

#### **TELESTE CORPORATION INTERIM REPORT 1 JANUARY TO 30 SEPTEMBER 2022**

# STRONG CUSTOMER DEMAND CONTINUED, NET SALES INCREASED, ADJUSTED OPERATING RESULT DECLINED DUE TO HIGHER COSTS

## July-September 2022

- Net sales amounted to EUR 42.6 (32.3) million, an increase of 32.0%
- The adjusted operating result was EUR 1.1 (2.3) million, a decrease of 52.0%
- The operating result was EUR -4.8 (2.3) million, including impairment of EUR 5.4 million recognised on capitalised R&D expenses
- Adjusted earnings per share were EUR 0.04 (0.10), a decrease of 65.9%
- Earnings per share were EUR -0.22 (0.10)
- Cash flow from operations was EUR -9.7 (3.0) million
- Orders received totalled EUR 48.9 (44.1) million, an increase of 10.7%
- The order backlog at period-end totalled EUR 145.3 (96.0) million, an increase of 51.3%

## January-September 2022

- Net sales amounted to EUR 119.0 (105.1) million, an increase of 13.2%
- The adjusted operating result was EUR 1.5 (4.9) million, a decrease of 68.8%
- The operating result was EUR -4.5 (8.1) million, including impairment of EUR 5.4 million recognised on capitalised R&D expenses
- Adjusted earnings per share were EUR -0.03 (0.18).
- Earnings per share were EUR -0.30 (0.35)
- Cash flow from operations was EUR -10.3 (15.3) million
- Orders received totalled EUR 155.6 (124.0) million, an increase of 25.5%

#### Outlook for 2022 (updated)

Teleste estimates that net sales in 2022 will reach or exceed the level of net sales of 2021 and that the adjusted operating result in 2022 will remain significantly below the adjusted operating result of 2021. Net sales in 2021 were EUR 144.0 million, and the adjusted operating result was EUR 5.5 million.

Worsened component shortage, increasing costs and strengthened USD exchange rate have a significant adverse effect on company's operations and results.

## Comments by CEO Esa Harju:

"Customer demand remained strong in the third quarter. We have managed to improve our delivery performance, which drove net sales to a high level. The order backlog also reached another new record. Maintaining our delivery capability has required expensive broker purchases from the spot markets. This, combined with supply chain uncertainties and the continued rise of material costs, had a negative effect on our gross margin and profitability.

Ensuring our delivery capability has significantly increased the total value of our inventories. While some of our material purchases are based on received customer orders, a large proportion is based on the company's own estimates. Increased inventories have tied up an exceptional amount of working capital. Consequently, the company has increased its available liquidity by signing new financing agreements.

The demand for network products has remained very good in Europe, and we have reached significant milestones in the North American markets. As we announced in August, we have signed a master supply agreement with a major US cable broadband operator for DOCSIS 4.0-compliant 1.8 GHz amplifiers and distributed access architecture technology. Product deliveries are expected to commence in the second half of 2023. We have also received another order for distributed access architecture technology from a medium-sized operator in the US, and we are in active

discussions with several other operators. Passing rising costs through to the sales prices will require continued efforts in the coming months, in addition to the measures that have already been taken.

In the video security and public transport information systems business, we received several new orders and project deliveries progressed as planned, although the pressure on the gross margin remained, as expected, due to fixed-price projects. We have held several customer negotiations concerning price updates and the terms of payment for fixed-price projects, and these negotiations have been partially successful. Nevertheless, the pressure on the gross margin continues, and it will not be fully eliminated until new orders and updated price levels take effect.

Impairment testing was conducted in the third quarter on the carrying amounts of R&D expenses previously capitalised in the balance sheet. As a result, the company recognised an impairment of EUR 5.4 million on a non-recurring basis. The impairment has no cash flow effect, and the company's strategy remains unchanged.

We expect volatility to continue in the markets, and we do not expect supply chains to return to normal in the near future. In addition to maintaining delivery capability, we will continue to take measures particularly to improve profitability in a time of accelerating inflation, and we will also tighten our processes to optimise our working capital. The company will also continue to execute its programme aimed at sharpening the strategy. With these measures, we are laying the groundwork for the year 2023 and thereafter."

## **Group Operations, July-September 2022**

Key figures	7-9/2022	7-9/2021	Change
Net sales, EUR million	42.6	32.3	32.0%
Adjusted EBIT, EUR million 1)	1.1	2.3	-52.0%
Adjusted EBIT, % 1)	2.6%	7.1%	
EBIT, EUR million	-4.8	2.3	-312.2%
EBIT, %	-11.3%	7.1%	
Result for the period, EUR million	-4.2	1.9	-324.0%
Adjusted earnings per share, EUR 1)	0.04	0.10	-65.9%
Earnings per share, EUR	-0.22	0.10	-315.7%
Cash flow from operations, EUR million	-9.7	3.0	-420.4%
Orders received, EUR million	48.9	44.1	10.7%
Order backlog, EUR million	145.3	96.0	51.3%

<sup>1)</sup> An alternative performance measure defined in the tables section of the report.

