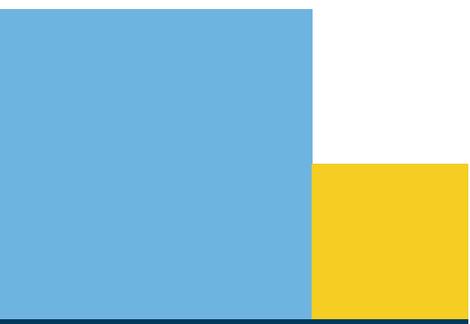


FINANCIAL
STATEMENT
2019



JANUARY 1-DECEMBER 31, 2019

TELESTE



Building a
**SMART, SAFE,
SMOOTH**
future.

FINANCIAL STATEMENTS OF TELESTE CORPORATION 1 JANUARY TO 31 DECEMBER 2019**NET SALES AND ADJUSTED OPERATING RESULT DECREASED AS EXPECTED, ORDER BACKLOG AT A GOOD LEVEL****Fourth quarter of 2019**

- Net sales amounted to EUR 58.5 (66.5) million, a decrease of 12.1%
- Adjusted operating result stood at EUR 0.9 (2.2) million, a decrease of 60.6%
- Operating result amounted to EUR 1.2 (2.2) million, a decrease of 44.6%
- Adjusted earnings per share were EUR 0.03 (0.09), a decrease of 63.6%
- Earnings per share were EUR 0.05 (0.09), a decrease of 42.1%
- Cash flow from operations was EUR 7.9 (4.6) million, an increase of 69.2%
- Orders received totalled EUR 64.1 (81.0) million, a decrease of 20.8%
- Order backlog at period-end totalled EUR 73.2 (71.0) million, an increase of 3.1%

January-December 2019

- Net sales amounted to EUR 235.5 (250.3) million, a decrease of 5.9%
- Adjusted operating result stood at EUR 7.7 (9.7) million, a decrease of 20.7%
- Operating result amounted to EUR 0.8 (9.7) million, a decrease of 92.1%
- Adjusted earnings per share were EUR 0.31 (0.38), a decrease of 19.8%
- Earnings per share were EUR -0.07 (0.38), a decrease of 119.0%
- Orders received totalled EUR 237.6 (264.0) million, a decrease of 10.0%
- Cash flow from operations was EUR 4.1 (15.0) million, a decrease of 73.0%

The Board of Directors proposes a dividend of EUR 0.10 (0.20) per outstanding share.

Outlook for 2020

Teleste does not expect the company's net sales to deviate materially from the level of net sales for 2019 (EUR 235.5 million). Adjusted operating result is expected to amount to EUR 6-10 million.

Comments by CEO Jukka Rinnevaara:

"The net sales and operating result for Q4 decreased year-on-year. Orders received increased from the previous quarter and were at a good level, but decreased from the record-strong reference period. The order backlog stayed at a higher level than a year ago. Net sales were on par year-on-year in Video and Broadband Solutions, but operating result decreased year-on-year. The net sales and operating result of Network Services decreased year-on-year.

In the Video and Broadband Solutions business area, our strategic main objectives are, with regard to access network products, product development in distributed access architecture and the successful launch of sales in the US operator market, as well as significant growth and improved performance in video security and information solutions.

With regard to access network products, the entire industry is in the middle of a technological transformation in which the next-generation distributed access architecture will provide the most competitive solution for increasing network capacity. During the fourth quarter, operators continued to test distributed network solutions. Therefore, operators did not yet commence significant network investments, so the deliveries of access network products decreased year-on-year. Our view is that we retained a strong market position in the European access network market. We also won a significant patent litigation against our competitor in the UK. Our product development progressed in the development of distributed access architecture solutions as planned, and our product range is competitive. Ensuring the interoperability of our products with different parties' central systems proceeded with selected customers during the fourth quarter. During the fourth quarter, orders received and net sales for access network products decreased. At the same time, we invested strongly in new technology and building our market position in North America, which in part burdened the profitability of

the business area. According to our estimate, operators' distributed access architecture deployment projects will commence during the second half of 2020.

With regard to video security and information solutions, we proceeded in accordance with our set growth goals. The fourth quarter was strong both with regard to new orders and net sales. During the quarter, we succeeded in securing significant new orders from the German public transport market as well as the biggest European train manufacturers. We won a significant project from a new customer in France, delivering a motorway security solution as announced in October.

