

A photograph of two young women with long hair, smiling and looking at a map together. They are standing in front of a modern train. The woman on the left is wearing a maroon jacket and a white turtleneck, with a brown backpack. The woman on the right is wearing a brown coat, a yellow scarf, and a brown hat, and is holding a camera. The background shows the side of a train with large windows.

HALF YEAR
FINANCIAL
REPORT

H1 2023

JANUARY 1 – JUNE 30, 2023

TELESTE

TELESTE CORPORATION HALF YEAR FINANCIAL REPORT 1 JANUARY TO 30 JUNE 2023

TELESTE CORPORATION: NET SALES AND ADJUSTED OPERATING RESULT INCREASED, STRONG CASH FLOW FROM OPERATIONS, ORDERS RECEIVED DECREASED. THE SERVICES BUSINESS IN SWITZERLAND DIVESTED.

Unless otherwise specified, the figures in brackets refer to the year-on-year comparison period.

April-June 2023 in brief

- Net sales grew by 4.5%, amounting to EUR 40.1 (38.4) million.
- Adjusted operating result grew by 75.9%, amounting to EUR 0.6 (0.3) million.
- Operating result decreased by 42.1% and amounted to EUR 0.1 (0.2) million.
- Adjusted earnings per share were EUR 0.02 (-0.07).
- Earnings per share were EUR -0.01 (-0.08).
- Cash flow from operations was EUR 9.8 (4.1) million.
- Orders received decreased by 35.3% to EUR 30.3 (46.8) million.
- The engineering and services businesses of the Broadband Networks business in Switzerland were divested

January-June 2023 in brief

- Net sales grew by 12.0%, amounting to EUR 85.4 (76.3) million.
- Adjusted operating result grew to EUR 2.1 (0.4) million.
- Operating result grew to EUR 1.4 (0.3) million.
- Adjusted earnings per share were EUR 0.16 (-0.06).
- Earnings per share were EUR 0.12 (-0.07).
- Cash flow from operations was EUR 11.7 (-0.7) million.
- Orders received decreased by 33.4% to EUR 71.1 (106.7) million.
- The order book decreased by 15.3% and amounted to EUR 117.8 (139.1) million.
- The Belgian tax reassessment decision issued in 2022 was overturned in accordance with Teleste's request, which resulted in a positive impact of EUR 1.7 million on income taxes in the income statement during the first quarter. Positive impact also on the result for the reporting period and earnings per share (+0.09€).

Outlook for 2023 (unchanged)

Teleste estimates that net sales in 2023 will amount to EUR 150-175 million and that the adjusted operating result in 2023 will be EUR 2-5 million.

This guidance is subject to supply chain problems not becoming worse in 2023 than they are at present.

Key figures

EUR million	4-6/23	4-6/22	Change	1-6/23	1-6/22	Change	2022
Orders received	30.3	46.8	-35.3%	71.1	106.7	-33.4%	188.5
Order book				117.8	139.1	-15.3%	132.2
Net sales	40.1	38.4	+4.5%	85.4	76.3	12.0%	165.0
Adjusted EBIT ¹⁾	0.6	0.3	+75.9%	2.1	0.4	>100%	2.0
Adjusted EBIT, % ¹⁾	1.5%	0.9%	-	2.4%	0.6%	-	1.2%
EBIT	0.1	0.2	-42.1%	1.4	0.3	>100%	-4.8
EBIT, %	0.3%	0.5%	-	1.6%	0.4%	-	-2.9%
Result for the period	-0.3	-1.5	n/a	2.0	-1.4	n/a	-5.9
Adjusted earnings per share, EUR ¹⁾	0.02	-0.07	n/a	0.16	-0.06	n/a	-0.01
Earnings per share, EUR	-0.01	-0.08	n/a	0.12	-0.07	n/a	-0.31
Cash flow from operations	9.8	4.1	>100%	11.7	-0.7	n/a	-7.8
Net gearing, %				41.3%	38.8%	-	61.2%
Equity ratio, %				45.3%	46.2%	-	39.7%
Personnel at period-end				811	897	-9.6%	844

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

Comments by CEO Esa Harju:



"The second quarter of the year was largely in line with our expectations. Net sales grew and adjusted operating result increased significantly from the comparison period, although profitability was at a lower level compared to the good first quarter. Orders received decreased clearly from the comparison period. Cash flow from operations was strong, and we have managed to gradually release working capital in line with our plans.

In the Broadband Networks business, delivery volumes remained at a reasonably good level in Europe, but the number of orders received fell short of expectations and decreased significantly from the comparison period. The next generation DOCSIS 4.0 products developed for the North American market have entered the final acceptance testing phase with our main customer. Alongside this, we have begun preparations for the production volume ramp-up. Our goal is to make the first product deliveries in North America in the fourth quarter of 2023, but the impact on the net sales for the financial period will still be limited. The production

volumes will increase progressively during 2024, as we increase the automation of the production of the new products.

In the Public Safety and Mobility business, several important project deliveries in Europe and the Middle East progressed. Both orders received and net sales increased from the comparison period. The component crisis has begun to gradually ease, and the trend in the overall profitability of projects is positive. We also continued to revise our organisation and processes.

On 28 June 2023, we announced that we had divested the Broadband Networks planning and services unit in Switzerland to the local management and a private investor. With this, we tighten the focus on the broadband networks technology business. The divestment has no impact on Teleste's service businesses in other countries.

