



INTERIM
REPORT
Q3 2023

JANUARY 1-SEPTEMBER 30, 2023

TELESTE

TELESTE CORPORATION INTERIM REPORT 1 JANUARY TO 30 SEPTEMBER 2023

TELESTE CORPORATION: NET SALES AND ADJUSTED OPERATING RESULT DECREASED. CONTINUED POSITIVE CASH FLOW FROM OPERATIONS.

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

July-September 2023 in brief

- Net sales decreased by 17.4%, amounting to EUR 35.2 (42.6) million.
- Adjusted operating result decreased by 52.4%, amounting to EUR 0.5 (1.1) million.
- Operating result increased to EUR 0.5 (-4.8) million; the result for the comparison period included impairment of development expenditure in the amount of EUR 5.4 million.
- Adjusted earnings per share decreased by 24.9%, amounting to EUR 0.03 (0.04).
- Earnings per share increased to EUR 0.03 (-0.22).
- Cash flow from operations increased significantly, amounting to EUR 0.9 (-9.7) million.
- Orders received decreased by 5.0% to EUR 46.4 (48.9) million.

January-September 2023 in brief

- Net sales grew by 1.4%, amounting to EUR 120.7 (119.0) million.
- Adjusted operating result grew by 68.1%, amounting to EUR 2.6 (1.5) million.
- Operating result increased to EUR 1.8 (-4.5) million; the result for the comparison period included impairment of development expenditure in the amount of EUR 5.4 million.
- Adjusted earnings per share increased to EUR 0.19 (-0.03).
- Earnings per share increased to EUR 0.15 (-0.30).
- Cash flow from operations increased significantly, amounting to EUR 12.6 (-10.3) million.
- Orders received decreased by 24.5% to EUR 117.5 (155.6) million.
- The order book decreased by 11.2% and amounted to EUR 129.0 (145.3) million.
- The Belgian tax reassessment decision issued in 2022 was overturned in March 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. This also had a positive impact on the result and earnings per share for the reporting period (EUR +0.09).
- The engineering and services businesses of the Broadband Networks business in Switzerland was successfully divested in June.

Outlook for 2023 (specified)

Teleste specifies the future outlook and financial guidance issued in the financial statements bulletin on 9 February 2023. Teleste now estimates that net sales in 2023 will amount to EUR 150-160 million and that the adjusted operating result in 2023 will be EUR 2-3 million.

Previously, Teleste estimated 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.

The reason for the specification of the financial guidance range is the weakened market demand in the second half of the year, particularly in the Broadband Networks business unit. The key factors contributing to the weaker demand include the overall deteriorated macro-economic situation, particularly the development of inflation and interest rates. This has led to operator customers commencing cost-saving measures and cuts to investments, as well as the optimisation of their own buffer stocks. There are also signs that network investments in Europe are starting to shift to next-generation technologies, which reduces the demand for the previous generation's products.

Key figures

EUR million	7-9/23	7-9/22	Change	1-9/23	1-9/22	Change	2022
Orders received	46.4	48.9	-5.0%	117.5	155.6	-24.5%	188.5
Order book				129.0	145.3	-11.2%	132.2
Net sales	35.2	42.6	-17.4%	120.7	119.0	1.4%	165.0
Adjusted EBIT ¹⁾	0.5	1.1	-52.4%	2.6	1.5	68.1%	2.0
Adjusted EBIT, % ¹⁾	1.5%	2.6%	-	2.1%	1.3%	-	1.2%
EBIT	0.5	-4.8	n/a	1.8	-4.5	n/a	-4.8
EBIT, %	1.4%	-11.3%	-	1.5%	-3.8%	-	-2.9%
Result for the period	0.3	-4.2	n/a	2.3	-5.6	n/a	-5.9
Adjusted earnings per share, EUR ¹⁾	0.03	0.04	-24.9%	0.19	-0.03	n/a	-0.01
Earnings per share, EUR	0.03	-0.22	n/a	0.15	-0.30	n/a	-0.31
Cash flow from operations	0.9	-9.7	n/a	12.6	-10.3	n/a	-7.8
Net gearing, %				42.8%	60.6%	-	61.2%
Equity ratio, %				48.2%	41.2%	-	39.7%
Personnel at period-end (FTE)				789	855	-7.7%	844

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

Comments by CEO Esa Harju:



“In the third quarter, orders received recovered to a better level than in the preceding quarter, and the order book strengthened. Net sales and the adjusted operating result decreased year-on-year. Cash flow from operations remained positive for the fourth consecutive quarter.

In the Broadband Networks business, orders received recovered after the weak second quarter but were lower than in the comparison period. Net sales decreased substantially year-on-year. This was in line with our expectations and reflected our previous predictions of a more difficult second half to the year in the Broadband Networks business.

In the Public Safety and Mobility business, orders received increased year-on-year and rose to a good level, with net sales being on a par with the comparison period. The profitability improvement measures initiated last year have had a positive effect on the business, and the worst margin erosion challenges caused by the component crisis have gradually begun to alleviate.

