

Financial Statement 2019

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Events in 2019

In January Teleste reached an agreement with a Belgian company Telenet for supplying optical network products as part of an upgrade project to install 1,2GHz capable equipment in the optical section of the access network.

In February Teleste announced of continuing the deliveries of **optical headend products to Turksat**, the leading satellite and cable operator in Turkey.

In March Teleste informed that **a foreign subsidiary of Teleste was suspected to have become the target of a crime**. The suspected perpetrators had through identity theft and other possible illegal actions managed to induce Teleste's subsidiary to make **unwarranted payments to third parties in an amount totaling approximately EUR 7 million**. As a result of the above, already the same day, Teleste had to **publish a profit warning and a new financial outlook for 2019**.

The news flow continued with more positive news. In March Teleste reported of continued cooperation with Alstom by delivering its **integrated on-board solution to Coradia Stream trains in Italy**.

In April Teleste was selected as a **vendor of optical nodes for Fluvius' network upgrade project in Belgium**.

Late in May TransLink selected Teleste's passenger information solution for the Skytrain rapid transit system in Vancouver, Canada. Teleste's solution will be initially be installed at 33 stations in the system that is the oldest and one of the longest automated driverless rapid transit systems in the world.

In October APRR (Autoroutes Paris Rhin Rhône) Group informed that it had selected Teleste's S-VMX Video Management System for upgrading its motorway safety and surveillance infrastructure.

In November a competitor of Teleste filed two complaints against Teleste Limited, demanding damages from the company for the infringement of two patents. The disputes were resolved by court decisions, which were favourable for Teleste. Due to the favourable outcomes, Teleste retains its right to market and sell its products to customers in all of its market areas.

In December Teleste published a profit warning and lowered its guidance for 2019.

Later in December Teleste informed of a delivery of an on-board solution to Stadler's electrical multiple units (EMU) in Stockholm, Sweden.

Teleste Group – Q4 2019



- Orders received increased quarter-on-quarter, but decreased from the record-strong reference period. Order backlog increased during the quarter by 8.5% and was EUR 73.2 million at quarter-end.
- Net sales decreased year-on-year, and was on the level of previous quarter. Net sales decreased in the Network Services business area.
- The adjusted operating result decreased year-on-year and quarter-on-quarter due to lower net sales in Network Services business area and lower sales of access network products.
- Operating cash flow increased both year-on-year and quarter-on-quarter.

	Q4 2019	Q4 2018	YoY change	Q3 2019	QoQ change
Orders received, M€	64,1	81,0	-20,8 %	51,4	24,9 %
Net sales, M€	58,5	66,5	-12,1 %	60,1	-2,7 %
Adjusted EBIT, M€	0,9	2,2	-60,6 %	3,2	-72,8 %
Adjusted EBIT-%	1,5 %	3,4 %		5,4 %	
EBIT, M€	1,2	2,2	-44,6 %	3,2	-61,8 %
Net profit, M€	0,7	1,6	-57,8 %	2,6	-73,8 %
Adjusted EPS, €	0,03	0,09	-63,6 %	0,14	-77,0 %
EPS, €	0,05	0,09	-42,1 %	0,14	-63,4 %
Operative cash flow, M€	7,9	4,6	69,2 %	0,3	2176,2 %

Video and Broadband Solutions – Q4 2019



- Orders received increased quarter-on-quarter, but decreased from the record-strong reference period.
- Order backlog increased during the quarter by 8.5% and was EUR 73.2 million at quarter-end. Approximately 65% of order backlog is scheduled for the 2020.
- Net sales was at the level of reference period and increased quarter-on-quarter. Net sales increased in video security and information solutions, but declined in access network products.
- Operating result decreased year-on-year and quarter-on-quarter due to lower net sales of access network products. Expenses for the third quarter are lower than in fourth quarter due to the holiday season.