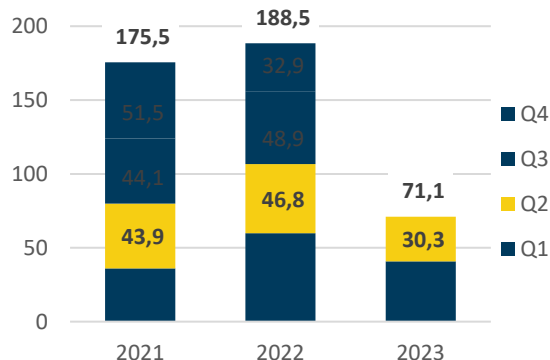
We maintain our full-year 2023 financial guidance. However, we expect the second half of the year to be more difficult than the first half. This is due, in particular, to the temporarily lower demand forecasted by the Broadband Networks business unit for the remainder of the year. During the rest of the year, demand will be affected by the optimisation of European operator customers' own buffer stocks, as well as the shift of network investments to the next generation technologies from 2024 onwards. Deliveries in North America will start to be reflected in net sales gradually during 2024. Therefore, as well as due to the divestment of the Swiss services business, we expect the net sales of the Broadband Networks business to decrease from the comparison period during the second half of the year. We expect the net sales of the Public Safety and Mobility business to remain at the level of the first half part of the year, although projects in the delivery phase still involve schedule and margin risks. We will continue to adjust all of the company's expenses, especially considering the more challenging outlook for the second half of the year.

Teleste plans to clarify its legal group structure and arrange the ownership of its two business units, Broadband Networks and Public Safety and Mobility, under separate legal entities. The planned corporate structure clarifies the operational control of the businesses and increases the flexibility of the operations of the business units. This way, the special characteristics of both businesses can be better taken into account in the future.

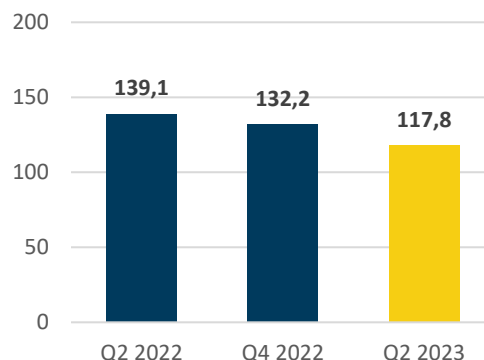
Linda Kallas joined the company as the new Strategy Director and member of the Management Group on 1 June 2023. Under her leadership, we will continue to advance our program to sharpen our strategy."

Key figures

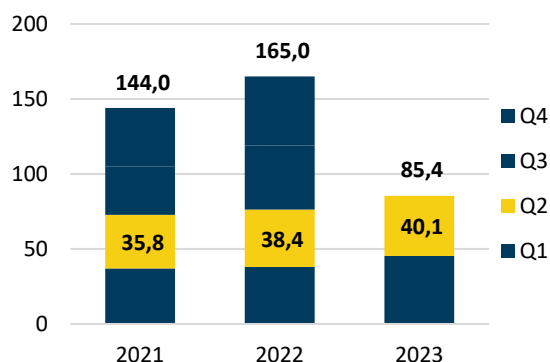
Orders received, EUR million



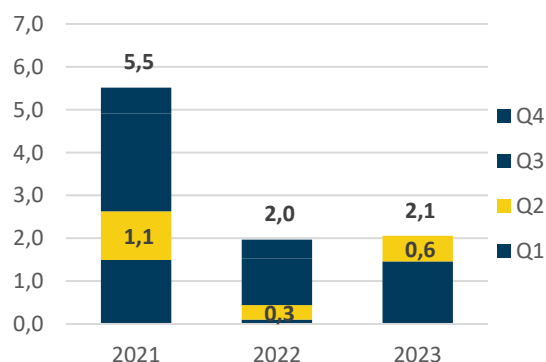
Order book (period-end), EUR million



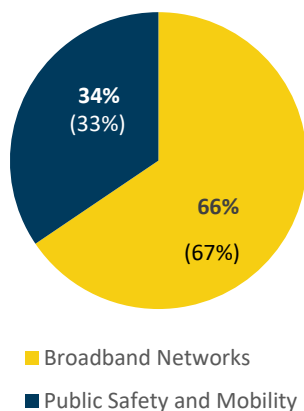
Net sales, EUR million



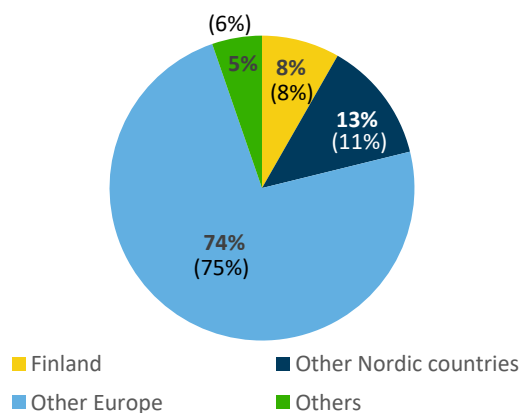
Adjusted operating result, EUR million



Net sales by business
1-6 2023 (1-6 2022)



Net sales by market area
1-6 2023 (1-6 2022)



Group Operations

Orders received and order book

Orders received

Orders received by the **Group** amounted to EUR 30.3 (46.8) million in the second quarter, representing a year-on-year decrease of 35.3%. The orders received in the comparison period were at a record-high level. Orders received by the **Broadband Networks** business unit totalled EUR 16.6 (36.2) million, a decrease of 54.1% on the comparison period. The decrease was due to the optimisation of operators' own inventories and the very large order received in the comparison period in the Benelux countries. Orders received by the **Public Safety and Mobility** business unit totalled EUR 13.7 (10.7) million, an increase of 28.5% on the comparison period. The growth was due to normal fluctuation in the project business.

Orders received by the **Group** amounted to EUR 71.1 (106.7) million in January-June, representing a year-on-year decrease of 33.4%. Order intake in the comparison period was at a clearly higher level than normal. Orders received by the **Broadband Networks** business unit totalled EUR 47.7 (65.7) million, a decrease of 27.4% on the comparison period. Orders included DOCSIS 4.0 smart amplifiers for the North American market as well as DOCSIS 3.1 technology for the European market. Orders received by the **Public Safety and Mobility** business unit totalled EUR 23.3 (41.0) million, a decrease of 43.1% on the comparison period. A system order for a major European train project took place during the comparison period.