Orders received by the Group in the third quarter totalled EUR 48.9 (44.1) million, an increase of 10.7% year-on-year. Orders increased in access network products, public transport information solutions and video security solutions. The order backlog totalled EUR 145.3 (96.0) million, an increase of 51.3% year-on-year. The order backlog grew in access network products and public transport information solutions. Net sales amounted to EUR 42.6 (32.3) million, an increase of 32.0% year-on-year. Net sales grew in access network products, public transport information solutions and video security solutions.

Material costs and expenses for manufacturing services came to EUR 23.9 (14.5) million, an increase of 65.1%. Material costs were increased by the growth of net sales as well as increased raw material costs and the appreciation of the US dollar. Personnel expenses increased by 11.6% to EUR 11.6 (10.4) million. Other operating expenses increased by 16.3% to EUR 4.8 (4.1) million. Depreciation amounted to EUR 2.0 (1.9) million, an increase of 3.0%. The adjusted operating result decreased by 52.0% to EUR 1.1 (2.3) million, representing 2.6% (7.1%) of net sales. Higher material costs and increased other operating expenses had a negative effect on the adjusted operating result. Increases to the selling prices of Teleste's products have a delayed compensating effect for the negative impact of material costs.

The company recognised impairment of EUR 5.4 million in R&D expenses capitalised on the balance sheet. The impairment concerned two areas of R&D as described in more detail below. The operating result including impairment was EUR -4.8 (2.3) million. Net financial income totalled EUR 0.1 (0.1) million. Adjusted earnings per share were EUR 0.04 (0.10), representing a decrease of 65.9%. Earnings per share were EUR -0.22 (0.10), including the impairment recognised on development expenses.

Cash flow from operations was EUR -9.7 (3.0) million. Cash flow from operations decreased due to the growth of net working capital. Net working capital was increased by higher net sales, significant increases in inventory levels to ensure delivery capability, and the appreciation of the US dollar.

R&D expenses amounted to EUR 3.5 (3.5) million, representing 8.3% (10.9%) of consolidated net sales. Product development projects focused on next-generation distributed access architecture solutions and DOCSIS 4.0-compliant amplifiers (including products designed for the US market), situational awareness and video security solutions, passenger information systems and customer-specific projects. Capitalised R&D expenses amounted to EUR 1.2 (1.4) million. Depreciation on capitalised R&D expenses amounted to EUR 1.2 (1.1) million.

Impairment of EUR 5.4 million was recognised on capitalised R&D expenses. This impairment related to first-generation distributed access architecture software and products, as well as software and customer-specific solutions in rolling stock on-board systems. The deployment of the first-generation distributed access architecture products in cable broadband operators' networks has been delayed compared to earlier assumptions, and the latest view is that the market for first-generation products is estimated to remain limited due to a significant proportion of demand shifting to second-generation products. At the same time, the size of the market for second-generation products and the DOCSIS 4.0 market is expected to grow. Teleste's strategy remains entirely unchanged with regard to distributed access architecture and DOCSIS 4.0. In addition, Teleste will redesign the software platform underpinning the information systems developed for rolling stock manufacturers, and the company will aim for a significantly higher level of productisation in software systems. Due to these changes, the previous R&D investments will not be utilised to the originally intended extent. The rolling stock information systems market is expected to continue to grow, and Teleste's strategy will remain entirely unchanged with regard to rolling stock manufacturers.

#### **Group Operations, January-September 2022**

Key figures	1-9/2022	1-9/2021	Change	1-12/2021
Net sales, EUR million	119.0	105.1	13.2%	144.0
Adjusted EBIT, EUR million 1)	1.5	4.9	-68.8%	5.5
Adjusted EBIT, 2011 million 7		4.7%	-00.078	3.8%
-	1.3%			
EBIT, EUR million	-4.5	8.1	-156.1%	8.7
EBIT, %	-3.8%	7.7%		6.1%
Result for the period, EUR million	-5.6	6.3	-188.1%	6.9
Adjusted earnings per share, EUR 1)	-0.03	0.18	-116.0%	0.21
Earnings per share, EUR	-0.30	0.35	-183.8%	0.39
Cash flow from operations, EUR	-10.3	15.3	-167.7%	13.5
million				
Net gearing, %	60.6%	12.6%		20.2%
Equity ratio, %	41.2%	54.5%		53.3%
Orders received, EUR million	155.6	124.0	25.5%	175.5
Order backlog, EUR million	145.3	96.0	51.3%	108.6
Personnel at period-end	855	862	-0.8%	847

<sup>1)</sup> An alternative performance measure defined in the tables section of the report.