	Q4 2019	Q4 2018	YoY change	Q3 2019	QoQ change
Orders received, M€	41,8	51,1	-18,3 %	25,9	61,6 %
Net sales, M€	36,1	36,7	-1,5 %	34,6	4,3 %
EBIT, M€	1,3	1,9	-34,8 %	3,0	-58,0 %
EBIT-%	3,5 %	5,3 %		8,7 %	
Average personnel	674	675	-0,2 %	693	-2,8 %

Network Services – Q4 2019

- Orders received and net sales decreased year-on-year and quarter-on-quarter. Net sales decreased in Germany, but increased in Switzerland.
- The decreased net sales in Germany was resulting from completion of a major customer project at the end of 2018 and the demand for services being lower than in the reference period.
- Operating result decreased year-on-year and quarter-on-quarter. The operating result decreased due to decreased net sales in Germany, but increased in England, where the focus was on higher-added-value services.

	Q4 2019	Q4 2018	YoY change	Q3 2019	QoQ change
Orders received, M€	22,3	29,8	-25,1 %	25,5	-12,4 %
Net sales, M€	22,3	29,8	-25,1 %	25,5	-12,4 %
EBIT, M€	-0,4	0,3	-233,8 %	0,2	-270,6 %
EBIT-%	-1,7 %	1,0 %		0,9 %	
Average personnel	669	684	-2,2 %	681	-1,7 %

Teleste Group, January – December 2019

	1-12 2019	1-12 2018	YoY change
Orders received, M€	237,6	264,0	-10,0 %
Net sales, M€	235,5	250,3	-5,9 %
Adjusted EBIT, M€	7,7	9,7	-20,7 %
Adjusted EBIT, %	3,3 %	3,9 %	
EBIT, M€	0,8	9,7	-92,1 %
Net profit, M€	-1,7	6,8	-124,2 %
Operative cash flow, M€	4,1	15,0	-73,0 %

Business areas, January – December 2019

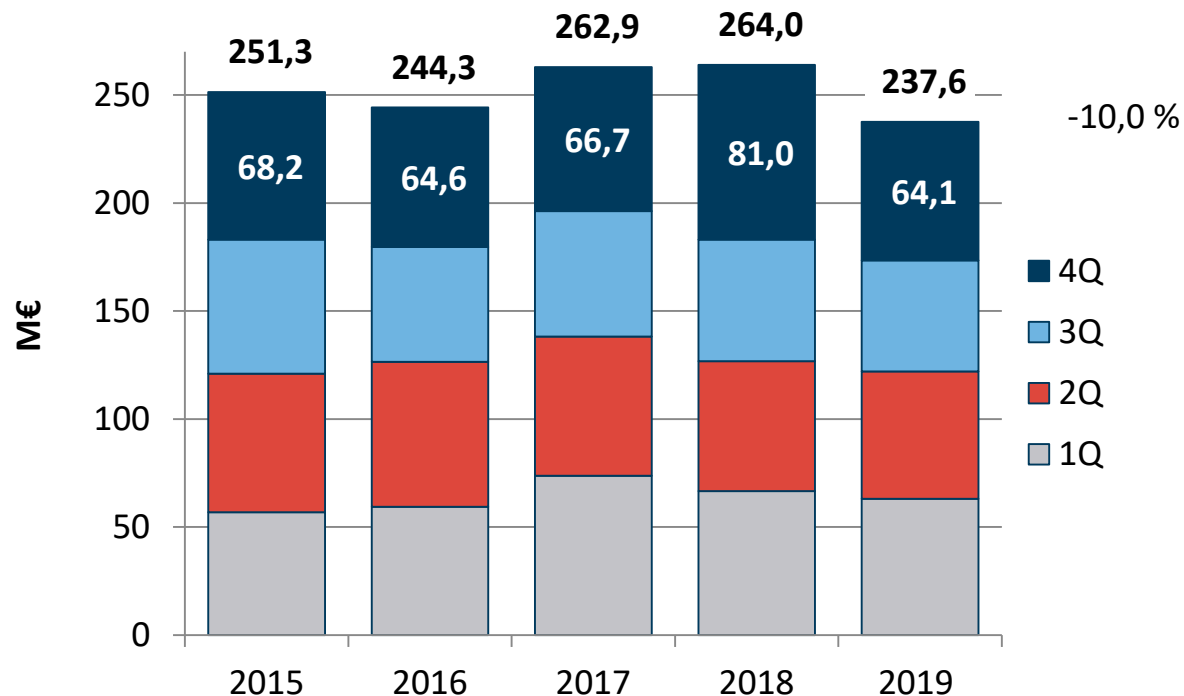
Video and Broadband Solutions	1-12 2019	1-12 2018	YoY change
Orders received, M€	143,5	152,3	-5,8 %
Net sales, M€	141,4	138,7	+1,9 %
EBIT, M€	8,1	7,7	+4,1 %
EBIT, %	5,7 %	5,6 %	
Average personnel	682	700	-2,5 %