Order book

The order book of the **Group** amounted to EUR 117.8 (139.1) million at the end of the period, representing a year-on-year decrease of 15.3%. The decrease in the order book was partly due to deliveries of projects won by the Public Safety and Mobility business unit before 2023. Approximately 33% of the deliveries in the order book are scheduled to take place during the 2023 financial period.

The order book of the **Broadband Networks** business unit amounted to EUR 24.2 (39.8) million, representing a year-on-year decrease of 39.2%. The order book decreased as operator customers reduced their own inventories. The order book includes American customers' DOCSIS 4.0 capable amplifiers.

The order book of the **Public Safety and Mobility** business unit amounted to EUR 93.6 (99.2) million, representing a year-on-year decrease of 5.7%. Deliveries of large orders received last year have commenced gradually, reducing the open order book.

Net sales

EUR million	4-6/23	4-6/22	Change	1-6/23	1-6/22	Change	2022
Broadband Networks	25.6	25.2	+1.3%	56.0	51.5	+8.7%	109.4
Public Safety and Mobility	14.5	13.1	+10.7%	29.4	24.8	+18.6%	55.6
Total	40.1	38.4	+4.5%	85.4	76.3	+12.0%	165.0

Net sales of the **Group** grew by 4.5% in the second quarter, amounting to EUR 40.1 (38.4) million. Net sales increased in the Public Safety and Mobility business unit and were at the level of the comparison period in the Broadband Networks business unit. Net sales of the **Broadband Networks** business unit was on a par with the comparison period, amounting to EUR 25.6 (25.2) million. Net sales included an increasing share of next generation technologies. Net sales of the **Public Safety and Mobility** business unit grew by 10.7% in April-June, amounting to EUR 14.5 (13.1) million. Net sales grew due to an increase in delivery volume as material availability gradually normalised.

Net sales of the **Group** grew by 12.0% in January-June, amounting to EUR 85.4 (76.3) million. Net sales increased in both business units. Of the net sales, Finland accounted for 8.3% (7.6%), other Nordic countries for 12.9% (11.4%), the rest of Europe for 73.5% (74.7%) and other countries for 5.3% (6.4%). Net sales of the **Broadband Networks** business unit grew by 8.7% in January-June, amounting to EUR 56.0 (51.5) million. Net sales increased especially due to HFC deliveries in the Benelux countries. In particular, amplifiers and passive products were delivered to Benelux countries. Net sales included an increasing share of next generation technologies. Net sales of the **Public Safety and Mobility** business unit grew by 18.6% in January-June, amounting to EUR 29.4 (24.8) million. Net sales grew due to an increase in delivery volume as material availability gradually normalised.

Profitability

April-June

The Group's adjusted operating result increased in the second quarter to EUR 0.6 (0.3) million, representing 1.5% (0.9%) of net sales. Operating result decreased to EUR 0.1 (0.2) million, representing 0.3% (0.5%) of net sales. Adjusted operating result increased due to the increase in net sales and the gross margin being higher than in the comparison period. Operating result decreased due to the increase in personnel costs and the costs of strategic development projects treated as adjustment items.

Expenses for material and manufacturing services were on a par with the comparison period, EUR 20.2 (20.0) million. The cost development of raw materials and electronic components has started to normalise, and it has not been necessary to make exceptionally expensive component purchases from the broker market to the earlier extent. Increases to the selling prices of Teleste's products have begun to compensate for the negative impact of increased costs. Personnel expenses increased by 11.6% to EUR 12.7 (11.4) million. The increase was due to salary increases and performance-based bonuses, which were not paid in the first half of 2022, and the capitalisation of development expenses, which were lower than in the comparison period. Depreciation and amortisation decreased by 22.7% to EUR 1.4 (1.9) million. Other operating expenses increased by 22.7% to EUR 6.3 (5.1) million, including expenses relating to the divestment in Switzerland.

At the end of June, the company sold the Swiss subsidiary Teleste Network Services SA. This subsidiary has been responsible for Broadband Networks' engineering and services business in the Swiss market. The purchase price will be paid in cash. The majority of the purchase price was paid at the time of the transfer and the remainder will be paid in several instalments by the end of 2026. The purchase price receivable is measured at probable value. The divestment has not had a material impact on the operating result of the second quarter. In connection with the divestment, the company recognised other operating income of EUR 0.4 million. The net proceeds from the sale, totalling EUR 0.0 million, were classified as an adjustment item

affecting comparability and eliminated from the adjusted operating result and adjusted earnings per share. In the financial period 2022, Teleste Network Services SA's net sales were EUR 5.4 million and operating result EUR -0.1 million.

Financial items were EUR -0.6 (+0.1) million. Direct taxes for the reporting period amounted to EUR +0.2 (-1.8) million. The comparison period included income tax of EUR 1.7 million related to a tax reassessment decision received in Belgium. The result for the review period amounted to EUR -0.3 (-1.5) million. Adjusted earnings per share were EUR 0.02 (-0.07) and earnings per share were EUR -0.01 (-0.08).

January-June

In January-June, the Group's adjusted operating result increased significantly to EUR 2.1 (0.4) million, representing 2.4% (0.6%) of net sales. Operating result increased significantly to EUR 1.4 (0.3) million, representing 1.6% (0.4%) of net sales. Adjusted operating result and operating result increased due to growth in net sales.

