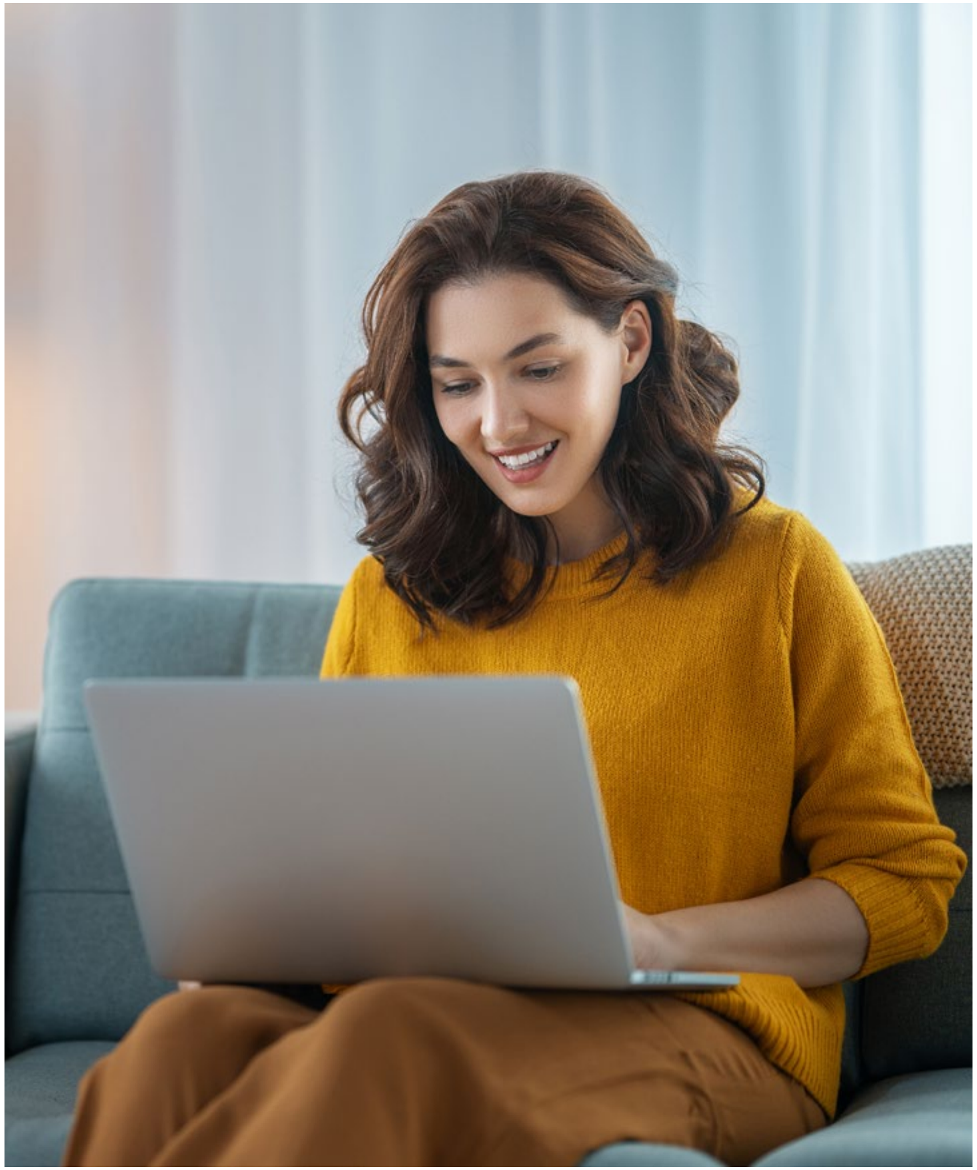
Financial statements 2023

TELESTE



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Report of the board of directors 2023

1. OVERVIEW

Teleste is an international technology group whose products and solutions help build a networked and secure digital society. The company's solutions enable broadband and television services, secure safety in public places and support the smooth use of public transport.

The company applies a strategic approach in which the focus is on business development in selected technologies and market areas. This is achieved by designing and delivering technological solutions that support the customers' business activities. The company offers a comprehensive range of hardware and software solutions complemented by high value-added services. These solutions require significant product development investments in all areas of operation. The company strives to minimise negative environmental impacts in all of its activities.

Operational activities in 2023 were affected by a number of global events. The security policy situation in Europe remained tense and the escalating situation in the Middle East has increased the threat of a global conflict. The macroeconomic conditions and inflation had a negative impact on investments in both Europe and North America. Global supply chains recovered gradually, but the availability of electronic components and semiconductors remains difficult. The increased tension in the Middle East has also introduced more risks to the global logistics network.

Data consumption by the subscribers of broadband services has continued to rise, driven particularly by remote work and the increasing use of digital services. This puts pressure on data communications operators to invest in even higher network capacity and faster data transmission speeds to respond to the growing demand. Nevertheless, the operating volume of the Broadband Networks business unit, which provides network solutions that meet those needs, was lower than expected in 2023 due to cost-saving measures and reduced investments among the company's customers. The strategic focus of operations has begun to shift from Europe to the North American market.

The market for video security and public transport information solutions is growing steadily, driven by the expansion of developing urban areas, the growth of environmentally friendly public transport and the increasing use of smart digital systems to make daily life easier. Investments in the market are mainly based on public sector funding and aim to ensure the smooth operation and security of services and infrastructure. The Public Safety and Mobility business unit, which provides solutions in this area, implemented several public transport information system projects in cooperation with major rolling stock manufacturers. At the same time, we made progress on a number of other customer projects in Europe and the Middle East.

After the exceptional years during the COVID-19 pandemic, the company expected a return to a more normal operating environment in 2023. As it turned out, the year brought surprises and challenges, and the expected return to a normal operating environment did not materialise. Alongside its operational business activities, the company focused increasingly on strengthening the strategic core of its business and developing the organisation. The company also started various measures to improve profitability by streamlining the cost structure.

2. DESCRIPTION OF BUSINESS OPERATIONS

Over the years, Teleste's in-depth expertise has made the company an international leader in broadband, security and information technologies and related services. The company's customer base consists of data communications operators, rolling stock manufacturers, public transport providers and various public administration units. The company is a globally leading technology company in its areas of operation.

The Broadband Networks business unit focuses on access network products for fixed 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 unit's main market is Europe, but growth is sought particularly in North America. The 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 Broadband 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 unit's services are focused on England, Switzerland, Finland and Poland.

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

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

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

The Public Safety and Mobility 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 10 offices and several integration partners. Outside Europe, it has subsidiaries and offices in the United States.

3. NET SALES AND PROFITABILITY

Consolidated net sales decreased by 8.3% and amounted to EUR 151.3 (165.0) million. Of the net sales, Finland accounted for 9.0% (7.0%), other Nordic countries for 12.9% (11.1%), the rest of Europe for 72.2% (74.5%) and countries outside Europe for 5.9% (7.3%). The net sales of the Broadband Networks business unit decreased by 15.5% in January-December and amounted to EUR 92.4 (109.4) million. Net sales decreased for conventional HFC access network products and remained at the same level as in the comparison period for next-generation distributed access architecture products. The net sales of the Public Safety and Mobility business unit increased by 5.9% in January-December, amounting to EUR 58.9 (55.6) million. Net sales increased as serial deliveries on rolling stock projects progressed and project-specific system deliveries were made. Net sales decreased in video security solutions.

The Group's adjusted operating result decreased by 41.2% to EUR 1.2 (2.0) million, representing 0.8% (1.2%) of net sales. The adjusted operating result decreased due to lower net sales, in spite of the profitability increasing by over two percentage points. The company's cost reductions were not enough to compensate for the impact of the significantly reduced net sales of the Broadband Networks business unit at the end of the year. The operating result was EUR -0.5 (-4.8) million, or -0.3% (-2.9%) of net sales. In the comparison period, the company recognised impairment of EUR 5.4 million in capitalised development expenditure.

Expenses for material and manufacturing services decreased by 12.2% to EUR 77.3 (88.1) million. Personnel expenses decreased by 2.1% to EUR 47.5 (48.5) million. The decrease was due to a lower number of personnel than in the comparison period and to the changes in the capitalisation of R&D expenses and to changes in short-term performance incentives. Depreciation and amortisation decreased by 16.1% to EUR 6.1 (7.2) million. Other operating expenses increased by 3.7%, amounting to EUR 21.9 (21.2) million. Other operating expenses include expenses related to strategic development projects, the Swiss divestment and the reorganization of operations, which were handled as adjusted items.

Net financial expenses amounted to EUR 1.9 (0.1) million. Financial expenses increased as a result of the higher interest expenses and the negative change in the value of currency and interest hedges. Income taxes for the reporting period amounted to EUR +1.9 (-0.9) million. The income taxes for the reporting period include the reversal of tax provisions of EUR 2.1 million recognised in the second quarter of 2022 and associated deferred tax assets of EUR -0.4 million, corresponding to a total of EUR 1.7 million. The entries relate to the tax reassessment decision received in Belgium in 2022, which was overturned by the Belgian tax authorities in March 2023 in accordance with Teleste's request. The result for the financial period amounted to EUR -0.5 (-5.9) million. Adjusted earnings per share were EUR 0.09 (-0.01) and earnings per share were EUR 0.00 (-0.31).

At the end of June, the company sold the Swiss subsidiary Teleste Network Services SA. This subsidiary has been responsible for Broadband Networks' engineering and services business in the Swiss market. The purchase price will be paid in cash. The majority of the purchase price was paid at the time of the transfer and the remainder will be paid in several instalments by the end of 2026. The purchase price receivable is measured at probable value. The divestment has not had a material impact on the operating result of the second quarter. In connection with the divestment, the company recognised other operating income of EUR 0.4 million. The net proceeds from the sale, totalling EUR 0.0 million, were classified as an adjustment item affecting comparability and eliminated from the adjusted operating result and adjusted earnings per share. In the financial period 2022, Teleste Network Services SA's net sales were EUR 5.4 million and operating result EUR -0.1 million.

4. INVESTMENTS AND PRODUCT DEVELOPMENT

Investments by the Group totalled EUR 8.0 (12.1) million, representing 5.3% (7.3%) of net sales. Leases capitalised in accordance with IFRS 16 amounted to EUR 1.1 (2.3) million, while other investments in tangible and intangible assets came to EUR 0.8 (4.0) million. During the comparison period, investments included the expansion of the Littoinen plant. A total of EUR 6.1 (5.8) million of R&D expenses were capitalised during the period under review. Depreciation on capitalised R&D expenses was EUR 3.0 (4.1) million.

R&D expenses amounted to EUR 17.7 (15.8) million, representing 11.7% (9.6%) of consolidated net sales in January-December 2023. Product development projects focused on next-generation distributed access architecture solutions and DOCSIS 4.0-compliant amplifiers (including products designed for the US market), situational awareness and video security solutions, passenger information systems and customer-specific projects. The product development function also evaluated alternative components to address shortages in materials.

5. FINANCING AND CAPITAL STRUCTURE

At the end of the period under review, the Group's interest-bearing debt stood at EUR 37.8 (50.4) million, with short-term loans from banks representing EUR 5.8 (4.2) million of that amount. Interest-bearing liabilities associated with leases capitalised in accordance with IFRS 16 amounted to EUR 4.8 (5.7) million, of which EUR 1.5 (1.8) million were short-term liabilities. The Group's cash and cash equivalents were EUR 6.2 (13.4) million. At the end of December 2023, the amount of unused binding credit facilities was EUR 14.7 (7.3) million.

The Group's total assets at the end of the period under review stood at EUR 134.7 (152.3) million, and equity amounted to EUR 60.9 (60.4) million. The Group's equity ratio was 45.4% (39.7%) and net gearing ratio 51.9% (61.2%).

The company negotiated changes in the financing agreements during the last quarter. The maturities of the bullet loan of EUR 3.5 million and a committed credit facility of EUR 4.0 million, which were due to mature in March 2024, were extended to March 2025. All financing agreements include financial covenants regarding the minimum equity ratio, the maximum net debt and adjusted EBITDA and the minimum liquidity. Enterprise mortgages totalling EUR 50 million are used as collateral for the financing agreements.

At the end of the financial period, the company's financing agreements included:

- A EUR 6.0 million repayable loan maturing in August 2024, the principal of which was EUR 1.5 million on 31 December 2023. The loan is amortised twice a year in instalments of EUR 0.75 million.
- A EUR 20.0 million repayable loan maturing in March 2026, the principal of which was EUR 16.25 million on 31 December 2023. The loan is amortised twice a year in instalments of EUR 1.25 million.
- A EUR 3.5 million repayable loan maturing in March 2025, the principal of which was EUR 3.5 million on 31 December 2023. The loan is amortised quarterly in instalments of EUR 0.3 million starting from June 2024.
- A EUR 7.5 million repayable loan maturing in March 2025, the principal of which was EUR 7.5 million on 31 December 2023. The loan is amortised quarterly in instalments of EUR 0.3 million starting from June 2024.
- A committed credit facility of EUR 4.0 million valid until March 2025, of which EUR 4.0 million was unused on 31 December 2023.
- A committed credit facility of EUR 15.0 million valid until March 2025, of which EUR 10.7 million was unused on 31 December 2023.

6. CORPORATE RESPONSIBILITY AND REPORTING OF NON-FINANCIAL INFORMATION

Corporate responsibility is an important part of the company's operations and the product and service offering. The company's products and services promote safety, security, environmentally friendly and efficient public transport as well as energy-efficient digital communications solutions.

The company's management has assessed the materiality of different aspects of corporate responsibility with respect to the company's stakeholders and business operations. The company takes all facets of corporate responsibility into consideration to ensure that it works continuously to build a sustainable future for the generations to come. At the same time, the company also responds to the expectations of customers, investors and other stakeholders and ensures its position as an attractive employer.

The impact of the company's sustainability efforts has been monitored by means of the international EcoVadis sustainability assessment for several years now. In 2023, the company also made a commitment to the UN Sustainable Development Goals and the UN Global Compact, which is based on the SDGs and is the world's largest corporate responsibility initiative. Together, EcoVadis, the UN Global Compact and the EU's reporting obligations support the continuous development of sustainability efforts.

6.1. SOCIAL AND PERSONNEL-RELATED MATTERS

The Group employed 803 (861) people on average during the period under review. At the end of the review period, the Group employed 750 (844) people, of whom 37% (43%) worked abroad. Approximately 3% (3%) of the Group's employees were working outside Europe.

Personnel expenses decreased by 2.1% year-on-year to EUR 47.5 (48.5) million. The decrease in personnel expenses was attributable to the divestment of the Swiss services business were, other personnel reductions, capitalisation of salaries related to R&D projects and the temporary layoffs of personnel implemented at the end of the year.

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 company also monitors the realisation of diversity by means of indicators and strives to promote diversity in its recruitment decisions and appointments, for example. Teleste's values-based management principles support both business success and a positive employee experience. Management training continued as part of culture vision training activities in 2023.

The management principles also reflect the company's perspective on social responsibility towards customers, personnel, partners and stakeholders. Social responsibility is addressed in the company's Code of Conduct in the form of fair working conditions and practices, for example. In its operations, the company is also committed to observing the UN Universal Declaration of Human Rights. In 2023, the company started the practical implementation of the cultural vision defined in the previous year by training all of its supervisors with the support of an external partner.

In 2023, the company updated its global policies and procedures to better respond to business needs, social and ethical perspectives and the company's values. The key issues highlighted in the operating guidelines and procedures 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 2023, Teleste also continued the activities of the Employee Sounding Board, a forum comprised of employees that aims to increase dialogue and cooperation between employees and the management.

The company continued to operate under a flexible hybrid work model, providing teams with opportunities to combine remote and in-office work to the extent possible for each position. Highly competent employees, together with the company's partner network, constitute the foundation for ensuring high-quality products and services for a diverse customer base.

The company aims to offer its employees interesting and varied tasks, the opportunity to develop their skills among industry-leading professionals, as well as an international workplace community and operating environment. Well-being at work springs from meaningful tasks, a pleasant working environment and management as well as a good work-life balance.

In 2023, the company implemented cost-saving measures that had personnel impacts in Finland and England, for example.

6.1.2. THE RESULTS OF ADHERENCE TO THE OPERATING PRINCIPLES

The company'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. The culture vision implemented in 2023 is also expected to improve job satisfaction, performance and employee commitment. For example, Teleste has an online training system to provide employees with courses on topics such as the company's values, Code of Conduct, human resources management principles, 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 company's key HR-related risks include ensuring the availability of highly competent personnel and the retention of key employees during the transformation of the labour market and as the company implements cost-saving measures that have impacts on the personnel. Ensuring the competence of operational personnel is also crucial in the continuously developing technology sector.

The company strives to minimise these risks by maintaining a positive employer image and modern recruitment practices as well as by ensuring competence development. The operating guidelines governing the company's global HR practices are updated regularly, and training is provided on them 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.

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 approximately 750 employees at more than 20 offices. In terms of the number of employees, the largest Teleste countries were Finland (63%) and Poland (12%) at the end of the financial period. The average age of personnel was 46 years (45 in 2023). Men represented 74% (71%) of Teleste's personnel and women 26% (29%). The sickness-related absence rate decreased slightly year-on-year and remained at a very low level at 2.0% (2.4%).

6.2. ENVIRONMENTAL MATTERS

Carbon dioxide emissions were identified as the company's most significant environmental impact in the materiality assessment conducted in 2021. According to the emissions calculations carried out in 2023, the primary sources of CO2 emissions in the company's operations are the use of the products sold by the company, the procurement of materials and transport activities. The company's other material environmental aspects are the use of natural resources and the creation of waste.

