n/a	-4.5 %
Equity ratio	54.5 %	44.7 %	22.0 %	48.8 %
Gearing	12.6 %	33.5 %	-62.3 %	17.0 %

Investments, tEUR	7,478	5,318	40.6 %	6,588
Investments % of net sales	7.1 %	3.4 %	109.0 %	4.5 %
Order backlog, tEUR	96,017	73,100	31.4 %	77,086
Personnel, average	868	857	1.3 %	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	5.51	4.46	23.5 %	4.40

Turnover, in million shares	2.2	1.8	22.2 %	3.1
Turnover, in MEUR	12.0	8.1	48.0 %	13.8

ALTERNATIVE PERFORMANCE

MEASURES	7-9/2021	7-9/2020	Change %	1-9/2021	1-9/2020	Change %	1-12/2020
Adjusted operating profit, continued operations	2,280	2,222	2.6 %	4,910	3,792	29.5 %	5,066
Adjusted earning per share, EUR	0.10	0.04	158.7 %	0.18	-0.11	n/a	-0.06

BRIDGE OF CALCULATION

Operating profit, continued operations	2,280	2,222	2.6 %	8,110	3,242	150.2 %	4,516
Other non-recurring items	0	0	n/a	-3,200	0	n/a	0
Business reorganization	0	0	n/a	0	550	-100.0 %	550
Adjusted operating profit, continued operations	2,280	2,222	2.6 %	4,910	3,792	29.5 %	5,066

Net profit/loss to equity holder	1,899	-6,997	n/a	6,459	-10,296	n/a	-7,827
Weighted average of outstanding shares during the quarter	18,217	18,209	0.0 %	18,216	18,209	0.0 %	18,204
Earnings per share, basic	0.10	-0.38	n/a	0.35	-0.57	n/a	-0.43
Net profit/loss to equity holder	1,899	-6,997	n/a	6,459	-10,296	n/a	-7,827
Other non-recurring items	0	0	n/a	-3,200	0	n/a	0
Business reorganization	0	0	n/a	0	550	-100.0 %	550
Business disposals	0	7,730	-100.0 %	0	7,730	-100.0 %	6,106
Outstanding shares during the quarter	18,217	18,209	0.0 %	18,216	18,209	0.0 %	18,204
Adjusted earnings per share, EUR	0.10	0.04	158.7 %	0.18	-0.11	n/a	-0.06

Treasury shares

	Number of shares	% of shares	% of votes
Possession of company's own shares 30.9.2021	768,194	4.05 %	4.05 %

Contingent liabilities and pledged assets (tEUR)

Leasing and rent liabilities	883	856	3.1 %	921
Derivative instruments (tEUR)				
Value of underlying forward contracts	19,937	17,379	14.7 %	18,515
Market value of forward contracts	434	-99	-538.6 %	-473
Interest rate swap	0	10,000	-100.0 %	0
Market value of interest swap	0	-15	-100.0 %	0

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

Net sales by category	1-9/2021	1-9/2020	Change %	1-12/2020
Goods	87,569	89,408	-2.1 %	118,524
Service	17,539	16,374	7.1 %	26,458
Total	105,108	105,782	-0.6 %	144,983

	30.9.2021	30.9.2020	Change %	31.12.2020
Order backlog, tEUR	96,017	73,100	31.4 %	77,086

Information per quarter (tEUR)	7-9/21	4-6/21	1-3/21	10-12/20	7-9/20	10/2020-9/2021
Orders received	44,137	43,861	36,042	43,186	29,770	167,226
Net sales	32,316	35,782	37,010	39,200	35,704	144,308
EBIT	2,280	1,135	4,695	1,274	2,222	9,384
EBIT%	7.1 %	3.2 %	12.7 %	3.3 %	6.2 %	6.5 %

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	320	63,090
Total comprehensive income for the period				6,459			6,459	-113	6,346
Dividend distribution				-2,186			-2,186		-2,186
Equity-settled share-based payments				373			373		373
Translation differences			78	166			244	15	259
Shareholder's equity 30.9.2021	6,967	1,504	-1,479	57,527	3,140	0	67,660	222	67,881
Shareholder's equity 1.1.2020	6,967	1,504	-1,594	62,615	3,140	-62	72,571	206	72,777
New standards and other changes				-177			-177		-177
Total comprehensive income for the period				-10,296			-10,296	-142	-10,437
Equity-settled share-based payments				370			370	0	370
Translation differences			-295	-843			-1,138	-16	-1,154
Cash flow hedges				0		46	46	0	46
Changes of non-controlling interests without change in control				0			0	354	354
Shareholder's equity 30.9.2020	6,967	1,504	-1,889	51,669	3,140	-15	61,377	403	61,779

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, 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
Wipunen Varainhallinta Oy	650,000	3.4
Mariatorp Oy	620,000	3.3
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

