

BOARD OF DIRECTORS

The remuneration of the Members of the Board of Directors is decided on by the Annual General Meeting.

The Annual General Meeting held on April 3rd 2012 approved the Board´s proposal for the fees paid to the Board of Directors in 2012. The fees are:

Fees to the Board of Directors (EUR)		
	2011	2012
Chairman of the Board, annually	40 000	40 000
Members of the Board, annually	25 000	25 000
Attendance allowance	250	500

Remuneration for the Members of the Board will be paid so that 40% of the specified annual amount will be company shares and the rest will be remitted in money.

Fees paid in 2011	Fees in €,	out of which in company shares, pcs
Marjo Miettinen, Chairman	42 500	3954
Pertti Ervi, Board member	27 500	2471
Tero Laaksonen, Board member	27 500	2471
Pertti Raatikainen, Board member	27 500	2471
Kai Telanne, Board member	27 500	2471
Petteri Walldén, Board member	27 250	2471

On the balance sheet date, CEO and the Members of the Board owned 84,791 (98,482) Teleste Corporation shares equalling to 0.45% (0.54%) of all shares and votes.

On the balance sheet date, the ownership including rights of options by the CEO and the Board amounted to 204,791 (218,482) shares, which is equal to 1.09% (1.15%) of all shares and votes.

PRESIDENT AND CEO

The Board of Directors of Teleste Corporation decides on the compensation of the President and CEO. Salary, remuneration and other benefits paid in 2011 to the CEO of Teleste Corporation totalled EUR 390.783.

Fees to the CEO	2011	2010
Salary	321 300	341 260
Fringe benefits	14 982	14 424
Paid compensation	54 501	143 247
Total	390 783	498 931

The contractual age of retirement of CEO Jukka Rinnevaara is 60. The insurance premium of the voluntary retirement insurance policy of the Managing Director was EUR 59 016, which amount is not included in the paid salary and remuneration.

As to the contract of CEO Rinnevaara, his term of notice has been specified as six (6) months in case the President and CEO decides to withdraw, and eighteen (18) months should the contract be terminated by the company.

If the company terminates his contract, the CEO shall be paid a compensation amounting to 18 months' salary without benefits.

MANAGEMENT GROUP

Based on a proposal by the President and CEO, the Board of Directors decides on the Management Group compensation.

Salary for all Members of the Management Group consists of a fixed basic salary and a results-based bonus. The amount of results-based bonus is determined by the company performance, the business area in question and other key operative objectives.

The Management Group including the CEO have a group pension insurance policy on the basis of which the age of retirement of the Management Group members is 60 years. According to plans this pension amounts to 60% as counted on the basis of paid regular annual earnings gained in the last four years preceding the retirement. Any pensions due by virtue of the Employees' Pensions Act will be taken into account in the basis of calculation.

OWNERSHIP BY MANAGEMENT AND MEMBERS OF THE GOVERNING BODIES ON 31 DECEMBER 2011

Share Ownership and Options of the Management Group

With the exception of the CEO, other Members of Teleste Corporation's Management Group were not in the possession of Teleste Corporation's shares. On December 31, 2011 CEO Rinnevaara owned 5 357 pcs of Teleste shares.

Teleste Corporation had one option program in operation on 31 December 2011, Stock Options 2007. The scheme was approved by Teleste's Annual General Meeting in 2007. On 31 December 2011, the CEO was in the possession of a total of 120,000 Teleste 2007 options while the other Teleste Corporation's Management Group members held 210,000 options put together. For details related to option specifics see Teleste's Annual Report 2011, Notes section: Share-based payments. For holdings and stock options of the President and CEO and the Management Group see Notes section: Related party transactions. On 31 December 2011, Teleste Management Oy and Teleste Management II Oy (companies established for the management incentive system) owned 923,000 shares of the Teleste Corporation.

Teleste Management Oy

The Board of Directors of Teleste Corporation decided on March 2010 on a new incentive plan directed to the members of the Teleste Management Group. The purpose of the plan is to commit the members of the Management Group to Teleste Corporation by encouraging them to acquire and hold Teleste's shares and this way increase Teleste's shareholder value in the long run. For the purpose of the share ownership, the members of the Management Group established a limited company named Teleste Management Oy

The plan will be valid until summer 2013, at which time the plan is intended to be dissolved in a manner to be determined later. During the validity of the plan, the transfer of the Teleste's shares held by Teleste Management has been restricted. The share ownership in Teleste Management by the members of the Management Group will be valid until the plan is dissolved.

[Stock exchange release of March 3, 2010](#)

On 31 December 2011 Teleste Management Oy was in possession of 381,000 Teleste Corporation's shares. CEO's holding in the Teleste Management Oy shares stood at 34.4% while the ownership by other members equaled 65.6%.

Teleste Management II Oy

The Board of Directors of Teleste Corporation decided on December 5th 2012 on two new share-based incentive plans directed to the members of the Teleste Management Group and to key employees. The purpose of the new plans is to combine the objectives of the owners and members of the Management Group and key employees in order to increase the value of the Company, to commit the members of the Management Group and key employees to Teleste Corporation ("Teleste") by encouraging them to acquire and hold Teleste's shares, as well as to offer them competitive reward plans based on long-term holding the Company's shares.

For the purpose of the share ownership, some of the members of the Management Group have established a limited liability company named Teleste Management II Oy ("Teleste Management II"), whose entire capital stock they or corporations over which they exercise control own.

The plan will be valid until summer 2015, at which time the plan is intended to be dissolved in a manner to be determined later. During the validity of the plan, the transfer of the Teleste's shares held by Teleste Management II has been restricted. The share ownership in Teleste Management II by the members of the Management Group will be valid until the plan is dissolved. Upon establishment of the plan, four members of the Management Group were included in the incentive plan directed to members of the Management Group.

[Stock exchange release of Dec.5th, 2011](#)

On 31 December 2011 Teleste Management II Oy was in possession of 542,000 Teleste Corporation's shares. CEO's holding in the Teleste Management II Oy shares stood at 31.25% while the ownership by other members equaled 68.75%.

AUDIT FEES

On 8 April 2011 the Teleste Annual General Meeting selected KPMG Oy Ab as the company auditor and decided that the auditor's fee will be paid as invoiced. The company's chief auditor is Esa Kailiala, KHT auditor (authorised public accountant).

In 2011, Teleste Group's auditing expenses totaled EUR 227 000 in which the share of KPMG was EUR 191 ,000. Moreover, auditing units of KPMG have supplied Teleste Group companies with other consultation worth, in total, EUR 64,000 and other than KPMG auditors for EUR 20,000.