Indicator	2022 result	2023 result	2024 target	2030 target
Innovation R&D expenditure in ratio to net sales	9.6%	11.7%	10%	10%
Employee turnover during the financial period	14.7%	14.8%	<17%	<15%
Engagement Personnel survey response rate	78%	76%	80%	80%
Occupational safety Occupational accident frequency (number of incidents) per million working hours	5.0	8.9	0.0	0.0
Corporate culture Average score of the personnel survey section on corporate culture, scale 1-10	7.3	7.1	7.5	8.0
Well-being Reversed absence rate	97.6%	98.0%	98.0%	98.0%
Remuneration Pay ratio: CEO/average employee salary	6.4:1	6.8:1	7:1	7:1

The company's emission targets for 2026 and 2030 were updated on the basis of the calculation of overall emissions. The environmental policy was also updated to better cover, for example, the principles concerning emission calculations and the reduction of emissions.

The other environmental targets, which concern the recycling and recovery of waste and the share of recycled aluminium in the company's products, were kept unchanged. To improve the recycling rate, the company started the separate collection of plastic at its production facility in Littoinen and organised sorting training at all of its Finnish units.

Environmental indicators and targets are discussed in more detail in section 6.2.3.

6.2.1. OPERATING PRINCIPLES

The company is committed to protecting the environment and strives to minimise the consumption of natural resources. It complies with environmental legislation and regulations and actively monitors changes thereto. The company supports sustainable development and operates in accordance with the principles of the UN Global Compact initiative.

When setting environmental targets, the company takes into account its materiality assessment as well as annually updated environmental risks and opportunities. The Management Group monitors the development of environmental indicators and the achievement of targets.

The company trains its employees in environmental matters to promote awareness of the environmental impacts of operations and ensure that all employees understand their important role with regard to environmental responsibility. The environmental policy lays out principles that guide the company's operations:

- 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 upgrades
- Making products easy to disassemble facilitates the recycling of materials
- Use of recycled and recyclable material
- Avoiding harmful materials in products and operations
- Procurement of materials from environmentally responsible sources
- Choosing the right mode of transport and consolidating transport activities to minimise emissions
- Forecasting sales and manufacturing operations reduces the amount of rejected material
- Remote servicing is prioritised over in-person visits to sites
- The amount of waste generated is minimised and waste is sorted
- Striving to use renewable energy at the company's offices
- Greenhouse gas emissions are calculated annually in accordance with the GHG Protocol

6.2.2. OPERATIONS AND OPERATIONAL RISKS

According to the materiality assessment and the information presented above, the company's operations have environmental impacts. However, the company's operations also provide solutions for reducing emissions.

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 DOCSIS 4.0 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, passenger 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 centres.

Sustainability is also taken into account in supplier cooperation. The company requires significant suppliers to commit to the principles and practices outlined in its Supplier Code of Conduct. Environmental issues are one of the topics covered by the Supplier Code of Conduct. 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 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. At its production facilities, the company does not use or store significant quantities of hazardous chemicals that would increase the hazards associated with fire gases and thereby increase environmental risks.

6.2.3. KEY INDICATORS AND TARGETS

The environmental targets have been set with the assumption that the scope of the company's operations will be maintained at the current level. When the results of emission calculations were finalised, the company deemed it appropriate to update its emission targets. The baseline year and the short-term target year were also updated in connection

EMISSION TARGETS:

Indicator	2022 comparison year	2023 result	2026 target	2030 target
Scope 1 emissions [tCO2e]	261	165	-40%	-100%
Scope 2 emissions [tCO2e]	915	896	-20%	-50%
Scope 3: Transport emissions [tCO2e/tonne transported]	0,541	0,492	-10%	-20%

Concepts Scope 1-3: The Greenhouse Gas Protocol

OTHER ENVIRONMENTAL TARGETS:

Indicator	2021 comparison year	2023 result	2025 target	2030 target
Share of recycled aluminium in products manufactured in-house [%]	92%	91%	94%	96%
Recycling rate [%]	60%	66%	75%	80%
Recovery rate [%]	100%	100%	100%	100%

with this. The company decided to begin the reduction of Scope 3 emissions by focusing first on transport-related emissions, and set a separate target for them.

Environmental reporting covers all the company's operating locations with more than 10 employees. As complete energy consumption figures were not yet available for three of the operating locations, it was necessary to partially use the previous year's figures (Scope 2) for the locations in question. Emissions and the total transported mass has been estimated for three transport companies because the transport companies in question had not yet reported their figures for the financial period to Teleste. However, the transport operations in question only represent approximately 5% of transport emissions (Scope 3).

The company 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 services business and coolant leaks from cooling equipment. 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.

In 2023, Teleste calculated its Scope 3 emissions for the first time, taking into account all emission categories that are relevant to the company's operations. The most significant emission categories are the use of sold products, purchased materials, and upstream and downstream transport operations.

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 company uses the recycling rate and recovery rate to monitor the waste generated in business operations. The recycling rate did not develop entirely in line with expectations in 2023 due to a roof renovation project at the primary operating location. However, the recycling rate is expected to continue to improve in the future, supported by initiatives such as the separate collection of plastic, which began in the early part of the year. The recovery rate includes recycled materials as well as the utilisation of waste in energy production.

In 2023, the company established environmental performance indicators in its environmental management system, which provide a view to the aforementioned environmental targets. The company has also specified indicators that have been deemed appropriate to monitor even though targets have not been set for them. Examples of such monitored indicators include water consumption and the quantities of different waste fractions. Employees have access to the environmental indicators through the intranet.

6.3. PREVENTION OF CORRUPTION AND BRIBERY, RESPECTING HUMAN RIGHTS

6.3.1. OPERATING PRINCIPLES

The company'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.

The company complies with the applicable laws, regulations 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.

Teleste has made a commitment to the UN Global Compact initiative and confirmed its principles and approach concerning corruption and bribery and respect for human rights in the company's Code of Conduct. All of the company's employees must observe the Teleste'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 for everyone to read and understand. The company has also created online training on the Code of Conduct. 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.

The company 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 it observes in its operations. Where necessary, the company 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.

In addition to the Code of Conduct, Teleste's key policies concerning anti-corruption, anti-bribery and respect for human rights are the company's Anti-Corruption Policy and Human Resources Policy. The purpose of the policies 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

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

The company has a whistleblowing channel for employees and third parties to anonymously report actual or suspected misconduct or violations related to human rights, corruption, bribery and other aspects of the Code of Conduct or Supplier Code of Conduct. During the year under review, one notification was received via the whistleblowing channel that meets the purpose of the channel. The investigation of the matter is still ongoing. No substantiated reports concerning misconduct or violations related to human rights, corruption or bribery were received via the whistleblowing channel.

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 the company, 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, the company 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 the company's Supplier Code of Conduct, for example.

The company 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.

6.4. GOVERNANCE

Teleste adheres to good corporate governance in accordance with the legislation pertaining to Finnish listed companies, Teleste's Articles of Association and the Corporate Governance Code 2020. Teleste complies with the Finnish Securities Markets Act, Nasdaq Helsinki Ltd's rules concerning listed companies and and the rules and regulations of the Finnish Financial Supervisory Authority. The company has published a Corporate Governance Statement for the financial year 2023. The company refers to the Corporate Governance Statement with respect to the following information:

- Teleste's governing bodies
- Auditing, revisions and remuneration of the auditor
- Insider management
- Related party transactions, internal control, risk management and internal auditing

The company seeks to continuously improve its practices and regularly monitors its performance with regard to governance.

6.3.4. KEY INDICATORS AND TARGETS

Indicator	2022 result	2023 result	2025 target
Respecting human rights Percentage of unionised employees GRI: 102-41	56%	64%	1)
Teleste's Supplier Code of Conduct; 1) Does Teleste require suppliers to comply with the company's Code of Conduct? GRI: 102-16	Yes	Yes	Yes
2) What percentage of the company's suppliers have confirmed that they comply with Teleste's Supplier Code of Conduct? GRI: 103-2	80%	92%	100%
Ethics and anti-corruption 1) Does the company have an anti-corruption policy? GRI: 102-16	Yes	Yes	Yes
2) What percentage of the company's employees have completed training on the Code of Conduct?	85%	76%	100%

1) Teleste respects the freedom of association of its employees and is committed to regular and constructive dialogue with employees. The company does not set a target for the percentage of unionised employees.

6.4.1. KEY INDICATORS AND TARGETS

Indicator	2022 result	2023 result	2025 target
Diversity of the Board; the share of the less represented gender in the Board of Directors	17%	17%	40%
Independence of the Board of Directors; 1) does the company have a rule against the CEO acting as the Chairman of the Board GRI: 102-23	Yes	Yes	Yes
2) number of Board members who are independent of the companyGRI: 102-22	100%	100%	>80%
Are sustainability targets incorporated into the remuneration of the management? GRI: 102-35	Yes	Yes	Yes
Data protection Does the company observe a data protection policy? GRI: 418	Yes	Yes	Yes

7. EU TAXONOMY

Teleste's business is partly within the scope of the EU Taxonomy Regulation. Parts of the company's business operations are included in the scope of economic activities referred to in the technical screening criteria 6.14 "Infrastructure for rail transport", and 6.15 "Infrastructure enabling low-carbon road transport and public transport". The technical screening criteria determine whether a given economic activity contributes substantially to the achievement of the environmental objectives in question, in which case the activity can be classified as sustainable. In addition to considering the fulfilment of the technical screening criteria, it is necessary to ensure that the activity in question does no significant harm to any of the other five environmental objectives and that the activity is aligned with the UN Guiding Principles on Business and Human Rights and the OECD guidelines. The reporting obligation includes reporting the percentage share of taxonomy-eligible and taxonomy-aligned net sales, capital expenditure or operating expenditure in accordance with Commission Delegated Regulation (EU) 2021/2178.

Teleste has economic activities that meet the technical screening criteria for the sustainable mitigation of climate change according to the EU Taxonomy Regulation. The company has assessed its taxonomy eligibility for the financial year 2023. The process included the identification of taxonomy-eligible activities, the assessment of the technical screening criteria and Do No Significant Harm criteria for each environmental objective for all relevant activities, and the assessment of the minimum social safeguards at the company level.

The taxonomy-eligible and taxonomy-aligned share of net sales was assessed for each of the company's business areas. Taxonomy-aligned net sales represent 36% (28%) of the company's total net sales. The company's taxonomy-aligned activities within the scope of climate change mitigation categories 6.14 and 6.15 include, among other things, the company's public transport information solutions for rail transport and video security solutions for public transport applications. Only external sales are included in the reported net sales.

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 on a cost centre basis, avoiding double counting under and between the performance indicators. In total, 22% (39%) of Teleste's capital expenditure and 49% (40%) of operating expenditure are related to activities that are considered to be environmentally sustainable and are taxonomy-eligible and taxonomy-aligned. Examples of such activities include research and development projects. Also included are investments that are part of Teleste's investment plan aimed at reducing emissions.

Share of net sales derived from products or services that are classified as taxonomy-aligned economic activities in year N (2023):

Financial year N	2023			Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')(h)									
Economic Activities	Code (a)	Turnover	Proportion of Turnover, year N	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Minimum Safeguards	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) turnover, year N-1	Category enabling activity	Category transitional activity
			%	Y; N; N/EL (b) (c)	Y; N; N/EL (b)(c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Information systems for rail transport (6.14)	CCM 6.14	49.7 M€	33%	Y	Y	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	26%	E	
Video security solutions for public transport (6.15)	CCM 6.15	4.5 M€	3%	N	Y	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	3%	E	
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**54.2 M€**	**36%**	**100%**	**0%**	**0%**	**0%**	**0%**	**0%**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**28%**		
Of which Enabling		54.2 M€	36%	92%	8%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	28%	E	
Of which Transitional		0.0 M€	0 %	0 %						Y	Y	Y	Y	Y	Y	Y	0%		T
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (g)																			
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0.0 M€	0%	%	%	%	%	%	%								0%		
A. Turnover of Taxonomy eligible activities (A.1+A.2)		54.2 M€	36%	92%	8%	%	%	%	%								28%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities		97.1 M€	64%																
TOTAL		**151.3 M€**	**100%**																

Share of capital expenditure represented by products or services that are classified as taxonomy-aligned economic activities in year N (2023):

Financial year N	2023			Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')(h)									
Economic Activities	Code (a)	CapEx	Proportion of CapEx, year N	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Minimum Safeguards	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) CapEx, year N-1	Category enabling activity	Category transitional activity
			%	Y; N; N/EL (b) (c)	Y; N; N/EL (b)(c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Information systems for rail transport (6.14)	CCM 6.14	0.8 M€	10%	Y	E	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	12%	E	
Video security solutions for public transport (6.15)	CCA 6.15	0.4 M€	5%	N	Y	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	3%	E	
Investments improving energy efficiency/ low-carbon of manufacturing facilities		0.0 M€	0%	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	22%	E	
Investments reducing emissions in public transport		0.5 M€	7%	Y	N	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	3%	E	
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**1.8 M€**	**22%**	**77%**	**23%**	**0%**	**0%**	**0%**	**0%**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**39%**		
Of which Enabling		1.8 M€	22%	77%	23%	%	%	%	%	Y	Y	Y	Y	Y	Y	Y	39%	E	
Of which Transitional		0.0 M€	0%	0%						Y	Y	Y	Y	Y	Y	Y	0%		T
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (g)																			
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0.0 M€	0%	0%	0%	0%	0%	0%	0%								0%		
A. CapEx of Taxonomy eligible activities (A.1+A.2)		1.8 M€	22%	77%	23%	0%	0%	0%	0%								39%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy-non-eligible activities		6.2 M€	78%																
TOTAL		**8.0 M€**	**100%**																

Share of operating expenditure represented by products or services that are classified as taxonomy-aligned economic activities in year N (2023):

Financial year N	2023			Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')(h)									
Economic Activities	Code (a)	OpEx	Proportion of OpEx, year N	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Climate Change Mitigation	Climate Change Adaptation	Water	Pollution	Circular Economy	Biodiversity	Minimum Safeguards	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) OpEx, year N-1	Category enabling activity	Category transitional activity
			%	Y; N; N/EL (b) (c)	Y; N; N/EL (b)(c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y; N; N/EL (b) (c)	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Sourcing of and maintenance costs of taxonomy-aligned commodities		0.5 M€	4%	Y	Y	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	5%	E	
R&D costs for rail transport (6.14) and public transport (6.15)	CCM 6.14 6.15	5.5 M€	45%	Y	Y	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	35%	E	
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**6.0 M€**	**49%**	**50%**	**50%**	**0%**	**0%**	**0%**	**0%**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**40%**		
Of which Enabling		6.0 M€	4 %	50%	50%	%	%	%	%	Y	Y	Y	Y	Y	Y	Y	40%	E	
Of which Transitional		0.0 M€	0%	0%						Y	Y	Y	Y	Y	Y	Y	0%		T
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (g)																			
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0.0 M€	0%	0%	0%	0%	0%	0%	0%								0%		
A. OpEx of Taxonomy eligible activities (A.1+A.2)		6.0 M€	49%	%	%	0%	%	0%	0%								40%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-non-eligible activities		6.2 M€	51%																
TOTAL		**12.1 M€**	**100%**																

8. GROUP STRUCTURE

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

9. THE MOST SIGNIFICANT BUSINESS RISKS

Teleste is exposed to risks that may be due to the company's operational activities or changes in the business environment. The risk factors described below may have an adverse effect on the company's business operations or financial position. However, other risks that the company is currently not aware of, or which are currently not estimated to be significant, may also become significant in the future.

The Board of Directors reviews essential business risks and their management quarterly and whenever necessary. 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.

9.1. STRATEGIC RISKS

Economic cycles and, in particular, fluctuations in the level of investment activity among broadband network operators and public transport operators affect the demand for the company's products and services. High inflation and rising interest rates also affect the company's customers' financing, profitability, ability to make investments and, consequently, the demand for the company's products and services.

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 technologies 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. If those risks materialise, the value of the product development investments can decrease. In the Broadband Networks business unit in particular, R&D decisions are made without customer commitments, which is typical for the industry.

Expanding business operations to new markets is demanding and involves risks. The company's current investments in growth in the North American broadband market in particular will not necessarily lead to the desired results. Expanding into a new market requires significant investments without any guarantee of success.

The largest key customers represent a significant share of the net sales of each customer segment. Potential changes in procurement strategy or supplier selection by customers may lead to a contraction of business volumes and declining profitability.

Consolidation is possible in the company's operating industries among both customers and suppliers, which may weaken Teleste's competitive position.

In addition to the level of market demand, the competitiveness of the company's product and service offering is a key factor with regard to growth and profitability. Failure to anticipate or respond to changes in customer requirements, competitors' offerings or changes in business models may lead to a deterioration of Teleste's competitiveness.

9.2. OPERATIONAL RISKS

The intermittent uncertain and limited availability of materials and components has resulted in additional costs and increased the working capital, which has reduced the company's profitability and liquidity. Delivery times are still long for many components critical to the company, especially in semiconductors, which exposes the company to product delivery delays and creates challenges in inventory management. High inventory levels may lead to the impairment of raw materials and components.

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

As a result, comprehensive system and project delivery pricing, planning and resourcing are partly based on estimates and therefore include risks during execution. Projects may be large in size and take place over several years, setting high demands for the project execution and management and involve technical, legal and financial risks. Some of the Public Safety and Mobility business unit's projects in the public transport segment are fixed-price projects or subject to limited price increases due to the nature of the industry, which means they involve a margin risk when costs increase. Project delays may lead to contractual penalties or credit losses. The delays may also be caused by reasons independent of the company. The company negotiates the effects of contractual terms concerning delays in project deliveries separately for each project.