The Group's orders received totalled EUR 155.6 (124.0) million, an increase of 25.5%. Orders increased in access network products and public transport information solutions. Net sales increased by 13.2% to EUR 119.0 (105.1) million. Net sales increased in public transport information solutions, video security solutions and access network products. Other operating income amounted to EUR 0.5 (4.8) million. The other income in the comparison period included non-recurring insurance compensation in the amount of EUR 3.2 million, which was reported as an adjustment item.

Material costs and expenses for manufacturing services came to EUR 62.5 (48.8) million, an increase of 28.1%. Personnel expenses amounted to EUR 35.2 (34.7) million, an increase of 1.4%. Other operating expenses totalled EUR 15.3 (12.9) million, an increase of 18.3%. Depreciation amounted to EUR 5.6 (5.4) million, an increase of 3.7%. The adjusted operating result decreased by 68.8% to EUR 1.5 (4.9) million, representing 1.3% (4.7%) of net sales. Higher material costs and other operating expenses had a negative effect on the adjusted operating result. The operating result was EUR -4.5 (8.1) million. The operating result includes impairment of EUR 5.4 million recognised on

capitalised R&D expenses. The operating result for the comparison period included non-recurring insurance compensation in the amount of EUR 3.2 million. Net financial income amounted to EUR 0.2 (0.2) million and direct taxes came to EUR 1.3 (1.9) million. The Group's effective tax rate was 29.1% (23.4%). The result for the reporting period was EUR -5.6 (6.3) million, including the impairment recognised on capitalised R&D expenses. Adjusted earnings per share were EUR -0.03 (0.18). Earnings per share were EUR -0.30 (0.35).

Cash flow from operations was EUR -10.3 (15.3) million. Cash flow from operations decreased due to the development of operating profit and higher net working capital. Net working capital was increased by higher net sales, significant increases in inventory levels to ensure delivery capability, and the appreciation of the US dollar. Cash flow in the comparison period was improved by non-recurring insurance compensation in the amount of EUR 3.2 million.

R&D expenses amounted to EUR 11.7 (10.6) million, representing 9.8% (10.1%) of consolidated net sales. The company has specified the definition of R&D expenses used in reporting. The new definition does not have an impact on profit or loss, but it provides a better illustration of the total amount of R&D expenses. The figures for the comparison period have been adjusted to reflect the new definition. Capitalised R&D expenses amounted to EUR 4.8 (3.8) million. Depreciation on capitalised R&D expenses was EUR 3.3 (3.0) million.

## Personnel and organisation January-September 2022

The Group employed 869 (868) people on average during the period under review. At the end of the review period, the Group employed 855 (862) people, of whom 44.2% (45.6%) worked abroad. Some 2.6% (3.1%) of the Group's employees were working outside Europe.

Personnel expenses amounted to EUR 35.2 (34.7) million. Personnel expenses were increased by pay increases and reduced by performance-based bonuses, which were not paid for January-June 2022.

### Investments and product development January-September 2022

Investments by the Group totalled EUR 10.3 (7.5) million, representing 8.7% (7.1%) of net sales. Capitalised product development investments totalled EUR 4.8 (3.8) million, leases capitalised in accordance with IFRS 16 amounted to EUR 1.8 (2.7) million and other investments in tangible and intangible assets came to EUR 3.7 (1.0) million. The investments in tangible and intangible assets include the expansion of the production facility in Littoinen, Finland. Product development projects focused on next-generation distributed access architecture solutions and DOCSIS 4.0-compliant amplifiers (including products designed for the US market), situational awareness and video security solutions, passenger information systems and customer-specific projects.

## Financing and capital structure January-September 2022

The company refinanced its maturing financing facilities in March. The new financing agreements include a bank loan of EUR 20.0 million and a committed credit facility of EUR 15.0 million. The bank loan of EUR 20.0 million will fall due in March 2026 and includes a one-year extension option. The loan will be amortised twice a year in instalments of EUR 1.25 million. The credit facility of EUR 15.0 million will run until the end of March 2025.

As a consequence of the global component shortage, inventory levels have increased significantly and tie up an exceptionally large amount of working capital. The company increased its liquidity reserve by signing financing agreements totalling EUR 15.0 million in September. The agreements are in effect until March 2024.