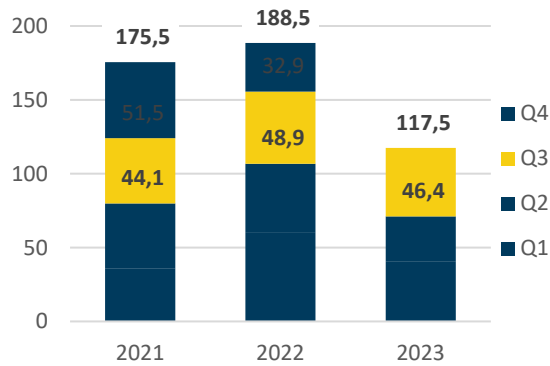
Due to the more difficult situation in the second half of the year, we have now specified our financial guidance range for 2023. As noted in connection with the guidance statement above, this is particularly due to lower demand in the Broadband Networks business unit. Demand is affected by the weakened general macro-economic climate, European operator customers' cost-saving measures, investment cuts and optimisation of buffer stocks, as well as a shift of network investments towards the next generation technologies. Therefore, as well as due to the effect from the divestment of the Swiss services business, we expect the net sales of the Broadband Networks business to decrease substantially year-on-year in the fourth quarter. We expect the net sales of the Public Safety and Mobility business to remain at the level of the first half of the year, although projects in the delivery phase involve schedule and margin risks.

We expect the slowing of network operators' investments to also have an effect the outlook for 2024 in the Broadband Networks business. It is presently difficult to predict the timing of the recovery of the European market. There are also signs of the North American network market slowing, as operators postpone and downscale their planned investments. Our network deliveries in North America are now expected to commence in the first half of 2024 and affect net sales gradually as 2024 progresses. In the Public Safety and Mobility business, we currently expect stable or slightly increasing net sales in 2024. Many significant rolling stock manufacturer projects that are already in the order book will continue, and we aim to complement these by seeking an increasingly strong position among public transport operators and particularly in the maintenance business.

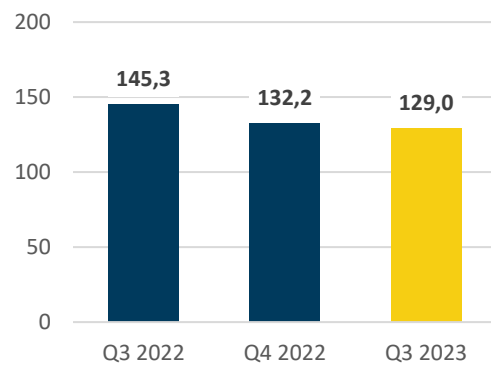
We will continue to adjust all of the company's expenses in Finland and internationally. The change negotiations commenced in Finland on 31 August 2023 led to 18 permanent redundancies and a number of temporary lay-offs. The adjustment of operating expenses will continue in 2024. We will also continue to clarify our group structure and move our business units under separate legal entities. This will improve the operational control of the businesses and increase the flexibility of the operations of the business units.”

Key figures

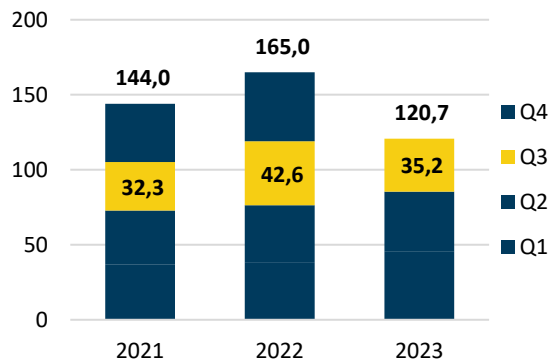
Orders received, EUR million



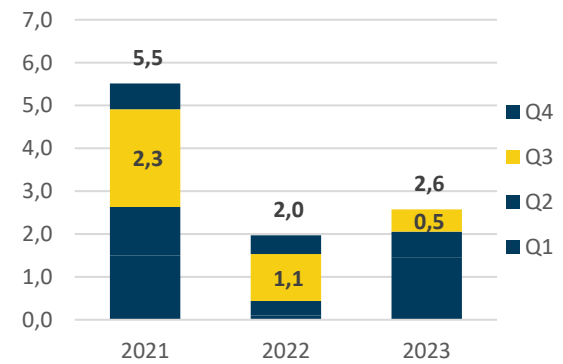
Order backlog (period-end), EUR million



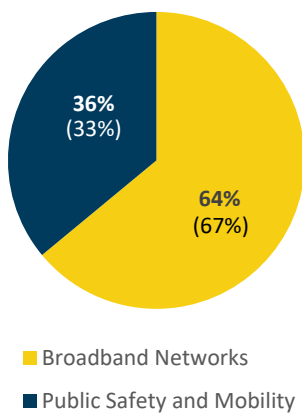
Net sales, EUR million



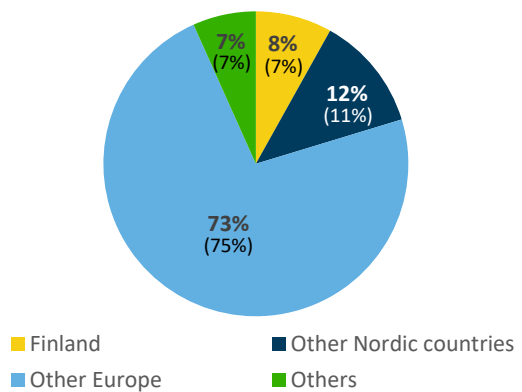
Adjusted operating result, EUR million



Net sales by business 1-9 2023 (1-9 2022)



