Financial Statements 2021

TELESTE

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Report of the Board of Directors 2021

1. OVERVIEW

Teleste is an international technology group that offers an integrated product and service portfolio that makes it possible to build a networked and secure society while reducing negative impacts on the environment. Our solutions enable television and broadband services, secure safety in public places and support the smooth 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. Our customer base consists of data communications operators, train manufacturers, public transport operators and public sector organisations. We are the world's leading technology company in our operating areas.

In accordance with our strategy, we focus on promoting our business in selected technology and market segments by designing and delivering technology solutions that promote the business operations of the company's customer base. The company's product offering consists of hardware and software solutions, as well as value-added services that support the solutions. The solutions require significant product development investments in all operating segments.

In the access network market, the strategic focus of operations in 2021 was on the delivery of access network systems particularly to the European market, as well as the product development and validation of systems for the European and North American markets. In the video security and public transport information solutions business, the strategic focus has been on delivering system projects to the European, North American and selected Middle Eastern markets, as well as on the product development of systems for the same markets. In our operations, we create opportunities for the continuous development of our personnel's expertise with regard to new technologies, and our goal is to ensure our continued innovation leadership.

In 2022, the focus area of operations will include the development of the product range, creating the conditions for business growth especially in the North American market, as well as business growth in video security and information solutions for public transport and the public authorities. The prolonged pandemic and the exceptional problems related to the availability of components and materials create continued uncertainty with regard to forecasts for 2022. Nevertheless, our view is that Teleste has good prospects for returning to the path of profitable growth.

The income statement figures for the comparison period presented in this report only include continuing operations, except where otherwise noted. The balance sheet and cash flow figures include both continuing and discontinued operations.

2. DESCRIPTION OF BUSINESS OPERATIONS

2.1. Networks business unit

The Networks business unit focuses on access network products for data communications networks. Its most significant customer base consists of data communications operators. The customers can also include companies that integrate solutions into larger systems and retailers that use Teleste's products for their end-to-end-deliveries.

The Networks unit's main market is Europe, but it also has customer business in North America and sourcing activities in China. The Networks unit develops, designs and manufactures a large part of its products. Its product development units operate in Finland and Belgium and the in-house manufacturing activities mainly take place in Finland. The product range also includes third-party products that complement Teleste's offering.

The Networks unit also offers comprehensive services for access network design, construction and maintenance. The customer base for the unit's services mainly consists of large European cable network operators and new fibre network operators. The implementation and scope of services range from stand-alone solutions to integrated turnkey deliveries. Most deliveries are based on frame agreements. A network of subcontractors is also used in service provision. The Networks unit's services are focused on England, Switzerland, Finland and Poland.

The Networks unit has over 15 offices of its own and a number of retail and integration partners. Outside Europe, it has subsidiaries and offices in the United States and China.

2.2. Video Security and Information Solutions business unit

The Video Security and Information Solutions unit's most significant customer base comprises train manufacturers and public sector organisations, such as public transport operators and authorities. The customers can also include companies that create broader integrated solutions and use Teleste's solutions for their end-to-end-deliveries.

The unit's main market is Europe, but it also operates in North America and the Middle East. The unit develops, designs and manufactures a large part of its products. Its product development units operate in Finland, Germany and Poland, and the in-house manufacturing activities mainly take place in Finland. The product portfolio also includes third-party products that complement Teleste's range of products.

The Video Security and Information Solutions unit also provides services related to the design, deployment, system integration, upgrading and maintenance of solutions. The service customers include the unit's entire customer base.

The unit has nearly 10 offices and several integration partners. Outside Europe, it has subsidiaries and offices in the United States.

2.3. Discontinued operations

The services business of the Germany-based Cableway companies was classified as an asset held for sale pursuant to IFRS 5 ("Non-current assets held for sale and discontinued operations"), and, in accordance with the standard, Teleste reported the business of the Cableway companies as a discontinued operation in the financial period 2020. The divestment was completed on 2 November 2020 and the final transaction price was the price reported in the financial statements of 31 December 2020.

The services business divested in the financial period 2020 did not have an impact on the income statement for the financial period 2021.

3. NET SALES AND PROFITABILITY

Orders received by the Group grew by 17.9% and amounted to EUR 175.5 (148.8) million. Orders increased in access network products as well as public transport information solutions and video security solutions. The order backlog increased by 40.9% compared to the end of the reference period and totalled EUR 108.6 (77.1) million at the end of the financial period. Net sales reached the level of the comparison period and amounted to EUR 144.0 (145.0) million.

Expenses for material and production services decreased by 6.1% to EUR 67.7 (72.0) million. Personnel expenses increased by 3.7% to EUR 46.8 (45.2) million. Depreciation and amortisation increased by 4.5% to EUR 7.6 (7.2) million. Other operating expenses increased by 3.3% to EUR 18.4 (17.8) million. The adjusted operating result increased by 8.8% to EUR 5.5 (5.1) million, representing 3.8% (3.5%) of net sales. The operating result totalled EUR 8.7 (4.5) million, an increase of 93.0%. The operating result includes non-recurring insurance compensation in the amount of EUR 3.2 million, which is reported as an adjustment item.

Net financial items came to EUR 0.3 (-0.8) million. Financial items were improved by the positive development of the value of currency hedges. The Group's income taxes stood at EUR 2.1 (0.9) million, and the effective tax rate was 23.3% (24.6%).

Earnings per share amounted to EUR 0.39 (0.16), representing an increase of 137.4%, while earnings per share including discontinued operations amounted to EUR 0.39 (-0.43).

4. INVESTMENTS AND PRODUCT DEVELOPMENT, INCLUDING DISCONTINUED OPERATIONS

Investments by the Group totalled EUR 11.1 (6.6) million, representing 7.7% (4.5%) of net sales. Of the investments, EUR 5.7 (3.9) million was related to product development. Leases capitalised in accordance with IFRS 16 amounted to EUR 3.5 (1.4) million, while other investments in tangible and intangible assets came to EUR 1.8 (1.3) million. Investments allocated to discontinued operations totalled EUR 0.8 million in the financial year 2020.

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

5. FINANCING AND CAPITAL STRUCTURE INCLUDING DISCONTINUED OPERATIONS

Cash flow from operations was EUR 13.5 (13.1) million. The increase in cash flow from operations was mainly attributable to the higher operating result for the financial period.

On 31 December 2021, the Group's interest-bearing debt stood at EUR 28.0 (31.0) million, with short-term loans from banks representing EUR 19.5 million of that amount. The Group's cash and cash equivalents were EUR 14.1 (20.2) million. The Group's equity ratio was 53.3% (48.8%) and net gearing ratio 20.2% (17.0%).

Teleste Corporation has credit and loan facilities with a combined total value of EUR 46.0 million. The five-year loan facility of EUR 30.0 million will mature in August 2022. The loan has been repaid in annual instalments of EUR 3.0 million, with the final instalment of EUR 18.0 million scheduled for August 2022. The EUR 10.0 million credit facility will run until the end of August 2022. The company did not use the credit facility during the financial period. The loan of EUR 6.0 million has a maturity of 4 years, and it will be repaid in fixed instalments in six-month intervals by August 2024. At the end of the period under review, the amount of unused binding credit facilities was EUR 10.0 (21.5) million. The company has prepared a process by which the EUR 18.0 million loan maturing in August 2022 will be refinanced during the second quarter of 2022. All of the current financing providers have expressed their preliminary interest in participating in the refinancing.

6. CORPORATE RESPONSIBILITY AND REPORTING OF NON-FINANCIAL INFORMATION

6.1. Social and personnel-related matters

The Group's continuing operations employed 863 (856) people on average during the period under review. At the end of the review period, the Group employed 847 (858) people, of whom 45% (47%) worked abroad. Approximately 3% (3%) of the Group's employees were working outside Europe.

The Group's personnel expenses amounted to EUR 46.8 (45.2) million, representing a year-on-year increase of 3.7%. The increase in personnel expenses was attributable to wage increases in 2021 and the temporary layoffs implemented in the comparison period due to the COVID-19 pandemic. In addition, the performance bonuses under the short-term incentive scheme were higher in the review period.

6.1.1. Operating principles

Managerial work at Teleste aims to support diversity and equality. Teleste employees represent various backgrounds, nationalities and cultures, but they share common values: customer centricity, respect, reliability and result orientation. The values-based management principles were created by Teleste in 2020 support both business success and a positive employee experience.
The management principles also reflect Teleste's perspective on social responsibility, which includes responsibility towards customers, personnel and partners. Social responsibility is addressed in the company's Code of Conduct in the form of fair working conditions and practices. Teleste is also committed to observing the UN Universal Declaration of Human Rights.

In 2021, Teleste continued its previously initiated efforts by documenting global policies and procedures aimed at creating values-based operating models with regard to social and ethical issues. The key issues highlighted in these operating models include respect for human rights, non-discrimination, equality, respectful leadership, participation, well-being at work and occupational safety. Respect for human rights is required of employees and partners alike.

In 2021, Teleste established the Employee Sounding Board, a forum aimed at increasing dialogue and cooperation between employees and the management. During the COVID-19 pandemic, teams at Teleste have also developed flexible and versatile ways of working in response to the needs of each business situation. Based on these developments, Teleste drafted New Way of Working guidelines to support the planning and arrangement of remote and hybrid work, both during and after the pandemic.

Following the outbreak of the COVID-19 pandemic, the flexibility of Teleste employees enabled an agile transition to hybrid and remote work without adverse impacts on efficiency or productivity. Teleste's highly competent and continuously developing employees, together with the company's partner network, constitute the foundation for ensuring high-quality products and services for a diverse customer base.

Teleste offers its employees challenging and varied tasks, the opportunity to develop their skills among industry-leading professionals, as well as an international work community. Well-being at work springs from meaningful tasks, a pleasant working environment and management as well as a good work-life balance.

6.1.2. The results of adherence to the operating principles

Teleste's competitiveness is largely based on motivated and skilled personnel. Ensuring excellent working conditions for the personnel is essential, which is why the focus areas of the company's HR functions include ensuring smooth HR processes, leadership development and promoting a positive employee experience and expertise. Teleste has an online training system to provide employees with courses on topics such as the company's values, Code of Conduct, environmental issues and quality issues.

Teleste supports carefully considered parties to realise its social responsibility. Where possible, the company offers summer trainee opportunities each year in both production and expert positions. The company is also committed to the principles of the Responsible Summer Job campaign. Teleste also offers young people opportunities to gain experience in working life through work practice programmes for students and by participating in a campaign that provides opportunities for familiarisation with working life while also earning money.

The quality of operations is measured by means of various feedback surveys, the quality management system as well as internal and external audits. In addition, the key aspects of the operating principles concerning social responsibility are measured by the indicators presented in section 2.1.4. No incidents related to HR issues or social responsibility were reported at Teleste during the reporting period.

6.1.3. Risks

The key risks related to HR functions include ensuring the availability of professionally competent product development personnel, especially software developers, and the retention of key employees during the transformation of the labour market. Ensuring the competence of operational personnel is also crucial in the continuously developing technology sector.

Teleste strives to minimise these risks by maintaining a positive employer image and modern recruitment practices as well as by ensuring the high-quality implementation of competence development. The operating guidelines governing the global HR functions are updated regularly and the company also monitors market practices and changes in legislation. To reduce risks related to social responsibility, Teleste ensures that its chosen partners operate responsibly and in accordance with Teleste's values and principles.

The personnel risks caused by the COVID-19 pandemic are closely monitored and minimised by complying with the authorities' instructions and by providing detailed guidelines concerning the personnel's work, attendance and travel. In addition, the HR function has, together with the business units, prepared contingency plans, the aim of which is to secure the personnel's safety and the continuity of business should the virus spread in Teleste's workplaces.

6.1.4. Key indicators

The HR indicators used by Teleste cover the entire Group. They measure performance in areas such as well-being at work, sickness absences, costs, employee turnover and the number of measures that support the development of employee competence. The company also measures a wide range of social responsibility issues specified in the company's materiality matrix (see table).

Globally, the company has over 850 employees at more than 20 offices. In terms of the number of employees, the largest Teleste countries were Finland (54.5%) and England (13.9%) at the end of the financial period. The average age of personnel was 44 years (43 in 2020). Men represented 64% (68%) of Teleste's personnel and women 36% (32%). The sickness-related absence rate increased slightly year-on-year, but remained at a very low level at 1.9% (1.5%).

Indicator	2020 result	**2021 result**	2022 target	2025 target
Innovation Granted and currently valid patent families	37	40	44	58
Employee turnover during the financial period	12.8%	15.5%	15%	15%
Interaction: personnel survey response rate	84%	83%	85%	85%
Occupational safety Occupational accident frequency per one million working hours	1.7	1.4	0	0
Corporate culture: average score of the personnel survey section on corporate culture, scale 1-10	6.6	6.85	7.1	8.0
Well-being Reversed absence rate	97.8%	98.1%	98%	98%
Remuneration Pay ratio: CEO/average employee salary	8,9:1	9,8:1	8,8:1	8,8:1

6.2. Environmental matters

The company's materiality assessment was updated during the period under review. It was used to identify the key areas for measurement, target setting and action.

Carbon dioxide emissions were identified as the company's most significant environmental impact. The primary sources of CO2 emissions in Teleste's operations are the energy consumption of business premises, the transport activities associated with the services business, and freight transport. The company determined that the largest impact on CO2 emissions is associated with the emissions caused by the life cycle energy consumption of the products manufactured by the company. The actual amount of these emissions ultimately depends on the CO2 intensity of the electricity used by the customer base.

The company's other material environmental aspects are the use of natural resources and the creation of waste. The materiality assessment also addresses topics that the company is assessed not to have significant influence over.

In response to the results of the materiality assessment, Teleste's environmental reporting was expanded to cover a larger proportion of greenhouse gas emissions: Scope 1 and Scope 2 in their entirety, and transport activities under Scope 3 more broadly than previously. These concepts are explained in more detail under section 2.2.3.2. Key indicators and new targets. The scope of the operating locations covered by reporting activities was improved by extending data collection to all units with more than 10 employees. We will further develop our reporting on greenhouse gas emissions in 2022.

6.2.1. Operating principles

Teleste is committed to protecting the environment. The company supports sustainable development by minimising resource consumption and environmental pollution, for example. When setting environmental targets, Teleste takes into account not only the materiality assessment but also the company's annual assessment of risks and opportunities.

Teleste's Management Group monitors the development of environmental indicators and the achievement of targets quarterly. To support the implementation of the updated environmental policy, a course was created in the company's e-learning environment.

Teleste provides employees with the following guidance regarding the company's environmental policy:

- Reducing the power consumption of products or improving their energy efficiency
- Extending the life cycle of products by developing their reliability, durability and serviceability.
- The modularity of products enables product updates Designing products to be easy to disassemble simplifies the recycling of materials
- Use of recycled and recyclable material - Avoiding harmful materials in products and operations
- Procurement of materials from environmentally responsible sources
- Taking logistics requirements into account improves transport efficiency
- Forecasting sales and manufacturing operations reduces the amount of rejected material and enables the selection of eco-friendly transport methods
- Equipping products with remote access features helps avoid in-person visits to installation sites
- The amount of waste generated is minimised and waste is sorted
- Striving to use renewable energy at the company's offices
- Remote work prevents emissions from commuting. The company has a Standard Operating Procedure on this topic.
- Examples of adherence with these operating procedures:
- The electricity purchased for the largest office and production facility is produced from wind power
- Unnecessary product features can be switched off to minimize energy consumption
- Many field-installed data communications products have a remote connection feature that provides information on the operation of the device and enables maintenance activities without having to visit the physical location.
- The volume of hazardous waste declined to 200 kg in 2021. Most of this was generated from replacing fluorescent lights with LED lights.

6.2.2. Operations and operational risks

According to the materiality assessment and the information presented above, Teleste's operations have environmental impacts, as is the case for all companies of this kind. However, the company's operations also provide solutions that significantly mitigate climate change.

In the Networks business, products become more energy efficient with each generation when the same power consumption enables the transmission of a much larger amount of data. The 1.8 GHz products currently in development extend the life cycle of existing network infrastructure and help prevent the negative environmental impacts of construction work on streets and in homes to replace and upgrade network infrastructure. In distributed access architecture systems, functions that were previously located in cooled facilities are placed in uncooled outdoor distribution cabinets.

The solutions provided by the Networks business also facilitate remote work and online meetings, reducing the need for business travel. At the same time, information solutions that make public transport more efficient and useful motivate people to switch from private cars to public transport, especially in cities and growth centers.

Sustainability is also taken into account in supplier cooperation. Teleste requires significant suppliers to commit to the principles and practices outlined in its Supplier Code of Conduct. Environmental issues are one topic covered by the document.

Teleste has studied the effects of climate change on the company's operations and found that natural disasters and widespread epidemics pose a risk to the availability of components. The risk assessment of key suppliers includes an assessment of the impact of climate change.

The company estimates that, among exceptional circumstances, the most significant environmental risk would be caused by a large fire and the subsequent fire gases and water used to extinguish the fire. No hazardous chemicals are used or stored at the company's production facilities. A sprinkler system will be installed at the main production facility in 2022 to further reduce the possibility of a large fire.

6.2.3. Key indicators and targets

6.2.3.1. Environmental targets set for 2019-2021

A power saving feature incorporated into network products won the 2018 SCTE Adaptive Power Challenge award. The power saving feature reduces the energy consumption of the network device by as much as 20% compared to conventional devices.

Teleste managed to reduce the energy consumption of the company's own operations to a level that is below the starting point, but not to the targeted extent. While the increased use of remote work due to the pandemic during the past two years helped with this, the cold winter weather in 2021 increased energy consumption. Examples of the measures taken include switching largely to LED lighting at the main production facility as well as improvements and configuration changes in heating and air conditioning systems.

The scope of estimating the greenhouse gas emissions of air freight has been expanded in terms of operating locations and transport companies. Emissions from air freight have decreased significantly during the target period. Air freight ordered by customers but arranged by Teleste are included in the figures.

Target	2019 result	2020 result	**2021 result**
65% of the outdoor-installed network products launched by Teleste include a power saving feature	100%	100%	100%
The energy consumption of properties will be reduced by 10% compared with 2018	+4%	-10%	-4%
The carbon footprint of air freight will be reduced to a level that is lower than in 2018	-24%	0%	-36%

6.2.3.2. Key indicators and new targets

The number of reportable environmental topics has been increased. The scope of reporting in terms of operating locations has been expanded and the aim is to collect data for all locations with more than 10 employees. The targets cover a wider range of issues and extend over a longer period of time. The targets are set on the basis of the assumption that the scope of operations will be maintained at the current level.

Greenhouse gas emissions

Indicator	2020 result	**2021 result**	2025 target*	2030 target *
Scope 1 carbon dioxide emissions Transport emissions in the services business [tCO2e]	209	218	-20%	-20%
Scope 2 carbon dioxide emissions Emissions from own energy consumption [tCO2e]	613	577	-20%	-50%
Transport emissions [tCO2e]	799	587	-10%	-20%
Emissions from air transport [tCO2e]	507	324	-10%	-20%

* Compared to 2021

Concepts scope 1-3: Greenhouse Gas Protocol / 2001

Teleste does not produce electricity or heat from fuels. The company's direct CO2 emissions (scope 1) are thus limited to the transport emissions of the service business. Emissions are calculated based on kilometres driven and the vehicles' emission factor per kilometer.

The company's indirect emissions from energy production (scope 2) consist of the emissions of heat and electricity production. The company does not purchase steam or cooling externally. Data obtained from suppliers has been used in calculating emissions. Where such information is not available, Teleste uses sources such as statistics provided by the European Environment Agency on the CO2 intensity of electricity production in the country in question.

For other indirect emissions (scope 3), transport emissions are reported. The data is obtained directly from transport companies. Air freight is reported separately because air freight has a greater environmental impact than the other modes of transport used over the same quantities and distances. Air freight ordered by customers but arranged by Teleste are also included in the figures.

Teleste will assess the use of emissions compensation if actual emission reductions are not achieved to the targeted extent.

Other targets:

Indicator	2020 result	**2021 result**	2025 target *	2030 target *
Average emission factor of vehicles used in the services business [g CO2e / km]	138	133	-20%	-30%
Own energy consumption, purchased [MWh]	6,399	6,651	-5%	-10%
Share of recycled aluminium in products manufactured in-house	92%	92%	94%	96%
Recycling rate [%]	50%	60%	75%	-80%
Recovery rate [%]	100%	100%	97%	97%

* Compared to 2021

The indicator for the reduction of transport emissions in the services business is the average emission factor of vehicles, which measures the amount of emissions relative to usage.

The reporting of the company's own energy consumption and the related target are aimed at improving energy efficiency, which plays a role in the reduction of emissions. The company has decided to monitor - and set targets for - aluminium as it represents a significant share of the total weight of the products. Aluminium solutions play a role in the company's environmental impact.

The recycling rate is expected to decrease during the business premises construction project that is currently underway (in 2022). The recycling rate will subsequently return to the previous level or a higher level thanks to improvements in plastic recycling. The recovery rate includes the use of waste-to-energy solutions.

In the future, the company intends to develop targets that are expressed relative to the scope of operations.

Other environmental indicators:

Indicator	2020 result	**2021 result**
Water consumption at the main production facility and head office [m^3]	1,967	1,773
Total volume of waste generated [t]	106	107
Hazardous waste volume [t]	1.0	0.2
Non-hazardous waste volume [t]	105	107
Waste disposal [t]	1.0	0.3

The company uses the recycling rate and recovery rate to monitor the waste generated in business operations. Water is used in the production process to humidify the air, but the amount of water consumed for this purpose represents less than 10% of the total consumption. For this reason, the company does not set a target for water consumption, although water consumption is monitored and reported.

6.3. Prevention of corruption and bribery, respecting human rights and good corporate governance

6.3.1. Operating principles

Teleste's Code of Conduct represents a commitment to honest, transparent and reliable business as well as compliance with all applicable national and international laws and regulations. The company requires the same of its suppliers and partners.

Teleste is committed to respecting fair competition. The company complies with applicable competition law, including laws, decrees and standards concerning bribery, corruption, money laundering and the financing of illegal activities. The company is also committed to respecting and observing internationally recognised human rights, including the UN Guiding Principles on Business and Human Rights and the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work.

Everyone at Teleste must observe the company's Code of Conduct and its principles in their work. To this end, the Code of Conduct has been published in six different languages to ensure that it is easy to read and understand by all of the company's employees. Teleste launched online training on the updated Code of Conduct immediately after its publication. Completing the course is mandatory for all Teleste employees and the company actively monitors the relevant statistics. The Code of Conduct is communicated to new employees when they start working for the company.

Teleste also has a Supplier Code of Conduct based on the same values and principles. The company aims to have all of its suppliers sign the Supplier Code of Conduct to formalise their commitment to the same anti-corruption, anti-bribery and human rights principles that Teleste observes in its operations. The company also requires that all suppliers observe the internationally recognised principles pertaining to corruption, bribery and human rights. Where necessary, Teleste audits its suppliers with regard to these issues. Any suspected or observed violations of these principles by suppliers are treated very seriously by Teleste and they result in a critical assessment of whether the business relationship can continue.

Teleste's key Standard Operating Procedures concerning anti-corruption, anti-bribery and respect for human rights are the company's Anti-Corruption Policy and Human Resources Policy. The purpose of these operating procedures is to make it clear to everyone at Teleste that corruption is not tolerated in any form, and to commit everyone at Teleste to respect human rights.

6.3.2. The results of adherence to the operating principles

Teleste was not informed of any incidents of corruption during the reporting period, and the company has no pending legal processes or processes with the authorities pertaining to human rights, corruption or bribery.

Teleste has a whistleblowing channel for Teleste employees and third parties to anonymously report suspected violations related to human rights, corruption, bribery and other aspects of the Code of Conduct, Supplier Code of Conduct or Teleste's Standard Operating Procedures and guidelines. No incidents were reported via the whistleblowing channel during the reporting year.

6.3.3. Risks

As a technology company that operates in the global market, Teleste sources components, among other things, globally. The most significant human rights risks are related to the suppliers used by Teleste, and they include the restriction of the freedom of association, negligence related to occupational safety and the use of forced labour.

The continuous and active monitoring of the vast and global supplier network is challenging. Nevertheless, Teleste strives to prevent the previously mentioned risks by mainly using well-known suppliers, by regularly auditing suppliers and by requiring that suppliers observe international human rights principles by committing to the principles outlined in Teleste's Supplier Code of Conduct, for example.

