HALF YEAR FINANCIAL REPORT H1 2020

JANUARY 1 – JUNE 30, 2020

TELESTE

TELESTE CORPORATION HALF YEAR FINANCIAL REPORT 1 JANUARY TO 30 JUNE 2020

NET SALES AND RESULT DECREASED DUE TO THE COVID-19 PANDEMIC AND THE TECHNOLOGICAL TRANSFORMATION OF ACCESS NETWORKS, CASH FLOW FROM OPERATIONS INCREASED

The income statement figures presented in this half year financial report only include continuing operations, except where otherwise noted. The figures in the statement of financial position and the cash flow statement include both continuing and discontinued operations.

April-June 2020, continuing operations

- Net sales amounted to EUR 33.5 (42.3) million, a decrease of 20.7%
- Adjusted operating result stood at EUR 0.1 (2.3) million, a decrease of 93.5%
- Operating result amounted to EUR -0.4 (2.3) million, a decrease of 117.9%
- Earnings per share were EUR -0.05 (0.07), a decrease of 176.1%
- Earnings per share including discontinued operations amounted to EUR -0.11 (0.08)
- Cash flow from operations, including discontinued operations, was EUR 11.1 (-3.2) million
- Orders received totalled EUR 30.0 (43.1) million, a decrease of 30.3%
- Order backlog at period-end totalled EUR 79.0 (76.2) million, an increase of 3.7%

January-June 2020, continuing operations

- Net sales amounted to EUR 70.1 (83.5) million, a decrease of 16.1%
- Adjusted operating result stood at EUR 1.6 (4.0) million, a decrease of 60.7%
- Operating result amounted to EUR 1.0 (-3.3) million, with the figure for the comparison period including losses and a provision totalling EUR 7.3 million arising from a crime against a foreign subsidiary
- Earnings per share were EUR 0.01 (-0.25)
- Earnings per share including discontinued operations amounted to EUR -0.18 (-0.27)
- Cash flow from operations, including discontinued operations, was EUR 11.2 (-4.1) million
- Orders received totalled EUR 75.9 (88.8) million, a decrease of 14.5%

Outlook for 2020

Due to the COVID-19 pandemic, many countries in Teleste's main market area have imposed strict and extensive restrictions on the daily functioning of society. At present, it is extremely difficult to estimate the extent of the negative impact of the pandemic on Teleste's net sales and operating result for the financial period 2020. We estimate the company’s comparable net sales and comparable adjusted operating result of continuing operations for 2020 will remain below the 2019 level.

Comments by CEO Jukka Rinnevaara:

"Teleste's second quarter was affected particularly by the COVID-19 pandemic and the technological transformation of access networks, which led to a substantial year-on-year decline in the orders received, net sales and operating result of the Group's continuing operations. The order backlog and cash flow increased year-on-year.

The negative impacts of the COVID-19 pandemic on Teleste's operations continued in the second quarter. In response to the measures imposed by the authorities in various countries, operators restricted or suspended their broadband network construction, while certain customers in passenger information solutions were forced to close down their factories and delay projects. The effects of the pandemic on Teleste's supply chain and component availability have been limited. Our personnel and our in-house production activities have remained operational. The gradual lifting of restrictions on movement began in our target markets and the operations of our customers were partially normalised in June. The pandemic situation remains difficult in certain markets, such as the USA.

The overall impact of the pandemic on Teleste's business is still extremely difficult to estimate due to the uncertainty related to the development of the pandemic and its potential second wave. We have carried out measures to achieve cost savings as well as ensure our delivery capacity and liquidity. We began adjusting our subcontracting in production and initiated temporary layoffs and other cost saving measures. The adjustment measures will continue to the extent necessitated by the pandemic and the market situation. Our personnel have demonstrated a high degree of flexibility with regard to the cost savings and new operating methods, and I want to take this opportunity to thank them. Teleste's highest priorities are to ensure the safety of employees and ensure the continuity of business to serve its customers. We aim to return to normal working methods, while applying effective new operating models, as soon as the pandemic allows.

Orders received by Video and Broadband Solutions decreased in the second quarter in access network products as well as video security and information solutions. The decline in orders was due to restrictions on the activities of operators and train manufacturers caused by the COVID-19 pandemic. Operators delayed network upgrades due to the pandemic as well as the ongoing technological transformation. The order backlog increased slightly year-on-year. Approximately 48% of the order backlog is associated with deliveries scheduled for this year, but the deliveries may be delayed due to the COVID-19 pandemic. Net sales decreased year-on-year in access network products due to the COVID-19 pandemic and as customers prepared for the deployment of distributed access architecture. As the net sales of HFC products declined, we reduced personnel and implemented cost savings in production. The decline in the demand for access network products affects the entire industry and we estimate that we have maintained our market share during the pandemic and the technological transformation of access architecture. New distributed access architecture products are currently being tested together with customers in Europe and the USA, but the COVID-19 pandemic is slowing down the testing process. Net sales also decreased year-on-year in video security and information solutions, particularly due to restrictions on customers' business operations caused by the pandemic. The Video and Broadband Solutions business area's operating result decreased year-on-year due to the lower net sales.

The net sales of continuing operations in the Network Services business area declined in England, where the focus was on high-added-value services, with lower-margin project services being scaled back. Profitability was at a good level thanks to these changes, but the operating result declined slightly compared to the good result achieved in the reference period. Due to the COVID-19 pandemic, operator customers began to restrict installation work on their networks in Switzerland, England and Finland in March. The restrictions continued during the second quarter but began to be lifted gradually. However, the financial effects were not significant during the second quarter.

As we announced in May, Teleste will focus on technology businesses and supporting higher added value services. Consequently, the Group has decided to divest its services business in Germany and classifies the services business of the Germany-based Cableway companies in accordance with IFRS 5 ("Non-current assets held for sale and discontinued operations"). The aim is to find a solution regarding the operation of the Germany-based Cableway companies in the near future."

In accordance with the release issued on 14 May 2020, the services business of the Germany-based Cableway companies has been classified as an asset held for sale pursuant to IFRS 5 ("Non-current assets held for sale and discontinued operations") and the business is reported in accordance with the standard as a discontinued operation starting from the first quarter. The business in question was previously reported under the Network Services business area.

Group Operations April-June 2020, continuing operations

Key figures	**4-6/2020**	**4-6/2019**	**Change, %**
Net sales, EUR million	33.5	42.3	-20.7%
Adjusted EBIT, EUR million [1)]	0.1	2.3	-93.5%
Adjusted EBIT, % [1)]	0.4%	5.3%	
EBIT, EUR million	-0.4	2.3	-117.9%
EBIT, %	-1.2%	5.3%	
Result for the period, EUR million [2)]	-2.0	1.4	-239.1%
Earnings per share, EUR	-0.05	0.07	-176.1%
Earnings per share, EUR [2)]	-0.11	0.08	-235.4%
Cash flow from operations, EUR million [2)]	11.1	-3.2	
Orders received, EUR million	30.0	43.1	-30.3%

[1)] An alternative performance measure defined in the tables section of the report.
[2)] Including discontinued operations

Orders received by the Group in the second quarter totalled EUR 30.0 (43.1) million, a decrease of 30.3% on the reference period last year. Orders received decreased in Video and Broadband Solutions and in Network Services. The order backlog increased by 3.7% on the reference period to EUR 79.0 (76.2) million. Net

sales decreased by 20.7% to EUR 33.5 (42.3) million. The COVID-19 pandemic played a role in the decline in net sales in both business areas, while the technological transformation of distributed access architecture was also a factor in the lower net sales of Video and Broadband Solutions.