Network Services	1-12 2019	1-12 2018	YoY change
Orders received, M€	94,1	111,7	-15,7 %
Net sales, M€	94,1	111,7	-15,7 %
EBIT, M€	-0,3	2,0	-117,5 %
EBIT, %	-0,4 %	1,8 %	
Average personnel	681	693	-1,7 %

Orders Received

Teleste Group, M€

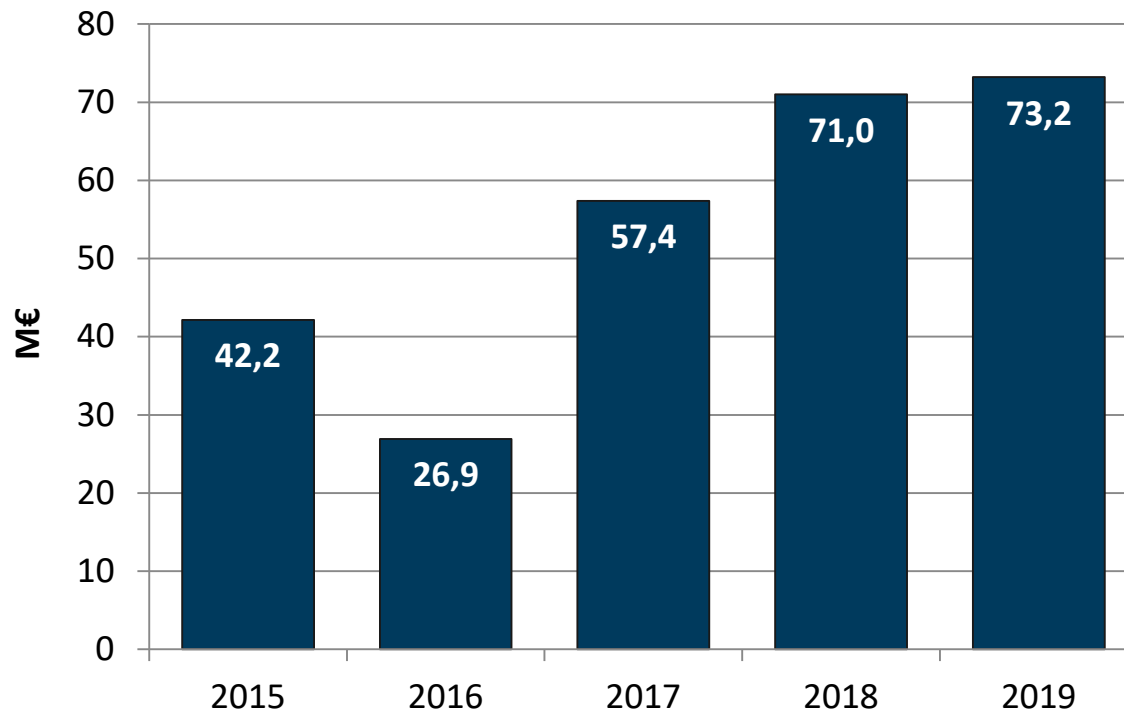
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Order Backlog (at the end of period)