Teleste has not identified particular risks related to corruption and bribery in its normal risk management processes. Risks are managed with the help of contractual obligations, guidelines concerning corruption and bribery and internal trainings. Teleste has confirmed its principles and approach concerning corruption and bribery in its Code of Conduct and in its Standard Operating Procedure concerning corruption and bribery.

6.3.4. Key indicators

Indicator	2020 result	**2021 result**	2022 target	2025 target
Diversity of the Board of Directors; number of female members relative to male members	1 woman, 5 men	1 woman, 5 men	1 woman, 5 men	increase diversity
Independence of the Board of Directors;				
1) does the company have a rule against the CEO acting as the Chairman of the Board	Yes	Yes	Yes	Yes
2) number of independent Board	4	4	4	4
Are sustainability targets incorporated into the remuneration of	No	No	Yes	Yes
Percentage of unionised employees [1]	58.1%	57.9%		
Teleste's Supplier Code of Conduct; 1) Does Teleste require suppliers to comply with the company's Code of Conduct?	Yes	Yes	Yes	Yes
2) What percentage of the company's suppliers have confirmed that they comply with Teleste's Supplier Code of Conduct?	96%	96%	98%	100%
Ethics and anti-corruption 1) Does the company have an anti-corruption policy?	Yes	Yes	Yes	Yes
2) What percentage of the company's employees have completed training on the Code of Conduct?	32.6%	92.4%	100%	100%
Data protection Does the company observe a data protection policy?	Yes	Yes	Yes	Yes

7. EU TAXONOMY ELIGIBILITY

Teleste's business is partly within the scope of the EU Taxonomy Regulation. The company's activities are taxonomy eligible according to the technical screening criteria concerning climate change mitigation. Parts of Teleste's activities are covered by the following technical screening criteria: 3.6 "Manufacture of other low-carbon technologies", 6.14 "Infrastructure for rail transport", and 6.15 "Infrastructure enabling low-carbon road transport and public transport". The taxonomy eligible share of net sales was assessed for the company's business operations as a whole. Taxonomy eligible net sales represent 34% of Teleste's total net sales.

Of the taxonomy eligible activities, distributed access architecture falls under 3.6 "Manufacture of other other low-carbon technologies". Distributed access architecture helps reduce energy consumption compared to centralized access architecture.

The company's public transport information solutions for rail transport fall under technical screening criterion 6.14 "Infrastructure for rail transport" in the taxonomy. The company's video security solutions for public transport applications fall under technical screening criterion 6.15 "Infrastructure enabling low-carbon road transport and public transport" in the taxonomy.

The share of capital expenditure and the share of operating expenses related to economic activities that are considered to be environmentally sustainable are reported at the company level. It is estimated that 50% of the company's capital expenditure and 52% of operating expenses are related to activities that are considered to be environmentally sustainable. Examples of these activities include research and development projects, property improvements and purchasing in green operations.

8. GROUP STRUCTURE

The parent company has a branch office in the Netherlands and subsidiaries in 13 countries including Finland. During the financial year, the company simplified the group structure by merging its subsidiaries in Belgium and by dissolving the sub-group structure in England and starting the process of liquidating two English subsidiaries.

9. KEY BUSINESS RISKS

Europe is Teleste's main market and business area, and the company aims to expand its business in North America. Teleste's customers include data communications operators, public transport operators, train manufacturers as well as certain public sector organizations and authorities.

Teleste's strategy involves risks and uncertainties, for example that new business opportunities may fail to be identified or successfully used. The company must strive to anticipate changes in the market and react to them. Periods of technological transformation, such as data communications operators migrating to next-generation distributed access architecture in access networks, may significantly change the competitive positions of the current suppliers and attract new competitors to the market. Increasing competition may also lead to intensifying price competition, which may affect the profitability of the business. Correct technology choices, product development investments and their timing are vital to success. Product development involves calculated risks and should they materialise, the value of the product development investments can decrease. Expanding business operations to new markets is demanding. The Group's investments in growth in the North American market will not necessarily lead to the desired results.

In the technology and product business, client-specific and integrated deliveries of solutions create favourable conditions for growth, even if the involved resource allocation and technical implementation pose a challenge and therefore also involve risks. Data communications operators' network investments vary according to the development of technology, customers' need to upgrade networks and their capacity to invest. Increased competition created by new service providers may reduce operators' ability to invest. The demand for video security and information solutions fluctuates in response to market cycles and the main clients' ability to invest. End-to-end deliveries of systems and projects may be large in size and take place over several years, setting high demands for the project quotation calculation and management and, consequently, involve risks. Various technologies are used in Teleste's 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 and solutions may fail in the customer's operational environment and lead to expensive repair obligations.

Teleste is also committed to its customers' high requirements for quality and delivery reliability in the services business, which requires a highly effective service process management system and continuous process development to ensure the quality and cost-efficiency of services. 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 delivery capacity and profitability of services. Subcontractors' costs may increase faster than it is possible for Teleste to increase the prices of its services to its own customers.

Several information systems are critical to the development, manufacture and supply of products to customers. The maintenance of information systems and deployment of new systems involve risks that may affect the ability to deliver products and services. Information systems may also be exposed to external cyber security 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. The development of personnel competence, employee engagement and recruitment involves risks that influence how competitiveness is maintained and developed.

Natural phenomena, accidents (such as a fire or a flood) and other global disruptions, such as pandemics, may reduce the availability of various materials or components in the industry's order-delivery chain or suspend our own manufacturing operations. Fluctuations in demand in the global economy may lead to sudden price increases for raw materials, components and freight, whose negative impact on the gross margin Teleste cannot eliminate by increasing the prices of its products or project deliveries. The challenges related to the availability of raw materials and components that began in 2020 have continued and further expanded.

According to the company's assessment, risks and problems associated with component availability may continue to present significant delays in deliveries and business profitability challenges. Geopolitical changes, such as customs levies imposed by different countries and changes or restrictions on exports or imports, may have a negative effect on component supply chains and the profitability of products. Many competitors in the provision of access network technologies come from the United States, which is why the exchange rate of the euro against the US dollar has an effect on competitiveness. In particular, the development of the exchange rates of the US dollar and the Chinese renminbi against the euro influences product costs and result. The company hedges against short-term currency exposure by means of forward exchange contracts and stock options.

The COVID-19 pandemic continues to present 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 due to the COVID-19 pandemic, operators have reduced or suspended their broadband network construction, while certain customers in public transport information solutions have been forced to close down their factories and delay projects. Our personnel and our in-house production activities have mainly remained operational. Although the direct impact of the pandemic on Teleste's operations has so far been limited, disruptions in the supply chain of electronic components and many other materials have affected and may continue to affect Teleste's delivery capacity.

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

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

10. DECISIONS BY THE ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) of Teleste Corporation held on 7 April 2021 adopted the financial statements and consolidated financial statements for 2020 and discharged the members of the Board of Directors and the CEO from liability for the financial period 2020. In accordance with the proposal of the Board of Directors, the AGM resolved that, based on the adopted balance sheet, a dividend of EUR 0.12 per share be paid for the financial period that ended on December 31, 2021 for shares other than those held by the Company.

The dividend record date was 9 April 2021 and the dividend was paid out on 16 April 2021.

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 7 April 2021, the Board of Directors elected Timo Luukkainen as its Chairman. Mirel Leino-Haltia was elected Chair of the Audit Committee, with Jussi Himanen and Vesa Korpimies as members.

It was decided that the annual remuneration of the members of the Board of Directors will remain unchanged: EUR 66,000 per year for the chairman and EUR 33,000 per year for each member. The annual remuneration of the Board member who acts as the 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 AGM approved the company's Remuneration Report for 2020.

The AGM decided to authorize 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 regulated market organised by Nasdaq Helsinki Ltd at the market price of the time of the purchase.

The AGM decided to authorize 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 authorization, 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 authorizations decided on by the AGM are valid for eighteen (18) months from the resolution of the AGM. The authorisations override any previous authorisations to decide on issuances of new shares and on granting stock option rights or other special rights entitling to shares.

11. SHARES AND CHANGES IN SHARE CAPITAL

Pursuant to the authorization issued by the Annual General Meeting, Teleste Corporation's Board of Directors decided, on 10 March 2021, on a directed share issue without consideration, relating to the reward payment for the performance period 2018-2020 of Teleste Group's share-based incentive plan 2018. In the share issue, 8,225 Teleste Corporation shares held by the company were conveyed without consideration to the key employees participating in the share-based incentive plan in accordance with the terms and conditions of the plan on 19 March 2021. On 31 December 2021, Tianta Oy was the largest single shareholder with a holding of 25.0% (24.1%).

In the period under review, the lowest price of the company's share was EUR 4.47 (3.51) and the highest price was EUR 6.66 (5.78). The closing price on 31 December 2021 stood at EUR 5.24 (4.49). According to Euroclear Finland Ltd, the number of shareholders at the end of the period under review was 5,481 (5,863). Foreign and nominee-registered holdings accounted for 3.0% (2.9%) of the holdings. The value of Teleste's shares traded on Nasdaq Helsinki from 1 January to 31 December 2021 was EUR 13.8 (13.8) million. In the period under review, 2.5 (3.1) million Teleste shares were traded on the stock exchange. Teleste's share is quoted in the technology section of Nasdaq Helsinki.

On 31 December 2021, the Group held 768,194 (776,419) of its own shares, all held by the parent company Teleste Corporation. At the end of the review period, the Group's holding of the total number of shares amounted to 4.0% (4.1%).

On 31 December 2021, the company's registered share capital stood at EUR 6,966,932.80, divided into 18,985,588 shares.

Valid authorizations 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 authorizations are valid until 6 October 2022.

12. OWNERSHIP BY MANAGEMENT AND MEMBERS OF THE GOVERNING BODIES ON 31 DECEMBER 2021

On the balance sheet date, the CEO and Members of the Board owned 204,610 (187,038) Teleste Corporation shares, representing 1.08% (0.99%) of all shares and votes. The CEO and the Board members did not have subscription rights based on stock options. On the balance sheet date, the members of the Management Group other than the CEO or entities under their control owned 49,454 (59,486) Teleste Corporation shares, representing 0.26% (0.31%) of all shares and votes.

Teleste Corporation complies with the Finnish Securities Market Act and the Finnish Corporate Governance Code. The Corporate Governance Statement is issued separately from the Report of the Board of Directors, and it is available in full on the company's website under Investors. Since 1 March 2000, Teleste complies with the insider guidelines of the Stock Exchange in their valid form at any given time.

13. OPERATING ENVIRONMENT IN 2022

The demand for broadband services by broadband network operators continues to grow. Broadband traffic has increased sharply during the COVID-19 pandemic due to the growth of teleworking and online education and the higher consumption of streaming services. It is presumable that part of the growth created by the pandemic will remain a permanent phenomenon, which would maintain 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 traditional HFC network infrastructure continue, but with a lower volume than in the past few years.

We expect next-generation access network upgrades to expand in Europe in 2022. DOCSIS 3.1-compliant distributed architecture product ranges and the integration and testing activities by the most advanced operators have progressed to a point where network upgrades can increasingly be implemented using these solutions.

The cable network industry has also created a vision and roadmap pertaining to the next-generation DOCSIS 4.0 standard. This next generation of technology will enable households to access broadband connections with speeds up to 10 gigabytes using existing coaxial cabling. DOCSIS 4.0 enables the competitiveness of the cable network infrastructure compared to optical fibre for years to come. We presume that North American operators, in particular, will invest heavily when DOCSIS 4.0 products enter the market, while European operators will partially switch to fibre investments to maintain their lead over other fixed network competitors.

Product development projects for Teleste's 1.8 GHz DOCSIS 4.0-compliant network products are under way. The deployment of passive products can begin in 2022, with the readiness to start amplifier upgrades to follow thereafter in 2023.

We estimate that the net sales of the access network products and services in 2022 will reach or exceed the level of net sales in the comparison year. However, this estimate involves uncertainty related to the availability of components and materials, the pandemic and level of investment among customers. Component availability issues and price increases will again require special attention in 2022.

Growing urban environments and their safety, 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 video security and public transport information systems in the coming years.

Public transport operators and other authorities must ensure smooth operation of services and infrastructure as well as the safety of people. Public transport information systems are continuously developing to be increasingly smart and real-time. The intelligence of video security solutions is increasing and demand has emerged 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.

The development of the market for public transport information systems was adversely affected in 2021 by not only the pandemic but also the global problems associated with the availability of components and materials. However, the market is expected to return to growth in 2022, provided that the availability of components and materials improves. Ensuring competitiveness requires Teleste to continuously make R&D investments in new intelligent solutions, and the share of software systems in these solutions will continue to grow. Improvements in project management and operational efficiency in business are essential, and we aim to improve profitability in this area.

We estimate that the net sales of video security and public transport information systems in 2022 will reach or exceed the level of net sales in the comparison year. However, this estimate involves uncertainty related to the availability of components and materials, the pandemic and the timing of projects.

14. OUTLOOK FOR 2022

Teleste estimates that net sales in 2022 will exceed the net sales of 2021 and that the adjusted operating result in 2022 will exceed the adjusted operating result of 2021. Net sales in 2021 were EUR 144.0 million, and the adjusted operating result was EUR 5.5 million. Component shortage and increases in component prices will cause increasing uncertainty in the financial year 2022 affecting the production, net sales and adjusted operating result especially in the first quarter.

Consolidated financial statements

Statement of Comprehensive Income

1,000 €	Note	1.1.–31.12.2021	1.1.–31.12.2020	Change,%
Continued operations				
Net sales	1	143,966	144,983	-0.7
Other operating income	2	5,209	1,783	192.1
Material and services		-67,672	-72,039	-6.1
Employee benefits expense	3	-46,825	-45,156	3.7
Depreciation and amortisation	4	-7,566	-7,241	4.5
Other operating expenses	5	-18,399	-17,814	3.3
Operating profit		**8,714**	**4,516**	**93.0**
Financial income	6	1,091	836	30.5
Financial expenses	6	-767	-1,670	-54.1
Profit before taxes		**9,037**	**3,681**	**145.5**
Income tax expense	7	-2,107	-905	132.9
Profit of continuing operations		**6,930**	**2,777**	
Discontinued operations	8			
Result from discontinued operations		0	-10,812	
Profit for the financial period		6,930	-8,035	
Profit attributable to:	9			
Equity holders of the parent		7,089	-7 827	
Non-controlling interests		-159	-209	
		6,930	-8,035	
Earnings per share for profit of the year attributable to the equity holders of the parent	9			
Basic (expressed in € per share)		0.39	-0.43	
Diluted (expressed in € per share)		0.39	-0.43	
Earnings per share for profit of the year from continuing operations, attributable to the equity holders of the parent	9			
Basic (expressed in € per share)		0.39	0.16	
Diluted (expressed in € per share)		0.39	0.16	
Earnings per share for profit of the year from discontinued operations, attributable to the equity holders of the parent	9			
Basic (expressed in € per share)		0.00	-0.59	
Diluted (expressed in € per share)		0.00	-0.59	
Total comprehensive income for the period (tEUR)				
Net profit		6,930	-8,035	
Items that may be reclassified to profit or loss:				
Translation differences		620	-606	
Fair value reserve		1	62	
Related tax		0	0	
Total comprehensive income for the period		7,552	-8,579	
Total comprehensive income attributable to:				
Owners of the parent company		7,691	-8,344	
Non-controlling interests		-140	-235	
		7,552	-8,579	

Statement of financial position

1,000 €	Note	31.12.2021	31.12.2020	Change,%
Assets				
Non-current assets				
Intangible assets	10	14,047	12,816	9.6
Goodwill	10	30,707	30,502	0.7
Property, plant and equipment	11	11,284	9,052	24.7
Available-for-sale investments	12	458	698	-34.4
Deferred tax assets	13	1,700	2,203	-22.8
		58,195	55,270	5.3
Current assets				
Inventories	14	29,177	28,225	3.4
Trade and other receivables	15	33,493	28,867	16.0
Tax receivables	21	259	428	-39.6
Cash and cash equivalents	16	14,100	20,224	-30.3
		77,029	77,745	-0.9
Total Assets		**135,224**	**133,015**	**1.7**
Equity and Liabilities				
Equity attributable to equity holders of the parent				
Share capital	17	6,967	6,967	0.0
Share premium	17	1,504	1,504	0.0
Translation differences		-1,392	-1,557	-10.6
Fair value reserve and other reserves		3,142	3,140	0.1
Retained earnings		58,588	52,715	11.1
Owners of the parent company		**68,810**	**62,770**	**9.6**
Non-controlling interests		**180**	**320**	**-43.6**
Equity total		**68,990**	**63,090**	**9.4**
Non-current liabilities				
Interest-bearing liabilities	18	6,856	24,716	-72.3
Other liabilities	20	737	832	-11.4
Deferred tax liabilities	13	1,988	1,518	31.0
Provisions	19	370	119	211.8
		9,951	27,184	-63.4
Current liabilities				
Trade and other payables	20	33,260	33,893	-1.9
Current tax payable	21	868	880	-1.4
Provisions	19	962	1,711	-43.8
Interest-bearing liabilities	18	21,193	6,256	238.7
		56,283	42,741	31.7
Total Liabilities		**66,234**	**69,925**	**-5.3**
Total Equity anf Liabilities		**135,224**	**133,015**	**1.7**

Consolidated cash flow statement

1,000 €	Note	**1.1.–31.12.2021**	1.1.–31.12.2020
Cash flows from operating activities			
Profit for the period		6,930	-8,035
Adjustments to cash flows from operating activities	23	7,567	23,322
Paid interests and other financial expenses		-300	-993
Other financial items		164	0
Received interests and dividends		76	33
Paid taxes		-935	-1,255
Net cash from operating activities		**13,502**	**13,071**
Cash flows from investing activities			
Purchases of tangible assets		-1,299	-1,214
Proceeds from sales of PPE		85	171
Purchases of intangible assets		-5,689	-3,916
Purchase of investments		-142	-77
Disposal of discontinued operation, net of cash disposed of		-3,749	6,276
Net cash used in investing activities		**-10,795**	**1,239**
Cash flow from financing activities			
Proceeds from borrowings		0	6,466
Payments of borrowings		-4,500	-3,569
Payment of finance lease liabilities		-2,120	-3,794
Dividends paid		-2,321	-1,685
Capital investment by non-controlling interests		0	349
Net cash used in financing activities		**-8,942**	**-2,232**
Change in cash			
Cash and cash equivalents 1.1.		20,224	8,249
Effect of currency changes		109	-103
Cash and cash equivalents 31.12.		**14,100**	**20,224**

Consolidated statement of changes in equity

1,000 €	Share capital	Share premium	Translation differences	Retained earnings	Invested non-restricted equity	Other reserves	Total	Non controlling interest	Total equity
					Attributable to equity holders of the parent				
At 1 January 2020	6,967	1,504	-1,595	62,618	3,140	-62	72,574	206	**72,779**
Net profit				-7,827		0	-7,827	-209	-8,035
Other items in comprehensive income for the period			37	-624		62	-525	-27	-553
Total comprehensive income	**0**	**0**	**37**	**-8,451**	**0**	**62**	**-8,352**	**-236**	**-8,588**
Dividends				-1,821			-1,821	0	-1,821
Equity-settled share-based payments				370			370	0	370
Capital investment by non-controlling interests								349	349
	0	0	0	-1,451	0	0	-1,451	349	-1,101
At 31 December 2020	**6,967**	**1,504**	**-1,558**	**52,716**	**3,140**	**0**	**62,771**	**319**	**63,090**
Net profit				7,089			7,089	-159	6,930
Other items in comprehensive income for the period			165	436		1	603	19	622
Total comprehensive income	**0**	**0**	**165**	**7,525**		**1**	**7,692**	**-140**	**7,552**
Dividends				-2,186			-2,186		-2,186
Equity-settled share-based payments				534			534		534
Capital investment by non-controlling interests									
	0	0	0	-1,652	0	0	-1,652	0	-1,652
At 31 December 2021	**6,967**	**1,504**	**-1,392**	**58,590**	**3,140**	**2**	**68,810**	**180**	**68,990**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING PRINCIPLES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

COMPANY PROFILE

Teleste Corporation (the"Company") is a Finnish public limited liability company organised under the laws of Finland and domiciled in Turku in Finland. Its registered address is Telestenkatu 1, 20660 Littoinen.

Founded in 1954 Teleste is a technology company running business activities, with a focus on the processing, transmission and management of video and data for operators and public authorities who provide multiple video-related information, entertainment and security services to end-users. Teleste also has strong emphasis on product solutions for broadband access networks, video service platforms and video surveillance applications. Group also delivers comprehensive network service solutions including new construction, rebuilding, upgrading, planning and maintenance services of cable networks. The parent company of Teleste Group, Teleste Corporation, has permanent establishment in Netherlands and a subsidiaries in thirteen countries outside Finland. Teleste Corporation has been listed on the Helsinki Stock Exchange since 1999. A copy of the consolidated financial statements can be obtained either from Teleste's website www.teleste.com or from the parent company's head office, the address of which is mentioned above.

STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) in force as at 31 December 2021. International financial reporting standards, referred to in the Finnish Accounting Act and in ordinances issued based on the provisions of this Act, refer to the standards and their interpretations adopted in accordance with the procedure laid down in regulation (EC) No 1606/2002 of the EU. The notes to the consolidated financial statements also include additional information in accordance with the Finnish accounting and company legislation.

The Group has applied as from 1 January 2021 the following new and amended standards that have come into effect. These had no significant impact on the consolidated financial statements for the financial year 2021.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2

The Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues arising during the reform of benchmark interest rates including the replacement of one benchmark rate with an alternative one.

The amendments cover:

- Accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform for instruments for which amortised cost measurement applies
- Additional temporary exceptions from applying specific hedge accounting requirements to avoid failure of hedge relationships solely due to IBOR reform

Covid-19 related Rent Concessions – Amendments to IFRS 16

As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments.

In May 2020, the IASB made an amendment to IFRS 16 Leases which provides lessees with an option to treat rent concessions in the same way as they would if they were not lease modifications in the following circumstances:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

BASIS OF PREPARATION

The consolidated financial statements are presented in thousands of euro (TEUR) and have been prepared under the historical cost convention, unless otherwise stated in the accounting principles.

USE OF ESTIMATES

The preparation of financial statements in conformity with IFRSs requires management to make estimates and assumptions that affect the contents of the financial statements as well as use judgement when applying accounting principles. The estimates and assumptions are based on the management's current best knowledge reflecting historical experience and other reasonable assumptions. Actual results may differ from these estimates. Accounting estimates mainly relate to goodwill, obsolete inventories, credit losses and warranty provisions. The chapter "Accounting policies requiring management's judgement and key sources of estimation uncertainty" discusses judgements made by management and those financial statement items on which judgements have a significant effect.

SUBSIDIARIES

The consolidated financial statements include the accounts of the parent company Teleste Corporation and all those subsidiaries in which it holds, directly or indirectly, over 50 per cent of the voting rights or in which it otherwise has control. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The companies acquired during the financial periods presented have been consolidated from the date of acquisition, when control commenced. The companies disposed during a financial period are included in the consolidated financial statements up to the date of disposal.

ASSOCIATES

At the end of the reporting period the Group had no investments in associates.

JOINT VENTURES

At the end of the reporting period the Group had no joint ventures

PRINCIPLES OF CONSOLIDATION

Acquisitions of companies are accounted for by using the purchase method. All intercompany income and expenses, receivables, liabilities and unrealised profits arising from intercompany transactions, as well as distribution of profits within the Group are eliminated as part of the consolidation process. The allocation of the profit for the period attributable to equity holders of the parent company and non-controlling interest is presented on the face of the income statement and the non-controlling interest is also disclosed in the statement of comprehensive income. Non-controlling interests are disclosed separately under consolidated total equity.

FINANCIAL STATEMENTS OF FOREIGN SUBSIDIARIES

The functional currency of the parent company is euro and the consolidated financial statements are presented in euro. The functional currency is the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity. In preparing the consolidated financial statements income statements and cash flows of those foreign subsidiaries whose functional and presentation currency are not the euro, are translated into euro at the average exchange rate during the financial period. Their balance sheets are translated at the closing rate at the balance sheet date.