In the Network Services business area, the main focus is on sharpening the long-term strategy, focusing on higher-added-value services, and developing the operational activities. In the fourth quarter, orders received and net sales decreased. Net sales decreased in Germany but increased in Switzerland. In Germany, the decrease in net sales was due to a decrease in service deliveries to a key customer year-on-year and the end of a large customer project in late 2018. In England, the growth in fibre-optic network design services continued to be strong. Due to the decrease in net sales, the profitability of the Network Services business area was at a loss during the fourth quarter. In Germany, we have replaced subcontracting by strengthening our in-house resources. Our aim is enhanced cost efficiency. In England, we will focus increasingly on the growing fibre-optic network design services and other high-added-value services.

In 2020, the technological transformation in access networks and its timing will affect demand for our products. The demand for traditional HFC technology is expected to slow down and investment in next generation distributed access architecture to increase. We predict that these investments will be launched in stages during the second half of 2020, first in North America and then in Europe. Estimating the outlook for 2020 is made more difficult by uncertainty over the timing of new distributed access architecture investments by operator and the development of the key customer's service demand in the German services business.

The strategic priorities in 2020 include

- development of the distributed access architecture offering and successful launch of sales in the North American cable operator market
- significant growth of net sales and continued profitability improvement in video security and information solutions
- development of operations and improved profitability in the services business in Germany.

We believe that the measures we have chosen will ensure profitable growth also in the years to come."

Group Operations October-December 2019

Key figures (EUR million)	10-12/2019	10-12/2018	Change
Orders received	64.1	81.0	-20.8%
Net sales	58.5	66.5	-12.1%
Adjusted EBIT, EUR million ¹⁾	0.9	2.2	-60.6%
Adjusted EBIT, % ¹⁾	1.5%	3.4%	
EBIT	1.2	2.2	-44.6%
EBIT, %	2.1%	3.4%	
Result for the period	0.7	1.6	-57.8%
Adjusted earnings per share, EUR ¹⁾	0.03	0.09	-63.6%
Earnings per share, EUR	0.05	0.09	-42.1%
Cash flow from operations, EUR million	7.9	4.6	+69.2%

¹⁾ An alternative performance measure defined in the tables section of the report.

Orders received by the Group in the fourth quarter totalled EUR 64.1 (81.0) million, a decrease of 20.8% on the reference period the previous year. Orders received decreased in access network products of Video and Broadband Solutions and following the end of major customer projects in the Network Services business area at the end of last year. Order backlog increased during the quarter by 8.5% and was EUR 73.2 (71.0) million at quarter-end. Order backlog increased in passenger information solutions of Video

and Broadband Solutions. Net sales decreased by 12.1% to EUR 58.5 (66.5) million. Net sales decreased particularly in the Network Services business area.

Expenses for material and production services decreased by 17.0% to EUR 30.1 (36.2) million. Personnel expenses decreased by 4.5% to EUR 17.1 (17.9) million. Other operating expenses decreased by 8.7% to EUR 8.3 (9.0) million. Depreciation and amortisation increased by 67.7% to EUR 2.5 (1.5) million. Depreciation recognised in accordance with IFRS 16, which was adopted on 1 January 2019, totalled EUR 1.1 million. The adoption of the new standard increased the operating result by EUR 0.1 million. The adjusted operating result decreased by 60.6% to EUR 0.9 (2.2) million, representing 1.5% (3.4%) of net sales. Operating result decreased by 44.6% to EUR 1.2 (2.2) million, representing 2.1% (3.4%) of net sales. The operating result has been adjusted for the loss of assets due to a crime against a foreign subsidiary and a change in the provision associated with proceedings in the matter. Some of the assets lost as a result of the crime were successfully recovered during the fourth quarter, and diverse measures to recover the lost assets and mitigate the final losses are still underway in different countries. Net financial expenses were EUR 0.3 (0.1) million. Taxes were EUR 0.3 (0.5) million and the Group's effective tax rate was 26.8% (23.2%). Adjusted earnings per share were EUR 0.03 (0.09) and earnings per share were EUR 0.05 (0.09). Cash flow from operations was EUR 7.9 (4.6) million, an increase of 69.2% due to a decrease in net working capital.

Group Operations January-December 2019

Key figures	1-12/2019	1-12/2018	Change
Orders received, EUR million	237.6	264.0	-10.0%
Net sales, EUR million	235.5	250.3	-5.9%
Adjusted EBIT, EUR million ¹⁾	7.7	9.7	-20.7%
Adjusted EBIT, % ¹⁾	3.3%	3.9%	
EBIT, EUR million	0.8	9.7	-92.1%
EBIT, %	0.3%	3.9%	
Result for the period, EUR million	-1.7	6.8	-124.2 %
Adjusted earnings per share, EUR ¹⁾	0.31	0.38	-19.8 %
Earnings per share, EUR	-0.07	0.38	-119.0%
Cash flow from operations, EUR million	4.1	15.0	-73.0%
Net gearing, %	34.1%	5.9%	
Equity ratio, %	49.5%	51.7%	
Personnel at period-end	1,330	1,353	-1.7%

¹⁾ An alternative performance measure defined in the tables section of the report.