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.

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.

Competent employees with the necessary qualifications and skills play a key role in the achievement of the company's objectives. The development of personnel competence, employee engagement and recruitment involves risks that influence how competitiveness is maintained and developed. Instability in the labour market may have a negative impact on the company's competitiveness, and labour action in export logistics, for example, may interrupt deliveries to customers. Cost and personnel reductions implemented and planned by the company are a source of uncertainty amongst personnel and may lead to employee turnover, which may complicate the company's operations.

Negative impacts on the company's brand and reputation could affect Teleste's business and financial performance. Potential reputational damage could arise due to significant problems related to deliveries, products or service quality, or a cyber security incident, for example.

9.3. RISKS RELATED TO UNEXPECTED EVENTS AND SECURITY

Physical damage caused by accidents (such as fire), extreme weather events, natural disasters, terrorism or other exceptional circumstances may disrupt the availability of raw materials or components, or interrupt the company's own manufacturing operations.

A potential new pandemic or mutations could lead to new and more extensive restrictions and uncertainty in the global market economy, causing impacts which are difficult to predict.

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. Increased geopolitical tensions have increased the likelihood of cyber attacks. Such attacks can cause local and global digital disruptions that have an adverse impact on the activities of Teleste or its customers or suppliers.

The company may also be targeted by illegal activities and attempted fraud, which 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.

Data leaks involving sensitive employee or customer data may lead to reputational damage or significant financial repercussions. A data leak could be caused by, for example, cyber crime, ransomware, data theft, fraud, misconduct or inadvertent mistakes by our employees.

Customs levies imposed by different countries and changes or restrictions on exports or imports may have a negative effect on the supply chains of raw materials and components and the profitability of products. Furthermore, global political impacts on the procurement and delivery logistics chains may be unexpected and sudden.

9.4. FINANCIAL RISKS

Disruptions in the availability of materials have significantly increased the company's inventories and the risk of write-downs of inventories. The increase in working capital has reduced the financial reserves available to the company. Problems with the availability of raw materials and components may continue to complicate manufacturing operations and cause delays in deliveries, leading to increased working capital and a higher liquidity risk for the company.

The company's financial development over the past two financial periods has increased the company's debt position, limiting the availability of financing and increasing the liquidity risk.

The higher interest rate level affects the company's financial expenses significantly to the extent that interest-bearing liabilities have not been hedged.

Part of the company's net sales and a significant proportion of raw material and component purchases are denominated in currencies other than the euro. Significant exchange rate fluctuations expose the company to currency risks. 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 company is exposed to risks related to its customers' liquidity and payment behaviour, which may affect Teleste's cash flow or lead to credit losses. Significant changes in the financial or tax regulations of different countries, or changes in the interpretation of such regulations, may also have an impact on Teleste's financial performance, liquidity or cash flow.

More detailed information on financial risks is published in the notes to the financial statements 2023.

10. LEGAL PROCEEDINGS AND JUDICIAL PROCEDURES

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

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

There were no other legal proceedings or judicial procedures pending that would have had any essential significance to the Group's operations.

11. DECISIONS BY THE ANNUAL GENERAL MEETING

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

The AGM decided that the Board of Directors shall consist of six members. Jussi Himanen, Vesa Korpimies, Mirel Leino-Haltia, Timo Luukkainen, Heikki Mäkijärvi and Kai Telanne were elected as members of Teleste Corporation's Board of Directors. In its organisational meeting held after the AGM on 5 April 2023, the Board of Directors elected Timo Luukkainen as its Chairman. Mirel Leino-Haltia was elected Chair of the Audit Committee, with Jussi Himanen and Vesa Korpimies as members.

The annual remuneration to be paid to the members of the Board of Directors were resolved on as follows: EUR 66,000 per year for the chairman and EUR 33,000 per year for each member. The annual remuneration of the Board member who acts as the chairman of the Audit Committee shall be EUR 49,000 per year. Of the annual remuneration to be paid to the Board members, 40 per cent of the total gross remuneration amount will be used to purchase Teleste Corporation's shares for the Board members through trading on the regulated market organised by Nasdaq Helsinki Ltd, and the rest will be paid in cash. However, a separate meeting fee shall not be paid to the members of the Board of Directors nor the Chairman of the Audit Committee. The members of the Board's Audit Committee are paid a meeting fee of EUR 400 for the meetings of the Audit Committee they attend.

The AGM decided to choose one auditor for Teleste Corporation. The audit firm PricewaterhouseCoopers Oy was chosen as the company's auditor. The audit firm appointed Markku Launis, APA, as the auditor in charge. It was decided that the auditor's fees will be paid according to the invoice approved by the Company.

The General Meeting resolved, in accordance with the proposal of the Board of Directors, to amend Article 8 and items 7 and 9 of Article 10 of the Company's Articles of Association in such a way that, from now on, the Company shall have one auditor, which must be an Authorised Public Accountant firm as referred to in the Finnish Auditing Act and which shall designate an Authorised Public Account as the auditor with principal responsibility. According to the current Articles of Association, the Company has 1-2 auditors.

The General Meeting further resolved, in accordance with the proposal of the Board of Directors, to amend Article 9 of the Company's Articles of Association by adding a new last paragraph to it, which enables the organisation of future General Meetings also entirely without a meeting venue as a remote meeting, and by making it voluntary for the Company to announce the time and place of a General Meeting as well as the address of the Company's website in at least one newspaper.

The AGM decided to authorise the Board of Directors to decide on the purchase of the company's own shares in accordance with the proposal of the Board. According to the authorisation, the Board of Directors may acquire 1,200,000 own shares of the company otherwise than in proportion to the holdings of the shareholders with unrestricted equity through trading on the regulated market organised by Nasdaq Helsinki Ltd at the market price of the time of the purchase.

The AGM decided to authorise the Board of Directors to decide on issuing new shares and/or transferring the company's own shares held by the company and/or granting special rights referred to in Chapter 10, Section 1 of the Limited Liability Companies Act, in accordance with the Board's proposal.

The new shares may be issued and the company's own shares held by the company may be conveyed either against payment or for free. New shares may be issued and the company's own shares held by the company may be conveyed to the company's shareholders in proportion to their current shareholdings in the company, or by waiving the shareholder's pre-emption right, through a directed share issue if the company has a weighty financial reason to do so. The new shares may also be issued in a free share issue to the company itself.

Under the authorisation, the Board of Directors has the right to decide on issuances of new shares and/or transferring the company's own shares held by the company, so that the maximum total number of shares issued and/or transferred is 2,000,000.

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

The authorisations are valid for eighteen (18) months from the resolution of the Annual General Meeting. The authorisations override any previous authorisations to decide on issuances of new shares and on granting stock option rights or other special rights entitling to shares.

12. SHARES AND CHANGES IN SHARE CAPITAL

On 31 December 2023, Tianta Oy was the largest single shareholder of Teleste with a holding of 25.2% (25.1%). According to Euroclear Finland Ltd, the number of Teleste shareholders at the end of the period under review was 5,408 (5,410). Foreign shareholders accounted for 1.0% (1.3%) of the shares, while nominee-registered holdings accounted for 2.8% (3.0%).

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

On 31 December 2023, the company's registered share capital stood at EUR 6,966,932.80, divided into 18,985,588 shares. The Group's parent company Teleste Corporation held 747,026 (757,682) treasury shares, representing 3.9% (4.0%) of all Teleste shares, on 31 December 2023.

In January-December, the share turnover of Teleste on Nasdaq Helsinki was 1.5 (1.5) million shares and EUR 5.2 (6.3) million. The volume-weighted average price of the share was EUR 3.37 (4.34), the lowest share price of the review period was EUR 2.55 (3.13) and the highest EUR 4.75 (5.76). The closing price of the Teleste share on 31 December 2023 was EUR 2.70 (3.54) and market capitalisation was EUR 51.3 (67.2) million.

Valid authorisations at the end of the financial period on 31 December 2023, valid until 4 October 2024:

- The Board of Directors may acquire 1,200,000 own shares of the company otherwise than in proportion to the holdings of the shareholders with unrestricted equity through trading on the regulated market organised by Nasdaq Helsinki at the market price of the time of the purchase.
- The Board of Directors may decide on issuing new shares and/or transferring the company's own shares held by the company, so that the maximum total number of shares issued and/or transferred is 2,000,000.
- The total number of new shares to 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.

13. OWNERSHIP BY MANAGEMENT AND MEMBERS OF THE GOVERNING BODIES ON 31 DECEMBER 2023

On the balance sheet date, the CEO and Members of the Board owned 167,345 (133,278) Teleste Corporation shares equal to 0.88% (0.70%) 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 47,475 (40,699) Teleste Corporation shares equal to 0.25% (0.21%) 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.

14. OPERATING ENVIRONMENT IN 2024

Broadband Networks

The data consumption of clients using broadband services continues to grow due to increased remote work, digital services and the growing consumption of streaming services that require increasing network capacity and faster connections. Data communications operators that provide broadband services have been able to respond competitively to the increasing demand in their cable-based network infrastructure by investing in DOCSIS 3.1-compliant 1.2 GHz network upgrades during the past few years.

Next-generation DOCSIS 4.0-compliant technologies provide subscribers with access broadband connections with speeds of up to 10 gigabits using existing coaxial cabling. This enables the competitiveness of the cable network infrastructure alongside optical fibre for years to come. Product development projects for Teleste's 1.8 GHz DOCSIS 4.0-compliant network products are continuing. The deliveries of passive products are under way, and smart amplifiers will be launched at the beginning of 2024. The products will require continuous product development.

The weakened macroeconomic situation, increased the market interest rate level and multi-system operators' cost-saving measures, investment cuts and optimisation of buffer stocks have weakened demand in the market from mid-2023 onwards. It is presently difficult to predict the timing of the recovery of the market. Data communications operators in North America are expected to invest strongly in new DOCSIS 4.0 technology starting from 2024. In Europe, investments in DOCSIS 4.0 are expected to begin somewhat later, and the market is expected to be significantly smaller than in North America. The European market is expected to continue to decrease in the long term, whereas the North American market is expected to return to growth.

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

Public Safety and Mobility

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

Public transport operators and the public authorities make investments in their information and security systems to ensure the smooth operation of services and infrastructure as well as the safety of people. Public transport information systems are continuously developing to be increasingly smart and real-time. Smart technology in video security solutions is also increasing, including real-time mobile video security systems and comprehensive situational awareness systems that include not only video but also the management and analysis of other data flows. The investments will be largely based on public funding.

The company expects moderate and steady market growth in both information systems and security systems in the coming years. Intense competition requires the company to continuously make R&D investments in new intelligent solutions, and the share of software systems in these solutions will continue to grow. Increasing sales prices to the extent allowed by agreements, professional project management, improving overall profitability and ensuring operational efficiency will continue to be high priorities.

15. OUTLOOK FOR 2024

Teleste estimates that net sales in 2024 will amount to EUR 140-165 million and that the adjusted operating result in 2024 will be EUR 3-6 million.

Consolidated financial statements

CONSOLIDATED STATEMENT OF INCOME

1,000 €	Note	1.1.–31.12.2023	1.1.–31.12.2022	Change, %
Net sales	1	151,349	165,009	-8.28
Other operating income	2	961	538	78.67
Material and services	14	-77,304	-88,070	-12.23
Employee benefits expense	3	-47,479	-48,522	-2.15
Depreciation and amortisation	4	-6,066	-7,228	-16.08
Impairment	4	0	-5,400	-100
Other operating expenses	5	-21,943	-21,166	3.67
Operating profit		**-481**	**-4,838**	**-90.05**
Financial income	6	946	1,360	-30.44
Financial expenses	7	-2,881	-1,507	91.20
Profit before taxes		**-2,416**	**-4,985**	**-51.53**
Income tax expense	8	1,911	-898	-312.96
Profit for the financial period		**-505**	**-5,883**	
Profit attributable to:	9			
Owners of the parent company		-82	-5,669	
Non-controlling interests		-423	-213	
		-505	-5,883	
Earnings per share for profit of the year attributable to the equity holders of the parent	9			
Basic (expressed in € per share)		0.00	-0.31	
Diluted (expressed in € per share)		0.00	-0.31	
Consolidated statement of comprehensive income				
Net profit		-505	-5,883	
Other items in other comprehensive income				
Items that may be reclassified to profit or loss:				
Translation differences		471	-953	
Fair value reserve		141	187	
Related tax		-26	-38	
Other items in other comprehensive income including tax total		586	-804	
Total comprehensive income for the period		81	-6,686	
Total comprehensive income attributable to:				
Owners of the parent company		494	-6,486	
Non-controlling interests		-414	-200	
		81	-6,686	

STATEMENT OF FINANCIAL POSITION

1,000 €	Note	31.12.2023	31.12.2022	Change, %
Assets				
Non-current assets				
Intangible assets	10	13,474	10,548	27.74
Goodwill	10	30,107	30,581	-1.55
Property, plant and equipment	11	12,488	13,733	-9.06
Available-for-sale investments	12	364	348	4.64
Other non-current receivables	12	119	0	n/a
Deferred tax assets	13	4,349	3,437	26.55
		60,900	58,646	3.84
Current assets				
Inventories	14	35,618	38,706	-7.98
Trade and other receivables	15	31,513	41,194	-23.50
Tax receivables	21	444	393	12.82
Cash and cash equivalents	16	6,228	13,405	-53.54
		73,802	93,699	-21.23
Total Assets		**134,702**	**152,345**	**-11.58**
Equity and Liabilities				
Equity attributable to equity holders of the parent				
Share capital	17	6,967	6,967	0.00
Share premium	17	1,504	1,504	0.00
Translation differences		-2,154	-1,850	16.43
Fair value reserve and other reserves		3,406	3,292	3.47
Retained earnings		51,591	50,458	2.25
Owners of the parent company		**61,315**	**60,372**	**1.56**
Non-controlling interests		**-433**	**-20**	**2111.70**
Equity total		**60,882**	**60,352**	**0.88**
Non-current liabilities				
Interest-bearing liabilities	18	30,460	44,317	-31.27
Other liabilities	20	91	92	-1.08
Deferred tax liabilities	13	2,575	1,968	30.82
Provisions	19	310	424	-26.87
		33,435	46,801	-28.56
Current liabilities				
Trade and other payables	20	32,064	35,388	-9.39
Current tax payable	21	188	578	-67.52
Provisions	19	796	3,189	-75.03
Interest-bearing liabilities	18	7,338	6,038	21.53
		40,385	45,192	-10.64
Total Liabilities		**73,821**	**91,993**	**-19.75**
Total Equity anf Liabilities		**134,702**	**152,345**	**-11.58**

CONSOLIDATED CASH FLOW STATEMENT

1,000 €	Note	1.1.–31.12.2023	1.1.–31.12.2022
Cash flows from operating activities			
Profit for the period		-505	-5,883
Adjustments to cash flows from operating activities	23	13,638	-679
Paid interests and other financial expenses		-1,595	-682
Other financial items		-318	303
Received interests and dividends		290	157
Paid taxes		-723	-1,054
Net cash from operating activities		**10,787**	**-7,839**
Cash flows from investing activities			
Purchases of tangible assets		-1,876	-3,039
Proceeds from sales of PPE		28	75
Purchases of intangible assets		-4,967	-5,917
Purchase of investments		0	-145
Disposal of subsidiaries, net of cash disposed of		2,407	0
Acquisition of subsidiaries, net of cash acquired		0	-889
Net cash used in investing activities		**-4,407**	**-9,916**
Cash flow from financing activities			
Proceeds from borrowings		0	42,908
Payments of borrowings		-11,633	-21,348
Payment of finance lease liabilities		-1,920	-2,031
Dividends paid		0	-2,552
Net cash used in financing activities		**-13,552**	**16,977**
Change in cash			
Cash and cash equivalents 1.1.		13,405	14,100
Effect of currency changes		-5	84
Cash and cash equivalents 31.12.		**6,228**	**13,405**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent								
1,000 €	Share capital	Share premium	Translation differences	Retained earnings	Invested non-restricted equity	Other reserves	Total	Non controlling interest	Total equity
At 1 January 2022	**6,967**	**1,504**	**-1,392**	**58,588**	**3,140**	**2**	**68,809**	**180**	**68,990**
Net profit				-5,669			-5,669	-213	-5,883
Other items in comprehensive income for the period			-458	-509		150	-817	13	-804
Total comprehensive income	0	0	-458	-6,178	0	150	-6,486	-200	-6,686
Dividends				-2,552			-2,552		-2,552
Equity-settled share-based payments				600			600	0	600
	0	0	0	-1,952	0	0	-1,952	0	-1,952
At 31 December 2022	**6,967**	**1,504**	**-1,850**	**50,458**	**3,140**	**152**	**60,372**	**-20**	**60,352**
At 1 January 2023	**6,967**	**1,504**	**-1,850**	**50,458**	**3,140**	**152**	**60,372**	**-20**	**60,352**
Net profit				-82			-82	-423	-505
Other items in comprehensive income for the period			-304	766		114	576	10	586
Total comprehensive income	0	0	-304	684	0	114	494	-414	81
Dividends				0			0		0
Equity-settled share-based payments				449			449		449
	0	0	0	449	0	0	449	0	449
At 31 December 20223	**6,967**	**1,504**	**-2,154**	**51,591**	**3 140**	**266**	**61,315**	**-433**	**60,882**

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 product solutions for video service platforms and video surveillance applications for broadband subscriber networks, as well as comprehensive service solutions, such as network construction, renewal and maintenance, maintenance and design services. The parent company of Teleste Group, Teleste Corporation, has permanent establishment in Netherlands and a subsidiaries in twelve 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 2023. 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 Finnish version of the financial statements are prepared and published in such a way that they meet the requirements of the ESEF RTS. ESEF financial statements are published in XHTML format in accordance with ESEF RTS. The ESEF financial statements have not been certified by an auditor. The Group has applied as from 1 January 2023 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 2023.