All translation differences arising from consolidation of foreign shareholdings are recognised as a separate item in the comprehensive income. If an interest in a foreign entity is disposed of all, or part of, that entity, related cumulative translation differences deferred in equity are recognised in the income statement as part of the gain or loss on sale.

FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are translated at the rates of exchange prevailing on the dates of the transactions. At the end of the accounting period, foreign currency monetary balances are translated at the closing rate at the balance sheet date. Non-monetary items stated at fair value in a foreign currency are translated at foreign exchange rates ruling at the dates the fair value was determined. Other non-monetary items are translated using the exchange rate at the date of the transaction. Gains and losses resulting from transactions in foreign currencies and translation of monetary items are recognised in the income statement. Foreign exchange gains and losses on trade receivables and payables are adjusted to revenues and operating expenses, respectively. Other foreign exchange gains and losses are presented as financial income and expenses.

PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are stated at historical cost less cumulative depreciation and any impairment losses. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment. Interest costs which are directly attributable to the acquisition, construction or manufacturing of an asset that meets the determined criteria, in which case they are capitalized as part of the cost of that asset. Ordinary maintenance, repairs and renewals are expensed during the financial period in which they are incurred. In Teleste there are no such significant inspection or maintenance costs that should be capitalised. The Group recognises in the carrying amount of an item of property, plant and equipment the subsequent costs when that cost is incurred if it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group and the cost of the item can be measured reliably. Such renewals and repairs are depreciated on a systematic basis over the remaining useful life of the related asset. Gains and losses on sales and disposals are calculated as a difference between the received proceeds and the carrying amount and are included in other operating income and expenses, respectively.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Expected useful lives and residual values of non-current assets are reassessed at each balance sheet date and where they differ from previous estimates, depreciation periods are changed accordingly. The estimated useful lives are as follows:

- Buildings 25–33 years
- Machinery and equipment 3–5 years
- Computers 0–3 years
- Software 3 years

Land is not depreciated.

LEASES

Teleste has applied IFRS 16 Leases from 1 January 2019.

Group as lessee

Assets leased by Teleste that are not subject to exception available in IFRS 16 are recognized in the balance sheet at the inception of the lease as a non-current asset and a lease liability. The property, plant and equipment is amortized over the lease term and any impairment losses are recognized. Lease liabilities are included in the Group's current and non-current financial liabilities. Lease costs arising from leases are divided into interest expense and lease repayment. Repayment of a lease liability is recognized in the cash flow statement in the cash flow from financing activities.

Lease terms are negotiated on case by case basis and are subject of wide variety of terms. Lease agreements do not contain any a other covenants besides the lease subjects security intrest.

Teleste applies the exception available allowed by the standard for short-term leases and leases of low value assets.

INTANGIBLE ASSETS

An intangible asset is recognised only when it is probable that future economic benefits that are attributable to the asset will flow to the Group and if the cost of the asset can be measured reliably. All other expenditure is expensed as incurred.

Goodwill

Goodwill represents the Group's share of difference between the cost of the acquisition and the fair value measured at the acquisition date of the net identifiable assets, liabilities and contingent liabilities acquired. The difference is first allocated, where applicable, to the underlying assets. The rest of the excess is presented as goodwill as a separate item in the consolidated balance sheet. Goodwill has been allocated to segments and in respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate. Goodwill is stated at cost less any cumulative impairment losses. Goodwill (together with other intangible assets with indefinite lives) is not amortised but is tested annually for impairment.

Research and development costs

Research and development costs are expensed as they are incurred, except for certain development costs, which are capitalised when IFRS criteria are met. Significant future product platforms for which the potential demand and future cash flows can be estimated with sufficient degree of accuracy have been capitalised as intangible assets. Amortisation of such capitalised development projects is commenced after the completion of the subprojects related to the product platform concerned. They are amortised on a systematic basis over their expected useful life, which is from three to five years.

Other intangible assets

Other intangible assets of the Group mainly consist of intangible assets created from business acquisitions.

Those intangible assets which have estimated useful lives are depreciated on a straight-line basis over their known or estimated useful lives.

The estimated useful lives are as follows:

- Customer relationships 2-4 years
- Trademarks 5-10 years
- Technology 3-5 years

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

A non-current asset (or disposal group) is classified as held for sale when its carrying amount will be recovered principally through a sale transaction rather than through continuing use. It is measured at the lower of carrying amount and fair value less costs to sell. Such assets and associated liabilities are presented separately in the balance sheet. Assets held for sale are not depreciated (or amortised) after the classification as held for sale.

A discontinued operation is a component of the Group's business that represents a separate major line of business or a geographical area of operations or is a subsidiary acquired exclusively with a view to resale. The result of discontinued operations is presented separately on the face of the consolidated income statement. The german Networks Service business has been classified as discontinued operations. Therefore some comparatives for previous year has been restated.

IMPAIRMENT

The carrying amounts of assets are assessed for potential impairment at each balance sheet date and whenever there is any indication that an asset may be impaired. For the purposes of assessing impairment, assets are grouped at the cash generating unit level, which is the lowest level for which there are separately identifiable, mainly independent, cash inflows and outflows. Goodwill, unfinished intangible assets and intangible assets with indefinite useful lives, if any, are in all cases tested annually. All goodwill items of the Group have been allocated to segments. If there is an indication of an impairment, the Group estimates the recoverable amount of the asset or cash generating unit. When the recoverable amount of the asset or cash generating unit is lower than the carrying amount, the difference is immediately recognised as an impairment loss in the income statement. If the impairment loss is to be allocated for a cash-generating unit, it is allocated first by writing down any goodwill and then on pro rata basis to other assets of the unit.

The recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell or value in use. Teleste has applied value in use in its calculations in which case the estimated future net cash flows expected to be derived from the asset or cash generating unit are discounted to their present value. Expenditures to improve assets' performance, investments or future restructurings are excluded from the cash flow estimates.

An impairment loss relating to property, plant and equipment and other intangible assets excluding goodwill is reversed if there is an indication that the impairment loss may no longer exist and there has been a positive change in the estimates used to determine the recoverable amount of an asset or cash generating unit. An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. However, an impairment loss in respect of goodwill is never reversed.

INVENTORIES

Inventories are stated at the lower of cost or net realisable value. Cost is assigned by using the first-in, first-out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventories comprises all direct costs incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

FINANCIAL ASSETS AND LIABILITIES

Financial assets

Financial assets are classified according to the assets and the assets' contractual cash flow characteristics as follows:

- assets measured at amortised cost
- assets measured at fair value through other comprehensive income and
- assets measured at fair value through income statement.

The classification is made on the basis of the objective of the contractual cash flows of the investment or by applying the fair value option at the time of the original acquisition.

Purchases and sales of financial assets are recognised on the transaction date, which is the date on which the Group commits to purchasing or selling the financial instrument. At initial recognition, the Group measures financial assets at fair value. If the asset is not an asset measured at fair value through income statement, transaction costs caused directly by the asset are added to or deducted from the asset. Transaction costs are included in the original carrying amount of financial assets in the case of items not measured at fair value through income statement. Financial assets measured at fair value through income statement are recognised on the balance sheet at initial recognition, and transaction costs are recognised through income statement.

Financial assets measured at amortised cost

Financial assets measured at amortised cost include financial assets that according to the business model are to be held until maturity in order to collect contractual cash flows. The cash flows of these items consist fully of capital and interest related to the remaining capital

After initial measurement, the value of these financial assets is measured at amortised cost using the effective interest rate method less any impairment. The Group recognises the loss allowance on expected credit loss for an asset measured at amortised cost. Expected credit losses are presented under the income statement item impairment of financial assets. Losses due to impairment are taken to the income statement.

The Group's financial assets measured at amortised cost include trade receivables and other receivables that are non-derivative financial assets. The carrying amount of current trade and other receivables is considered to equal their fair value. Trade and other receivables are presented on the balance sheet as current assets if they are expected to be realised within 12 months of the end of the reporting period.

Trade receivables

The so-called simplified approach according to IFRS 9 is used for expected credit loss related to trade receivables. In the simplified approach, the recognised amount of credit losses covers all the credit losses expected during the validity period. In the simplified approach, credit losses are determined using a provision matrix and recognised as the amount corresponding to the expected credit losses over the entire validity period. Expected credit losses are evaluated on the basis of history data on previous credit losses. Groups trade receivables don't include any significant financing component. The model also takes into account any information on future financial conditions available at present. Expected credit losses are reported under other operating expenses in profit and loss statement.

In the consolidated financial statement previous periods, no expected credit losses were recognised, as taking into account the Group's history, realised credit losses from sales were very small.

Financial assets measured at fair value through other comprehensive income

The Group's financial assets measured at fair value through other comprehensive income consist of investments in non listed shares. In addition, cash flows of financial assets consist fully of capital and the payment of interest on remaining capital.

Profit or loss on items measured at fair value through other comprehensive income is recognised in other comprehensive income. Changes in fair value are not reclassified through profit and loss. Dividends are presented in profit and loss.

Financial assets measured at fair value through profit or loss

Other financial assets are measured at fair value through profit or loss. Financial assets held for trading purposes have mainly been acquired to obtain a gain in the short or long term, and they are shown in non-current or current financial assets. The Group's financial assets measured at fair value through profit or loss consist of shares and derivatives where hedge accounting is not applied.

Gains and losses arising from a change in fair value, realised or unrealised, are recognised through profit or loss. If investments do not have quoted prices, the Group applies different methods of valuation to them. Unquoted shares are valued at the lower of acquisition cost and probable transfer price.

Cash and cash equivalents

Cash and cash equivalents comprise cash, demand deposits and other highly liquid short-term investments which are easily exchangeable for a previously known amount of cash assets and whose risk of a change in value is minimal. Items classified in cash and cash equivalents have a maturity of less than three months from the date of acquisition. Bank overdrafts are included in current liabilities.

Recognition of final credit loss

Group usese the IFRS 9simplifiedfor expected credit loss related to trade receivables. In the simplified approach, the recognised amount of credit losses covers all the credit losses expected during the validity period.

Credit losses are determined using a provision matrix in which trade receivables are grouped based on their aging.

Credit loss raters are based on payment profiles from 48 months before 31 December 2020 and any final credit losses during that period. Calculated credit loss rates are adjusted to take into account the current situation. All trade receivables overdue 360 days or more are recognized as credit loss. Financial assets are written of the balance sheet as final credit losses.

Derecognition of financial assets

Financial assets are derecognised from the balance sheet when the Group's contractual right to the cash flows has expired or has been transferred to another party, or when the risks and rewards of ownership have to a significant degree been transferred outside the Group.

FINANCIAL LIABILITIES

Financial liabilities have been classified according to IFRS 9 into the following categories:

- financial liabilities measured at amortised cost
- financial liabilities measured at fair value through income statement.

Financial liabilities are initially recognised at fair value. Excluding financial liabilities measured at fair value through profit or loss, financial liabilities are later measured at amortised cost using the effective interest rate method. Transaction costs are included in the initial carrying amount of financial liabilities measured at amortised cost. Transaction costs related to financial liabilities measured at fair value through profit or loss are recognised as expense.

The Group's financial liabilities consist of leasing and bank loan liabilities.

On the Group balance sheet, financial liabilities may be included in both non-current and current liabilities. Financial liabilities are classified as current if they mature in less than 12 months and the Group does not have an unconditional right to defer payment for at least 12 months from the end of the reporting period.

Derecognition of financial liabilities

Financial liabilities are derecognised from the balance sheet when the liability has ceased to exist, that is, an obligation specified in the contract has been fulfilled or cancelled, or it has expired.

Treasury shares

Teleste Corporation's own shares acquired by the Group, including directly attributable costs, are presented as a deduction from total equity in the consolidated financial statements. Purchases or subsequent sales of treasury shares are presented as changes in equity.

Dividends

The dividend proposed by the Board of Directors is not recognised until approved by a general meeting of shareholders.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, a reliable estimate can be made of the amount of the obligation and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the effect of the time value of money on the amount of a provision is material, a provision is discounted. Provisions can arise from warranties, onerous contracts and restructurings. A warranty provision is recognised when the underlying products are sold. The provision is based on historical warranty data and an estimate. A reimbursement from a third party related to a provision is recognised as a receivable only when the reimbursement is virtually certain.

A provision for restructuring is recognised when the Group has a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly to those it concerns. The plan identifies at least the following: the business concerned, the principal locations affected, the location, function, and approximate number of employees who will be compensated for terminating their services, the expenditures that will be undertaken and when the plan will be implemented. Future operating costs are not provided for.

REVENUE RECOGNITION AND NET SALES

Revenue is recognised at a point in time or over time. The performance obligations is typically satisfied when goods are delivered and services are performed. Revenue from the sale of goods is recognised in the income statement when all significant risks and rewards of ownership have been transferred to the buyer, which normally takes place when a commodity is delivered. Revenue from services is recognised when the service has been performed. Typical payment term to customer is 30 to 90 days from invoicing data. Payment term over 12 months doesn't exist. Teleste is granting normal warranteis in this business for it's products. Defects in Teleste products caused by design, bad material or manufacturing are repaired or replaced by new products. There is no sale with a right of return. Costs of obtaining customer contract are capitalized when they exist. Revenue recognition process does not include any substantive discretionary items.

Revenue from contract assets is recognised by applying the cost-to-cost method of accounting as the measurement basis. Revenue and profits are recognised after considering the ratio of cumulative costs incurred to estimated total costs to complete each contract (the stage of completion). Recognition of profit requires the outcome of a construction contract be estimated reliably. If this is not the case, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable; and contract costs are expensed in the period in which they are incurred. In the event that the Group can be held as the main contractor of a construction contract, various product expenses including raw materials and labour costs will be accounted for in the calculation of the stage of completion. Possible changes in the expected total expenses of a construction contract are expensed as incurred. The expected loss is charged to the income statement immediately.

If costs incurred together with recognised profits exceed the amount billed, the difference is included in the balance sheet item "trade and other receivables". When costs incurred together with recognised profits are lower than the amount billed, the difference is shown under "trade and other payables".

Net sales include revenue from services rendered and goods sold, adjusted for discounts granted, sales-related taxes and effects of the translation differences.

Other operating income

Other operating income comprises income not generated from primary activities, such as gains from disposal of assets.

Government grants

Government grants that compensate the Group for expenses incurred are recognised as revenue in the income statement on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised by deducting the grant from the carrying amount of the asset.

Employee benefits

Pension arrangements

Pension plans are classified as either defined contribution plans or defined benefit plans. The plans the Group has currently are classified as defined contribution plans. Contributions to defined contribution pension plans are recognised as an expense in the income statement in the year to which they relate. The statutory pension plans of Finnish subsidiaries in the Group are funded through pension insurance. Subsidiaries outside Finland have various pension schemes in accordance with local requirements and practices.

Share-based payments

Groups long term incentive plans share-based payments are measured at their fair values using the Monte Carlo pricing model at the grant date and are recognised as an employee expense during the vesting period with a corresponding increase in equity.

Operating profit

Operating profit is not defined under IAS 1 Presentation of Financial Statements. In Teleste it is defined as a net amount that is comprised of the following items:

Net sales

+ other operating income
- raw material and consumables used adjusted for changes in inventories of finished goods and work in progress
- employee benefits expense
- depreciation and amortisation expense and impairment losses
- other operating expense

= operating profit / loss

All other items not mentioned above are presented under the operating profit. Exchange rate differences relating to sales and purchases are treated as adjustments to these items. All other exchange rate differences are included in financial income and expenses.

Borrowing costs

Borrowing costs are generally expensed in the period in which they are incurred, except if they are directly attributable to the construction of an asset that meets the determined criteria, in which case they are capitalized as part of the cost of that asset. These criteria are that the borrowing costs incurred for the construction of a major investment. However, incremental transaction costs directly related to acquiring a loan are included in the initial cost and are amortised as an interest expense using the effective interest rate method. The Group had no such capitalised transaction costs in its balance sheet at the end of the reporting period.

Interest and dividend income

Interest income is recognised using the effective interest method. Dividend income is recognised when the right to the dividend has established.

Derivative instruments

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently measured at fair value at the end of each reporting period. The accounting for changes in fair value depends on whether the derivative is designated as a hedging instrument and the nature of the item it hedges. If hedge accounting is not applied to the derivative, changes in fair value through profit or loss are recognized in the income statement to adjust the corresponding expense item.

At the inception of the hedge, the financial relationships between the hedging instruments and the hedged items and whether changes in the cash flows of the hedging instruments are expected to offset the changes in the cash flows of the hedged items, are documented. In addition, the objectives of risk management and the strategies according to which hedging measures are taken are documented.

When a non-financial asset (such as inventories) is subsequently recognized as a hedged item, both the unrecognized hedge gains and losses and the time or forward points not recognized in profit or loss are included in the asset's original acquisition cost. These amounts are finally recognized in profit or loss when the hedged item affects profit or loss

When a hedging instrument expires or the instrument is sold or terminated, or when the hedge no longer meets the criteria for hedge accounting, the gain or loss currently recognized in equity and the unrecognized hedging expense remain in equity until the expected transaction takes place and as a result, a non-financial asset, such as inventories, is recognized. If the forecast transaction is no longer expected to occur, the cumulative gain or loss recognized in equity and the hedging costs are transferred immediately to profit or loss.

Income taxes

The income taxes in the consolidated income statement consist of current tax and the change in the deferred tax assets and liabilities. Current tax includes taxes of the Group companies calculated on the taxable profit for the period determined in accordance with local tax rules, as well as the tax adjustments related to previous years. Deferred tax relating to items charged or credited directly to comprehensive income is itself charged or credited directly to comprehensisive income and equity.

Deferred tax assets and liabilities are provided in the consolidated financial statements using the balance sheet liability method, providing for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The main temporary differences arise from the treatment of development costs, the depreciation difference on property, plant and equipment and effects of consolidation and eliminations. Deferred taxes are not provided for impairment of goodwill, which is not deductible for tax purposes, nor for undistributed profits of subsidiaries to the extent that is it probable that the temporary difference will not reverse in the foreseeable future. Deferred tax liabilities are recognised at their full amounts in the balance sheet, and deferred tax assets are recognised at estimated realisable amounts. The enacted or substantially enacted tax rate at the balance sheet date is used as the tax rate.

Accounting policies requiring management's judgement and key sources of estimation uncertainty

Management's estimates regarding obsolete inventories, bad debts and warranties are based on approved financial models and case-specific judgments. Both historical experience and management's current view on the market situation have been employed when using the financial models. Management has used the best information available during the process of preparing the financial statements when making case-specific judgements. Impairment tests reflect assumptions made by management and underlying sensitivity analyses of the future cash flows.

By the issuance of the consolidated financial statements Teleste is not aware of any significant uncertainties regarding estimates made at the balance sheet date, nor of such future key assumptions that might have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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 due to the COVID-19 pandemic, 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. According the managent there is no need change previously used estimations or impairments of book values of assets or liabilities.

ADOPTION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS APPLICABLE IN FUTURE FINANCIAL YEARS

Teleste has not yet adopted the following new and amended standards and interpretations already issued by the IASB. The Group will adopt them as of the effective date or, if the date is other than the first day of the financial year, from the beginning of the subsequent financial year.

- **IFRS 17 Insurance Contracts**
  IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured in each reporting period. Contracts are measured using the building blocks of:
  - discounted probability-weighted cash flows
  - an explicit risk adjustment, and

  a contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period
- **Classification of Liabilities as Current or Non-current – Amendments to IAS 1**
  The amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (eg the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability.
- **Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16**
  The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment
- **Reference to the Conceptual Framework – Amendments to IFRS 3**
  Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and IFRIC 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date. These updates do not change the accounting requirements for business combinations.
- **Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37**
  The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

Notes to the Consolidated Financial Statements

1. NET SALES

Geographical division

2021 1,000 €	Finland	Nordic countries	Other Europe	Others	Dis-continued operations, Germany	Total
Sales by origin	14,312	17,426	101,631	10,597	0	143,966
Assets	53,041	102	3,225	127	0	56,495
Capital expenditure	9,133	148	1,766	8	0	11,056

2020 1,000 €	Finland	Nordic countries	Other Europe	Others	Dis-continued operations, Germany	Total
Sales by origin	14,430	12,939	106,430	11,183	56,291	201,273
Assets	48,381	648	3,587	451	0	53,067
Capital expenditure	3,175	103	2,354	150	807	6,588

Major customers

The company had no major customer concentrations in 2021.

The divestment of the German services business, the company's internal organisation change as well as changes to the reporting practices of the operative management and the Board of Directors affect the segments required to be reported. As set out in IFRS 8 standard, it is well-founded to combine the remaining services business reported in the Network Services segment with the business reported in the Video and Broadband Solutions segment. Due to the business model, the similarity of financial characteristics of the businesses and the administrative structure as well as the changes taken place in the financial period of 2020, Teleste's business segment to be reported is the entire Group as of the beginning of the financial period 2021.

GEOGRAPHICAL DIVISION

The geographical division of sales are shown based on customer location. Assets and investments are presented by geographical location of assets.

- Finland
- Other Nordic countries
- Other Europe
- Others (North America, Asia and Other countries)

The geographical division of sales are shown based on customer location. Assets and investments are presented by geographical location of assets.

DISCONTINUED OPERATIONS

Effect of discontinued operations has been restated from the 2020 figures. During 2021 the group had no discontinued operations.

	2021	2020
Revenue from contracts with customers	143,966	144,983
All revenue streams are generated from contracts with customers		
Receivables, which are included in"trade and other receivables" Note 15	28,117	25,567
Net assets from contracts (+assets - liabilities)		
Contract assets (+)	5,619	8,362
Contract liabilities (-)	-2,082	-5,085
Total	**3,537**	**3,277**
Timing of the revenue recognition		
Timing of the revenue recognition, at point in time	131,296	133,614
Timing of revenue recognition, over the time	12,670	11,369
Total	**143,966**	**144,983**
Revenue by category		
Goods	120,220	118,524
Services	23,746	26,458
Total	**143,966**	**144,983**

ORDER BACKLOG

Timing of order backlog

	2022	Later	Total
Order backlog end of 2021	68,051	40,588	108,639

Timing of order backlog

	2021	Later	Total
Order backlog end of 2020	48,946	28,140	77,086

2. OTHER OPERATING INCOME

1,000 €	**2021**	2020
Government grants related to development costs	561	967
Gain on disposals of investments	549	0
Gain on disposals of non-current assets	66	46
Insurance compensation	3,200	0
Other income	833	770
Total	**5,209**	**1,783**

3. EMPLOYEE BENEFITS EXPENSE

1,000 €		
Wages and salaries	-43,139	--41,449
Pension expenses		
Defined contribution plans	-6,034	-5,165
Other social security contributions	-1,995	-2,023
Activated R&D salaries and social costs	4,878	3,851
Equity-settled share-based transactions	-534	-370
Total	**-46,825**	**-45,156**

Information on the remuneration of (and loans to) the Group management is presented in the note Related party transactions.

The average number of employees during the financial year	863	858

4. DEPRECIATION, AMORTISATION AND IMPAIRMENT

1,000 €	**2021**	2020
Depreciation and amortisation by asset type:		
Tangible assets		
Buildings	-427	-366
Machinery and equipment	-570	-463
Other tangible assets	-6	-32
Total	**-1,003**	**-860**
Intangible assets		
Capitalised development expenses	-4,085	-3,419
Other intangible assets	-363	-515
Total	**-4,448**	**-3,934**
Right-of-use assets		
Land and water, right-of-use	0	-25
Buildings and structures, right-of-use	-1,286	-1,219
Machinery and equipment, right-of-use	-774	-1,203
Total	**-2,059**	**-2,447**
Total depreciation, amortisation and impairment	**-7,566**	**-7,241**

5. OTHER OPERATING EXPENSES

1,000 €		
Rental expenses	-1,850	-2,134
External services	-5,233	-4,804
Other variable costs	-2,284	-5,735
Travel and IT costs	-2,976	-3,938
R&D costs	-1,285	-1,392
Other expenses	-4,771	188
Total	**-18,399**	**-17,814**

R&D costs are included also in employee benefits expense, travel and IT costs and other costs.

Audit expenses

1,000 €	**2021**	2020
KPMG/PWC		
Auditing assignments	-107	-140
Tax consultancy	-5	-12
Other assignments	-9	-37
Other auditors		
Auditing assignments	-66	-54
Other assignments	-38	-10

KPMG Oy Ab has been assigned as auditor of Teleste group until 7.4.2021 after which PriwaterhouseCoopers Oy has been selected as group auditor.