Net sales by market area 1-9 2023 (1-9 2022)



Group Operations

Orders received and order backlog

Orders received

Orders received by the **Group** amounted to EUR 46.4 (48.9) million in the third quarter, representing a year-on-year decrease of 5.0%. Orders received by the **Broadband Networks** business unit totalled EUR 23.6 (29.5) million, representing a year-on-year decrease of 19.8%. The decrease was due to the optimisation of operators' own inventories and the very large orders received in the comparison period in the Benelux countries. Orders received for next-generation distributed access architecture solutions increased to a significant degree. The orders received in the comparison period included EUR 1.4 million in orders for the Broadband Networks business in Switzerland, which was divested at the end of June. Orders received by the **Public Safety and Mobility** business unit totalled EUR 22.8 (19.4) million, representing a year-on-year increase of 17.5%. The increase was mainly due to orders received from rolling stock manufacturers.

In January-September, orders received by the **Group** amounted to EUR 117.5 (155.6) million, representing a year-on-year decrease of 24.5%. Orders received in the comparison period were at a substantially higher level than normal. Orders received by the **Broadband Networks** business unit totalled EUR 71.4 (95.2) million, representing a year-on-year decrease of 25.0%. The decrease was due to the optimisation of operators' own inventories and the very large orders received in the comparison period in the Benelux countries. The orders received in the first half of the year 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 46.1 (60.4) million, representing a year-on-year decrease of 23.6%. 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 129.0 (145.3) million at the end of the period, representing a year-on-year decrease of 11.2%. The decrease in the order book was particularly due to deliveries for a large project won by the Broadband Networks business unit in the Benelux countries in 2022. Approximately 24% 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 26.8 (41.0) million, representing a year-on-year decrease of 34.7%. The order book decreased as project deliveries in the Benelux countries progressed and customers in Europe reduced their buffer stocks. The order book also includes North American customers' DOCSIS 4.0 capable amplifiers.

The order book of the **Public Safety and Mobility** business unit amounted to EUR 102.2 (104.3) million, representing a year-on-year decrease of 2.0%. Deliveries of the large orders received last year have continued, reducing the open order book.

Net sales

EUR million	7-9/23	7-9/22	Change	1-9/23	1-9/22	Change	2022
Broadband Networks	21.1	28.3	-25.6%	77.1	79.8	-3.4%	109.4
Public Safety and Mobility	14.2	14.3	-1.3%	43.6	39.2	+11.3%	55.6
Total	35.2	42.6	-17.4%	120.7	119.0	+1.4%	165.0

The net sales of the **Group** decreased by 17.4% in the third quarter of 2023, amounting to EUR 35.2 (42.6) million. Net sales decreased in the Broadband Networks business unit. The net sales of the Public Safety and Mobility business unit were on a par with the comparison period. The net sales of the **Broadband Networks** business unit decreased by 25.6%, amounting to EUR 21.1 (28.3) million. Net sales decreased particularly in previous generation HFC access network products as customers reduced their buffer stocks. Net sales for the comparison period included EUR 1.4 million in net sales of the Broadband Networks business in Switzerland, which was divested at the end of June. Net sales of the **Public Safety and Mobility** business unit in July-September were on a par with the comparison period, amounting to EUR 14.2 (14.3) million and representing a change of -1.3%.

In January-September, the net sales of the **Group** were on a par with the comparison period at EUR 120.7 (119.0) million. Of the net sales, Finland accounted for 8.1% (7.0%), other Nordic countries for 12.2% (11.1%), the rest of Europe for 73.0% (74.5%) and countries outside Europe for 6.7% (7.3%). The net sales of the **Broadband Networks** business unit decreased by 3.4% in January-September, amounting to EUR 77.1 (79.8) million. Net sales decreased for conventional HFC access network products and increased for next-generation distributed access architecture products. The net sales of the **Public Safety and Mobility** business unit increased by 11.3% in January-September, amounting to EUR 43.6 (39.2) million. Net sales grew due to an increase in delivery volume as material availability gradually normalised.

Profitability

July-September

The Group's adjusted operating result decreased in the third quarter by 52.4% to EUR 0.5 (1.1) million, representing 1.5% (2.6%) of net sales. The adjusted operating result decreased due to lower net sales, in spite of the gross margin increasing by approximately five percentage points. The operating result increased to EUR 0.5 (-4.8) million, or 1.4% (-11.3%) of net sales. In the comparison period, the company recognised impairment of EUR 5.4 million in capitalised development expenditure.