Orders received by the Group totalled EUR 237.6 (264.0) million, a decrease of 10.0%. Orders received decreased in access network products of Video and Broadband Solutions. Orders received decreased in the Network Services business area following the end of major customer projects at the end of last year. Orders received increased in passenger information solutions of Video and Broadband Solutions. Order backlog increased by 3.1% to EUR 73.2 (71.0) million. Order backlog increased in passenger information solutions of Video and Broadband Solutions. Net sales decreased by 5.9% to EUR 235.5 (250.3) million. Net sales decreased in the Network Services business area following the end of major customer projects at the end of last year.

Adjusted operating result decreased by 20.7% to EUR 7.7 (9.7) million, representing 3.3% (3.9%) of net sales. Adjusted operating result decreased in access network products of Video and Broadband Solutions and following decreased net sales in the Network Services business area. Adjusted operating result increased in passenger information solutions of Video and Broadband Solutions. Operating result decreased by 92.1%, amounting to EUR 0.8 (9.7) million. The assets lost due to a crime committed against a foreign subsidiary and a provision for expenses associated with the handling of the case, totalling EUR 6.9 million, lower the operating result, but they have been eliminated from the adjusted operating result. The provision is reported as an item that is not allocated to the segments.

Expenses for material and production services decreased by 11.0% to EUR 122.8 (137.9) million. Personnel expenses increased by 0.2% to EUR 66.2 (66.0) million. Depreciation and amortisation increased by 59.7% to EUR 9.6 (6.0) million. Depreciation recognised in accordance with IFRS 16, which was adopted on 1 January 2019, totalled EUR 4.3 million. The adoption of the new standard increased

the operating result by EUR 0.3 million. Other operating expenses increased by 19.0% to EUR 38.7 (32.5) million. Other operating result include the above-mentioned adjustment, eliminated from the adjusted operating result. Net financial expenses decreased by 42.5% and were EUR 0.4 (0.7) million. The Group's taxes were EUR 2.0 (2.2) million. Adjusted earnings per share were EUR 0.31 (0.38) and earnings per share were EUR -0.07 (0.38). Cash flow from operations was EUR 4.1 (15.0) million. Cash flow from operations was reduced by the loss of assets due to a crime against a foreign subsidiary, an increase in inventories and a decrease in advance payments from customers compared with the exceptionally high level.

Video and Broadband Solutions October-December 2019

EUR 1,000	10-12/2019	10-12/2018	Change
Orders received	41,807	51,142	-18.3%
Net sales	36,142	36,691	-1.5%
EBIT	1,266	1,942	-34.8%
Operating result, %	3.5%	5.3%	

Orders received decreased year-on-year by 18.3% to EUR 41.8 (51.1) million. Orders received decreased in access network products and increased in video security and information solutions. Order backlog increased during the quarter by 8.5% and was EUR 73.2 (71.0) million at quarter-end.

Net sales decreased by 1.5% to EUR 36.1 (36.7) million. Net sales decreased in access network products but increased in video security and information solutions. Operating result decreased by 34.8% to EUR 1.3 (1.9) million, representing 3.5% (5.3%) of net sales. The operating result decreased due to the net sales of access network products being lower than in the reference period.

R&D expenses amounted to EUR 3.7 (3.4) million, representing 10.2% (9.2%) of the business area's net sales. Product development projects focused on distributed access architecture (including solutions designed for the US market), situational awareness and video security solutions, passenger information systems and customer-specific projects. Capitalised R&D expenses amounted to EUR 1.5 (1.2) million. Depreciation on capitalised R&D expenses was EUR 0.7 (0.6) million.

Video and Broadband Solutions January-December 2019

EUR 1,000	1-12/2019	1-12/2018	Change
Orders received	143,455	152,307	-5.8%
Net sales	141,351	138,677	1.9%
EBIT	8,056	7,738	4.1%
EBIT, %	5.7%	5.6%	

Orders received decreased year-on-year by 5.8% to EUR 143.5 (152.3) million. Orders received decreased in access network products and increased in video security and information solutions. Net sales increased by 1.9% to EUR 141.4 (138.7) million. Net sales increased in video security and information solutions but declined in access network products. Operating result increased by 4.1%, standing at EUR 8.1 (7.7) million and representing 5.7% (5.6%) of net sales. Operating result was improved by the increased net sales of video security and information solutions.