Expenses for material and manufacturing services increased by 15.9% to EUR 44.7 (38.6) million. Besides sales volumes, the factors contributing to the increase in material expenses included higher purchasing prices and subcontracting. Increases to the selling prices of Teleste's products have begun to compensate for the negative impact of increased costs. Personnel expenses increased by 8.5% to EUR 25.6 (23.6) million. The increase was due to salary increases and performance-based bonuses, which were not paid in the first half of 2022, and lower capitalisation of development expenditure than in the comparison period. Depreciation and amortisation decreased by 20.3% to EUR 2.9 (3.6) million. Other operating expenses increased by 9.8% to EUR 11.5 (10.5) million, including expenses relating to the divestment in Switzerland.

Financial items were EUR -0.9 (+0.1) million. Direct taxes for the reporting period amounted to EUR +1.5 (-1.8) million. The direct taxes of the reporting period include the reversal of tax provisions of EUR 2.1 million recognised in the second quarter of 2022 and associated deferred tax assets of EUR -0.4 million, i.e. a total of EUR 1.7 million. The entries relate to the tax reassessment decision received in Belgium in 2022, which was cancelled by the Belgian tax authorities in March 2023 in accordance with Teleste's request. The result for the review period amounted to EUR 2.0 (-1.4) million. Adjusted earnings per share were EUR 0.16 (-0.06) and earnings per share were EUR 0.12 (-0.07).

At the end of June, the company sold the Swiss subsidiary Teleste Network Services SA. The impacts on the January-June result are described above in the April-June review.

Cash flow and financial position

Cash flow

Cash flow from operations was EUR 11.7 (-0.7) million in January-June 2023. Cash flow from operating activities was improved by a decrease in working capital. In particular, working capital was released due to a decrease in sales receivables and inventories.

Net cash used in investing activities amounted to EUR -0.4 (-6.6) million. Cash flow from investing activities included a positive cash flow effect of EUR 2.4 million related to the sale of the Swiss services business.

Financial position

At the end of the period under review, the Group's interest-bearing debt stood at EUR 39.4 (34.6) million, with short-term loans from banks representing EUR 7.5 (4.0) million of that amount. Interest-bearing liabilities associated with leases capitalised in accordance with IFRS 16 amounted to EUR 5.1 (5.9) million. The Group's cash and cash equivalents were EUR 13.3 (9.1) million. At the end of June 2023, the amount of unused binding credit facilities was EUR 15.5 (10.2) million.

The Group's total assets at the end of the period under review stood at EUR 141.8 (146.6) million and equity at EUR 63.1 (65.7) million. The Group's equity ratio was 45.3% (46.2%) and net gearing ratio 41.3% (38.8%).

The company's financing agreements include:

- A EUR 6.0 million repayable loan maturing in August 2024, the principal of which was EUR 2.25 million on 30 June 2023. The loan is amortised twice a year in instalments of EUR 0.75 million.
- A EUR 20.0 million repayable loan maturing in March 2026, the principal of which was EUR 17.5 million on 30 June 2023. The loan includes a one-year extension option. The loan is amortised twice a year in instalments of EUR 1.25 million.
- A EUR 3.5 million bullet loan maturing in March 2024, the principal of which was EUR 3.5 million on 30 June 2023.
- A EUR 7.5 million bullet loan maturing in March 2025, the principal of which was EUR 7.5 million on 30 June 2023.
- A committed credit facility of EUR 4.0 million valid until March 2024, of which EUR 4.0 million was unused on 30 June 2023.
- A committed credit facility of EUR 15.0 million valid until March 2025, of which EUR 11.5 million was unused on 30 June 2023.

Investments, research and product development

Investments by the Group in January-June 2023 totalled EUR 3.4 (7.8) million, representing 4.0% (10.3%) of net sales. Leases capitalised in accordance with IFRS 16 amounted to EUR 0.6 (1.4) million, while other investments in tangible and intangible assets came to EUR 0.1 (2.9) million. During the comparison period, other capital expenditures included the expansion of the Littoinen plant. A total of EUR 2.6 (3.6) million of R&D expenses were capitalised during the period under review. Depreciation on capitalised R&D expenses was EUR 1.3 (2.1) million.

R&D expenses amounted to EUR 8.7 (8.2) million, representing 10.2% (10.7%) of consolidated net sales in January-June 2023. 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. The product development function also evaluated alternative components to address shortages in materials.

Personnel

The Group employed 834 (867) people on average in January-June 2023. At the end of June, the Group employed 811 (897) people, of whom 36% (43%) worked abroad. Approximately 3% (3%) of the Group's employees were working outside Europe.

Personnel expenses increased by 8.5% on the comparison period to EUR 25.6 (23.6) million. Personnel expenses were increased by higher wages and performance-based bonuses, which were not paid in the first half of 2022, as well as capitalisations of development expenditure, which were lower than in the comparison period.

Group structure

The parent company has a branch office in the Netherlands and subsidiaries in 13 countries outside Finland.

Shares and share capital

On 30 June 2023, Tianta Oy was the largest single shareholder of Teleste with a holding of 25.1% (25.1%). According to Euroclear Finland Ltd, the number of Teleste shareholders at the end of the period under review was 5,565 (5,387). Foreign shareholders accounted for 1.1% (1.3%) of the shares, while nominee-registered holdings accounted for 2.8% (3.1%).

Pursuant to the authorisation issued by the Annual General Meeting, Teleste Corporation's Board of Directors decided, on 8 March 2023, on a directed share issue without consideration. In the share issue, 10,656 Teleste Corporation shares held by the company were conveyed without consideration on 31 March 2023 to the key employees based on the performance periods 2020-2022 and 2021-2023 of the company's share-based incentive plan in accordance with the terms and conditions of the plan.

On 30 June 2023, the company's registered share capital stood at EUR 6,966,932.80, divided into 18,985,588 shares. The Group's parent company Teleste Corporation held 747,026 (757,682) treasury shares, representing 3.9% (4.0%) of all Teleste shares, on 30 June 2023.