Expenses for material and manufacturing services decreased by 25.7% to EUR 17.8 (23.9) million. The cost development of raw materials and electronic components has continued to normalise. Increases to the selling prices of Teleste's products have begun to compensate for the negative impact of increased costs. Personnel expenses decreased by 6.6% to EUR 10.8 (11.6) million. The decrease was due to the number of personnel being lower than in the comparison period. Depreciation and amortisation decreased by 30.2% to EUR 1.4 (2.0) million. Other operating expenses increased by 1.7%, amounting to EUR 4.8 (4.8) million.

Financial items totalled EUR +0.1 (+0.1) million. Direct taxes for the reporting period amounted to EUR -0.2 (+0.5) million. The result for the review period was EUR 0.3 (-4.2) million. Adjusted earnings per share were EUR 0.03 (0.04), representing a decrease of 24.9%. Earnings per share increased to EUR 0.03 (-0.22).

January-September

The Group's adjusted operating result for January-September increased by 68.1% to EUR 2.6 (1.5) million, representing 2.1% (1.3%) of net sales. The improved result was attributable to the improved gross margin and lower depreciation and amortisation when compared to the reference period. The operating result increased significantly, amounting to EUR 1.8 (-4.5) million and representing 1.5% (-3.8%) of net sales. In the comparison period, the company recognised impairment of EUR 5.4 million in capitalised development expenditure.

Expenses for material and manufacturing services were on a par with the comparison period at EUR 62.5 (62.5) million. Increases to the selling prices of Teleste's products have begun to compensate for the negative impact of increased costs, and the gross margin improved slightly year-on-year. Personnel expenses increased by 3.6% to EUR 36.4 (35.2) 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 23.8% to EUR 4.3 (5.6) million. Other operating expenses increased by 7.2%, amounting to EUR 16.4 (15.3) million. Other operating expenses include expenses related to strategic development projects and the divestment in Switzerland.

Financial items totalled EUR -0.9 (0.2) million. Direct taxes for the reporting period amounted to EUR +1.3 (-1.3) 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, corresponding to a total of EUR 1.7 million. The entries relate to the tax reassessment decision received in Belgium in 2022, which was overturned by the Belgian tax authorities in March 2023 in accordance with Teleste's request. The result for the review period was EUR 2.3 (-5.6) million. Adjusted earnings per share were EUR 0.19 (-0.03) and earnings per share were EUR 0.15 (-0.30).

At the end of June, the company sold the Swiss subsidiary Teleste Network Services SA. This subsidiary had 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.

Cash flow and financial position

Cash flow

Cash flow from operations was EUR 12.6 (-10.3) million in January-September 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 -2.1 (-8.7) 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 35.2 (49.4) million, with short-term loans from banks representing EUR 7.5 (4.2) million of that amount. Interest-bearing liabilities associated with leases capitalised in accordance with IFRS 16 amounted to EUR 4.9 (5.7) million. The Group's cash and cash equivalents were EUR 8.1 (11.8) million. At the end of September 2023, the amount of unused binding credit facilities was EUR 17.5 (8.3) million.

The Group's total assets at the end of the period under review stood at EUR 132.9 (152.8) million, and equity amounted to EUR 63.3 (62.0) million. The Group's equity ratio was 48.2% (41.2%) and the net gearing ratio was 42.8% (60.6%).

The company's financing agreements include:

- A EUR 6.0 million repayable loan maturing in August 2024, the principal of which was EUR 1.5 million on 30 September 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 16.25 million on 30 September 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 September 2023.
- A EUR 7.5 million bullet loan maturing in March 2025, the principal of which was EUR 7.5 million on 30 September 2023.
- A committed credit facility of EUR 4.0 million valid until March 2024, of which EUR 4.0 million was unused on 30 September 2023.
- A committed credit facility of EUR 15.0 million valid until March 2025, of which EUR 13.5 million was unused on 30 September 2023.

Investments, research and product development

Investments by the Group in January-September 2023 totalled EUR 5.3 (10.3) million, representing 4.4% (8.7%) of net sales. Leases capitalised in accordance with IFRS 16 amounted to EUR 0.8 (1.8) million, while other investments in tangible and intangible assets came to EUR 0.6 (3.7) million. During the comparison period, other capital expenditures included the expansion of the Littoinen plant. A total of EUR 3.9 (4.8) million of R&D expenses were capitalised during the period under review. Depreciation on capitalised R&D expenses was EUR 2.0 (3.3) million.

R&D expenses amounted to EUR 13.1 (11.7) million, representing 10.9% (9.8%) of the Group's net sales in January-September 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 817 (869) people on average in January-September 2023. At the end of September, the Group employed 789 (855) people, of whom 37% (44%) worked abroad. Approximately 3% (3%) of the Group's employees were working outside Europe. The number of personnel is reported as full-time equivalents (FTE).