Expenses for material and manufacturing services amounted to EUR 17.2 (21.2) million, a decrease of 18.9%. Personnel expenses amounted to EUR 11.2 (12.1) million, down by 7.6%. Depreciation and amortisation amounted to EUR 1.7 (1.6) million, an increase of 3.6%. Other operating expenses decreased by 22.8% to EUR 4.3 (5.6) million. Personnel expenses and other operating expenses were reduced by adaptation measures aimed at mitigating the negative impacts of the COVID-19 pandemic. The adjusted operating result was EUR 0.1 (2.3) million, representing 0.4% (5.3%) of net sales. Restructuring costs totalling EUR 0.6 million associated with the reduction in HFC product manufacturing capacity and the discontinuation of field services in Belgium have been eliminated from the adjusted operating result. The adjustment item was not allocated to the business areas. The operating result was EUR -0.4 (2.3) million. Net financial expenses were EUR 0.6 (0.5) million. The result for the period for continuing operations was EUR -1.0 (1.3) million and earnings per share were EUR -0.05 (0.07).

Cash flow from operations, including discontinued operations, was EUR 11.1 (-3.2) million. Cash flow from operations increased due to the release of working capital. Net working capital declined due to a decrease in advance payments invoiced for project deliveries and lower trade receivables. The Group also improved its liquidity by delaying the payment of taxes and employer contributions as well as taking advantage of the other COVID-19 relief offered by the authorities. These had a combined effect of EUR 3.3 million on cash flow in the second quarter. Approximately half of the received benefit reduces cash flow during the remainder of the year, while the rest will reduce cash flow in 2021.

Group Operations, January-June 2020, continuing operations

Key figures	**1-6/2020**	**1-6/2019**	**Change, %**	**1-12/2019**
Net sales, EUR million	70.1	83.5	-16.1%	165.3
Adjusted EBIT, EUR million [1)]	1.6	4.0	-60.7%	8.8
Adjusted EBIT, % [1)]	2.2%	4.8%		5.3%
EBIT, EUR million	1.0	-3.3		1.9
EBIT, %	1.5%	-4.0%		1.1%
Result for the period, EUR million [2)]	-3.4	-5.0		-1.7
Earnings per share, EUR	0.01	-0.25		-0.02
Earnings per share, EUR [2)]	-0.18	-0.27		-0.07
Cash flow from operations, EUR million [2)]	11.2	-4.1		4.1
Net gearing, % [2)]	25.4%	36.5%		34.1%
Equity ratio, % [2)]	48.4%	47.7%		49.5%
Orders received,EUR million	75.9	88.8	-14.5%	167.5
Order backlog, EUR million	79.0	76.2	3.7%	73.2
Personnel at period-end	849	915	-7.2%	867

[1)] An alternative performance measure defined in the tables section of the report.
[2)] Including discontinued operations

Orders received by the Group decreased by 14.5% to EUR 75.9 (88.8) million. Orders received decreased in Video and Broadband Solutions. Net sales decreased by 16.1% and amounted to EUR 70.1 (83.5) million. Net sales decreased in both business areas.

Expenses for material and manufacturing services decreased by 18.3% to EUR 34.7 (42.4) million. Personnel expenses amounted to EUR 22.8 (23.5) million, down by 3.0%. Depreciation and amortisation amounted to EUR 3.4 (3.3) million, an increase of 1.2%. Other operating expenses amounted to EUR 9.2 (18.7) million. Personnel expenses and other operating expenses were reduced by adaptation measures aimed at mitigating the negative impacts of the COVID-19 pandemic. Other operating expenses in the comparison period included a provision totalling EUR 7.3 million recognised in relation to the loss of assets due to a crime committed against a foreign subsidiary and the handling of the case. This amount was eliminated from the adjusted operating result. The adjusted operating result was EUR 1.6 (4.0) million, down by 60.7%. The adjusted operating result represented 2.2% (4.8%) of net sales. Restructuring costs totalling EUR 0.6 million associated with the reduction in HFC product manufacturing capacity and the discontinuation of field services in Belgium have been eliminated from the adjusted operating result. The adjustment item was not allocated to the business areas. The operating result was EUR 1.0 (-3.3) million, or 1.5% (-4.0%) of net sales. Net financial expenses were EUR 0.3 (0.2) million and the Group's direct taxes amounted to EUR 0.5 (1.0) million. The result for the period for continuing operations was EUR 0.2 (-4.5) million. Earnings per share were EUR -0.18 (-0.27).

Cash flow from operations, including discontinued operations, was EUR 11.2 (-4.1) million. Cash flow from operations increased due to the release of working capital. Net working capital declined due to a decrease in advance payments invoiced for project deliveries and lower trade receivables. The Group also improved its liquidity by delaying the payment of taxes and employer contributions as well as taking advantage of the other COVID-19 relief offered by the authorities. These had a combined effect of EUR 3.3 million on cash flow. Approximately half of the received benefit reduces cash flow during the remainder of the year, while the rest will reduce cash flow in 2021.

Video and Broadband Solutions April-June 2020

Key figures (EUR 1,000)	**4-6/2020**	**4-6/2019**	**Change, %**
Orders received	24,978	36,094	-30.8%
Net sales	28,462	35,291	-19.4%
EBIT	-191	1,569	-112.2%
EBIT, %	-0.7%	4.4%	

Orders received in the second quarter totalled EUR 25.0 (36.1) million, a decrease of 30.8% year-on-year. Orders received decreased both in access network products and in video security and information solutions. Order volumes were affected by operators' expectations regarding the transition to distributed access architecture technology as well as the COVID-19 pandemic. The order backlog totalled EUR 79.0 (76.2) million, an increase of 3.7%. Net sales decreased by 19.4% to EUR 28.5 (35.3) million. Net sales decreased both in access network products and in video security and information solutions. Some customers

had to delay projects due to the COVID-19 pandemic. EBIT decreased by 112.2% to EUR -0.2 (1.6) million, representing -0.7% (4.4%) of net sales. The decrease in EBIT was attributable to net sales being lower than in the reference period.

R&D expenses in the business area amounted to EUR 2.7 (3.2) million, representing 9.6% (9.1%) of net sales. Product development projects were focused on distributed access architecture (including solutions designed for the US market), situational awareness and video security solutions, passenger information systems and customer-specific projects. Capitalised R&D expenses amounted to EUR 0.9 (1.0) million. Depreciation on capitalised R&D expenses was EUR 0.7 (0.6) million.

Video and Broadband Solutions January-June 2020

Key figures (EUR 1,000)	1-6/2020	1-6/2019	Change, %	1-12/2019
Orders received	65,476	75,784	-13.6%	143,455
Net sales	59,665	70,568	-15.5%	141,351
EBIT	1,017	3,777	-73.1%	8,056
EBIT, %	1.7%	5.4%		5.7%

Orders received totalled EUR 65.5 (75.8) million, a decrease of 13.6% on the reference period. Orders received decreased in access network products as well as video security and information systems. Net sales decreased by 15.5% to EUR 59.7 (70.6) million. Net sales decreased mainly in access network products. EBIT decreased by 73.1% to EUR 1.0 (3.8) million. EBIT represented 1.7% (5.4%) of net sales. The decrease in EBIT was attributable to net sales being lower than in the reference period.