The old financing agreements include a loan that is amortised twice a year in instalments of EUR 0.75 million until August 2024. At the end of the review period, the remaining loan principal was EUR 3.0 million.

The amount of unused committed credit facilities at the end of the review period was EUR 8.3 (10.0) million.

At the end of the period, the Group's interest-bearing debt stood at EUR 49.4 (27.9) million. The Group's equity ratio was 41.2% (54.5%) and net gearing ratio 60.6% (12.6%).

#### Key risks related to business operations

The most significant changes to the risks presented in the Report of the Board of Directors and the financial statements for 2021 are related to the worsened shortage of components and materials, the war started by Russia in Ukraine, the pandemic situation and shutdowns in China, general geopolitical instability and accelerated inflation.

At the end of February, the company decided to suspend deliveries to Russia and Belarus. While the direct impacts of the war in Ukraine on Teleste's business have been limited, the war does have a significant impact on the availability of certain materials, logistics costs and the delivery times of materials. The pandemic situation in China has stabilised, but it may lead to further closures of component manufacturers' factories and cargo ports. In addition, the elevated geopolitical tensions between China and Taiwan may lead to new supply chain disruptions. Accelerated inflation increases operating costs across the board.

Shortages of materials and components have caused delivery delays and additional costs over the past three quarters. The problems associated with the availability of materials are expected to remain significant, leading to delivery risks in spite of the forward-looking purchasing of materials for the company's inventory. Disruptions in the availability of materials and higher purchasing prices have significantly increased inventories and the risk of write-downs of inventories. The increase in working capital has reduced the financial reserves available to the company. The duration of the problems associated with the availability of materials is difficult to estimate, but it is expected that the impacts will be felt well into 2023.

Some of the company's projects in the public transport segment are fixed-price projects due to the nature of the industry, which means they involve a margin risk when costs increase. Some project deliveries also involve delays in deliveries, which may lead to contractual penalties or credit losses. The company negotiates the effects of contractual terms concerning delays in project deliveries separately for each project.

Teleste's Belgian subsidiary has received a tax reassessment decision for the tax year 2019, and the company has appealed the decision. The company has recognised the tax effect of the tax reassessment decision, totalling EUR 1.7 million, in its result for the second quarter. If the appeal is not approved, the tax reassessment decision would lead to a tax payment of EUR 2.1 million, which would affect the company's cash flow at the time of payment.

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.

Aside from the tax reassessment decision issued in Belgium, there were no other legal proceedings or judicial procedures pending during the period under review 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. Teleste Information Solutions Oy acquired the Italian technology company Ermetris S.r.l. in January. Ermetris strengthens Teleste's position as a supplier in the Italian market.

Shares and changes in share capital

Pursuant to the authorisation issued by the Annual General Meeting, Teleste Corporation's Board of Directors decided, on 9 March 2022, on a directed share issue without consideration, relating to the reward payment for the performance period 2019-2021 of Teleste Group's share-based incentive plan 2018. In the share issue, 10,512 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 18 March 2022.

On 30 September 2022, Tianta Oy was the largest single shareholder, with a holding of 25.1% (25.0%).

In the period under review, the lowest price of the company's share was EUR 3.13 (4.47) and the highest price was EUR 5.76 (6.66). The closing price on 30 September 2022 was EUR 3.30 (5.14). According to Euroclear Finland Ltd, the number of shareholders at the end of the period under review was 5,395 (5,613). Foreign and nominee-registered holdings accounted for 4.2% (4.2%) of the share capital. The value of Teleste's shares traded on Nasdaq Helsinki from 1 January to 30 September 2022 was EUR 4.9 (12.0) million. In the period under review, 1.1 (2.2) million Teleste shares were traded on the stock exchange.

On 30 September 2022, the Group held 757,682 (768,194) 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% (4.0%).

On 30 September 2022, 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 of the company's own shares 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 the company's 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 5 October 2023.

## **Decisions by the Annual General Meeting**

The Annual General Meeting (AGM) of Teleste Corporation held on 6 April 2022 adopted the financial statements and consolidated financial statements for 2021 and discharged the members of the Board of Directors and the CEO from liability for the financial period 2021. In accordance with the proposal of the Board of Directors, the AGM resolved that, based on the adopted balance sheet, a dividend of EUR 0.14 per share be paid for the financial period that ended on 31 December 2021 for shares other than those held by the Company. The dividend record date was 8 April 2022, and the dividend was paid out on 19 April 2022.

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 6 April 2022, 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 Chair of the Audit Committee is to 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 to the Chair 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 2021.

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 of the company's own shares otherwise than in proportion to the holdings of the shareholders with unrestricted equity through trading on 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 the company's 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.