Personnel expenses increased by 3.6% year-on-year and amounted to EUR 36.4 (35.2) 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 September 2023, Tianta Oy was the largest single shareholder of Teleste with a holding of 25.2% (25.1%). According to Euroclear Finland Ltd, the number of Teleste shareholders at the end of the period under review was 5,536 (5,395). Foreign shareholders accounted for 1.1% (1.3%) of the shares, while nominee-registered holdings accounted for 2.8% (3.0%).

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 September 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 September 2023.

In January-September, the share turnover of Teleste on Nasdaq Helsinki was 1.0 (1.1) million shares and EUR 3.6 (4.9) million. The volume-weighted average price of the share was EUR 3.78 (4.64), the lowest share price of the review period was EUR 3.12 (3.13) and the highest EUR 4.75 (5.76). The closing price of the Teleste share on 30 September 2023 was EUR 3.26 (3.30) and market capitalisation was EUR 61.9 (62.7) million.

Governance

Company management

At the end of September 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 adopted 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 September 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.

Personnel and Remuneration Committee

The Board of Directors of Teleste Corporation decided on 6 September 2023 to establish a Personnel and Remuneration Committee to assist the Board of Directors in matters pertaining to the personnel and remuneration. The Board of Directors of Teleste Corporation elected Timo Luukkainen as Chairman and Heikki Mäkijärvi and Kai Telanne as members of the Personnel and Remuneration Committee.

The purpose of the Committee is to contribute to the development and allocation of Teleste's strategically important capabilities and human resources and to provide the Board of Directors with relevant information on the current state of the employees and future objectives.

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.

The risk associated with the tax reassessment decision received in 2022 by Teleste's Belgian subsidiary was eliminated in March 2023.

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 vary between different periods, due to, for example, optimisation of the customers' own inventories and switches of technology generations. Fluctuations in volume are often difficult to predict and prepare for.

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 proceedings will not have any significant financial impact on the Group's operations.

At the end of the period under review, there were no other legal proceedings or judicial procedures pending that would have had any essential significance to the Group's operations.

Events after the end of the review period

On 25 October 2023, Teleste Corporation completed change negotiations in accordance with the Act on Co-operation within Undertakings. The change negotiations concerned actions which target adjustments to the company's operations and improvement in profitability. The reason for the need for adjustments is the weakened market demand in the Broadband Networks business in late 2023 and early 2024, and the Group's increased costs. The negotiations led to 18 permanent redundancies and temporary lay-offs corresponding to approximately 130 person-months by the end of the first quarter of 2024.

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. 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.

Next-generation DOCSIS 4.0-compliant technologies are capable of providing subscribers with 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. Network 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 continuing. The deliveries of passive products are ongoing, and smart amplifiers will be launched in the market during the first half of 2024. The products will require continuous product development.

The weakened macroeconomic situation and network operators' cost-saving measures, investment cuts and optimisation of buffer stocks have weakened demand in the market from mid-2023 onwards. It is presently difficult to predict the timing of the recovery of the market.

The delivery times of components, especially semiconductors, remain long, which may continue to hinder the company's delivery capacity in the future. Cost inflation will require Teleste to continue to regularly adjust sales prices to protect profitability.

Public Safety and Mobility

Growing and increasingly digital urban environments and their safety, and the increase in environmentally sustainable public transport services, provide a foundation for a steadily growing market in video security and public transport information systems.

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.

We expect steady market growth in both information systems and security systems in the coming years. Intense competition 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 2024

Teleste Corporation will publish financial information in 2024 as follows:

9 February 2024	Financial statements bulletin 2023
3 May 2024	Interim report January-March 2024
14 August 2024	Half year financial report January-June 2024
6 November 2024	Interim report January-September 2024

Results event

Teleste will organise a results event for analysts, investors and the media in Finnish on 2 November 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, 1 November 2023

Teleste Corporation
Board of Directors

For further information, please contact:

Esa Harju
President and CEO

Juha Hyytiäinen
CFO

tel. +358 2 2605 611
investor.relations@teleste.com

Teleste in Brief

About Teleste

Teleste offers an integrated product and service portfolio that makes it possible to build and run a better networked society. Our solutions bring television and broadband services to you, secure your safety in public places and guide your use of public transport. With solid industry experience and drive for innovations, we are a leading international company in broadband, security and information technologies and related services. We connect with our customers through a global network of offices and partners. In 2022, Teleste's net sales reached EUR 165 million and it had approximately 860 employees. Teleste is listed on Nasdaq Helsinki. For more information, visit www.teleste.com.



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, 2023. The data stated in this report is unaudited.