R&D expenses amounted to EUR 5.9 (6.2) million, representing 10.0% (8.7%) of net sales. Product development projects were focused on distributed access architecture (including solutions designed for the US market), situational awareness and video security solutions, passenger information systems and customer-specific projects. Capitalised R&D expenses amounted to EUR 2.1 (2.0) million. Depreciation on capitalised R&D expenses was EUR 1.4 (1.2) million.

Network Services, April-June 2020, continuing operations

Teleste has revised its strategy, according to which the company will focus on technology business operations and the services of higher added value supporting them. In accordance with the new strategy, Teleste will divest its extensive cable network field service operations in Germany to focus on higher-added-value services in the future. The services business of the Germany-based Cableway companies has been classified as an asset held for sale pursuant to IFRS 5 ("Non-current assets held for sale and discontinued operations") and Teleste reports the business as a discontinued operation in accordance with the standard. The business classified as an asset held for sale has not been reported under the figures of the Network Services business area as of the beginning of the first quarter. Teleste will continue its higher-added-value services business in the UK, Switzerland, Finland, Poland and Belgium.

Key figures (EUR 1,000)	**4-6/2020**	**4-6/2019**	**Change, %**
Orders received	5,054	6,994	-27.7%
Net sales	5,054	6,994	-27.7%
EBIT	337	684	-50.7%
EBIT, %	6.7%	9.8%	

In continuing operations, orders received and net sales decreased by 27.7% and amounted to EUR 5.1 (7.0) million. Net sales declined due to the restrictions imposed in response to the COVID-19 pandemic and in England, where the focus was on high-added-value design services and the scaling down of lower-margin project services. EBIT decreased by 50.7% to EUR 0.3 (0.7) million, representing 6.7% (9.8%) of net sales. The decrease in EBIT was attributable to net sales being lower than in the reference period as well as restructuring measures implemented in Belgium. The restructuring costs in Belgium have been eliminated from adjusted EBIT only at the Group level.

Network Services January-June 2020, continuing operations

Key figures (EUR 1,000)	1-6/2020	1-6/2019	Change, %	1-12/2019
Orders received	10,413	12,972	-19.7%	23,996
Net sales	10,413	12,972	-19.7%	23,996
EBIT	553	217	154.4%	776
EBIT, %	5.3%	1.7%		3.2%

In continuing operations, orders received and net sales decreased by 19.7% year-on-year, amounting to EUR 10.4 (13.0) million. Net sales declined due to the restrictions imposed in response to the COVID-19 pandemic and in England, where the focus was on high-added-value design services and the scaling down of lower-margin project services. EBIT was EUR 0.6 (0.2) million. EBIT grew in England, where the focus was on high-added-value design services. The restructuring costs in Belgium have been eliminated from adjusted EBIT only at the Group level.

Discontinued operations

The result for the period of the operations classified as an asset held for sale pursuant to IFRS 5 ("Non-current assets held for sale and discontinued operations") was EUR -1.0 (0.1) million in the second quarter. The result for the period January-June was EUR -3.6 (-0.5) million. The net assets of the business classified as an asset held for sale on the consolidated balance sheet amounted to EUR 10.7 million as at 30 June 2020. The valuation of the business classified as an asset held for sale will be assessed on the basis of different options aimed at divestment. By divesting its Germany-based services business operations, Teleste seeks to safeguard its financial position and its ability to invest in technology and services business growth areas.

Personnel and organisation January-June 2020

The Group's continuing operations employed an average of 856 (899) people during the review period. Of these, 660 (680) were employed by Video and Broadband

Solutions and 197 (219) by Network Services. At the end of the review period, the Group's continuing operations employed 849 (915) people, of whom 46% (46%) worked abroad. Approximately 3% of the Group's employees were working outside Europe.

Personnel expenses amounted to EUR 22.8 (23.5) million.

Investments and product development in January–June 2020, including discontinued operations

Investments by the Group totalled EUR 4.3 (5.1) million, representing 4.1% (4.3%) of net sales. Investments in product development amounted to EUR 2.1 (2.0) million and other investments to EUR 2.2 (3.1) million.

Product development projects were focused on distributed access architecture (including solutions designed for the US market), situational awareness and video security solutions, passenger information systems and customer-specific projects.

Financing and capital structure January–June 2020, including discontinued operations

Cash flow from operations was EUR 11.2 (-4.1) million. Cash flow from operations increased due to the release of working capital. Net working capital declined due to a decrease in advance payments invoiced for project deliveries and lower trade receivables. The Group also improved its liquidity by delaying the payment of taxes and employer contributions as well as taking advantage of the other COVID-19 relief offered by the authorities. These had a combined effect of EUR 3.3 million on cash flow during the period. Approximately half of the received benefit reduces cash flow during the remainder of the year, while the rest will reduce cash flow in 2021.

Teleste Corporation has credit and loan facilities with a combined total value of EUR 50.0 million. The EUR 20.0 million credit facility will run until the end of August 2021 and includes a one-year extension option. The five-year loan facility of EUR 30.0 million will mature in August 2022. The loan is repaid in annual instalments of EUR 3.0 million. The remaining loan principal amounted to EUR 24.0 million on 30 June 2020. At the end of the period under review, the amount of unused binding credit facilities was EUR 20.0 (20.0) million.

At period-end, the Group's interest-bearing debt stood at EUR 32.1 (31.9) million. The Group's equity ratio was 48.4% (47.7%) and net gearing ratio 25.4% (36.5%).

Key risks faced by the business areas

Teleste is a technology and services company whose current business areas are Video and Broadband Solutions and Network Services. Europe is the main market and business area, but the company aims to expand its business, particularly in North America. Teleste's customers include cable operators, public transport operators, train manufacturers and specified organisations in the public sector.

In Video and Broadband Solutions, customer-specific and integrated deliveries of solutions create favourable conditions for growth. On the other hand, the allocation of resources to the deliveries and the technical implementation are demanding tasks, which is why there are also risks involved. Our operator customers' network investments vary according to the development of technology, customers' need to upgrade and their financial structure. End-to-end deliveries of video security and information solution systems may be large in size, setting high demands for the project quotation calculation and management and, consequently, involving risks. Increased competition created by the new service providers may undermine the cable operators' ability to invest. Correct technological choices, product development and their timing are vital to our success. Various technologies are used in our products and solutions, and the intellectual property rights associated with the application of these technologies can be interpreted in different ways by different parties. Such difficulties of interpretation may lead to costly investigations or court proceedings. Customers have very demanding requirements for the performance of products, their durability in challenging conditions and their compatibility with other components of integrated systems. Regardless of careful planning and quality assurance, complex products may fail in the customer's network and lead to expensive repair obligations. The consequences of natural phenomena and global disruptions, such as an epidemic, or accidents, such as a fire, may reduce the availability of components in the order-delivery chain of the electronics industry or suspend our own manufacturing operations. Customs levies imposed by major powers in the world economy and other trade war measures may have a negative effect on component supply chains and, in particular, the profitability of products exported to the United States. Many competitors in the business area come from the United States, which is why the exchange rate of the euro against the US dollar has an effect on our competitiveness. In particular, the development of the exchange rates of the US dollar and the Chinese renminbi against the euro influences our product costs and result. The company hedges against short-term currency exposure by means of forward exchange contracts. Future treaties between the UK and the European Union could make deliveries to English customers more difficult.