## Operating environment in 2022

The demand for broadband network capacity continues to grow, driven by increased remote working, digital services and the growing consumption of streaming services. Network operators that provide broadband services have been able to respond competitively to the increasing demand in their cable-based network infrastructure by investing in DOCSIS 3.1-compliant 1.2 GHz network upgrades during the past few years. Investments in HFC network infrastructure are continuing, and updates to distributed access architecture have also increased during 2022.

Next-generation DOCSIS 4.0-compliant technologies will enable subscribers to access broadband connections with speeds up to 10 gigabytes using existing coaxial cabling. DOCSIS 4.0 technology enables the competitiveness of the cable network infrastructure compared to optical fibre for many years to come. North American network operators, in particular, will invest heavily when DOCSIS 4.0 products enter the market starting from 2023, while European operators will partially switch to fibre investments to maintain their lead over other fixed network competitors.

Product development projects for Teleste's 1.8 GHz DOCSIS 4.0-compliant network products are ongoing. The deliveries of passive products will begin in 2022, with the readiness for amplifier upgrades to follow thereafter in 2023. We are ahead of our competitors in product development.

Component availability problems have hindered the development of the broadband networks market, but we expect the growth of the market to continue, particularly in North America. Cost inflation will require Teleste to continue to regularly increase sales prices to protect profitability.

Growing urban environments and their safety, the increase of environmentally sustainable public transport services, and the increasing popularity of smart digital systems for a smoother life provide a foundation for growing business in video security and public transport information systems 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 is increasing, and market demand has also emerged for comprehensive situational awareness systems, which include management of additional sensor-level data flows alongside video, and can trigger automated operating processes in exceptional situations.

The market for public transport information systems is estimated to have turned to growth again during 2022 after the pandemic, although the availability of components and materials has continued to limit growth. Ensuring competitiveness requires Teleste to continuously make R&D investments in new intelligent solutions, and the share of software systems in these solutions will continue to grow. Increasing sales prices to the extent allowed by agreements, professional project management and improving operational efficiency will continue to be high priorities.

## Outlook for 2022 (updated)

Teleste estimates that net sales in 2022 will reach or exceed the level of net sales of 2021 and that the adjusted operating result in 2022 will remain significantly below the adjusted operating result of 2021. Net sales in 2021 were EUR 144.0 million, and the adjusted operating result was EUR 5.5 million.

Worsened component shortage, increasing costs and strengthened USD exchange rate have a significant adverse effect on company's operations and results.

2 November 2022

Teleste Corporation Esa Harju

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, 2022. The data stated in this report is unaudited.

STATEMENT OF COMPREHENSIVE INCOME (tEUR)	7-9/2022	7-9/2021	Change %	1-12/2021
Net Sales Other operating income Materials and services Personnel expenses Depreciation Other operating expenses Operating profit	42,646 184 -23,941 -11,573 -1,992 -4,762 -4,839	32,316 864 -14,498 -10,374 -1,933 -4,095 2,280	32.0 % -78.7 % 65.1 % 11.6 % 3.0 % 16.3 % -312.2 %	143,966 5,209 -67,672 -46,825 -7,566 -18,399 8,714
Financial income Financial expenses Profit after financial items	372 -245 -4,712	265 -156 2,389	40.2 % 56.8 % -297.2 %	1,091 -767 9,037
Profit before taxes	-4,712	2,389	-297.2 %	9,037
Taxes	521	-518	-200.5 %	-2,107
Net profit	-4,191	1,871	-324.0 %	6,930
Attributable to: Equity holders of the parent Non-controlling interests	-4,098 -93 -4,191	1,899 -28 1,871	-315.8 % n/a -324.0 %	7,089 -159 6,930
Earnings per share for result of the year attributable to the (expressed in euro per share)	e equity holders	of the parent		
Basic Diluted	-0.22 -0.22	0.10 0.10	-315.7 % -315.7 %	0.39 0.39
Total comprehensive income for the period (tEUR) Net profit Possible items with future net profit effect	-4,191	1,871	-324.0 %	6,930
Translation differences Cash flow hedges	-547 748	-310 0	76.5 % n/a	620 1
Total comprehensive income for the period	-3,991	1,561	-355.7 %	7,552
Attributable to: Equity holders of the parent Non-controlling interests	-3,899 -92 -3,991	1,583 -22 1,561	-346.4 % n/a -355.7 %	7,691 -140 7,552
Statement of comprehensive income	1-9/2022	1-9/2021	Change %	1-12/2021
Net Sales Other operating income Materials and services Personnel expenses Depreciation Other operating expenses Operating profit	118,967 463 -62,504 -35,177 -5,636 -15,260 -4,546	105,108 4,819 -48,787 -34,695 -5,436 -12,899 8,110	13.2 % -90.4 % 28.1 % 1.4 % 3.7 % 18.3 % -156.1 %	143,966 5,209 -67,672 -46,825 -7,566 -18,399 8,714

