

# Financial Statements 2022

**TELESTE**



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# Report of the Board of Directors 2022

## 1. OVERVIEW

Teleste is an international technology group that offers an integrated product and service portfolio that makes it possible to build a networked and secure society. Our solutions enable television and broadband services, secure safety in public places and support the smooth use of public transport.

With solid industry experience and a drive to innovate, we are a leading international company in broadband, security and information technologies and related services. Our customer base consists of data communications operators, train manufacturers, public transport operators and public sector organisations. We are the world's leading technology company in our operating areas.

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

The year 2022 was characterised by a number of significant events in our external operating environment: the rapid deterioration of the security policy situation in Europe, the changing macroeconomic environment and rising inflation, and the continuation of the COVID-19 pandemic in China. Global supply chains were still severely

disrupted throughout 2022, which significantly affected the delivery times and costs of materials. Progress was made in passing the higher costs of components and materials on to selling prices, but further efforts are needed. Customer demand remained strong in all operating areas, which led to a record-high order backlog and growth in net sales. The company was able to maintain its delivery capability by accumulating buffer stocks of materials, which led to a significant increase in net working capital. Consequently, the liquidity reserve was increased by means of new credit limits. The year ended in exceptional circumstances, but the company made steady progress towards our strategic goals.

The demand for network products remained good throughout 2022. We received new orders from broadband operators in several European countries and achieved significant milestones in North America, where we signed a frame agreement with a major US broadband operator. The strategic focus of operations has begun to shift to the North American market alongside Europe. The global market for network equipment is expected to grow due to increased remote work, digital services and the growing consumption of streaming services that require increasing network capacity and faster connections.

We also received significant new orders in the area of video security and public transport information solutions in 2022. The strategic focus of operations has been on the European, North American and selected Middle Eastern markets. Deliveries proceeded mostly as planned, although the profitability of many fixed-price projects

was reduced by higher costs. We expect steady market growth in the coming years, driven by megatrends such as rapidly developing urban environments, the growth of public transport services and diverse smart digital systems designed for smoother daily life.

## 2. DESCRIPTION OF BUSINESS OPERATIONS

### 2.1. Networks business unit

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

The main market of the Networks unit is Europe, but growth is sought particularly in North America. The Networks unit develops, designs and manufactures a large part of its products. Its product development units operate in Finland and Belgium and the in-house manufacturing activities mainly take place in Finland. The product range also includes third-party products that complement Teleste's offering. The Networks unit also offers comprehensive services for access network design, construction and maintenance. The customer base for the unit's services mainly consists of large European cable network operators and new fibre network operators. The implementation and scope of services range from stand-alone solutions to integrated turnkey deliveries. Most deliveries are based on frame agreements. A network of subcontractors is also used in service provision. The Net-

works unit's services are focused on England, Switzerland, Finland and Poland. The Networks unit has over 15 offices of its own and a number of retail and integration partners. Outside Europe, it has subsidiaries and offices in the United States and China.

## **2.2. Video Security and Information Solutions business unit**

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

The business area's main market is Europe, but it also operates in North America and the Middle East. The unit develops, designs and manufactures a large part of its products. Its product development units operate in Finland, Poland and Germany. 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 Video Security and Information Solutions unit also provides services related to the design, deployment, system integration, upgrading and maintenance of solutions. The service customers include the unit's entire customer base.

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

## **3. NET SALES AND PROFITABILITY**

Orders received by the Group grew by 7.4% and amounted to EUR 188.5 (175.5) million. Orders increased in access network products as well as public transport information solutions and video security solutions. Net sales grew by 14.6%, amounting to EUR 165.0 (144.0) million.

Expenses for material and manufacturing services increased by 30.1% to EUR 88.0 (67.7) million. The factors contributing to the increase in material expenses included the sales volume, higher purchasing prices, subcontracting and the appreciation of the US dollar. Personnel expenses increased by 3.6% to EUR 48.5 (46.8) million. The increase was due to higher wages and social security costs. Depreciation decreased by 4.5% to

EUR 7.2 (7.6) million. Other operating expenses increased by 15.0% to EUR 21.2 (18.4) million. Other operating expenses were increased by the general inflationary development, which affected business premises costs, machinery and equipment costs, marketing activities, information system and IT infrastructure costs, and business travel. Adjusted operating result decreased by 64.3% to EUR 2.0 (5.5) million, representing 1.2% (3.8%) of net sales. Higher material costs, personnel expenses and other operating expenses had a negative effect on the adjusted operating result and the operating result. Increases to the selling prices of Teleste's products have a delayed compensating effect for the negative impact of increased costs.

In the third quarter, the company recognised impairment of EUR 5.4 million in R&D expenses capitalised on the balance sheet. The impairment concerned two areas of R&D. The operating result including impairment was EUR -4.8 (8.7) million. The operating result was reduced by the above-mentioned factors and impairment as well as restructuring costs and strategic development project expenses totalling EUR 1.4 million. The operating result for the comparison period included non-recurring insurance compensation in the amount of EUR 3.2 million, which was reported as an adjustment item.

This impairment related to first-generation distributed access architecture software and products, as well as software and customer-specific solutions in rolling stock on-board systems. The deployment of the first-generation distributed access architecture products in cable broadband operators' networks has been delayed compared to earlier assumptions, and the latest view is that the market for first-generation products is estimated to remain limited due to a significant proportion of demand shifting to second-generation products. At the same time, the size of the market for second-generation products and the DOCSIS 4.0 market is expected to grow. Teleste's strategy remains entirely unchanged with regard to distributed access architecture and DOCSIS 4.0. In addition, Teleste will redesign the software platform underpinning the information systems developed for rolling stock manufacturers, and the company will aim for a significantly higher level of productisation in software systems. Due to these changes, the previous R&D investments will not be taken advantage of to the originally envisioned extent. Due to these changes, the previous R&D investments will

not be utilised to the originally intended extent. The rolling stock information systems market is expected to continue to grow, and Teleste's strategy will remain entirely unchanged with regard to rolling stock manufacturers.

Net financial items were EUR -0.1 (0.3) million. The Group's taxes were EUR 0.9 (2.1) million. The result for the financial period came to EUR -5.9 (6.9) million. Adjusted earnings per share were EUR -0.01 (0.21) and earnings per share were EUR -0.31 (0.39).

## **4. INVESTMENTS AND PRODUCT DEVELOPMENT**

Investments by the Group totalled EUR 12.1 (11.1) million, representing 7.3% (7.7%) of net sales. Of the investments, EUR 5.8 (5.7) million was related to product development. Leases capitalised in accordance with IFRS 16 amounted to EUR 2.3 (3.5) million, while other investments in tangible and intangible assets came to EUR 4.0 (1.9) million. The investments in tangible and intangible assets include the expansion of the production facility in Littoinen, Finland. 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**

The company refinanced its maturing financing facilities in March. The new financing agreements include a bank loan of EUR 20.0 million and a committed credit facility of EUR 15.0 million. The bank loan of EUR 20.0 million will fall due in March 2026 and includes a one-year extension option. The loan will be amortised twice a year in instalments of EUR 1.25 million. The credit facility of EUR 15.0 million will run until the end of March 2025.

As a consequence of the global component shortage, inventory levels have increased significantly and tie up an exceptionally large amount of working capital. The company increased its liquidity reserve by signing financing agreements totalling EUR 15.0 million in September. The agreements are in effect until March 2024.

The old financing agreements include a loan that is amortised twice a year in instalments of EUR 0.75 million until August 2024. At the end of the review period, the remaining loan principal was EUR 3.0 million.

At the end of the period under review, the amount of unused binding credit facilities was EUR 7.3 (10.0) million. The Group's cash and cash equivalents were EUR 13.4 (14.1) million.

At the end of the period under review, the Group's interest-bearing debt stood at EUR 50.4 (28.0) million, with short-term loans from banks representing EUR 4.2 (19.5) million of that amount. Interest-bearing liabilities associated with leases capitalised in accordance with IFRS 16 amounted to EUR 5.7 (5.4) million. The Group's equity ratio was 39.7% (53.3%) and net gearing ratio 61.2% (20.2%).

## 6. CORPORATE RESPONSIBILITY AND REPORTING OF NON-FINANCIAL INFORMATION

Corporate responsibility is an important part of Teleste'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 most significant aspects identified in the materiality assessment were the continuous development of Teleste's products and services, promoting eco-friendly digital development as well as the efficiency of operations.

Teleste participated in the EcoVadis business sustainability assessment in 2022 and was awarded a silver medal in recognition of its sustainability achievements. EcoVadis assesses organisations and their strengths from the perspectives of operating principles, actions taken and the results achieved, focusing on four themes: the environment, labour and human rights, ethics and sustainable procurement. Teleste's overall rating improved from the previous year, with significant progress made particularly in the area of ethics. A description of the company's business model is provided in the section "Description of business operations".

### 6.1. Social and personnel-related matters

The Group's continuing operations employed 861 (863) people on average during the period under review. At the end of the review period, the Group employed 844 (847) people, of whom 43% (45%) worked abroad. Approximately 3% (3%) of the Group's employees were working outside Europe.

The Group's personnel expenses amounted to EUR 48.5 (46.8) million, representing a year-on-year increase of 3.6%. The increase in personnel expenses was attributable to wage increases in 2021 and the temporary layoffs implemented in the comparison period due to the COVID-19 pandemic. In addition, the performance bonuses under the short-term incentive scheme were higher in the review period.

#### 6.1.1. Operating principles

Managerial work at Teleste aims to support diversity and equality. Teleste employees represent various backgrounds, nationalities and cultures, but they share common values: customer centricity, respect, reliability and result orientation. The values-based management principles that were created by Teleste in 2020 support both business success and a positive employee experience.

The management principles also reflect Teleste's perspective on social responsibility 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, Teleste is also committed to observing the UN Universal Declaration of Human Rights. In 2022, the company launched a project aimed at defining Teleste's culture vision, and the company's employees were extensively engaged in the project. The implementation of Teleste's updated corporate culture vision will begin in 2023.

In 2022, Teleste continued the documentation of its global operating procedures, which began in 2021. The aim of the project was to create values-based operating models and practices for social and ethical issues and situations. 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 2022, 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 restrictions related to the COVID-19 pandemic were lifted at Teleste in spring 2022, making it possible to return to in-office work. Following the lifting of the restrictions, Teleste's employees have continued to use the flexible and diverse working methods learned during the pandemic, taking into account the needs associated with the business situation and smooth and productive work. The company has provided teams with flexible opportunities to combine remote and in-office work to the extent possible for each position. Teleste's highly competent and continuously developing employees, together with the company's partner network, constitute the foundation for ensuring high-quality products and services for a diverse customer base.

Teleste offers its employees 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.

#### 6.1.2. The results of adherence to the operating principles

Teleste's competitiveness is largely based on motivated and skilled personnel. Ensuring excellent working conditions for the personnel is essential, which is why the focus areas of the company's HR functions include ensuring smooth HR processes, leadership development and promoting a positive employee experience and expertise. 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 key HR-related risks include ensuring the availability of professionally competent product development personnel, especially software developers, and the retention of key employees during the transformation of the labour market. Ensuring the competence of operational personnel is also crucial in the continuously developing technology sector.

Teleste strives to minimise these risks by maintaining a positive employer image and modern recruitment practices as well as by ensuring 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 over 840 employees at more than 20 offices. In terms of the number of employees, the largest Teleste countries were Finland (57.3%) and England (11.9%) at the end of the financial period.

The average age of personnel was 45 years (44 in 2020). Men represented 71.2% (72.3%) of Teleste's personnel and women 28.8% (27.7%). The sickness-related absence rate increased slightly year-on-year, but remained at a very low level at 2.4% (1.8%).

| Indicator  | 2021 result | 2022 result | 2023 target | 2025 target |
|--|-------------|-------------|-------------|-------------|
| Innovation<br>R&D expenditure in ratio to net sales (%)  | 10.0%       | 9.6%        | 10%         | 10%         |
| Employee turnover during the financial period  | 16.8%       | 14.7%       | ≤15%        | ≤15%        |
| Engagement<br>Personnel survey response rate   | 83%         | 78%         | 85%         | 85%         |
| Occupational safety<br>Occupational accident frequency (number of incidents) per million working hours | 3.8         | 5.0         | 0           | 0           |
| Corporate culture<br>Average score of the personnel survey section on corporate culture, scale 1–10    | 6.9         | 7.3         | 7.5         | 8.0         |
| Well-being<br>Reversed absence rate  | 98.2%       | 97.6%       | 98%         | 98%         |
| Remuneration<br>Pay ratio: CEO/average employee salary   | 9.8:1       | 6.4:1       | 7:1         | 7:1         |

## 6.2. Environmental matters

Carbon dioxide emissions were identified as the company's most significant environmental impact in the materiality assessment conducted in 2021. The primary sources of CO2 emissions in Teleste's operations are the energy consumption of business premises, the transport activities associated with the services business, and freight transport. The company determined that the largest impact on CO2 emissions is associated with the emissions caused by the life cycle energy consumption of the products manufactured by the company. The actual amount of these emissions ultimately depends on the

CO2 intensity of the electricity used by the customer base.

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

In response to the results of the materiality assessment, Teleste's environmental reporting was expanded to cover a larger proportion of greenhouse gas emissions: Scope 1 and Scope 2 in their entirety, and transport activities under Scope 3 more broadly than previously. These concepts are explained in more detail under section 2.2.3. Key indicators and targets. The scope of the operating locations covered by reporting activities was improved by extending data collection to all units with more than 10 employees. We will further develop our reporting on greenhouse gas emissions in 2023.

To increase employee awareness of sustainability, online training was created on topics related to the environment, social responsibility and corporate governance. Most of the company's salaried employees (80%) completed the course in 2022.

### 6.2.1. Operating principles

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

Teleste's Management Group monitors the development of environmental indicators and the achievement of targets. Teleste provides employees with the following guidance regarding the company's environmental policy:

- Reducing the power consumption of products or improving their energy efficiency
- Extending the life cycle of products by developing their reliability, durability and serviceability.
- The modularity of products enables product updates
- Designing products to be easy to disassemble simplifies the recycling of materials
- Use of recycled and recyclable material
- Avoiding harmful materials in products and operations

- Procurement of materials from environmentally responsible sources
- Taking logistics requirements into account improves transport efficiency
- Forecasting sales and manufacturing operations reduces the amount of rejected material and enables the selection of eco-friendly transport methods
- Equipping products with remote access features helps avoid in-person visits to installation sites
- The amount of waste generated is minimised and waste is sorted
- Striving to use renewable energy at the company's offices

Examples of adherence to these operating procedures:

- The electricity purchased for the largest operating location is produced from renewable sources
- Unnecessary product features can be automatically switched off to minimise energy consumption
- Many field-installed data communications products have a remote connection feature that provides information on the operation of the device and enables maintenance activities without having to visit the physical location.

### 6.2.2. Operations and operational risks

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

In the Networks business, products become more energy efficient with each generation when the same power consumption enables the transmission of a much larger amount of data. The 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. Teleste 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 risk assessment of key suppliers includes an assessment of the impact of climate change.

The company estimates that, among exceptional circumstances, the most significant environmental risk would be caused by a large fire and the subsequent fire gases and water used to extinguish the fire. Hazardous chemicals are not used or stored in significant quantities at the company's production facilities. A sprinkler system was installed at the main production facility in 2022, further reducing the possibility of a large fire.

### 6.2.3. Key indicators and targets

The targets for 2025 and 2030 are set on the basis of the assumption that the scope of the company's operations will be maintained at the current level. The results for energy consumption and Scope 2 carbon dioxide emissions in 2022 include estimates for three operating locations, as actual consumption figures were not yet available for all locations at the time of reporting.

## Greenhouse gas emissions

| Indicator   | 2021 comparison year | 2022 result | 2025 target* | 2030 target * |
|---|----------------------|-------------|--------------|---------------|
| Scope 1 carbon dioxide emissions (Transport emissions in the services business) [tCO2e] | 309                  | 251         | -40%         | -100%         |
| Scope 2 carbon dioxide emissions (Emissions from own energy consumption) [tCO2e]        | 761                  | 703         | -20%         | -50%          |
| Emissions from land, sea and rail transport [tCO2e]                                     | 311                  | 350         | -10%         | -20%          |
| Emissions from air transport [tCO2e]  | 574                  | 592         | -10%         | -20%          |

Concepts scope 1-3: The Greenhouse Gas Protocol

Teleste does not produce electricity or heat from fuels. The company's direct CO2 emissions (scope 1) are thus limited to the transport emissions of the service business. Emissions have been calculated on the basis of fuel consumption and fuel-specific emission factors.

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

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

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

## Other environmental targets:

| Indicator   | 2021 comparison year | 2022 result | 2025 target * | 2030 target * |
|---|----------------------|-------------|---------------|---------------|
| Own energy consumption, purchased [MWh] *                     | 7,306                | 7,244       | -5%           | -10%          |
| Share of recycled aluminium in products manufactured in-house | 92%                  | 92%         | 94%           | 96%           |
| Recycling rate [%]**  | 60%                  | 51%         | 75%           | 80%           |
| Recovery rate [%]   | 100%                 | 100%        | 100%          | 100%          |

\* assuming that the scope of the company's operations will be maintained at the level of 2021

\*\* the company's factory expansion project affected the result for 2022

The reporting of the company's own energy consumption and the related target are aimed at improving energy efficiency, which contributes to the reduction of emissions.

The company has decided to monitor - and set targets for - aluminium as it represents a significant share of the total weight of the products. Aluminium solutions play a role in the company's environmental impact.

The company uses the recycling rate and recovery rate to monitor the waste generated in business operations. As expected, the recycling rate declined in 2022 due to construction activity at the company's primary operating location. Nevertheless, efforts will be made to improve the recycling rate in the future through the separate collection of plastic, among other measures. The recovery rate includes recycled materials as well as the utilisation of waste in energy production.

In the future, the company intends to express its environmental targets relative to the scope of its operations.

## Monitored indicators:

| Indicator   | 2020 result | 2021 result | 2022 result |
|---|-------------|-------------|-------------|
| Water consumption at the primary operating location [m <sup>3</sup> ] | 1,967       | 1,773       | 2,033       |
| Total volume of waste generated at operating locations in Finland [t] | 106         | 110         | 132         |
| Hazardous waste volume [t]  | 0.1         | 0.2         | 0.3         |
| Waste disposal [t]  | 0.03        | 0.02        | 0           |

Water is used in the production process to humidify the air, but the amount of water consumed for this purpose represents less than 10% of the total consumption. For this reason, the company does not set a target for water consumption, although water consumption is monitored and reported.

## 6.3. Prevention of corruption and bribery, respecting human rights

### 6.3.1. Operating principles

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

Teleste 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 confirmed its principles and approach concerning corruption and bribery and respect for human rights in the company's Code of Conduct. Everyone at Teleste must observe the company's Code of Conduct and its principles in their work. To this end, the Code of Conduct has been published in six different languages to ensure that it is easy for all employees to read and understand. Teleste 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.