The net sales of Network Services come mainly from a small number of large European customers. Therefore, a significant change in the demand for our services by any one of them is reflected in the actual deliveries and profitability. The improvement of customer satisfaction and productivity requires efficient service process management, as well as innovative process, product and logistics solutions to ensure the quality and cost-efficiency of services. The smooth functioning of cable networks requires efficient technical management of the networks and suitable equipment solutions in accordance with contractual obligations. This, in turn, requires continuous development of the skills and knowledge of our personnel and subcontractors. In addition, the sufficiency and usage rates of our personnel and subcontractor network influence the company's delivery capacity and profitability. Subcontractors' costs may increase faster than it is possible for Teleste to increase the prices of its services to its own customers. In larger projects with overall responsibility, tender calculation and project management are complex tasks that involve risks. Severe weather conditions may affect our ability to deliver services. The divestment of the Cableway business involves risks that could, should they materialise, lead to impairment of the assets related to the business and significant losses.

Teleste's strategy involves risks and uncertainties: new business opportunities may fail to be identified or successfully used. The business areas must take into account market movements, such as consolidations among our customers and competitors. Periods of technological transformation, such as operators migrating to distributed access architecture, may significantly change the competitive positions of the current suppliers and attract new competitors to the market. Intensified competition may decrease the prices of products and solutions faster than we are able to reduce our products' manufacturing and delivery costs.

Various information systems are critical to the development, manufacture and supply of products to our customers. The maintenance of information systems and deployment of new systems involve risks that may affect our ability to deliver products and services. Information systems are also exposed to external threats and we strive to protect ourselves from these threats through technical solutions and by increasing the security competence of our personnel. Teleste Group may also be targeted by illegal activities and fraud attempts that could have a significant effect on the financial result. The Group strives to minimise these risks by continuing to develop good governance practices and increasing the security competence of its personnel. Recruiting and maintaining skilled personnel requires encouragement, development and recruitment efforts, which can fail.

The COVID-19 pandemic presents risks to Teleste's supply chain, the company's own operating capacity, the operating capacity of customers and the demand for Teleste's products and services. Thus far, in response to the restrictive measures imposed by the authorities in various countries, operators have reduced or suspended their broadband network construction, while certain customers in passenger information solutions have been forced to close down their factories and delay projects. The effects of the pandemic on Teleste's supply chain and component availability have been limited. Our personnel and our in-house production activities have remained operational. The company initiated measures in the first quarter to ensure its liquidity and financial position. The COVID-19 pandemic had a negative impact on net sales and operating result in the second quarter. If the restrictions on movement in society imposed by the authorities in various countries were to remain in effect or be reintroduced, we expect that the negative impact on Teleste's net sales for the remainder of the year would be significant.

The Board of Directors annually reviews essential business risks and their management. Risk management constitutes an integral part of the strategic and operational activities of the business areas. Risks are reported to the Audit Committee on a regular basis.

In the period under review, no such legal proceedings or judicial procedures were pending that would have had any essential significance for the Group operation.

Group structure

The parent company has a branch office in the Netherlands and subsidiaries in 14 countries outside Finland.

Shares and changes in share capital

On 30 June 2020, Tianta Oy was the largest single shareholder with a holding of 23.3%.

In the period under review, the lowest price of the company's share was EUR 3.51 (5.26) and the highest price was EUR 5.78 (6.80). The closing price on 30 June 2020 stood at EUR 4.36 (5.90). According to Euroclear Finland Ltd, the number of shareholders at the end of the period under review was 5,580 (5,544). Foreign and nominee-registered holdings accounted for 5.3% (6.5%) of the share capital. The value of Teleste shares traded on Nasdaq Helsinki from 1 January to 30 June 2020 was EUR 6.1 (5.7) million. In the period under review, 1.3 (1.0) million Teleste shares were traded on the stock exchange.

On 22 April 2020, Teleste Corporation's Board of Directors decided on a directed share issue without consideration, relating to the reward payment for the performance period 2017-2019 of Teleste Group's share-based incentive plan 2015. In the share issue, 22,402 Teleste Corporation shares held by the company were conveyed without consideration to the key employees participating in the share-based incentive plan in accordance with the terms and conditions of the plan.

At the end of June, the Group held 776,419 (798,821) of its own shares, all held by the parent company Teleste Corporation. At the end of the review period, the Group's holding of the total number of shares amounted to 4.1% (4.2%).

On 30 June 2020, the company's registered share capital stood at EUR 6,966,932.80, divided into 18,985,588 shares.

Valid authorisations at the end of the review period:

- The Board of Directors may acquire 1,200,000 own shares of the company otherwise than in proportion to the holdings of the shareholders with unrestricted equity through trading on the regulated market organised by Nasdaq Helsinki at the market price of the time of the purchase.

- The Board of Directors may decide on issuing new shares and/or transferring the company's own shares held by the company, so that the maximum total number of shares issued and/or transferred is 2,000,000.

- The total number of new shares to subscribe for under the special rights granted by the company and own shares held by the company to be transferred may not exceed 1,000,000 shares, which number is included in the above maximum number concerning new shares and the Group's own shares held by the company.

- These authorisations are valid until 21 October 2021.

Decisions by the Annual General Meeting

The Annual General Meeting (AGM) of Teleste Corporation held on 22 April 2020 adopted the financial statements and consolidated financial statements for 2019 and discharged the members of the Board of Directors and the CEO from liability for the financial period 2019. The AGM resolved to authorise the Board of Directors to resolve, at its discretion, on the distribution of a maximum of EUR 0.10 per share as dividend from the retained earnings and/or as repayment of capital from the fund for invested unrestricted equity in one or more instalments.

The authorisation is valid until the opening of the next AGM. The company will announce each Board resolution on the distribution of funds separately and confirm the relevant record and payment dates in such announcements.

The AGM decided that the Board of Directors shall consist of six 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% of the total gross remuneration amount will be used to purchase Teleste Corporation's shares for the Board members through trading on a regulated market organised by Nasdaq Helsinki Ltd and the rest will be paid in cash. In addition, EUR 400 per meeting shall be paid to the members of the Board of Directors' Audit Committee as a meeting fee. However, a separate meeting fee shall not be paid to the chairman of the Audit Committee.

Jussi Himanen, Vesa Korpimies, Mirel Leino, 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 22 April 2020, the Board of Directors elected Timo Luukkainen as its Chairman. Mirel Leino was elected chair of the Audit Committee, with Jussi Himanen and Vesa Korpimies as members.

The AGM decided to choose one auditor for Teleste Corporation. The audit firm KPMG Oy Ab was chosen as the company's auditor. The auditor has appointed Petri Kettunen, APA, as the auditor in charge.

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 subscribe for under the special rights granted by the company and own shares held by the company to be transferred may not exceed 1,000,000 shares, which number is included in the above maximum number concerning new shares and the Group's own shares held by the company. The authorisations are valid for eighteen (18) months from the resolution of the AGM. The authorisations override any previous authorisations to decide on issuances of

new shares and on granting stock option rights or other special rights entitling to shares.

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resolution of the AGM. The authorisations override any previous authorisations to decide on issuances of new shares and on granting stock option rights or other special rights entitling to shares.