Financial income Financial expenses Profit after financial items	996 -781 -4,331	825 -649 8,286	20.8 % 20.4 % -152.3 %	1,091 -767 9,037
Profit before taxes	-4,331	8,286	-152.3 %	9,037
Taxes	-1,259	-1,941	-35.2 %	-2,107
Net profit	-5,589	6,346	-188.1 %	6,930
Attributable to:     Equity holders of the parent     Non-controlling interests  Earnings per share for result of the year attributable to the	-5,414 -176 -5,589 ne equity holders (	6,459 -113 6,346	-183.8 % n/a -188.1 %	7,089 -159 6,930
(expressed in euro per share)		-		
Basic Diluted	-0.30 -0.30	0.35 0.35	-183.8 % -183.8 %	0.39 0.39
Total comprehensive income for the period (tEUR)				
Net profit Possible items with future net profit effect	-5,589	6,346	-188.1 %	6,930
Translation differences	-1,039	105	-1091.3 %	620
Cash flow hedges Total comprehensive income for the period	1,677 -4,952	0 6,450	n/a -176.8 %	1 7,552
Total comprehensive income for the period	-4,332	0,430	-170.0 /8	7,552
Attributable to:				
Equity holders of the parent Non-controlling interests	-4,790 -162	6,549 -98	-173.1 % n/a	7,691 -140
Non-controlling interests	-4,952	6,450	-176.8 %	7,552
STATEMENT OF FINANCIAL POSITION (tEUR)	30.9.2022	30.9.2021	Change %	31.12.2021
Non-current assets				
Intangible assets	10,188	13,389	-23.9 %	14,047
Goodwill  Proporty, plant, aguinment	30,644	30,610	0.1 % 28.0 %	30,707
Property, plant, equipment Other non-current financial assets	13,802 631	10,780 316	26.0 % 99.8 %	11,284 458
Deferred tax asset	2,911	1,386	110.0 %	1,700
	58,176	56,480	3.0 %	58,195
Current assets	07.010	00.101	22.0.0/	00 177
Inventories Trade and other receivables	37,610 44,881	28,101 27,661	33.8 % 62.3 %	29,177 33,493
Tax Receivable, income tax	300	396	-24.4 %	259
Cash and cash equivalents	11,795	19,281	-38.8 %	14,100
	94,586	75,439	25.4 %	77,029
Total assets	152,763	131,920	15.8 %	135,224
Shareholder's equity and liabilities				
Share capital	6,967	6,967	0.0 %	6,967
Other equity	54,971	60,692	-9.4 %	61,843
Owners of the parent company Non-controlling interests	61,938 18	67,659 222	-8.5 % -91.9 %	68,809 180
EQUITY	61,956	67,881	-8.7 %	68,990
Non-current liabilities				
Deferred tax liability				
	1,603	1,842	-13.0 %	1,988
Non-current liabilities, interest-bearing Non-current interest-free liabilities	1,603 43,365 126	1,842 6,628 753	-13.0 % 554.3 % -83.2 %	1,988 6,856 737