IFRS 17 Insurance Contracts and Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 –Comparative Information

IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are remeasured in each reporting period. Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows
- an explicit risk adjustment, and
- contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period.

Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

IAS 12 specifies how a company accounts for income tax, including deferred tax, which represents tax payable or recoverable in the future. In specified circumstances, companies are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations — transactions for which companies recognise both an asset and a liability.

The amendments clarify that the exemption does not apply and that companies are required to recognise deferred tax on such transactions. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations

Amendments to IAS 1 Presentation of Financial Statements, IFRS Practice Statement 2 and IAS 8 Accounting Policies, Changes in Accounting Policies and Errors: Disclosure of Accounting policies and Definition of Accounting Estimates

The IASB amended IAS 1 to require companies to disclose their material accounting policy information rather than their significant accounting policies ((being information that, when considered together with other information included in an entity's financial statements, can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements) and explain how to identify when accounting policy information is material. Further, the amendment to IAS 1 clarifies that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information.

The amendment to IAS 8 clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

Amendment to IAS 12 - OECD Pillar Two Rules

In December 2021, the Organisation for Economic Co-operation and Development (OECD) released the Pillar Two model rules (the Global Anti-Base Erosion Proposal, or 'GloBE') to reform international corporate taxation. Large multinational enterprises within the scope of the rules are required to calculate their GloBE effective tax rate for each jurisdiction where they operate. They will be liable to pay a top-up tax for the difference between their GloBE effective tax rate per jurisdiction and the 15% minimum rate.

In May 2023, the IASB made narrow-scope amendments to IAS 12 which provide a temporary relief from the requirement to recognise and disclose deferred taxes arising from enacted or substantively enacted tax law that implements the Pillar Two model rules, including tax law that implements qualified domestic minimum top-up taxes described in those rule

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 activated development costs, goodwill, obsolete inventories, credit losses, deferred taxes 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.

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.

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 activated development costs, obsolete inventories, bad debts, deferred taxes 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.

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.

Supplier finance arrangements – Amendments to IAS 7 and IFRS 7

The IASB has issued new disclosure requirements about supplier financing arrangements ('SFAs'), after feedback to an IFRS Interpretations Committee agenda decision highlighted that the information required by IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures falls short of meeting user information needs.

The objective of the new disclosures is to provide information about SFAs that enable investors to assess the effects on an entity's liabilities, cash flows and the exposure to liquidity risk.

Amendments to IAS 21 – Lack of Exchangeability

An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.

Classification of Liabilities as Current or Non-current– Amendments to IAS 1, Non-Current Liabilities with Covenants – Amendments to IAS 1

The IASB has issued amendments to IAS 1 in January 2020 and in February 2022. According to IAS 1, to classify a liability as non-current, an entity must have the right to defer settlement of the liability for at least twelve months after the reporting period. The amendments clarify that:

- covenants of loan arrangements which an entity must comply with only after the reporting date do not affect the classification of a liability as current or non-current at the reporting date. However, those covenants that an entity is required to comply with on or before the reporting date would affect classification as current or non-current, even if the covenant is only assessed after the entity's reporting date.
- the classification of financial liabilities as current or non-current is unaffected by management intention or expectations about whether an entity will exercise its right to defer settlement of a liability or settlement of the liability between the end of the reporting period and the date the financial statements are authorised for issue
- the settlement refers to a transfer to the counterparty that results in the extinguishment of the liability. The transfer could be of cash or other economic resources or the entity's own equity instruments. Terms of a liability that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments do not affect its classification as current or non-current if the entity classifies the option as an equity instrument, recognising it separately from the liability as an equity component of a compound financial instrument. The amendment may impact the presentation of convertible instruments.

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback

The IASB has issued narrow-scope amendments to requirements for sale and leaseback transactions in IFRS 16 explaining how an entity accounts for a sale and leaseback after the date of the transaction. The amendments specify that, in measuring the lease liability subsequent to the sale and leaseback, the seller-lessee determines 'lease payments' and 'revised lease payments' in a way that does not result in the seller-lessee recognising any amount of the gain or loss that relates to the right of use that it retains. This could particularly impact sale and leaseback transactions where the lease payments include variable payments that do not depend on an index or a rate.

Notes to the Consolidated Financial Statement

Due to similar financial characteristics and the nature of similar products and services, production process, customers and distribution methods, Teleste's reportable operating segment is the entire group from the beginning of the 2021 financial year.

GEOGRAPHICAL DIVISION

Group operates in four geographical areas:

- 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.

Major customers

The company had no major customer concentrations in 2023.

2023 1,000 €	Finland	Nordic, countries	Other Europe	Others	Total
Sales by origin	13,614	19,501	109,303	8,931	151,349
Assets	51,130	252	3,975	1,194	56,551
Capital expenditure	7,082	152	687	45	7,966

2022 1,000 €	Finland	Nordic, countries	Other Europe	Others	Total
Sales by origin	12,409	20,800	119,484	12,316	165,009
Assets	47,158	290	6,512	1,249	55,209
Capital expenditure	10,084	378	1,572	57	12,091

REVENUE FROM CONTRACTS WITH CUSTOMERS

	2023	2022
Revenue from contracts with customers	151,349	165,009
All revenue streams are generated from contracts with customers		
Receivables, which are included in"trade and other receivables" Note 15	24,531	31,643
Net assets from contracts (+assets - liabilities)		
Contract assets (+)	3,598	5,128
Contract liabilities (-)	-1,816	-728
Total	**1,782**	**4,400**
Timing of the revenue recognition		
Timing of the revenue recognition, at point in time	139,161	155,489
Timing of revenue recognition, over the time	12,188	9,521
Total	**151,349**	**165,009**
Revenue by category		
Goods	131,150	141,650
Services	20,199	23,360
Total	**151,349**	**165,009**

ORDER BACKLOG

Timing of order backlog	2024	Later	Total
Order backlog end of 2023	56,368	73,996	130,364

Timing of order backlog	2023	Later	Total
Order backlog end of 2021	82,187	49,969	132,157

2. OTHER OPERATING INCOME

1,000 €	2023	2022
Government grants related to development costs	217	231
Gain on disposals of investments	454	0
Gain on disposals of non-current assets	55	27
Insurance compensation	0	0
Other income	234	280
Total	**961**	**538**

3. EMPLOYEE BENEFITS EXPENSE

1,000 €	2023	2022
Wages and salaries	-42,936	-43,571
Pension expenses	0	0
Defined contribution plans	-6,065	-6,068
Other social security contributions	-2,714	-2,651
Activated R&D salaries and social costs	4,718	4,418
Equity-settled share-based transactions	-483	-651
Total	**-47,479**	**-48,522**

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	803	861

4. DEPRECIATION, AMORTISATION AND IMPAIRMENT

1,000 €	2023	2022
Depreciation and amortisation by asset type:		
Tangible assets		
Buildings	-389	-306
Machinery and equipment	-543	-506
Other tangible assets	-4	-3
Total	**-936**	**-815**
Intangible assets		
Capitalised development expenses	-2,995	-4,084
Other intangible assets	-177	-261
Total	**-3,172**	**-4,344**
Right-of-use assets		
Land and water, right-of-use	-30	-30
Buildings and structures, right-of-use	-1,036	-1,226
Machinery and equipment, right-of-use	-892	-812
Total	**-1,958**	**-2,068**
Total depreciation, amortisation and impairment	**-6,066**	**-7,228**
Amortisations by asset		
Intangible assets		
Capitalised development expenses	0	-5,400
Amortisations total	**0**	**-5,400**

Impairment of 5.4 million euros in 2022 was related to first-generation distributed access architecture software and products, as well as software and customer-specific solutions in rolling stock on-board systems.

5. OTHER OPERATING EXPENSES

1,000 €	2023	2022
Rental expenses	-2,282	-1,935
External services	-7,096	-5,787
Other variable costs	-1,656	-2,167
Travel and IT costs	-3,630	-3,965
R&D costs	-1,165	-1,028
Other expenses	-6,114	-6,284
Total	**-21,943**	**-21,166**

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

Audit expenses

1,000 €	2023	2022
KPMG/PWC		
Auditing assignments	-133	-154
Assignments referred to in section 1, subsection 1, point 2 of the Auditing Act	0	0
Tax consultancy	-85	0
Other assignments	-95	-16
Other auditors		
Auditing assignments	-50	-44
Other assignments	-22	-29

PricewaterhouseCoopers Oy has been assigned as auditor of Teleste group.

6. FINANCIAL INCOME

1,000 €	2023	2022
Interest income	286	154
Other financial income	75	58
Foreign exchange gain	581	1,146
Dividend income	4	3
Total	**946**	**1,360**

7. FINANCIAL EXPENSES

1,000 €	2023	2022
Interest expenses	-1,499	-584
Foreign exchange loss	-1,035	-636
Interest from lease liabilities	-104	-98
Other financial expenses	-243	-188
Total	**-2,881**	**-1,507**

Losses from forward exchange contracts are included in operating profit.

8. INCOME TAXES

1,000 €	2023	2022
Current tax expense		
Taxes based on the taxable income of the current year	-587	-1,004
Tax for previous accounting periods	2,048	-1,785
Change in deferred tax liabilities and tax assets	450	1,891
Total	**1,911**	**-898**

Reconciliation of the tax expense, EUR, 1,911 thousand, calculated using the Teleste Group’s domestic corporation 20.0 % tax rate.

1,000 €	2023	2022
Profit before tax	-2,416	-4,985
Income tax using the domestic corporation tax rate (20.0%)	483	997
Effect of tax rates in foreign jurisdictions	-77	-28
Non-taxable income	5	3
Non-deductible expenses	-170	-84
Loss for the period, for which no deferred tax asset is recognized	-378	0
Tax losses not previously recognised	0	0
Taxes from previous year	2,048	-1,785
Income tax income/expense reported in the consolidated income statement	**1,911**	**-898**

The taxes from previous year are mainly due to the reversal of the 2022 tax provision related to the Belgian subsidiary.

9. EARNINGS PER SHARE

The basic earnings per share is calculated as follows:

$$\frac{\text{Profit for the year attributable to equity holders of the parent}}{\text{Weighted average number of ordinary shares outstanding during the financial year}}$$

The number of ordinary shares outstanding excludes the treasury shares

The diluted earnings per share is calculated as follows:

$$\frac{\text{Profit for the year attributable to equity holders of the parent (diluted)}}{\text{Weighted average number of ordinary shares outstanding during the financial year (diluted)}}$$

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.

2023	
Profit for the year attributable to equity holders of the parent, (1,000 €)	-82
Weighted average number of ordinary shares outstanding during the financial year (1,000)	18,237
Basic earnings per share (€)	0.00
Weighted average number of ordinary shares outstanding during the financial year (1,000)	18,237
Effect of share options on issue (1,000)	9
Weighted average number of ordinary shares outstanding during the financial year (diluted) (1,000)	18,246
Diluted earnings per share (€)	0.00

2022	
Profit for the year attributable to equity holders of the parent, (1,000 €)	-5,669
Weighted average number of ordinary shares outstanding during the financial year (1,000)	18,226
Basic earnings per share (€)	-0.31
Weighted average number of ordinary shares outstanding during the financial year (1,000)	18,226
Effect of share options on issue (1000)	9
Weighted average number of ordinary shares outstanding during the financial year (diluted) (1,000)	18,235
Diluted earnings per share (€)	0.31

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

10. INTANGIBLE ASSETS

1,000 €	Development costs	Immaterial rights	Other intangible assets	Goodwill	Total
Cost 1.1.2023	35,572	1,645	8,445	30,581	76,243
Translation differences	94	18	95	13	220
Additions	6,086	5	0	0	6,091
Business Acquisitions	0	0	0	0	0
Disposals	0	0	-20	0	-20
Business disposals	0	0	-293	-487	-781
Reclassifications	0	0	0	0	0
Cost 31.12.2023	41,752	1,668	8,227	30,107	81,753
Cumulative amortisation and impairment 1.1.2023	-25,488	-1,552	-8,138	0	-35,178
Translation differences	-84	-18	-97	0	-199
Amortisation from acquisitions	0	0	293	0	293
Disposals	0	0	17	0	17
Amortisation	-2,995	-53	-124	0	-3,172
Impairments	0	0	0	0	0
Cumulative amortisation and impairment 31.12.2023	-28,567	-1,623	-8,048	0	-38,238
Carrying amount 1.1.2023	10,084	93	307	30,581	41,065
Carrying amount 31.12.2023	13,185	44	179	30,107	43,515

Intangible assets consists of:	
- Assets owned by the Teleste	43,515
- Leased right of use assets	66
	43,581

1,000 €	Development costs	Immaterial rights	Other intangible assets	Goodwill	Total
Cost 1.1.2022	29,551	1,625	8,301	30,707	70,184
Translation differences	-22	-45	-83	-461	-610
Additions	5,820	91	226	335	6,473
Business Acquisitions	133	0	3	0	137
Disposals	0	0	-3	0	-3
Business disposals	0	0	0	0	0
Reclassifications	89	-27	0	0	61
Cost 31.12.2022	35,572	1,645	8,445	30,581	76,243
Cumulative amortisation and impairment 1.1.2022	-16,004	-1,503	-8,055	0	-25,562
Translation differences	9	43	87	0	138
Amortisation from disposals	-39	0	-3	0	-42
Disposals	30	0	2	0	32
Amortisation	-4,084	-91	-169	0	-4,344
Impairments	-5,400	0	0	0	-5,400
Cumulative amortisation and impairment 31.12.2022	-25,488	-1,552	-8,138	0	-35,178
Carrying amount 1.1.2022	13,547	122	246	30,707	44,622
Carrying amount 31.12.2022	10,084	93	307	30,581	41,065

Intangible assets consists of:	
- Assets owned by the Teleste	41,065
- Leased right of use assets	64
	41,129

Teleste Group has divested the Swiss service business during the year 2023. The Swiss service business was a part of the Network Services cash flow generating unit. Goodwill of EUR 0.5 million resulting from the divestment has been written off from the balance sheet as part of the revenue from the divestment.

The group has acquired the company Ermetris SRL during the financial year 2022. 335 thousand euros of group goodwill was recorded in the company from the acquisition.

Group has received grants of 0,2 million euros in Finland for development costs in year 2023 (0,2 million euros in year 2022). Of these grants, 0,0 million euros (0,0 million euros in year 2022) 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 cash-generating units. The aggregate goodwill amount totalled 30.1 million euro at 31 December 2023. Goodwill has been allocated to the following cash-generating unit:

	million euros
Technologies and products	30.1
Network Services	0.0

After the divestment of the Swiss service business, the cash-generating Networks Services unit has no goodwill left to test, so in 2023 the tests have been performed only from the Technologies and Products unit.

In goodwill impairment testing, the recoverable amount of cash-generating units is defined based on the value in use. The cash flow forecasts used in the testing are based on the strategies and business plans approved by the management. The calculations have been prepared for 5 years. The cash flow forecast for the first year is based on the 2024 budget according to the business plan. Starting in 2025, the cash flows are based on the strategy's long-term financial plan for the years 2025 and 2026. The revenue growth forecast for 2027 and 2028 is 3%. Management's views on cash flows and growth estimates include uncertainty because changes in the industry are difficult to assess. The discount rate used in the calculations is 9.2%. The terminal value of the cash flow generating unit in the depreciation calculations is calculated with a 2% increase in the terminal value. In connection with the impairment testing, a sensitivity analysis was performed where the annual growth assumption of the cash flow of the cash-generating unit was calculated and the discount rate was increased so that the recoverable amount was equal to the book value.

The key assumptions for the impairment tests for the years 2023 and 2022 are presented in the table below:

	2023		2022	
%	Technologies and products	Network Services	Technologies and products	Network Services
Revenue growth in year 1	6%	N/A	3%	10%
Revenue growth in year 2	15%	N/A	19%	18%
Revenue growth in year 3	16%	N/A	23%	16%
Revenue growth in year 4	3%	N/A	3%	3%
Revenue growth in year 5	3%	N/A	3%	3%
WACC (after taxes)	9.2%	N/A	9.2%	9.2%

The table below shows the recoverable amount of each cash-generating unit exeeding book value.

Impairment test Meur	2023	2022
Technologies and products	32.2	28.1
Network Services	N/A	1.9

The tables below shows the estimated free cash flow for the coming years by unit reduction and generating unit the percentage change in the discount rate resulting in recoverable the amount of money would be equal to the book value of the net assets of the cash-flow.