STATEMENT OF COMPREHENSIVE INCOME (tEUR)	7-9/2023	7-9/2022	Change %	1-12/2022
Net Sales	35,238	42,646	-17.4 %	165,009
Other operating income	84	184	-54.3 %	538
Materials and services	-17,793	-23,941	-25.7 %	-88,070
Personnel expenses	-10,806	-11,573	-6.6 %	-48,522
Depreciation	-1,391	-1,992	-30.2 %	-7,228
Amortization	0	-5,400	-100.0 %	-5,400
Other operating expenses	-4,841	-4,762	1.7 %	-21,166
Operating profit	491	-4,839	n/a	-4,838
Financial income	653	372	75.5 %	1,360
Financial expenses	-579	-245	136.5 %	-1,507
Profit after financial items	564	-4,712	n/a	-4,985
Profit before taxes	564	-4,712	n/a	-4,985
Taxes	-220	521	-142.3 %	-898
Net profit	344	-4,191	n/a	-5,883
Attributable to:				
Equity holders of the parent	457	-4,098	n/a	-5,669
Non-controlling interests	-113	-93	n/a	-213
	344	-4,191	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	0.03	-0.22	n/a	-0.31
Diluted	0.03	-0.22	n/a	-0.31
Total comprehensive income for the period (tEUR)				
Net profit	344	-4,191	n/a	-5,883
Possible items with future net profit effect				
Translation differences	-212	-547	-61.3 %	-953
Cash flow hedges	-94	748	-112.5 %	150
Total comprehensive income for the period	38	-3,991	n/a	-6,686
Attributable to:				
Equity holders of the parent	161	-3,899	n/a	-6,486
Non-controlling interests	-122	-92	n/a	-200
	38	-3,991	n/a	-6,686

STATEMENT OF COMPREHENSIVE INCOME (tEUR)

	1-9/2023	1-9/2022	Change %	1-12/2022
Net Sales	120,682	118,967	1.4 %	165,009
Other operating income	757	463	63.5 %	538
Materials and services	-62,503	-62,504	0.0 %	-88,070
Personnel expenses	-36,428	-35,177	3.6 %	-48,522
Depreciation	-4,295	-5,636	-23.8 %	-7,228
Amortization	0	-5,400	-100.0 %	-5,400
Other operating expenses	-16,365	-15,260	7.2 %	-21,166
Operating profit	1,848	-4,546	n/a	-4,838
Financial income	1,089	996	9.3 %	1,360
Financial expenses	-1,944	-781	148.9 %	-1,507
Profit after financial items	993	-4,331	n/a	-4,985
Profit before taxes	993	-4,331	n/a	-4,985
Taxes	1,323	-1,259	-205.1 %	-898
Net profit	2,316	-5,589	n/a	-5,883
Attributable to:				
Equity holders of the parent	2,665	-5,414	n/a	-5,669
Non-controlling interests	-349	-176	n/a	-213
	2,316	-5,589	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	0.15	-0.30	n/a	-0.31
Diluted	0.15	-0.30	n/a	-0.31
Total comprehensive income for the period (tEUR)				
Net profit	2,316	-5,589	n/a	-5,883
Possible items with future net profit effect				
Translation differences	-215	-1,039	-79.3 %	-953
Cash flow hedges	546	1,677	-67.4 %	150
Total comprehensive income for the period	2,647	-4,952	n/a	-6,686
Attributable to:				
Equity holders of the parent	3,003	-4,790	n/a	-6,486
Non-controlling interests	-356	-162	n/a	-200
	2,647	-4,952	n/a	-6,686

STATEMENT OF FINANCIAL POSITION (tEUR)

	30.9.2023	30.9.2022	Change %	31.12.2022
Non-current assets				
Intangible assets	12,420	10,188	21.9 %	10,548
Goodwill	29,937	30,644	-2.3 %	30,581
Property, plant, equipment	12,679	13,802	-8.1 %	13,733
Other non-current financial assets	348	631	-44.9 %	348
Other non-current receivables	116	0	n/a	0
Deferred tax asset	3,723	2,911	27.9 %	3,437
	59,223	58,176	1.8 %	58,646
Current assets				
Inventories	32,939	37,610	-12.4 %	38,706
Trade and other receivables	32,196	44,881	-28.3 %	41,194
Tax Receivable, income tax	446	300	49.0 %	393
Cash and cash equivalents	8,129	11,795	-31.1 %	13,405
	73,710	94,586	-22.1 %	93,699
Total assets	132,933	152,763	-13.0 %	152,345
Shareholder's equity and liabilities				
Share capital	6,967	6,967	0.0 %	6,967
Other equity	56,719	54,971	3.2 %	53,405
Owners of the parent company	63,686	61,938	2.8 %	60,372
Non-controlling interests	-376	18	-2188.7 %	-20
EQUITY	63,311	61,956	2.2 %	60,352
Non-current liabilities				
Deferred tax liability	2,430	1,603	51.6 %	1,968
Non-current liabilities, interest-bearing	26,116	43,365	-39.8 %	44,317
Non-current interest-free liabilities	23	126	-82.1 %	92
Non-current provisions	258	402	-35.8 %	424
	28,827	45,497	-36.6 %	46,801
Current liabilities				
Current interest-bearing liabilities	9,080	6,016	50.9 %	6,038
Trade Payables and Other Liabilities	28,764	32,451	-11.4 %	34,915
Advances received	1,600	2,544	-37.1 %	473
Tax liability, income tax	601	1,181	-49.1 %	578
Current provisions	749	3,117	-76.0 %	3,189
	40,796	45,310	-10.0 %	45,192
Total shareholder's equity and liabilities	132,933	152,763	-13.0 %	152,345