Group has reported fees from KPMG Oy Ab as fees from other auditor from 8.4.2021 onwards. Fees from PricewaterhouseCoopers Oy have been reported as fees from other auditors until 7.4.2021.

6. FINANCIAL INCOME AND EXPENSES

Financial income

1,000 €		
Interest income	65	55
Other financial income	45	0
Foreign exchange gain	978	776
Dividend income	3	4
Total	**1,091**	**836**

Financial expenses

Interest expenses	-220	-353
Foreign exchange loss	-379	-1,223
Interest from lease liabilities	-80	-94
Other financial expenses	-88	0
Total	**-767**	**-1,670**

Losses from forward exchange contracts are included in operating profit.

7. INCOME TAXES

1,000 €	**2021**	2020
Current tax expense		
Current year	-1,060	-972
Adjustments for prior years	-31	-166
Change in deferred tax liabilities and tax assets	-1,017	233
Total	**-2,107**	**-905**

Reconciliation of the tax expense, EUR, -1 060 thousand, calculated using the Teleste Group's domestic corporation 20.0% tax rate.

1,000 €	**2021**	2020
Profit before tax	9,037	3,681
Income tax using the domestic corporation tax rate (20.0%)	-1,807	-736
Effect of tax rates in foreign jurisdictions	-451	-25
Non-taxable income	45	4
Non-deductible expenses	-127	18
Loss for the period, for which no deferred tax asset is recognized	263	0
Taxes from previous year	-31	-166
Income tax income/expense reported in the consolidated income statement	-2,107	-905

8. DISCONTINUED OPERATIONS

Year 2021

Teleste group has not had any operations classified as discontinued operations.

Year 2020

Teleste decided to classify the services business of the Germany-based Cableway companies as an asset held for sale pursuant to IFRS 5 "Non-current assets held for sale and discontinued operations" since Q1 2020.

In November 2020, Teleste sold the German services business belonging to the Network Services business segment to the Circet Deutschland GmbH, which is a part of the French Circet Group. Circet is a leading European telecommunication network service provider, which operates in France, Ireland, England, Spain, Germany, and Morocco. The company provides a wide range of services for fixed and mobile networks, including contracting, installation, and maintenance services.

The contractual net debt free purchase price was 8.0 million euros, and, the sale is caused a one-time loss of 6.1 million euros to the Teleste group.

Income statement and balance sheet

Results of discontinued operations

1,000 €	**2021**	2020
Net sales	0	56,291
Expenses	0	-60,060
Total	0	-3,769
Business disposals	0	-6,106
Operating profit	**0**	**-9,875**
Income taxes	0	-937
Profit/loss for the year	0	-10,812
Earnings per share, discontinued operations, euro	0	-0,59

Income taxes in Discontinued operations consists entirely of writedown to deferred tax assets regarding the operative transactions.

Effect of disposal on the financial position of the Group

	2021	2020
Property, plant and equipment	0	-4,921
Deferred tax assets	0	-9
Inventories	0	-9,982
Trade and other receivables	0	-3,646
Cash and equivalents	0	-8,067
Deferred tax liabilities	0	119
Long term liabilities	0	1,284
Trade and other payables	0	8,570
Net assets and liabilities	**0**	**-16,654**

Cash flow in discontinued operations

	2021	2020
Net cash used in operating activities	0	144
Net cash from investing activities	0	6,974
Net cash flow for the year	0	7,118
Net cash from investing activities, specification		
Purchases of tangible assets	0	-824
Proceeds from sales of PPE	0	66
Consideration received, satisfied in cash	0	15,800
Cash and cash equivalents disposed of	0	-8,067
Total	**0**	**6,974**

9. EARNINGS PER SHARE

The basic earnings per share is calculated as follows:

Profit for the year attributable to equity holders of the parent

Weighted average number of ordinary shares outstanding during the financial year

The diluted earnings per share is calculated as follows:

Profit for the year attributable to equity holders of the parent (diluted)

Weighted average number of ordinary shares outstanding during the financial year (diluted)

The basic earnings per share from continued operation is calculated as follows:

Profit for the year from continued operation attributable to equity holders of the parent

Weighted average number of ordinary shares outstanding during the financial year

The diluted earnings from continued operations per share is calculated as follows:

Profit for the year from continued operations attributable to equity holders of the parent (diluted)

Weighted average number of ordinary shares outstanding during the financial year (diluted)

The basic earnings per share from discontinued operation is calculated as follows:

Profit for the year from discontinued operation attributable to equity holders of the parent

Weighted average number of ordinary shares outstanding during the financial year

The diluted earnings from discontinued operations per share is calculated as follows:

Profit for the year from continued disoperations attributable to equity holders of the parent (diluted)

Weighted average number of ordinary shares outstanding during the financial year (diluted)

The number of ordinary shares outstanding excludes the treasury shares.

The changes in the number of the shares are presented in the note 17 Capital and reserves.

2021	**Continued operations**	**Discontinued operations**	**Group total**
Profit for the year attributable to equity holders of the parent, (1,000 €)	7,089	0	7,089
Weighted average number of ordinary shares outstanding during the financial year (1,000)	18,216	18,216	18,216
Basic earnings per share (€)	0.39	0.00	0.39
Weighted average number of ordinary shares outstanding during the financial year (1,000)	18,216	18,216	18,216
Effect of share options on issue (1,000)	7	7	7
Weighted average number of ordinary shares outstanding during the financial year (diluted) (1,000)	18,223	18,223	18,223
Diluted earnings per share (€)	0.39	0.00	0.39

2020	Continued operations	Discontinued operations	Group total
Profit for the year attributable to equity holders of the parent, (1,000 €)	2,985	-10,812	-7,827
Weighted average number of ordinary shares outstanding during the financial year (1,000)	18,204	18,204	18,204
Basic earnings per share (€)	0.16	-0.59	-0.43
Weighted average number of ordinary shares outstanding during the financial year (1,000)	18,204	18,204	18,204
Effect of share options on issue (1,000)	17	17	17
Weighted average number of ordinary shares outstanding during the financial year (diluted) (1,000)	18,220	18,220	18,220
Diluted earnings per share (€)	0.16	-0.59	-0.43

The Share-based Incentives program granted by the Group have a dilutive effect.

10. INTANGIBLE ASSETS

1,000 €	Develop-ment costs	Immaterial rights	Other intangible assets	Goodwill	**Total**
Cost 1.1.2021	23,902	1,627	8,197	30,502	**64,227**
Translation differences	-10	-13	86	205	**267**
Additions	5,659	11	19	0	**5,689**
Disposals			0	**0**	**0**
Business disposals			0	0	**0**
Cost 31.12.2021	29,551	1,625	8,301	30,707	**70,183**
Cumulative amortisation and impairment 1.1.2021	-11,922	-1,329	-7,786	0	**-21,037**
Translation differences	3	10	-90	0	**-77**
Amortisation and impairment from disposals			0	0	**0**
Amortisation	-4,085	-185	-179	0	**-4,448**
Cumulative amortisation and impairment 31.12.2021	-16,004	-1,503	-8,055	0	**-25,562**
Carrying amount 1.1.2021	11,980	298	410	30,502	**43,191**
Carrying amount 31.12.2021	**13,547**	**122**	**246**	**30,707**	**44,622**

Intangible assets consists of:	
- Assets owned by the Group	44,622
- Leased right of use assets	131
	44,753

1,000 €	Develop-ment costs	Immaterial rights	Other intangible assets	Goodwill	**Total**
Cost 1.1.2020	20,115	1,585	11,399	38,372	**71,794**
Translation differences	-64	5	-125	-166	**-361**
Additions	3,851	40	26	0	**3,916**
Disposals			-14		**-14**
Business disposals		-3	-3,088	-7,705	**-10,796**
Cost 31.12.2020	23,902	1,627	8,197	30,502	**64,539**
Cumulative amortisation and impairment 1.1.2020	-8,505	-1,023	-10,794	-7,705	**-28,219**
Translation differences	2	2	128	0	**139**
Amortisation and impairment from disposals			3,088	7,705	**10,792**
Amortisation	-3,419	-308	-207	0	**-3,934**
Cumulative amortisation and impairment 31.12.2020	-11,922	-1,329	-7,786	0	**-21,222**
Carrying amount 1.1.2020	11,610	562	604	30,668	**43,444**
Carrying amount 31.12.2020	**11,980**	**298**	**410**	**30,502**	**43,191**

Group has revceived grants of 0.6 million euros in Finland for development costs in year 2021 (1.0 million euro in year 2020). Of these grants, 0.0 million euro (0.0 million euro in year 2020) has been booked as deduction of activated deveplment costs. Development grants have clause which states that may be retracted if the conditions on which the grants have been permitted, have changed.

For the purposes of impairment testing goodwill items of the Group have been allocated to the segments, each of which represents a separate cash-generating unit.The aggregate goodwill amount totalled 30.7 million euro at 31 December 2021. Goodwill has been allocated to the following cash-generating unit:

	million euro
Tech&Prod	30,2
NS CH	0,5

The recoverable amount of the Cash Generating Unit (CGU) is based upon value-in-use calculations. Those calculations use cash flow projections based upon the strategies and business plans approved by the management. Calculations are prepared covering a 5 years' period. The cash flows for the first year for both CGU's are based on the budget for 2022 according the business plan. From 2022 onwards Tech&Prod cash flow is based on strategic long term plan for years 2023 and 2024. For 2025 and 2026 the cash flows are calculated with 6%annual growth rate. Respective cash flows from NS CH are calculated with 2% (2%) annual growts rate from 2022 onwards. Management's view on the cash flows is cautious as the changes of the industry are difficult to foresee. A discount rate of 9.2% is used in both segments. The terminal value of the segments is calculated by using a growth rate of 1 per cent. The impairment test process included the sensitivity analysis of CGU in which the annual growth assumption was decreased and discount rate was increased in order to match the recoverable amount with the accounting value.

Assumption used in 2021 and 2020 impairment tests

	2021		2020	
%	Tech&Prod	NS CH	Tech&Prod	NS CH
Growth of net sales, year 1	9	2	7	2
Growth of net sales, year 2	12	2	30	2
Growth of net sales, year 3	12	2	13	2
Growth of net sales, year 4	6	2	2	2
Growth of net sales, year 5	5	2	2	2
WACC (after taxes)	9.2	9.2	9.2	9.2

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

Impairment test

Meur	**2021**	2020
Tech&Prod	29.9	32.1
NS CH	1.5	1.8

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

Decline of free cash flow

	2021	2020
VBS	-28%	-26%
NS CH	-41%	-49%

Increase in discount rate (after taxes) change% unit

	2021	2020
VBS	2.6%	2.6%
NS CH	5.9%	8.0%

11. PROPERTY, PLANT AND EQUIPMENT

1,000 €	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments and work in progress	**Total**
Cost 1.1.2021	56	7,840	6,598	1,239	71	**15,804**
Translation differences	0	45	270	6	0	**320**
Additions	0	848	802	10	0	**1,660**
Business disposals	0	0	0	0		**0**
Disposals	0	-313	-10	-5	0	**-327**
Reclassification	0	182	-111	0	-71	**0**
Cost 31.12.2021	56	8,602	7,549	1,250	0	**17,457**
Cumulative depreciation and impairment 1.1.2021	-2	-4,041	-5,261	-1,131	0	**-10,435**
Translation differences	0	-11	-140	-5		**-157**
Cumulative amortisation on business disposals	0	0	0	0		**0**
Cumulative amortisation on disposals and reclassifications	0	0	10	30		**40**
Depreciations	0	-427	-570	-6		**-1,003**
Cumulative depreciation and impairment 31.12.2021	-2	-4,480	-5,962	-1,112	0	**-11,555**
Carrying amount 1.1.2021	54	3,798	1,337	109	71	**5,368**
Carrying amount 31.12.2021	**54**	**4,122**	**1,588**	**138**	**0**	**5,902**

Intangible assets consists of:	
- Assets owned by the Group	5,902
- Leased right of use assets	5,382
	11,284

1,000 €	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments and work in progress	**Total**
Cost 1.1.2020	56	7,999	13,602	2,545	71	**24,273**
Translation differences	0	-44	-97	-10	0	**-151**
Additions	0	19	1,158	7	0	**1,184**
Business disposals	0	-117	-7,991	-1,301	0	**-9,409**
Disposals	0	-19	-74	-1	0	**-94**
Cost 31.12.2020	56	7,840	6,598	1,239	71	**15,804**
Cumulative depreciation and impairment 1.1.2020	-2	-3,780	-9,430	-2,349	0	**-15,562**
Translation differences	0	13	103	2	0	**118**
Cumulative amortisation on business disposals	0	99	4,816	1,249	0	**6,164**
Cumulative amortisation on disposals and reclassifications	0	-5	9	7	0	**11**
Depreciations	0	-368	-759	-40	0	**-1,167**
Cumulative depreciation and impairment 31.12.2020	-2	-4,041	-5,261	-1,131	0	**-10,435**
Carrying amount 1.1.2020	54	4,219	4,171	196	71	**8,711**
Carrying amount 31.12.2020	**54**	**3,798**	**1,337**	**109**	**71**	**5,368**

RIGHT-OF-USE ASSETS

Righ-of-use assets according to IFRS 16

1,000 €	Intangible assets, right-of-use	Land and water, right-of-use	Buildings and structures, right-of-use	Machinery and equipment, right-of-use	**Total**
Cost 1.1.2021	312	1,017	3,915	3,785	**9,030**
Translation differences	22	0	80	16	**118**
Additions	0	132	2,670	948	**3,750**
Disposals	0	0	0	0	**0**
Business disposals	0	0	0	0	**0**
Cost 31.12.2021	334	1,149	6,665	4,749	**12,897**
Cumulative depreciations and impairment 1.1.2021	-185	-51	-2,448	-2,528	**-5,213**
Translation differences	-18	0	-53	-14	**-85**
Cumulative depreciation on disposals and reclassifications	0	0	0	0	**0**
Cumulative depreciation on business disposals	0	0	0	0	**0**
Depreciations	0	0	-1,286	-774	**-2,059**
Impairments	0	-27	0	0	-27
Cumulative depreciations and impairment 31.12.2021	-203	-78	-3,787	-3,316	**-7,384**
Carrying amount 1.1.2021	127	966	1,467	1,257	**3,817**
Carrying amount 31.12.2021	**131**	**1,071**	**2,879**	**1,432**	**5,514**

	Intangible assets, right-of-use	Property, Plant,& Equipment, right-of-use	**Total**
	131	5,382	**5,514**

1,000 €	Intangible assets, right-of-use	Land and water, right-of-use	Buildings and structures, right-of-use	Machinery and equipment, right-of-use	**Total**
Cost 1.1.2020	323	1,017	4,090	7,558	**12,988**
Translation differences	-11	0	-81	-1	**-93**
Additions	0	0	1,048	380	**1,428**
Disposals	0	0	0	0	0
Business disposals	0	0	-1,142	-4,151	**-5,294**
Cost 31.12.2020	312	1,017	3,915	3,785	**9,030**
Cumulative depreciations and impairment 1.1.2020	-192	-26	-1,644	-2,668	**-4,529**
Translation differences	7	0	45	8	**60**
Cumulative depreciation on disposals and reclassifications	0	0	0	0	**0**
Cumulative depreciation on business disposals	0	0	611	1,473	**2,084**
Depreciations	0	-26	-1,461	-1,342	**-2,828**
Impairments	0	0	0	0	**0**
Cumulative depreciations and impairment 31.12.2020	-185	-51	-2,448	-2,528	**-5,213**
Carrying amount 1.1.2020	131	991	2,446	4,891	**8,459**
Carrying amount 31.12.2020	**127**	**966**	**1,467**	**1,257**	**3,817**

12. OTHER FINANCIAL ASSETS

1,000 €	Available for sale investments	Investments designated as at FVTOCI	Total
Cost 1.1.2021	401	297	698
Translation differences	47	0	47
Additions	0	142	142
Business disposals	-429	0	-429
Disposals	0	0	0
Cost 31.12.2021	19	439	458
Carrying amount 1.1.2021	401	297	698
Carrying amount 31.12.2021	**19**	**439**	**458**

1,000 €	Available for sale investments	Investments designated as at FVTOCI	Total
Cost 1.1.2020	425	220	645
Translation differences	-24	0	-24
Additions	0	77	77
Disposals	0	0	0
Cost 31.12.2020	401	297	698
Carrying amount 1.1.2020	425	220	645
Carrying amount 31.12.2020	**401**	**297**	**698**

13. DEFERRED TAX ASSETS AND LIABILITIES

1,000 €	1.1.2021	Recognised in the income statement	31.12.2021
Movements in temporary differences during 2021			
Deferred tax assets			
Effects of consolidation and eliminations	90	39	130
Unused tax losses	1,562	-347	1,215
Provisions	550	-195	355
Total	**2,203**	**-503**	**1,700**
Deferred tax liabilities			
Capitalisation of intangible assets	-1,383	-409	-1,792
Fair value adjustments to intangible and tangible assets on acquisition	-89	27	-61
Cumulative depreciation difference	-46	21	-25
Other items	0	-109	-109
Total	**-1,518**	**-470**	**-1,988**

1,000 €	1.1.2020	Recognised in the income statement	31.12.2020
Movements in temporary differences during 2020			
Deferred tax assets			
Effects of consolidation and eliminations	131	-41	90
Unused tax losses	1,160	402	1,562
Provisions	633	-83	550
Total	**1,924**	**278**	**2,203**
Deferred tax liabilities			
Capitalisation of intangible assets	-1,420	37	-1,383
Fair value adjustments to intangible and tangible assets on acquisition	-122	33	-89
Cumulative depreciation difference	-61	15	-46
Total	**-1,603**	**85**	**-1,518**

Group has not netted any deferred tax receivables and debts

At 31 December 2021 the Group had unused tax losses in subsidiaries amounting 6,585 thousand euro (31 Dec. 2020: 8,597 thousand euro). A tax asset has been booked from 1,215 thousand euro (31 Dec. 2020: 1,562 thousand euro). Use of lax losses has been asessed by Group management, based on previous years results and future forecasts.

No deferred tax liability has been provided for the undistributed profits of the foreign subsidiaries amounting to 16,566 thousand euro at 31 Dec. 2021 (31 Dec. 2020: 19,664 thousand euro). This is because the realization of this tax liability is unlikely in the near future.

14. INVENTORIES

1,000 €	**2021**	2020
Raw materials and consumables	16,092	10,418
Work in progress	4,380	9,330
Finished goods	8,705	8,478
Total	**29,177**	**28,225**

The amount of the impairment losses of inventories to the net realisable value recognised as an expense during the financial period is 777 thousand euro. At the end of the financial year 4,273 thousand euro was deducted from the inventory value to the net realisable value (31 Dec. 2020: 5,050 thousand euro).

15. TRADE AND OTHER CURRENT RECEIVABLES

1,000 €	**2021**	2020
Trade receivables	28,117	25,567
Accrued income and prepayments	4,195	3,301
Other receivables	1,182	0
Total	**33,493**	**28,867**

16. CASH AND CASH EQUIVALENTS

Cash at bank and in hand and call deposits	14,100	20,224
Total	**14,100**	**20,224**
Cash and cash equivalents in the statement of cash flows	14,100	20,224

17. CAPITAL AND RESERVES

1,000 €	Number of shares, 1,000	Number of own shares, 1,000	Number of shares, total 1,000	Share capital, 1,000 €	Reserve fund, 1,000 €
1.1.2021	18,210	776	18,986	6,967	1,504
Change in own shares	8	-8	0	0	0
31.12.2021	18,218	768	18,986	6,967	1,504

The number of Teleste Oyj shares was 18,985,588 December 2021 (31 Dec. 2020 18,985,588 shares). All shares issued have been fully paid.

The Annual General Meeting of Teleste Oyj held on 7th of April 2021 decided to authorize the Board of Directors to decide on repurchasing the Company's own shares in accordance with the proposal of the Board of Directors. Based on the authorization, the Board of Directors may repurchase a maximum of 1,200,000 own shares of the Company otherwise than in proportion to the holdings of the shareholders by using the non-restricted equity through public trading on Nasdaq Helsinki Ltd at the market price prevailing at the time of acquisition.

The Annual General Meeting of Teleste Oyj held on 22nd of April 2020 decided to authorize the Board of Directors to decide on repurchasing the Company's own shares in accordance with the proposal of the Board of Directors. Based on the authorization, the Board of Directors may repurchase a maximum of 1,200,000 own shares of the Company otherwise than in proportion to the holdings of the shareholders by using the non-restricted equity through public trading on Nasdaq Helsinki Ltd at the market price prevailing at the time of acquisition.

At the end of December 2021, the Group held 768,194 of its own shares.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Dividends

After the balance sheet date the dividend of 0.14 euro per share (2020 0.12 euro per share) was proposed by the Board of Directors.

SHARE-BASED INCENTIVE PROGRAMME LTI 2018

On 7 February 2018, Teleste's Board of Directors decided on the establishment of a new long-term share-based incentive programme to be offered to Teleste's key employees (hereafter "LTI 2018"). The objective of LTI 2018 is to align the key employees' interests with those of Teleste's shareholders by creating a long-term equity interest for the key employees and, consequently, to increase the company's value in the long term and to drive a performance culture, retain key employees and offer the key employees competitive compensation for excellent performance.

LTI 2018 consists of three annually commencing plans with the following main elements: an investment in Teleste shares as a precondition for the key employee's participation in the individual plan, a matching share plan with a three-year vesting period based on the individual investment and a performance share plan with a three-year performance period.

The matching share plan includes the investment of a participant in Teleste's shares and the delivery of matching shares as a long-term incentive reward against the invested shares. After the three-year vesting period, the key employee receives one matching share for each two invested shares free of charge.

The performance matching plan includes a three-year performance period. The potential share rewards will be delivered if the performance targets set by the Board of Directors are achieved. The performance measure applied in the performance share plan in each of the plans in effect is the total shareholder return (TSR) of Teleste's share. The above investment in Teleste's shares is the requirement for an individual key employee to be included in the plan.

The gross quantity of matching shares payable under the matching share plan 2019-2021 is 17,537 shares and under the performance share plan at maximum 274,620 shares. The Board of Directors approved 33 key employees as eligible to participate in the plans beginning in 2019. At the end of 2021, altogether 23 key employees were approved as eligible to participate in the plan.

The gross quantity of matching shares payable under the matching share plan 2020-2022 is 18,451 shares and under the performance share plan at maximum 281,700 shares. The Board of Directors approved 33 key employees as eligible to participate in the plans beginning in 2020. At the end of 2021, altogether 27 key employees were approved as eligible to participate in the plan.

The gross quantities of shares delivered under the 2018-2020 plan that ended in April 2021 were 13,963 shares and 0 performance matching shares. A net quantity of 8,225 shares were delivered to the key employees entitled to reward through a directed share issue on 23 March 2021.

SHARE-BASED INCENTIVE PROGRAMME LTI 2021

On 10 February 2021, Teleste's Board of Directors decided on the establishment of a new long-term share-based incentive programme to be offered to Teleste's key employees (hereafter "LTI 2021"). The objective of LTI 2021 is to align the key employees' interests with those of Teleste's shareholders by creating a long-term equity interest for the key employees and, consequently, to increase the company's value in the long term and to drive a performance culture, retain key employees and offer the key employees competitive performance-based compensation.

LTI 2021 consists of one three-year plan with the following main elements: an investment in Teleste shares as a precondition for the key employee's participation in the individual plan, a matching share plan with a three-year vesting period based on the individual investment and a performance share plan with a three-year performance period.

The matching share plan 2021-2023 comprises the individual key employee's investment in Teleste's shares and the delivery of a specific number of matching shares without consideration as a share reward based on the share investment after the three-year vesting period. The matching ratio applied to the matching share plan is one matching share for each two shares invested.

The performance share plan 2021-2023 comprises a three-year performance period. The potential share rewards will be delivered if the performance targets set by the Board of Directors are achieved. The performance measure applied in the plan is the total shareholder return (TSR) of the Teleste share.

The gross quantity of matching shares payable under the matching share plan 2021-2023 is 21,313 shares and under the performance share plan at maximum 318,000 shares. The Board of Directors approved 33 key employees as eligible to participate in the plans beginning in 2021. At the end of 2021, altogether 31 key employees were approved as eligible to participate in the plan.