Free cash flow reduction %	2023	2022
Technologies and products	-27%	-22%
Network Services	N/A	-43%

Discount rate change (percentage points)	2023	2022
Technologies and products	1.9%	2.1%
Network Services	N/A	7.3%

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 1.1.2022	56	11,148	7,822	1,270	0	20,296
Translation differences	0	21	190	-1	0	209
Additions	0	313	420	5	0	738
Business Acquisitions	0	0	0	0	0	0
Business disposals	0	-8	-1,133	0	0	-1,140
Disposals	0	-87	-191	0	0	-279
Reclassification	0	-3	-6	0	0	-9
Cost 31.12.2023	56	11,384	7,102	1,273	0	19,815
Cumulative depreciation and impairment 1.1.2023	-2	-4,766	-6,283	-1,111	0	-12,162
Translation differences	0	-9	4	2	0	-3
Cumulative amortisation from business acquisitions	0	0	0	0	0	0
Cumulative amortisation on business disposals	0	8	899	0	0	906
Cumulative amortisation on disposals and reclassifications	0	83	192	0	0	276
Depreciations	0	-389	-543	-4	0	-935
Cumulative depreciation and impairment 31.12.2023	-2	-5,073	-5,730	-1,112	0	-11,917
Carrying amount 1.1.2023	54	6,382	1,539	159	0	8,134
Carrying amount 31.12.2023	54	6,312	1,371	161	0	7,898
Intangible assets consists of:						
- Assets owned by the Group	7,898					
- Leased right of use assets	4,591					
	12,489					

1,000 €	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments and work in progress	Total
Cost 1.1.2022	56	8,602	7,549	1,250	0	17,458
Translation differences	0	-38	-13	-4	0	-55
Additions	0	2,587	420	7	0	3,014
Business disposals	0	0	142	0	0	142
Disposals	0	0	-277	17	0	-261
Reclassification	0	-3	0		0	-3
Cost 31.12.2022	56	11,148	7,822	1,270	0	20,296
Cumulative depreciation and impairment 1.1.2022	-2	-4,480	-5,962	-1,112	0	-11,555
Translation differences	0	11	39	-25	0	26
Cumulative amortisation on business disposals	0	0	-64	0	0	-64
Cumulative amortisation on disposals and reclassifications	0	9	210	29	0	248
Depreciations	0	-306	-506	-3	0	-816
Cumulative depreciation and impairment 31.12.2022	-2	-4,766	-6,238	-1,111	0	-12,162
Carrying amount 1.1.2022	54	4,122	1,588	138	0	5,902
Carrying amount 31.12.2022	54	6,382	1,539	159	0	8,134
Intangible assets consists of:						
- Assets owned by the Group	8,134					
- Leased right of use assets	5,600					
	13,734					

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 1.1.2023	260	1,187	7,652	5,958	**15,057**
Translation differences	-5	0	89	16	**100**
Additions	0	99	280	746	**1,124**
Business Disposals	0	0	-838	-371	**-1,208**
Disposals	0	0	0	-7	**-7**
Reclassification	0	0	-105	105	**0**
Cost 31.12.2023	256	1,285	7,077	6,449	**15,067**
Cumulative depreciations and impairment 1.1.2023	-196	-108	-4,966	-4,123	**-9,393**
Translation differences	6	0	-86	-13	**-93**
Cumulative depreciation on disposals	0	0	754	279	**1,033**
Depreciations	0	-30	-1 036	-892	**-1,958**
Impairments	0	0	0	0	**0**
Cumulative depreciations and impairment 31.12.2022	-190	-138	-5,333	-4,749	**-10,410**
Carrying amount 1.1.2023	64	1,079	2,686	1,835	**5 ,664**
Carrying amount 31.12.2023	66	1,147	1,744	1,700	**4,657**

	Intangible assets, right-of-use	Property, Plant,& Equipment, right-of-use	Total
	66	4,591	**4,657**

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 1.1.2022	334	1,149	6,665	4,749	**12,897**
Translation differences	-11	0	-64	-4	**-79**
Additions	0	38	1,051	1,214	**2,302**
Disposals	-64	0	0	0	**-64**
Cost 31.12.2022	260	1,187	7,652	5,958	**15,057**
Cumulative depreciations and impairment 1.1.2022	-203	-78	-3,787	-3,316	**-7,384**
Translation differences	7	0	47	3	**57**
Cumulative depreciation on disposals	0	0	0	2	**2**
Depreciations	0	-30	-1,226	-813	**-2,068**
Impairments	0	0	0	0	**0**
Cumulative depreciations and impairment 31.12.2022	-196	-108	-4,966	-4,123	**-9,393**
Carrying amount 1.1.2022	131	1,071	2,879	1,432	**5,514**
Carrying amount 31.12.2022	64	1,079	2,686	1,835	**5,664**

	Intangible assets, right-of-use	Property, Plant,& Equipment, right-of-use	Total
	64	5,600	**5,664**

12. OTHER FINANCIAL ASSETS

1,000 €	Available for sale investments	Investments designated as at FVTOCI	Total
Cost 1.1.2023	27	321	348
Translation differences	0	0	0
Additions	0	16	16
Reclassification	0	0	0
Business disposals	0	0	0
Disposals	0	0	0
Cost 31.12.2023	27	337	364
Carrying amount 1.1.2023	27	321	348
Carrying amount 31.12.2023	27	337	364

1,000 €	Available for sale investments	Investments designated as at FVTOCI	Total
Cost 1.1.2022	19	439	458
Translation differences	0	0	0
Additions	0	145	145
Reclassification	8	0	8
Business disposals	0	0	0
Disposals	0	-264	-264
Cost 31.12.2022	27	321	348
Carrying amount 1.1.2022	19	439	458
Carrying amount 31.12.2022	27	321	348

13. DEFERRED TAX ASSETS AND LIABILITIES

1,000 €	1.1.2023	Recognised in the income statement	31.12.2023
Movements in temporary differences during 2023			
Deferred tax assets			
Effects of consolidation and eliminations	109	-9	100
Unused tax losses	1,998	1,718	3,716
Provisions	607	-439	169
Hedging instruments	219	-148	70
Other Items	504	-210	294
Total	**3,437**	**913**	**4,349**
Deferred tax liabilities			
Capitalisation of intangible assets	-1,596	-689	-2,285
Fair value adjustments to intangible and tangible assets on acquisition	-74	19	-54
Cumulative depreciation difference	-82	0	-82
Hedging instruments	-174	65	-109
Other items	-43	-1	-44
Total	**-1,968**	**-607**	**-2,575**

1,000 €	1.1.2022	Recognised in the income statement	31.12.2022
Movements in temporary differences during 2022			
Deferred tax assets			
Effects of consolidation and eliminations	130	-20	109
Unused tax losses	1,215	783	1,998
Provisions	355	252	607
Hedging instruments	0	0	219
Other Items	0	504	504
Total	**1,700**	**1,518**	**3,437**
Deferred tax liabilities			
Capitalisation of intangible assets	-1,792	196	-1,596
Fair value adjustments to intangible and tangible assets on acquisition	-61	-13	-74
Cumulative depreciation difference	-25	-56	-82
Hedging instruments	0	65	-174
Other items	-109	66	-43
Total	**-1,988**	**259**	**-1,968**

At 31 December 2023 the Group had unused tax losses in subsidiaries amounting 17,753 thousand euro (31 Dec. 2022: 9,350 thousand euro). A tax credit of 3,716 thousand euros has been recorded for the loss (31.12.2022 1,998 thousand euros). Use of lax losses has been asessed by Group management, based on previous years results and future forecasts.

No deferred tax liability has been booked for the undistributed profits of the foreign subsidiaries amounting to 8,857 thousand euro at 31 Dec. 2023 (31 Dec. 2022: 14,583 thousand euro). This is because the realization of this tax liability is unlikely in the near future.

14. INVENTORIES

1,000 €	2023	2022
Raw materials and consumables	22,377	28,594
Work in progress	2,683	1,460
Finished goods	10,558	8,651
Total	**35,618**	**38,706**

The valuation of inventories to their net realizable value is at the end of the financial year, a total of 7,818 thousand euros provision (7,423 thousand euros in 2022).In the accounting period, a provision of 395 thousand euros was added, with which the book value of the inventory was recorded to match its net realizable value.

15. TRADE AND OTHER CURRENT RECEIVABLES

1,000 €	2023	2022
Trade receivables	24,531	31,643
Accrued income and prepayments	2,730	2,992
Other receivables	654	1,431
Assets based on customer contracts	3,598	5,128
Total	**31,513**	**41,194**

16. CASH AND CASH EQUIVALENTS

1,000 €	2023	2022
Cash at bank and in hand and call deposits	6,228	13,405
Total	**6,228**	**13,405**
Cash and cash equivalents in the statement of cash flows	6,228	13,405

17. CAPITAL AND RESERVES

1,000 €	Number of shares, 1,000	Number of own shares, 1,000	Number of shares, total 1,000
1.1.2023	18,228	758	18,986
Change in own shares	11	-11	**0**
31.12.2023	18,239	747	18,986

The company's restricted equity on 31 December 2023 consisted of the following funds: Share capital EUR 6,967 thousand and share premium fund EUR 1,540 thousand.

The number of Teleste Oyj shares on 31 December 2023 was 18,985,588 (18,985,588 on 31 December 2022). All issued shares have been fully paid.

The General Meeting of Teleste Oyj held on 5 April 2023 decided to authorise the Board of Directors to decide on the acquisition of the company's own shares in accordance with the Board of Directors' proposal. On the basis of the authorisation, the Board of Directors may acquire up to 1,200,000 of the company's own shares in proportion to the shares not owned by the shareholders with the company's free equity capital at the market price of the shares at the time of acquisition in trading on a regulated market organised by NASDAQ OMX Helsinki Oy.

Teleste Oyj's Annual General Meeting held on 6 April 2022 decided to authorise the Board of Directors to decide on the acquisition of the company's own shares in accordance with the Board of Directors' proposal. On the basis of the authorisation, the Board of Directors may acquire up to 1,200,000 of the company's own shares in proportion to the shares not owned by the shareholders with the company's free equity capital at the market price of the shares at the time of acquisition in trading on a regulated market organised by NASDAQ OMX Helsinki Oy.

At the end 0f December 2023, the Group held 747,026 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

The Board of Directors intends to propose to the Annual General Meeting to be held on 11 April 2024 that no dividend be distributed for the financial year 2023. No dividend was distributed for the financial year 2022.

Share-Based Incentive Proramme 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 a requirement for an individual key employee to be included in the plan.

The gross number of shares delivered under the 2018–2020 plan that ended in April 2021 was 13,963 shares and 0 performance matching shares. A net number of 8,225 shares was delivered to the key employees entitled to reward through a directed share issue on 19 March 2021.

The gross number of shares delivered under the 2019–2021 plan that ended in April 2022 was 17,537 shares and 0 performance matching shares. A net number of 10,512 shares was delivered to the key employees entitled to reward through a directed share issue on 18 March 2022.

The gross number of shares delivered under the 2020–2022 plan that ended in April 2023 was 20,466 shares and 0 performance matching shares. A net number of 10,565 shares was delivered to the key employees entitled to reward through a directed share issue on 31 March 2023.

Share-Based Incentive Proramme 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 number of matching shares payable under the matching share plan 2021–2023 is 13,813 and under the performance share plan a maximum of 228,000 shares. The Board of Directors approved 33 key employees as eligible to participate in the plans beginning in 2021. At the end of 2023, 28 key employees were approved as eligible to participate in the plan.

Share-Based Incentive Programme 2022
On 9 February 2022, 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 2022"). The objective of LTI 2022 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 2022 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. In addition, as part of the LTI 2022 programme, Teleste established a restricted share plan that is intended to be used as a tool in situations deemed necessary by the Board of Directors, for example ensuring the retention of key talents in the company, attracting new talent, or other specific situations determined by the Board.

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 earning period. Any share premium will be paid if the earnings criteria set by the Board of Directors are met. The performance criteria applicable to the performance-based share premium scheme are the evolution of total return on equity (TSR) and the company's cumulative adjusted EBIT for the programs commencing in 2022 and 2023. The participation of an individual key person in the program is conditional on the above-mentioned investment in Teleste's shares.

The gross number of matching shares payable under the matching share plan 2022-2024 is 19,325 and under the performance share plan a maximum of 312,000 shares. The Board of Directors approved 34 key employees as eligible to participate in the plans beginning in 2022. At the end of 2022, 29 key employees were approved as eligible to participate in the plan. The gross rewards to be allocated during 2022-2024 based on the restricted share plan correspond to a maximum of 50,000 shares. The restricted share plan was not activated in the financial period 2022.

The gross number of share awards to be paid under the additional share program 2023-2025 is 25,435 and the performance-based share award program is a maximum of 325,368 shares. The board approved 34 key personnel as eligible to participate in the programs that started in 2023. At the end of 2023, a total of 31 key personnel have been approved as eligible to participate in the program. Based on the binding share bonus program, the gross amount of bonuses to be distributed in the years 2022–2024 corresponds to a maximum of 50,000 shares. The binding share bonus program was not activated in the 2023 fiscal year.

SHARE BASED INCENTIVES DURING THE REPORTING PERIOD 1.1.2023-31.12.2023

During the financial year 2023 four (4) plan periods 2020-2022, 2021-2023, 2022-2024 and 2023-2025 were in operation in Teleste share plans. The objective of the plans 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 plan 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) and Earnings Before Interests and Taxes (EBIT) during the vesting period.

The potential share reward in the plans is paid at the plan end as combination of shares and cash. The cash portion is intended for taxes and tax-related costs arising from the reward to the participant.

Continued employment to Teleste is a basic requirement in the plans. As a general rule, if an employment or service terminates, or notice thereof is given, during the plan the participant will lose his or her right to the share reward.

Key characteristics and terms of Teleste share plans are listed in the table below.

31.12.2023	Long Term Incentive Plan 2018 (LTI 2018))	Long Term Incentive Plan 2021 (LTI 2021)		Long Term Incentive Plan 2022 (LTI 2022	
	Vesting Period 2019–2021	Vesting Period 2020–2022	Vesting Period 2021–2023	Vesting Period 2022–2024	Total/ Weighted Average
Maximum number of shares *	346.125	357.500	363.350	363,350	1.084.200
Initial allocation date	1.7.2020	1.7.2021	1.7.2022	1.7.2023	
Estimated vesting date	31.3.2023	31.3.2024	31.3.2025	31.3.2026	
Maximum contractual life, yrs	2.7	2.8	2.8	2.8	2.8
Remaining contractual life, yrs	0.0	0.2	1.2	2.2	1.4
Total number of beneficiaries at the end of the reporting year	0	28	29	31	43
Settlement method	Shares and cash (net settlement)	Shares and cash (net settlement)	Shares and cash (net settlement))	Shares and cash (net settlement))	

** The amounts are presented in gross terms, i.e. the share reward figures include both the reward paid in shares and a number of shares corresponding to the amount of the reward paid in cash.*

Changes during the period	Vesting Period 2019–2021	Vesting Period 2020–2022	Vesting Period 2021–2023	Vesting Period 2022–2024	Total
1.1.					
Outstanding at the beginning of the reporting period	286.826	292.783	331.325	0	910.933
Changes during the period					
Granted	0	0	0	350.803	350.803
Forfeited	269.675	47.655	0	0	317.330
Excercised	17.151	3.315	0	0	20.466
31.12.					
Outstanding at the end of the period	0	241.813	331.325	350.803	923.940

Valuation parameters for instruments granted during period 2023 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.

Inputs to fair value determination

Share price at grant, EUR	3.67 €
Effect of the market condition in the fair value	58%
Expected dividends, discounted EUR	0.11 €
Expected volatility *	37%
Fair value per share of the equity-settled portion, EUR	1.49 €

* Expected volatility was determined by calculating the historical volatility of the Group`s share using monthly observations over corresponding maturity

Effect of Share-based Incentives on the result and financial position during year 2023, 1,000 €

Expenses for the financial year, share-based payments	483
Expenses for the financial year, share-based payments, equity-settled	483
Liabilities arising from share-based payments 31 December 2023	1
Estimated tax effect on share based payments 31 December 2023	258

Effect of Share-based Incentives on the result and financial position during year 2022, 1,000 €

Expenses for the financial year, share-based payments	645
Expenses for the financial year, share-based payments, equity-settled	649
Liabilities arising from share-based payments 31 December 2022	8
Estimated tax effect on share based payments 31 December 2021	95

18. INTEREST-BEARING LIABILITIES

1,000 €	2023	2022
Non-current		
Loans from financial institutions	27,223	40,416
Lease liabilities	3,236	3,901
Total	**30,460**	**44,317**
Current		
Loans from financial institutions	5,802	4,231
Lease liabilities, current portion	1,536	1,806
Total	**7,338**	**6,037**

Reconciliation of interest bearing liabilities

	Loans	Lease liabilities	Total
1.1.2023	44,647	5,707	50,354
Cash flows	-11,633	-1,920	-13,552
New lease agreements	0	1,124	1 ,124
Exchange rate differences	0	7	7
Sale of Business	0	-175	-175
Other changes	11	28	39
31.12.2023	**33,025**	**4,772**	**37,797**

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

1,000 €	31.12.2023	31.12.2022
EUR	29,916	43,905
Other	544	412

Group long-term interest-bearing liabilities - interest rates are as follows:

Bank loans	6.3%	3.3%
Lease liabilities	3.2%	2.0%

The currency mix of the Group short-term interest-bearing liabilities:

1,000 €		
EUR	6,400	5,321
Other	937	717

Group short-term interest-bearing liabilities - interest rates are as follows:

Bank loans	6.3%	3.3%
Lease liabilities	0.0%	0.0%

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

Right-of-use liabilities of the Group are payable as follows:

1,000 €	31.12.2023	31.12.2022
Less than one year	1,536	1,924
Between one and five years	2,143	2,714
More than five years	1,043	1,069
Total lease liabilities	4,723	5,707
Cash flow effect from leases		
Costs not included in lease liability		
Leasing costs from short term leases	-36	-42
Leasing costs from minor items	-536	-518
Costs not included in lease liability	-572	-560
Cash outflow from leases		
Costs not included in lease liability	-572	-560
Costs included in lease liability	-2,024	-2,129
Cash flow effect from leases	-2,596	-2,689

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 (10 per cent), PLN (accounts for 5 per cent of the net sales), Swedish and Norwegian crowns (7 per cent) and US dollars (1 per cent) . Significant part of expenses, 54 per cent, arise in euro and in US dollar 38 per cent, PLN 3 per cent. The hedging decisions are based on the expected net cash flow for the following six months.