Non-current provisions	402 45,497	366 9,589	10.0 % 374.5 %	370 9,951
Current liabilities	0.040	04 000	74 7 0/	04.400
Current interest-bearing liabilities	6,016	21,238	-71.7 %	21,193
Trade Payables and Other Liabilities	32,451	24,106	34.6 %	27,415
Advances received	2,544	7,351	-65.4 %	5,844
Tax liability, income tax	1,181	753	56.8 %	868
Current provisions	3,117	1,000	211.6 %	962
	45,310	54,449	-16.8 %	56,283
Total shareholder's equity and liabilities	152,763	131,920	15.8 %	135,224
CONSOLIDATED CASH FLOW STATEMENT (tEUR)	1-9/2022	1-9/2021	Change %	1-12/2021
Cash flows from operating activities				
Profit for the period	-5,589	6,346	-188.1 %	6,930
Adjustments to cash flow from operating activities	-3,675	9,965	-136.9 %	7,567
Other finance items	212	66	219.9 %	164
Paid interest and other finance expenses	-370	-233	59.1 %	-300
Received interests and dividend payments	101	18	447.5 %	76
Paid Taxes	-1,015	-900	12.9 %	-935
Cash flow from operating activities	-10,337	15,263	-167.7 %	13,502
Cash flow from investing activities	,	,		,
Purchase of tangible and intangible assets	-7,837	-4,169	88.0 %	-6,988
Proceeds from sales of PPE	49	53	-9.2 %	85
Divestment of subsidiaries, net of cash acquired	0	-3,749	-100.0 %	-3,749
Acquisition of subsidiaries, net of cash acquired	-889	0	n/a	0
Purchase of investments	0	0	n/a	-142
Net cash used in investing activities	-8,678	-7,865	n/a	-10,795
Cash flow from financing activities	3,3.3	.,000	.,, &	
Proceeds from borrowings	41,925	0	n/a	0
Payments of borrowings	-21,345	-4,500	374.3 %	-4,500
Payment of leasing liabilities	-1,509	-1,572	-4.0 %	-2,120
Dividends paid	-2,552	-2,321	9.9 %	-2,321
Net cash used in financing activities	16,519	-8,394	n/a	-8,942
The sacrage was a sacrage as a	. 0,0 . 0	3,33	, 🔾	3,5 .=
Change in cash				
Cash in the beginning	14,100	20,225	-30.3 %	20,224
Effect of currency changes	192	52	271.2 %	109
Change	-2,496	-995	n/a	-6,234
Cash at the end	11,795	19,281	-38.8 %	14,100
VEV FIGURES	4.0/0000	1.0/0001	Ob	4 40/000
KEY FIGURES	1-9/2022	1-9/2021	Change %	1-12/2021
Operating profit	-4,546	8,110	-156.1 %	8,714
Earnings per share, EUR	-0.30	0.35	-183.8 %	0.39
Earnings per share fully diluted, EUR	-0.30	0.35	-183.8 %	0.39
Shareholders' equity per share, EUR	3.26	3.58	-8.7 %	3.79
Return on equity	-11.4 %	12.9 %	-188.1 %	10.5 %
Return on investment	-4.7 %	12.4 %	-138.1 %	10.2 %
Equity ratio	41.2 %	54.5 %	-24.3 %	53.3 %
Net gearing	60.6 %	12.6 %	379.7 %	20.2 %
	00.0 70	. = . 0 / 0	0.0,0	_0 /0
Investments, tEUR	10,334	7,478	38.2 %	11,063
Investments % of net sales	8.7 %	7.1 %	22.1 %	7.7 %
Order backlog, tEUR	145,287	96,017	51.3 %	108,635
Personnel, average	869	868	0.1 %	863
•				
Number of shares (thousands)	18,986	18,986	0.0 %	18,986
including own shares				
Highest share price, EUR	5.76	6.66	-13.5 %	6.66

Lowest share price, EUR Average share price, EUR				.13 .64		30.0 % 15.8 %	4.47 5.46
Turnover, in million sh Turnover, in MEUR	nares			1.1 2.2 - 4.9 12.0 -			2.5 13.8
ALTERNATIVE PERFORMANCE MEASURES Adjusted operating	7-9/2022	7-9/2021	Change %	1-9/2022	1-9/2021	Change %	1-12/2021
profit	1 094	2 280	-52,0 %	1 533	4 910	-68,8 %	5 514
Adjusted earning per share, EUR	0,04	0,10	-65,9 %	-0,03	0,18	-116,0 %	0,21
BRIDGE OF CALCULATION Operating profit	-4 839	2 280	-312,2 %	-4 546	8 110	-156,1 %	8 714
Impairment of development costs Strategic	5 400	0	n/a	5 400	0	n/a	0
development projects	533	0	n/a	679	0	n/a	0
Other non- recurring items	0	0	n/a	0	-3 200	-100,0 %	-3 200
Adjusted operating profit	1 094	2 280	-52,0 %	1 533	4 910	-68,8 %	5 514
Net profit/loss to equity holder Outstanding shares during the	-4 098	1 899	-315,8 %	-5 414	6 459	-183,8 %	7 089
quarter	18 228	18 217	0,1 %	18 226	18 216	0,1 %	18 216
Earnings per share, basic	-0,22	0,10	-315,7 %	-0,30	0,35	-183,8 %	0,39
Net profit/loss to equity holder Impairment of	-4 098	1 899	-315,8 %	-5 414	6 459	-183,8 %	7 089
development costs Strategic	5 400	0	n/a	5 400	0	n/a	0
development projects Other non-	533	0	n/a	679	0	n/a	0
recurring items Change in	0	0	n/a	0	-3 200	-100,0 %	-3 200
deferred taxes Outstanding	-1 187	0	n/a	-1 187	0	n/a	0
shares during the quarter Adjusted earnings	18 228	18 217	0,1 %	18 226	18 216	0,1 %	18 216
per share, EUR	0,04	0,10	-65,9 %	-0,03	0,18	-116,0 %	0,21
Treasury shares			Numl of sha			% of shares	% of votes
Possession of compa	757,6	82		3.99 %	3.99 %		
Contingent liabilities and	30.9.20	22 30.	9.2021 Ch	ange % 31	.12.2021		
Leasing and rent liabilitie	g	)41	883	6.6 %	951		