R&D expenses amounted to EUR 13.5 (12.5) million, representing 9.5% (9.0%) of net sales. Product development projects focused on distributed access architecture (including solutions designed for the US market), situational awareness and video security solutions, passenger information systems and customer-specific projects. Capitalised R&D expenses amounted to EUR 4.7 (4.8) million. Depreciation on capitalised R&D expenses was EUR 2.5 (2.2) million.

Network Services October-December 2019

EUR 1,000	10-12/2019	10-12/2018	Change
Orders received	22,340	29,829	-25.1%
Net sales	22,340	29,829	-25.1%
EBIT	-389	291	-233.8 %

EBIT, %	-1.7%	1.0%	
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Orders received and net sales decreased by 25.1% year-on-year, amounting to EUR 22.3 (29.8) million. Net sales decreased in Germany but increased in Switzerland. The decrease in net sales in Germany was due to the end of a major customer project at the end of 2018 and the demand for services being lower than in the reference period. Operating result decreased by EUR 0.7 million to EUR -0.4 (0.3) million. Operating result represented -1.7% (1.0%) of net sales. The operating result decreased as a result of decreasing net sales in Germany but increased in England, where the focus was on higher-added-value services.

Network Services January-December 2019

EUR 1,000	1-12/2019	1-12/2018	Change
Orders received	94,106	111,669	-15.7%
Net sales	94,106	111,669	-15.7%
EBIT	-347	1,983	-117.5%
EBIT, %	-0.4%	1.8%	

Orders received and net sales decreased by 15.7% and amounted to EUR 94.1 (111.7) million. Net sales decreased in Germany due to the end of a major customer project at the end of last year and the demand for services being lower than before. Operating result decreased by 117.5% to EUR -0.3 (2.0) million. The operating result decreased as a result of decreasing net sales in Germany but increased in England, where the focus was on higher-added-value services.

Personnel and organisation January-December 2019

In the period under review, the average number of people employed by the Group was 1,363 (1,393/2018, 1,492/2017). Of these, 682 (700) were employed by Video and Broadband Solutions and 681 (693) by Network Services. At the end of the review period, the Group employed 1,330 people (1,353/2018, 1,446/2017), of whom 64% (65%/2018, 65%/2017) were stationed abroad. Approximately 2% of the Group's employees were working outside Europe.

Personnel expenses increased by 0.2% year-on-year to EUR 66.2 (66.0/2018, 69.4/2017) million. The change in personnel expenses was attributable to a decrease in the number of personnel, wage increases and capitalisation of R&D costs. The average number of personnel decreased by 2.1%. The number of personnel decreased in both Video and Broadband Solutions and Network Services.

Investments January-December 2019

Investments by the Group totalled EUR 13.0 (7.0) million, representing 5.5% (2.8%) of net sales. Of the investments, EUR 4.7 (4.8) million were related to product development. Other investments included EUR 2.1 million of investments in increasing service production capacity in Germany. New leases reported in accordance with IFRS 16, which was adopted on 1 January 2019, increased investments by EUR 4.3 million.

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

Financing and Capital Structure January-December 2019

Cash flow from operations was EUR 4.1 (15.0) million. Cash flow from operations was reduced by lower advance payments from customers compared with the exceptionally high level of the reference year, an increase in inventories and the loss of assets due to a crime against a foreign subsidiary.

Teleste Corporation has credit and loan facilities with a combined total value of EUR 50.0 million. The five-year loan facility of EUR 30.0 million will mature in August 2022. The loan is repaid in annual instalments of EUR 3.0 million. The EUR 20.0 million credit facility will run until the end of August 2020. At the end of the period under review, the amount of unused binding credit facilities was EUR 20.9 (20.0) million. On 31 December 2019, the Group's interest-bearing debt stood at EUR 33.0 (26.8) million.

The Group's equity ratio was 49.5% (51.7%) and net gearing ratio 34.1% (5.9%). A total of EUR 8.1 million was recognised in interest-bearing debt in accordance with the IFRS 16 standard, which was adopted on 1 January 2019. IFRS 16 had the following effect on key figures at the end of the period under review: equity ratio -2.9 percentage points and net gearing ratio +11.2 percentage points.