Sensitivity to market risks

	2023	2022
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	+-217	+-84
+-10 % change in EUR/CNY exchange rate	+-0	+-0
+-10 % change in EUR/GBP exchange rate	+-7	+-7

Assets and liabilities in foreign currency translated to euro at closing rate

	2023					2022				
	USD	SEK	NOK	GBP	PLN	USD	SEK	NOK	GBP	PLN
Current assets	1,075	1,819	1,518	5,230	10,015	2,133	1,624	2,482	9,607	10,920
Current liabilities	2,308	1,301	602	1,396	3,052	2,421	1,368	1,005	3,133	4,944

Cash flow hedges at 31 Dec 2023

Currency position

Currency	Exposure	Hedge	Net	Hedge Instrument	Hedge %
USD	8,688	10,860	-2,172	Forward exchange contract and forward option	125%
CNY	1,032	1,032	0	Forward exchange contract and forward option	100%
GBP	0	69	-69	Forward exchange contract and forward option	n/a
PLN	553	415	138	Forward exchange contract and forward option	75%
NOK	69	0	69	Forward exchange contract and forward option	0%
SEK	97	0	97	Forward exchange contract and forward option	0%

Hedging funds	Cash flow hedge reserve	Base value of options	Spot share of forward exchange contracts	Cash flow reserves total
1 Januarary 2023	-545	0	695	150
Cost of hedging recognised in OCI	464		-323	141
Change in deferred tax assets	-91			-91
Change in deferred tax liabilities			65	65
31 December 2023	-172	0	437	264

Cash flow hedges at 31 Dec 2022

Currency position

Currency	Exposure	Hedge	Net	Hedge Instrument	Hedge %
USD	16,032	16,876	-844	Forward exchange contract and forward option	105%
CNY	1,264	1,264	0	Forward exchange contract and forward option	100%
GBP	676	744	-68	Forward exchange contract and forward option	110%
PLN	1,410	1,282	128	Forward exchange contract and forward option	91%
NOK	514	457	57	Forward exchange contract and forward option	89%
SEK	2,023	1,618	405	Forward exchange contract and forward option	80%

Hedging funds	Cash flow hedge reserve	Base value of options	Spot share of forward exchange contracts	Cash flow reserves total
1 Januarary 2022	1	0	0	1
Cost of hedging recognised in OCI	-682		869	186
Change in deferred tax assets	136			136
Change in deferred tax liabilities			-174	-174
31 December 2022	-545	0	695	150

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 2023 the fair value of currency derivatives amounted to 14.4 million euro (31. Dec 2022: 27.0 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.

	2023	2022
Profit/loss reported in operating profit not included in hedge accounting	-34	54

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. 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.

Hedge accounting has significantly reduced the impact of USD exchange rate fluctuations on the company's 2022 and 2023 financial year results.

Currency risk is also managed through, among others, operational planning, pricing and offer terms. Reprising 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 2023 the total non-euro-denominated equity of the Group's foreign subsidiaries amounted to 11,8 million euro (31 Dec. 2022: 19.6 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 28,75 (29,75) million euros have short-term interest as a reference rate with the interest period less than one year. At the end of 2023, the loans have been hedged with an interest rate swap agreement up to EUR 31.25 (13.75) million euros.

The effects of interest rate swaps on the group's financial position and result are as follows:	
Book value (current and long-term asset)	546
Nominal amount (thousand euros)	11,250
Maturity	2027
Hedge ratio	1:1
Change in fair value from 1.1. onwards, thousands	-323
Change in the value of the hedging object used to determine the effectiveness of the hedge (thousand euros)	323
The weighted average of the hedged interest rate during the accounting period	0.73%

Company has one interest rate swap instrument that applies hedge accounting.

In addition company has two interest rate swap intstruments that hedge accounting is not applied for.

All Group loans are denominated in euro. In 2023, the average interest rate of the loan portfolio was 6.30 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 2023, the effect on variable rate interest-bearing liabilities on profit before taxes would have been +- 288 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	28,750			28,750

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.

	2023				2022			
Analysis of trade receivables by age	Gross	Provision %	Impairment loss	Net	Gross	Provision %	Impairment loss	Net
Not overdue	16,767	0.1%	-17	16,749	25,320	0.1%	-27	25,294
1–30 days	6,863	0.6%	-75	6,788	4,303	0.4%	-18	4,285
31–60 days	550	1.3%	-7	542	898	0.6%	-6	892
61–90 days	93	2.1%	-2	91	554	0.8%	-5	550
91–120 days	114	3.1%	-4	110	402	1.0%	-4	398
121-360 days	282	11.6%	-33	249	236	5.1%	-12	224
Over 360 days	106	100.0%	-106	0	225	100.0%	-225	0
Total	**24,774**		**-243**	**24,531**	**31,939**		**-295**	**31,643**
Balance sheet book values	24,774		-243	24,531	31,939		-295	31,643

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

The maximum exposure to credit risk at the reporting date was:	**2023**	**2022**
Trade receivables and other receivables	24,774	31,939

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 2023 the Group's cash reserves totaled 6.2 (13.4) million euros and its interest-bearing net debt 37.8 (50.4) million euros. The Group administration raises the Group's interest-bearing debt centrally. At 31 December 2023 Teleste had committed and available credit facilities as well as other agreed and undrawn loans amounting to 14.7 (7.3) million euros.

The company negotiated changes in the financing agreements during the last quarter. The maturities of the bullet loan of 3.5 million and a committed credit facility of 4.0 million, which were due to mature in March 2024, were extended to March 2025. All financing agreements include financial covenants regarding the minimum equity ratio, the maximum net debt and adjusted operating profit and the minimum liquidity. Enterprise mortgages totalling 50 million are used as collateral for the financing agreements. In addition shares in subsidiaries Teleste Information Solutions Oy and Teleste Security Solutions Oy have been pledged for the loan and the credit limit. Teleste Corporation has credit limit and credit agreements with a total value of EUR 56.0 (56,0) million. At the end of the review period, unused committed credit facilities amounted to EUR 14,7 (7.3) million.

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%.

As of 31 December 2023, the contractual maturity of interest-bearing liabilities was as follows:

1,000 €	2024	2025–2028	Over 5 years
Loans from financial institutions	7,471	28,366	
Trade payables	15,860		
Lease liabilitites	1,536	2,143	1,043
Others			

As of 31 December 2022, the contractual maturity of interest-bearing liabilities was as follows:

1,000 €	2023	2024–2027	Over 5 years
Loans from financial institutions	5,020	40,416	
Trade payables	17,092		
Lease liabilitites	1,806	2,832	1,069
Others			

The leverage ratio as of 31 December 2023 and 2022 was as follows:

1,000 €	2023	2022
Total borrowings	37,797	50,355
Cash and cash equivalents	6,228	13,405
Interest-bearing net debt	31,570	36,949
Total equity	60,882	60,352
Interest-bearing net debt and total equity	92,671	97,302
Leverage ratio	34.1%	38.0%

19. PROVISIONS

1,000 €	Warranty provision	Tax provision	Other provisions	Total
1.1.2023	1,169	2,107	337	3,613
Provisions made during the year	-234	-2,107	-165	-2,506
31.12.2023	934	0	172	1,106

1,000 €	2023	2022
Non-current	310	424
Current	796	3,189
Total	**1,106**	**3,613**

20. TRADE AND OTHER CURRENT LIABILITIES

1,000 €	2023	2022
Current		
Trade payables	15,860	17,092
Advances received	675	473
Other liabilities	1,187	1,042
Accrued employee expenses	6,385	6,844
Interest liabilities	182	144
Derivatives	274	708
Contract liabilities	1,816	728
Other accrued liabilities	5,684	8,357
Total	**32,064**	**35,388**
Non current		
Other liabilties	91	92

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.

Tax provision
In 2022, the company recorded a tax effect in accordance with the Belgian tax authority's post-tax decision, a total of 1.7 million euros. The Belgian tax authority has waived its claim and the entire related provision has been discharged in 2023.

Other warranties
Other warranties include pensions warranties and other minor warranties.

21. INCOME TAX PAYABLE FOR THE PERIOD

At the end of the accounting year, a tax receivable of EUR 444 thousand and a tax liability of EUR 188 thousand were recorded in respect of the income of the accounting year (31 December 2022 tax receivable of EUR 393 thousand and a tax liability of EUR 578 thousand).

22. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Derivative instruments
Teleste uses foreign exchange futures and options to hedge its foreign currency transaction risks.

The Company applies hedge accounting to forecast purchases of foreign currency amounts in USD. Changes in the fair value of instruments used for hedging in USD shall be recorded in comprehensive income. For further information, see the descriptions of financial risks in the Annex. The fair value of the hedged foreign currency hedges at the closing date was approximately EUR -218 thousand (EUR - 681 thousand), consisting of the time value of the options as a whole.

Changes in fair values of other currency instruments used for hedging purposes are fully recorded in the profit and loss account. The fair values of these currency instruments in 2023 were -57 thousand EUR (-26 thousand EUR) and these have been recorded as part of the operating result.

The currency terms and currency options of the Teleste are all at Level 2.

Investments designated as at fair value through other comprehnsive 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 estiemated 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

2023 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	27	337		364	364
Current financial assets						
Trade and other receivables	15			24,531	24,531	24,531
Derivative contracts	24				0	0
Interest rate hedging instruments	24		546		546	546
Carrying amount by category		27	883	24,531	25,440	25,440
Non-current financial liabilities						
Interest-bearing liabilities	18			30,460	30,460	30,460
Current financial liabilities						
Interest-bearing liabilities	18			7,338	7,338	7,338
Derivative contracts	24	57	218		274	274
Interest rate hedging instruments	24	68			68	68
Trade and other payables	20			15,860	15,860	15,860
Other current liabilities	20			182	182	182
Carrying amount by category		125	218	53,839	54,182	54,182

2022 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	27	321	0	348	348
Current financial assets						
Trade and other receivables	15			31,643	31,643	31,643
Derivative contracts	24				0	0
Interest rate hedging instruments	24		869		869	869
Carrying amount by category		27	321	31,643	31,991	31,991
Non-current financial liabilities						
Interest-bearing liabilities	18			44,317	44,317	44,317
Current financial liabilities						
Interest-bearing liabilities	18			6,037	6,037	6,037
Derivative contracts	24	26	681		708	708
Trade and other payables	20			17,092	17,092	17,092
Other current liabilities	20			144	144	144
Carrying amount by category		26	681	67,590	68,297	68,297

23. ADJUSTMENTS TO CASH FLOWS FROM OPERATING ACTIVITIES

1,000 €	2023	2022
Adjustments		
Depreciation and amortisation	6,066	12,628
Employee benefits	449	600
Grain/loss on sale of fixed assets	-55	-27
Grain/loss on sale of shares	-454	0
Change in provisions	-311	180
Other income and expenses not related to payment	0	0
Financial income and expenses	2,055	418
Dividend income	4	3
Taxes	-1,911	898
Total	**5,842**	**14,700**
Change in net working capital		
Change in trade receivables and other receivables	7,323	-4,895
Change in inventories	2,900	-11,658
Change in trade payables and other payables	-2,427	1,175
Total	**7,796**	**-15,379**
Cash flow adjustment from operating activities	13,638	-679

24. COMMITMENTS AND CONTINGENCIES

1,000 €	2023	2022
Rental and leasing liabilities		
Lease liabilities	1,030	981
Currency derivatives		
Volume of the underlying forward contracts	14,442	27,011
Market value of the forward contracts	-274	-708
Volume of interest rate hedges	31,250	13,750
Market value of interest rate hedges	478	869
Guarantees provided		
Bank guarantees	5,171	3,511
General pledge commitments	50,000	0
Subsidiary shares	17,621	0
	72,792	3,511

A collateral pool has been agreed between creditors and the debtor, in which the general pledge commitments have been given as collateral.

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		
Teleste Norge A/S, Porsgrun, Norway	100%	100%
Flomatik Network Services Ltd. Fareham, UK	100%	100%
Teleste Systems GmbH, Hannover, Germany	100%	100%
Kaavisio Oy, Turku, Finland	100%	100%
Teleste Information Solutions 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 Sweden AB, Stockholm, Sweden	100%	100%
Teleste US, Inc, New Jersey, USA	100%	100%
Teleste Video Networks Sp zoo, Krakova, Poland	100%	100%
Teleste Information Solutions s.r.l. Gorizia, Italy	100%	100%
Teleste Security Solutions Oy, Littoinen, Finland	100%	100%
Teleste Networks Oy, Littoinen, Finland	100%	100%
Teleste Networks AB, Stockholm, Sweden	100%	100%
	100%	100%

Employee benefits of the management 1,000 €	2023	2022
CEO		
Salaries and other short-term benefits	398	383

In 2023, Teleste's CEO was granted 0 stock options (0 in 2022). The parent company's management held 0.9% of the parent company's shares, or 167,345 shares, at the closing date (0.7%, or 133,278 shares on 31 December 2022).

The CEO's voluntary pension insurance payment in the 2023 fiscal year was 0 thousand euros (72 thousand euros in the 2022 fiscal year). A total of 0 thousand euros (72 thousand euros in the 2022 fiscal year) of benefits related to the CEO's pension promise have been paid to the CEO in addition to the salaries and bonuses mentioned above and below.

Transactions with key management personnel Board of directors and CEO compensations 1,000 €	2023	2022
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	36	37
Jussi Himanen, Member of the Board, Member of the Audit Committee	36	37
Heikki Mäkijärvi, Member of the Board	33	33
Kai Telanne, Member of the Board	33	33
Esa Harju, CEO	398	383
Total	**651**	**637**
Other management team compensations		
Salaries, compensations and other short-term employee benefits	995	836
Share based payments	17	22
Long-term employee benefits	188	237
Total	**1,200**	**1,095**

No loans have been granted to the CEO and members of the board of directors, and no guarantees or liability commitments have been given on their behalf in 2023 or 2022.

26 SUBSEQUENT EVENTS

The group management does not have any information that will affect the 2023's financial statement after the financial statements' preparartion date.

In the press release issued on January 9, 2024, the company has announced that it will begin change negotiations for the entire personnel of Teleste Oyj. A maximum of 35 people has been estimated for the permanent reduction of the workforce. In addition, the company aims for temporary cost savings, which may have effects on layoffs.

Financial statements of parent company

INCOME STATEMENT OF PARENT COMPANY

1,000 €	Note	2023	2022
Net sales	1	75,784	85,512
Change in inventories of finished goods		1,201	2,077
Other operating income	2	4,166	2,020
Material and services	3	-45,423	-51,834
Personnel expenses	4	-22,893	-21,359
Depreciation and amortisation	5	-484	-300
Other operating expenses	6	-14,081	-13,299
Operating profit		-1,730	2,816
Financial income and expenses	7	1,960	1,049
Profit before extraordinary items		230	3,865
Appropriations			
Accumulated depreciations	8	-91	-290
Group Contribution	8	0	-2,600
Income taxes			
Direct taxes	9	0	-15
Profit for the financial period		139	960

BALANCE SHEET

1,000 €	Note	2023	2022
Non-current assets			
Intangible assets	10	43	76
Property, plant and equipment	10	5,870	5,728
Long-term receivables	11	16,436	17,949
Investments	12	35,753	37,320
		58,101	61,073
Current assets			
Inventories	13	21,286	21,991
Trade and other receivables	14	9,727	17,646
Cash and cash equivalents	15	4,175	9,940
		35,189	49,576
Total assets		93,290	110,650
Shareholders' equity			
Share capital	16	6,967	6,967
Share premium	16	1,503	1,504
Invested non-restricted equity	16	3,704	3,704
Retained earnings	16	16,082	15,122
Profit for the financial period	16	139	960
		28,396	28,257
Appropriations	17	410	319
Provisions	18	517	445
Liabilities			
Long-term liabilities	19	27,223	40,416
Short-term liabilities	20	36,743	41,214
		63,966	81,629
Total equity and liabilities		93,290	110,650

CASH FLOW STATEMENT

1,000 €	2023	2022
Cash flow from operations		
Profit before extraordinary items	230	3,865
Adjustments		
Depreciations according to plan	484	300
Profit/loss from sale of investments	-2,330	0
Financial income and expenses	-2,338	-1,140
Cashflow before changes in working capital	-3,953	3,024
Changes in working capital		
Increase (-) /decrease(+) in trade and other receivables	8,580	-4,237
Increase (-) / decrease (+) in inventories	686	-7,786
Increase (+) / decrease (-) in trade payables	-3,175	-891
Change in provisions	73	169
Loans granted	0	0
Cashflow before financial items and taxes	2,210	-9,721
Paid interests	-2,474	-863
Interests and dividends received	6,157	2,827
Income taxes paid	-61	0
Cash flow from operations	5,832	-7,757
Cash flow from investing activities		
Invetsments in intangible and tangible assets	-592	-2,820
Investments in subsidiary shares	2,495	0
Disposal of shares in subsidiaries	0	0
Loans granted	-580	-17,682
Proceeds from borrowings	2,000	0
Change in group cashpool	-104	2,835
Investment in other financial assets	-2	-145
Cash flow from investing activities	3,218	-17,812
Cash flow from financing activities		
Proceeds from borrowings	633	44,003
Payments of borrowings	-13,126	-22,750
Change group cashpool	-2,322	5,614
Paid dividends and other profit distribution	0	-2,552
Cash flows from financing activities	-14,814	24,315
Change in liquid funds	-5,765	-1,254
Liquid funds 1.1.	9,940	11,194
Effects of exchange rate fluctuations on cash held	0	0
Liquid funds 31.12.	4,175	9,940