Derivative instruments (tEUR)

Value of underlying forward Market value of forward con Interest rate swap Market value of interest swa	tracts	1, 13,	428 401 750 797	19,937 434 0 0	52.6 % 223.0 % n/a n/a	18,128 360 0 0
Net sales by category Goods Service Total		1-9/2 101, 16, 118,	993 974	1-9/2021 87,569 17,539 105,108	Change % 16.5 % -3.2 % 13.2 %	1-12/2021 120,220 23,746 143,966
Order backlog, tEUR		30.9.2 145,		30.9.2021 96,017	Change % 51.3 %	31.12.2021 108,639
Information per quarter (tEUR)	7-9/22	4-6/22	1-3/22	10-12/	21 7-9/21	10/2021- 9/2022
Orders received Net sales EBIT EBIT%	48,880 42,646 -4,839 -11.3 %	46,804 38,358 193 0.5 %	59,936 37,964 100 0.3 %	38,8 6	58 32,316 03 2,280	207,100 157,825 -3,943 -2.5 %

Consolidated statemen	t of changes in equity,1000 euros
Attributable to equity ho	olders of the parent (tEUR)
Α	Share capital
В	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

П	MOH-COH	rolling inte	resis						
1	Total equ	ity							
	Α	В	С	D	E	F	G	Н	1
Shareholder's equity 1.1.2022	6,967	1,504	-1,392	58,588	3,140	2	68,809	180	68,990
Net result	0,307	1,304	-1,032	-5,414	3,140	۷	-5,414	-176	-5,589
Other									
compherensive items for the period			-317	-736		1,677	624	13	637
Dividend				-2,552			-2,552		-2,552
Equity-settled share- based payments				470			470		470
Shareholder's equity 30.9.2022	6,967	1,504	-1,709	50,357	3,140	1,678	61,938	18	61,956
30.3.2022	0,307	1,504	-1,703	30,337	3,140	1,070	01,930	10	01,930
Shareholder's equity									
1.1.2021	6,967	1,504	-1,557	52,716	3,140	0	62,770	319	63,090
Net result Other				6,459			6,459	-113	6,346
compherensive items									
for the period			78	12			90	15	105
Dividend Equity-settled share-				-2,186			-2,186		-2,186
based payments				527			527		527
Shareholder's equity 30.9.2021	6,967	1,504	-1,479	57,528	3,140	0	67,660	221	67,881
	-,	, , , ,	,	- ,	-,	•	- ,		- ,

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

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Weighted average number of ordinary shares outstanding during the

period

Major shareholders, as sorted by number of shares - September 30, 2022

	Number of shares	% of shares
Tianta Oy	4,768,298	25.1
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	757,682	4.0
Mariatorp Oy	750,000	4.0

Wipunen Varainhallinta Oy Varma Mutual Pension Insurance Company The State Pension Fund OP-Finland Small Firms Fund			70 52 20	3.7 2.7 2.6 1.3	
Shareholders by sector September 30, 2022 Households Public sector institutions Financial and insurance institutions Corporations Non-profit institutions Foreign	share	Nbr. of eholders 5,094 3 17 229 22 30	% of Owners 94.4 0.1 0.3 4.2 0.4 0.6	Shares 4,867,212 1,920,625 3,443,067 8,472,215 44,723 237,746	% of shares 25.6 10.1 18.1 44.6 0.2 1.3
Total Of which nominee registered		5,395 9	100.00 0.2	18,985,588 567,924	100.0 3.0
Major shareholders by distribution of shares	September 30, 20	22			
Number of shares  1-100 101-500 501-1,000 1,001-5,000 5,001-10,000 10,001-50,000 50,001-100,000 500,001-& above	Nbr. of shareholders 1,637 2,145 702 708 95 81 7	% of shar	reholders 30.3 39.8 13.0 13.1 1.8 1.5 0.1 0.2 0.2	Nbr. of shares 85,292 563,908 567,306 1,556,789 666,073 1,686,301 435,247 2,519,526 10,905,146	% of shares 0.5 3.0 3.0 8.2 3.5 8.9 2.3 13.3 57.4
Total of which nominee registered	5,395 9		100.0 0.2	18,985,588 567,924	100.0 3.0

ADDITIONAL INFORMATION:

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