Key risks faced by the business areas

Founded in 1954, Teleste is a technology and services company consisting of two business areas: Video and Broadband Solutions and Network Services. Europe is the main market and business area, but the company aims to expand its business, particularly in North America. Teleste's customers include cable operators, public transport operators, train manufacturers and specified organisations in the public sector.

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

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

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

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

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

On 23 December 2016, a competitor of Teleste filed two complaints against Teleste Limited, demanding damages from the company for the infringement of two patents. Teleste has denied the patent infringements. The disputes were resolved by court decisions issued on 29 January 2019 and 18 November 2019, which were favourable for Teleste and resulted in the annulment of the competitor's patents. Teleste's competitor has not appealed the decisions, so they are legally valid. The results of these litigations do not have a material effect on Teleste's financial position. Due to the favourable outcomes, Teleste retains its right to market and sell its products to customers in all of its market areas.

Group structure

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

Shares and changes in share capital

On 31 December 2019, Tianta Oy was the largest single shareholder with a holding of 23.2%.

In the period under review, the lowest price of the company's share was EUR 5.04 (5.12) and the highest price was EUR 6.80 (7.58). The closing price on 31 December 2019 stood at EUR 5.34 (5.26). According to Euroclear Finland Ltd, the number of shareholders at the end of the period under review was 5,515 (5,531). Foreign and nominee-registered holdings accounted for 6.1% (6.2%) of the shares. The value of Teleste's shares traded on Nasdaq Helsinki from 1 January to 31 December 2019 was EUR 9.2 (13.3) million. In the period under review, 1.6 (2.0) million Teleste shares were traded on the stock exchange. Teleste's share is quoted in the technology section of Nasdaq Helsinki.

On 4 April 2019, Teleste Corporation's Board of Directors decided on a directed share issue without consideration, relating to the payment of the reward for the 2016-2018 performance period of Teleste Group's share-based incentive plan 2015. In the share issue, a total of 22,361 Teleste Corporation shares in the possession of Teleste Corporation were conveyed without consideration to key persons included in the share-based incentive plan, in accordance with the terms of the plan. On 31 December 2019, the Group held 798,821 (821,182) 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 4.2% (4.3%).

On 31 December 2019, the company's registered share capital stood at EUR 6,966,932.80, divided into 18,985,588 shares.

Valid authorisations at the end of the review period:

- The Board of Directors may acquire 1,200,000 own shares of the company otherwise than in proportion to the holdings of the shareholders with unrestricted equity through trading on the regulated market organised by Nasdaq Helsinki at the market price of the time of the purchase.
- The Board of Directors may decide on issuing new shares and/or transferring the company's own shares held by the company, so that the maximum total number of shares issued and/or transferred is 2,000,000.
- The total number of new shares to subscribe for under the special rights granted by the company and own shares held by the company to be transferred may not exceed 1,000,000 shares, which number is included in the above maximum number concerning new shares and the Group's own shares held by the company.
- These authorisations are valid until 3 October 2020.

Decisions by the Annual General Meeting

The Annual General Meeting (AGM) of Teleste Corporation held on 4 April 2019 adopted the financial statements and consolidated financial statements for 2018 and discharged the members of the Board of Directors and the CEO from liability for the financial period 2018. The AGM confirmed the dividend of EUR 0.20 per share for the year 2018 as proposed by the Board. The dividend was paid on 15 April 2019 on shares other than own shares held by the company.

The AGM decided that the Board of Directors shall consist of seven members. Pertti Ervi, Jannica Fagerholm, Timo Luukkainen, Heikki Mäkijärvi and Kai Telanne were re-elected as members of Teleste Corporation's Board of Directors, and Jussi Himanen and Vesa Korpimies were elected as new Board members. Pertti Ervi was elected Chair of the Board in the organising meeting held after the AGM on 4 April 2019. Jannica Fagerholm was elected Chair of the Audit Committee, with Pertti Ervi and Vesa Korpimies elected as members.

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

The Annual General Meeting decided to authorise the Board of Directors to decide on the purchase of the company's own shares in accordance with the proposal of the Board. According to the authorisation, the Board of Directors may acquire 1,200,000 own shares of the company otherwise than in proportion to the holdings of the shareholders with unrestricted equity through trading on the regulated market organised by Nasdaq Helsinki Ltd at the market price of the time of the purchase. This authorisation is valid for 18 months from the date of the AGM's decision. The authorisation overrides any previous authorisations to purchase the company's own shares.