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

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

Teleste 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.

Teleste has a whistleblowing channel for Teleste 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, 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 Teleste, and they include the restriction of the freedom of association, negligence related to occupational safety and the use of forced labour.

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

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

#### 6.3.4. Key indicators and targets

| Indicator   | 2021 result | 2022 result | 2025 target |
|---|-------------|-------------|-------------|
| Respecting human rights Percentage of unionised employees<br>GRI: 102-41  | 58%         | 56%         | 1)          |
| Teleste's Supplier Code of Conduct;<br>1) Does Teleste require suppliers to comply with the company's Code of Conduct?<br>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?<br>GRI: 103-2  | 96% 2)      | 80%         | 100%        |
| Ethics and anti-corruption<br>1) Does the company have an anti-corruption policy?<br>GRI: 102-16                                      | Yes         | Yes         | Yes         |
| 2) What percentage of the company's employees have completed training on the Code of Conduct?   | 92%         | 85%         | 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.  
2) The actual figure reported for 2021 did not cover all of the Group's suppliers.

#### 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 the rules and regulations of the Finnish Financial Supervisory Authority. We have published a Corporate Governance Statement for the financial year 2022.

We refer 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

We seek to continuously improve our practices and we regularly monitor our performance with regard to governance.

##### 6.4.1. Key indicators and targets

| Indicator  | 2021 result | 2022 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<br>GRI: 102-23 | Yes         | Yes         | Yes         |
| 2) number of Board members who are independent of the company<br>GRI: 102-22   | 100%        | 100%        | ≥60%        |
| Are sustainability targets incorporated into the remuneration of the management?<br>GRI: 102-35  | No          | Yes         | Yes         |
| Data protection Does the company observe a data protection policy?<br>GRI: 418   | Yes         | Yes         | Yes         |

## 7. EU TAXONOMY

Teleste's business is partly within the scope of the EU Taxonomy Regulation. Parts of Teleste'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. Teleste has assessed its taxonomy eligibility for the financial year 2022. 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 28% of Teleste's total net sales. Teleste'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. Part of Teleste's capital expenditure (39%) and operating expenditure (40%) 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.

According to the previous estimate, some of the company's distributed access architecture solutions would also have been included in category 3.6. "Manufacture of other low carbon technologies", as distributed access architecture solutions enable the reduction of energy consumption compared to centralised access architecture. In a departure from its previous reporting, the company has decided to not report distributed access architecture solutions as taxonomy-aligned activities. The businesses reported herein are fully taxonomy-aligned. Teleste will continue to develop its taxonomy assessment and reporting in 2023 when the classification system is expanded to cover the other four areas of the EU's environmental objectives.

Share of net sales derived from products or services that are classified as taxonomy-aligned economic activities:

| Economic activity                                    | Revenue M€ FY 2022 | Revenue M€ FY2021 | Revenue FY 2022 % | Substantial contribution criteria |                           | Do no significant harm criteria |               |                          |                  |           |                             |     | Minimum social safeguards | Taxonomy-aligned proportion of revenue 2022 | Taxonomy-aligned proportion of revenue 2021 | Of which Enabling or Transitional activity |
|--|--------------------|-------------------|-------------------|-----------------------------------|---------------------------|---------------------------------|---------------|--------------------------|------------------|-----------|-----------------------------|-----|---------------------------|---|---|--|
|  |                    |                   |                   | Climate change mitigation         | Climate change adaptation | Cc mitigation                   | Cc adaptation | Water & marine resources | Circular economy | Pollution | Biodiversity and ecosystems |     |                           |   |   |  |
|  | M€                 | M€                | %                 | %                                 | %                         | Y/N                             | Y/N           | Y/N                      | Y/N              | Y/N       | Y/N                         | Y/N |                           |   | E/T   |  |
| Eligible and aligned activities                      |                    |                   |                   |                                   |                           |                                 |               |                          |                  |           |                             |     |                           |   |   |  |
| Information systems for rail transport (6.14)        | 42.3               | 35.2              | 26%               | 26%                               | 26%                       | Y                               | Y             | Y                        | Y                | Y         | Y                           | Y   | 26%                       | N/A   | E   |  |
| Video security solutions for public transport (6.15) | 4.2                | 3.0               | 3%                |                                   | 3%                        | Y                               | Y             | Y                        | Y                | Y         | Y                           | Y   | 3%                        | N/A   | E   |  |
| Total  | 46.5               | 38,2              | 28%               | 26%                               | 28%                       |                                 |               |                          |                  |           |                             |     | 28%                       |   |   |  |
| Non-eligible activities                              | 118.5              | 105.8             | 72%               |                                   |                           |                                 |               |                          |                  |           |                             |     |                           |   |   |  |
| Grand total  | 165.0              | 144.0             | 100%              |                                   |                           |                                 |               |                          |                  |           |                             |     |                           |   |   |  |

Share of capital expenditure represented by products or services that are classified as taxonomy-aligned economic activities:

| Economic activity   | Capex M€ FY 2022 | Capex M€ FY2021 | Capex FY 2022 % | Substantial contribution criteria |                           | Do no significant harm criteria |              |                          |                  |           |                             |                           | Taxonomy-aligned proportion of capex 2022 | Taxonomy-aligned proportion of capex 2021 | Of which Enabling or Transitional activity |
|---|------------------|-----------------|-----------------|-----------------------------------|---------------------------|---------------------------------|--------------|--------------------------|------------------|-----------|-----------------------------|---------------------------|---|---|--|
|   |                  |                 |                 | Climate change mitigation         | Climate change adaptation | Cc mitigation                   | Cc adaptatio | Water & marine resources | Circular economy | Pollution | Biodiversity and ecosystems | Minimum social safeguards |   |   |  |
|   | M€               | M€              | %               | %                                 | %                         | Y/N                             | Y/N          | Y/N                      | Y/N              | Y/N       | Y/N                         | Y/N                       |   |   | E/T  |
| Eligible and aligned activities   |                  |                 |                 |                                   |                           |                                 |              |                          |                  |           |                             |                           |   |   |  |
| Information systems for rail transport (6.14)                                   | 1.5              | 1.7             | 12%             | 12%                               |                           | Y                               | Y            | Y                        | Y                | Y         | Y                           | Y                         | 12%                                       | N/A                                       | E  |
| Video security solutions for public transport (6.15)                            | 0.4              | 0.5             | 3%              |                                   | 3%                        | Y                               | Y            | Y                        | Y                | Y         | Y                           | Y                         | 3%  | N/A                                       | E  |
| Investments improving energy efficiency /low-carbon of manufacturing facilities | 2.6              | 0.8             | 22%             | 22%                               |                           | Y                               | Y            | Y                        | Y                | Y         | Y                           | Y                         | 22%                                       | N/A                                       | E  |
| Investments reducing emissions in public transport                              | 0.3              | 0.3             | 3%              | 3%                                |                           | Y                               | Y            | Y                        | Y                | Y         | Y                           | Y                         | 3%  | N/A                                       | E  |
| <b>Total</b>  | <b>4.8</b>       | <b>3.2</b>      | <b>39%</b>      | <b>36%</b>                        | <b>3%</b>                 |                                 |              |                          |                  |           |                             |                           | <b>39%</b>                                |   |  |
| Non-eligible activities   |                  |                 |                 |                                   |                           |                                 |              |                          |                  |           |                             |                           |   |   |  |
| Other capex   | 7.3              | 7.8             | 61%             |                                   |                           |                                 |              |                          |                  |           |                             |                           |   |   |  |
| <b>Grand total</b>  | <b>12.1</b>      | <b>11.1</b>     | <b>100%</b>     |                                   |                           |                                 |              |                          |                  |           |                             |                           |   |   |  |

Share of operating expenditure represented by products or services that are classified as taxonomy-aligned economic activities:

| Economic activity   | Opex M€ FY 2022 | Opex M€ FY2021 | Opex FY 2022 % | Substantial contribution criteria |                           | Do no significant harm criteria |               |                          |                  |           |                             |                           | Taxonomy-aligned proportion of opex 2022 | Taxonomy-aligned proportion of opex 2021 | Of which Enabling or Transitional activity |
|---|-----------------|----------------|----------------|-----------------------------------|---------------------------|---------------------------------|---------------|--------------------------|------------------|-----------|-----------------------------|---------------------------|--|--|--|
|   |                 |                |                | Climate change mitigation         | Climate change adaptation | Cc mitigation                   | Cc adaptation | Water & marine resources | Circular economy | Pollution | Biodiversity and ecosystems | Minimum social safeguards |  |  |  |
|   | M€              | M€             | %              | %                                 | %                         | Y/N                             | Y/N           | Y/N                      | Y/N              | Y/N       | Y/N                         | Y/N                       |  |  | E/T  |
| Eligible and aligned activities                                 |                 |                |                |                                   |                           |                                 |               |                          |                  |           |                             |                           |  |  |  |
| Sourcing of aligned commodities                                 | 0.3             | 0.2            | 3%             | 3%                                | 3%                        | Y                               | Y             | Y                        | Y                | Y         | Y                           | Y                         | 3%                                       | N/A                                      | E  |
| Maintenance costs   | 0.3             | 0.2            | 2%             | 2%                                | 2%                        | Y                               | Y             | Y                        | Y                | Y         | Y                           | Y                         | 2%                                       | N/A                                      | E  |
| R&D costs for rail transport (6.14) and public transport (6.15) | 3.7             | 3.8            | 35%            | 35%                               | 35%                       | Y                               | Y             | Y                        | Y                | Y         | Y                           | Y                         | 35%                                      | N/A                                      | E  |
| Non-eligible activities   |                 |                |                |                                   |                           |                                 |               |                          |                  |           |                             |                           |  |  |  |
| Opex  | 6.3             | 5.0            | 60%            |                                   |                           |                                 |               |                          |                  |           |                             |                           |  |  |  |
| Grand total   | 10.5            | 9.2            | 100%           |                                   |                           |                                 |               |                          |                  |           |                             |                           |  |  |  |

## 8. GROUP STRUCTURE

The parent company has a branch office in the Netherlands and subsidiaries in 14 countries outside Finland. Teleste Information Solutions Oy acquired the Italian technology company Ermetris S.r.l. in January. Ermetris strengthens Teleste's position as a supplier in the Italian market.

## 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 Teleste's business operations or financial position. However, other risks that Teleste 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 Teleste's products and services. High inflation and rising interest rates also affect Teleste's customers' financing, profitability, ability to make investments and, consequently, the demand for Teleste'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 and should they materialise, the value of the product development investments can decrease.

Expanding business operations to new markets is demanding and involves risks. The Group's investments in growth in the North American market will not necessarily lead to the desired results.

The largest key customers represent a significant share of the net sales of the customer segment in question. 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 Teleste'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

Shortages of materials and components have caused delivery delays and additional costs over the past two financial periods, reducing the company's profitability. The problems associated with the availability of materials are expected to remain significant, leading to delivery risks in spite of the forward-looking purchasing of materials for the company's inventory. The duration of the problems associated with the availability of materials is difficult to estimate, but it is expected that the impacts will continue in 2023. High inventory levels may lead to the impairment of raw materials and components.

In the technology and product business, client-specific and integrated deliveries of solutions create favourable conditions for growth, even if the involved resource allocation and technical implementation pose a challenge and therefore also involve risks. End-to-end deliveries of systems and projects may be large in size and take place over several years, setting high demands for the project quotation calculation and management and, consequently, involve risks.

Various technologies are used in Teleste's products and solutions, and the intellectual property rights associated with the application of these technologies can be

interpreted in different ways by different parties. Such difficulties of interpretation may lead to costly investigations or court proceedings.

Customers have very demanding requirements for the performance of products, their durability in challenging conditions and their compatibility with other components of integrated systems. Regardless of careful planning and quality assurance, complex products and solutions may fail in the customer's operational environment and lead to expensive repair obligations.

High inflation, rising interest rates and supply chain disruptions have weakened the global economic outlook, presenting risks to the company's operations and profitability. Teleste aims to mitigate these risks through more dynamic pricing and contract models, and by taking continuous measures to improve productivity and reduce costs. Many competitors in the provision of access network technologies come from the United States, which is why the exchange rate of the euro against the US dollar has an effect on Teleste's competitiveness.

Some of the company's projects in the public transport segment are fixed-price projects due to the nature of the industry, which means they involve a margin risk when costs increase. Some project deliveries also involve delays in deliveries, which may lead to contractual penalties or credit losses. The company negotiates the effects of contractual terms concerning delays in project deliveries separately for each project.

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 Teleste'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.

Negative impacts on the company's brand and reputation could affect Teleste's business and financial per-

formance. 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.

The ongoing COVID-19 pandemic continues to present risks to Teleste's supply chains. Disruptions in the supply chains of electronic components and raw materials may continue to have a negative effect Teleste's delivery capability. A potential new pandemic or mutations could lead to new and more extensive restrictions.

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, such as those related to the war in Ukraine, 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.

Teleste Group may also be targeted by illegal activities and fraud attempts that could have a significant effect on the financial result. The Group strives to minimise these risks by continuing to develop good governance practices and increasing the security competence of its personnel.

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.

Teleste decided to suspend deliveries to Russia and Belarus immediately after the start of Russia's war of aggression. While the direct impacts of the war in Ukraine on Teleste's business have been limited, the war does have a significant impact on the availability of certain raw materials, logistics costs and the delivery times of materials.

### 9.4. Financial risks

Disruptions in the availability of materials and higher purchasing prices have significantly increased 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.

Rising interest rates affect Teleste's financial expenses to the extent that interest-bearing liabilities have not been hedged.

Part of Teleste'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 Teleste 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.

Teleste 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 2022.

Teleste's Belgian subsidiary has received a tax reassessment decision for the tax year 2019, and the company has appealed the decision. The company has recognised the tax effect of the tax reassessment decision, totalling EUR 1.7 million, in its result for the second quarter. If the appeal is not approved, the tax reassessment decision would lead to a tax payment of EUR 2.1 million, which would affect the company's cash flow at the time of payment.

## 10. LEGAL PROCEEDINGS AND JUDICIAL PROCEDURES

Aside from the tax reassessment decision issued in Belgium, there were no other legal proceedings or judicial procedures pending during the period under review that would have had any essential significance for the Group's operations.

## 11. DECISIONS BY THE ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) of Teleste Corporation held on 6 April 2022 adopted the financial statements and consolidated financial statements for 2021 and discharged the members of the Board of Directors and the CEO from liability for the financial period 2021. In accordance with the proposal of the Board of Directors, the AGM resolved that, based on the adopted balance sheet, a dividend of EUR 0.14 per share be paid for the financial period that ended on 31 December 2021 for shares other than those held by the Company. The dividend record date was 8 April 2022, and the dividend was paid out on 19 April 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 6 April 2022, the Board of Directors elected Timo Luukkainen as its Chairman. Mirel Leino-Haltia was elected Chair of the Audit Committee, with Jussi Himanen and Vesa Korpimies as members.

It was decided that the annual remuneration of the members of the Board of Directors will remain unchanged: EUR 66,000 per year for the chairman and EUR 33,000 per year for each member. The annual remuneration of the Board member who acts as the chairman of the Audit Committee shall be EUR 49,000 per year. Of the annual remuneration to be paid to the Board members, 40 per cent of the total gross remuneration amount will be used to purchase Teleste Corporation's shares for the Board members through trading on the regulated market organised by Nasdaq Helsinki Ltd, and the rest will be paid in cash. However, a separate meeting fee shall not be paid to the members of the Board of Directors nor the Chair-

man of the Audit Committee. The members of the Board's Audit Committee are paid a meeting fee of EUR 400 for the meetings of the Audit Committee they attend.

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

The AGM approved the company's Remuneration Report for 2021.

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 of the company's own shares otherwise than in proportion to the holdings of the shareholders with unrestricted equity through trading on regulated market organised by Nasdaq Helsinki Ltd at the market price of the time of the purchase.

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

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

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

The total number of new shares to subscribe for under the special rights granted by the Company and own shares held by the Company to be transferred may not

exceed 1,000,000 shares, which number is included in the above maximum number concerning new shares and the Group's own shares held by the Company.

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

## 12. SHARES AND CHANGES IN SHARE CAPITAL

Pursuant to the authorisation issued by the Annual General Meeting, Teleste Corporation's Board of Directors decided, on 9 March 2022, on a directed share issue without consideration, relating to the reward payment for the performance period 2019-2021 of Teleste Group's share-based incentive plan 2018. In the share issue, 10,512 Teleste Corporation shares held by the company were conveyed without consideration to the key employees participating in the share-based incentive plan in accordance with the terms and conditions of the plan on 18 March 2022.

On 31 December 2022, Tianta Oy was the largest single shareholder, with a holding of 25.1% (25.0%).

In the period under review, the lowest price of the company's share was EUR 3.13 (4.47) and the highest price was EUR 5.76 (6.66). The closing price on 31 December 2022 was EUR 3.54 (5.24). According to Euroclear Finland Ltd, the number of shareholders at the end of the period under review was 5,410 (5,481). Foreign shareholders accounted for 1.3% (1.3%) of the shares, while nominee-registered holdings accounted for 3.0% (3.0%). The value of Teleste's shares traded on Nasdaq Helsinki from 1 January to 31 December 2022 was EUR 6.3 (13.8) million. During the period under review, 1.5 (2.5) million Teleste shares were traded on the stock exchange. Teleste's share is quoted in the technology section of Nasdaq Helsinki.

On 31 December 2022, the Group held 757,682 (768,194) of its own shares, all held by the parent company Teleste Corporation. At the end of the review period, the Group's holding of the total number of shares amounted to 4.0% (4.0%).

On 31 December 2022, the company's registered share capital stood at EUR 6,966,932.80, divided into 18,985,588 shares.

Valid authorisations at the end of the review period:

- The Board of Directors may acquire 1,200,000 of the company's own shares otherwise than in proportion to the holdings of the shareholders with unrestricted equity through trading on the regulated market organised by Nasdaq Helsinki at the market price of the time of the purchase.
- The Board of Directors may decide on issuing new shares and/or transferring the company's own shares held by the company, so that the maximum total number of shares issued and/or transferred is 2,000,000.
- The total number of new shares to subscribe for under the special rights granted by the company and own shares held by the company to be transferred may not exceed 1,000,000 shares, which number is included in the above maximum number concerning new shares and the Group's own shares held by the company.
- These authorisations are valid until 5 October 2023.

## 13. OWNERSHIP BY MANAGEMENT AND MEMBERS OF THE GOVERNING BODIES ON 31 DECEMBER 2022

On the financial statements date, the CEO and Members of the Board owned 133,278 (204,610) Teleste Corporation shares equal to 0.70% (1.08%) of all shares and votes. The shareholdings of the management decreased after the previous CEO retired at the end of the financial year 2021. The CEO and the Board members did not have subscription rights based on stock options. On the financial statements date, the members of the Management Group other than the CEO or entities under their control owned 40,699 (49,454) Teleste Corporation shares equal to 0.21% (0.26%) 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 2023

The demand for broadband services and the global market for network equipment are expected to continue to grow due to increased remote work, digital services and the growing consumption of streaming services that require increasing network capacity and faster connections. Network operators that provide broadband services have been able to respond competitively to the increasing demand in their cable-based network infrastructure by investing in DOCSIS 3.1-compliant 1.2 GHz network upgrades during the past few years. These investments are expected to continue in 2023.