Plan	LTI 2021	LTI 2018	LTI 2018	LTI 2018
Type	Share	Share	Share	Share
Instrument	2021–2023	2020–2022	2019–2021	2018–2020
Initial amount, pcs *	357,500	346,125	346,125	317,200
Initial allocation date	1.7.2021	1.7.2020	1.7.2019	2.7.2018
Vesting date	31.3.2024	31.3.2023	31.3.2022	19.3.2021
Maximum contractual life, yrs	2.8	2.7	2.8	2.7
Remaining contractual life, yrs	2.2	1.2	0.2	0.0
Number of persons at the end of the reporting year	28	25	24	0
Payment method	Cash & Equity	Cash & Equity	Cash & Equity	Cash & Equity

** Gross reward before the deduction of the applicable taxes.*

Changes during the period	Period 2018–2020	Period 2019–2021	Period 2020–2022	Period 2021–2023	Remaining contractual life, yrs
1.1.					
Outstanding at the beginning of the reporting period, pcs	262,363	299,307	309,901	0	
Changes during the period					
Granted	0	0	0	345,813	
Forfeited	248,400	7,150	9,750	6,500	
Excercised	13,963	0	0	0	
31.12.					
Outstanding at the end of the period	0	292,157	300,151	339,313	1.30

Performance Share Plans 2018 and 2021

The share based incentives effective during the period have been decided by the Teleste Board of Directors in 2018 and 2021. Under the plans 3-year vesting periods have been launched annually covering years 2018-2020, 2019-2021, 2020-2022 and 2021-2023. The objective of the plan is to align the interests of the key employees with those of the Company's shareholders by creating a long-term equity interest for the key employees and, thus, to increase Teleste's company value in the long term; and to drive performance culture, to retain critical leadership talent and to offer the key employees with competitive compensation for excellent performance in the Company. Each vesting period each includes a shareholding pre-condition during the three-year vesting period after which one (1) fixed matching share is paid as a reward against each two (2) shares held. In addition, performance shares may be earned on the basis of Teleste Total Shareholder Return (TSR) during the vesting period.

Valuation parameters for instruments granted during period 2021 are presented in the table below. The fair value of share based incentives has been determined at grant date, when the participants confirmed their participation. Market condition, in this case Total Shareholder Return will be taken into account when determining the fair value at grant and it will not be changed during the plan. The fair value of the cost estimate will only be changed as far as service condition is concerned.

Share reward, fair value calculation, LTI 2021

Stock value at vesting date, EUR	6.22 €
Effect of market valued criteria in fair value	44%
Assumed dividends, €	0.58 €
Share reward, fair value per share, EUR	3.18
Reward, fair value 31.12.2021	990,964 €

Effect of Share-based Incentives on the result and financial position during year 2021, 1,000 €

Expenses for the financial year, share-based payments	569
Expenses for the financial year, share-based payments, equity-settled	564
Liabilities arising from share-based payments 31 December 2021	7
Estimated tax effect on share based payments 31 December 2021	1,168

Effect of Share-based Incentives on the result and financial position during year 2020, 1,000 €

Expenses for the financial year, share-based payments	577
Expenses for the financial year, share-based payments, equity-settled	561
Liabilities arising from share-based payments 31 December 2020	5
Estimated tax effect on share based payments 31 December 2020	330

18. INTEREST-BEARING LIABILITIES

1,000 €	2021	2020
Non-current		
Loans from financial institutions	3,000	22,500
Lease liabilities	3,856	2,216
Total	**6,856**	**24,716**
Current		
Loans from financial institutions	19,600	4,750
Lease liabilities, current portion	1,593	1,506
Total	**21,193**	**6,256**

Reconciliation of interest bearing liabilities

	Loans	Lease liabilities	Total
1.1.2021	27,000	3,722	30,722
Cash flows	-4,500	-2,120	-6,620
New lease agreements	0	3,750	3,750
Exchange rate differences	0	98	98
Other changes	100	0	100
31.12.2021	**22,600**	**5,450**	**28,049**

The currency mix of the Group long-term interest-bearing liabilities was as follows:

1,000 €	31.12.2021	31.12.2020
EUR	24,208	24,208
Other	523	508
Group long-term interest-bearing liabilities – interest rates are as follows:		
Bank loans	0.8%	0.9%
Lease liabilities	1.3%	1.3%
The currency mix of the Group short-term interest-bearing liabilities:		
EUR	20,557	5,255
Other	636	1,001
	21,193	6,256
Group short-term interest-bearing liabilities – interest rates are as follows:		
Bank loans	0.8%	0.9%
Lease liabilities	1.3%	1.3%

Fair values of loans do not deviate from accounting values on relevant level, due to interests being close to market rates

	31.12.2021	31.12.2020
Right-of-use liabilities of the Group are payable as follows:		
Less than one year	1,593	1,506
Between one and five years	2,534	1,870
More than five years	1,323	346
Total lease liabilities	5,450	3,722
Cash flow effect from leases		
Costs not included in lease liability		
Leasing costs from short term leases	-211	-196
Leasing costs from minor items	-534	-519
Costs not included in lease liability	-745	-715
Cash outflow from leases		
Costs not included in lease liability		
Costs included in lease liability	-745	-715
Cash flow effect from leases	-2,199	-3,925
	-2,944	-4,640

19. PROVISIONS

1,000 €	Warranty provision	Other provisions	Total
1.1.2020	989	842	**1,830**
Provisions made during the year	70	-568	**-498**
31.12.2021	**1,058**	**273**	**1,332**

1,000 €	2021	2020
Non-current	370	119
Current	962	1,711
Total	**1,332**	**1,621**

Warranties

The Group grants average 30 months guarantees for its certain products. If defects are detected during the warranty period, the Group either repairs the product or delivers a comparable new product. The amount of the warranty provision is based on the past experience on defective products and an estimate of related expenses.

Other warranties

Other warranties include pensions warranties and other minor warranties

20. TRADE AND OTHER CURRENT LIABILITIES

1,000 €	2021	2020
Current		
Trade payables	12,059	10,654
Personnel, social security and pensions	6,015	5,582
Accrued interest expenses and other financial items	53	63
Other accrued expenses and deferred income	8,417	11,199
Advances	5,844	3,767
Other liabilities	871	2,628
Total	**33,260**	**33,893**
Non current		
Other liabilties	737	832

21. INCOME TAX PAYABLE FOR THE PERIOD

At the end of the period there was income tax receivable 259 and tax payable of 868 thousand euro on the profit for the period (31 Dec. 2020 there was 427 thousand euro tax receivables and 880 thousand euro tax payables).

22. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Derivative instruments

Teleste uses forward exchange contracts and forward options to hedge its balance sheet items against transaction risk.

Group has adopted hedge accounting to its USD purchases as of 1.12.2021. The change of value of USD hedges are reported on Other Comprehensive Income. Additional information can be found on Financial Risk Management note. At the 31.12.2021 value of instruments under hedge accounting was 1 thousand euros, comprising entirely on time values of options.

Changes of value on other forward contracts and forwards options used for hedging purposes but not include in hedge accounting was 359 thousand euros on 2021 (-473 thousand euros on 2020).

The currency exchange contracts and interest swap contracts are in level 2.

Investments designated as at fair value through other comprehensive income (FVTOCI)

These financial assets comprise unlisted shares that are measured at cost. They are in level 3. The fair value of these investments in groups balance sheet, with only minor values, are valued at acquisition values or at decreased value on managements consideration. The fair value of investments have not been reliably estimated and the estimated value changes considerably or the probabilities of different estimates within the range are not reasonably determinable and available for estimating fair value.

Trade and other payables or receivables

For trade payables and other receivables than those arising from derivative instruments the notional amount equals their fair value as the discounting has no material effect considering the short maturity of these items.

CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT CATEGORIES

2021 Balance item	Note	Assets and liabilities at fair value through income statement	Investments designated as at fair value through other comprehensive income (FVTOCI)	Assets and liabilities measured at amortized cost	Carrying amount by balance sheet item	Fair Value
Non current financial assets						
Other financial assets	12	19	439	0	458	458
Current financial assets						
Trade and other receivables	15			28,117	28,117	28,117
Derivative contracts	25	360			360	360
Carrying amount by category		**379**	**439**	**28,117**	**28,935**	**28,935**
Non-current financial liabilities						
Interest-bearing liabilities	18			6,856	6,856	6,856
Current financial liabilities						
Interest-bearing liabilities	18			21,193	21,193	21,193
Trade and other payables	20			12,059	12,059	12,059
Other current liabilities	20			53	53	53
Other current liabilities		**0**	**0**	**40,161**	**40,161**	**40,161**
2020 Balance item						
Non current financial assets						
Other financial assets	12	401	297	0	698	698
Current financial assets						
Trade and other receivables	15			25,567	25,567	25,567
Carrying amount by category		**401**	**297**	**25,567**	**26,264**	**26,264**
Non-current financial liabilities						
Interest-bearing liabilities	18			24,716	24,716	24,716
Current financial liabilities						
Interest-bearing liabilities	18			6,256	6,256	6,256
Currency derivatives	25	473			473	473
Trade and other payables	20			10,654	10,654	10,654
Other current liabilities	20			63	63	63
Carrying amount by category		**473**	**0**	**41,689**	**42,162**	**42,162**

FINANCIAL RISK MANAGEMENT

The objective of the Group's financial risk management is to identify, evaluate and hedge financial risks to reduce the impacts of price fluctuations in financial markets and of other factors on earnings, balance sheet and cash flows as well as to guarantee cost-efficient funding for the Group at all times.

The Board has approved financial risk management guidelines and the allocation of responsibilities defined in the Group risk management policy and related operating policies covering specific areas. The Board oversees the Group's risk management framework. The Group's administration is responsible for the coordination and control of the Group's total financial risk position and external hedging transactions with banks in the name of the parent company. Teleste is risk averse in its treasury activities. The identification of the exposure is a common task of the business units and the Group administration.

MARKET RISK

Market risk includes three types of risk: currency risk, price risk and fair value interest rate risk. Fluctuations of foreign exchange rates, market prices or market interest rates may cause a change in the value of a financial instrument. These changes may have an effect on the consolidated earnings, balance sheet and cash flows.

CURRENCY RISK

Transaction risk

Foreign exchange exposures of the Group's units arise from receivables and accounts payables denominated in foreign currency, sales and purchase contracts and from forecast sales and purchases. Major part of the Group's sales is in Euro. The most significant non-euro sales currencies are UK pound sterling (15 per cent), PLN (accounts for 6 per cent of the net sales), Swedish and Norwegian crowns (3 per cent) and US dollars (1 per cent) . Significant part of expenses, 56 per cent, arise in euro and in US dollar 41 per cent, Swedish crown 4 per cent. The hedging decisions are based on the expected net cash flow for the following six months.

Assets and liabilities in foreign currency translated at closing rate

	2021					2020				
	USD	SEK	NOK	GBP	PLN	USD	SEK	NOK	GBP	PLN
Current assets	756	948	383	6,271	2,088	1,843	1,666	1,100	7,128	7,671
Current liabilities	1,897	360	218	922	1,217	2,538	1,809	1,117	2,726	4,017

Cash flow hedges at 31 Dec 2021

Currency position

Currency	Exposure	Hedge	Net	Hedge Instrument	Hedge %
USD	10,374	8,829	1,545	Forward exchange contract and forward option	85%
CNY	1,862	1,543	320	Forward exchange contract and forward option	83%
GBP	2,856	3,035	-179	Forward exchange contract and forward option	106%
PLN	522	0	522	Forward exchange contract and forward option	0%
NOK	1,081	841	240	Forward exchange contract and forward option	78%
SEK	585	556	29	Forward exchange contract and forward option	95%

Cash flow hedges at 31 Dec 2020

Currency position

Currency	Exposure	Hedge	Net	Hedge Instrument	Hedge %
USD	10,024	8,231	1,793	Forward exchange contract and forward option	82%
CNY	897	773	125	Forward exchange contract and forward option	86%
GBP	1,891	1,346	545	Forward exchange contract and forward option	71%
PLN	1,513	1,250	263	Forward exchange contract and forward option	83%
NOK	888	688	201	Forward exchange contract and forward option	77%
SEK	508	429	80	Forward exchange contract and forward option	84%

In principle Teleste hedges forecast and probable cash flows. The Group uses forward exchange contracts and forward options. In forward option , group uses Put / Call pairs with a knock in barrier on the purchase side to reduce premium costs

According to the Group's currency risk management policy all material currency risks are hedged at least six months ahead and the Group's transaction position shall at all times be hedged 70-100 % by currency. The level of hedges is monitored on a monthly basis.

At the year-end 2021 the fair value of currency derivatives amounted to 18.1 million euro (31. Dec 2020: 18.5 million euro).

The Group has decided to apply hedge accounting to derivatives in USD-denominated purchases as of December 1, 2021. The objective of hedge accounting is to eliminate the effect of changes in USD exchange rates on the Group's purchases in accordance with the Group's Currency and Interest rate Risk Policy.

The hedging is considered a cash flow hedge and the hedge covers the share of USD purchases made in accordance with the Group's policy, the so called layered approach.

In hedging relationships, only the spot portion of forward contracts is defined as a hedging instrument. The spot portion is determined based on the relevant spot market rates. The difference between the contractual forward rate and the spot market rate is defined as forward points. It is discounted if it is material.

The base value of currency options is determined based on relevant spot market rates. The difference between the contractual strike price and the discounted spot market rate is defined as the time value. It is discounted if it is material.

Changes in the interest rate portion of the forward exchange contracts and the time value of options related to the hedged item are recorded in the hedging expense reserve.

No items related to forward exchange contracts and options were transferred from the cash flow hedge fund to profit or loss during the financial year.

The effectiveness of the hedge is determined at the inception of the hedging relationship. Forward-looking performance evaluations are performed on a regular basis to ensure that there is an economic relationship between the hedged item and the hedging instrument.

Sensitivity to market risk

	2021	2020
Sensitivity to market risks arising from financial instruments as required by IFRS 7	Profit or Loss	Profit or Loss
+-10% change in EUR/USD exchange rate	+-150	+-179
+-10% change in EUR/CNY exchange rate	+-32	+-12
+-10% change in EUR/GBP exchange rate	+-18	+-54

Hedging funds	Cash flow hedge reserve	Base value of options	Spot share of forward exchange contracts	**Cash flow reserves total**
1 Januarary 2021	0	0	0	**0**
Cost of hedging recognised in OCI	1	0	0	**1**
31 December 2021	1	0	0	**1**

Credit risk has no material effect on the value of the hedging instrument. The hedged item and the hedging instruments have the same nominal value. A change in the USD exchange rate has the same but opposite effect on the value, so the hedging ratio is always 1: 1.

Inefficiency may arise if the timing or amount of the anticipated purchase changes materially. In addition, when using Put / Call currency options where there is a knock in, any breach of the barrier would cause the derivative to become ineffective.

Hedge accounting in the financial year 2021 only had a minor effect on the Group's financial position or result.

Currency risk is also managed through, among others, operational planning, pricing and offer terms. Repricing interval varies between 3 and 24 months.

Translation risk

Since the Group's currency risk exposure regarding net investments in foreign operations is relatively low, the equity position, i.e. differences in the calculatory euro values of these amounts (translation risk) is not actively hedged. At 31 December 2021 the total non-euro-denominated equity of the Group's foreign subsidiaries amounted to 18.4 million euro (31 Dec. 2020: 14.5 million euro).

INTEREST RATE RISK

Teleste's interest rate risk mainly comprises cash flow interest rate risk that arises from the interest-bearing liabilities. The Group can have floating or fixed interest loans and use interest swap contracts to achieve financial objectives. At the end of the reporting period 18,0 thousand euro have short-term interest as a reference rate. The interest period is of less than one year. Of the loans 4.5 million euros has a fixed rate interest until 17.8.2023 after which their unamortized balance has a short term interest reference rate. At the end of 2021, no loans have been covered with hedging instrument.

All Group loans are denominated in euro. In 2021, the average interest rate of the loan portfolio was 0.8 per cent. All right-of-use agreements are fixed-rate. The Group does not hedge the risk position resulting from the fair value interest rate risk as the position is small. The average balances of the variable rate loans realized during the period have been used in calculating the sensitivity analysis required by IFRS 7. At the closing date 31 December 2021, the effect on variable rate interest-bearing liabilities on profit before taxes would have been +-273 thousand euro had the interest rate increased or decreased by 1 percentage point.

Period in which repricing occurs	Within 1 year	1 year –5 years	over 5 years	**Total**
Financial instruments with floating interest rate				
Financial liabilities				
Loan from financial institutions	18,000	4,500		**22,500**

CREDIT RISK

The Group's accounts receivables are dispersed to a number of customers worldwide. Thus the primary responsibility for commercial credit risks lies with the Group's geographical areas. Commercial credit risks are managed in accordance with the Group's credit policy and are reduced for example with collaterals. Some accounts receivables are covered by a credit insurance. Credit risks are approved and monitored by the Group management team.

The credit risk related to financial instruments, i.e. counterparty risk is managed in the Group administration. Counterparty risk realises if a counterparty is unable to meet its obligations. In order to minimise counterparty risks, Teleste seeks to limit the counterparties, such as banks and other financial institutions, to those which have good credit rating. Liquid funds are invested in liquid instruments with low credit risk, e.g. in short-term bank deposits and commercial papers.

All receivables are without collaterals. There are no significant concentrations of risk with respect to the receivables of the Group. Impairment losses on trade receivables are shown in note 5 Other operating expenses.

Analysis of trade receivables by age	**2021**				2020			
	Gross	Provision	Impairment loss	**Net**	Gross	Provision	Impairment loss	**Net**
Not overdue	23,113	0.1%	-23	19,810	19,869	0.3%	-60	19,810
1–30 days	2,827	0.8%	-23	2,804	3,776	2.0%	-76	3,700
31–60 days	722	1.3%	-9	713	1,139	4.0%	-46	1,094
61-90 days	610	2.1%	-13	598	262	6.0%	-16	247
91-120 days	149	2.8%	-4	145	313	12.0%	-38	276
121-360 days	834	8.0%	-67	767	1,049	20.0%	-607	442
Over 360 days	291	100.0%	-291	0	n/a	n/a	n/a	n/a
Total	**28,547**		-430	**28,117**	**26,408**		-841	**25,567**

Customer specific provisions are shown in group over 360 days overdue.

The maximum exposure to credit risk at the reporting date was:	**2021**	2020
Loans and receivables	28,547	28,867

LIQUIDITY RISK

Liquidity risk is monitored through Group's cash flow forecasts. The Group seeks to reduce liquidity risk through sufficient cash reserves and credit facility arrangements as well as with balanced maturity profile of loans. Efficient cash and liquidity management also reduces liquidity risk. At the year-end 2021 the Group's cash reserves totaled 14,1 million euro and its interest-bearing net debt 28.0 million euro. The Group administration raises the Group's interest-bearing debt centrally. At 31 December 2021 Teleste had committed and available credit facilities as well as other agreed and undrawn loans amounting to 10,0 million euro. Group's loan agreements and committed loan facilities include profitability and cash flow covenants like netdebt/EBITDA and equity-ratio.

Teleste Corporation has credit limit and credit agreements with a total value of EUR 46.0 million. The five-year credit agreement of EUR 30.0 million matures in August 2022. The loan has been repaid in annual installments of EUR 3.0 million and the last repayment of EUR 18.0 million will take place in August 2022. The EUR 10.0 million credit limit facility agreement is valid until the end of August 2022. Credit limit has not been in use during 2021. The loan of EUR 6.0 million has a maturity of 4 years and will be repaid in equal installments every six months until August 2024. At the end of the review period, unused committed credit facilities amounted to EUR 10.0 (21.5) million. The company has prepared a process to refinance a EUR 18.0 million loan maturing in August 2022 during the second quarter of 2022. All current creditors have tentatively expressed their involvement in providing refinancing.

As of 31 December 2021, the contractual maturity of interest-bearing liabilities was as follows:

	2022	2023-2026	Over 5 years
Loans from financial institutions	19,624	3,060	
Trade payables	12,059		
Lease liabilitites	1,684	2,640	1,274
Others	64	106	

As of 31 December 2020, the contractual maturity of interest-bearing liabilities was as follows:

	2021	2022-2025	Over 5 years
Loans from financial institutions	4,710	22,667	
Trade payables	10,654		
Lease liabilitites	1,705	1,437	853
Others	63		

CAPITAL RISK MANAGEMENT

The Group's objective when managing capital is to secure the continuity of the business and to make investments possible with optimal capital structure. The capital structure of the Group is reviewed by the Board of Directors on a regular basis.

The Group monitors its capital on the basis of leverage ratio, the ratio of interest-bearing net debt to interest-bearing net debt, plus total equity. Interest-bearing net debt is calculated as borrowings less cash and cash equivalents. The Group's objective to maintain the leverage less than 50%. The leverage ratio as of 31 December 2021 and 2020 was as follows:

1,000 €	**2021**	2020
Total borrowings	28,049	30,973
Cash and cash equivalents	14,100	20,224
Interest-bearing net debt	13,949	10,748
Total equity	68,990	63,090
Interest-bearing net debt and total equity	82,939	73,838
Leverage ratio	16.8%	14.6%

23. ADJUSTMENTS TO CASH FLOWS FROM OPERATING ACTIVITIES

1,000 €	**2021**	2020
Adjustments		
Depreciation and amortisation	7,566	7,984
Employee benefits	534	370
Gain on sale on discontinued operation, net of tax	0	6,116
Grain/loss on sale of fixed assets	-66	-88
Grain/loss on sale of shares	-549	0
Change in provisions	-504	215
Other income and expenses not related to payment	-28	140
Financial income and expenses	-1,065	924
Dividend income	3	4
Taxes	2,107	1,842
Total	**7,997**	**17,508**
Change in net working capital		
Change in trade receivables and other receivables	-4,335	7,882
Change in inventories	-1,424	-990
Change in trade payables and other payables	5,329	-1,078
Total	**-430**	**5,814**
Cash flow adjustment from operating activities	7,567	23,322

24. COMMITMENTS AND CONTINGENCIES

1,000 €	**2021**	2020
Rental and leasing liabilities		
Rental liabilities	0	0
Lease liabilities	951	921
Currency derivatives		
Value of the underlying forward contracts	18,128	18,515
Market value of the forward contracts	360	-473
Guarantees provided		
Guarantees	5,450	11,055

25. RELATED PARTY TRANSACTIONS

The party is considered to be Teleste's related party if the party can exercise control over or otherwise significantly influence a Teleste Group company's finance and business decision making process. Teleste's related parties are the following:

- The companies which are part of the Teleste Group (group companies);
- The associated enterprises and joint ventures of a company which part of the Teleste Group;
- The members and deputy board members, the CEO and the deputy CEO, and the members of the official management groups of Teleste Oyj and the companies mentioned above, as well as their closest family members;
- A Teleste Oyj shareholder who holds at least 20% of the vote share of the total number of votes held by shareholders, or who can otherwise significantly influence Teleste Oyj financial and business decision making process, the group companies and subsidiaries of such a shareholder, and the members and deputy board members, the CEO and the deputy CEO, and the members of the official management groups, and the closest family members of abovementioned individuals, of group companies and subsidiaries belonging to such a shareholder;

The key personnel managing a company mentioned above, including their closest family members; and A company owned by any individual mentioned above, where persons can, together or separately with another abovementioned individual, exercise control over or otherwise significantly influence the company's finance and business decision making process.

In addition to the parties mentioned above, Teleste Oyj can include other key personnel belonging to the management of a company which is a part of the Teleste Group (such as country managers) and their close family members to the list of related parties to ensure transparency.