In January-June 2023, the share turnover of Teleste on Nasdaq Helsinki was 0.7 (0.9) million shares and EUR 2.8 (4.2) million. The volume-weighted average price of the share was EUR 3.87 (4.85), the lowest share price of the review period was EUR 3.33 (3.75) and the highest EUR 4.75 (5.76). The closing price of the Teleste share on 30 June 2023 was EUR 3.67 (3.80) and market capitalisation was EUR 69.7 (72.1) million.

Governance

Company management

At the end of June 2023, Teleste's management team included Esa Harju, President and CEO; Juha Hyytiäinen, CFO; Pasi Järvenpää, Senior Vice President, Research and Development; Linda Kallas, Senior Vice President, Group Strategy; Markus Mattila, Senior Vice President, Operations, Logistics & Sourcing; Hanno Narjus, Senior Vice President, Broadband Networks; Valerian Sand, Senior Vice President, Public Safety and Mobility; and Tuomas Vanne, Senior Vice President, People and Competence.

Annual General Meeting (AGM)

The Annual General Meeting (AGM) of Teleste Corporation held on 5 April 2023 ratified the financial statements and consolidated financial statements for 2022 and the company's remuneration report for 2022, and discharged the members of the Board of Directors and the CEO from liability for the financial period 2022. In accordance with the proposal of the Board of Directors, the AGM resolved that, based on the adopted balance sheet, no dividend be paid for the financial period that ended on 31 December 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 5 April 2023, 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.

The annual remuneration to be paid to the members of the Board of Directors were resolved on as follows: EUR 66,000 per year for the chairman and EUR 33,000 per year for each member. The annual remuneration of the Board member who acts as the chairman of the Audit Committee shall be EUR 49,000 per year. Of the annual remuneration to be paid to the Board members, 40 per cent of the total gross remuneration amount will be used to purchase Teleste Corporation's shares for the Board members through trading on the 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 General Meeting resolved, in accordance with the proposal of the Board of Directors, to amend Article 8 and items 7 and 9 of Article 10 of the Company's Articles of Association in such a way that, from now on, the Company shall have one auditor, which must be an Authorised Public Accountant firm as referred to in the Finnish Auditing Act and which shall designate an Authorised Public Account as the auditor with principal responsibility. According to the current Articles of Association, the Company has 1-2 auditors.

The General Meeting further resolved, in accordance with the proposal of the Board of Directors, to amend Article 9 of the Company's Articles of Association by adding a new last paragraph to it, which enables the

organisation of future General Meetings also entirely without a meeting venue as a remote meeting, and by making it voluntary for the Company to announce the time and place of a General Meeting as well as the address of the Company's website in at least one newspaper.

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 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 are valid for eighteen (18) months from the resolution of the Annual General Meeting. 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.

Authorisations

Valid authorisations at the end of the review period on 30 June 2023, valid until 4 October 2024:

- 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 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.

Near-term risks and uncertainties

Teleste is exposed to risks that may be due to the company's operational activities or changes in the business environment. The most significant risks are described in the Report of the Board of Directors and the financial statements for 2022. This interim report mainly describes the most significant changes to the risks presented in the Report of the Board of Directors and financial statements for 2022.

Risk management constitutes an integral part of the strategic and operational activities of the business areas. The Board of Directors reviews essential business risks and their management quarterly and whenever necessary.

In 2022, Teleste's Belgian subsidiary received a tax reassessment decision for the tax year 2019, and the company appealed the decision in May 2022. The company recognised the income tax of EUR 2.1 million imposed by the tax reassessment decision and the deferred tax asset of EUR 0.4 million resulting from the decision, with a total profit impact of EUR 1.7 million in the first quarter of 2022. The Belgian tax authorities accepted Teleste's appeal in March 2023. As a result of the tax authorities' final decision, the risk of litigation and the negative cash flow impact of EUR 2.1 million was eliminated.

In some project deliveries of the Public Safety and Mobility business, the risk level of customers' compensation claims has increased due to dependencies between different parties in the projects and their schedules.

Customers' investments and orders may vary between different periods, due to, for example, optimisation of the customers' own inventories and switches of technology generations. These are often difficult to predict and prepare for.

At the end of the period under review, no legal proceedings or judicial procedures were pending that would have had any significant financial impact to the Group's operations.

Events after the end of the review period

Teleste's subsidiary in Germany has filed a claim for damages related to a project which the customer has terminated without a valid cause in Teleste's opinion. The deliveries of the terminated project included passenger information systems to a group of local public transport operators. Teleste estimates that the legal proceeding will not have any significant financial impact to the Group's operations.

Operating environment

Broadband Networks

The demand for broadband services and the global market for network equipment are expected to continue to grow due to increased remote work, digital services and the growing consumption of streaming services that require increasing network capacity and faster connections. Data communications 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.

Next generation DOCSIS 4.0-compliant technologies provide subscribers with access to broadband connections with speeds of up to 10 gigabits using existing coaxial cabling. This enables the competitiveness of the cable network infrastructure alongside optical fibre for years to come. Data communications operators in North America, in particular, are expected to invest strongly in new DOCSIS 4.0 technology starting from late 2023. In Europe, investments are expected to begin somewhat later, and the market is expected to be smaller than in North America.

Product development projects for Teleste's 1.8 GHz DOCSIS 4.0-compliant network products are ongoing. The deliveries of passive products have begun, and amplifiers will be launched in the market during the last quarter of 2023.

Although component availability problems, especially semiconductors, may continue to hinder the broadband networks market development, Teleste forecasts market growth especially in North America. In Europe, the development of the market depends on the timing of the adoption of the next generation access technologies. Cost inflation will require Teleste to continue to regularly increase sales prices to protect profitability.

Public Safety and Mobility

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 a steadily growing market in video security and public transport information systems in the coming years.

Public transport operators and the public authorities make investments in their information and security systems to ensure the 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. Smart technology in video security solutions is also increasing, including real-time mobile video security systems and comprehensive situational awareness systems that include not only video but also the management and analysis of other data flows. The investments will be largely based on public funding.