CONSOLIDATED CASH FLOW STATEMENT (tEUR)

	1-9/2023	1-9/2022	Change %	1-12/2022
Cash flows from operating activities				
Profit for the period	2,316	-5,589	n/a	-5,883
Adjustments to cash flow from operating activities	11,998	-3,675	-426.5 %	-679
Other finance items	-109	212	-151.3 %	303
Paid interest and other finance expenses	-1,184	-370	219.7 %	-682
Received interests and dividend payments	236	101	133.6 %	157
Paid Taxes	-614	-1,015	-39.6 %	-1,054
Cash flow from operating activities	12,643	-10,337	n/a	-7,839
Cash flow from investing activities				
Purchase of tangible and intangible assets	-4,529	-7,837	-42.2 %	-8,956
Proceeds from sales of PPE	23	49	-53.1 %	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	-2,099	-8,678	n/a	-9,916
Cash flow from financing activities				
Proceeds from borrowings	0	41,925	-100.0 %	42,908
Payments of borrowings	-14,353	-21,345	-32.8 %	-21,348
Payment of leasing liabilities	-1,479	-1,509	-2.0 %	-2,031
Dividends paid	0	-2,552	-100.0 %	-2,552
Net cash used in financing activities	-15,832	16,519	-195.8 %	16,977
Change in cash				
Cash in the beginning	13,405	14,100	-4.9 %	14,100
Effect of currency changes	11	192	-94.2 %	84
Change	-5,288	-2,496	n/a	-778
Cash at the end	8,129	11,795	-31.1 %	13,405

KEY FIGURES

	1-9/2023	1-9/2022	Change %	1-12/2022
Operating profit	1,848	-4,546	n/a	-4,838
Earnings per share, EUR	0.15	-0.30	n/a	-0.31
Earnings per share fully diluted, EUR	0.15	-0.30	n/a	-0.31
Shareholders' equity per share, EUR	3.47	3.40	2.1 %	3.31
Return on equity	5.0 %	-11.4 %	n/a	-9.1 %
Return on investment	3.6 %	-4.7 %	n/a	-3.5 %
Equity ratio	48.2 %	41.2 %	16.9 %	39.7 %
Net gearing	42.8 %	60.6 %	-29.5 %	61.2 %
Investments, tEUR	5,346	10,334	-48.3 %	12,091
Investments % of net sales	4.4 %	8.7 %	-49.0 %	7.3 %
Order backlog, tEUR	128,972	145,287	-11.2 %	132,157
Personnel, average	817	869	-6.0 %	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	3.12	3.13	-0.3 %	3.13
Average share price, EUR	3.78	4.64	-18.5 %	4.34

Turnover, in million shares	1.0	1.1	-13.1 %	1.5
Turnover, in MEUR	3.6	4.9	-26.3 %	6.3

ALTERNATIVE PERFORMANCE MEASURES

	7-9/2023	7-9/2022	Change %	1-9/2023	1-9/2022	Change %	1-12/2022
Adjusted operating profit	520	1,094	-52.4 %	2,576	1,533	68.1 %	1,969
Adjusted earning per share, EUR	0.03	0.04	-24.9 %	0.19	-0.03	n/a	-0.01

BRIDGE OF CALCULATION

Operating profit	491	-4,839	n/a	1,848	-4,546	n/a	-4,838
Business reorganization	28	0	n/a	215	0	n/a	879
Strategic development projects	2	533	-99.7 %	514	679	-24.3 %	529
Impairment of development costs	0	5,400	-100.0 %	0	5,400	-100.0 %	5,400
Adjusted operating profit	520	1,094	-52.4 %	2,576	1,533	68.1 %	1,969
Net profit/loss to equity holder	457	-4,098	n/a	2,665	-5,414	n/a	-5,669
Outstanding shares during the quarter	18,239	18,228	0.1 %	18,236	18,226	0.1 %	18,226
Earnings per share, basic	0.03	-0.22	n/a	0.15	-0.30	n/a	-0.31
Net profit/loss to equity holder	457	-4,098	n/a	2,665	-5,414	n/a	-5,669
Business reorganization	28	0	n/a	215	0	n/a	879
Strategic development projects	2	533	-99.7 %	514	679	-24.3 %	529
Impairment of development costs	0	5,400	-100.0 %	0	5,400	-100.0 %	5,400
Change in deferred assets	0	-1,187	-100.0 %	0	-1,187	-100.0 %	-1,332
Outstanding shares during the quarter	18,239	18,228	0.1 %	18,236	18,226	0.1 %	18,226
Adjusted earnings per share, EUR	0.03	0.04	-24.9 %	0.19	-0.03	n/a	-0.01