Companies owned by the Group and parent company	Group holding,%	Group voting,%
Parent company Teleste Oyj, Turku, Finland	100	100
Asheridge Investments Ltd, Chesham, UK	100	100
Teleste Norge A/S, Porsgrun, Norway	100	100
Flomatik Network Services Ltd. Fareham, UK	100	100
Kaavisio Oy, Turku, Finland	100	100
Teleste Information Systems Sp. Zoo, Warsow, Poland	100	100
Teleste Information Solutions Oy, Forssa, Finland	100	100
Teleste Networks S.p.zoo, Wroclaw, Poland	100	100
Teleste Belgium SA, Bryssel, Belgium	100	100
Teleste Corporation Iberica S.L, Alcobendas, Spain	100	100
Teleste d.o.o., Ljutomer, Slovenia	100	100
Teleste Electronics (SIP) Co., Ltd, Shuzhou, China	100	100
Teleste France SAS, Paris, France	100	100
Teleste GmbH, Hildesheim, Germany	100	100
Teleste Intercept, LLC, Dover DE, USA	60	60
Teleste LLC, New Jersey, USA	100	100
Teleste Ltd, Chesham, UK	100	100
Teleste Networks Services S.A. Yverdon, Switzerland	100	100
Teleste SP z.o.o, Wroclaw, Poland	100	100
Teleste Systems GmbH, Hannover, Germany	100	100
Teleste Sweden AB, Stockholm, Sweden	100	100
Teleste UK Ltd, Cambridge, UK	100	100
Teleste US, Inc, Dover DE, USA	100	100
Teleste Video Networks Sp zoo, Krakova, Poland	100	100

The key management personnel compensations

1,000 €	**2021**	**2020**
CEO		
Salaries and other short-term benefits	458	397

During 2021 no options were granted to the management of Teleste (2020: 0 options). Management of the parent company has 1.0% or 204,610 of the parent company's shares (2020: 1.0% or 187,038 shares).

The CEO's pension plan is arranged through group pension insurance, payment amounted 32 thousand euro (97 thousand euro in 2020) and a capital redemtion policy, payment amounted 142 thousand euro (77 thousand euro in 2020. These payments are not included in above mentioned salaries and other short term benefits.

Transactions with key management personnel Board of directors and CEO compensations 1,000 €	**2021**	2020
Timo Luukkainen, Chairman of the Board	66	66
Mirel Leino-Haltia, Member of the Board, Chairman of the Audit Committee	49	49
Vesa Korpimies, Member of the Board, Member of the Audit Committee	35	36
Jussi Himanen, Member of the Board, Member of the Audit Committee	35	35
Heikki Mäkijärvi, Member of the Board	33	33
Kai Telanne, Member of the Board	33	33
Jukka Rinnevaara, CEO until 31.12.2021	458	397
Jannica Fagerholm, Member of the Board and Chairman of the Audit Committee until 22.4.2020	0	1
Total	**709**	**650**

Other management team compensations		
Salaries, compensations and other short-term employee benefits	1,044	1,126
Share based payments	22	55
Long-term employee benefits	238	202
Total	**1,304**	**1,383**

No cash loans were granted to nor commitments assumed or collaterals given regarding CEO or the members of the Board of Directors in 2021 and 2020.

In 2020, a member of Teleste Group's Management Team was granted a euro-denominated loan on market terms due to exceptional circumstances arising from Covid-19. The amount of the loan was EUR 44 thousand on Euros on December 31th 2021.

26. SUBSEQUENT EVENTS

On January 5th 2022, the company published information reagarding the agreement whereby Teleste will design and supply its systems to Alstom for a major European train project. The total value of the contract is expected to be approximately EUR 16-20 million Euros. The agreement has not had an effect on the 2021 figures in the financial statements.

Income statement of parent company

Income statement of parent company

1,000 €	Note	2021	2020
Net sales	1	**70,714**	**70,257**
Change in inventories of finished goods		429	-439
Other operating income	2	2,326	2,147
Material and services	3	-39,079	-39,540
Personnel expenses	4	-21,558	-20,299
Depreciation and amortisation	5	-490	-772
Other operating expenses	6	-12,091	-37,234
Operating profit		**250**	**-25,880**
Financial income and expenses	7	4,656	-2,301
Profit before extraordinary items		**4,906**	**-28,182**
Appropriations			
Accumulated depreciations	8	107	170
Group Contribution	8	0	0
Income taxes			
Direct taxes	9	41	-216
Profit for the financial period		**5,054**	**-28,228**

Balance sheet

1,000 €	Note	**2021**	2020
Non-current assets			
Intangible assets	10	26	166
Property, plant and equipment	10	3,258	2,788
Long-term receivables	11	10,830	13,405
Investments	12	29,040	28,643
		43,154	**45,002**
Current assets			
Inventories	13	14,163	10,996
Trade and other receivables	14	17,787	16,235
Cash and cash equivalents	15	11,193	16,094
		43,143	**43,325**
Total assets		**86,297**	**88,327**
Equity and liabilities			
Shareholders' equity			
Share capital	16	6,967	6,967
Share premium	16	1,504	1,504
Invested non-restricted equity	16	3,704	3,704
Retained earnings	16	12,620	43,034
Profit for the financial period	16	5,054	-28,228
		29,849	**26,981**
Appropriations	8	**29**	**136**
Provisions	17	**276**	**667**
Liabilities			
Long-term liabilities	18	3,000	22,500
Short-term liabilities	19	53,143	38,043
		56,143	**60,543**
Total equity and liabilities		**86,297**	**88,327**

Cash flow statement

1,000 €	**2021**	2020
Cash flow from operations		
Profit before extraordinary items	4,906	-28,182
Adjustments		
Depreciations according to plan	490	772
Profit/loss from sale of investments	0	24,905
Financial income and expenses	-4,995	2,301
Cashflow before changes in working capital	401	-203
Changes in working capital		
Increase (-) /decrease(+) in trade and other receivables	1,398	6,908
Increase (-) / decrease (+) in inventories	-3,167	1,352
Increase (+) / decrease (-) in trade payables	4,675	-2,221
Change in provisions	-391	200
Loans granted	0	0
Cashflow before financial items and taxes	2,916	6,036
Paid interests	-329	-389
Interests and dividends received	4,196	794
Income taxes paid	0	-50
Cash flow from operations	**6,784**	**6,390**
Cash flow from investing activities		
Invetsments in intangible and tangible assets	-820	-15
Investments in subsidiary shares	60	0
Disposal of shares in subsidiaries	-3,749	6,276
Loans granted	-1,923	-3,631
Proceeds from borrowings	8,590	3,031
Change in group cashpool	-1,865	3,819
Investment in other financial assets	-142	-77
Cash flow from investing activities	**151**	**9,404**
Cash flow from financing activities		
Proceeds from borrowings	0	6,000
Payments of borrowings	-4,500	-3,567
Change group cashpool	-5,013	-4,848
Paid dividends and other profit distribution	-2,321	-1,685
Cash flows from financing activities	**-11,835**	**-4,099**
Change in liquid funds	**-4,901**	**11,694**
Liquid funds 1.1	16,094	4,400
Effects of exchange rate fluctuations on cash held	0	0
Liquid funds 31.12	11,194	16,094

ACCOUNTING PRINCIPLES OF TELESTE CORPORATION

Teleste Corporation is the parent company of the Teleste Group. Business ID of Teleste Corporation is 1102267-8 with registered office in Turku. The company registered address is Telestenkatu 1 20660 Littoinen.

FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are recorded at the rates of exchange prevailing on the date of the transaction. At the end of the accounting period, unsettled foreign currency balances are translated into the accounting currency at the closing rate on the balance sheet date. Foreign exchange gains and losses on trade accounts receivable and payable are adjusted to revenues and operating expenses, respectively. Other foreign exchange gains and losses are recorded as financial income and expenses.

DERIVATIVES

The company has currency forward exchange agreements. Exchange agreements are designed to eliminate the effect of currency exposures on the company performance and financial standing. The interest swap agreements are taken for specicig long term floating interest loans to eliminate the interest risk.

Company's corporate hedging policy is to cover all material currency risks at least six months ahead. The effect on company performance of the exchange rate agreements is recorded on their exercise day.

VALUATION OF FIXED ASSETS

The balance sheet values for fixed assets are stated as historical cost, less the accumulated depreciation and amortisation. Depreciation and amortisation is calculated on straight-line basis over the expected useful lives of the assets. Estimated useful lives for various assets are:

Intangible assets	3 years
Goodwill	8 years
Other capitalised expenditure	3 years
Buildings	25 to 33 years
Machinery	3 to 5 years
Computers	0 to 3 years

Write-downs on permanent impairment of the assets are recorded when it becomes evident that the carrying amount is not recoverable. Companies acquired or established during the financial period are included in the subsidiary shares as of date of acquisition or formation. Companies disposed of in the financial period have been included in the subsidiary shares up to the date of disposal. Long-term investments and receivables include financial assets, which are intended to be held for over one year.

LEASED ASSETS

Purchases made under operating leases and capital leases are entered into income statement as renting expenses.

INVENTORIES

Inventories are stated at the lower of cost or net realisable value. Acquisition cost is determined using the first-in-first-out (FIFO) method. In addition to variable expenditure, value of inventory includes their share of the fixed expenditure under purchases and manufacturing.

CASH

Cash and cash equivalents include cash in hand and in bank.

NET SALES

Net sales include revenue from services rendered and goods sold, adjusted for discounts granted, sales-related taxes and effects of the translation differences. Revenue is recognised when services are rendered, or when the goods are delivered to the customer.

RESEARCH AND DEVELOPMENT

R&D expenses are recorded as revenue expenditure.

PENSION ARRANGEMENTS

The statutory pension liabilities of Finnish companies are funded through pension insurance.

INCOME TAXES

Income tax includes tax on profit for the current financial period and the accrual adjustment for the preceding financial period.

TREASURY SHARES

Treasury shares acquired by the Group are not included in balance. Use of own shares are recognised in invested non-restricted equity since 3 April 2007.

Notes to Teleste Oyj Profit & Loss and Balance sheet 31.12.2021

1. NET SALES

1,000 €	2021	2020
Net sales by market area		
Finland	11,916	11,916
Nordic countries	8,956	6,555
Other Europe	42,890	44,110
Others	6,952	7,675
Total	**70,714**	**70,256**

2. OTHER OPERATING INCOME

R&D subvention and others	438	402
Insurance compensation	133	257
Other	1,755	1,489
Total	**2,326**	**2,147**

3. MATERIAL AND SERVICES

Purchases	-39,730	-36,601
Change in inventories	2,739	-912
	-36,991	**-37,514**
Purchased services	-2,088	-2,026
Total	**-39,079**	**-39,540**

4. PERSONNEL EXPENSES

1,000 €	2021	2020
Wages and salaries	-17,573	-16,808
Pension costs	-3,513	-2,978
Other personnel costs	-472	-512
Total	**-21,558**	**-20,299**
Remuneration to Board members and Managing Directors		
Jannica Fagerholm, Former Member of the Board	0	-1
Kai Telanne, Member of the Board	-33	-33
Timo Luukkainen, Chairman of the Board	-66	-66
Heikki Mäkijärvi, Member of the Board	-33	-33
Vesa Korpimies, Member of the Board, Member of the Audit Committee	-35	-36
Jussi Himanen, Member of the Board, Member of the Audit Committee	-35	-35
Mirel Leino-Haltia, Member of the Board, Chairman of the Audit Committee	-49	-49
Jukka Rinnevaara, CEO	-458	-397
Total	**-709**	**-650**

Cash loans, securities or contingent liabilities were not granted to the President Directors or to the members of the Board of

Year-end personnel	324	331
Average personnel	328	336

Personnel by function at the year-end		
Research and Development	80	86
Production and Material Management	173	160
Sales and marketing	33	51
Administration	38	35
Total	**324**	**331**

5. DEPRECIATION ACCORDING TO PLAN

1,000 €	2021	2020
Buildings	-286	-290
Machinery and equipment	-54	-92
Goodwill	-114	-275
Other intangible rights	-35	-116
Total	**-490**	**-772**

6. OTHER OPERATING EXPENSES

Office and property costs	-2,971	-3,563
Travel expenses	-195	-316
Sales and marketing	-134	-186
IT costs	-1,528	-1,735
Disposal of shares in subsidiaries	0	-24,905
Other expenses	-7,263	-6,529
Total	**-12,091**	**-37,234**

7. FINANCIAL INCOME AND EXPENSES

Interest income	10	22
Interest income from Group companies	378	858
Interest expenses	-215	-262
Interest expenses to Group companies	-114	-127
Impairment of investments	0	-3,700
Currency differences	638	-441
Other financial income and expenses	-63	-50
Dividend income from Group companies	4,018	1,394
Dividend income	2	4
Total	**4,656**	**-2,301**

8. APPROPRIATIONS AND DEFERRED TAX ASSETS AND LIABILITIES IN THE PARENT COMPANY

1,000 €	2021	2020
Change in accumulated depreciation difference		
Buildings	118	109
Machines and equipment	-19	-10
Intangible assets	8	71
Total	**107**	**170**
Group contribution	**0**	**0**
Total	**107**	**170**
Accumulated depreciation in excess of plan	29	136

9. INCOME TAXES

	2021	2020
Direct taxes	0	13
Taxes from previous years	41	-229
Total	**41**	**-216**

10. TANGIBLE AND INTANGIBLE ASSETS

1,000 €	Intangible assets	Goodwill	Total	Buildings	Machinery	Total
Acquisition cost 1.1.	**8,391**	**2,197**	**10,588**	**8,931**	**9,251**	**18,182**
Increases	11	0	**11**	805	5	**810**
Transfer between items	0	0	**0**	0	0	**0**
Acquisition cost 31.12.	**8,402**	**2,197**	**10,599**	**9,736**	**9,256**	**18,992**
Accumulated depreciation 1.1.	-8,341	-2,082	**-10,423**	-6,231	-9,165	**-15,395**
Depreciation	-36	-115	**-150**	-286	-54	**-340**
Accumulated depreciation 31.12.	**-8,376**	**-2,197**	**-10,573**	**-6,517**	**-9,218**	**-15,735**
Advances 1.1	0	0	**0**	0	0	**0**
Increases	0	0	**0**	0	0	**0**
Activations	0	0	**0**	0	0	**0**
Advances 31.12	0	0	**0**	0	0	**0**
Book value 31.12.2021	**26**	**0**	**26**	**3,219**	**38**	**3,258**

11. LONG TERM RECEIVABLES

1,000 €	2021	2020
Subordinated loan from group company	2,000	2,000
Other long term receivables from group companies	8,831	11,405
Total	**10,831**	**13,405**

12. INVESTMENTS

Parent company	Shares in group companies	Shares others	Other Investments	Total
Acquisition cost 1.1.	34,855	19	297	35,171
Additions	314	0	142	456
Disposals	-60	0	0	-60
Acquisition cost 31.12.	**35,109**	**19**	**439**	**35,567**
Accumulated depreciation 1.1.	-6,527	0	0	-6,527
Disposals	0	0	0	0
Impairment	0	0	0	0
Accumulated depreciation 31.12.	**-6,527**	**0**	**0**	**-6,527**
Book value 31.12.2021	**28,582**	**19**	**439**	**29,040**

13. INVENTORIES

1,000 €	2021	2020
Raw materials and consumables	9,009	6,270
Work in progress	5	241
Finished goods	5,149	4,484
Total	**14,163**	**10,996**

14. CURRENT ASSETS

1,000 €	2021	2020
Accounts receivables	6,631	7,690
Accounts receivables from Group companies	5,244	5,951
Other receivables from Group companies	4,184	1,193
Other receivables	692	686
Accrued income	1,035	715
Total	**17,786**	**16,235**

15. LIQUID FUNDS

Cash and cash equivalents	**11,193**	**16,094**

16. CHANGES IN SHAREHOLDERS' EQUITY

1,000 €		2020
Share capital 1.1.	6,967	6,967
Share capital 31.12.	6,967	6,967
Share premium fund 1.1.	1,504	1,504
Share premium fund 31.12.	1,504	1,504
Invested non-restricted equity 1.1.	3,704	3,704
Invested non-restricted equity 31.12.	3,704	3,704
Retained earnings 1.1.	14,806	44,855
Dividends	-2,186	-1,821
Retained earnings 31.12.	12,620	43,034
Profit for the financial period	5,054	-28,228
Accumulated profit 31.12.	17,674	14,806
Total	**29,849**	**26,981**
Companys distributable equity 31.12.	21,378	18,510

Company's registered share capital consists of one serie and is divided into 18,985,588 shares at 1 vote each.

17. OBLIGATORY PROVISIONS

1,000 €	2021	2020
Guarantee provisions	276	194
Other provisions	0	473
Total	**276**	**667**

18. LONG TERM LIABILITIES

Loans from banks	**3,000**	**22,500**

19. SHORT TERM LIABILITIES

Loans from banks	19,500	4,500
Accounts payables	4,340	5,122
Accounts payables from Group companies	2,071	2,833
Other current liabilities	979	1,089
Other current liabilities from Group companies	14,362	14,325
Accrued liabilities	11,891	10,175
Total	**53,143**	**38,043**

20. CONTINGENT LIABILITIES AND PLEDGED ASSETS

1,000 €	2021	2020
Leasing liabilities		
For next year	477	851
For later years	907	909
Total	**1,384**	**1,760**
Rental liabilities		
Less than one year	85	77
Between one and five years	150	83
More than five years	854	875
Total	**1,089**	**1,035**
Liabilities on own behalf		
Bank guarantees	394	1,425
Guarantees given on behalf of subsidiaries	5,055	9,630

21. CURRENCY DERIVATES

Value of underlying forward contracts	18,128	18,515
Market value of forward contracts	360	-473
Interest rate swap	0	0
Market value of interest rate swap	0	0

Negative market value booked as cost for the fiscal period of 2021.

22. COMPANIES OWNED BY THE GROUP AND PARENT COMPANY

	Group holding share%	Parent company's share%
Asheridge Investments Ltd, Chesham, UK	100	0
Teleste Norge A/S, Porsgrun, Norway	100	100
Flomatik Network Services Ltd., Fareham, UK	100	100
Teleste Systems GmbH, Hannover, Germany	100	0
Kaavisio Oy, Turku, Finland	100	100
Teleste Information Solutions Sp. Zoo Warsaw Poland	100	0
Teleste Information Solutions Oy, Forssa, Finland	100	100
Teleste Networks s.p.zoo,Wroclaw, Poland	100	100
Teleste Belgium SA, Bryssel, Belgium	100	100
Teleste Corporation Iberica S.L, Alcobendas, Spain	100	100
Teleste d.o.o., Ljutomer, Slovenia	100	100
Teleste Electronics (SIP) Co., Ltd, Shuzhou, China	100	100
Teleste France SAS, Paris, France	100	100
Teleste GmbH, Hildesheim, Germany	100	100
Teleste Intercept, LLC, Dover DE, USA	60	0
Teleste LLC, Georgetown Texas, USA	100	100
Teleste Ltd, Chesham, UK	100	100
Teleste Network Services S.A., Yverdon, Switzerland	100	100
Teleste SP z.o.o, Wroclaw, Poland	100	100
Teleste Sweden AB, Stockholm, Sweden	100	100
Teleste UK Ltd, Cambridge, UK	100	100
Teleste US, Inc, Dover DE, USA	100	100
Teleste Video Networks Sp zoo , Krakow, Poland	100	100

Teleste Ltd. (02704083) and Asheridge Investments Ltd. (05418313) are utilizing the audit exemption provisions under section 479A of the Companies Act 2016 in the UK relating to subsidiary companies.

23. OWN SHARES

	Number of shares	Percentage of shares and votes
Teleste Oyj own shares 31.12.2021	768,194	4.05%

24. SHARES AND OWNERS

Management interest

	Number of shares	Percen-tage of share capital	Percen-tage of votes
CEO and Board Members	204,610	1.08%	1.08%

Audit expenses	1,000 €	**2021**	2020
Auditing assignments		-65	-60
Tax consultancy		-5	-5
Other assignments		-17	-58
Total		**-87**	**-123**

25. MAJOR SHAREHOLDERS

Major shareholders 31.12.2021	Shares	Precentage of share capital,%
Tianta Oy	4,748,298	25.01
Mandatum Life Insurance Company Limited	1,683,900	8.87
Ilmarinen Mutual Pension Insurance Company	899,475	4.74
Kaleva Mutual Insurance Company	824,641	4.34
Teleste Oyj	768,194	4.05
Wipunen Varainhallinta Oy	650,000	3.42
Mariatorp Oy	620,000	3.27
Varma Mutual Pension Insurance Company	521,150	2.74
The State Pension Fund	500,000	2.63
OP-Finland Small Firms Fund	240,408	1.27
Total (10)	**11,456,066**	**60.34**

Sector Dispersion	Shareholders	%	Shares	%
Households	5,168	94.29	5,005,274	26.36
Public sector institutions	3	0.05	1,920,625	10.12
Financial and insurance institutions	17	0.31	3,444,263	18.14
Corporations	243	4.43	8,324,373	43.85
Non-profit institutions	20	0.36	43,918	0.23
Foreign	30	0.55	247,135	1.30
Total	**0**	**100.00**	**18,985,588**	**100.00**
Of which nominee registered	9	0.16	575,238	3.03

Holding Dispersion				
1–100	1,631	29.76	87,693	0.46
101–500	2,194	40.03	583,160	3.07
501–1 000	731	13.34	594,294	3.13
1 001–5 000	721	13.15	1,607,589	8.47
5 001–10 000	99	1.81	690,878	3.64
10 001–50 000	77	1.40	1,608,659	8.47
50 001–100 000	7	0.13	457,152	2.41
100 001–500 000	13	0.24	2,640,505	13.91
500 001–	8	0.15	10,715,658	56.44
Total	**5,481**	**100.00**	**18,985,588**	**100.00**
Of which nominee registered	9	0.16	575,238	3.03

PROPOSAL FOR THE DISTRIBUTION OF EARNINGS

PROPOSAL FOR THE DISTRIBUTION OF EARNINGS

Teleste Corporation's distributable equity on the date of the financial statements amounted to EUR 21,378,479.

The Board of Directors proposes to the Annual General Meeting of 6 April 2021 that a dividend of EUR 0.14 per share be paid to outstanding shares for the year 2021.

Signatories to the Annual Report and the Financial Statements

9 February 2022

Timo Luukkainen, COB

Jussi Himanen, MOB

Vesa Korpimies, MOB

Mirel Leino-Haltia, MOB

Heikki Mäkijärvi, MOB

Kai Telanne, MOB

Esa Harju, CEO

The Auditor's Note

Our auditors' report has been issued today.

Helsinki 9 February 2022

PricewaterhouseCoopers Oy
Authorised Public Accountants

Markku Launis
Authorised Public Accountant (KHT)

AUDITOR’S REPORT

To the Annual General Meeting of Teleste Oyj

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion

- the consolidated financial statements give a true and fair view of the group’s financial position and financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company’s financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report to the Audit Committee.

What we have audited

We have audited the financial statements of Teleste Oyj (business identity code 1102267-8) for the year ended 31 December 2021. The financial statements comprise:

- Income Statement, Statement of Comprehensive Income, Statement of financial position, consolidated cash flow statement, consolidated statement of changes in equity and notes, including a summary of significant accounting policies
- the parent company’s income statement, balance sheet, cash flow statement and notes.

BASIS FOR OPINION

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, the non-audit services that we have provided to the parent company and to the group companies are in accordance with the applicable law and regulations in Finland and we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014. The non-audit services that we have provided are disclosed in note 5 to the Financial Statements.

OUR AUDIT APPROACH

Overview

Materiality

- Overall group materiality: € 1,400,000, which represents 1.0% of consolidated revenue

Audit Scope

- Audit scope: we have audited parent company, it’s Finnish subsidiary and performed audit procedures in one foreign subsidiary.

Key Audit Matters

- Valuation of goodwill
- Valuation of inventory
- Capitalization of R&D costs

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.

Overall group materiality	€ 1,400,000
How we determined it	1.0% of consolidated revenue
Rationale for the materiality benchmark applied	The groups profitability has been volatile during the last years due to revised strategy, strategy related divestments and investments in product development. Therefore, we chose revenue as the benchmark because, in our view, it is the benchmark against which the performance of the Group is commonly measured by users and is a generally accepted benchmark. We chose 1.0% which is within the range of acceptable quantitative materiality thresholds in auditing standards.

How we tailored our group audit scope

We tailored the scope of our audit, taking into account the structure of the group, the accounting processes and controls, and the industry in which the group operates.

Group operates globally through several legal entities. Group's sales are mainly generated by two Finnish companies which we have audited as part of our audit of the consolidated financial statements. In addition, we have performed audit procedures in one other subsidiary. We have considered that the remaining subsidiaries don't present a reasonable risk of material misstatement for consolidated financial statements and thus our procedures have been limited to targeted audit procedures over significant balances and to analytical procedures performed at Group level.