The market for public transport information systems turned to growth again during 2022 after the pandemic, although the availability of components and materials has continued to limit growth. We expect steady market growth in both information systems and security systems in the coming years. 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, improving overall profitability and ensuring operational efficiency will continue to be high priorities.

Financial information in 2023

Teleste Corporation will publish financial information in 2023 as follows:

2 November 2023 Interim report January-September 2023

Results event

Teleste will organise a results event for analysts, investors and the media in Finnish on 10 August 2023 at 9:30 a.m. Finnish time. The event will feature presentations by the CEO Esa Harju and CFO Juha Hyytiäinen. Registration for the results event according to separately provided instructions.

Turku, 9 August 2023

Teleste Corporation
Board of Directors

For further information, please contact:

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Teleste in Brief

Teleste's technologies are used to build a networked society. Our solutions bring high-speed broadband and television services to homes, secure safety in public places and guide the use of public transport. With solid industry experience and a drive to innovate, we are a leading international company in broadband, security and information technologies and related services. We work in close cooperation with our customers worldwide. In 2022, Teleste's net sales reached EUR 165.0 million and on average it had approximately 860 employees. Teleste is listed on Nasdaq Helsinki. For more information, please visit our website www.teleste.com and follow our account @telestecorp on Twitter.

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 consolidated financial statements except for the adoption of new standards and amendments effective as of January 1, 2023. The data stated in this report is unaudited.

STATEMENT OF COMPREHENSIVE INCOME (tEUR)	4-6/2023	4-6/2022	Change %	1-12/2022
Net Sales	40,103	38,358	4.5 %	165,009
Other operating income	591	186	218.5 %	538
Materials and services	-20,188	-20,013	0.9 %	-88,070
Personnel expenses	-12,687	-11,371	11.6 %	-48,522
Depreciation	-1,432	-1,852	-22.7 %	-7,228
Amortization	0	0	n/a	-5,400
Other operating expenses	-6,275	-5,115	22.7 %	-21,166
Operating profit	112	193	-42.1 %	-4,838
Financial income	220	428	-48.5 %	1,360
Financial expenses	-817	-368	121.9 %	-1,507
Profit after financial items	-485	252	-292.2 %	-4,985
Profit before taxes	-485	252	-292.2 %	-4,985
Taxes	215	-1,755	-112.3 %	-898
Net profit	-270	-1,503	n/a	-5,883
Attributable to:				
Equity holders of the parent	-114	-1,444	n/a	-5,669
Non-controlling interests	-156	-58	n/a	-213
	-270	-1,503	n/a	-5,883
Earnings per share for result of the year attributable to the equity holders of the parent (expressed in euro per share)				
Basic	-0.01	-0.08	n/a	-0.31
Diluted	-0.01	-0.08	n/a	-0.31
Total comprehensive income for the period (tEUR)				
Net profit	-270	-1,503	n/a	-5,883
Possible items with future net profit effect				
Translation differences	216	-425	-150.8 %	-953
Cash flow hedges	438	672	-34.8 %	150
Total comprehensive income for the period	384	-1,255	n/a	-6,686
Attributable to:				
Equity holders of the parent	540	-1,206	n/a	-6,486
Non-controlling interests	-156	-50	n/a	-200
	384	-1,255	n/a	-6,686

STATEMENT OF COMPREHENSIVE INCOME (tEUR)

	1-6/2023	1-6/2022	Change %	1-12/2022
Net Sales	85,444	76,321	12.0 %	165,009
Other operating income	673	279	141.2 %	538
Materials and services	-44,711	-38,563	15.9 %	-88,070
Personnel expenses	-25,622	-23,604	8.5 %	-48,522
Depreciation	-2,904	-3,644	-20.3 %	-7,228
Amortization	0	0	n/a	-5,400
Other operating expenses	-11,523	-10,497	9.8 %	-21,166
Operating profit	1,357	293	363.3 %	-4,838
Financial income	436	624	-30.1 %	1,360
Financial expenses	-1,365	-536	154.5 %	-1,507
Profit after financial items	429	381	12.5 %	-4,985
Profit before taxes	429	381	12.5 %	-4,985
Taxes	1,544	-1,779	-186.8 %	-898
Net profit	1,972	-1,398	n/a	-5,883
Attributable to:				
Equity holders of the parent	2,208	-1,316	n/a	-5,669
Non-controlling interests	-236	-82	n/a	-213
	1,972	-1,398	n/a	-5,883
Earnings per share for result of the year attributable to the equity holders of the parent (expressed in euro per share)				
Basic	0.12	-0.07	n/a	-0.31
Diluted	0.12	-0.07	n/a	-0.31
Total comprehensive income for the period (tEUR)				
Net profit	1,972	-1,398	n/a	-5,883
Possible items with future net profit effect				
Translation differences	-3	-492	-99.4 %	-953
Cash flow hedges	640	929	-31.2 %	150
Total comprehensive income for the period	2,609	-961	n/a	-6,686
Attributable to:				
Equity holders of the parent	2,842	-891	n/a	-6,486
Non-controlling interests	-233	-70	n/a	-200
	2,609	-961	n/a	-6,686

STATEMENT OF FINANCIAL POSITION (tEUR)