The Annual General Meeting decided to authorise the Board of Directors to decide on issuing new shares and/or transferring the company's own shares held by the company and/or granting special rights referred to in Chapter 10, Section 1 of the Limited Liability Companies Act, in accordance with the Board's proposal. The new shares may be issued and the company's own shares held by the company may be conveyed either against payment or for free. New shares may be issued and the company's own shares held by the company may be conveyed to the company's shareholders in proportion to their current shareholdings in the company, or by waiving the shareholder's pre-emption right, through a directed share issue if the company has a weighty financial reason to do so. The new shares may also be issued in a free share issue to the company itself.

Under the authorisation, the Board of Directors has the right to decide on issuances of new shares and/or transferring the company's own shares held by the company, so that the maximum total number of shares issued and/or transferred is 2,000,000. The total number of new shares to subscribe for under the special rights granted by the company and own shares held by the company to be transferred may not exceed 1,000,000 shares, which number is included in the above maximum number concerning new shares and the Group's own shares held by the company.

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

Operating environment in 2020

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

Demand for broadband services by cable operators continues to grow. The capacity of household broadband services are estimated to grow by 30-40% a year. European cable operators have been able to competitively respond to the increasing demand by investing in DOCSIS 3.1 standard-compliant 1.2 GHz frequency range network upgrades. Investments in expansion of the traditional HFC network infrastructure frequency range continue, but with a lower volume. Operators are already planning investment in next-generation distributed access architecture network solutions. For years now, the cable industry, including Teleste, has been preparing for the next technology wave with which investment in cable network infrastructure can be competitively continued also in the years to come. Teleste will continue to invest in the development of expertise and new technology as well as customer projects. Operators' investments in distributed access architecture have been delayed compared with previous schedule estimates. According to our estimate, operators' distributed access architecture

deployment projects will commence during the second half of 2020. Transformation to distributed architecture provides Teleste with growth opportunities, but it also involves risks. Growth is enabled by the increased value of access network optical products as well as the possibility to use the technological transformation to expand business into the North American markets. Achieving interoperability with the cable network central systems is the most significant risk. We estimate that net sales from access network products in 2020 will be on par with the previous year, including the launch of distributed architecture product sales. Net sales are estimated to decrease early in the year and begin to increase late in the year.

Ensuring safety in city environments, increase of public transport services and the increasing popularity of smart digital systems for a smoother life provide a foundation for growing business. Public transport operators and other authorities must ensure smooth operation of services and infrastructure as well as the safety of people. The public transport information systems market as well as video security and situational awareness systems market are expected to continue to grow in 2020. Public transport information systems are developing to be increasingly smart and real-time. Video security solutions are becoming increasingly smart, including pattern recognition and artificial intelligence. Furthermore, a need is arising in the market for comprehensive situational awareness systems that include management of other sensor-level data flows in addition to video image and automate operating processes in exceptional situations. Ensuring competitiveness requires Teleste to continuously make R&D investments in new intelligent solutions. In addition, it is necessary to improve the productivity and cost-efficiency of business. Teleste increased its market share in video security and information solutions during 2019, and 2020 starts with a high order backlog level. Characteristic for the business, a considerable proportion of deliveries will be distributed over several years. We estimate that net sales for video security and information solutions will continue to increase in 2020 from the previous year.

In the Network Services business area, operators' network investments are expected to also increase the demand for services in the long term. The objective is to further develop the operational efficiency of Teleste's services business and increase the share of those services that provide our customers with higher added value. In our largest market area, Germany, we will continue to improve the efficiency of operations, strengthen the capabilities of the organisation and renew the subcontractor network. In addition, we will invest in the continuous improvement of customer satisfaction. The timing of customers' projects in the biggest market, Germany, will have a particularly high impact on the net sales of the Network Services business area for 2020.

Estimating the outlook for 2020 is made more difficult by uncertainty over the timing of new distributed access architecture investments by operators and the level of the key customer's service demand in the German services business.

Outlook for 2020

Teleste does not expect the company's net sales to deviate materially from the level of net sales for 2019 (EUR 235.5 million). Adjusted operating result is expected to amount to EUR 6-10 million.

12 February 2020

Teleste Corporation
Board of Directors

Jukka Rinnevaara
President and CEO

Teleste's Annual Report for 2019, which includes the audited financial statements, will be published no later than week 11 2020. The Company will issue a statement of its corporate governance as a separate report, which will be published together with the Annual Report, and will be simultaneously available on the Company's web site.

This interim report has been compiled in compliance with IAS 34, as it is accepted within EU, using the recognition and valuation principles with those used in the Annual Report. The data stated in this report is audited.