The AGM resolved, in accordance with the proposal of the Board of Directors, to establish a shareholders' nomination board that prepares matters concerning the appointment and remuneration of the Board of Directors. Further, the AGM adopted the charter of the nomination board according to the proposal of the Board of Directors. The AGM also approved the proposal by the Board of Directors for the remuneration policy of the governing bodies of the company.

Events after the end of the review period

To strengthen its financing reserve, Teleste Corporation signed a new financing agreement regarding the withdrawal of a loan of EUR 6.0 million. The loan has a maturity of 4 years and it will be repaid in fixed instalments in six-month intervals.

Operating environment in 2020

The business objective of Video and Broadband Solutions is to maintain its strong market position in Europe and to strengthen this market position particularly in North America.

The demand for broadband services by cable operators continues to grow. Household broadband traffic is estimated to grow at an annual rate of 30-40% in the next few years. Broadband traffic has increased sharply during the COVID-19 pandemic due to the growth of remote work and remote education and the higher consumption of streaming services. It is possible that part of the growth created by the pandemic will remain a permanent phenomenon, which could accelerate network investments when the restrictions imposed due to the pandemic are lifted. European cable operators have been able to competitively respond to the increasing demand by investing in DOCSIS 3.1 standard-compliant 1.2 GHz frequency range network upgrades during the past few years. Investments in expansion of the traditional HFC network infrastructure frequency range continue, but with a lower volume. Operators are already planning investment in next-generation distributed access architecture network solutions. For years now, the cable industry, including Teleste, has been preparing for the next technology wave with which investment in cable network infrastructure can be competitively continued also in the years to come. Teleste will continue to invest in the development of expertise and new technology as well as customer projects. Operators' investments in distributed access architecture have been delayed compared with previous schedule estimates and the COVID-19 pandemic is likely to cause further delays, with field testing by operators having to be postponed to the second half of 2020. We estimate that operators' distributed access architecture deployment projects will commence at the beginning of 2021. The transformation to distributed architecture provides Teleste with growth opportunities, but it also involves risks. Growth is enabled by the increased value of access network

optical products as well as the possibility to use the technological transformation to expand business into the North American markets. Achieving interoperability with the cable network central systems is the most significant risk. The COVID-19 pandemic makes it difficult to predict the development of the full-year net sales of access network products in 2020, but the slowing down of operators' network upgrades during the pandemic will continue to have a negative effect on net sales in the third and fourth quarters.

Ensuring safety in city environments, the increase of public transport services and the increasing popularity of smart digital systems for a smoother life provide a foundation for growing business in the coming years. Public transport operators and other authorities must ensure smooth operation of services and infrastructure as well as the safety of people. Public transport information systems are continuously developing to be increasingly smart and real-time. Video security solutions are becoming increasingly smart, including pattern recognition and artificial intelligence. Furthermore, a need is arising in the market for comprehensive situational awareness systems that include management of other sensor-level data flows in addition to video image and automate operating processes in exceptional situations. In particular, the market growth of public transport information systems will be slowed down in the near future by the reduction in the use of public transport caused by the COVID-19 pandemic as well as delays in investments and projects. Market is expected to decrease in 2021, with a subsequent return to growth expected in 2021. Ensuring competitiveness requires Teleste to continuously make R&D investments in new intelligent solutions. In addition, it is necessary to improve the productivity and cost-efficiency of business. Teleste's market share in public transport information systems is expected to continue to grow in 2020. Characteristic for the business, a considerable proportion of deliveries will be distributed over several years. The COVID-19 pandemic will delay several projects and deliveries in 2020. For this reason, we estimate that the net sales of video security and information solutions in 2020 will be approximately on par with the previous year, with a substantial proportion of net sales taking place in the second half of the year. However, this estimate involves uncertainty caused by the pandemic.

In the Network Services business area, operators' network investments are expected to also increase the demand for services in the long term. Teleste's aim is to focus on high-added-value services and increase the operational efficiency of the services business. In line with the new strategy, the company will divest its extensive field service operations in Germany. The services business in Germany has been classified as an asset held for sale and the company reports it as a discontinued operation in accordance with IFRS 5. In our continuing services business operations, we see growth opportunities particularly in network design services. Due to the COVID-19 pandemic, operator customers began to restrict upgrades on their networks starting from March. These restrictions continued in the second quarter but began to be gradually relaxed. Estimating the net sales for the remainder of the year involves uncertainty depending on the development of the pandemic.

Outlook for 2020

On 27 March, Teleste withdrew the financial guidance for 2020 previously issued by the company in connection with the financial statement release.

Due to the COVID-19 pandemic, many countries in Teleste's main market area have imposed strict and extensive restrictions on the daily functioning of society. At present, it is extremely difficult to estimate the extent of the negative impact of the pandemic on Teleste's net sales and operating result for the financial period 2020. We estimate the company’s comparable net sales and comparable adjusted operating result of continuing operations for 2020 will remain below the 2019 level.

12 August 2020

Teleste Corporation Jukka Rinnevaara

Board of Directors President and CEO

This half year financial 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 report applying the same accounting principles, as those described in detail in the consolidated financial statements except for the adoption of new standards and amendments effective as of January 1, 2020. The data stated in this report is unaudited.

STATEMENT OF COMPREHENSIVE INCOME (tEUR)	4-6/2020	4-6/2019	Change %	1-12/2019
Continued operations				
Net Sales				
Change in inventories of finished goods	33,516	42,285	-20.7 %	165,348
Other operating income	504	540	-6.7 %	2,210
Materials and services	-17,222	-21,232	-18.9 %	-83,340
Personnel expenses	-11,155	-12,077	-7.6 %	-46,049
Depreciation	-1,707	-1,648	3.6 %	-6,747
Other operating expenses	-4,339	-5,617	-22.8 %	-29,532
Operating profit	-404	2,251	-117.9 %	1,890
Financial income	88	62	41.5 %	1,036
Financial expenses	-692	-535	29.3 %	-1,268
Profit after financial items	-1,007	1,778	-156.6 %	1,658
Profit before taxes	-1,007	1,778	-156.6 %	1,658
Taxes	11	-473	-102.4 %	-1,987
Net profit of continued operations	-995	1,305	-176.2 %	-328
Discontinued operations				
Net profit of discontinued operations	-984	118	-935.2 %	-1,324
Net profit	-1,979	1,423	-239.1 %	-1,653
Attributable to:				
Equity holders of the parent	-1,946	1,435	-235.6 %	-1,327
Non-controlling interests	-33	-12	173.3 %	-327
	-1,979	1,423	-239.1 %	-1,653
Earnings per share for result of the year attributable to the equity holders of the parent (expressed in euro per share)				
Basic	-0.11	0.08	-235.4 %	-0.07
Diluted	-0.11	0.08	-235.4 %	-0.07
Earnings per share for result of the year of continued operations attributable to the equity holders of the parent (expressed in euro per share)				
Basic	-0.05	0.07	-176.1 %	-0.02
Diluted	-0.05	0.07	-176.1 %	-0.02

Earnings per share for result of the year of discontinued operations attributable to the equity holders of the parent (expressed in euro per share)				
Basic	-0.05	0.01	-934.1 %	-0.07
Diluted	-0.05	0.01	-934.1 %	-0.07