Next-generation DOCSIS 4.0-compliant technologies will enable subscribers to access broadband connections with speeds up to 10 gigabytes using existing coaxial cabling. DOCSIS 4.0 technology enables the competitiveness of the cable network infrastructure compared to optical fibre for many years to come. Network operators in North America, in particular, will make substantial investments in new DOCSIS 4.0 technology. In Europe, the investments are expected to begin in 2024 or later, with some operators simultaneously investing partially in fibre networks to maintain their lead over other fixed network competitors.

Product development projects for Teleste's 1.8 GHz DOCSIS 4.0-compliant network products are ongoing. The deliveries of passive products have begun, and amplifiers will be launched in the market in the second half of 2023.

Component availability problems - especially with regard to semiconductors - may continue to hinder the development of the broadband networks market, but we expect the growth of the market to continue, particularly in North America. Cost inflation will require Teleste to continue to regularly increase sales prices to protect profitability.

Growing urban environments and their safety, the increase of environmentally sustainable public transport services, and the increasing popularity of smart digital systems for a smoother life provide a foundation for growing business in video security and public transport information systems in the coming years.

Public transport operators and 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 market for public transport information systems is estimated to have turned to growth again during 2022 after the pandemic, although the availability of components and materials has continued to limit growth. We expect steady market growth in both information systems and security systems in the coming years. Ensuring competitiveness requires Teleste to continuously make R&D investments in new intelligent solutions, and the share of software systems in these solutions will continue to grow. Increasing sales prices to the extent allowed by agreements, professional project management and improving operational efficiency will continue to be high priorities.

#### 15. OUTLOOK FOR 2023

Teleste estimates that net sales in 2023 will amount to EUR 150-175 million and that the adjusted operating result in 2023 will be EUR 2-5 million.

# Consolidated financial statements

## Statement of Comprehensive Income

| 1,000 €  | Note | 1.1.–31.12.2022 | 1.1.–31.12.2021 | Change,%      |
|--|------|-----------------|-----------------|---------------|
| <b>Net sales</b>   | 1    | 165,009         | 143,966         | 14.6          |
| Other operating income   | 2    | 538             | 5,209           | -89.7         |
| Material and services  | 14   | -88,070         | -67,672         | 30.1          |
| Employee benefits expense  | 3    | -48,522         | -46,825         | 3.6           |
| Depreciation and amortisation  | 4    | -7,228          | -7,566          | -4.5          |
| Impairment   | 4    | -5,400          | 0               | n/a           |
| Other operating expenses   | 5    | -21,166         | -18,399         | 15.0          |
| <b>Operating profit</b>  |      | <b>-4,838</b>   | <b>8,714</b>    | <b>-155.5</b> |
| Financial income   | 6    | 1,360           | 1,091           | 24.7          |
| Financial expenses   | 7    | -1,507          | -767            | 96.4          |
| <b>Profit before taxes</b>   |      | <b>-4,985</b>   | <b>9,037</b>    | <b>-155.2</b> |
| Income tax expense   | 8    | -898            | -2,107          | -57.4         |
| <b>Profit for the financial period</b>   |      | <b>-5,833</b>   | <b>6,930</b>    |               |
| Profit attributable to:  | 9    |                 |                 |               |
| Owners of the parent company   |      | -5,669          | 7,089           |               |
| Non-controlling interests  |      | -213            | -159            |               |
|  |      | <b>-5,883</b>   | <b>6,930</b>    |               |
| Earnings per share for profit of the year attributable to the equity holders of the parent | 9    |                 |                 |               |
| Basic (expressed in € per share)   |      | -0.31           | 0.39            |               |
| Diluted (expressed in € per share)   |      | -0.31           | 0.39            |               |
| <b>Total comprehensive income for the period (tEUR)</b>                                    |      |                 |                 |               |
| Net profit   |      | -5,883          | 6,930           |               |
| Other items in other comprehensive income  |      |                 |                 |               |
| Items that may be reclassified to profit or loss:  |      |                 |                 |               |
| Translation differences  |      | -953            | 620             |               |
| Fair value reserve   |      | 187             | 1               |               |
| Related tax  |      | -38             | 0               |               |
| Other items in other comprehensive income including tax total                              |      | -804            | 622             |               |
| Total comprehensive income for the period  |      | -6,686          | 7,552           |               |
| <b>Total comprehensive income attributable to:</b>   |      |                 |                 |               |
| Owners of the parent company   |      | -6,486          | 7,691           |               |
| Non-controlling interests  |      | -200            | -140            |               |
|  |      | <b>-6,686</b>   | <b>7,552</b>    |               |

## Statement of financial position

| 1,000 €  | Note | 31.12.2022     | 31.12.2021     | Change,%      |
|--|------|----------------|----------------|---------------|
| <b>Assets</b>  |      |                |                |               |
| <b>Non-current assets</b>                                  |      |                |                |               |
| Intangible assets  | 10   | 10,548         | 14,047         | -24.9         |
| Goodwill   | 10   | 30,581         | 30,707         | -0.4          |
| Property, plant and equipment                              | 11   | 13,733         | 11,284         | 21.7          |
| Available-for-sale investments                             | 12   | 348            | 458            | -24.1         |
| Deferred tax assets  | 13   | 3,437          | 1,700          | 102.1         |
|  |      | 58,646         | 58,195         | 0.8           |
| <b>Current assets</b>                                      |      |                |                |               |
| Inventories  | 14   | 38,706         | 29,177         | 32.7          |
| Trade and other receivables                                | 15   | 41,194         | 33,493         | 23.0          |
| Tax receivables  | 21   | 393            | 259            | 52.0          |
| Cash and cash equivalents                                  | 16   | 13,405         | 14,100         | -4.9          |
|  |      | 93,699         | 77,029         | 21.6          |
| <b>Total Assets</b>  |      | <b>152,345</b> | <b>135,224</b> | <b>12.7</b>   |
| <b>Equity and Liabilities</b>                              |      |                |                |               |
| <b>Equity attributable to equity holders of the parent</b> |      |                |                |               |
| Share capital  | 17   | 6,967          | 6,967          | 0.0           |
| Share premium  | 17   | 1,504          | 1,504          | 0.0           |
| Translation differences                                    |      | -1,850         | -1,392         | 32.9          |
| Fair value reserve and other reserves                      |      | 3,292          | 3,142          | 4.8           |
| Retained earnings  |      | 50,458         | 58,588         | -13.9         |
| <b>Owners of the parent company</b>                        |      | <b>60,372</b>  | <b>68,810</b>  | <b>-12.3</b>  |
| <b>Non-controlling interests</b>                           |      | <b>-20</b>     | <b>180</b>     | <b>-110.9</b> |
| <b>Equity total</b>  |      | <b>60,352</b>  | <b>68,990</b>  | <b>-12.5</b>  |
| <b>Non-current liabilities</b>                             |      |                |                |               |
| Interest-bearing liabilities                               | 18   | 44,317         | 6,856          | 546.4         |
| Other liabilities  | 20   | 92             | 737            | -87.6         |
| Deferred tax liabilities                                   | 13   | 1,968          | 1,988          | -1.0          |
| Provisions   | 19   | 424            | 370            | 14.6          |
|  |      | 46,801         | 9,951          | 370.3         |
| <b>Current liabilities</b>                                 |      |                |                |               |
| Trade and other payables                                   | 20   | 35,388         | 33,260         | 6.4           |
| Current tax payable  | 21   | 578            | 868            | -33.4         |
| Provisions   | 19   | 3,189          | 962            | 231.4         |
| Interest-bearing liabilities                               | 18   | 6,038          | 21,193         | -71.5         |
|  |      | 45,192         | 56,283         | -19.7         |
| <b>Total Liabilities</b>                                   |      | <b>91,993</b>  | <b>66,234</b>  | <b>38.9</b>   |
| <b>Total Equity and Liabilities</b>                        |      | <b>152,345</b> | <b>135,224</b> | <b>12.7</b>   |

## Consolidated cash flow statement

| 1,000 €   | Note | 1.1.-31.12.2022 | 1.1.-31.12.2021 |
|---|------|-----------------|-----------------|
| <b>Cash flows from operating activities</b>                 |      |                 |                 |
| Profit for the period                                       |      | -5,883          | 6,930           |
| Adjustments to cash flows from operating activities         | 23   | -679            | 7,567           |
| Paid interests and other financial expenses                 |      | -682            | -300            |
| Other financial items                                       |      | 303             | 164             |
| Received interests and dividends                            |      | 157             | 76              |
| Paid taxes  |      | -1,054          | -935            |
| <b>Net cash from operating activities</b>                   |      | <b>-7,839</b>   | <b>13,502</b>   |
| <b>Cash flows from investing activities</b>                 |      |                 |                 |
| Purchases of tangible assets                                |      | -3,039          | -1,299          |
| Proceeds from sales of PPE                                  |      | 75              | 85              |
| Purchases of intangible assets                              |      | -5,917          | -5,689          |
| Purchase of investments                                     |      | -145            | -142            |
| Disposal of discontinued operation, net of cash disposed of |      | 0               | -3,749          |
| Acquisition of subsidiaries, net of cash acquired           |      | -889            | 0               |
| <b>Net cash used in investing activities</b>                |      | <b>-9,916</b>   | <b>-10,795</b>  |
| <b>Cash flow from financing activities</b>                  |      |                 |                 |
| Proceeds from borrowings                                    |      | 42,908          | 0               |
| Payments of borrowings                                      |      | -21,348         | -4,500          |
| Payment of finance lease liabilities                        |      | -2,031          | -2,120          |
| Dividends paid  |      | -2,552          | -2,321          |
| <b>Net cash used in financing activities</b>                |      | <b>16,977</b>   | <b>-8,942</b>   |
| <b>Change in cash</b>                                       |      |                 |                 |
| Cash and cash equivalents 1.1.                              |      | 14,100          | 20,224          |
| Effect of currency changes                                  |      | 84              | 109             |
| <b>Cash and cash equivalents 31.12.</b>                     |      | <b>13,405</b>   | <b>14,100</b>   |

## Consolidated statement of changes in equity

| 1,000 €  | Attributable to equity holders of the parent |               |                         |                   |                                |                |               |                          | Total equity  |
|--|--|---------------|-------------------------|-------------------|--------------------------------|----------------|---------------|--------------------------|---------------|
|  | Share capital                                | Share premium | Translation differences | Retained earnings | Invested non-restricted equity | Other reserves | Total         | Non controlling interest |               |
| <b>At 1 January 2021</b>                           | 6,967  | 1,504         | -1,558                  | 52,716            | 3,140                          | 0              | 62,771        | 319                      | <b>63,090</b> |
| Net profit   |  |               |                         | 7,089             |                                | 0              | 7,089         | -159                     | 6,930         |
| Other items in comprehensive income for the period |  |               | 165                     | 436               |                                | 1              | 602           | 19                       | 622           |
| <b>Total comprehensive income</b>                  | 0  | 0             | 165                     | 7,525             | 0                              | 1              | 7,691         | -140                     | <b>7 552</b>  |
| Dividends  |  |               |                         | -2,186            |                                |                | -2,186        | 0                        | -2 186        |
| Equity-settled share-based payments                | ,  | ,             |                         | 534               |                                |                | 534           | 0                        | 534           |
|  | 0  | 0             | 0                       | -1,652            | 0                              | 0              | -1,652        | 0                        | -1,652        |
| <b>At 31 December 2021</b>                         | <b>6,967</b>                                 | <b>1,504</b>  | <b>-1,393</b>           | <b>58,590</b>     | <b>3,140</b>                   | <b>2</b>       | <b>68,810</b> | <b>180</b>               | <b>68,990</b> |
| Net profit   |  |               |                         | -5,669            |                                |                | -5,669        | -213                     | -5,883        |
| Other items in comprehensive income for the period |  |               | -458                    | -509              |                                | 150            | -817          | 13                       | -804          |
| <b>Total comprehensive income</b>                  | <b>0</b>                                     | <b>0</b>      | <b>-458</b>             | <b>-6,178</b>     |                                | <b>150</b>     | <b>-6,486</b> | <b>-200</b>              | <b>-6,686</b> |
| Dividends  |  |               |                         | -2,552            |                                |                | -2,552        |                          | -2 552        |
| Equity-settled share-based payments                |  | ,             |                         | 600               |                                |                | 600           |                          | 600           |
| Capital investment by non-controlling interests    | 0  | 0             | 0                       | -1,952            | 0                              | 0              | -1,952        | 0                        | -1,952        |
| <b>At 31 December 2022</b>                         | <b>6,967</b>                                 | <b>1,504</b>  | <b>-1,850</b>           | <b>50,460</b>     | <b>3,140</b>                   | <b>151</b>     | <b>60,372</b> | <b>-20</b>               | <b>60,352</b> |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. ACCOUNTING PRINCIPLES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

### COMPANY PROFILE

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

Founded in 1954 Teleste is a technology company running business activities, with a focus on the processing, transmission and management of video and data for operators and public authorities who provide multiple video-related information, entertainment and security services to end-users. Teleste also has strong emphasis on product solutions for broadband access networks, video service platforms and video surveillance applications. Group also delivers comprehensive network service solutions including new construction, rebuilding, upgrading, planning and maintenance services of cable networks. The parent company of Teleste Group, Teleste Corporation, has permanent establishment in Netherlands and a subsidiaries in thirteen countries outside Finland. Teleste Corporation has been listed on the Helsinki Stock Exchange since 1999. A copy of the consolidated financial statements can be obtained either from Teleste's website [www.teleste.com](http://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 2022. 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 Finn-

ish accounting and company legislation.

The Group has applied as from 1 January 2022 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 2022.

- **Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16**  
The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.  
  
Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.
- **Reference to the Conceptual Framework – Amendments to IFRS 3**  
Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and IFRIC 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date. These updates do not change the accounting requirements for business combinations.
- **Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37**  
The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremen-

tal costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

- **Annual Improvements to IFRS Standards 2018–2020**  
The following improvements were finalised in May 2020:
  - IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
  - IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.
  - IAS 41 Agriculture – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

### BASIS OF PREPARATION

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

### USE OF ESTIMATES

The preparation of financial statements in conformity with IFRSs requires management to make estimates and assumptions that affect the contents of the financial statements as well as use judgement when applying accounting principles. The estimates and assumptions are based on the management's current best knowledge reflecting historical experience and other reasonable

assumptions. Actual results may differ from these estimates. Accounting estimates mainly relate to goodwill, obsolete inventories, credit losses and warranty provisions. The chapter “Accounting policies requiring management’s judgement and key sources of estimation uncertainty” discusses judgements made by management and those financial statement items on which judgements have a significant effect.

## SUBSIDIARIES

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

## ASSOCIATES

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

## JOINT VENTURES

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

## PRINCIPLES OF CONSOLIDATION

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

## FINANCIAL STATEMENTS OF FOREIGN SUBSIDIARIES

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

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

## FOREIGN CURRENCY TRANSACTIONS

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

## PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are stated at historical cost less cumulative depreciation and any impairment losses. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment. Interest costs which are directly attributable

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

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

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

Land is not depreciated.

## LEASES

Teleste has applied IFRS 16 Leases from 1 January 2019.

### Group as lessee

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

nized 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 interest.

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 sub-projects 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 uses the IFRS 9 simplified 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.

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

Credit loss rates 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 off 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 to a significant degree have 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 invoice date. 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 comprehensive 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 it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax liabilities are recognised at their full amounts in the balance sheet, and deferred tax assets are recognised at estimated realisable amounts. The enacted or substantially enacted tax rate at the balance sheet date is used as the tax rate.

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

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

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

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

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

- **IFRS 17 Insurance Contracts 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 re-measured in each reporting period. Contracts are measured using the building blocks of:

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

The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income.

- **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 (definition and illustrative examples provided). 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.

# Notes to the Consolidated Financial Statements

## 1. NET SALES

### Geographical division

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

### Major customers

The company had no major customer concentrations in 2022.

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

The two segments 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.

## REVENUE FROM CONTRACTS WITH CUSTOMERS

|  | 2022           | 2021           |
|--|----------------|----------------|
| Revenue from contracts with customers<br>All revenue streams are generated from contracts with customers | 165,009        | 143,966        |
| Receivables, which are included in "trade and other receivables" Note 15                                 | 31,643         | 28,117         |
| <b>Net assets from contracts (+assets - liabilities)</b>   |                |                |
| Contract assets (+)  | 5,128          | 5,619          |
| Contract liabilities (-)   | -728           | -2,082         |
| <b>Total</b>   | <b>4,400</b>   | <b>3,537</b>   |
| <b>Timing of the revenue recognition</b>   |                |                |
| Timing of the revenue recognition, at point in time  | 155,489        | 131,296        |
| Timing of revenue recognition, over the time   | 9,521          | 12,670         |
| <b>Total</b>   | <b>165,009</b> | <b>143,966</b> |
| <b>Revenue by category</b>   |                |                |
| Goods  | 141,650        | 120,220        |
| Services   | 23,360         | 23,746         |
| <b>Total</b>   | <b>165,009</b> | <b>143,966</b> |

## ORDER BACKLOG

| Timing of order backlog   | 2023   | Later  | Total   |
|---------------------------|--------|--------|---------|
| Order backlog end of 2022 | 82,187 | 49,969 | 132,157 |

| Timing of order backlog   | 2022   | Later  | Total   |
|---------------------------|--------|--------|---------|
| Order backlog end of 2021 | 68,051 | 40,588 | 108,639 |

## 2. OTHER OPERATING INCOME

| 1,000 €  | 2022       | 2021         |
|--|------------|--------------|
| Government grants related to development costs | 231        | 561          |
| Gain on disposals of investments               | 0          | 549          |
| Gain on disposals of non-current assets        | 27         | 66           |
| Insurance compensation                         | 0          | 3,200        |
| Other income                                   | 280        | 833          |
| <b>Total</b>                                   | <b>538</b> | <b>5,209</b> |

## 3. EMPLOYEE BENEFITS EXPENSE

| 1,000 €                                 | 2022           | 2021           |
|---|----------------|----------------|
| Wages and salaries                      | -43,571        | -43,139        |
| Pension expenses                        | 0              |                |
| Defined contribution plans              | -6,068         | -6,034         |
| Other social security contributions     | -2,651         | -1,995         |
| Activated R&D salaries and social costs | 4,418          | 4,878          |
| Equity-settled share-based transactions | -651           | -534           |
| <b>Total</b>                            | <b>-48,522</b> | <b>-46,825</b> |

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 | 861 | 863 |
|---|-----|-----|

## 4. DEPRECIATION, AMORTISATION AND IMPAIRMENT

| 1,000 €  | 2022          | 2021          |
|--|---------------|---------------|
| Depreciation and amortisation by asset type:           |               |               |
| Tangible assets  |               |               |
| Buildings  | -306          | -427          |
| Machinery and equipment                                | -506          | -570          |
| Other tangible assets                                  | -3            | -6            |
| <b>Total</b>   | <b>-815</b>   | <b>-1,003</b> |
| Intangible assets                                      |               |               |
| Capitalised development expenses                       | -4,084        | -4,085        |
| Other intangible assets                                | -261          | -363          |
| <b>Total</b>   | <b>-4,344</b> | <b>-4,448</b> |
| Right-of-use assets                                    |               |               |
| Land and water, right-of-use                           | -30           | 0             |
| Buildings and structures, right-of-use                 | -1,226        | -1,286        |
| Machinery and equipment, right-of-use                  | -812          | -774          |
| <b>Total</b>   | <b>-2,068</b> | <b>-2,059</b> |
| <b>Total depreciation, amortisation and impairment</b> | <b>-7,228</b> | <b>-7,566</b> |
| Amortisations by asset                                 |               |               |
| Intangible assets                                      |               |               |
| Capitalised development expenses                       | -5,400        | 0             |
| Amortisations total                                    | -5,400        | 0             |

## 5. OTHER OPERATING EXPENSES

| 1,000 €              | 2022           | 2021           |
|----------------------|----------------|----------------|
| Rental expenses      | -1,935         | -1,850         |
| External services    | -5,787         | -5,233         |
| Other variable costs | -2,167         | -2,284         |
| Travel and IT costs  | -3,965         | -2,976         |
| R&D costs            | -1,028         | -1,285         |
| Other expenses       | -6,284         | -4,771         |
| <b>Total</b>         | <b>-21,166</b> | <b>-18,399</b> |

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

Impairment of 5.4 million euros related to first-generation distributed access architecture software and products, as well as software and customer-specific solutions in rolling stock on-board systems. The deployment of the first-generation distributed access architecture products in cable broadband operators' networks has been delayed compared to earlier assumptions, and the latest view is that the market for first-generation products is estimated to remain limited due to a significant proportion of demand shifting to second-generation products. At the same time, the size of the market for second-generation products and the DOCSIS 4.0 market is expected to grow. Teleste's strategy remains entirely unchanged with regard to distributed access architecture and DOCSIS 4.0. In addition, Teleste will redesign the software platform underpinning the information systems developed for rolling stock manufacturers, and the company will aim for a significantly higher level of productisation in software systems. Due to these changes, the previous R&D investments will not be taken advantage of to the originally envisioned extent. Due to these changes, the previous R&D investments will not be utilised to the originally intended extent. The rolling stock information systems market is expected to continue to grow, and Teleste's strategy will remain entirely unchanged with regard to rolling stock manufacturers.