STATEMENT OF COMPREHENSIVE INCOME

1000 euro	10-12/2019	10-12/2018	Change %
Net sales	58,482	66,519	-12.1 %
Other operating income	737	421	75.2 %
Raw material and consumables used	-30,073	-36,224	-17.0 %
Employee benefits expense	-17,140	-17,939	-4.5 %
Depreciations	-2,511	-1,497	67.7 %
Other operating expenses	-8,258	-9,047	-8.7 %
Operating profit	1,237	2,233	-44.6 %
Financial income	263	55	375.3 %
Financial expenses	-559	-160	250.1 %
Profit before taxes	942	2,129	-55.8 %
Taxes	-252	-494	-48.9 %
Profit for the period	689	1,635	-57.8 %
Profit attributable to:			
Owners of the parent company	964	1,658	-41.9 %
Non-controlling interests	-274	-23	1068.5 %
	689	1,635	-57.8 %
Earnings per share for profit of the year attributable to the equity holders of the parent			
Basic (expressed in euro per share)	0.05	0.09	-42.1 %
Diluted (expressed in euro per share)	0.05	0.09	-42.1 %
Total comprehensive income for the period, 1000 euros			
Net profit	689	1,635	-57.8 %
Items that may be reclassified to profit or loss:			
Translation differences	432	-124	-447.9 %
Fair value reserve	15	-12	-225.1 %
Total comprehensive income for the period	1,137	1,498	-24.1 %
Total comprehensive income attributable to:			
Owners of the parent company	1,426	1,515	-5.9 %
Non-controlling interests	-289	-17	1595.9 %
	1,137	1,498	-24.1 %

STATEMENT OF COMPREHENSIVE INCOME, 1000 euros

1000 euros	1-12/2019	1-12/2018	Change %
Net sales	235,458	250,346	-5.9 %
Other operating income	2,466	1,766	39.6 %
Raw material and consumables used	-122,755	-137,905	-11.0 %
Employee benefits expense	-66,173	-66,014	0.2 %

Depreciation	-9,550	-5,980	59.7 %
Other operating expenses	-38,677	-32,492	19.0 %
Operating profit	769	9,721	-92.1 %
Financial income	1,036	325	218.5 %
Financial expenses	-1,416	-986	43.6 %
Profit before taxes	388	9,060	-95.7 %
Taxes	-2,042	-2,219	-8.0 %
Profit for the period	-1,653	6,841	-124.2 %
Profit attributable to:			
Owners of the parent company	-1,327	6,975	-119.0 %
Non-controlling interests	-327	-133	145.0 %
	-1,653	6,841	-124.2 %
Earnings per share for profit of the year attributable to the equity holders of the parent			
Basic (expressed in euro per share)	-0.07	0.38	-119.0 %
Diluted (expressed in euro per share)	-0.07	0.38	-119.0 %
Total comprehensive income for the period (tEUR)			
Net profit	-1,653	6,841	-124.2 %
Items that may be reclassified to profit or loss:			
Translation differences	299	-241	-224.2%
Fair value reserve	19	-3	n/a
Total comprehensive income for the period	-1,335	6,598	-120.2 %
Total comprehensive income attributable to:			
Owners of the parent company	-1,019	6,705	-115.2 %
Non-controlling interests	-316	-108	193.6 %
	-1,335	6,598	-120.2 %

STATEMENT OF FINANCIAL POSITION, 1000 euros

Assets 1000 euros

	31.12.2019	31.12.2018	Change %
Non-current assets			
Other intangible assets	12,907	11,268	14.5 %
Goodwill	30,668	30,573	0.3 %
Property, plant and equipment	17,038	8,601	98.1 %
Other non-current financial assets	645	561	14.9 %
Deferred tax assets	1,924	2,131	-9.7 %
Total	63,182	53,135	18.9 %
Current assets			
Inventories	37,409	32,833	13.9 %
Trade and other receivables	40,112	50,500	-20.6 %
Income tax receivables	683	288	136.7 %
Cash	8,249	22,240	-62.9 %
Total	86,452	105,861	-18.3 %
Total assets	149,634	158,996	-5.9 %
Equity and liabilities			

Equity attributable to equity holders of the parent			
Share capital	6,967	6,967	0.0 %
Share premium	1,504	1,504	0.0 %
Translation differences	-1,594	-1,570	1.6 %
Invested non restricted equity	3,079	3,048	1.0 %
Retained profits	62,618	66,691	-6.1 %
Non-controlling interests	206	522	-60.5 %
Total	72,779	77,163	-5.7 %
Non-current liabilities			
Interest-bearing liabilities	26,501	22,590	17.3 %
Other liabilities	79	81	-2.9 %
Deferred tax liabilities	1,603	1,607	-0.3 %
Provisions	93	266	-65.1 %
Total	28,275	24,545	15.2 %
Current liabilities			
Trade and other liabilities	39,238	51,089	-23.2 %
Current tax payable	1,283	966	32.8 %
Provisions	1,528	1,012	51.0 %
Interest-bearing liabilities	6,531	4,222	54.7 %
Total	48,579	57,288	-15.2 %
Total liabilities	76,855	81,833	-6.1 %
Equity and liabilities total	149,634	158,996	-5.9 %