Teleste Group

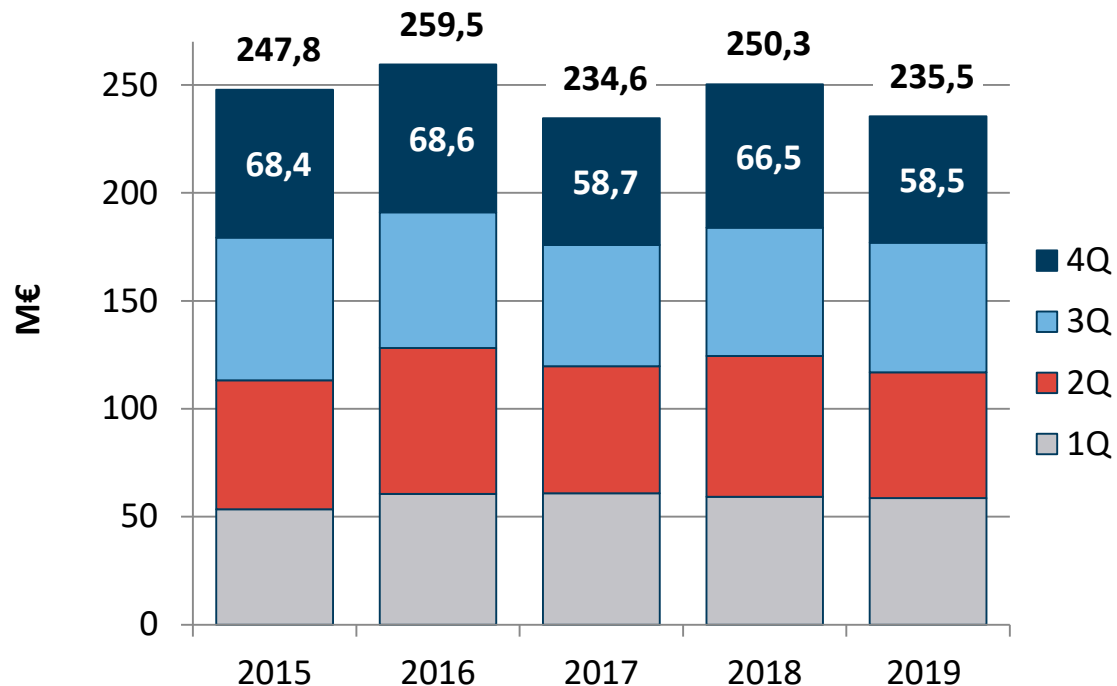
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Net Sales

Teleste Group, M€

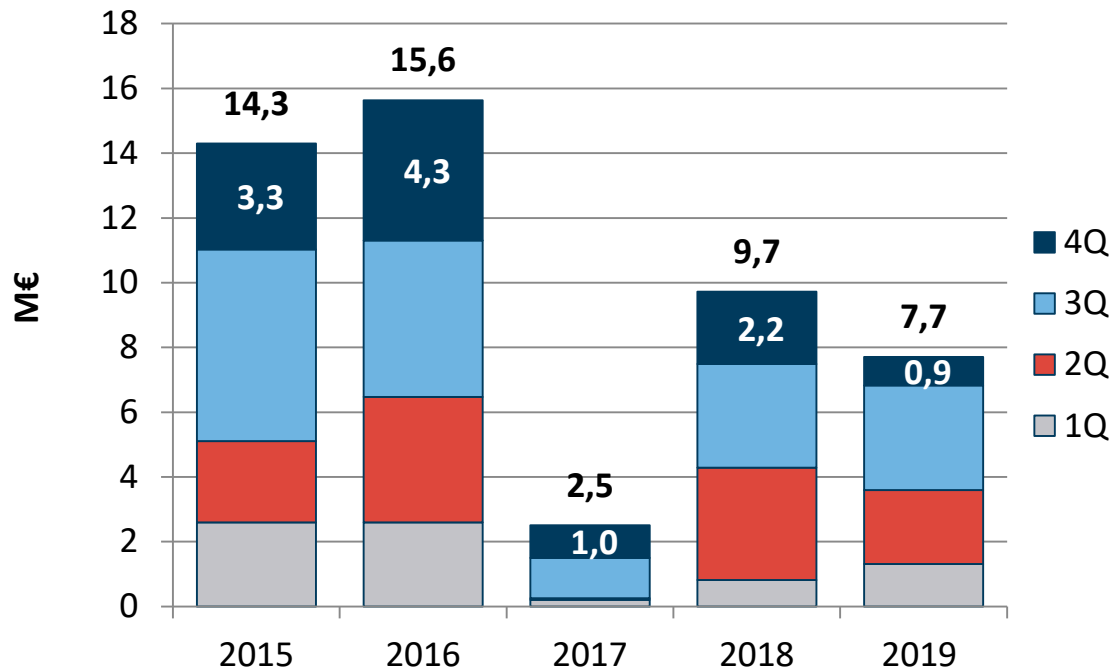
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Adjusted Operating Profit