### Audit expenses

| 1,000 €               | 2022 | 2021 |
|-----------------------|------|------|
| <b>KPMG/PWC</b>       |      |      |
| Auditing assignments  | -154 | -107 |
| Tax consultancy       | 0    | -5   |
| Other assignments     | -16  | -9   |
| <b>Other auditors</b> |      |      |
| Auditing assignments  | -44  | -66  |
| Other assignments     | -29  | -38  |

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

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

## 6. FINANCIAL INCOME

| 1,000 €                | 2022         | 2021         |
|------------------------|--------------|--------------|
| Interest income        | 154          | 65           |
| Other financial income | 58           | 45           |
| Foreign exchange gain  | 1,146        | 978          |
| Dividend income        | 3            | 3            |
| <b>Total</b>           | <b>1,360</b> | <b>1,091</b> |

## 7. FINANCIAL EXPENSES

|                                 | 2022          | 2021        |
|---------------------------------|---------------|-------------|
| Interest expenses               | -584          | -220        |
| Foreign exchange loss           | -636          | -379        |
| Interest from lease liabilities | -98           | -80         |
| Other financial expenses        | -188          | -88         |
| <b>Total</b>                    | <b>-1,507</b> | <b>-767</b> |

Losses from forward exchange contracts are included in operating profit.

## 8. INCOME TAXES

| 1,000 €   | 2022        | 2021          |
|---|-------------|---------------|
| Current tax expense                                   |             |               |
| Taxes based on the taxable income of the current year | -1,004      | -1,060        |
| Tax for previous accounting periods                   | -1,785      | -31           |
| Change in deferred tax liabilities and tax assets     | 1,891       | -1,017        |
| <b>Total</b>  | <b>-898</b> | <b>-2,107</b> |

Reconciliation of the tax expense, EUR, -898 thousand, calculated using the Teleste Group's domestic corporation 20.0 % tax rate.

| 1,000 €   | 2022   | 2021   |
|---|--------|--------|
| Profit before tax   | -4,985 | 9,037  |
| Income tax using the domestic corporation tax rate (20.0%)              | 997    | -1,807 |
| Effect of tax rates in foreign jurisdictions                            | -28    | -451   |
| Non-taxable income  | 3      | 45     |
| Non-deductible expenses   | -84    | -127   |
| Loss for the period, for which no deferred tax asset is recognized      | 0      | 263    |
| Taxes from previous year  | -1,785 | -31    |
| Income tax income/expense reported in the consolidated income statement | -898   | -2,107 |

## 9. EARNINGS PER SHARE

### The basic earnings per share is calculated as follows:

|  |  |
|--|--|
| Profit for the year attributable to equity holders of the parent                 |  |
| Weighted average number of ordinary shares outstanding during the financial year |  |

### The diluted earnings per share is calculated as follows:

|  |  |
|--|--|
| Profit for the year attributable to equity holders of the parent (diluted)                 |  |
| Weighted average number of ordinary shares outstanding during the financial year (diluted) |  |

The 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.

### 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 (1,000)   | 9      |
| Weighted average number of ordinary shares outstanding during the financial year (diluted) (1,000) | 18,235 |
| Diluted earnings per share (€)   | -0.31  |

### 2021

|  |        |
|--|--------|
| Profit for the year attributable to equity holders of the parent, (1,000 €)                        | 7,089  |
| Weighted average number of ordinary shares outstanding during the financial year (1,000)           | 18,216 |
| Basic earnings per share (€)   | 0.39   |
| Weighted average number of ordinary shares outstanding during the financial year (1,000)           | 18,216 |
| Effect of share options on issue (1,000)   | 7      |
| Weighted average number of ordinary shares outstanding during the financial year (diluted) (1,000) | 18,223 |
| Diluted earnings per share (€)   | 0.39   |

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

## 10. INTANGIBLE ASSETS

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

Intangible assets consists of:

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

| 1,000 €   | Develop-<br>ment costs | Immaterial<br>rights | Other<br>intangible<br>assets | Goodwill      | Total          |
|---|------------------------|----------------------|-------------------------------|---------------|----------------|
| Cost 1.1.2021                                     | 23,902                 | 1,627                | 8,197                         | 30,502        | <b>64,227</b>  |
| Translation differences                           | -10                    | -13                  | 86                            | 205           | <b>267</b>     |
| Additions   | 5,659                  | 11                   | 19                            | 0             | <b>5,689</b>   |
| Disposals   |                        |                      | 0                             | <b>0</b>      | <b>0</b>       |
| Business disposals                                |                        |                      | 0                             | 0             | <b>0</b>       |
| Cost 31.12.2021                                   | 29,551                 | 1,625                | 8,301                         | 30,707        | <b>70,183</b>  |
| Cumulative amortisation and impairment 1.1.2021   | -11,922                | -1,329               | -7,786                        | 0             | <b>-21,037</b> |
| Translation differences                           | 3                      | 10                   | -90                           | 0             | <b>-77</b>     |
| Amortisation                                      | -4,085                 | -185                 | -179                          | 0             | <b>-4,448</b>  |
| Cumulative amortisation and impairment 31.12.2020 | -16,004                | -1,503               | -8,055                        | 0             | <b>-25,562</b> |
| Carrying amount 1.1.2021                          | 11,980                 | 298                  | 410                           | 30,502        | <b>43,191</b>  |
| <b>Carrying amount 31.12.2021</b>                 | <b>13,547</b>          | <b>122</b>           | <b>246</b>                    | <b>30,707</b> | <b>44,622</b>  |

Intangibile assets consists of:

|   |        |
|---|--------|
| - Assets owned by the group                 | 44,622 |
| - Assets group has right to use as a leasee | 131    |
|   | 44,753 |

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 2022 (0,6 million euros in year 2021). Of these grants, 0,0 million euros (0,0 million euros in year 2021) has been booked as deduction of activated development costs. Development grants have clause which states that may be retracted if the conditions on which the grants have been permitted, have changed.

For the purposes of impairment testing goodwill items of the Group have been allocated to the segments, each of which represents a separate cash-generating unit. The aggregate goodwill amount totalled 30.6 million euro at 31 December 2022. Goodwill has been allocated to the following cash-generating unit:

|           | million euro |
|-----------|--------------|
| Tech&Prod | 30,1         |
| NS CH     | 0,5          |

The recoverable amount of the Cash Generating Unit (CGU) is based upon value-in-use calculations. Those calculations use cash flow projections based upon the strategies and business plans approved by the management. Calculations are prepared covering a 5 years' period. The cash flows for the first year for both CGU's are based on the budget for 2023 according the business plan. From 2024 onwards Tech&Prod cash flow is based on strategic long term plan for years 2024 and 2025. For 2026 and 2027 the cash flows are calculated with 3% annual growth rate. Management's view on the cash flows is cautious as the changes of the industry are difficult to foresee. A discount rate of 9.2% is used in both segments. The terminal value of the segments is calculated by using a growth rate of 2%. 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 2022 and 2021 are presented in the table below:

|                          | 2022      |       | 2021      |       |
|--------------------------|-----------|-------|-----------|-------|
| %                        | Tech&Prod | NS CH | Tech&Prod | NS CH |
| Revenue growth in year 1 | 3         | 10    | 9         | 2     |
| Revenue growth in year 2 | 19        | 18    | 12        | 2     |
| Revenue growth in year 3 | 23        | 16    | 12        | 2     |
| Revenue growth in year 4 | 3         | 3     | 6         | 2     |
| Revenue growth in year 5 | 3         | 3     | 5         | 2     |
| WACC (after taxes)       | 9.2       | 9.2   | 9.2       | 9.2   |

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

| Impairment test | 2022 | 2021 |
|-----------------|------|------|
| Meur            |      |      |
| Tech&Prod       | 28.1 | 29.9 |
| NS CH           | 1.9  | 1.5  |

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 % | 2022 | 2021 |
|----------------------------|------|------|
| Tech&Prod                  | -22  | -28  |
| NS CH                      | -43  | -41  |

| Discount rate change (percentage points) | 2022 | 2021 |
|--|------|------|
| Tech&Prod                                | 2.1  | 2.6  |
| NS CH                                    | 7.3  | 5.9  |

## 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             | 8,602                    | 7,549                   | 1,250                 | 0                                     | <b>17,457</b>  |
| Translation differences                                    | 0              | -38                      | -13                     | -4                    | 0                                     | <b>-55</b>     |
| Additions  | 0              | 2,587                    | 420                     | 7                     | 0                                     | <b>3,014</b>   |
| Business disposals   | 0              | 0                        | 142                     | 0                     | 0                                     | <b>142</b>     |
| Disposals  | 0              | 0                        | -277                    | 17                    | 0                                     | <b>-261</b>    |
| Reclassification   | 0              | -3                       | 0                       | 0                     | 0                                     | <b>-3</b>      |
| Cost 31.12.2022  | 56             | 11,148                   | 7,822                   | 1,270                 | 0                                     | <b>20,295</b>  |
| Cumulative depreciation and impairment 1.1.2022            | -2             | -4,480                   | -5,962                  | -1,112                | 0                                     | <b>-11,555</b> |
| Translation differences                                    | 0              | 11                       | 39                      | -25                   | 0                                     | <b>26</b>      |
| Cumulative amortisation on business disposals              | 0              | 0                        | -64                     | 0                     | 0                                     | <b>-64</b>     |
| Cumulative amortisation on disposals and reclassifications | 0              | 9                        | 210                     | 29                    | 0                                     | <b>248</b>     |
| Depreciations  | 0              | -306                     | -506                    | -3                    | 0                                     | <b>-816</b>    |
| Cumulative depreciation and impairment 31.12.2021          | -2             | -4,766                   | -6,283                  | -1,111                | 0                                     | <b>-12,162</b> |
| Carrying amount 1.1.2022                                   | 54             | 4,122                    | 1,588                   | 138                   | 0                                     | <b>5,902</b>   |
| <b>Carrying amount 31.12.2022</b>                          | <b>54</b>      | <b>6,382</b>             | <b>1,539</b>            | <b>159</b>            | <b>0</b>                              | <b>8,134</b>   |

Intangible assets consists of:

|                              |               |
|------------------------------|---------------|
| - Assets owned by the Group  | 8,134         |
| - Leased right of use assets | 5,600         |
|                              | <b>13,734</b> |

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

## RIGHT-OF-USE ASSETS

### Righ-of-use assets according to IFRS 16

| 1,000 €  | Intangible assets,<br>right-of-use | Land and water,<br>right-of-use | Buildings and structures,<br>right-of-use | Machinery and equipment,<br>right-of-use | Total         |
|--|------------------------------------|---------------------------------|---|--|---------------|
| Cost 1.1.2022                                      | 334                                | 1,149                           | 6,665                                     | 4,749                                    | <b>12,897</b> |
| Translation differences                            | -11                                | 0                               | -64                                       | -4                                       | <b>-79</b>    |
| Additions  | 0                                  | 38                              | 1,051                                     | 1,214                                    | <b>2,302</b>  |
| Disposals  | -64                                | 0                               | 0   | 0  | <b>-64</b>    |
| Cost 31.12.2022                                    | 260                                | 1,187                           | 7,652                                     | 5,958                                    | <b>15,057</b> |
| Cumulative depreciations and impairment 1.1.2022   | -203                               | -78                             | -3,787                                    | -3,316                                   | <b>-7,384</b> |
| Translation differences                            | 7                                  | 0                               | 47  | 3  | <b>57</b>     |
| Cumulative depreciation on disposals               | 0                                  | 0                               | 0   | 2  | <b>2</b>      |
| Depreciations                                      | 0                                  | -30                             | -1,226                                    | -813                                     | <b>-2,068</b> |
| Impairments  | 0                                  | 0                               | 0   | 0  | <b>0</b>      |
| Cumulative depreciations and impairment 31.12.2022 | -196                               | -108                            | -4,966                                    | -4,123                                   | <b>-9,393</b> |
| Carrying amount 1.1.2022                           | 131                                | 1,071                           | 2,879                                     | 1,432                                    | <b>5,514</b>  |
| <b>Carrying amount 31.12.2022</b>                  | <b>64</b>                          | <b>1,079</b>                    | <b>2,686</b>                              | <b>1,835</b>                             | <b>5,664</b>  |

| Intangible assets,<br>right-of-use | Property, Plant, &<br>Equipment, right-of-use | Total        |
|------------------------------------|---|--------------|
| 64                                 | 5,600   | <b>5,664</b> |

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

## 12. OTHER FINANCIAL ASSETS

| 1,000 €                           | Available<br>for sale<br>investments | Investments<br>designated<br>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        |
| <b>Carrying amount 31.12.2022</b> | <b>27</b>                            | <b>321</b>                                | <b>348</b> |

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

### 13. DEFERRED TAX ASSETS AND LIABILITIES

| 1,000 €   | 1.1.2022      | Recognised<br>in the income<br>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           |
| <b>Total</b>  | <b>1,700</b>  | <b>1,518</b>                             | <b>3,437</b>  |
| 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           |
| <b>Total</b>  | <b>-1,988</b> | <b>259</b>                               | <b>-1,968</b> |

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

Group has not netted any deferred tax receivables and debts.

At 31 December 2022 the Group had unused tax losses in subsidiaries amounting 9,350 thousand euro (31 Dec. 2021: 6,585 thousand euro). A tax credit of 1,998 thousand euros has been recorded for the loss (31.12.2021 1,215 thousand euros). Use of tax losses has been assessed 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 14,583 thousand euro at 31 Dec. 2022 (31 Dec. 2021: 16,566 thousand euro). This is because the realization of this tax liability is unlikely in the near future.

### 14. INVENTORIES

| 1,000 €                       | 2022          | 2021          |
|-------------------------------|---------------|---------------|
| Raw materials and consumables | 28,594        | 16,092        |
| Work in progress              | 1,460         | 4,380         |
| Finished goods                | 8,651         | 8,705         |
| <b>Total</b>                  | <b>38,706</b> | <b>29,177</b> |

In the accounting period, a provision of 3,150 thousand euros was added, with which the book value of the inventory was recorded to match its net realizable value. The valuation of inventories to their net realizable value is at the end of the financial year, a total of 7,423 thousand euros provision (4,273 thousand euros in 2021).

### 15. TRADE AND OTHER CURRENT RECEIVABLES

| 1,000 €                            | 2022          | 2021          |
|------------------------------------|---------------|---------------|
| Trade receivables                  | 31,643        | 28,117        |
| Accrued income and prepayments     | 2,992         | 3,345         |
| Other receivables                  | 1,431         | 1,182         |
| Assets based on customer contracts | 5,128         | 850           |
| <b>Total</b>                       | <b>41,194</b> | <b>33,493</b> |

The numbers in the comparative data have been changed to match the current grouping, items related to customer contracts are presented as a separate group from accrued income and prepayments.

### 16. CASH AND CASH EQUIVALENTS

| 1,000 €  | 2022          | 2021          |
|--|---------------|---------------|
| Cash at bank and in hand and call deposits               | 13,405        | 14,100        |
| <b>Total</b>   | <b>13,405</b> | <b>14,100</b> |
| Cash and cash equivalents in the statement of cash flows | 13,405        | 14,100        |

## 17. CAPITAL AND RESERVES

| 1 000 €              | Number.<br>of shares,<br>1,000 | Number of<br>own shares,<br>1,000 | Number of<br>shares,<br>total 1,000 |
|----------------------|--------------------------------|-----------------------------------|-------------------------------------|
| 1.1.2022             | 18,218                         | 768                               | <b>18,986</b>                       |
| Change in own shares | 11                             | -11                               | <b>0</b>                            |
| 31.12.2022           | 18,228                         | 758                               | <b>18,986</b>                       |

The company's restricted equity on 31 December 2022 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 2022 was 18,985,588 (18,985,588 on 31 December 2021). All issued shares have been fully paid.

Teleste Oyj's annual general meeting held on April 6, 2022 decided to authorize the board of directors to decide on the acquisition of the company's own shares in accordance with the board's proposal. Based on the authorization, the board can acquire a maximum of 1,200,000 of the company's own shares, other than shares owned by the shareholders, in proportion to the company's free equity at the market price at the time of acquisition of the shares in trading organized by NASDAQ OMX Helsinki Oy on the regulated market.