NOTES TO TELESTE CORPORATION PROFIT & LOSS AND BALANCE SHEET 31.12.2023

1. NET SALES

1,000 €	2023	2022
Net sales by market area		
Finland	10,605	10,116
Nordic countries	8,745	9,682
Other Europe	50,732	49,425
Others	5,702	16,288
Total	**75,784**	**85,512**

2. OTHER OPERATING INCOME

R&D subvention and others	217	230
Insurance compensation	1	5
Gain on divestment of shares in subsidiaries	2,321	0
Other	1,626	1,785
Total	**4,166**	**2,020**

3. MATERIAL AND SERVICES

Purchases	-40,318	-54,547
Change in inventories	-1,905	5,751
	-42,223	-48,796
Purchased services	-3,200	-3,038
Total	**-45,423**	**-51,834**

4. PERSONNEL EXPENSES

1,000 €	2023	2022
Wages and salaries	-18,787	-17,407
Pension costs	-3,437	-3,249
Other personnel costs	-669	-703
Total	**-22,893**	**-21,359**

Remuneration to Board members and Managing Directors

1,000 €	2023	2022
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	36	37
Jussi Himanen, Member of the Board	36	37
Mirel Leino-Haltia, Member of the Board	49	49
Esa Harju, CEO	398	383
Total	651	637
Cash loans, securities or contingent liabilities were not granted to the CEO or to the members of the Board of Directors.		
Year-end personnel	334	322
Average personnel	329	324
Personnel by function at the year-end		
Research and Development	78	75
Production and Material Management	157	176
Sales and marketing	31	32
Administration	40	38
Total	**306**	**322**

5. DEPRECIATION ACCORDING TO PLAN

1,000 €	2023	2022
Buildings	-349	-227
Machinery and equipment	-95	-32
Other intangible rights	-40	-41
Total	**-484**	**-300**

6. OTHER OPERATING EXPENSES

1,000 €	2023	2022
Office and property costs	-1,004	-910
Travel expenses	-538	-525
Sales and marketing	-277	-245
IT costs	-2,786	-2,982
Other expenses	-9,475	-8,636
Total	**-14,081**	**-13,299**
Auditing assignments	-63	-63
Assignments referred in 1 §, 1 subsection, point 2 of Auditing Act	0	0
Tax consultancy	-85	-2
Other assignments	-91	-16
Total	**-239**	**-81**

7. FINANCIAL INCOME AND EXPENSES

1,000 €	2023	2022
Interest income	280	142
Interest income from Group companies	751	527
Interest expenses	-1,490	-576
Interest expenses to Group companies	-712	-287
Impairment of investments	-1,420	-675
Currency differences	-442	506
Other financial income and expenses	-133	-166
Dividend income from Group companies	5,123	1,575
Dividend income	4	3
Total	**1,960**	**1,049**

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

1,000 €	2023	2022
Change in accumulated depreciation difference		
Buildings	-51	-184
Machines and equipment	-44	-108
Intangible assets	4	2
Total	**-91**	**-290**
Group contribution	**0**	**-2,600**
Total	**-91**	**-2,890**

9. INCOME TAXES

Direct taxes	0	0
Taxes from previous years	0	-15
Total	**0**	**-15**

10. TANGIBLE AND INTANGIBLE ASSETS

1,000 €	Intangible assets	Buildings	Machinery	Total
Acquisition cost 1.1.	8,493	12,254	9,469	21,723
Increases	7	318	267	585
Transfer between items				0
Acquisition cost 31.12.	8,500	12,572	9,736	22,308
Accumulated depreciation 1.1.	-8,417	-6,744	-9,250	-15,994
Depreciation	-41	-349	-95	-444
Accumulated depreciation 31.12.	-8,457	-7,093	-9,346	-16,438
Book value 31.12.2023	42	5 479	390	5,870

11. LONG TERM RECEIVABLES

1,000 €	2023	2022
Subordinated loan from group company	2,000	2,000
Other long term receivables from group companies	14,436	15,949
Other long term receivables	0	0
Total	**16,436**	**17,949**

12. INVESTMENTS

Parent company	Shares in group companies	Shares others	Other Investments	Total
Acquisition cost 1.1.	44,108	19	321	44,447
Increase	2	0	16	18
Disposal	-585	0		-585
Acquisition cost 31.12.	43,525	19	337	43,880
Accumulated depreciation 1.1.	-7,127	0	0	-7,127
Disposal				0
Impairment	-1,000			-1,000
Accumulated depreciation 31.12.	-8,127	0	0	-8,127
Book value 31.12.2023	35,398	19	337	35,753

13. INVENTORIES

1,000 €	2023	2022
Raw materials and consumables	12,855	14,760
Work in progress	1,214	370
Finished goods	7,217	6,861
Total	21,286	21,991

14. CURRENT ASSETS

1,000 €	2023	2022
Accounts receivables	5,242	10,094
Accounts receivables from Group companies	2,205	6,150
Other receivables from Group companies	0	0
Other receivables	260	540
Accrued income	2,021	862
Total	9,727	17,646

15. LIQUID FUNDS

Cash and cash equivalents	4,175	9,940

16. CHANGES IN SHAREHOLDERS' EQUITY

1,000 €	2023	2022
Share capital 1.1.	6,967	6,967
New entries		
Share capital 31.12.	6,967	6,967
Share premium fund 1.1.	1,503	1,504
Share premium		
Share premium fund 31.12.	1,503	1,504
Invested non-restricted equity 1.1.	3,704	3,704
From new entries		
Acquisitions and disposals of own shares		
Share issue		
Invested non-restricted equity 31.12.	3,704	3,704
Retained earnings 1.1.	16,082	17,674
Dividends	0	-2,552
Retained earnings 31.12.	16,082	15,122
Profit for the financial period	139	960
Accumulated profit 31.12.	16,221	16,082
Total	**28,396**	**28,257**
Companys distributable equity 31.12.	19,926	19,786

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

17. APPROPRIATIONS

1,000 €	2023	2022
Appropriations in the company consists of cumulative accelated depreciations	410	319

18. OBLIGATORY PROVISIONS

1,000 €	2023	2022
Guarantee provisions	175	358
Fair value of negative hedging instruments	342	87
Total	**517**	**445**

19. LONG TERM LIABILITIES

1,000 €	2023	2022
Loans from banks	27,223	40,416

20. SHORT TERM LIABILITIES

1,000 €	2023	2022
Loans from banks	5,800	4,000
Advances received	21	56
Accounts payables	5,179	7,906
Accounts payables from Group companies	1,797	1,847
Other current liabilities	625	380
Other current liabilities from Group companies	16,000	19,284
Accrued liabilities	7,319	7,741
Total	**36,743**	**41,214**

21. CONTINGENT LIABILITIES AND PLEDGED ASSETS

1,000 €	2023	2022
Leasing liabilities		
For next year	1,055	886
For later years	1,323	1,173
Total	**2,378**	**2,059**
Rental liabilities		
Less than one year	83	84
Between one and five years	106	240
More than five years	1,217	1,193
Total	**1,407**	**1,516**
Liabilities on own behalf		
Bank guarantees	377	385
Guarantees given on behalf of subsidiaries	4,794	3,126
General pledge commitments	50,000	0
Shares of subsidiaries	17,621	0
Total	**72,792**	**3,511**

22. CURRENCY DERIVATES

1,000 €	2023	2022
Value of underlying forward contracts	14,442	27,011
Market value of forward contracts	-274	-708
Interest rate swap	31,250	13,750
Market value of interest rate swap	478	869

The USD forward contracts are classified as hedging instruments in IFRS consolidated financial statements and therefore reported as of balance sheet liabilities in FAS financial statement. Other forward instrument are reported according the to AA 5:2 §

23. COMPANIES OWNED BY THE GROUP AND PARENT COMPANY

	Group holding share %	Parent company's share %
Parent company Teleste Oyj, Turku, Finland		
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, Warsow, 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, New Jersey, USA	100%	100%
Teleste Ltd, Chesham, UK	100%	100%
Teleste Sweden AB, Stockholm, Sweden	100%	100%
Teleste US, Inc, New Jersey, USA	100%	100%
Teleste Video Networks Sp zoo, Krakova, Poland	100%	100%
Teleste Information Solutions s.r.l. Gorizia, Italy	100%	0%
Teleste Security Solutions Oy, Littoinen, Finland	100%	0%
Teleste Networks Oy, Littoinen, Finland	100%	100%
Teleste Networks AB, Stockholm, Sweden	100%	100%

24. OWN SHARES

	Number of shares	Percentage of shares and votes
Teleste Corporation own shares 31.12.2023	747,026	3.93%

25. SHARES AND OWNERS

Management interest

	Number of shares	Percentage of share capital	Percentage of votes
CEO and Board Members	167,345	0.88%	0.88%

Major shareholders 31.12.2022	Shares	%
Tianta Oy	4,788,298	25.22%
Mandatum Life Insurance Company Limited	1,679,900	8.85%
Ilmarinen Mutual Pension Insurance Company	899,475	4.74%
Kaleva Mutual Insurance Company	824,641	4.34%
Mariatorp Oy	800,000	4.21%
Wipunen Varainhallinta Oy	800,000	4.21%
Teleste Corporation	747,026	3.93%
Varma Mutual Pension Insurance Company	521,150	2.74%
The State Pension Fund	500,000	2.63%
Ingman Finance Oy Ab	235,000	1.24%
Total (10)	**11,795,490**	**62,13%**

Sector Dispersion	Shareholders	Osuus, %	Shares	Osuus, %
Households	5,117	94.62%	4,999,803	26.33%
Public sector institutions	3	0.06%	1,920,625	10.12%
Financial and insurance institutions	15	0.28%	3,208,780	16.90%
Corporations	227	4.20%	8,639,557	45.51%
Non-profit institutions	20	0.37%	37,073	0.20%
Foreign	26	0.48%	179,750	0.95%
Total	**5,408**	**100.00%**	**18,985,588**	**100.00%**
Of which nominee registered	9	0.17%	522,715	2.75%

Holding Dispersion				
1–100	1,651	30.53%	84,011	0.44%
101–500	2,127	39.33%	560,958	2.95%
501–1 000	679	12.56%	549,935	2.90%
1 001–5 000	749	13.85%	1,611,070	8.49%
5 001–10 000	97	1.79%	692,932	3.65%
10 001–50 000	78	1.44%	1,677,757	8.84%
50 001–100 000	10	0.18%	688,157	3.62%
100 001–500 000	9	0.17%	2,060,278	10.85%
500 001–	8	0.15%	11,060,490	58.26%
Total	**5,408**	**100.00%**	**18,985,588**	**2.75%**
Of which nominee registered	9	0.17%	522,715	2.99%

Accounting principles of Teleste Corporation

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.

Derivative contracts are presented in accordance with AA 5:2§, so that the negative fair values of the hedges outside the IFRS hedge calculation are recorded as an expense and as a mandatory provision. The hedges within the scope of hedge accounting are presented as off-balance sheet liabilities in the notes. More extensive notes are presented in the Group consolidated financial statement.

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	25–33 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.

Proposal for the distribution of earnings

Teleste Corporation's distributable equity on the date of the financial statements amounted to EUR 19 925 755.

The board of directors intends to propose to the annual general meeting to be held on April 11, 2024, that no dividend be distributed for the year 2023.

Signatories to the Annual Report and the Financial Statements in the year 2023.

8 February 2024

Timo Luukkainen
COB

Jussi Himanen
MOB

Vesa Korpimies
MOB

Mirel Leino-Haltia
MOB

Heikki Mäkijärvi
MOB

Kai Telanne
MOB

Esa Harju
CEO

The Auditors Note

Our auditor's report has been issued today.

8 February 2024

PricewaterhouseCoopers Oy
Authorised Public Accountants

Markku Launis
Authorised Public Accountant (KHT)

Auditor’s Report

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, financial performance and cash flows in accordance with IFRS Accounting Standards 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 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 2023. 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, which include material accounting policy information and other explanatory information
- 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 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: € 1 500 000, which represents 1.0% of consolidated revenue

Audit Scope

- Audit scope: we have audited the 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

Overall group materiality	€ 1 500 000 (previous year € 1 600 000)
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.

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.

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.

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	KEY AUDIT MATTER IN THE AUDIT OF THE GROUP
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 € 30.1 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.

KEY AUDIT MATTER IN THE AUDIT OF THE GROUP	KEY AUDIT MATTER IN THE AUDIT OF THE GROUP
VALUATION OF INVENTORY	
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 € 35.6 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.	We assessed the compliance of the groups accounting policies in comparison to IAS 2 – Inventories 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.

KEY AUDIT MATTER IN THE AUDIT OF THE GROUP	KEY AUDIT MATTER IN THE AUDIT OF THE GROUP
CAPITALIZATION OF R&D COSTS	
Refer to accounting principles for the consolidated financial statements and to note 10 in the consolidated financial statements. Groups's capitalized development amounted to € 13,2 million in the financial statements. Capitalization of R&D costs requires use of judgment as capitalization requires estimating technical and economic 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.	We assessed appropriateness of the company's R&D capitalization policy in comparison to IAS 38 – Intangible Assets. 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.

KEY AUDIT MATTER IN THE AUDIT OF THE PARENT COMPANY	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
VALUATION OF INVENTORY	
Refer to accounting principles and note 13 in the parent company's financial statements Inventory is one of the most significant balance sheet items and amounted to € 21.3 million at the balance sheet date. Costs are measured with FIFO method. Inventories are valued at the lower of cost or net realisable value or probable replacement costs. In addition to variable expenditure, value of inventory included their share of the fixed expenditure under purchases and manufacturing. 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.	We assessed the compliance of the groups accounting policies in comparison to accounting act 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.
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.	

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 IFRS Accounting Standards 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 au-

dit 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. Our appointment represents a total period of uninterrupted engagement of 3 years.

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 8 February 2024

PricewaterhouseCoopers Oy
Authorised Public Accountants

Markku Launis
Authorised Public Accountant (KHT)

Corporate Governance Statement 2023

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. The Corporate Governance Code is available on the Finnish Securities Market Association's website at 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 2023.

TELESTE'S GOVERNING BODIES

The governing bodies responsible for the governance and operations of Teleste Corporation (hereafter 'Teleste') are the General Meeting, the Board of Directors, the Board's Audit Committee and Personnel and Remuneration Committee and the Management Group led by the CEO.

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, the 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.

Audit	**Annual General Meeting**		
	Shareholder's Nomination Board		
Internal audit	**Board of Directors**	Risk management	Internal control
	Audit Committee		
	Personnel and Remuneration Committee		
	President and CEO		
	Management Group		

Shareholders' Nomination Board

Teleste's Annual General Meeting of 2020 established a Shareholders' Nomination Board for the company and approved the Rules of Procedure of the Nomination Board. The responsibility of the Nomination Board is annually to prepare proposals on the election and remuneration of the members of the Board of Directors to the Annual General Meeting and ensure that the Board of Directors and its members have sufficient competence and experience to meet the needs of Teleste.

The Nomination Board consists of three members who represent the company's three largest shareholders, calculated on the basis of the votes conferred by all the shares in Teleste on 30 August preceding the next Annual General Meeting. Its term of office continues until a new Nomination Board is elected.

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,
c) preparing and presenting a proposal on the remuneration of the Board members, and
d) looking for candidates for new Board members.

The Nomination Board shall submit its proposals to the Board of Directors annually no later than 28 February before the next Annual General Meeting. The proposals of the Nomination Board are included in the notice of the Annual General Meeting.

The Nomination Board's report on its work and its Rules of Procedure are available in full on Teleste's website.

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.

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 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 5 April 2023 elected the six persons specified below to Teleste's Board of Directors. Timo Luukkainen was elected Chairman on 5 April 2023 by the members of the Board.

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.

Member	Position	Date of birth	Education	Principal occupation	Member since
Luukkainen Timo	Chairman	1954	M.Sc. (Econ.), M.Sc. (Eng.), MBA	Board professional	2016
Himanen Jussi	Member	1972	M.Sc. (Eng.)	WithSecure Oyj, VP Strategy and M&A	2019
Korpimies Vesa	Member	1962	M.Sc. (Econ.)	EM Group Oy, CEO	2019
Leino-Haltia Mirel	Member	1971	D.Sc. (Econ.), CFA	Professor of Practice, Board professional	2020
Mäkijärvi Heikki	Member	1959	M.Sc. (Eng.)	Board professional and adviser	2018
Telanne Kai	Member	1964	M.Sc. (Econ.)	Alma Media Corporation, CEO	2008

On 31 December 2023, Board members and their controlled entities held shares in Teleste Corporation and other companies included in the Teleste Group as follows:

Himanen, Jussi	14,315 shares
Korpimies, Vesa	15,315 shares
Leino-Haltia, Mirel	16,388 shares
Luukkainen, Timo	43,358 shares
Mäkijärvi, Heikki	16,231 shares
Telanne, Kai	37,378 shares

In 2023, Teleste's Board of Directors held 12 meetings. The Board members attended the meetings as follows:

Himanen, Jussi	12/12 (100 %)
Korpimies, Vesa	12/12 (100 %)
Leino-Haltia, Mirel	12/12 (100 %)
Luukkainen, Timo	12/12 (100 %)
Mäkijärvi, Heikki	12/12 (100 %)
Telanne, Kai	12/12 (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 the 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.

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 the share of the less represented gender in the Board of Directors is at least 40%.