	30.6.2023	30.6.2022	Change %	31.12.2022
Non-current assets				
Intangible assets	11,805	15,705	-24.8 %	10,548
Goodwill	29,870	30,802	-3.0 %	30,581
Property, plant, equipment	12,757	13,722	-7.0 %	13,733
Other non-current financial assets	348	458	-24.1 %	348
Other non-current receivables	115	0	n/a	0
Deferred tax asset	3,643	2,716	34.2 %	3,437
	58,539	63,403	-7.7 %	58,646
Current assets				
Inventories	34,373	35,983	-4.5 %	38,706
Trade and other receivables	35,235	37,703	-6.5 %	41,194
Tax Receivable, income tax	324	350	-7.6 %	393
Cash and cash equivalents	13,319	9,137	45.8 %	13,405
	83,251	83,174	0.1 %	93,699
 Total assets	 141,790	 146,577	 -3.3 %	 152,345
Shareholder's equity and liabilities				
Share capital	6,967	6,967	0.0 %	6,967
Other equity	56,406	58,648	-3.8 %	53,405
Owners of the parent company	63,373	65,615	-3.4 %	60,372
Non-controlling interests	-253	110	-329.8 %	-20
EQUITY	63,120	65,725	-4.0 %	60,352
Non-current liabilities				
Deferred tax liability	2,274	2,480	-8.3 %	1,968
Non-current liabilities, interest-bearing	30,268	28,647	5.7 %	44,317
Non-current interest-free liabilities	40	190	-79.1 %	92
Non-current provisions	264	400	-33.9 %	424
	32,846	31,716	3.6 %	46,801
Current liabilities				
Current interest-bearing liabilities	9,094	5,989	51.8 %	6,038
Trade Payables and Other Liabilities	33,297	35,149	-5.3 %	34,915
Advances received	2,339	4,191	-44.2 %	473
Tax liability, income tax	339	728	-53.5 %	578
Current provisions	755	3,078	-75.5 %	3,189
	45,824	49,136	-6.7 %	45,192
 Total shareholder's equity and liabilities	 141,790	 146,577	 -3.3 %	 152,345

CONSOLIDATED CASH FLOW STATEMENT (tEUR)

	1-6/2023	1-6/2022	Change %	1-12/2022
Cash flows from operating activities				
Profit for the period	1,972	-1,398	n/a	-5,883
Adjustments to cash flow from operating activities	11,123	658	1591.4 %	-679
Other finance items	-135	854	-115.8 %	303
Paid interest and other finance expenses	-791	-209	278.5 %	-682
Received interests and dividend payments	167	61	172.4 %	157
Paid Taxes	-620	-621	-0.2 %	-1,054
Cash flow from operating activities	11,718	-654	n/a	-7,839
Cash flow from investing activities				
Purchase of tangible and intangible assets	-2,777	-5,714	-51.4 %	-8,956
Proceeds from sales of PPE	18	31	-42.5 %	75
Acquisition of subsidiaries, net of cash acquired	0	-889	-100.0 %	-889
Divestment of subsidiaries, net of cash acquired	2,407	0	n/a	0
Purchase of investments	0	0	n/a	-145
Net cash used in investing activities	-353	-6,573	n/a	-9,916
Cash flow from financing activities				
Proceeds from borrowings	0	25,042	-100.0 %	42,908
Payments of borrowings	-10,423	-19,337	-46.1 %	-21,348
Payment of leasing liabilities	-1,026	-1,015	1.1 %	-2,031
Dividends paid	0	-2,552	-100.0 %	-2,552
Net cash used in financing activities	-11,449	2,139	-635.3 %	16,977
Change in cash				
Cash in the beginning	13,405	14,100	-4.9 %	14,100
Effect of currency changes	-2	127	-101.8 %	84
Change	-84	-5,089	n/a	-778
Cash at the end	13,319	9,137	45.8 %	13,405

KEY FIGURES

	1-6/2023	1-6/2022	Change %	1-12/2022
Operating profit	1,357	293	363.3 %	-4,838
Earnings per share, EUR	0.12	-0.07	n/a	-0.31
Earnings per share fully diluted, EUR	0.12	-0.07	n/a	-0.31
Shareholders' equity per share, EUR	3.46	3.61	-4.0 %	3.31
Return on equity	6.4 %	-4.2 %	n/a	-9.1 %
Return on investment	3.2 %	1.7 %	91.6 %	-3.5 %
Equity ratio	45.3 %	46.2 %	-1.9 %	39.7 %
Net gearing	41.3 %	38.8 %	6.4 %	61.2 %
Investments, tEUR	3,402	7,840	-56.6 %	12,091
Investments % of net sales	4.0 %	10.3 %	-61.2 %	7.3 %
Order backlog, tEUR	117,793	139,054	-15.3 %	132,157
Personnel, average	834	867	-3.8 %	861
Number of shares (thousands)	18,986	18,986	0.0 %	18,986
including own shares				
Highest share price, EUR	4.75	5.76	-17.5 %	5.76
Lowest share price, EUR	3.33	3.75	-11.2 %	3.13

Average share price, EUR	3.87	4.85	-22.4 %	4.34
Turnover, in million shares	0.7	0.9	-16.6 %	1.5
Turnover, in MEUR	2.8	4.2	-33.5 %	6.3

ALTERNATIVE PERFORMANCE MEASURES

	4-6/2023	4-6/2022	Change %	1-6/2023	1-6/2022	Change %	1-12/2022
Adjusted operating profit	596	339	75.9 %	2,056	439	368.4 %	1,969
Adjusted earning per share, EUR	0.02	-0.07	n/a	0.16	-0.06	n/a	-0.01

BRIDGE OF CALCULATION

Operating profit	112	193	-42.1 %	1,357	293	363.3 %	-4,838
Business reorganization	160	0	n/a	187	0	n/a	879
Strategic development projects	324	146	122.2 %	512	146	250.8 %	529
Impairment of development costs	0	0	n/a	0	0	n/a	5,400
Adjusted operating profit	596	339	75.9 %	2,056	439	368.4 %	1,969
Net profit/loss to equity holder	-114	-1,444	n/a	2,208	-1,316	n/a	-5,669
Outstanding shares during the quarter	18,239	18,228	0.1 %	18,235	18,224	0.1 %	18,226
Earnings per share, basic	-0.01	-0.08	n/a	0.12	-0.07	n/a	-0.31
Net profit/loss to equity holder	-114	-1,444	n/a	2,208	-1,316	n/a	-5,669
Business reorganization	160	0	n/a	187	0	n/a	879
Strategic development projects	324	146	122.2 %	512	146	250.8 %	529
Impairment of development costs	0	0	n/a	0	0	n/a	5,400
Change in deferred assets	0	0	n/a	0	0	n/a	-1,332
Outstanding shares during the quarter	18,239	18,228	0.1 %	18,235	18,224	0.1 %	18,226
Adjusted earnings per share, EUR	0.02	-0.07	n/a	0.16	-0.06	n/a	-0.01