Teleste Group, M€

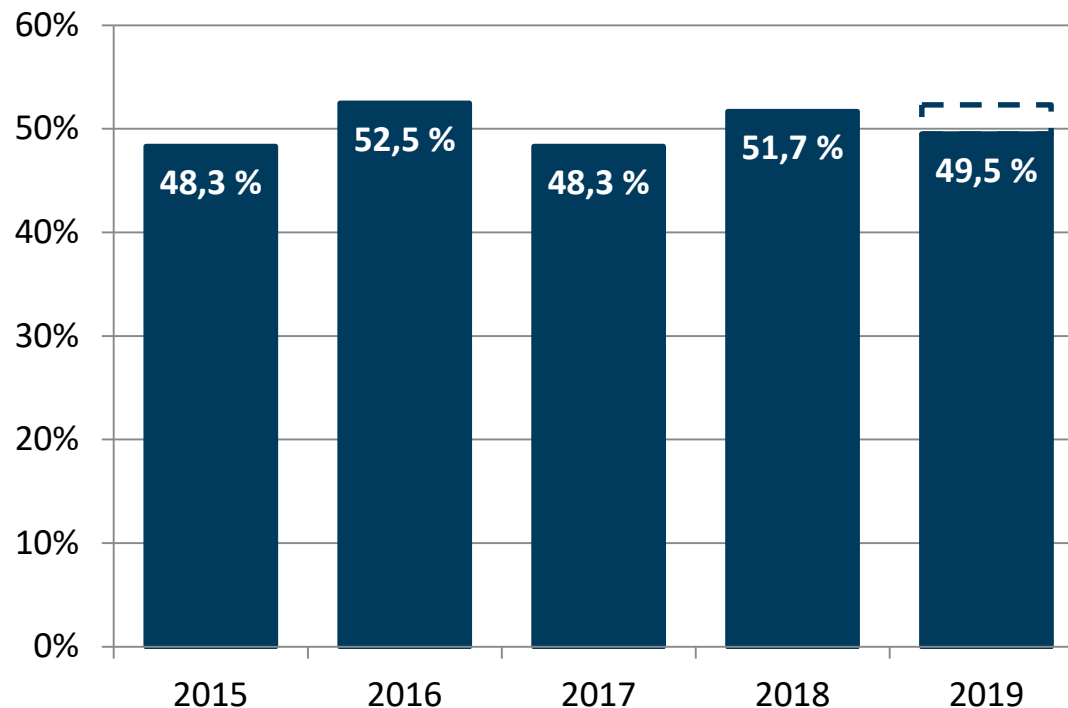
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Equity Ratio (at the end of period)