Teleste Oyj's annual general meeting held on April 7, 2021 decided to authorize the board of directors to decide on the acquisition of the company's own shares in accordance with the board's proposal. Based on the authorization, the board can acquire a maximum of 1,200,000 of the company's own shares, other than shares owned by the shareholders, in proportion to the company's free equity at the market price at the time of acquisition of the shares in trading organized by NASDAQ OMX Helsinki Oy on the regulated market. Holdings of the shareholders by using the non-restricted equity through public trading on Nasdaq Helsinki Ltd at the market price prevailing at the time of acquisition.

At the end of December 2022, the Group held 757,682 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 the directors intends to propose to the annual general meeting to be held on April 4, 2023, that no dividend be distributed for the year 2022. The dividend for the financial year 2021 was EUR 0.14 per share.

### **SHARE-BASED INCENTIVE PROGRAMME LTI 2018**

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

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

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

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

The gross quantity of matching shares payable under the matching share plan 2020–2022 is 17,426 shares and under the performance share plan at maximum 281,700 shares. The Board of Directors approved 33 key employees as eligible to participate in the plans beginning in 2020. At the end of 2022, altogether 25 key employees were approved as eligible to participate in the plan.

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

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

### **SHARE-BASED INCENTIVE PROGRAMME LTI 2021**

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

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

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

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

The gross quantity of matching shares payable under the matching share plan 2021–2023 is 17,128 shares and under the performance share plan at maximum 318,000 shares. The Board of Directors approved 33 key employees as eligible to participate in the plans beginning in 2021. At the end of 2022, altogether 29 key employees were approved as eligible to participate in the plan.

### **SHARE-BASED INCENTIVE PROGRAMME LTI 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 performance period. The potential share rewards will be delivered if the performance targets set by the Board of

Directors are achieved. In the plan that began in 2022, the performance criteria applied to the performance share plan are the total shareholder return (TSR) of Teleste's share and the company's cumulative adjusted EBIT. The above investment in Teleste's shares is a requirement for an individual key employee to be included in the plan.

The gross quantity of matching shares payable under the matching share plan 2022-2024 is 19,325 shares and under the performance share plan at maximum 335,400 shares. The Board of Directors approved 34 key employees as eligible to participate in the plans beginning in 2022. At the end of 2022, altogether 29 key employees were approved as eligible to participate in the plan. The gross rewards to be allocated during 2022-2024 on the basis of the restricted share plan correspond to a maximum of 50,000 shares. The restricted share plan was not activated in the financial period 2022.

## Share based incentives during the reporting period

### 1.1. - 31.12.2022

During the financial year 2022 four (4) plan periods 2019-2021, 2020-2022, 2021-2023 and 2022-2024 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

| 31.12.2022   | Long Term Incentive Plan 2018 (LTI 2018) |                                  | Long Term Incentive Plan 2021 (LTI 2021)) | Long Term Incentive Plan 2022 (LTI 2022) | Total/<br>Weighted<br>Average |
|--|--|----------------------------------|---|--|-------------------------------|
|  | Vesting Period 2019-2021                 | Vesting Period 2020-2022         | Vesting Period 2021-2023                  | Vesting Period 2022-2024                 |                               |
| Maximum number of shares *                                     | 346,125                                  | 346,125                          | 357,500                                   | 363,350                                  | 1,066,975                     |
| Initial allocation date  | 1.7.2019                                 | 1.7.2020                         | 1.7.2021                                  | 1.7.2022                                 |                               |
| Estimated vesting date   | 31.3.2022                                | 31.3.2023                        | 31.3.2024                                 | 31.3.2025                                |                               |
| Maximum contractual life, yrs                                  | 2,8                                      | 2,7                              | 2,8                                       | 2,8                                      | 2,7                           |
| Remaining contractual life, yrs                                | 0,0                                      | 0,2                              | 1,2                                       | 2,2                                      | 1,3                           |
| Total number of beneficiaries at the end of the reporting year | 0  | 25                               | 29  | 29                                       | 38                            |
| 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 | 292,157                  | 300,151                  | 339,313                  | 0                        | 931,620 |
| Changes during the period                            |                          |                          |                          |                          |         |
| Granted  | 0                        | 0                        | 0                        | 348,875                  | 348,875 |
| Forfeited  | 274,620                  | 13,325                   | 46,530                   | 17,550                   | 352,025 |
| Exercised  | 17,537                   | 0                        | 0                        | 0                        | 17,537  |
| 31.12.   |                          |                          |                          |                          |         |
| Outstanding at the end of the period                 | 0                        | 286,826                  | 292,783                  | 331,325                  | 910,933 |

held. In addition, performance shares may be earned on the basis of Teleste Total Shareholder Return (TSR) 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.

## Fair value determination

Valuation parameters for instruments granted during period 2022 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                               | 3,80 € |
| Effect of the market condition in the fair value        | 60%    |
| Expected dividends, discounted EUR                      | 0,22 € |
| Expected volatility *                                   | 35%    |
| Fair value per share of the equity-settled portion, EUR | 1,44 € |

\* 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 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 2022         | 95  |

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

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

## 18. INTEREST-BEARING LIABILITIES

| 1,000 €                            | 2022          | 2021          |
|------------------------------------|---------------|---------------|
| Non-current                        |               |               |
| Loans from financial institutions  | 40,416        | 3,000         |
| Lease liabilities                  | 3,901         | 3,856         |
| <b>Total</b>                       | <b>44,317</b> | <b>6,856</b>  |
| Current                            |               |               |
| Loans from financial institutions  | 4,231         | 19,600        |
| Lease liabilities, current portion | 1,806         | 1,593         |
| <b>Total</b>                       | <b>6,037</b>  | <b>21,193</b> |

Reconciliation of interest bearing liabilities

|                           | Loans         | Lease liabilities | Total         |
|---------------------------|---------------|-------------------|---------------|
| 1.1.2022                  | 22,600        | 5,450             | 28,050        |
| Cash flows                | 22,147        | -2,031            | 20,115        |
| New lease agreements      | 0             | 2,302             | 2,302         |
| Exchange rate differences | 0             | -22               | -22           |
| Other changes             | -100          | 9                 | -92           |
| <b>31.12.2022</b>         | <b>44,647</b> | <b>5,707</b>      | <b>50,354</b> |

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

| 1,000 € | 31.12.2022 | 31.12.2021 |
|---------|------------|------------|
| EUR     | 43,905     | 6,333      |
| Other   | 412        | 523        |

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

|                   |      |      |
|-------------------|------|------|
| Bank loans        | 3.3% | 0.8% |
| Lease liabilities | 2.0% | 1.3% |

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

|              |              |               |
|--------------|--------------|---------------|
| EUR          | 5,321        | 20,557        |
| Other        | 717          | 636           |
| <b>Total</b> | <b>6,037</b> | <b>21,193</b> |

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

|                   |      |      |
|-------------------|------|------|
| Bank loans        | 3.3% | 0.8% |
| Lease liabilities | 2.0% | 1.3% |

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:

|                                |              |              |
|--------------------------------|--------------|--------------|
| Less than one year             | 1,924        | 1,593        |
| Between one and five years     | 2,714        | 2,534        |
| More than five years           | 1,069        | 1,323        |
| <b>Total lease liabilities</b> | <b>5,707</b> | <b>5,450</b> |

Cash flow effect from leases

|                                       |      |      |
|---------------------------------------|------|------|
| Costs not included in lease liability |      |      |
| Leasing costs from short term leases  | -42  | -211 |
| Leasing costs from minor items        | -518 | -534 |
| Costs not included in lease liability | -560 | -745 |

Cash outflow from leases

|                                       |               |               |
|---------------------------------------|---------------|---------------|
| Costs not included in lease liability |               |               |
| Costs included in lease liability     | -560          | -745          |
| Cash flow effect from leases          | -2,129        | -2,199        |
| <b>Total</b>                          | <b>-2,689</b> | <b>-2,944</b> |

## 19. PROVISIONS

| 1,000 €                         | Warranty provision | Tax provision | Other provisions | Total        |
|---------------------------------|--------------------|---------------|------------------|--------------|
| 1.1.2022                        | 1,058              | 0             | 273              | <b>1,332</b> |
| Provisions made during the year | 110                | 2,107         | 64               | <b>2,281</b> |
| <b>31.12.2022</b>               | <b>1,169</b>       | <b>2,107</b>  | <b>337</b>       | <b>3,613</b> |

| 1,000 €      | 2022         | 2021         |
|--------------|--------------|--------------|
| Non-current  | 424          | 370          |
| Current      | 3,189        | 962          |
| <b>Total</b> | <b>3,613</b> | <b>1,332</b> |

### 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

Teleste's Belgian subsidiary has received a post-tax decision for the tax year 2019, which the company has demanded to be annulled. The company has booked a total of 1.7 million euros tax effect according to the post-tax decision in the second quarter's result. If the adjustment claim is not accepted, the post-taxation decision would lead to a tax payment of 2.1 million euros and would affect the company's cash flow at the time of payment.

### Other warranties

Other warranties include pensions warranties and other minor warranties.

## 20. TRADE AND OTHER CURRENT LIABILITIES

| 1,000 €                   | 2022          | 2021          |
|---------------------------|---------------|---------------|
| Current                   |               |               |
| Trade payables            | 17,092        | <b>12,059</b> |
| Advances received         | 473           | <b>5,844</b>  |
| Other liabilities         | 1,042         | <b>871</b>    |
| Accrued employee expenses | 6,844         | <b>6,015</b>  |
| Interest liabilities      | 144           | <b>53</b>     |
| Derivatives               | 708           | <b>0</b>      |
| Contract liabilities      | 728           | <b>1,420</b>  |
| Other accrued liabilities | 8,357         | <b>6,997</b>  |
| <b>Total</b>              | <b>35,388</b> | <b>33,260</b> |
| Non current               |               |               |
| Other liabilities         | 92            | 737           |

## 21. INCOME TAX PAYABLE FOR THE PERIOD

At the end of the period there was income tax receivable 393 and tax payable of 578 thousand euro on the profit for the period (31 Dec. 2021 there was 259 thousand euro tax receivables and 868 thousand euro tax payables).

## 22. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

### Derivative instruments

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

Group has adopted hedge accounting to its USD purchases as of 1.12.2021. The change of value of USD hedges are reported on Other Comprehensive Income. Additional information can be found on Financial Risk Management note. At the 31.12.2022 value of instruments under hedge accounting was -681 thousand euros (1 thousand euros), comprising entirely on time values of options.

Changes of value on other forward contracts and forwards options used for hedging purposes are fully recorded in the income statement. The fair values of these exchange contracts in 2022 was -26 thousand euros (359 thousand in 2021) and they are reported as an adjustment to the operating result.

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

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

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

### Trade and other payables or receivables

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

### Carrying amounts of financial assets and liabilities by measurement categories

| 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    |
|--|------|---|---|---|---------------------------------------|---------------|
| <b>Non current financial assets</b>      |      |   |   |   |                                       |               |
| Other financial assets                   | 12   | 27  | 321   | 0   | 348                                   | 348           |
| <b>Current financial assets</b>          |      |   |   |   |                                       |               |
| Trade and other receivables              | 15   |   |   | 31,643  | 31,643                                | 31,643        |
| Derivative contracts                     | 24   |   |   |   | 0                                     | 0             |
| Interest rate hedging instruments        | 24   |   | 869   |   | 869                                   | 869           |
| <b>Carrying amount by category</b>       |      | <b>27</b>   | <b>321</b>  | <b>31,643</b>                                     | <b>31,991</b>                         | <b>31,991</b> |
| <b>Non-current financial liabilities</b> |      |   |   |   |                                       |               |
| Interest-bearing liabilities             | 18   |   |   | 44,317  | 44,317                                | 44,317        |
| <b>Current financial liabilities</b>     |      |   |   |   |                                       |               |
| 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           |
| <b>Carrying amount by category</b>       |      | <b>26</b>   | <b>681</b>  | <b>67 590</b>                                     | <b>68 297</b>                         | <b>68 297</b> |
| 2021 Balance item                        |      |   |   |   |                                       |               |
| <b>Non current financial assets</b>      |      |   |   |   |                                       |               |
| Other financial assets                   | 12   | 19  | 439   | 0   | 458                                   | 458           |
| <b>Current financial assets</b>          |      |   |   |   |                                       |               |
| Trade and other receivables              | 15   |   |   | 28,117  | 28,117                                | 28,117        |
| Derivative contracts                     | 25   | 360   |   |   | 360                                   | 360           |
| <b>Carrying amount by category</b>       |      | <b>379</b>  | <b>439</b>  | <b>28,117</b>                                     | <b>28,935</b>                         | <b>28,935</b> |
| <b>Non-current financial liabilities</b> |      |   |   |   |                                       |               |
| Interest-bearing liabilities             | 18   |   |   | 6 856   | 6 856                                 | 6 856         |
| <b>Current financial liabilities</b>     |      |   |   |   |                                       |               |
| Interest-bearing liabilities             | 18   |   |   | 21 193  | 21 193                                | 21 193        |
| Interest rate hedges                     | 25   | 0   |   |   | 0                                     | 0             |
| Trade and other payables                 | 20   |   |   | 12 059  | 12 059                                | 12 059        |
| Other current liabilities                | 20   |   |   | 53  | 53                                    | 53            |
| <b>Carrying amount by category</b>       |      | <b>0</b>  | <b>0</b>  | <b>40,161</b>                                     | <b>40,161</b>                         | <b>40,161</b> |

# 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 (13 per cent), PLN (accounts for 7 per cent of the net sales), Swedish and Norwegian crowns (3 per cent) and US dollars (3 per cent). Significant part of expenses, 60 per cent, arise in euro and in US dollar 32 per cent, Swedish crown 3 per cent. The hedging decisions are based on the expected net cash flow for the following six months.

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 2022 the fair value of currency derivatives amounted to 27.0 million euro (31. Dec 2021: 18.1 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.

### Sensitivity to market risk

|  | 2022           | 2021           |
|--|----------------|----------------|
| 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   | ±84            | ±150           |
| ±10% change in EUR/CNY exchange rate   | ±0             | ±32            |
| ±10% change in EUR/GBP exchange rate   | ±7             | ±18            |

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

|                     | 2022  |       |       |       |        | 2021  |     |     |       |       |
|---------------------|-------|-------|-------|-------|--------|-------|-----|-----|-------|-------|
|                     | USD   | SEK   | NOK   | GBP   | PLN    | USD   | SEK | NOK | GBP   | PLN   |
| Current assets      | 2,133 | 1,624 | 2,482 | 9,607 | 10,920 | 756   | 948 | 383 | 6,271 | 2,088 |
| Current liabilities | 2,421 | 1,368 | 1,005 | 3,133 | 4,944  | 1,897 | 360 | 218 | 922   | 1,217 |

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 com-

pany's 2022 financial year result.

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

#### Translation risk

Since the Group's currency risk exposure regarding net investments in foreign operations is relatively low, the equity position, i.e. differences in the calculatory euro values of these amounts (translation risk) is not actively hedged. At 31 December 2022 the total non-euro-denominated equity of the Group's foreign subsidiaries amounted to 19.6 million euro (31 Dec. 2021: 18.4 million euro).

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.

|   | 2022 | 2021 |
|---|------|------|
| Profit/loss reported in operating profit not included in hedge accounting | 54   | -217 |

#### 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      |

#### Cash flow hedges at 31 Dec 2021

##### Currency position

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

| Hedging funds                      | Cash flow hedge reserve | Base value of options | Spot share of forward exchange contracts | Cash flow reserves total |
|------------------------------------|-------------------------|-----------------------|--|--------------------------|
| 1 January 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                      |

| Hedging funds                      | Cash flow hedge reserve | Base value of options | Spot share of forward exchange contracts | Cash flow reserves total |
|------------------------------------|-------------------------|-----------------------|--|--------------------------|
| 1 January 2021                     | 0                       | 0                     | 0  | 0                        |
| Cost of hedging recognised in OCI  | 1                       |                       |  | 1                        |
| Change in deferred tax liabilities |                         |                       |  |                          |
| 31 December 2021                   | 1                       | 0                     | 0  | 1                        |

## 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 29,75 thousand euro have short-term interest as a reference rate. The interest period is less than one year. Of the loans 3.0 million euros has a fixed rate interest until 17.8.2023 after which their unamortized balance has a short term interest reference rate. At the end of 2022, the loans have been hedged with an interest rate swap agreement up to EUR 13.75 million euros.

All Group loans are denominated in euro. In 2022, the average interest rate of the loan portfolio was 3.25 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 2022, the effect on variable rate interest-bearing liabilities on profit before taxes would have been ±297 thousand euro had the interest rate increased or decreased by 1 percentage point.

## 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.

Hedge accounting is applied to the interest rate swap. The effects of interest rate swaps on the group's financial position and result are as follows:

|   |        |
|---|--------|
| Book value (current and long-term asset)  | 869    |
| Nominal amount (thousand euros)   | 13,750 |
| Maturity  | 2,027  |
| Hedge ratio   | 1:1    |
| Change in fair value from 1.1. onwards, thousands   | 869    |
| Change in the value of the hedging object used to determine the effectiveness of the hedge (thousand euros) | -869   |
| The weighted average of the hedged interest rate during the accounting period                               | 0.73 % |

| 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                  | 32,750        | 0               |              | <b>32,750</b> |

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.

|  |             |        |
|--|-------------|--------|
| The maximum exposure to credit risk at the reporting date was: | <b>2022</b> | 2021   |
| Trade receivables and other receivables                        | 31,939      | 28,547 |

| Analysis of trade receivables by age | 2022          |           |                 |               | 2021          |           |                 |               |
|--------------------------------------|---------------|-----------|-----------------|---------------|---------------|-----------|-----------------|---------------|
|                                      | Gross         | Provision | Impairment loss | Net           | Gross         | Provision | Impairment loss | Net           |
| Not overdue                          | 25,320        | 0,1 %     | -27             | 25,294        | 23,113        | 0.1%      | -23             | 19,810        |
| 1–30 days                            | 4,303         | 0,4 %     | -18             | 4,285         | 2,827         | 0.8%      | -23             | 2,804         |
| 31–60 days                           | 898           | 0,6 %     | -6              | 892           | 722           | 1.3%      | -9              | 713           |
| 61-90 days                           | 554           | 0,8 %     | -5              | 550           | 610           | 2.1%      | -13             | 598           |
| 91-120 days                          | 402           | 1,0 %     | -4              | 398           | 149           | 2.8%      | -4              | 145           |
| 121-360 days                         | 236           | 5,1 %     | -12             | 224           | 834           | 8.0%      | -67             | 767           |
| Over 360 days                        | 225           | 100,0 %   | -225            | 0             | 291           | 100.0%    | -291            | 0             |
| <b>Total</b>                         | <b>31,939</b> |           | <b>-295</b>     | <b>31,643</b> | <b>28,547</b> |           | <b>-430</b>     | <b>28,117</b> |
| Balance sheet book value             | 31,939        |           | -295            | 31,643        | 28,547        |           | -430            | 28,117        |

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

## 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 2022 the Group's cash reserves totaled 13.4 million euros and its interest-bearing net debt 50.4 million euros. The Group administration raises the Group's interest-bearing debt centrally. At 31 December 2022

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

|                                   | 2023   | 2024-2027 | Over 5 years |
|-----------------------------------|--------|-----------|--------------|
| Loans from financial institutions | 5,020  | 40,416    |              |
| Trade payables                    | 17,092 |           |              |
| Lease liabilities                 | 1,806  | 2,832     | 1,069        |
| Others                            |        |           |              |

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

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

Teleste had committed and available credit facilities as well as other agreed and undrawn loans amounting to 7.3 million euros. Group's loan agreements and committed loan facilities include profitability and cash flow covenants like netdebt/EBITDA and equity-ratio.