The Annual General Meeting held on 5 April 2023 elected six members to the Board of Directors. All of the Board members have a degree in technology or business. The aforementioned factors and characteristics relevant to diversity were represented in the Board of Directors in 2023. The share of the less represented gender in the Board of Directors was 17%.

Audit Committee

Teleste's Board of Directors has 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, and 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 and the secretary to the Audit Committee. The auditor participates in the meetings as applicable. 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's AGM on 5 April 2023 decided on the following Audit Committee composition: Mirel Leino-Haltia (Chair), Jussi Himanen and Vesa Korpimies.

In 2023, the Audit Committee held 7 meetings. The members attended the meetings as follows:

Leino-Haltia, Mirel	7/7 (100 %)
Himanen, Jussi	7/7 (100 %)
Korpimies, Vesa	7/7 (100 %)

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.

Personnel and Remuneration Committee

On 6 September 2023, Teleste's Board of Directors established a Personnel and Remuneration Committee to assist the Board of Directors in matters pertaining to the personnel and remuneration. The chairperson of the Personnel and Remuneration Committee is responsible for convening the committee. The Personnel and Remuneration Committee shall convene at least three times a year.

The Board of Directors elects the chairperson and other members of the Personnel and Remuneration Committee from among its members annually in its organisational meeting held after the Annual General Meeting. The Personnel and Remuneration Committee has a minimum of three members. The majority of the members of the Personnel and Remuneration Committee must be independent of the company. In addition to the members, the meetings are attended by Teleste's CEO and Senior Vice President, People and Competence (excluding topics that concern them directly). The secretary to the Board of Directors acts as the secretary to the Personnel and Remuneration Committee. The Personnel and Remuneration Committee may also invite other members of the company's operative management to attend its meetings.

The Personnel and Remuneration Committee may, if necessary, use external advisers in the performance of its duties and obtain information from the company's internal and external parties. The Personnel and Remuneration Committee may also allow other necessary persons to attend meetings as required.

Any Board member may attend Personnel and Remuneration Committee meetings at their discretion. The chairperson of the Personnel and Remuneration Committee regularly presents a summary of the matters discussed by the committee, and its recommendations, to the Board of Directors. The minutes and materials of the meetings of the Personnel and Remuneration Committee shall be made available to all members of the committee and the Board of Directors in accordance with the practices applied by the company.

On 6 September 2023, the Board of Directors elected the following persons to the Personnel and Remuneration Committee: Timo Luukkainen (chairperson), Heikki Mäkijärvi and Kai Telanne.

In 2023, the Personnel and Remuneration Committee held 2 meetings. The members attended the meetings as follows:

Luukkainen, Timo	2/2 (100 %)
Mäkijärvi, Heikki	2/2 (100 %)
Telanne, Kai	2/2 (100 %)

The purpose of the Personnel and Remuneration Committee is to promote the development and allocation of the company's strategically important capabilities and personnel resources and to generate relevant information on the current status, diversity and future objectives regarding the personnel for the Board of Directors.

According to the Rules of Procedure of the Personnel and Remuneration Committee, the committee discusses and prepares the following matters, for example:

- the development of personnel competencies in accordance with the company's strategy
- matters pertaining to the remuneration of the company's senior management (CEO and Management Group)
- matters pertaining to the development of the company's management and succession planning
- the content and targets of long-term retention and incentive schemes potentially offered to the company's key personnel
- the Remuneration Policy and Remuneration Report of the Governing Bodies of Teleste, presents the Remuneration Policy and Remuneration Report at the Annual General Meeting and answers related questions
- other tasks or assignments as given by the Board of Directors

The Rules of Procedure of the Personnel and Remuneration 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 Limited Liability Companies Act, 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. Esa Harju, born 1967, M.Sc. (Eng.), has been the company's CEO effective from 1 January 2022. 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.

Management Group

On 31 December 2023, the Group's Management Group consisted of eight 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 2023, Teleste's Management Group consisted of the members listed in the table on the following page.

The Management Group discusses key matters with regard to the company's management, such as matters related to the operational control of business operations, strategy, budgeting, investments, financial and other reporting, as well as potential restructuring measures. As a rule, the Management Group meets once a month and at other times when necessary.

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

Member	Date of birth	Education	Position	Tasks and areas of responsibilities
Harju Esa	1967	M.Sc. (Eng.)	President and CEO	Is in charge of the Group's business operations and corporate governance in accordance with the Limited Liability Companies Act, Teleste's Articles of Association and the instructions and regulations issued by the Board
Hyytiäinen Juha	1967	M.Sc. (Econ.)	CFO	Area of responsibility: finance and IT
Järvenpää Pasi	1967	M.Sc. (Eng.)	Senior Vice President, Research and Development	Area of responsibility: Teleste's research and development
Kallas Linda	1980	M.Sc. (Eng.)	Senior Vice President, Group Strategy	Area of responsibility: Teleste's global strategy and development processes
Mattila Markus	1968	M.Sc. (Eng.)	Senior Vice President, Operations, Logistics & Sourcing	Area of responsibility: Teleste's operations, logistics and sourcing
Narjus Hanno	1962	M.Sc. (Econ.)	Senior Vice President	Area of responsibility: Broadband Networks business unit
Sand Valerian	1984	M.Sc. (Econ.)	Senior Vice President	Area of responsibility: Public Safety and Mobility business unit
Vanne Tuomas	1979	M.Sc. (Military Science)	Senior Vice President, People and Competence	Area of responsibility: HR and the services business in England

On 31 December 2023, Management Group members and their controlled entities held shares in Teleste's and other companies included in the Teleste Group as follows:

Harju, Esa .... 24,360 shares
Hyytiäinen, Juha .... 10,488 shares
Järvenpää, Pasi .... 6,944 shares
Kallas, Linda .... 3,500 shares
Mattila, Markus .... 12,863 shares
Narjus, Hanno .... 9,706 shares
Sand, Valerian .... 1,050 shares
Vanne, Tuomas .... 2,924 shares

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 5 April 2023, 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's Board of Directors and Audit Committee and attend at least one Board meeting each year.

In 2023, Teleste Group's auditing expenses totalled EUR 182,731, with PwC accounting for EUR 132,896 of that total and other audit firms for EUR 49,835. Audit firms have provided Teleste Group companies with other additional services corresponding to a total of EUR 201,744, with PwC accounting for EUR 179,651 of that total and auditors other than PwC for EUR 22,093.

Insider management

Teleste complies with the Market Abuse Regulation (EU) 596/2014 (MAR) and 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 Broadband Networks business unit and the SVP in charge of the Public Safety and Mobility 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, which Teleste discloses in the form of separate stock exchange releases. 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 and persons who, by virtue of their roles, have access to the content of reports before their publication. 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 Senior Legal Counsel is in charge of insider issues.

Teleste has a whistleblowing channel that provides Teleste's employees and third parties with the opportunity to report concerns of potential misconduct in Teleste's business operations or other functions related to the company. The whistleblowing channel can also be used for reporting suspected violations of the rules and regulations concerning the financial markets.

Related party transactions, internal control, risk management and internal auditing

Related party transactions

Teleste assesses and monitors related party transactions in accordance with the Finnish Corporate Governance Code 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, are in line with the company's purpose and are 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 reviews essential business risks and their management quarterly and whenever necessary. 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. The CEO or 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 and specifying the control points on the basis of a 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'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 5, 2024

The Annual General Meeting of Teleste Corporation resolved in 2020 to establish a Shareholders' 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, 2023 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 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 5 February 2024 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.

KEY FIGURE 2019–2023

	IFRS 2023	IFRS 2022	IFRS 2021	IFRS 2020	IFRS 2019
Profit and loss account, balance sheet					
Net sales, Meur	151.3	165.0	144.0	145.0	235.5
Change%	-8.3 %	14.6 %	-0.7 %	-38.4 %	-5.9 %
Sales outside Finland,%	91.0 %	92.5 %	90.1 %	92.8 %	93.3 %
Operating profit, Meur	-0.5	-4.8	8.7	4.5	0.8
% of net sales	-0.3 %	-2.9 %	6.1 %	3.1 %	0.3 %
Profit after financial items, Meur	-2.4	-5.0	9.0	3.7	0.4
% of net sales	-1.6 %	-3.0 %	6.3 %	2.5 %	0.2 %
Profit before taxes, Meur	-2.4	-5.0	9.0	3.7	0.4
% of net sales	-1.6 %	-3.0 %	6.3 %	2.5 %	0.2 %
Profit for the financial period, Meur	-0.5	-5.9	6.9	-8.0	-1.7
% of net sales	-0.3 %	-3.6 %	4.8 %	-5.5 %	-0.7 %
R&D expenditure, Meur	17.7	15.8	11.3	10.8	13.5
% of net sales	11.7 %	9.6 %	7.9 %	7.4 %	5.7 %
Gross investments, Meur	8.0	12.1	11.1	6.6	13.0
% of net sales	5.3 %	7.3 %	7.7 %	4.5 %	5.5 %
Interest bearing liabilities, Meur	37.8	50.4	28.0	31.0	33.0
Shareholder's equity, Meur	60.9	60.4	69.0	63.1	72.8
Total assets, Meur	134.7	152.3	135.2	133.0	149.6
Personnel and orders					
Average personnel	803	861	863	856	1,363
Order backlog at year end, Meur	130.4	132.2	108.6	77.1	73.2
Orders received, Meur	149.6	188.5	175.5	148.8	237.6
Key metrics					
Return on equity,%	-0.8 %	-9.1 %	10.5 %	-11.8 %	-2.2 %
Return on capital employed,%	0.2 %	-3.5 %	10.2 %	-4.5 %	1.6 %
Equity ratio,%	45.4 %	39.7 %	53.3 %	48.8 %	49.5 %
Net gearing,%	51.9 %	61.2 %	20.2 %	17.0 %	34.1 %
Earnings per share, euro	0.00	-0.31	0.39	-0.43	-0.07
Earnings per share fully diluted, euro	0.00	-0.31	0.39	-0.43	-0.07
Shareholders equity per share, euro	3.34	3.31	3.79	3.46	4.00

	IFRS 2023	IFRS 2022	IFRS 2021	IFRS 2020	IFRS 2019
Alternative performance measures					
Adjusted operating profit	1,158	1,969	5,514	5,066	8,832
Adjusted earnings per share, EUR	0.09	-0.01	0.21	-0.06	0.31
Bridge of calculation					
Operating profit, continued operations	-481	-4,838	8,714	4,516	1,890
Cost item caused by a crime	0	0	0	0	6,942
Business reorganization	725	879	0	550	0
Other non-recurring item	0	0	-3 200	0	0
Impairment of development costs	0	5,400	0	0	0
Strategic development projects	915	529	0	0	0
Adjusted operating profit, continued operations	1,158	1,969	5,514	5,066	8,832
Net profit/loss to equity holder	-82	-5,669	7,089	-7,827	-1,327
Outstanding shares during the quarter	18,237	18,226	18,216	18,204	18,181
Earnings per share, basic	0.00	-0.31	0.39	-0.43	-0.07
Operating profit	-82	-5,669	7,089	-7,827	-1,327
Cost item caused by a crime	0	0	0	0	6,942
Business reorganization	725	879	0	550	0
Business disposals	0	0	0	6,106	0
Other non-recurring item	0	0	-3,200	0	0
Impairment of development costs	0	5,400	0	0	0
Strategic development projects	915	529	0	0	0
Change in deferred assets	0	-1,332	0	0	0
Outstanding shares during the quarter	18,237	18,226	18,216	18,204	18,181
Earnings per share, basic	0.09	-0.01	0.21	-0.06	0.31

CALCULATION OF KEY FIGURES

Return on equity

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

Return on capital employed

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

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

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

ALTERNATIVE PERFORMANCE MEASURES

Teleste Corporation uses and publishes alternative performance measures to describe the development of its operational performance and to improve comparability between reporting periods. The alternative performance measures are reported in addition to the key indicators based on the IFRS.

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

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

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 accordance with 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
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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	TLT1VFH
12 months high	4.75
12 months low	2.55
All-time high (7.9.2000)	39.00
All-time low (12.12.2008)	1.90

FINANCIAL INFORMATION

Financial releases in 2024

- Interim report January–March 3.5.2024
- Half year financial report January–June 14.8.2024
- Interim report January–September 6.11.2024

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 11 April 2024 commencing at 2 p.m., in Helsinki Expo and Convention Centre, 2nd floor, meeting room 208, address: Rautatieläisenkatu 3, Helsinki. Registration and distribution of voting tickets begin at 1 p.m. Shareholders registered on the list of shareholders with Euroclear Finland Oy on 28 March 2024 are entitled to participate in the Annual General Meeting. A shareholder who wants to participate in the meeting shall register no later than 4 April 2024 at 10 a.m.

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 2024

The Board of Directors proposes to the AGM that no dividend be distributed on the basis of the balance sheet to be adopted for the financial period that ended on 31 December 2023.

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 25 April 2024.

Dividend history, eur

2018	2019	2020	2021	2022	2023
0.20	0.10	0.12	0.14	0.0	0.0*

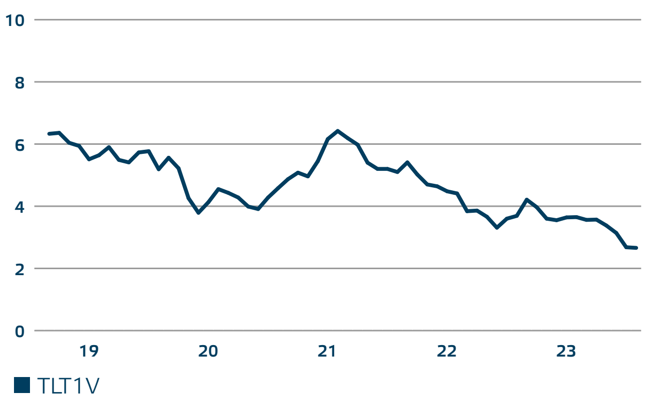
* Proposal by the Board

TELESTE SHARE

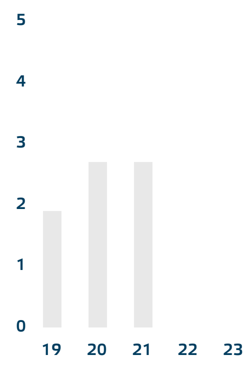
	2023	2022	2021	2020	2019
Highest price, euro	4.75	5.76	6.66	5.78	6.8
Lowest price, euro	2.55	3.13	4.47	3.51	5.04
Closing price, euro	2.70	3.54	5.24	4.49	5.34
Average price, euro	3.37	4.34	5.46	4.40	5.72
Price per earnings	-603.1	-11.4	13.5	-10.4	-73.2
Market capitalization, Meur	51.3	67.2	99.5	85.2	101.4
Stock turnover, Meur	5.2	6.3	13.8	13.8	9.2
Turnover, number in millions	1.5	1.5	2.5	3.1	1.6
Turnover,% of share capital	8.1 %	7.7 %	13.3 %	16.5 %	8.5 %
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	18,245,666	18,234,914	18,222,877	18,220,370	18,181,177
Number of shares at the year-end, diluted w/o own shares	18,238,562	18,227,906	18,217,394	18,218,503	18,207,708
Paid dividend, Meur	0.0	0.0	2.6	2.2	1.8
Dividend per share, euro	0.00	0.00	0.14	0.12	0.10
Dividend per net result,%	0.0 %	0.0 %	36.0 %	neg.	neg.
Effective dividend yield,%	0.0 %	0.0 %	2.7 %	2.7 %	1.9 %

** The Board's proposal to the AGM*

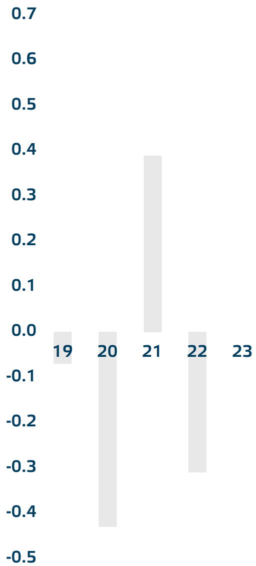
Share price development 2019–2023, €



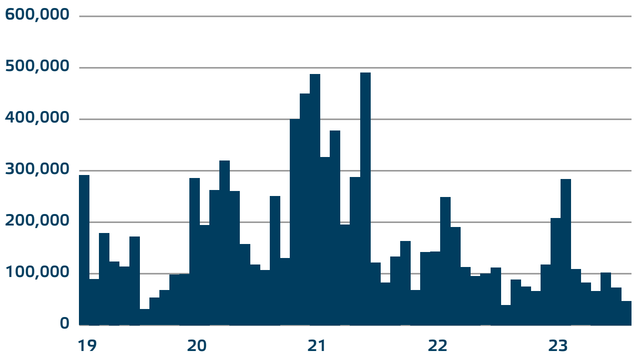
Effective dividend yield,%



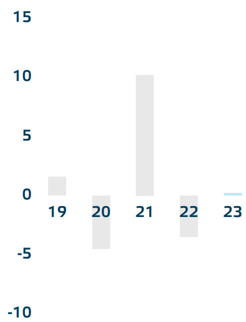
Earnings per share, continuing operations



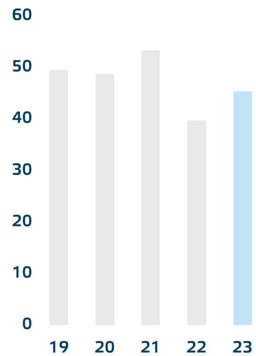
Share monthly turnover 2019–2023, pcs



Return on capital employed,%



Equity ratio,%



TELESTE CORPORATION

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