By performing the procedures above at legal entities, combined with additional procedures at the Group level, we have obtained sufficient and appropriate evidence regarding the financial information of the Group as a whole to provide a basis for our opinion on the consolidated financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

KEY AUDIT MATTER IN THE AUDIT OF THE GROUP	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Valuation of Goodwill	
Refer to accounting principles for the consolidated financial statements and to note 10 in the consolidated financial statements. • Goodwill is one of the most significant balance sheet items and amounted to € 30,7 million at the balance sheet date. The determination and whether an impairment charge is required involves significant management judgement, including identifying on which cash generating unit level the goodwill is tested and estimating the future performance of the business and the discount rate applied to these future cash flows. • Due to materiality and judgment associated we have considered valuation of goodwill as key audit matter in the audit of the Group.	• Our audit focused on assessing the appropriateness of management's judgment and estimates used in the goodwill impairment analysis through the following procedures: • We tested the methodology applied in the value in use calculation by comparing it to the requirements of IAS 36, Impairment of Assets, and we tested the mathematical accuracy of calculation; • We evaluated the process by which the future cash flow forecasts are drawn up, including comparing them to the latest Board approved targets and long-term plans • We tested the key underlying assumptions for the cash flow forecasts, including sales and profitability forecasts, discount rate used and the implied growth rates beyond the forecasted period • We compared the current year actual results included in the prior year impairment model to consider whether forecasts included assumptions that, with hindsight, had been optimistic. • We tested whether the sensitivity analysis performed by the management around key assumptions of the cash flow forecast are appropriate by considering the likelihood of the movements of these key assumptions.

<table>
<tr><th>KEY AUDIT MATTER IN THE AUDIT OF THE GROUP</th><th>HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER</th></tr>
<tr><td colspan="2">Valuation of inventory</td></tr>
<tr><td>Refer to accounting principles for the consolidated financial statements and to note 14 in the consolidated financial statements
Inventory is one of the most significant balance sheet items and amounted to € 29,2 million at the balance sheet date. Inventories are valued at the lower of cost or net realisable value. Costs are measured with FIFO method. Net realisable value is the estimated selling price in the ordinary course of business, less sales cost and costs needed to finish the production of the goods. The cost of inventories includes all direct costs incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, costs include share of overheads based on normal operating capacity.
Impairment due to obsolescence is considered when assessing the valuation of inventories. Obsolescence provision is based on the best estimate at the balance sheet date and required judgement from management.
Valuation of inventory is a key audit matter due to the size of the balance and because inventory valuation includes management judgement.</td><td>We assessed the compliance of the groups accounting policies in comparison to IFRS and performed control testing and test of details to valuation and existence of the inventories.
We tested a sample of inventory items to third party purchase invoices. We also tested management's calculations on the absorption of relative share of indirect production overheads.
We attended stock takings in selected inventory locations to obtain audit evidence regarding existence and condition of the inventory. During the stock takes we assessed the appropriateness of the stock takes and performed independent test counts.
We compared the value of selected finished goods inventory items to the sales prices.
We assessed the principles related to the determination of the obsolescence provision and the adequacy of the obsolescence provisions recorded.</td></tr>
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<table>
<tr><th>KEY AUDIT MATTER IN THE AUDIT OF THE GROUP</th><th>HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER</th></tr>
<tr><td colspan="2">Capitalization of R&D costs</td></tr>
<tr><td>Refer to accounting principles for the consolidated financial statements and to note 10 in the consolidated financial statements.
Groups's research and development activities have increased due to focus on the development of new products and product amendments.
Capitalization of R&D costs requires use of judgment as capitalization requires estimating technical and economical feasibility of the product developed. In addition, there is judgement involved in assessing recoverability of capitalized R&D costs as future cash flows generated by these intangible assets needs to be estimated.
Due to materiality and judgment associated with capitalization of R&D costs, we have considered capitalization of R&D as key audit matter in the audit of the Group.</td><td>We assessed appropriateness of the company's R&D capitalization policy.
We evaluated the design and appropriateness of the process relating to R&D capitalization.
We assessed whether capitalization criteria for R&D projects are met.
We tested a sample of invoices and personnel related costs capitalized during the year.
We evaluated the relevant assumptions used in the impairment testing of intangible assets, focusing on the reasonableness of the forecasted economic information.</td></tr>
<tr><td colspan="2">We have no key audit matters to report with respect to our audit of the parent company financial statements.</td></tr>
<tr><td colspan="2">There are no significant risks of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014 with respect to the consolidated financial statements or the parent company financial statements.</td></tr>
</table>

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or to cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER REPORTING REQUIREMENTS

Appointment

We were first appointed as auditors by the annual general meeting on 7 April 2021.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion

- the information in the report of the Board of Directors is consistent with the information in the financial statements
- the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki 9 February 2022

PricewaterhouseCoopers Oy
Authorised Public Accountants

Markku Launis
Authorised Public Accountant (KHT)

Corporate Governance Statement 2021

This Corporate Governance Statement has been prepared pursuant to Chapter 7, section 7 of the Finnish Securities Markets Act and the Finnish Corporate Governance Code 2020 issued by the Securities Market Association of Finland on 1 January 2020. The Corporate Governance Code is available on the Finnish Securities Market Association's website at www.cgfinland.fi/en/. The Corporate Governance Statement is issued separately from the Report of the Board of Directors, and the provided data are based on the situation as at 31 December 2021.

CORPORATE GOVERNANCE

Teleste Corporation (hereafter 'Teleste') aims to organise its management in a consistent and functional manner. The company's governance is based on Finnish legislation and Teleste's Articles of Association. Teleste shares are listed on Nasdaq Helsinki Oy (hereafter "Stock Exchange"). Teleste complies with the Finnish Securities Markets Act, the rules and regulations for listed companies issued by the Stock Exchange, including the Finnish Corporate Governance Code 2020, and the rules and regulations of the Finnish Financial Supervisory Authority. Since 1 March 2000, Teleste complies with the insider guidelines of the Stock Exchange in their valid form at any given time. These insider guidelines are complemented by Teleste's internal guidelines. The company has confirmed the values applied to its operations.

General Meeting

Teleste's General Meeting is the highest decision-making body of the company. The AGM convenes at least once a year. According to the Articles of Association, the Annual General Meeting (AGM) must be held by the end of June each year.

The General Meeting decides on matters as required in the provisions of the Limited Liability Companies Act. The matters decided by the AGM include adoption of the financial statements, allocation of profit shown by the balance sheet, discharge of the Board of Directors and the CEO from liability, and election of the Board members and the auditor. In addition, responsibilities of the General Meeting include making amendments to the Articles of Association and deciding on share issues, granting of entitlements to options and other special rights, procurement and redeeming of the company's own shares, and reduction of share capital. Teleste's General Meeting shall be convened by the Board of Directors.

Board of Directors

Rules of Procedure

It is the responsibility of Teleste's Board of Directors to manage the company in accordance with the law, statutory regulations, Articles of Association and decisions taken by the General Meeting. The operating procedures and main duties of the Board of Directors are specified in the Board's Rules of Procedure.

According to the Rules of Procedure approved by the Board of Directors on 18 September 2018 and amended on 18 December 2019 and 10 February 2021, the Board of Directors represents all the shareholders and always acts in the best interests of the company and its shareholders. The objective of the Board of Directors is to guide the company's business in such a manner that it provides the company's shareholders with the best possible return in the long run. The Board of Directors regularly monitors the achievement of the company's financial and strategic targets as well as the development of the company in accordance with the long-term goals. The Board of Directors provides the company management with external opinions and support. The Board is also responsible for ensuring that accounting, economic governance and risk management in the company are appropriately organised. In addition, as applicable, the Board of Directors is responsible for matters related to the preparation of the shareholders' meeting and the implementation of its decisions.

The Board of Directors considers matters that have a significant and long-lasting effect on the company and defines the powers of the Chief Executive Office (CEO). When considered necessary, the Board of Directors establishes committees to support its work. The Board of Directors decides on the members, chairpersons and rules of procedure of the committees.

In accordance with its Rules of Procedure, the Board of Directors:

- confirms the company's ethical values and policies and monitors their implementation;
- monitors the company management's communications with shareholders and the securities market and, when necessary, discusses the formation of shareholder interest and the response of the market;
- defines the company's dividend policy;
- annually confirms the company's basic strategy as well as the business objectives for the planning period derived from the basic strategy;
- annually studies the technical development as well as the general demand and competition environment in the industry and assesses the company's key risks on the basis of the analysis prepared by the CEO;
- reviews and approves interim financial statements and interim reports as well as the annual financial statements and the Report of the Board of Directors;
- holds a meeting with the chief auditors at least once a year;
- appoints and, when necessary, dismisses the CEO;
- makes the necessary proposals to the shareholders' meeting;
- grants authorisation to sign for the company and power of procuration;
- establishes Board committees, when necessary;
- approves proportional principles and processes for related party transactions and monitors and assesses transactions between the company and its related parties;
- considers any other matters that the Chairman of the Board and/or CEO have decided to place on the agenda for a meeting and matters that Board members have requested to be considered at a meeting by informing the Chairman about their request; and
- performs any other duties required by the Limited Liability Companies Act, the Articles of Association and other regulations.

In addition, matters requiring approval by the Board are listed in Appendix 1 to the Board of Directors' Rules of Procedure. The Rules of Procedure of the Board of Directors are available in their entirety on Teleste's website.

Members of the Board of Directors

According to the Articles of Association, the Annual General Meeting elects a minimum of three and maximum of eight Board members each year. The Annual General Meeting (AGM) decides on the number of Board members and their election. The Board elects a Chairman of the Board from among its members. A person designated by the Board of Directors acts as the secretary of the Board.

The company has a nomination board that comprises three (3) members who represent the company's three largest shareholders calculated on the basis of all shares conferred by the company on 30 August preceding the next annual general meeting. Its term continues until a new nomination board is elected. In addition to the required experience and areas of expertise, the guidelines on the diversity of the Board are taken into account when choosing candidates. In accordance with its Rules of Procedure, the duties of the nomination board include: a) preparing and presenting a proposal on the number of Board members to the AGM, b) preparing and presenting a proposal on the Board members to the AGM and advising the company's Board in respect of the composition of the Audit Committee, and c) preparing and presenting a proposal on the remuneration of the Board members. The Rules of Procedure of the nomination board are available in their entirety on Teleste's website.

The term of office of Board members is one year, lasting until the close of the Annual General Meeting following the election. The number of terms of a Board member is not limited.

The Annual General Meeting held on 7 April 2021 elected the six persons specified below to Teleste's Board of Directors. Timo Luukkainen was elected Chairman on 7 April 2021 by the members of the Board.

- Luukkainen Timo, Chairman, born 1954, M.Sc. (Econ.), M.Sc. (Eng.), MBA, Board professional 2016
- Himanen Jussi, Member, born 1972, M.Sc. (Eng.), Ramboll Finland, Business Development Director 2019
- Korpimies Vesa, Member, born 1962, M.Sc. (Econ.), EM Group Oy, CEO 2019
- Leino-Haltia Mirel, Member, born 1971, D.Sc. (Econ.), CFA Professor of Practice, Board professional 2020
- Mäkijärvi Heikki, Member, born 1959, M.Sc. (Eng.) Head of Telia Ventures 2018
- Telanne Kai, Member, born 1964, M.Sc. (Econ.) Alma Media Corporation, CEO 2008

The members of the Board are not employed by the company, and on the basis of assessment in accordance with the issued Finnish recommendations, they are independent of the company. The Board members are independent of the company's significant shareholders, except for the following Board members:

- Timo Luukkainen – Chairman of the Board of Tianta Oy from 6 April 2018. Tianta Oy is a significant shareholder of Teleste.
- Vesa Korpimies – CEO and Board member of Tianta Oy. Tianta Oy is a significant shareholder of Teleste.

On 31 December 2021, Board members and their controlled entities held shares in Teleste Corporation and other companies included in the Teleste Group as follows:

- Himanen Jussi .... 7,805 shares
- Korpimies Vesa .... 8,805 shares
- Leino-Haltia Mirel .... 6,720 shares
- Luukkainen Timo .... 30,337 shares
- Mäkijärvi Heikki .... 9,721 shares
- Telanne Kai .... 30,868 shares

On 31 December 2021, Board members or their controlled entities held no share-based entitlements in Teleste Corporation or other companies included in the Teleste Group.

In 2021, Teleste's Board of Directors held 10 meetings. The Board members attended the meetings as follows:

- Himanen Jussi 10/10 (100%)
- Korpimies Vesa 10/10 (100%)
- Leino-Haltia Mirel 10/10 (100%)
- Luukkainen Timo 10/10 (100%)
- Mäkijärvi Heikki 10/10 (100%)
- Telanne Kai 10/10 (100%)

In addition to the Board members, meetings of the Board were attended by the CEO, the CFO and the secretary to the Board, as well as other persons who were specifically invited as necessary.

Principles concerning diversity of the Board of Directors

Teleste has established principles concerning the diversity of the Board of Directors, taking into account the extent of the company's business and the needs related to its phase of development. Teleste's Board of Directors adopted the diversity principles concerning the Board of Directors on 10 August 2016.

It is in the interests of Teleste and its shareholders that Teleste's Board of Directors is composed of people with different educational and professional backgrounds and international experience, and that Board members have complementary expertise and knowledge in different topics, such as Teleste's field of business and the related technologies, risk management and international sales and marketing. Teleste's objective is that both genders are represented in the Board of Directors.

The Annual General Meeting held on 7 April 2021 elected six members to the Board of Directors: five men and one woman. All of the Board members have a degree in technology or business. All of the other aforementioned factors and characteristics relevant to diversity were also represented in the Board of Directors in 2021.

Remuneration of Board members

The Annual General Meeting decides on the remuneration of the members of the Board of Directors. The Annual General Meeting held on 7 April 2021 decided on the following remunerations for Board service until the next AGM: the Chairman of the Board will be paid EUR 66,000 a year and each member EUR 33,000 a year. 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 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 for each meeting they attend. However, a separate meeting fee shall not be paid to the members of the Board of Directors nor the Chairman of the Audit Committee.

Salaries, remuneration and fringe benefits paid to the Board of Directors in 2021 were as follows:

- Luukkainen, Timo, EUR 66,000, including 4,427 Teleste Corporation shares
- Leino-Haltia, Mirel, EUR 49,000, including 3,286 Teleste Corporation shares
- Himanen, Jussi, EUR 35,400, including 2,213 Teleste Corporation shares
- Korpimies, Vesa, EUR 35,400, including 2,213 Teleste Corporation shares
- Mäkijärvi, Heikki, EUR 33,000, including 2,213 Teleste Corporation shares
- Telanne, Kai, EUR 33,000, including 2,213 Teleste Corporation shares

AUDIT COMMITTEE

On 5 April 2018, Teleste's Board of Directors established an audit committee to prepare matters concerning the company's financial reporting and supervision. The Audit Committee assists the Board of Directors by preparing the matters that fall within the responsibilities of the Audit Committee. The Audit Committee shall convene at least four times a year, in accordance with a schedule confirmed by the chairperson of the Audit Committee.

The majority of the members of the Audit Committee must be independent of the company. In addition, at least one member must be independent of the company's significant shareholders. The Audit Committee members must have sufficient expertise and experience considering the responsibilities of the committee and obligatory auditing-related duties. At least one Audit Committee member must have expertise in accounting or auditing.

The Audit Committee consists of a minimum of three Board members, each of whom fulfils the requirements on independence and understanding of financial information as well as any other requirements specified in Finnish law and regulations concerning Finnish listed companies.

In addition to the committee members, the participants in Audit Committee meetings include the company's CEO, CFO, auditor and the secretary to the Audit Committee. The Audit Committee may invite other experts or representatives of the operative management to attend its meetings as necessary. Any Board member may attend Audit Committee meetings at their discretion. The minutes and materials of the Audit Committee are available to all Board members.

The chairperson of the Audit Committee presents the committee's most important observations, its recommendations and a summary of Audit Committee meetings to the Board of Directors.

The Board of Directors that convened after Teleste Corporation's AGM on 7 April 2021 decided on the following Audit Committee composition: Mirel Leino-Haltia (Chair), Jussi Himanen and Vesa Korpimies.

In 2021, the Audit Committee held 6 meetings. The members attended the meetings as follows:

- Himanen, Jussi 6/6 (100%), member
- Korpimies, Vesa 6/6 (100%), member
- Leino-Haltia, Mirel 6/6 (100%), Chair

According to the Rules of Procedure of the Audit Committee, the responsibilities of the Audit Committee include:

- monitoring of Teleste Corporation's economic and financial situation, taxation position as well as the financial
- statement reporting process;
- monitoring and assessment of the financial reporting system;
- supervision of compliance with the accounting policies for consolidated financial statements and with the IFRS;
- reviewing interim reports and financial statements and giving recommendations to the Board of Directors before the publication of stock exchange releases on interim reports and financial statements;
- assessment of the use and presentation of alternative performance measures;
- processing of the statement of non-financial information;
- assessment of the efficiency of the company's internal control and risk management systems;
- monitoring of significant economic, financial and tax risks;
- supervision of compliance with policies and principles confirmed by the Board as well as internal auditing;
- processing of the Corporate Governance Statement;
- monitoring of the company's information management strategy and data security-related policies;
- monitoring of the statutory audit of the financial statements and consolidated financial statements;
- evaluation of the independence of the statutory auditor;
- monitoring of the additional services provided by the audit firm;
- preparation of a proposal to the Annual General Meeting on the election of auditor and communication with the auditor;
- definition of principles applicable to the monitoring and assessment of related party transactions;
- assessment of legal and regulatory compliance processes; and
- performing other tasks assigned to the committee by the Board of Directors.

The Rules of Procedure of the Audit Committee are available in their entirety on Teleste's website.

PRESIDENT AND CEO

The company's CEO is in charge of the Group's business operations and corporate governance in accordance with the law, Teleste's Articles of Association and the instructions and regulations issued by the Board.

The detailed terms of employment of the CEO are specified in a separate contract approved by the Board of Directors. The CEO is not a member of Teleste's Board of Directors. The CEO is assisted by the Management Group. The company's Board of Directors decides on the salary, remuneration and other benefits received by the CEO. The key terms of the written CEO agreement between the company and CEO Jukka Rinnevaara, the CEO's remuneration and the CEO's pension security are described in the remuneration report for Teleste's governing bodies, which is published in the Investors section of the company's website.

Teleste's President and CEO, Jukka Rinnevaara, b. 1961, M.Sc. (Econ.), started as CEO on 1 November 2002. After Jukka Rinnevaara reached his contractual retirement age in spring 2021, he transferred the duties of CEO to his successor on 31 December 2021. Esa Harju, born 1967, M.Sc. (Eng.), was appointed the company's new CEO effective from 1 January 2022. CEO Esa Harju's responsibilities and role in the company and the Board of Directors are the same as his predecessor's.

MANAGEMENT GROUP

On 31 December 2021, the Group's Management Group consisted of seven members including the CEO, to whom the members of the Management Group report. The members of the Management Group are directors of Teleste's business units and Group functions. The subsidiaries operate as part of the business units. Teleste's Management Group is chaired by the CEO who reports to the Board of Directors. The Management Group has no authority under law or the Articles of Association. On 31 December 2021, Teleste's Management Group consisted of the following members:

- Rinnevaara Jukka, born 1961, M.Sc. (Econ.), President and CEO. Is in charge of the Group's business operations and corporate governance in accordance with the law, Teleste's Articles of Association and the instructions and regulations issued by the Board
- Hyytiäinen Juha, born1967, M.Sc. (Econ.), CFO Area of responsibility: finance and IT
- Narjus Hanno, born 1962, M.Sc. (Econ.), Senior Vice President, Area of responsibility: Network Products business unit
- Harju Esa, born 1967, M.Sc. (Eng.), Senior Vice President Area of responsibility: Video Security and Information business unit
- Järvenpää Pasi, born 1967, M.Sc. (Eng.), Head of R&D Area of responsibility: Teleste's research and development
- Mattila Markus, born 1968, M.Sc. (Eng.), Senior Vice President, Operations, Area of responsibility: Teleste's Operations
- Vanne Tuomas, born 1979, M.Sc. (Military Science), Head of HR, Area of responsibility: HR

The Management Group handles the main issues related to managing the company, such as matters related to strategy, budgets, interim reports and acquisitions, and prepares investments for approval by the Board of Directors. As a rule, the Management Group meets once a month and at other times when necessary.

The Board of Directors decides on the management's incentive and remuneration systems on the basis of the CEO's proposal.

INCENTIVE SCHEMES AND OWNERSHIP BY THE MANAGEMENT

Management Group's shareholding and share-based entitlements

On 31 December 2021, Management Group members and their controlled entities held shares in Teleste Corporation and other companies included in the Teleste Group as follows:

- Rinnevaara Jukka .... 110,354 shares
- Hyytiäinen Juha .... 9,564 shares
- Narjus Hanno .... 7,808 shares
- Harju Esa .... 13,713 shares
- Järvenpää Pasi .... 5,651 shares
- Mattila Markus .... 10,943 shares
- Vanne Tuomas .... 1,775 shares

On 31 December 2021, Teleste did not have any running stock option programmes, and the CEO, the members of the Management Group or their controlled entities did not hold any Teleste options or other share-based entitlements.

Share-based incentive programme LTI 2018

On 7 February 2018, Teleste's Board of Directors decided on the establishment of a new long-term share-based incentive programme to be offered to Teleste's key employees (hereafter "LTI 2018"). The objective of LTI 2018 is to align the key employees' interests with those of Teleste's shareholders by creating a long-term equity interest for the key employees and, consequently, to increase the company's value in the long term and to drive a performance culture, retain key employees and offer the key employees competitive compensation for excellent performance.

LTI 2018 consists of three annually commencing plans with the following main elements: an investment in Teleste shares as a precondition for the key employee's participation in the individual plan, a matching share plan with a three-year vesting period based on the individual investment and a performance share plan with a three-year performance period.

The matching share plan includes the investment of a participant in Teleste's shares and the delivery of matching shares as a long-term incentive reward against the invested shares. After the three-year vesting period, the key employee receives one matching share for each two invested shares free of charge.

The performance matching plan includes a three-year performance period. The potential share rewards will be delivered if the performance targets set by the Board of Directors are achieved. The performance measure applied in the performance share plan in each of the plans in effect is the total shareholder return (TSR) of Teleste's share. The above investment in Teleste's shares is the requirement for an individual key employee to be included in the plan.

The gross quantity of matching shares payable under the matching share plan 2019-2021 is 17,537 shares and under the performance share plan at maximum 274,620 shares. The Board of Directors approved 33 key employees as eligible to participate in the plans beginning in 2019. At the end of 2021, altogether 23 key employees were approved as eligible to participate in the plan.

The gross quantity of matching shares payable under the matching share plan 2020-2022 is 18,451 shares and under the performance share plan at maximum 281,700 shares. The Board of Directors approved 33 key employees as eligible to participate in the plans beginning in 2020. At the end of 2021, altogether 27 key employees were approved as eligible to participate in the plan.

The gross quantities of shares delivered under the 2018-2020 plan that ended in April 2021 were 13,963 shares and 0 performance matching shares. A net quantity of 8,225 shares were delivered to the key employees entitled to reward through a directed share issue on 23 March 2021.

Share-based incentive programme LTI 2021

On 10 February 2021, Teleste's Board of Directors decided on the establishment of a new long-term share-based incentive programme to be offered to Teleste's key employees (hereafter "LTI 2021"). The objective of LTI

2021 is to align the key employees' interests with those of Teleste's shareholders by creating a long-term equity interest for the key employees and, consequently, to increase the company's value in the long term and to drive a performance culture, retain key employees and offer the key employees competitive performance-based compensation.

LTI 2021 consists of one three-year plan with the following main elements: an investment in Teleste shares as a precondition for the key employee's participation in the individual plan, a matching share plan with a three-year vesting period based on the individual investment and a performance share plan with a three-year performance period.

The matching share plan 2021-2023 comprises the individual key employee's investment in Teleste's shares and the delivery of a specific number of matching shares without consideration as a share reward based on the share investment after the three-year vesting period. The matching ratio applied to the matching share plan is one matching share for each two shares invested.

The performance share plan 2021-2023 comprises a three-year performance period. The potential share rewards will be delivered if the performance targets set by the Board of Directors are achieved. The performance measure applied in the plan is the total shareholder return (TSR) of the Teleste share.