Treasury shares

	Number of shares	% of shares	% of votes
Possession of company's own shares 30.9.2023	747,026	3.93 %	3.93 %

Contingent liabilities and pledged assets (tEUR)

	30.9.2023	30.9.2022	Change %	31.12.2022
Leasing and rent liabilities	961	941	2.1 %	981
Derivative instruments (tEUR)				
Value of underlying forward contracts	15,648	30,428	-48.6 %	27,011
Market value of forward contracts	117	1,401	-91.7 %	-708

Interest rate swap		31,250	13,750	127.3 %	13,750		
Market value of interest swap		938	797	17.8 %	869		
Net sales by category		1-9/2023	1-9/2022	Change %	1-12/2022		
Goods		104,386	101,993	2.3 %	141,650		
Service		16,296	16,974	-4.0 %	23,360		
Total		120,682	118,967	1.4 %	165,009		
		30.9.2023	30.9.2022	Change %	31.12.2022		
Order backlog, tEUR		128,972	145,287	-11.2 %	132,157		
Information per quarter (tEUR)		7-9/23	4-6/23	1-3/23	10-12/22	7-9/22	10/2022-9/2023
Orders received		46,417	30,273	40,807	32,907	48,880	150,404
Net sales		35,238	40,103	45,341	46,042	42,646	166,724
EBIT		491	112	1,245	-292	-4,839	1,555
EBIT%		1.4 %	0.3 %	2.7 %	-0.6 %	-11.3 %	0.9 %

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	60,352
Net result	0	0	0	2,665	0	0	2,665	-349	2,316
Other comprehensive items for the period	0	0	-433	226		546	338	-7	331
Dividend	0	0	0	0	0	0	0	0	0
Equity-settled share-based payments	0	0	0	311	0	0	311	0	311
Shareholder's equity 30.9.2023	6,967	1,504	-2,284	53,662	3,140	697	63,686	-376	63,311

	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	0	0	0	-5,414	0	0	-5,414	-176	-5,589
Other comprehensive									
items for the period	0	0	-317	-736		1,677	624	13	637
Dividend	0	0	0	-2,552		0	-2,552	0	-2,552
Equity-settled share-									
based payments	0	0	0	470	0	0	470	0	470
Shareholder's equity									
30.9.2022	6,967	1,504	-1,709	50,357	3,140	1,678	61,938	18	61,956

CALCULATION OF KEY FIGURES

Return on equity:	Profit/loss for the financial period ----- * 100 Shareholders' equity (average)
Return on capital employed:	Profit/loss for the period after financial items + financing charges ----- * 100 Total assets - non-interest-bearing liabilities (average)
Equity ratio:	Shareholders' equity ----- * 100 Total assets - advances received
Gearing:	Interest bearing liabilities - cash in hand and in bank - interest bearing assets ----- * 100 Shareholders' equity
Earnings per share:	Profit for the period attributable to equity holder of the parent ----- Weighted average number of ordinary shares outstanding during the period
Earnings per share, diluted:	Profit for the period attributable to equity holder of the parent (diluted) ----- Average number of shares - own shares + number of options at the period-end

ALTERNATIVE PERFORMANCE MEASURES

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 - September 30, 2023

	Nbr. of shares	% of shares
Tianta Oy	4,788,298	25.2
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
Wipunen Varainhallinta Oy	800,000	4.2
Mariatorp 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 September 30, 2023

Shareholders by sector	Nbr. of shareholders	% of shareholders	Nbr. of shares	% of shares
Households	5,237	94.6	4,993,968	26.3
Public sector institutions	3	0.1	1,920,625	10.1
Financial and insurance institutions	16	0.3	3,201,108	16.9
Corporations	232	4.2	8,630,535	45.5
Non-profit institutions	21	0.4	38,173	0.2
Foreign	27	0.5	201,179	1.1
Total	5,536	100.0	18,985,588	100.0
Of which nominee registered	9	0.2	525,923	2.8

Major shareholders by distribution of shares September 30, 2023

Number of shares	Nbr. of shareholders	% of shareholders	Nbr. of shares	% of shares
1-100	1,686	30.5	86,326	0.5
101-500	2,188	39.5	577,303	3.0
501-1,000	708	12.8	576,223	3.0
1,001-5,000	754	13.6	1,625,532	8.6
5,001-10,000	97	1.8	682,816	3.6
10,001-50,000	77	1.4	1,685,123	8.9
50,001-100,000	7	0.1	436,320	2.3
100,001-500,000	11	0.2	2,251,455	11.9
500,001-& above	8	0.1	11,064,490	58.3
Total	5,536	100.0	18,985,588	100.0
of which nominee registered	9	0.2	525,923	2.8



TELESTE CORPORATION

P.O.BOX 323, FI-20101 Turku, Finland
Telestenkatu 1, FI-20660 Littoinen, Finland
Phone: +358 2 2605 611 (switchboard)
investor.relations@teleste.com
Business ID 1102267-8
www.teleste.com



www.facebook.com/telestecorporation
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