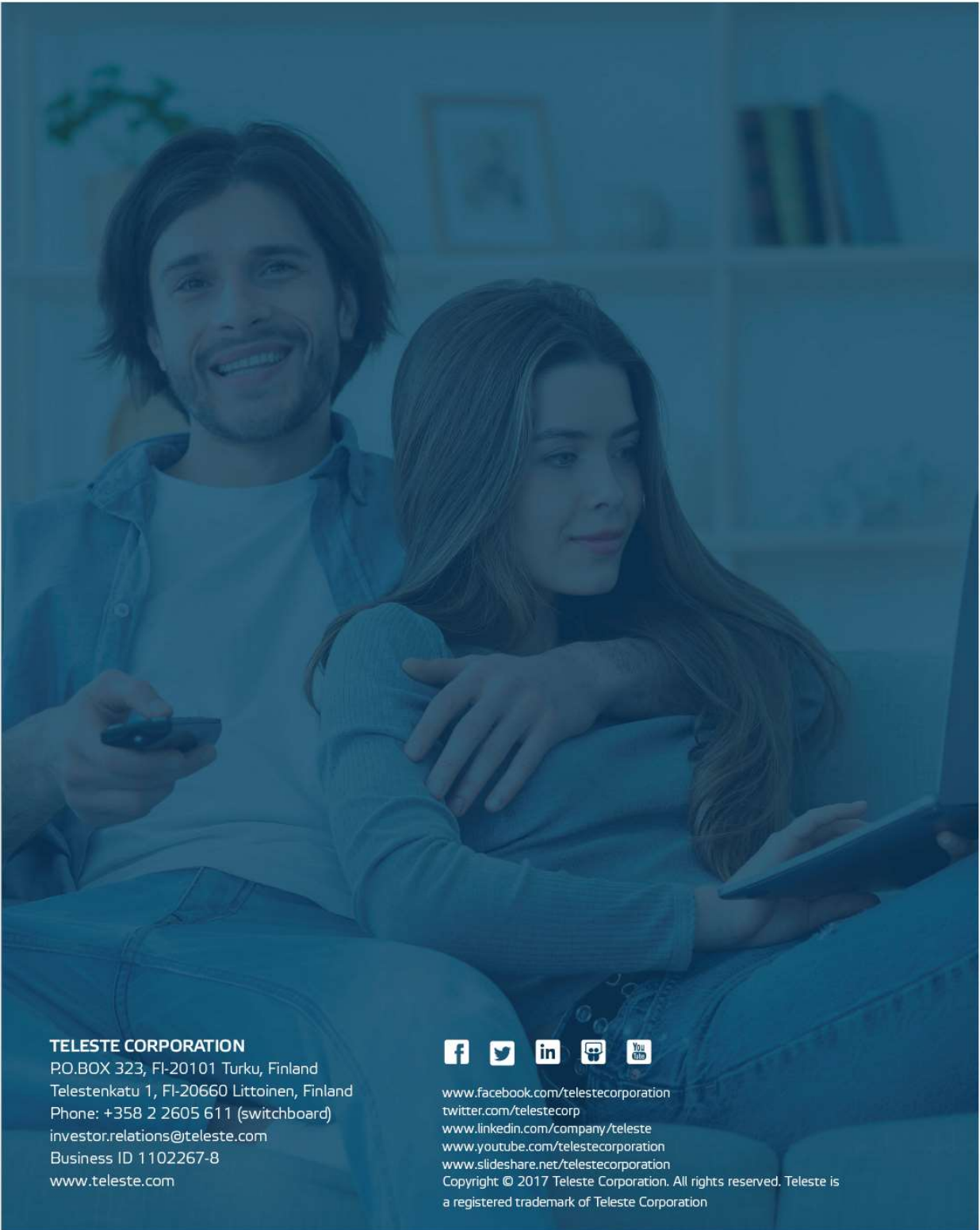
Shareholders by sector September 30, 2021

	Nbr. of shareholders	% of Owners	Shares	% of shares
Households	5,295	94.3	5,030,776	26.5
Public sector institutions	3	0.1	1,920,625	10.1
Financial and insurance institutions	17	0.3	3,495,267	18.4
Corporations	247	4.4	8,285,798	43.6
Non-profit institutions	20	0.4	43,918	0.2
Foreign	31	0.6	209,204	1.1

Total	5,613	100.00	18,985,588	100.0
Of which nominee registered	9	0.2	588,261	3.1

Major shareholders by distribution of shares September 30, 2021

Number of shares	Nbr. of shareholders	% of		
		shareholders	Nbr. of shares	% of shares
1-100	1,659	29.6	89,684	0.5
101-500	2,257	40.2	603,394	3.2
501-1,000	757	13.5	616,992	3.2
1,001-5,000	736	13.1	1,654,672	8.7
5,001-10,000	99	1.8	689,910	3.6
10,001-50,000	77	1.4	1,561,060	8.2
50,001-100,000	8	0.1	558,713	2.9
100,001-500,000	12	0.2	2,495,505	13.1
500,001-& above	8	0.1	10,715,658	56.4
Total	5,613	100.0	18,985,588	100.0
of which nominee registered	9	0.2	588,261	3.1



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