Teleste Group

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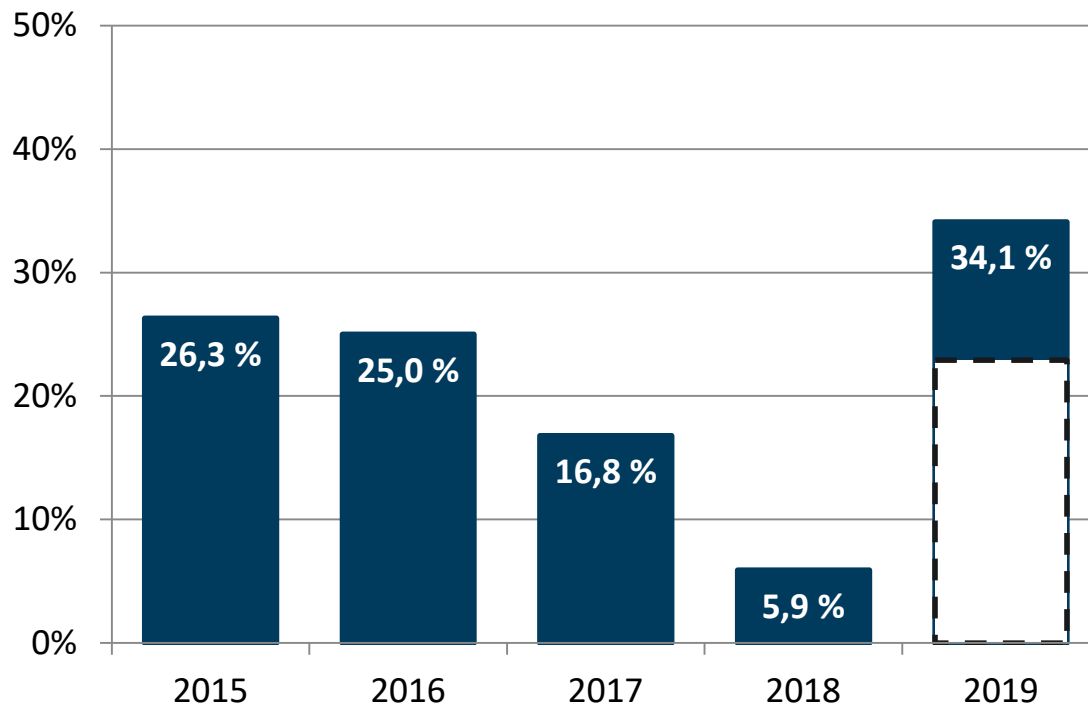


Adoption of IFRS 16
standard decreased equity
ratio by 2,9 ppt

Net gearing (at the end of period)

Teleste Group

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Adoption of IFRS 16 standard increased interest bearing debt by 8,1 M€ and increased net gearing by 11,2 ppt

Operating environment 2020

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Video and Broadband Solutions

- Demand for broadband services by cable operators continues to grow.
- Investments in expansion of the traditional HFC network infrastructure frequency range continue, but with a lower volume.
- According to our estimate, operators' distributed access architecture deployment projects will commence during the second half of 2020.
- **We estimate that net sales from access network products in 2020 will be on par with the previous year, including the launch of distributed architecture product sales.**
- Ensuring safety in city environments, increase of public transport services and the increasing popularity of smart digital systems for a smoother life provide a foundation for growing business.
- The public transport information systems market as well as video security and situational awareness systems market are expected to continue to grow in 2020.
- **We estimate that net sales for video security and information solutions will continue to increase in 2020 from the previous year.**

Network Services

- In the Network Services business area, operators' network investments are expected to also increase the demand for services in the long term.
- The timing of customers' projects in the biggest market, Germany, will have a particularly high impact on the net sales of the Network Services business area for 2020.

Outlook for 2020

Estimating the outlook for 2020 is made more difficult by uncertainty over the timing of new distributed access architecture investments by operators and the level of the key customer's service demand in the German services business.

Teleste does not expect the company's net sales to deviate materially from the level of net sales for 2019 (EUR 235.5 million).

Adjusted operating result is expected to amount to EUR 6-10 million.



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SAFE
AND
SMOOTH

**People are the driving force behind Teleste –
our success is made possible by enthusiastic professionals**