Teleste Corporation has credit limit and credit agreements with a total value of EUR 56.0 million. At the end of the review period, unused committed credit facilities amounted to EUR 7.3 (10.0) 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%. The leverage ratio as of 31 December 2022 and 2021 was as follows:

| 1,000 €                                    | 2022   | 2021   |
|--|--------|--------|
| Total borrowings                           | 50,355 | 28,049 |
| Cash and cash equivalents                  | 13,405 | 14,100 |
| Interest-bearing net debt                  | 36,949 | 13,949 |
| Total equity                               | 60,352 | 68,990 |
| Interest-bearing net debt and total equity | 97,302 | 82,939 |
| Leverage ratio                             | 38,0%  | 16.8%  |

### 23. ADJUSTMENTS TO CASH FLOWS FROM OPERATING ACTIVITIES

| 1,000 €   | 2022           | 2021         |
|---|----------------|--------------|
| <b>Adjustments to operating cash flow</b>         |                |              |
| Adjustments                                       |                |              |
| Depreciation and amortisation                     | 12,628         | 7,566        |
| Employee benefits                                 | 600            | 534          |
| Gain/loss on sale of fixed assets                 | -27            | -66          |
| Gain/loss on sale of shares                       | 0              | -549         |
| Change in provisions                              | 180            | -504         |
| Other income and expenses not related to payment  | 0              | -28          |
| Financial income and expenses                     | 418            | -1,065       |
| Dividend income                                   | 3              | 3            |
| Taxes   | 898            | 2,107        |
| <b>Total</b>                                      | <b>14,700</b>  | <b>7,997</b> |
| Change in net working capital                     |                |              |
| Change in trade receivables and other receivables | -4,895         | -4335        |
| Change in inventories                             | -11,658        | -1,424       |
| Change in trade payables and other payables       | 1,175          | 5,329        |
| <b>Total</b>                                      | <b>-15,379</b> | <b>-430</b>  |
| Cash flow adjustment from operating activities    | -679           | 7,567        |

### 24. COMMITMENTS AND CONTINGENCIES

| 1,000 €                                    | 2022   | 2021   |
|--|--------|--------|
| Rental and leasing liabilities             |        |        |
| Rental liabilities                         | 0      | 0      |
| Lease liabilities                          | 981    | 951    |
| Currency derivatives                       |        |        |
| Volume of the underlying forward contracts | 27,011 | 18,128 |
| Market value of the forward contracts      | -708   | 360    |
| Volume of interest rate hedges             | 13,750 | 0      |
| Market value of interest rate hedges       | 869    | 0      |
| Guarantees provided                        |        |        |
| Guarantees                                 | 3,511  | 5,450  |

## 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, Warsaw, Poland | 100             | 100            |
| Teleste Information Solutions Oy, Forssa, Finland     | 100             | 100            |
| Teleste Networks S.p.zoo, Wroclaw, Poland             | 100             | 100            |
| Teleste Belgium SA, Bryssel, Belgium                  | 100             | 100            |
| Teleste Corporation Iberica S.L, Alcobendas, Spain    | 100             | 100            |
| Teleste d.o.o., Ljutomer, Slovenia                    | 100             | 100            |
| Teleste Electronics (SIP) Co., Ltd, Shuzhou, China    | 100             | 100            |
| Teleste France SAS, Paris, France                     | 100             | 100            |
| Teleste GmbH, Hildesheim, Germany                     | 100             | 100            |
| Teleste Intercept, LLC, Dover DE, USA                 | 60              | 60             |
| Teleste LLC, New Jersey, USA                          | 100             | 100            |
| Teleste Ltd, Chesham, UK                              | 100             | 100            |
| Teleste Networks Services S.A. Yverdon, Switzerland   | 100             | 100            |
| Teleste SP z.o.o, Wroclaw, Poland                     | 100             | 100            |
| Teleste Sweden AB, Stockholm, Sweden                  | 100             | 100            |
| Teleste US, Inc, Dover DE, USA                        | 100             | 100            |
| Teleste Video Networks Sp zoo, Krakova, Poland        | 100             | 100            |
| Ermetris s.r.l. Gorizia, Italy                        | 100             | 100            |

### Employee benefits of the management

| 1,000 €                                | 2022 | 2021 |
|--|------|------|
| CEO                                    |      |      |
| Salaries and other short-term benefits | 383  | 458  |

During 2022 no options were granted to the management of Teleste (2021: 0 options). Management of the parent company has 0,1 % or 17,136 of the parent company's shares (2021: 1,0% or 204,610 shares).

The CEO's pension plan is arranged through group pension insurance, payment amounted 72 thousand euro (32 thousand euro in 2021) and a capital redemption policy, payment amounted 72 thousand euro (174 thousand euro in 2021). These payments are not included in above mentioned salaries and other short term benefits.

Transactions with key management personnel  
Board of directors and CEO compensations

| 1,000 €  | 2022       | 2021       |
|--|------------|------------|
| 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       | 37         | 35         |
| Jussi Himanen, Member of the Board, Member of the Audit Committee        | 37         | 35         |
| Heikki Mäkijärvi, Member of the Board                                    | 33         | 33         |
| Kai Telanne, Member of the Board   | 33         | 33         |
| Esa Harju, CEO   | 383        | 458        |
| <b>Total</b>   | <b>637</b> | <b>709</b> |

Other management team compensations

|  |              |              |
|--|--------------|--------------|
| Salaries, compensations and other short-term employee benefits | 836          | 1,044        |
| Share based payments   | 22           | 22           |
| Long-term employee benefits                                    | 237          | 238          |
| <b>Total</b>   | <b>1,095</b> | <b>1,304</b> |

No cash loans were granted, no commitments assumed or collaterals given regarding CEO or the members of the Board of Directors during 2022 and 2021.

In 2020, a member of Teleste Group's Management Team was granted a euro-denominated loan on market terms due to exceptional circumstances arising from Covid-19. The amount of the loan was EUR 44 thousand on Euros on December 31th 2021. The loan was fully repaid during the 2022 financial year.

## 26. SUBSEQUENT EVENTS

To the group management's knowledge has not come any material events after the financial statement date that would have affected the financial statement calculations.

# Financial statements of parent company

## Income statement of parent company 1.1. - 31.12.2022

| 1,000 €                                  | Note | 2022          | 2021          |
|--|------|---------------|---------------|
| <b>Net sales</b>                         | 1    | <b>85,512</b> | <b>70,714</b> |
| Change in inventories of finished goods  |      | 2,077         | 429           |
| Other operating income                   | 2    | 2,020         | 2,326         |
| Material and services                    | 3    | -51,834       | -39,079       |
| Personnel expenses                       | 4    | -21,359       | -21,558       |
| Depreciation and amortisation            | 5    | -300          | -490          |
| Other operating expenses                 | 6    | -13,299       | -12,091       |
| <b>Operating profit</b>                  |      | <b>2,816</b>  | <b>250</b>    |
| Financial income and expenses            | 7    | 1,049         | 4,656         |
| <b>Profit before extraordinary items</b> |      | <b>3,865</b>  | <b>4,906</b>  |
| Appropriations                           |      |               |               |
| Accumulated depreciations                | 8    | -290          | 107           |
| Group Contribution                       | 8    | -2,600        | 0             |
| <b>Income taxes</b>                      |      |               |               |
| Direct taxes                             | 9    | -15           | 41            |
| <b>Profit for the financial period</b>   |      | <b>960</b>    | <b>5,054</b>  |

## Balance sheet

| 1,000 €                             | Note | 2022           | 2021          |
|-------------------------------------|------|----------------|---------------|
| <b>Non-current assets</b>           |      |                |               |
| Intangible assets                   | 10   | 76             | 26            |
| Property, plant and equipment       | 10   | 5,728          | 3,258         |
| Long-term receivables               | 11   | 17,949         | 10,830        |
| Investments                         | 12   | 37,320         | 29,040        |
|                                     |      | <b>61,073</b>  | <b>43,154</b> |
| <b>Current assets</b>               |      |                |               |
| Inventories                         | 13   | 21,991         | 14,163        |
| Trade and other receivables         | 14   | 17,646         | 17,787        |
| Cash and cash equivalents           | 15   | 9,940          | 11,193        |
|                                     |      | <b>49,576</b>  | <b>43,143</b> |
| <b>Total assets</b>                 |      | <b>110,650</b> | <b>86,297</b> |
| <b>Equity and liabilities</b>       |      |                |               |
| <b>Shareholders' equity</b>         |      |                |               |
| Share capital                       | 16   | 6,967          | 6,967         |
| Share premium                       | 16   | 1,504          | 1,504         |
| Invested non-restricted equity      | 16   | 3,704          | 3,704         |
| Retained earnings                   | 16   | 15,122         | 12,620        |
| Profit for the financial period     | 16   | 960            | 5,054         |
|                                     |      | <b>28,257</b>  | <b>29,849</b> |
| <b>Appropriations</b>               | 8    | <b>319</b>     | <b>29</b>     |
| <b>Provisions</b>                   | 17   | <b>445</b>     | <b>276</b>    |
| <b>Liabilities</b>                  |      |                |               |
| Long-term liabilities               | 18   | 40,416         | 3,000         |
| Short-term liabilities              | 19   | 41,214         | 53,143        |
|                                     |      | <b>81,629</b>  | <b>56,143</b> |
| <b>Total equity and liabilities</b> |      | <b>110,650</b> | <b>86,297</b> |

## Cash flow statement

| 1,000 €  | 2022           | 2021           |
|--|----------------|----------------|
| <b>Cash flow from operations</b>                         |                |                |
| Profit before extraordinary items                        | 3,865          | 4,906          |
| Adjustments  |                |                |
| Depreciations according to plan                          | 300            | 490            |
| Profit/loss from sale of investments                     | 0              | 0              |
| Financial income and expenses                            | -1,140         | -4,995         |
| Cashflow before changes in working capital               | 3,024          | 401            |
| Changes in working capital                               |                |                |
| Increase (-) /decrease(+) in trade and other receivables | -4,237         | 1,398          |
| Increase (-) / decrease (+) in inventories               | -7,786         | -3,167         |
| Increase (+) / decrease (-) in trade payables            | -891           | 4,675          |
| Change in provisions                                     | 169            | -391           |
| Loans granted  | 0              | 0              |
| Cashflow before financial items and taxes                | -9,721         | 2,916          |
| Paid interests   | -863           | -329           |
| Interests and dividends received                         | 2,827          | 4,196          |
| Income taxes paid  | 0              | 0              |
| <b>Cash flow from operations</b>                         | <b>-7,757</b>  | <b>6,784</b>   |
| <b>Cash flow from investing activities</b>               |                |                |
| Investments in intangible and tangible assets            | -2820          | -820           |
| Investments in subsidiary shares                         | 0              | 60             |
| Disposal of shares in subsidiaries                       | 0              | -3,749         |
| Loans granted  | -17,682        | -1,923         |
| Proceeds from borrowings                                 | 0              | 8,590          |
| Change in group cashpool                                 | 2,835          | -1,865         |
| Investment in other financial assets                     | -145           | -142           |
| <b>Cash flow from investing activities</b>               | <b>-17,812</b> | <b>151</b>     |
| <b>Cash flow from financing activities</b>               |                |                |
| Proceeds from borrowings                                 | 44,003         | 0              |
| Payments of borrowings                                   | -22,750        | -4,500         |
| Change group cashpool                                    | 5,614          | -5,013         |
| Paid dividends and other profit distribution             | -2,552         | -2,321         |
| <b>Cash flows from financing activities</b>              | <b>24,315</b>  | <b>-11,835</b> |
| <b>Change in liquid funds</b>                            | <b>-1,254</b>  | <b>-4,901</b>  |
| Liquid funds 1.1.  | 11,194         | 16,094         |
| Effects of exchange rate fluctuations on cash held       | 0              | 0              |
| Liquid funds 31.12.                                      | 9,940          | 11,194         |

# 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 Telegenkatu 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 specific 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 to 33 years |
| Machinery .....                     | 3 to 5 years   |
| Computers .....                     | 0 to 3 years   |

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

## LEASED ASSETS

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

## INVENTORIES

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

## CASH

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

## NET SALES

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

## RESEARCH AND DEVELOPMENT

R&D expenses are recorded as revenue expenditure.

## PENSION ARRANGEMENTS

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

## INCOME TAXES

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

## TREASURY SHARES

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

## Notes to Teleste Corporation profit & loss and balance sheet 31.12.2022

### 1. NET SALES

| 1,000 €                         | 2022          | 2021          |
|---------------------------------|---------------|---------------|
| <b>Net sales by market area</b> |               |               |
| Finland                         | 10,116        | 11,916        |
| Nordic countries                | 9,682         | 8,956         |
| Other Europe                    | 49,425        | 42,890        |
| Others                          | 16,288        | 6,952         |
| <b>Total</b>                    | <b>85,512</b> | <b>70,714</b> |

### 2. OTHER OPERATING INCOME

|                           |              |              |
|---------------------------|--------------|--------------|
| R&D subvention and others | 230          | 438          |
| Insurance compensation    | 5            | 133          |
| Other                     | 1,785        | 1,755        |
| <b>Total</b>              | <b>2,020</b> | <b>2,326</b> |

### 3. MATERIAL AND SERVICES

|                       |                |                |
|-----------------------|----------------|----------------|
| Purchases             | -54,547        | -39,730        |
| Change in inventories | 5,751          | 2,739          |
|                       | <b>-48,796</b> | <b>-36,991</b> |
| Purchased services    | -3,038         | -2,088         |
| <b>Total</b>          | <b>-51,834</b> | <b>-39,079</b> |

### 4. PERSONNEL EXPENSES

The comparison figures for the 2021 financial year have been changed to match the reported figures for the 2022 financial year. Changes to 2021 wages and salaries +65 thousand euros and other personnel costs -65 thousand euros.

| 1,000 €               | 2022           | 2021           |
|-----------------------|----------------|----------------|
| Wages and salaries    | -17,407        | -17,508        |
| Pension costs         | -3,249         | -3,513         |
| Other personnel costs | -703           | -537           |
| <b>Total</b>          | <b>-21,359</b> | <b>-21,558</b> |

|  |            |            |
|--|------------|------------|
| Remuneration to Board members and Managing Directors |            |            |
| 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                  | 37         | 35         |
| Jussi Himanen, Member of the Board                   | 37         | 35         |
| Mirel Leino-Haltia, Member of the Board              | 49         | 49         |
| Esa Harju, CEO                                       | 383        | 0          |
| Jukka Rinnevaara, former CEO                         | 0          | -58        |
| <b>Total</b>   | <b>637</b> | <b>709</b> |

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

|                    |     |     |
|--------------------|-----|-----|
| Year-end personnel | 322 | 324 |
| Average personnel  | 324 | 328 |

#### Personnel by function at the year-end

|                                    |            |            |
|------------------------------------|------------|------------|
| Research and Development           | 75         | 80         |
| Production and Material Management | 176        | 173        |
| Sales and marketing                | 32         | 33         |
| Administration                     | 38         | 38         |
| <b>Total</b>                       | <b>322</b> | <b>324</b> |

### 5. DEPRECIATION ACCORDING TO PLAN

| 1,000 €                 | 2022        | 2021        |
|-------------------------|-------------|-------------|
| Buildings               | -227        | -286        |
| Machinery and equipment | -32         | -54         |
| Goodwill                | 0           | -114        |
| Other intangible rights | -41         | -35         |
| <b>Total</b>            | <b>-300</b> | <b>-490</b> |

### 6. OTHER OPERATING EXPENSES

The comparison figures for the 2021 financial year have been changed to match the reported figures for the 2022 financial year. Changes to 2021 office and property costs +2.091 thousand euros, travel expenses +7 thousand euros, sales and marketing +3 thousand euros, IT costs -1.100 thousand euros.

|                           |                |                |
|---------------------------|----------------|----------------|
| Office and property costs | -910           | -880           |
| Travel expenses           | -525           | -188           |
| Sales and marketing       | -245           | -131           |
| IT costs                  | -2,982         | -2,628         |
| Other expenses            | -8,636         | -8,264         |
| <b>Total</b>              | <b>-13,299</b> | <b>-12,091</b> |

### 7. FINANCIAL INCOME AND EXPENSES

|                                      |              |              |
|--------------------------------------|--------------|--------------|
| Interest income                      | 142          | 10           |
| Interest income from Group companies | 527          | 378          |
| Interest expenses                    | -576         | -215         |
| Interest expenses to Group companies | -287         | -114         |
| Impairment of investments            | -675         | 0            |
| Currency differences                 | 506          | 638          |
| Other financial income and expenses  | -166         | -63          |
| Dividend income from Group companies | 1,575        | 4,018        |
| Dividend income                      | 3            | 2            |
| <b>Total</b>                         | <b>1,049</b> | <b>4,656</b> |

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

| 1,000 €  | 2022          | 2021       |
|--|---------------|------------|
| <b>Change in accumulated depreciation difference</b> |               |            |
| Buildings  | -184          | 118        |
| Machines and equipment                               | -108          | -19        |
| Intangible assets                                    | 2             | 8          |
| <b>Total</b>   | <b>-290</b>   | <b>107</b> |
| <b>Group contribution</b>                            | <b>-2,600</b> | <b>0</b>   |
| <b>Total</b>   | <b>-2,890</b> | <b>107</b> |
| Accumulated depreciation in excess of plan           | 29            | 29         |

## 9. INCOME TAXES

|                           |            |           |
|---------------------------|------------|-----------|
| Direct taxes              | 0          | 0         |
| Taxes from previous years | -15        | 41        |
| <b>Total</b>              | <b>-15</b> | <b>41</b> |

## 10. TANGIBLE AND INTANGIBLE ASSETS

| 1,000 €                                | Intangible assets | Buildings     | Machinery     | Total          |
|--|-------------------|---------------|---------------|----------------|
| <b>Acquisition cost 1.1.</b>           | <b>8,402</b>      | <b>9,736</b>  | <b>9,256</b>  | <b>18,992</b>  |
| Increases                              | 91                | 2,518         | 213           | 2,730          |
| Transfer between items                 |                   |               |               | 0              |
| <b>Acquisition cost 31.12.</b>         | <b>8,493</b>      | <b>12,254</b> | <b>9,469</b>  | <b>21,723</b>  |
| Accumulated depreciation 1.1.          | -8,376            | -6,517        | -9,218        | -15,735        |
| Depreciation                           | -41               | -227          | -32           | -259           |
| <b>Accumulated depreciation 31.12.</b> | <b>-8,417</b>     | <b>-6,744</b> | <b>-9,250</b> | <b>-15,994</b> |
| <b>Book value 31.12.2022</b>           | <b>76</b>         | <b>5,510</b>  | <b>219</b>    | <b>5,728</b>   |