Total comprehensive income for the period (tEUR)				
Net profit	-1,979	1,423	-239.1 %	-1,653
Possible items with future net profit effect				
Translation differences	298	-139	-313.6 %	299
Cash flow hedges	22	-9	-340.2 %	19
Total comprehensive income for the period	-1,659	1,275	-230.2 %	-1,335
Attributable to:				
Equity holders of the parent	-1,618	1,292	-225.2 %	-1,019
Non-controlling interests	-41	-18	123.5 %	-316
	-1,659	1,274	-230.2 %	-1,335

STATEMENT OF COMPREHENSIVE INCOME (tEUR)	1-6/2020	1-6/2019	Change %	1-12/2019
Continued operations				
Net Sales	70,079	83,541	-16.1 %	165,348
Other operating income	1,046	1,106	-5.4 %	2,210
Materials and services	-34,673	-42,417	-18.3 %	-83,340
Personnel expenses	-22,842	-23,536	-3.0 %	-46,049
Depreciation	-3,377	-3,337	1.2 %	-6,747
Other operating expenses	-9,213	-18,662	-50.6 %	-29,532
Operating profit	1,019	-3,306	-130.8 %	1,890
Financial income	429	380	12.7 %	1,036
Financial expenses	-717	-560	28.0 %	-1,268
Profit after financial items	731	-3,486	-121.0 %	1,658
Profit before taxes	731	-3,486	-121.0 %	1,658
Taxes	-548	-995	-44.9 %	-1,987
Net profit of continued operations	183	-4,481	-104.1 %	-328
Discontinued operations				
Net profit of discontinued operations	-3,574	-494	623.1 %	-1,324
Net profit	-3,391	-4,975	-31.8 %	-1,653
Attributable to:				
Equity holders of the parent	-3,299	-4,923	-33.0 %	-1,327
Non-controlling interests	-92	-52	77.8 %	-327
	-3,391	-4,975	-31.8 %	-1,653
Earnings per share for result of the year attributable to the equity holders of the parent (expressed in euro per share)				
Basic	-0.18	-0.27	-33.1 %	-0.07

Diluted	-0.18	-0.27	-33.0 %	-0.07
Earnings per share for result of the year of continued operations attributable to the equity holders of the parent (expressed in euro per share)				
Basic	0.01	-0.25	-104.1 %	-0.02
Diluted	0.01	-0.25	-104.1 %	-0.02
Earnings per share for result of the year of discontinued operations attributable to the equity holders of the parent (expressed in euro per share)				
Basic	-0.20	-0.03	622.3 %	-0.07
Diluted	-0.20	-0.03	622.9 %	-0.07
Total comprehensive income for the period (tEUR)				
Net profit	-3,391	-4,975	-31.8 %	-1,653
Possible items with future net profit effect				
Translation differences	-869	71	-1325.9 %	299
Cash flow hedges	34	-7	-578.6 %	19
Total comprehensive income for the period	-4,226	-4,911	-13.9 %	-1,335
Attributable to:				
Equity holders of the parent	-4,132	-4,863	-15.0 %	-1,019
Non-controlling interests	-95	-48	95.8 %	-316
Equity holders of the parent	-4,226	-4,911	-13.9 %	-1,335

STATEMENT OF FINANCIAL POSITION (tEUR)	30/06/2020	30/06/2019	Change %	31/12/2019
Non-current assets				
Intangible assets	13,317	11,851	12.4 %	12,907
Goodwill	30,299	30,537	-0.8 %	30,668
Property, plant, equipment	10,387	15,320	-32.2 %	17,038
Other non-current financial assets	633	570	11.0 %	645
Deferred tax asset	1,381	2,090	-33.9 %	1,924
	56,016	60,368	-7.2 %	63,182
Current assets				
Inventories	21,759	39,600	-45.1 %	37,409
Trade and other receivables	31,019	46,470	-33.2 %	40,112
Tax Receivable, income tax	630	526	19.8 %	683
Cash and cash equivalents	14,354	6,773	111.9 %	8,249
	67,763	93,368	-27.4 %	86,452
Assets reported in discontinued operations	22,259			
Total assets	146,037	153,736	-5.0 %	149,634
Shareholder's equity and liabilities				
Share capital	6,967	6,967	0.0 %	6,967
Other equity	61,511	61,408	0.2 %	65,606
Owners of the parent company	68,478	68,374	0.2 %	72,573
Non-controlling interests	473	474	-0.1 %	206
EQUITY	68,950	68,848	0.1 %	72,779
Non-current liabilities				
Deferred tax liability	1,679	1,627	3.2 %	1,603
Non-current liabilities, interest-bearing	23,828	25,455	-6.4 %	26,501

Non-current interest-free liabilities	492	88	458.3 %	79
Non-current provisions	45	267	-83.0 %	93
	26,044	27,436	-5.1 %	28,275
Current liabilities				
Current interest-bearing liabilities	5,707	6,473	-11.8 %	6,531
Trade Payables and Other Liabilities	31,049	48,716	-36.3 %	39,238
Tax liability, income tax	1,408	1,049	34.2 %	1,283
Current provisions	1,339	1,214	10.3 %	1,528
	39,502	57,452	-31.2 %	48,579
Liabilities reported in discontinued operations	11,540			
Total shareholder's equity and liabilities	146,037	153,736	-5.0 %	149,634

CONSOLIDATED CASH FLOW STATEMENT (tEUR)	1-6/2020	1-6/2019	Change %	1-12/2019
Cash flows from operating activities				
Profit for the period	-3,126	-4,975	-37.2 %	-1,653
Adjustments	6,291	6,274	0.3 %	12,405
Interest and other financial expenses and incomes	-375	-240	56.4 %	-380
Paid Taxes	-505	-1,071	-52.9 %	-1,725
Change in working capital	8,926	-4,130	-316.2 %	-4,589
Cash flow from operating activities	11,212	-4,141	-370.8 %	4,058
Cash flow from investing activities				
Purchase of tangible and intangible assets	-3,086	-3,865	-20.1 %	-8,749
Proceeds from sales of PPE	28	177	-84.4 %	475
Acquisition of subsidiaries, net of cash acquired	0	-1,050	n/a	-1,050
Purchase of investments	6	0	n/a	-77
Net cash used in investing activities	-3,052	-4,737	-35.6 %	-9,401
Cash flow from financing activities				
Proceeds from borrowings	500	202	147.8 %	0
Payments of borrowings	-567	-996	-43.1 %	-489
Payment of leasing liabilities	-2,091	-2,184	-4.3 %	-4,499
Dividends paid	0	-3,637	-100.0 %	-3,630
Changes in non-controlling interest	362	0	n/a	0
Net cash used in financing activities	-1,796	-6,616	-72.9 %	-8,618
Change in cash				
Cash in the beginning	8,249	22,240	-62.9 %	22,240
Effect of currency changes	-23	27	-182.9 %	-28
Change	6,363	-15,494	-141.1 %	-13,961
Cash at the end	14,590	6,773	115.4 %	8,249