Treasury shares

	Number of shares	% of shares	% of votes
Possession of company's own shares 30.6.2023	747,026	3.93 %	3.93 %

Contingent liabilities and pledged assets (tEUR)

Leasing and rent liabilities	30.6.2023	30.6.2022	Change %	31.12.2022
	1,046	922	13.4 %	981

Derivative instruments (tEUR)				
Value of underlying forward contracts	11,523	25,502	-54.8 %	27,011
Market value of forward contracts	-201	932	-121.6 %	-708
Interest rate swap	32,500	15,000	116.7 %	13,750
Market value of interest swap	1,065	309	244.3 %	869

Net sales by category	1-6/2023	1-6/2022	Change %	1-12/2022
Goods	73,538	64,773	13.5 %	141,650
Service	11,906	11,548	3.1 %	23,360
Total	85,444	76,321	12.0 %	165,009

	30.6.2023	30.6.2022	Change %	31.12.2022
Order backlog, tEUR	117,793	139,054	-15.3 %	132,157

Information per quarter (tEUR)	4-6/23	1-3/23	10-12/22	7-9/22	4-6/22	7/2022- 6/2023
Orders received	30,273	40,807	32,907	48,880	46,804	152,867
Net sales	40,103	45,341	46,042	42,646	38,358	174,132
EBIT	112	1,245	-292	-4,839	193	-3,774
EBIT%	0.3 %	2.7 %	-0.6 %	-11.3 %	0.5 %	-2.2 %

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									
1.1.2023	6,967	1,504	-1,850	50,460	3,140	151	60,372	-20	60,353
Net result				2,208			2,208	-236	1,972
Other comprehensive items for the period			-594	589		640	635	2	637
Dividend							0		0
Equity-settled share-based payments				159			159		159
Shareholder's equity 30.6.2023	6,967	1,504	-2,444	53,415	3,140	791	63,374	-253	63,120

	A	B	C	D	E	F	G	H	I
Shareholder's equity									
1.1.2022	6,967	1,504	-1,392	58,588	3,140	2	68,809	180	68,990
Net result				-1,316			-1,316	-82	-1,398
Other comprehensive items for the period			-236	-268		929	425	12	437
Dividend				-2,552			-2,552		-2,552
Equity-settled share-based payments				248			248		248
Shareholder's equity									
30.6.2022	6,967	1,504	-1,628	54,701	3,140	931	65,615	110	65,725

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
Earnings per share:	Shareholders' equity Profit for the period attributable to equity holder of the parent -----
Earnings per share, diluted:	Weighted average number of ordinary shares outstanding during the period 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

Teleste Oyj uses and publishes alternative performance measures to describe the operational development of the business and to improve comparability between reporting periods. Alternative performance measures are reported in addition to IFRS-based key figures.

In the calculation of alternative performance measures, items affecting the comparability of the operational performance of the reporting periods are not taken into account, such as profits or losses resulting from the sale or termination of business activities, profits or losses resulting from restructuring operations, impairment losses, costs related to significant strategic changes, or other exceptional revenues or costs not part of the operational business.

The alternative performance measures reported by Teleste Oyj are adjusted operating result and adjusted earnings per share. The adjusted items are recognized in the income statement within the corresponding income or expense group.

Major shareholders as sorted by number of shares - June 30, 2023


	Nbr. 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
Mariatorp Oy	800,000	4.2
Wipunen Varainhallinta Oy	800,000	4.2
Teleste Oyj	747,026	3.9
Varma Mutual Pension Insurance Company	521,150	2.7
The State Pension Fund	500,000	2.6
Ingman Finance Oy Ab	235,000	1.2

Shareholders by sector June 30, 2023

Shareholders by sector	Nbr. of shareholders	% of shareholders	Nbr. of shares	% of shares
Households	5,264	94.6	4,932,932	26.0
Public sector institutions	3	0.1	1,920,625	10.1
Financial and insurance institutions	16	0.3	3,201,608	16.9
Corporations	232	4.2	8,678,392	45.7
Non-profit institutions	22	0.4	39,774	0.2
Foreign	28	0.5	212,257	1.1
Total	5,565	100.00	18,985,588	100.0
Of which nominee registered	9	0.2	535,441	2.8

Major shareholders by distribution of shares June 30, 2023

Number of shares	Nbr. of shareholders	% of shareholders	Nbr. of shares	% of shares
1-100	1,690	30.4	86,198	0.5
101-500	2,208	39.7	581,394	3.1
501-1,000	720	12.9	583,178	3.1
1,001-5,000	744	13.4	1,603,217	8.4
5,001-10,000	97	1.7	678,901	3.6
10,001-50,000	80	1.4	1,715,949	9.0
50,001-100,000	7	0.1	435,247	2.3
100,001-500,000	11	0.2	2,257,014	11.9
500,001-& above	8	0.1	11,044,490	58.2
Total	5,565	100.0	18,985,588	100.0
of which nominee registered	9	0.2	535,441	2.8

A photograph of two women standing outdoors, looking at a map. The woman on the left has curly hair and is wearing a dark jacket over a white turtleneck. The woman on the right is wearing a wide-brimmed hat and a patterned scarf. They are both smiling. The background is a blurred city street. The entire image has a blue tint.

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