## 11. LONG TERM RECEIVABLES

| 1,000 €  | 2022          | 2021          |
|--|---------------|---------------|
| Subordinated loan from group company             | 2,000         | 2,000         |
| Other long term receivables from group companies | 15,949        | 8,831         |
| <b>Total</b>                                     | <b>17,949</b> | <b>10,831</b> |

## 12. INVESTMENTS

| Parent company                         | Shares in group companies | Shares others | Other Investments | Total         |
|--|---------------------------|---------------|-------------------|---------------|
| Acquisition cost 1.1.                  | 35,109                    | 19            | 439               | 35,567        |
| <b>Increase</b>                        | <b>9,000</b>              | <b>0</b>      | <b>145</b>        | <b>9,145</b>  |
| Disposal                               | 0                         | 0             | -264              | -264          |
| Liquidation                            | -1                        | 0             | 0                 | -1            |
| <b>Acquisition cost 31.12.</b>         | <b>44,108</b>             | <b>19</b>     | <b>321</b>        | <b>44,448</b> |
| Accumulated depreciation 1.1.          | -6,527                    | 0             | 0                 | -6,527        |
| Disposal                               | 0                         | 0             | 0                 | 0             |
| Impairment                             | -600                      | 0             | 0                 | -600          |
| <b>Accumulated depreciation 31.12.</b> | <b>-7,127</b>             | <b>0</b>      | <b>0</b>          | <b>-7,127</b> |
| <b>Book value 31.12.2022</b>           | <b>36,981</b>             | <b>19</b>     | <b>321</b>        | <b>37,320</b> |

## 13. INVENTORIES

| 1,000 €                       | 2022          | 2021          |
|-------------------------------|---------------|---------------|
| Raw materials and consumables | 14,760        | 9,009         |
| Work in progress              | 370           | 5             |
| Finished goods                | 6,861         | 5,149         |
| <b>Total</b>                  | <b>21,991</b> | <b>14,163</b> |

#### 14. CURRENT ASSETS

The comparison figures for the 2021 financial year have been changed to match the reported figures for the 2022 financial year. Changes to 2021: Other receivables +344 thousand euros and accrued income -344 thousand euros.

| 1,000 €                                   | 2022          | 2021          |
|---|---------------|---------------|
| Accounts receivables                      | 10,094        | 6,631         |
| Accounts receivables from Group companies | 6,150         | 5,244         |
| Other receivables from Group companies    | 0             | 4,184         |
| Other receivables                         | 540           | 1,035         |
| Accrued income                            | 862           | 692           |
| <b>Total</b>                              | <b>17,646</b> | <b>17,787</b> |

#### 15. LIQUID FUNDS

|                           |              |               |
|---------------------------|--------------|---------------|
| Cash and cash equivalents | <b>9,940</b> | <b>11,193</b> |
|---------------------------|--------------|---------------|

#### 16. CHANGES IN SHAREHOLDERS' EQUITY

| 1,000 €                               | 2022          | 2021          |
|---------------------------------------|---------------|---------------|
| Share capital 1.1.                    | 6,967         | 6,967         |
| Share capital 31.12.                  | 6,967         | 6,967         |
| Share premium fund 1.1.               | 1,504         | 1,504         |
| Share premium fund 31.12.             | 1,504         | 1,504         |
| Invested non-restricted equity 1.1.   | 3,704         | 3,704         |
| Invested non-restricted equity 31.12. | 3,704         | 3,704         |
| Retained earnings 1.1.                | 17,674        | 14,806        |
| Dividends                             | -2,552        | -2,186        |
| Retained earnings 31.12.              | 15,122        | 12,620        |
| Profit for the financial period       | 960           | 5,054         |
| Accumulated profit 31.12.             | 16,082        | 17,674        |
| <b>Total</b>                          | <b>28,257</b> | <b>29,849</b> |
| Company's distributable equity 31.12. | 19,786        | 21,378        |

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 €  | 2022 | 2021 |
|--|------|------|
| Appropriations in the company consists of cumulative accelerated depreciations | 319  | 29   |

#### 18. OBLIGATORY PROVISIONS

|  |            |            |
|--|------------|------------|
| Guarantee provisions                       | 358        | 276        |
| Fair value of negative hedging instruments | 87         | 0          |
| <b>Total</b>                               | <b>445</b> | <b>276</b> |

#### 19. LONG TERM LIABILITIES

|                  |               |              |
|------------------|---------------|--------------|
| Loans from banks | <b>40,416</b> | <b>3,000</b> |
|------------------|---------------|--------------|

#### 20. SHORT TERM LIABILITIES

The comparison figures for the 2021 financial year have been changed to match the reported figures for the 2022 financial year. Changes to 2021 advances received +4860 thousand euros, other current liabilities -547 thousand euros and accrued liabilities -4313 thousand euros.

|  |               |               |
|--|---------------|---------------|
| Loans from banks                               | 4,000         | 19,500        |
| Advances received                              | 56            | 4,860         |
| Accounts payables                              | 7,906         | 4,340         |
| Accounts payables from Group companies         | 1,847         | 2,071         |
| Other current liabilities                      | 380           | 432           |
| Other current liabilities from Group companies | 19,284        | 14,362        |
| Accrued liabilities                            | 7,741         | 7,578         |
| <b>Total</b>                                   | <b>41,214</b> | <b>53,143</b> |

#### 21. CONTINGENT LIABILITIES AND PLEDGED ASSETS

| 1,000 €                    | 2022         | 2021         |
|----------------------------|--------------|--------------|
| <b>Leasing liabilities</b> |              |              |
| For next year              | 886          | 477          |
| For later years            | 1,173        | 907          |
| <b>Total</b>               | <b>2,059</b> | <b>1,384</b> |

#### Rental liabilities

|                            |              |              |
|----------------------------|--------------|--------------|
| Less than one year         | 84           | 85           |
| Between one and five years | 240          | 150          |
| More than five years       | 1,193        | 854          |
| <b>Total</b>               | <b>1,516</b> | <b>1,089</b> |

#### Liabilities on own behalf

|  |       |       |
|--|-------|-------|
| Bank guarantees                            | 385   | 394   |
| Guarantees given on behalf of subsidiaries | 3,126 | 5,055 |

#### 22. CURRENCY DERIVATES

|                                       |        |        |
|---------------------------------------|--------|--------|
| Value of underlying forward contracts | 27,011 | 18,128 |
| Market value of forward contracts     | -708   | 360    |
| Interest rate swap                    | 13,750 | 0      |
| Market value of interest rate swap    | 869    | 0      |

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% |
|---|----------------------|-------------------------|
| Teleste Norge AS, Porsgrun, Norway                    | 100%                 | 100%                    |
| Flomatik Network Services Ltd., Fareham, UK           | 100%                 | 100%                    |
| Teleste Systems GmbH, Hannover, Germany               | 100%                 | 0%                      |
| Kaavisio Oy, Turku, Finland                           | 100%                 | 100%                    |
| Teleste Information Solutions Sp. Zoo, Warsaw, Poland | 100%                 | 0%                      |
| Teleste Information Solutions Oy, Forssa, Finland     | 100%                 | 100%                    |
| Teleste Networks s.p.zoo,Wroclaw, Poland              | 100%                 | 100%                    |
| Teleste Belgium SA, Bryssel, Belgium                  | 100%                 | 100%                    |
| Teleste Corporation Iberica, S.L, Alcobendas, Spain   | 100%                 | 100%                    |
| Teleste d.o.o., Ljutomer, Slovenia                    | 100%                 | 100%                    |
| Teleste Electronics (SIP), Co., Ltd, Shuzhou, China   | 100%                 | 100%                    |
| Teleste France SAS, Paris, France                     | 100%                 | 100%                    |
| Teleste GmbH, Hildesheim, Germany                     | 100%                 | 100%                    |
| Teleste Intercept, LLC, Dover DE, USA                 | 60%                  | 0%                      |
| Teleste LLC, Georgetown Texas, USA                    | 100%                 | 100%                    |
| Teleste Ltd, Chesham, UK                              | 100%                 | 100%                    |
| Teleste Network Services S.A., Yverdon, Switzerland   | 100%                 | 100%                    |
| Teleste Sp z.o.o, Wroclaw, Poland                     | 100%                 | 100%                    |
| Teleste Sweden AB, Stockholm, Sweden                  | 100%                 | 100 %                   |
| Teleste US, Inc, Dover DE, USA                        | 100%                 | 100%                    |
| Teleste Video Networks Sp zoo , Krakova, Poland       | 100%                 | 100%                    |
| Ermetris s.r.l. Gorizia, Italy                        | 100%                 | 0%                      |

### 24. OWN SHARES

|                                   | Number of shares | Percentage of shares and votes |
|-----------------------------------|------------------|--------------------------------|
| Teleste Oyj own shares 31.12.2022 | 757,682          | 3.99%                          |

### 25. SHARES AND OWNERS

#### Management interest

|                       | Number of shares | Percentage of share capital | Percentage of votes |
|-----------------------|------------------|-----------------------------|---------------------|
| CEO and Board Members | 17,136           | 0.09%                       | 0.09%               |

#### Audit expenses

|                      | 1,000 € | 2022       | 2021       |
|----------------------|---------|------------|------------|
| Auditing assignments |         | -63        | -65        |
| Tax consultancy      |         | -2         | -5         |
| Other assignments    |         | -16        | -17        |
| <b>Total</b>         |         | <b>-81</b> | <b>-87</b> |

## 26. MAJOR SHAREHOLDERS

| Major shareholders 31.12.2022              | Shares            | Percentage of share capital,% |
|--|-------------------|-------------------------------|
| Tianta Oy                                  | 4,768,298         | 25.12                         |
| Mandatum Life Insurance Company Limited    | 1,683,900         | 8.87                          |
| Ilmarinen Mutual Pension Insurance Company | 899,475           | 4.74                          |
| Kaleva Mutual Insurance Company            | 824,641           | 4.34                          |
| Mariatorp Oy                               | 775,000           | 4.08                          |
| Wipunen Varainhallinta Oy                  | 775,000           | 4.08                          |
| Teleste Oyj                                | 757,682           | 3.99                          |
| 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                          |
| <b>Total (10)</b>                          | <b>11,740,146</b> | <b>61.84</b>                  |

| Sector Dispersion                    | Shareholders | %             | Shares            | %             |
|--------------------------------------|--------------|---------------|-------------------|---------------|
| Households                           | 5,104        | 94.34         | 4,839,855         | 25.49         |
| Public sector institutions           | 3            | 0.06          | 1,920,625         | 10.12         |
| Financial and insurance institutions | 18           | 0.33          | 3,337,303         | 17.58         |
| Corporations                         | 232          | 4.29          | 8,611,846         | 45.36         |
| Non-profit institutions              | 22           | 0.41          | 38,073            | 0.20          |
| Foreign                              | 31           | 0.57          | 237,886           | 1.25          |
| <b>Total</b>                         | <b>5,410</b> | <b>100.00</b> | <b>18,985,588</b> | <b>100.00</b> |
| Of which nominee registered          | <b>10</b>    | <b>0.19</b>   | <b>567,536</b>    | <b>2.99</b>   |

| Holding Dispersion          | Shareholders | %             | Shares            | %            |
|-----------------------------|--------------|---------------|-------------------|--------------|
| 1-100                       | 1,654        | 30.57         | 85,809            | 0.45         |
| 101-500                     | 2,141        | 39.58         | 562,619           | 2.96         |
| 501-1 000                   | 704          | 13.01         | 569,615           | 3.00         |
| 1 001-5 000                 | 711          | 13.14         | 1,560,242         | 8.22         |
| 5 001-10 000                | 95           | 1.76          | 673,390           | 3.55         |
| 10 001-50 000               | 78           | 1.44          | 1,669,813         | 8.80         |
| 50 001-100 000              | 7            | 0.13          | 450,247           | 2.37         |
| 100 001-500 000             | 12           | 0.22          | 2,408,707         | 12.69        |
| 500 001-                    | 8            | 0.15          | 11,005,146        | 57.97        |
| <b>Total</b>                | <b>5,410</b> | <b>100.00</b> | <b>18,985,588</b> | <b>100.0</b> |
| Of which nominee registered | <b>10</b>    | <b>0.19</b>   | <b>567,536</b>    | <b>2.99</b>  |

# PROPOSAL FOR THE DISTRIBUTION OF EARNINGS

## PROPOSAL FOR THE DISTRIBUTION OF EARNINGS

Teleste Corporation's distributable equity on the date of the financial statements amounted to EUR 19,786,608.

The board of the directors intends to propose to the annual general meeting to be held on April 5, 2023, that no dividend be distributed for the year 2022.

*Signatories to the Annual Report and the Financial Statements in the year 2022.*

8 February 2023

Timo Luukkainen, COB

Jussi Himanen, MOB

Vesa Korpimies, MOB

Mirel Leino-Haltia, MOB

Heikki Mäkijärvi, MOB

Kai Telanne, MOB

Esa Harju, CEO

## *The Auditor's Note*

Our auditors' report has been issued today.

Helsinki 8 February 2023

**PricewaterhouseCoopers Oy**  
Authorised Public Accountants

Markku Launis  
Authorised Public Accountant (KHT)

# AUDITOR'S REPORT

To the Annual General Meeting of Teleste Oyj

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion

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

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

### What we have audited

We have audited the financial statements of Teleste Oyj (business identity code 1102267-8) for the year ended 31 December 2022. The financial statements comprise:

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

### BASIS FOR OPINION

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

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

### Independence

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

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

## OUR AUDIT APPROACH

Overview

### Materiality

- Overall group materiality: € 1 600 000, which represents 1.0% of consolidated revenue

### Audit Scope

- We have audited parent company, it's Finnish subsidiary and performed audit procedures in one foreign subsidiary.

### Key Audit Matters

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

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

### Materiality

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

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

|   |  |
|---|--|
| Overall group materiality                       | € 1,600,000 (previous year € 1,400,000)  |
| How we determined it                            | 1.0% of consolidated revenue   |
| Rationale for the materiality benchmark applied | The groups profitability has been volatile during the last years due to revised strategy, strategy related divestments and investments in product development. Therefore, we chose revenue as the benchmark because, in our view, it is the benchmark against which the performance of the Group is commonly measured by users and is a generally accepted benchmark. We chose 1.0% which is within the range of acceptable quantitative materiality thresholds in auditing standards. |

### How we tailored our group audit scope

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

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

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

### Key Audit Matters

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

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

| KEY AUDIT MATTER IN THE AUDIT OF THE GROUP   | HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER   |
|--|--|
| <b>Valuation of Goodwill</b>   |  |
| <p><i>Refer to accounting principles for the consolidated financial statements and to note 10 in the consolidated financial statements.</i></p> <ul style="list-style-type: none"> <li>Goodwill is one of the most significant balance sheet items and amounted to € 30,6 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.</li> <li>Due to materiality and judgment associated we have considered valuation of goodwill as key audit matter in the audit of the Group.</li> </ul> | <ul style="list-style-type: none"> <li>Our audit focused on assessing the appropriateness of management's judgment and estimates used in the goodwill impairment analysis through the following procedures:</li> <li>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;</li> <li>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</li> <li>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</li> <li>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.</li> <li>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.</li> </ul> |

| KEY AUDIT MATTER IN THE AUDIT OF THE GROUP   | HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER   |
|--|--|
| <b>Valuation of inventory</b>  |  |
| <p><i>Refer to accounting principles for the consolidated financial statements and to note 14 in the consolidated financial statements</i></p> <ul style="list-style-type: none"> <li>Inventory is one of the most significant balance sheet items and amounted to € 38,7 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.</li> <li>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.</li> </ul> | <ul style="list-style-type: none"> <li>We assessed the compliance of the groups accounting policies in comparison to IFRS and performed control testing and test of details to valuation and existence of the inventories.</li> <li>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.</li> <li>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.</li> <li>We compared the value of selected finished goods inventory items to the sales prices.</li> <li>We assessed the principles related to the determination of the obsolescence provision and the adequacy of the obsolescence provisions recorded.</li> </ul> |

| KEY AUDIT MATTER IN THE AUDIT OF THE GROUP   | HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER   |
|--|--|
| <b>Capitalization of R&amp;D costs</b>   |  |
| <p><i>Refer to accounting principles for the consolidated financial statements and to note 10 in the consolidated financial statements.</i></p> <ul style="list-style-type: none"> <li>Groups's capitalized development amounted to € 10,1 million in the financial statements. During financial year, the Group has recognized a € 5,4 million impairment in previously capitalized development costs.</li> <li>Capitalization of R&amp;D costs requires use of judgment as capitalization requires estimating technical and economical feasibility of the product developed. In addition, there is judgement involved in assessing recoverability of capitalized R&amp;D costs as future cash flows generated by these intangible assets needs to be estimated.</li> <li>Due to materiality and judgment associated with capitalization of R&amp;D costs, we have considered capitalization of R&amp;D as key audit matter in the audit of the Group.</li> </ul> | <ul style="list-style-type: none"> <li>We assessed appropriateness of the company's R&amp;D capitalization policy.</li> <li>We evaluated the design and appropriateness of the process relating to R&amp;D capitalization.</li> <li>We assessed whether capitalization criteria for R&amp;D projects are met.</li> <li>We tested a sample of invoices and personnel related costs capitalized during the year.</li> <li>We evaluated the relevant assumptions used in the impairment testing of intangible assets, focusing on the reasonableness of the forecasted economic information.</li> </ul> |
| <p>We have no key audit matters to report with respect to our audit of the parent company financial statements.</p>  |  |
| <p>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.</p>  |  |

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

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

## OTHER REPORTING REQUIREMENTS

### Appointment

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

### Other Information

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

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

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

In our opinion

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

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

Helsinki 8 February 2023

### **PricewaterhouseCoopers Oy**

Authorised Public Accountants

Markku Launis

Authorised Public Accountant (KHT)

# Corporate Governance Statement 2022

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](http://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 2022.

## 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 Audit Committee of the Board of Directors and the Management Group led by the CEO.

|                |                                |                                     |
|----------------|--------------------------------|-------------------------------------|
| Audit          | <b>Annual General Meeting</b>  | Internal control<br>Risk management |
|                | Shareholders' Nomination Board |                                     |
| Internal audit | <b>Board of Directors</b>      |                                     |
|                | Audit Committee                |                                     |
|                | <b>President and CEO</b>       |                                     |
|                | Management Group               |                                     |

### 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.

### 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, and c) preparing and presenting a proposal on the remuneration of the 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, stat-

utory 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 6 April 2022 elected the six persons specified below to Teleste's Board of Directors. Timo Luukkainen was elected Chairman on 6 April 2022 by the members of the Board.