KEY FIGURES	1-6/2020	1-6/2019	Change %	1-12/2019
Operating profit, continued operations	1,019	-3,306	-130.8 %	1,890
Earnings per share, EUR	-0.18	-0.27	-33.1 %	-0.07
Earnings per share fully diluted, EUR	-0.18	-0.27	-33.0 %	-0.07
Shareholders' equity per share, EUR	3.63	3.79	-4.1 %	4.00
Return on equity	-9.6 %	-13.6 %	-29.6 %	-2.2 %
Return on capital employed	-2.4 %	-6.6 %	-63.7 %	1.6 %
Equity ratio	48.4 %	47.7 %	1.6 %	49.5 %
Gearing	25.4 %	36.5 %	-30.4 %	34.1 %
Investments, tEUR	4,285	5,070	-15.5 %	12,981
Investments % of net sales, including discontinued operations	4.1 %	4.3 %	-5.1 %	7.9 %
Order backlog, tEUR	79,033	76,233	3.7 %	73,223
Personnel, average	1,309	1,368	-4.3 %	1,363
Personnel, average, continued operations	856	899	-4,8 %	895
Number of shares (thousands) including own shares	18,986	18,986	0.0 %	18,986
Highest share price, EUR	5.78	6.80	-15.0 %	6.80
Lowest share price, EUR	3.51	5.26	-33.3 %	5.04
Average share price, EUR	4.62	5.88	-21.4 %	5.72
Turnover, in million shares	1.3	1.0	34.1 %	1.6
Turnover, in MEUR	6.1	5.7	7.0 %	9.2
ALTERNATIVE PERFORMANCE MEASURES				
Adjusted operating profit, continued operations	1,569	3,992	-60.7 %	8,832
Adjusted earning per share, EUR	-0.15	0.13	-215.6 %	0.31
BRIDGE OF CALCULATION				
Operating profit, continued operations	1,019	-3,306	-130.8 %	1,890
Cost item caused by a crime	0	7,298	-100.0 %	6,942
Costs of business reorganization	550	0	n/a	0
Adjusted operating profit,continued operations	1,569	3,992	-60.7 %	8,832
Net profit/loss to equity holder	-3,299	-4,923	-33.0 %	-1,327
Outstanding shares during the quarter	18,198	18,176	0.1 %	18,181
Earnings per share, basic	-0.18	-0.27	-33.1 %	-0.07
Net profit/loss to equity holder	-3,299	-4,923	-33.0 %	-1,327
Cost item caused by a crime	0	7,298	-100.0 %	6,942
Costs of business reorganization	550	0	n/a	0
Outstanding shares during the quarter	18,198	18,176	0.1 %	18,181

Adjusted earnings per share, EUR	-0.15	0.13	-215.6 %	0.31

Treasury shares

	Number of shares	% of shares	% of votes
Possession of company's own shares 30/6/2020	776,419	4.09%	4.09%

Contingent liabilities and pledged assets (tEUR)

Leasing and rent liabilities	878	836	5.0 %	886

Derivative instruments (tEUR)				
Value of underlying forward contracts	19,515	24,369	-19.9 %	21,146
Market value of forward contracts	161	86	88.2 %	-48
Interest rate swap	10,000	10,000	0.0 %	10,000
Market value of interest swap	-28	-110	-74.6 %	-65

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

OPERATING SEGMENTS (tEUR)	1-6/2020	1-6/2019	Change %	1-12/2019
Video and Broadband Solutions				
Orders received	65,476	75,784	-13.6 %	143,455
Net sales	59,665	70,568	-15.5 %	141,351
EBIT	1,017	3,777	-73.1 %	8,056
EBIT%	1.7 %	5.4 %		5.7 %
Network Services				
Orders received	10,413	12,972	-19.7 %	23,996
Net sales	10,413	12,972	-19.7 %	23,996
EBIT	553	217	154.4 %	776
EBIT%	5.3 %	1.7 %		3.2 %
Total Segments				
Orders received	75,889	88,756	-14.5 %	167,451
Net sales	70,078	83,541	-16.1 %	165,347
EBIT	1,569	3,994	-60.7 %	8,832
EBIT%	2.2 %	4.8 %		5.3 %
Total Group				
Unallocated item	-550	-7,298	-92.5 %	-6,942
EBIT	1,019	-3,306	-130.8 %	1,890
EBIT%	1.5 %	-4.0 %		1.1 %
Financial items	-288	-179	60.6 %	-232
Operating segments net profit before taxes	731	-3,486	-121.0 %	1,658

Net sales by category	1-6/2020	1-6/2019	Change %	1-12/2019
Goods	56,730	68,796	-17.5%	133,990
Service	13,349	14,744	-9.5%	31,358
Total	70,079	83,541	-16.1%	165,348

	1-6/2020	1-6/2019	Change %	1-12/2019
VBS Order backlog, tEUR	79,033	76,233	3.7 %	73,223

Information per quarter (tEUR)	4-6/20	1-3/20	10-12/19	7-9/19	4-6/19	7/2019-6/2020
Video and Broadband Solutions						
Orders received	24,978	40,498	41,807	25,864	36,094	133,147
Net sales	28,462	31,203	36,142	34,641	35,291	130,448
EBIT	-191	1,208	1,266	3,013	1,569	5,296
EBIT %	-0.7 %	3.9 %	3.5 %	8.7 %	4.4 %	4.1 %
Network Services						
Orders received	5,054	5,359	5,419	5,605	6,994	21,437
Net sales	5,054	5,359	5,419	5,605	6,994	21,437
EBIT	337	215	488	70	684	1,110
EBIT %	6.7 %	4.0 %	9.0 %	1.2 %	9.8 %	5.2 %
Total segments						
Orders received	30,032	45,857	47,226	31,469	43,088	154,584
Net sales	33,516	36,562	41,561	40,246	42,285	151,885
EBIT	147	1,423	1,754	3,083	2,253	6,406
EBIT %	0.4 %	3.9 %	4.2 %	7.7 %	5.3 %	4.2 %
Total group						
Unallocated item	-550	0	356	0	0	-194
EBIT	-404	1,423	2,110	3,083	2,253	6,212
EBIT %	-1.2 %	3.9 %	5.1 %	7.7 %	5.3 %	4.1 %

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	Owner of the parent company
H	Non-controlling interests
I	Total equity

	A	B	C	D	E	F	G	H	I
Shareholder's equity 1.1.2020	6,967	1,504	-1,594	62,616	3,140	-62	72,573	206	72,779
New standards and other changes				-139			-139		-139
Total comprehensive income for the period				-3,299			-3,299	-92	-3,391
Equity-settled share-based payments				146			146		146
Translation differences			-221	-615			-836	-3	-839
Cash flow hedges						34	34		34

Shareholder's equity 30.6.2020	6,967	1,504	-1,815	58,709	3,140	-28	68,477	473	68,950
Shareholder's equity 1.1.2019	6,967	1,504	-1,570	66,691	3,140	-92	76,640	522	77,162
New standards and other changes				0			0	0	0
Total comprehensive income for the period				-4,923			-4,923	-52	-4,975
Dividend distribution				-3,637			-3,637		-3,637
Equity-settled share-based payments				233			233	0	233
Translation differences			-44	112			68	4	72
Cash flow hedges						-7	-7	0	-7
Shareholder's equity 30.6.2019	6,967	1,504	-1,534	58,476	3,140	-99	68,374	474	68,848

CALCULATION OF KEY FIGURES

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

	Average number of shares - own shares + number of options at the period-end

ALTERNATIVE PERFORMANCE MEASURES

Effective from the beginning of 2019, Teleste has started to report non-IFRS alternative performance measures. The calculation of the alternative performance measures does not take into account income or expense items affecting comparability that are non-recurring or infrequently occurring and not part of the ordinary course of business. The purpose of presenting the alternative performance measures is to improve comparability, and they do not replace the performance measures and key figures presented in accordance with IFRS. The alternative performance measures reported by the Group are adjusted operating result and adjusted earnings per share. Adjusted operating result and adjusted earnings per share exclude material items affecting comparability that are not part of the ordinary course of business. The adjusted items are recognised in the income statement within the corresponding income or expense group.