The gross quantity of matching shares payable under the matching share plan 2021-2023 is 21,313 shares and under the performance share plan at maximum 318,000 shares. The Board of Directors approved 33 key employees as eligible to participate in the plans beginning in 2021. At the end of 2021, altogether 31 key employees were approved as eligible to participate in the plan.

AUDITING, REVISIONS AND REMUNERATION OF THE AUDITOR

The term of office of Teleste's auditor expires at the closing of the first Annual General Meeting following the election.

On 7 April 2021, Teleste's Annual General Meeting elected the audit firm PricewaterhouseCoopers Oy (PwC) as the company's auditor. The audit firm appointed Markku Launis, APA, as the auditor in charge.

In addition to their statutory duties, the auditors report their observations to Teleste Corporation's Board of Directors and Audit Committee and attend at least one Board meeting each year.

In 2021, Teleste Group's auditing expenses totalled EUR 172,368, with PwC accounting for EUR 106,662. In addition, Teleste Group companies have received other consultation services from various units of PwC for a total of EUR 13,816 and from other than PwC auditors for EUR 52,130.

INSIDER MANAGEMENT

Since 1 March 2000, Teleste complies with the insider guidelines of Nasdaq Helsinki Oy in their valid form at any given time. The company also has its own insider guidelines, which have been approved by the company's Board of Directors.

Teleste maintains project-specific and event-specific insider lists as necessary. Project-specific insider lists include the persons who work for Teleste under an employment contract or other agreement and receive insider information concerning an individual project, as well as any other persons to whom Teleste discloses insider information concerning an individual project. 'Project' refers to an identifiable arrangement or set of procedures which is being prepared at Teleste in strict confidence and which, when disclosed, could materially affect the value of Teleste's financial instrument. The CEO evaluates each case to determine whether a set of procedures or an arrangement is considered as a project.

Persons discharging managerial responsibilities at Teleste with the obligation to notify are the Board members, the CEO, the CFO, the SVP in charge of the Networks business unit and the SVP in charge of the Video Security and Information business unit. They and persons closely associated with them shall notify Teleste and the Finnish Financial Supervisory Authority of any transactions they conduct in Teleste's financial instruments. Teleste informs about transactions reported to it in a specific stock exchange release. It is recommended for persons discharging managerial responsibilities at Teleste to time their trading activities involving financial instruments issued by Teleste in such a manner that as accurate as possible information affecting the value of the share is available in the market.

The persons discharging managerial responsibilities at Teleste are not permitted, on their own account or on behalf of others, directly or indirectly, to trade in financial instruments issued by Teleste during the "closed window" period, that is, for thirty (30) days prior to the publication of an interim report and financial statement release. Teleste has expanded the closed window to also apply to persons participating in the preparation of interim reports and/or financial statement releases. Such persons are subject to the same closed window of thirty (30) days.

Teleste's insider administration supervises compliance with the insider guidelines and maintains insider lists as well as a list of persons discharging managerial responsibilities and persons closely associated with them. Teleste's Legal Counsel is in charge of insider issues.

People employed by Teleste may report any suspected violations of rules and regulations concerning the financial markets through an independent channel within the company.

RELATED PARTY TRANSACTIONS, INTERNAL CONTROL, RISK MANAGEMENT AND INTERNAL AUDITING

Related party transactions

Teleste assesses and monitors related party transactions in accordance with the Corporate Governance and Teleste's internal guidelines. Teleste strives to ensure that any conflicts of interest are taken into account in the decision-making process. The main rule is that all related party transactions always relate to Teleste's normal business and are in line with the company's purpose and conducted on normal commercial terms. The Board of Directors decides on related party transactions that are not conducted in the ordinary course of business or are not implemented under arm's-length terms.

Teleste's legal department is responsible for the identification of related parties and maintains up-to-date records of related parties for the purpose of identifying related party transactions. Information on related party transactions is provided in the notes of the financial statements.

Internal control

Teleste's internal control is designed to support the implementation of the strategy and to ensure the achievement of the specified goals, compliance with the regulations as well as the reliability and accuracy of financial reporting. Internal control is based on Teleste's values and corporate culture, as well as Group- and operational-level structures and processes that support each other. The management of the Group and the business units are responsible for internal control as part of their normal managerial duties, while the Board evaluates and verifies the appropriateness and efficiency of internal control. In each of the two business units, the management of the business unit, supported by Teleste's centralised business controller function, is responsible for compliance with the principles of internal control on all levels of the units.

Risk management

Teleste's risk management policy defines the objective of risk management as the achievement of strategic objectives. The principles and objectives of the Group's risk management are subject to approval by Teleste's Board of Directors. Risk management aims to ensure the achievement of business goals, so that any material risks affecting business operations and posing a threat to the achievement of goals are identified and continuously monitored and evaluated. The company has risk management methods in place to prevent the materialisation of risks. In addition, insurance is used to cover financial risks and other risks that are reasonably insurable. Regular, cost-efficient evaluation and management of risks are emphasised in Teleste's risk management policy. Risk management supports the business operations and generates added value that promotes decision-making and goal-setting by the management in charge of business operations. Monthly reporting constitutes part of the internal control and risk management system. In particular, it is used for the monitoring of the development of orders received, order backlog, deliveries, net sales, profitability, trade receivables, working capital and cash flow and, consequently, the development of Teleste Group's performance. 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 units and Group functions. Risks are reported to the Board on a regular basis.

Teleste's risk management system covers the following risk categories: strategic risks, operational risks, financial risks and hazard risks. For each identified risk, the Management Group confirms a risk owner who is responsible for risk assessment, selecting the risk management strategy, planning risk management actions and assigning responsibilities for them, and risk monitoring.

Internal auditing

Internal auditing includes evaluating the efficiency of processes related to risk management, supervision, management, administration and selected functions, as well as making proposals for their improvement. Internal auditing functions under the authority of the Board's Audit Committee and the CEO. A director appointed by the CEO is responsible for the implementation of the auditing, and the expertise of bodies external to the auditing unit is used where needed. In addition, internal auditing may carry out special tasks assigned by the Audit Committee. Internal auditing covers all the organisational levels. Internal auditing also coordinates priorities together with the external auditor.

Key features of the internal control and risk management systems related to the financial reporting process

The internal control and risk management of the financial reporting process are based on the general principles of internal control and risk management described above as well as the auditor's recommendations concerning best practices related to reporting processes and the control environment. The CFO is responsible for the systems of internal control and risk management related to the financial reporting process.

The internal control of the financial reporting process is established by describing the reporting process, surveying its relevant risks and specifying the control points on the basis of the conducted risk assessment. The controls cover the entire reporting process from accounting by subsidiaries to monthly, quarterly and annual reporting. Controls are built into reporting systems, or controls may involve balancing, inspections carried out by the management, or specified procedures or policies. The CFO is responsible for ensuring that there is a designated person responsible for the implementation and efficiency of each control. The Group Accounting Manual specifies the standards for financial reporting. Financial reports to be published are reviewed by the Management Group, the Audit Committee and the Board of Directors prior to their publication.

The auditor elected by Teleste Corporation's Annual General Meeting audits the consolidated financial statements and parent company financial statements and reviews the stock exchange releases issued on interim reports and the financial statements. The Group's largest subsidiaries conduct a local audit.

Shareholders’ Nomination Board – Report of the Operations on February 17, 2022

The Annual General Meeting of Teleste Corporation resolved in 2020 to establish a Nomination Board for Teleste, the responsibility of which is annually to prepare proposals on the election and remuneration of the members of the Board of Directors to the Annual General Meeting and for ensuring that the Board of Directors and its members have sufficient competence and experience to meet the needs of Teleste. At that meeting the Annual General Meeting also resolved to approve the charter for the Nomination Board.

The Nomination Board consists of three (3) members having been nominated by Teleste’s three largest shareholders, calculated on the basis of the votes conferred by all the shares in Teleste on August 30 preceding the next Annual General Meeting. The Nomination Board’s term of office shall continue until a new Nomination Board is elected.

Teleste’s three largest shareholders that on August 30, 2021 were registered in the shareholders register held by Euroclear Finland Oy are: Tianta Oy, Mandatum Henkivakuutusosakeyhtiö and Keskinäinen Eläkevakuutusyhtiö Ilmarinen.

At the time of the publication of this evaluation, the composition of Teleste’s Nomination Board is the following:

- Timo Luukkainen, nominated by Tianta Oy
- Patrick Lapveteläinen, nominated by Mandatum Henkivakuutusosakeyhtiö
- Esko Torsti, nominated by Keskinäinen Eläkevakuutusyhtiö Ilmarinen

Timo Luukkainen has acted as chairman of the Nomination Board.

The Nomination Board has reviewed the size of Teleste’s Board of Directors, its composition and diversity as well as the competence areas that it deems to benefit the company most. The Nomination Board also reviewed the remuneration of the members of the Board of Directors. In addition, the Nomination Board familiarized itself with and discussed about the results of the self-evaluation conducted by the Board of Directors.

The Nomination Board gave its proposals on 17 February 2022 to the Board of Directors for the Composition and Remuneration of the Board of Directors of Teleste Corporation, which were published as a stock exchange release https://www.teleste.com/stock-exchange-releases-and-investor-news

Key figures 2017–2021

	IFRS 2021	IFRS 2020	IFRS 2019	IFRS 2018	IFRS 2017
Profit and loss account, balance sheet					
Net sales, Meur	144.0	145.0	235.5	250.3	234.6
Change%	-0.7	-38.4	-5.9	6.7	-9.6
Sales outside Finland,%	90.1	92.8	93.3	93.9	94.3
Operating profit, Meur	8.7	4.5	0.8	9.7	-7.5
% of net sales	6.1	3.1	0.3	3.9	-3.2
Profit after financial items, Meur	9.0	3.7	0.4	9.1	-8.5
% of net sales	6.3	2.5	0.2	3.6	-3.6
Profit before taxes, Meur	9.0	3.7	0.4	9.1	-8.5
% of net sales	6.3	2.5	0.2	3.6	-3.6
Profit for the financial period, Meur	6.9	-8.0	-1.7	6.8	-9.1
% of net sales	4.8	-5.5	-0.7	2.7	-3.9
R&D expenditure, Meur	11.3	10.8	13.5	12.5	12.1
% of net sales	7.9	7.4	5.7	5.0	5.1
Gross investments, Meur	11.1	6.6	13.0	7.0	7.5
% of net sales	7.7	4.5	5.5	2.8	3.2
Interest bearing liabilities, Meur	28.0	31.0	33.0	26.8	33.2
Shareholder's equity, Meur	69.0	63.1	72.8	77.2	71.4
Total assets, Meur	135.2	133.0	149.6	159.0	153.5
Personnel and orders					
Average personnel	863	856	1 363	1 393	1 492
Order backlog at year end, Meur	108.6	77.1	73.2	71.0	57.4
Orders received, Meur	175.5	148.8	237.6	264.0	262.9
Key metrics					
Return on equity,%	10.5	-11.8	-2.2	9.2	-11.7
Return on capital employed,%	10.2	-4.5	1.6	9.3	-6.6
Equity ratio,%	53.3	48.8	49.5	51.7	48.3
Net gearing,%	20.2	17.0	34.1	5.9	16.8
Earnings per share, euro	0.39	-0.43	-0.07	0.38	-0.50
Earnings per share fully diluted, euro	0.39	-0.43	-0.07	0.38	-0.50
Shareholders equity per share, euro	3.79	3.46	4.00	4.25	3.94

	IFRS 2021	IFRS 2020	IFRS 2019	IFRS 2018	IFRS 2017
Alternative performance measures					
Adjusted operating profit	5,514	5,066	8,832	9,721	-7,549
Adjusted earnings per share, EUR	0.21	-0.06	0.31	0.38	-0.50
Bridge of calculation					
Operating profit, continued operations	4,516	4,516	1,890	9,721	-7,549
Cost item caused by a crime	0	0	6,942	0	0
Business reorganization	550	550	0	0	0
Other non-recurring item	-3,200	0	0	0	0
Adjusted operating profit, continued operations	5,514	5,066	8,832	9,721	-7,549
Net profit/loss to equity holder	7,089	-7,827	-1,327	6,975	-9,106
Outstanding shares during the quarter	18,216	18,204	18,181	18,122	18,202
Earnings per share, basic	0.39	-0.43	-0.07	0.38	-0.50
Operating profit	7,089	-7,827	-1,327	6,975	-9,106
Cost item caused by a crime	0	0	6,942	0	0
Business reorganization	0	550	0	0	0
Business disposals	0	6,106	0	0	0
Other non-recurring item	-3,200	0	0	0	0
Outstanding shares during the quarter	18,216	18,204	18,181	18,122	18,202
Earnings per share, basic	0.21	-0.06	0.31	0.38	-0.50

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:
$$\frac{\text{Adjusted Profit for the period attributable to equity holder of the parent}}{\text{Weighted average number of ordinary shares outstanding during the period}}$$

Calculation of key figures

Return on equity:
$$\frac{\text{Profit/loss for the financial period}}{\text{Shareholders' equity (average)}} \times 100$$

Return on capital employed:
$$\frac{\text{Profit/loss for the period after financial items + financing charges}}{\text{Total assets - non-interest-bearing liabilities (average)}} \times 100$$

Equity ratio:
$$\frac{\text{Shareholders' equity}}{\text{Total assets - advances received}} \times 100$$

Gearing:
$$\frac{\text{Interest bearing liabilities - cash in hand and in bank – interest bearing assets}}{\text{Shareholders' equity}} \times 100$$

Earnings per share:
$$\frac{\text{Profit for the period attributable to equity holder of the parent}}{\text{Weighted average number of ordinary shares outstanding during the period}}$$

Earnings per share, diluted:
$$\frac{\text{Profit for the period attributable to equity holder of the parent (diluted)}}{\text{Average number of shares - own shares + number of options at the period-end}}$$

Equity per share:
$$\frac{\text{Shareholders' equity}}{\text{Number of shares – number of own shares at year-end}}$$

Price per earnings (P/E):
$$\frac{\text{Share price at year-end}}{\text{Earnings per share}}$$

Efective dividend yield:
$$\frac{\text{Dividend per share}}{\text{Trading price at the end of the period}}$$

Shares and shareholders

INVESTOR RELATIONS

CFO, Mr. Juha Hyytiäinen is in charge of investor relations. In addition to the CFO, the top management of the company is committed to serving various participants of the capital market.

OBJECTIVES AND PRINCIPLES OF COMMUNICATION

Our communication aims at providing all the market participants with equally correct and relevant information, which supports the value formation of the company share. The principles guiding Teleste's disclosure policy include up-to-dateness, truthfulness and simultaneity. Teleste adheres to the EU and Finnish legislation, the rules and guidelines of NASDAQ Helsinki Ltd as well as the regulations and guidelines of The European Securities and Markets Authority (ESMA) and the Financial Supervisory Authority. In accordance with the Finnish Securities Markets Act, EU regulations, Stock Exchange rules and the regulations and guidelines issued by ESMA and the Financial Supervisory Authority, Teleste publishes information on its financial position on a regular basis in its Interim and Half-Year Reports, Financial Statements Bulletin and Financial Statements.

As per the Market Abuse Regulation, MAR, Teleste shall publish the inside information concerning the company as soon as possible, or delay such disclosure in accordancewith the MAR provided, that the following criteria are met:

- Immediate disclosure is likely to prejudice the legitimate interests of Teleste;
- delay of disclosure is not likely to mislead the public; and
- Teleste is able to ensure the confidentiality of that information.

Additionally Teleste will regularly publish investor news and press releases of news in relation to its business and to orders received that are deemed to interest the company's stakeholders, but do not fulfil the criteria for a stock exchange release.

CONTACT INFORMATION

Esa Harju, President and CEO
Hannele Ahlroos, Investor Relations and Press Office
Phone +358 2 2605 611
Email: investor.relations@teleste.com

SHARE BASICS

Teleste Corporation is listed on the Nasdaq Helsinki Oy in the Technology sector and in small cap segment.

Facts about the share:

Listed on	30.3.1999
ISIN code	FI0009007728
Trading code	TLT1V
Reuter's ticker symbol	TLT1V. HE
Bloomberg ticker symbol	TLT1V FH
12 months high	6.66
12 months low	4.47
All-time high (7.9.2000)	39.00
All-time low (12.12.2008)	1.90

FINANCIAL INFORMATION

Financial releases in 2022

Interim report January–March	5.5.2022
Half year financial report January–June	11.8.2022
Interim report January–September	3.11.2022

Teleste meets investors, analysts and representatives of the media in news conferences set up in connection with releases of financial reports.

Silent period

Silent period begins 30 calendar days before the publishing of the Interim Reports, Half year financial report, and Financial statement release and lasts until the publishing of the releases mentioned. During silent periods, Teleste's spokespersons refrain from discussing and commenting on issues related to the company's financial performance or meeting with capital market representatives.

CHANGES IN SHAREHOLDERS' CONTACT INFORMATION

The company shares are included in the book-entry securities system. The shareholder register is maintained by Euroclear Finland Oy.

Shareholders should notify the particular register holding their Book Entry Account about changes in address or account numbers for payment of dividends and other matters related to their holdings in the share.

ANNUAL GENERAL MEETING

Teleste Corporation's Annual General Meeting (AGM) will be held on 6 April 2022 at 14:00. The meeting will be held under special arrangements without shareholders' or their proxy representatives' presence in the company's headquarters, at the address Telestenkatu 1, 20660 Littoinen, Finland.

The Board of Directors of the company has resolved on an exceptional meeting procedure based on the temporary legislation approved by the Finnish Parliament on 8 May 2021. In order to limit the spread of the COVID-19 pandemic, the Annual General Meeting will be held without shareholders' or their proxy representatives' presence at the meeting venue. This is necessary in order to organize the General Meeting in a predictable way while taking into account the health and safety of the company's shareholders, personnel and other stakeholders.

More information

- www.teleste.com/AGM,
- or by e-mail investor.relations@teleste.com

DIVIDEND POLICY

Teleste wishes to be an attractive investee corporation in which the investment's increase in value and the dividend yield form a competitive combination. The annual proposal for the dividend is validated by the Board in consideration of profitability, financial situation and needs for investment necessitated by profitable growth.

Proposal for Distribution of Dividend 2021

Meeting that a dividend of EUR 0.14 per share be paid based on the adopted balance sheet for the financial period that ended on 31 December 2021 for shares other than those held by the Company. The dividend will be paid to a shareholder who on the record date of dividend payment 8 April 2022 is registered in the Company's shareholders' register maintained by Euroclear Finland Ltd. The dividend will be paid on 19 April 2022.

Payment of divided

Annual General Meeting	6.4.2022
Divided ex date	7.4.2022
Dividend record date	8.4.2022
Payment of dividend	19.4.2022

Dividend history, eur

2015	2016	2017	2018	2019	2020	2021
0,23	0,25	0,10	0,20	0,10	0,12	0,14*

** Proposal by the Board*

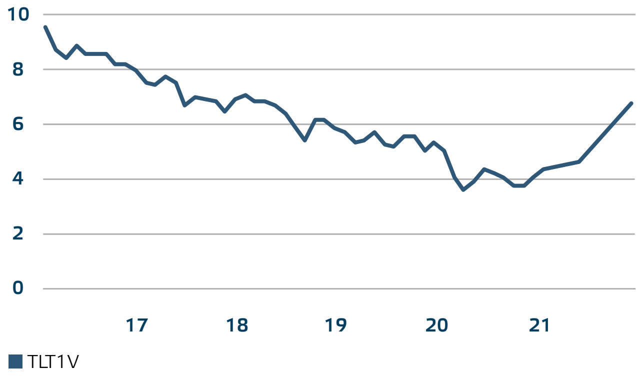
For proposals by the Board for the General Meeting and other additional information about the AGM is available at Teleste's website: **www.teleste.com/AGM**.
Minutes of the Annual General Meeting will be available at Teleste's website no later than 20 April 2022.

Teleste share

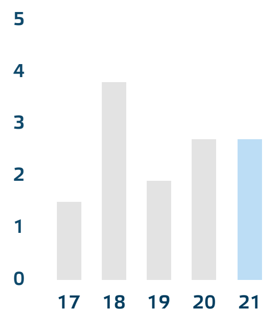
	2021	2020	2019	2018	2017
Highest price, euro	6.66	5.78	6.80	7.58	9.62
Lowest price, euro	4.47	3.51	5.04	5.12	6.51
Closing price, euro	5.24	4.49	5.34	5.26	6.68
Average price, euro	5.46	4.40	5.72	6.72	8.19
Price per earnings	13.5	-10.4	-73.2	13.8	-13.3
Market capitalization, Meur	99.5	85.2	101.4	99.9	126.8
Stock turnover, Meur	13.8	13.8	9.2	13.3	16.8
Turnover, number in millions	2.5	3.1	1.6	2.0	2.0
Turnover,% of share capital	13.3	16.5	8.5	10.4	10.8
Average number of shares	18,985,588	18,985,588	18,985,588	18,985,588	18,985,588
Number of shares at the year-end	18,985,588	18,985,588	18,985,588	18,985,588	18,985,588
Average number of shares, diluted w/o own shares	18,222,877	18,220,370	18,181,177	18,168,088	18,202,396
Number of shares at the year-end, diluted w/o own shares	18,217,394	18,218,503	18,207,708	18,155,300	18,172,350
Paid dividend, Meur	2.6	2.2	1.8	3.6	1.8
Dividend per share, euro	0.14*	0.12	0.10	0.20	0.10
Dividend per net result,%	36.0	neg.	neg.	53.1	neg.
Effective dividend yield,%	2.7	2.7	1.9	3.8	1.5

** The Board's proposal to the AGM*

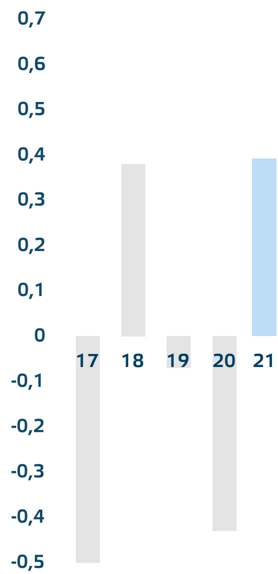
Share price development 2017–2021, €



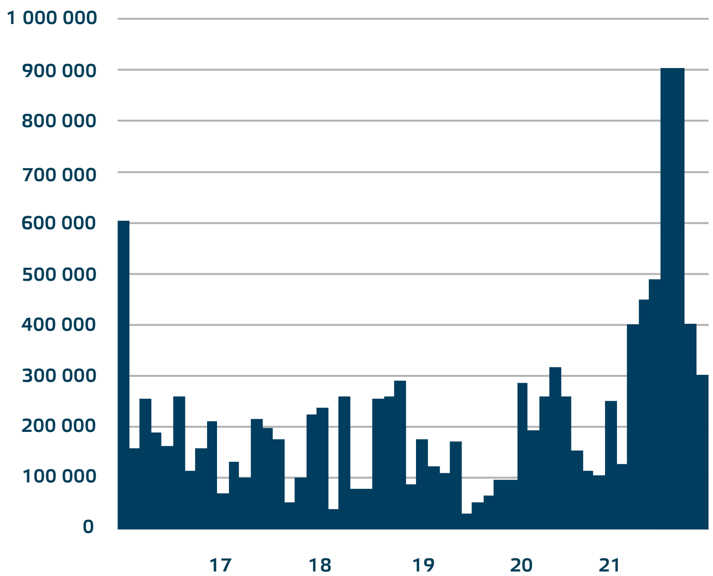
Effective dividend yield,%



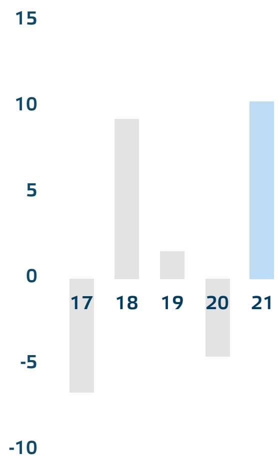
Earnings per share, continuing operations



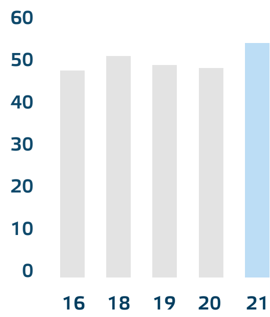
Share monthly turnover 2017–2021, pcs



Return on capital employed,%



Equity ratio,%



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