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

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

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

On 31 December 2022, Board members and their controlled entities held shares in Teleste Corporation and other companies included in the Teleste Group as follows:

- Himanen Jussi.....10,729 shares
- Korpimies Vesa.....11,729 shares
- Leino-Haltia Mirel.....11,062 shares
- Luukkainen Timo.....36,185 shares
- Mäkijärvi Heikki.....12,645 shares
- Telanne Kai.....33,792 shares

In 2022, 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 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 6 April 2022 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 2022. 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, auditor and the secretary to the Audit Committee. The Audit Committee may invite other experts or representatives of the operative management to attend its meetings as necessary. Any Board member may attend Audit Committee meetings at their discretion. The minutes and materials of the Audit Committee are available to all Board members.

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

The Board of Directors that convened after Teleste's AGM on 6 April 2022 decided on the following Audit Committee composition: Mirel Leino-Haltia (Chair), Jussi Himanen and Vesa Korpimies.

In 2022, the Audit Committee held 9 meetings. The members attended the meetings as follows:

- Leino-Haltia Mirel 9/9 (100%), Chair
- Himanen Jussi 9/9 (100%), member
- Korpimies Vesa 9/9 (100%), member

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

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

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

### PRESIDENT AND CEO

The company's CEO is in charge of the Group's business operations and corporate governance in accordance with the 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. 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.

Esa Harju, born 1967, M.Sc. (Eng.), has been the company's CEO effective from 1 January 2022. CEO Esa Harju's responsibilities and role in the company and the Board of Directors are the same as his predecessor's.

### MANAGEMENT GROUP

On 31 December 2022, the Group's Management Group consisted of seven members including the CEO, to whom the members of the Management Group report. The members of the Management Group are directors of Teleste's business units and Group functions. The subsidiaries operate as part of the business units. Teleste's Management Group is chaired by the CEO who reports to the Board of Directors. The Management Group has no authority under law or the Articles of Association. On 31 December 2022, Teleste's Management Group consisted of the following members:

- Harju Esa, s. 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, s. 1967, M.Sc. (Econ.), CFO, Area of responsibility: finance and IT
- Järvenpää Pasi, s. 1967, M.Sc. (Eng.), Senior Vice President, Research and Development, Area of responsibility: Teleste's research and development
- Mattila Markus, s. 1968, M.Sc. (Eng.), Senior Vice President, Operations, Logistics & Sourcing, Area of responsibility: Teleste's operations, logistics and sourcing

- Narjus Hanno, s. 1962, M.Sc. (Econ.), Senior Vice President, Area of responsibility: Networks business unit
- Sand Valerian, s. 1984, M.Sc. (Econ.), Senior Vice President, Area of responsibility: Video Security and Information business unit
- Vanne Tuomas, s. 1979, M.Sc. (Military Science), Senior Vice President, People and Competence, Area of responsibility: HR

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

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

On 31 December 2022, Management Group members and their controlled entities held shares in Teleste's and other companies included in the Teleste Group as follows:

|                         |               |
|-------------------------|---------------|
| • Harju Esa .....       | 17,136 shares |
| • Hyytiäinen Juha ..... | 9,913 shares  |
| • Järvenpää Pasi .....  | 6,184 shares  |
| • Mattila Markus .....  | 12,006 shares |
| • Narjus Hanno .....    | 8,896 shares  |
| • Sand Valerian .....   | 1,050 shares  |
| • Vanne Tuomas .....    | 2,650 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 6 April 2022, 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 2022, Teleste Group's auditing expenses totalled EUR 198,443, with PwC accounting for EUR 154,147 of that total and other audit firms for EUR 44,296. Audit firms have provided Teleste Group companies with other additional services corresponding to a total of EUR 44,992, with PwC accounting for EUR 15,920 of that total and auditors other than PwC for EUR 29,072.

## 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 Networks business unit and the SVP in charge of the Video Security and Information business unit. They and persons closely associated with them shall notify Teleste and the Finnish Financial Supervisory Authority of any transactions they conduct in Teleste's financial instruments, 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. 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 on quarterly basis and always

when needed. 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 10, 2023

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, 2022 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 10 February 2023 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 figures 2018–2022

|   | IFRS 2022 | IFRS 2021 | IFRS 2020 | IFRS 2019 | IFRS 2018 |
|---|-----------|-----------|-----------|-----------|-----------|
| <b>Profit and loss account, balance sheet</b> |           |           |           |           |           |
| Net sales, Meur                               | 165.0     | 144.0     | 145.0     | 235.5     | 250.3     |
| Change%                                       | 14.6      | -0.7      | -38.4     | -5.9      | 6.7       |
| Sales outside Finland,%                       | 92.5      | 90.1      | 92.8      | 93.3      | 93.9      |
| Operating profit, Meur                        | -4.8      | 8.7       | 4.5       | 0.8       | 9.7       |
| % of net sales                                | -2.9      | 6.1       | 3.1       | 0.3       | 3.9       |
| Profit after financial items, Meur            | -5.0      | 9.0       | 3.7       | 0.4       | 9.1       |
| % of net sales                                | -3.0      | 6.3       | 2.5       | 0.2       | 3.6       |
| Profit before taxes, Meur                     | -5.0      | 9.0       | 3.7       | 0.4       | 9.1       |
| % of net sales                                | -3.0      | 6.3       | 2.5       | 0.2       | 3.6       |
| Profit for the financial period, Meur         | -5.9      | 6.9       | -8.0      | -1.7      | 6.8       |
| % of net sales                                | -3.6      | 4.8       | -5.5      | -0.7      | 2.7       |
| R&D expenditure, Meur                         | 15.8      | 11.3      | 10.8      | 13.5      | 12.5      |
| % of net sales                                | 9.6       | 7.9       | 7.4       | 5.7       | 5.0       |
| Gross investments, Meur                       | 12.1      | 11.1      | 6.6       | 13.0      | 7.0       |
| % of net sales                                | 7.3       | 7.7       | 4.5       | 5.5       | 2.8       |
| Interest bearing liabilities, Meur            | 50.4      | 28.0      | 31.0      | 33.0      | 26.8      |
| Shareholder's equity, Meur                    | 60.4      | 69.0      | 63.1      | 72.8      | 77.2      |
| Total assets, Meur                            | 152.3     | 135.2     | 133.0     | 149.6     | 159.0     |
| <b>Personnel and orders</b>                   |           |           |           |           |           |
| Average personnel                             | 861       | 863       | 856       | 1.363     | 1.393     |
| Order backlog at year end, Meur               | 132.2     | 108.6     | 77.1      | 73.2      | 71.0      |
| Orders received, Meur                         | 188.5     | 175.5     | 148.8     | 237.6     | 264.0     |
| <b>Key metrics</b>                            |           |           |           |           |           |
| Return on equity,%                            | -9.1      | 10.5      | -11.8     | -2.2      | 9.2       |
| Return on capital employed,%                  | -3.5      | 10.2      | -4.5      | 1.6       | 9.3       |
| Equity ratio,%                                | 39.7      | 53.3      | 48.8      | 49.5      | 51.7      |
| Net gearing,%                                 | 61.2      | 20.2      | 17.0      | 34.1      | 5.9       |
| Earnings per share, euro                      | -0.31     | 0.39      | -0.43     | -0.07     | 0.38      |
| Earnings per share fully diluted, euro        | -0.31     | 0.39      | -0.43     | -0.07     | 0.38      |
| Shareholders equity per share, euro           | 3.31      | 3.79      | 3.46      | 4.00      | 4.25      |

|   | IFRS 2022 | IFRS 2021 | IFRS 2020 | IFRS 2019 | IFRS 2018 |
|---|-----------|-----------|-----------|-----------|-----------|
| <b>Alternative performance measures</b>         |           |           |           |           |           |
| Adjusted operating profit                       | 1,969     | 5,514     | 5,066     | 8,832     | 9,721     |
| Adjusted earnings per share, EUR                | -0.01     | 0.21      | -0.06     | 0.31      | 0.38      |
| <b>Bridge of calculation</b>                    |           |           |           |           |           |
| Operating profit, continued operations          | -4,838    | 8,714     | 4,516     | 1,890     | 9,721     |
| Cost item caused by a crime                     | 0         | 0         | 0         | 6,942     | 0         |
| Business reorganization                         | 879       | 0         | 550       | 0         | 0         |
| Other non-recurring item                        | 0         | -3,200    | 0         | 0         | 0         |
| Impairment of development costs                 | 5,400     | 0         | 0         | 0         | 0         |
| Strategic development projects                  | 529       | 0         | 0         | 0         | 0         |
| Adjusted operating profit, continued operations | 1,969     | 5,514     | 5,066     | 8,832     | 9,721     |
| Net profit/loss to equity holder                | -5,669    | 7,089     | -7,827    | -1,327    | 6,975     |
| Outstanding shares during the quarter           | 18,226    | 18,216    | 18,204    | 18,181    | 18,122    |
| Earnings per share, basic                       | -0.31     | 0.39      | -0.43     | -0.07     | 0.38      |
| Operating profit                                | -5,669    | 7,089     | -7,827    | -1,327    | 6,975     |
| Cost item caused by a crime                     | 0         | 0         | 0         | 6,942     | 0         |
| Business reorganization                         | 879       | 0         | 550       | 0         | 0         |
| Business disposals                              | 0         | 0         | 6,106     | 0         | 0         |
| Other non-recurring item                        | 0         | -3,200    | 0         | 0         | 0         |
| Impairment of development costs                 | 5,400     | 0         | 0         | 0         | 0         |
| Strategic development projects                  | 529       | 0         | 0         | 0         | 0         |
| Change in deferred assets                       | -1,332    | 0         | 0         | 0         | 0         |
| Outstanding shares during the quarter           | 18,226    | 18,216    | 18,204    | 18,181    | 18,122    |
| Earnings per share, basic                       | -0.01     | 0.21      | -0.06     | 0.31      | 0.38      |

## Calculation of key figures

|                             |  |                              |   |
|-----------------------------|--|------------------------------|---|
| Return on equity:           | $\frac{\text{Profit/loss for the financial period}}{\text{Shareholders' equity (average)}} \times 100$   | Earnings per share, diluted: | $\frac{\text{Profit for the period attributable to equity holder of the parent (diluted)}}{\text{Average number of shares - own shares + number of options at the period-end}}$ |
| Return on capital employed: | $\frac{\text{Profit/loss for the period after financial items + financing charges}}{\text{Total assets - non-interest-bearing liabilities (average)}} \times 100$  | Equity per share:            | $\frac{\text{Shareholders' equity}}{\text{Number of shares - number of own shares at year-end}}$  |
| Equity ratio:               | $\frac{\text{Shareholders' equity}}{\text{Total assets - advances received}} \times 100$   | Price per earnings (P/E):    | $\frac{\text{Share price at year-end}}{\text{Earnings per share}}$  |
| Gearing:                    | $\frac{\text{Interest bearing liabilities - cash in hand and in bank - interest bearing assets}}{\text{Shareholders' equity}} \times 100$                          | Effective dividend yield:    | $\frac{\text{Dividend per share}}{\text{Trading price at the end of the period}}$   |
| Earnings per share:         | $\frac{\text{Profit for the period attributable to equity holder of the parent}}{\text{Weighted average number of ordinary shares outstanding during the period}}$ |                              |   |

## Alternative performance measures

Teleste Oyj uses and publishes alternative performance measures to describe the operational development of the business and to improve comparability between reporting periods. Alternative performance measures are reported in addition to IFRS-based key figures.

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

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

Adjusted operating profit: Operating profit is adjusted with items which are non-recurring or infrequently.

Adjusted earnings per share: Adjusted Profit for the period attributable to equity holder of the parent  
Weighted average number of ordinary shares outstanding during the period

# 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  
Phone +358 2 2605 611  
Email: investor.relations@teleste.com

## SHARE BASICS

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

### Facts about the share:

|                                |              |
|--------------------------------|--------------|
| Listed on.....                 | 30.3.1999    |
| ISIN code.....                 | FI0009007728 |
| Trading code.....              | TLT1V        |
| Reuter's ticker symbol.....    | TLT1V.HE     |
| Bloomberg ticker symbol.....   | TLT1V.FH     |
| 12 months high.....            | 5.76         |
| 12 months low.....             | 3.13         |
| All-time high (7.9.2000).....  | 39.00        |
| All-time low (12.12.2008)..... | 1.90         |

## FINANCIAL INFORMATION

### Financial releases in 2023

|   |           |
|---|-----------|
| Interim report January–March .....            | 4.5.2023  |
| Half year financial report January–June ..... | 10.8.2023 |
| Interim report January–September .....        | 2.11.2023 |

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 5 April 2023 commencing at 2 p.m. EEST, in Scandic Park Helsinki hotel, meeting room Vision 2-3, address: Mannerheimintie 46, Helsinki. Registration and distribution of voting tickets begins at 1 p.m. Shareholders registered on the list of shareholders with Euroclear Finland Oy on 24 March 2023 are entitled to participate in the Annual General Meeting. A shareholder who wants to participate in the meeting shall register no later than 29 March 2023 at 4 p.m. EEST.

### More information

- [www.teleste.com/AGM](http://www.teleste.com/AGM),
- or by e-mail [investor.relations@teleste.com](mailto: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 2023

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 2022. Based on the balance sheet for the financial period 2021, a dividend of EUR 0.14 per share was distributed per outstanding share.

## Dividend history, eur

| 2017 | 2018 | 2019 | 2020 | 2021 | 2022  |
|------|------|------|------|------|-------|
| 0,10 | 0,20 | 0,10 | 0,12 | 0,14 | 0,00* |

\* Proposal by the Board

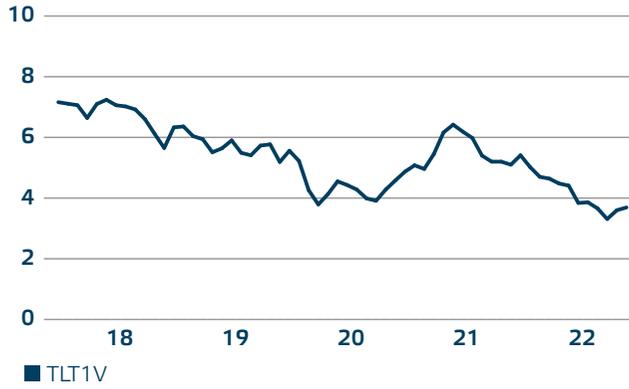
For proposals by the Board for the General Meeting and other additional information about the AGM is available at Teleste's website: [www.teleste.com/AGM](http://www.teleste.com/AGM). Minutes of the Annual General Meeting will be available at Teleste's website no later than 19 April 2023.

## Teleste share

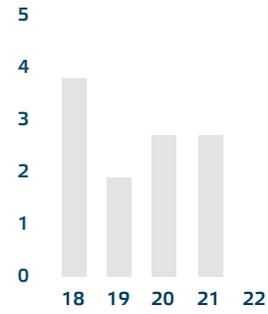
|  | 2022       | 2021       | 2020       | 2019       | 2018       |
|--|------------|------------|------------|------------|------------|
| Highest price, euro                                      | 5.76       | 6.66       | 5.78       | 6.80       | 7.58       |
| Lowest price, euro                                       | 3.13       | 4.47       | 3.51       | 5.04       | 5.12       |
| Closing price, euro                                      | 3.54       | 5.24       | 4.49       | 5.34       | 5.26       |
| Average price, euro                                      | 4.34       | 5.46       | 4.40       | 5.72       | 6.72       |
| Price per earnings                                       | -11.4      | 13.5       | -10.4      | -73.2      | 13.8       |
| Market capitalization, Meur                              | 67.2       | 99.5       | 85.2       | 101.4      | 99.9       |
| Stock turnover, Meur                                     | 6.3        | 13.8       | 13.8       | 9.2        | 13.3       |
| Turnover, number in millions                             | 1.5        | 2.5        | 3.1        | 1.6        | 2.0        |
| Turnover,% of share capital                              | 7.7        | 13.3       | 16.5       | 8.5        | 10.4       |
| 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         | 18,234,914 | 18,222,877 | 18,220,370 | 18,181,177 | 18,168,088 |
| Number of shares at the year-end, diluted w/o own shares | 18,227,906 | 18,217,394 | 18,218,503 | 18,207,708 | 18,155,300 |
| Paid dividend, Meur                                      | 0.0        | 2.6        | 2.2        | 1.8        | 3.6        |
| Dividend per share, euro                                 | 0.00*      | 0.14       | 0.12       | 0.10       | 0.20       |
| Dividend per net result,%                                | 0.0        | 36.0       | neg.       | neg.       | 53.1       |
| Effective dividend yield,%                               | 0.0        | 2.7        | 2.7        | 1.9        | 3.8        |

\* The Board's proposal to the AGM

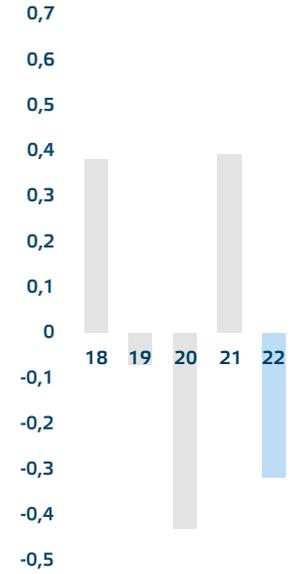
Share price development 2018–2022, €



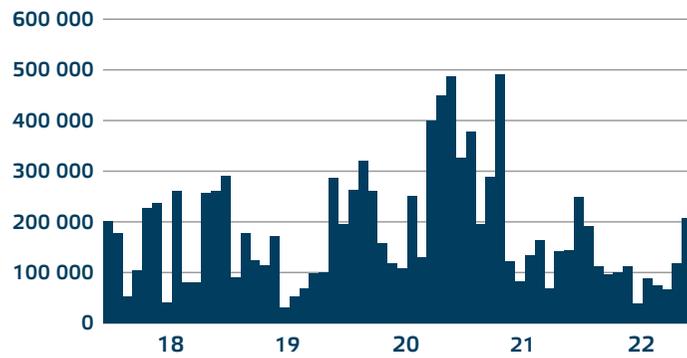
Effective dividend yield, %



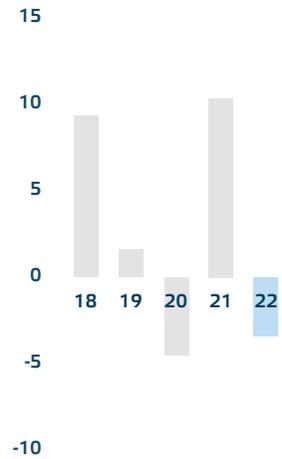
Earnings per share, continuing operations



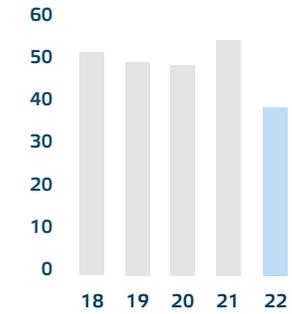
Share monthly turnover 2018–2022, pcs



Return on capital employed, %



Equity ratio, %





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