Adjusted operating profit	Operating profit is adjusted with items which are non-recurring or infrequently.
Adjusted earnings per share:	Adjusted Profit for the period attributable to equity holder of the parent ---------- Weighted average number of ordinary shares outstanding during the period

IMPAIRMENT TESTS

Teleste has updated the impairment tests in the 2019 annual financial statements due to the increase in financial uncertainty caused by the coronavirus situation and the impact of the changed market situation. Cash flow used in the impairment tests is based on a prudent assumption that effect of Cod-19 is significant and the recovery slow.

Based on the prudent impairment test, there was no need to record an impairment loss.

Assumptions used	30.6.2020	31.12.2019
Yearly growth in cash flow year 1	-8 %	2 %
Yearly growth in cash flow years 2 -5	2 %	2 %
Yearly growth in cash flow years 6 -10	2 %	2 %
WACC (after tax)	9,39 %	9.48%

The table below shows the amount by VBS' recoverably amount exceeds its carrying amount.

Impairment test Meur	30.6.2020	31.12.2019
VBS	4,0	17.3

The tables below show the required decline in free cash flow and the increase in discount rate, which would cause the recoverable amount to be equal to the carrying amount.

Decline of free cash flow

	2019	31.12.2019
VBS	-5 %	-18 %

	30.6.2020	31.12.2019
Increase in discount rate, after tax, percentage units	1,0 %	1.9 %

Major shareholders, as sorted by number of shares – June 30, 2020

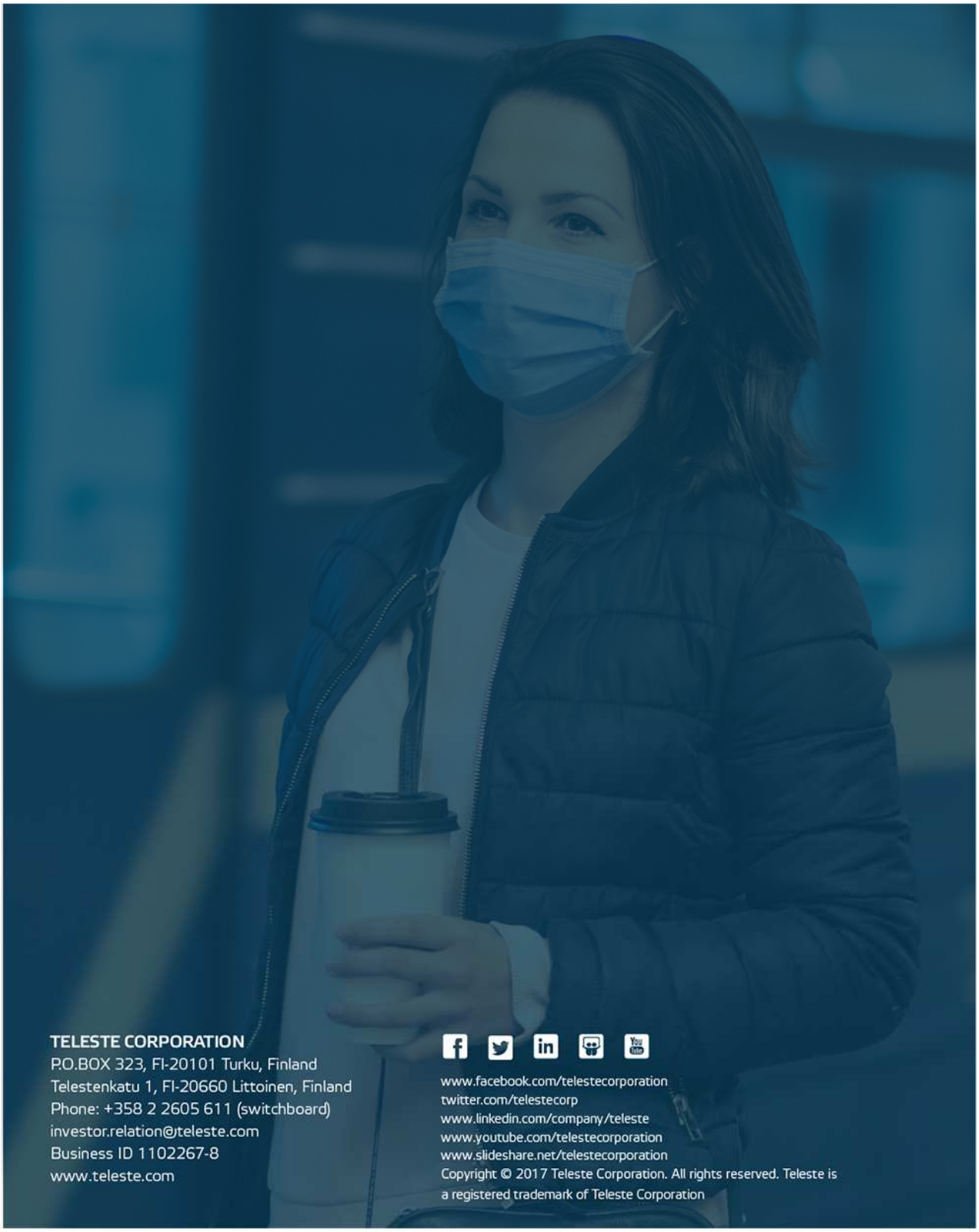
	Number of shares	% of shares
Tianta Oy	4,430,760	23.3
Mandatum Life Insurance Company Limited	1,683,900	8.9
Ilmarinen Mutual Pension Insurance Company	899,475	4.7
Kaleva Mutual Insurance Company	824,641	4.3
Teleste Oyj	776,419	4.1
Varma Mutual Pension Insurance Company	521,150	2.7
The State Pension Fund	510,010	2.7
Valtion Eläkerahasto	500,000	2.6
Wipunen varainhallinta Oy	425,000	2.2
OP-Finland Small Firms Fund	260,408	1.4

Shareholders by sector June 30, 2020

	Nbr. of shareholders	% of Owners	Shares	% of shares
Households	5,243	94.0	4,900,673	25.8
Public sector institutions	3	0.1	1,920,625	10.1
Financial and insurance institutions	23	0.4	4,359,349	23.0
Corporations	256	4.6	7,676,301	40.4
Non-profit institutions	20	0.4	43,918	0.2
Foreign	35	0.6	84,722	0.4
Total	5,580	100.00	18,985,588	100.0
Of which nominee registered	11	0.20	924,876	4.9

Major shareholders by distribution of shares June 30, 2020

Number of shares	Nbr. of shareholders	% of shareholders	Nbr. of shares	% of shares
1-100	1,574	28.2	90,308	0.5
101-500	2,268	40.6	608,689	3.2
501-1,000	774	13.9	620,239	3.3
1,001-5,000	771	13.8	1,698,614	8.9
5,001-10,000	81	1.5	557,218	2.9
10,001-50,000	82	1.5	1,619,152	8.5
50,001-100,000	9	0.2	664,988	3.5
100,001-500,000	13	0.2	2,754,423	14.5
500,001-& above	8	0.1	10,371,957	54.6
Total	5,580	100.0	18,985,588	100.0
of which nominee registered	11	0.2	924,876	4.9



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