CONSOLIDATED CASH FLOW STATEMENT, 1000 euros

	1.1.-31.12. 2019	1.1.-31.12. 2018	Change %
Cash flows from operating activities			
Profit for the period	-1,653	6,841	-124.2 %
Adjustments for:			
Depreciation, amortisation and impairment	9,549	5,980	59.7 %
Other non-cash items	532	850	-37.4 %
Financial income and expenses	286	662	-56.8 %
Dividends	-4	-4	3.8 %
Taxes	2,042	2,219	-8.0 %
Change in working capital			
Increase/decrease in trade and other receivables	10,388	-4,980	-308.6 %
Increase/decrease in inventories	-4,576	857	-634.2 %
Increase/decrease in trade and other payables	-12,039	4,514	-366.7 %
Increase/decrease in provisions	1,637	527	210.9 %
Paid interests and other financial expenses	-1,416	-986	43.6 %
Received interests and dividends	1,036	325	218.5 %
Paid taxes	-1,725	-1,796	-4.0 %
Cash flow from operating activities	4,057	15,009	-73.0 %
Cash flow from investing activities			
Purchases of property, plant and equipment (PPE)	-3,849	-825	366.5 %
Proceeds from sales of PPE	475	166	186.1 %
Purchases of intangible assets	-4,900	-4,843	1.2 %
Purchase of investments	-77	-143	-46.2 %
Acquisition of subsidiary, net of cash acquired	-1,050	0	n/a

Net cash used in investing activities	-9,401	-5,645	66.5 %
Cash flow from financing activities			
Proceeds from borrowings	0	4,087	-100.0 %
Payments of borrowings	-489	-10,009	-95.1 %
Payments of lease liabilities	-4,499	-655	586.9 %
Dividends paid	-3,630	-1,816	99.9 %
Net cash used in financing activities	-8,618	-8,393	2.7 %
Change in cash			
Cash and cash equivalents 1.1.	22,240	21,230	4.8 %
Effect of currency changes	-28	39	-171.8 %
Cash and cash equivalents 31.12.	8,249	22,240	-62.9 %

Consolidated statement of changes in equity, 1000 euros
Attributable to equity holders of the parent (tEUR)

A	Share capital									
B	Share premium									
C	Translation differences									
D	Retained earnings									
E	Invested free capital									
F	Other funds									
G	Total									
H	Share of non-controlling interest									
I	Total equity									
		A	B	C	D	E	F	G	H	I
Equity 31.12.2018		6,967	1,504	-1,569	66,694	3,140	-92	76,642	522	77,163
New standards & other changes					49			49		49
Total comprehensive income for the period		0	0		-1,327	0	19	-1,308	-327	-1,634
Dividends		0	0	0	-3,628	0	0	-3,628	0	-3,628
Equity-settled share-based payments					529			529	0	529
Translation differences		0	0	-25	302	0	11	288	10	298
Equity 31.12.2019		6,967	1,504	-1,594	62,618	3,140	-62	72,573	206	72,779

	Video and Broadband Solutions	Network Services	Group
Business segments 2019, 1000 euros			
External sales			
Services	4,087	94,106	98,193
Goods	137,264	0	137,264
External sales total	141,351	94,106	235,457
Operating profit of segments	8,056	-347	7,711
Unallocated item			-6,942
Financial items			-380
Profit before taxes			388

Business segments 2018, 1000 euros	Video and Broadband Solutions	Network Services	Group	
External sales				
Services	4,687	111,669		116,356
Goods	133,990	0		133,990
External sales total	138,677	111,669		250,346
Operating profits of the segments	7,738	1,983		9,721
Financial items				-661
Profit before taxes				9,060

Geographical segments 2019, 1000 euros	Nordic countries	Other Europe	Finland	Others	Group
Sales by origin	20,607	184,232	15,799	14,820	235,458
Assets	590	9,779	50,776	112	61,257
Capital expenditure for the period	236	7,426	4,632	685	12,980

Geographical segments 2018, 1000 euros	Nordic countries	Other Europe	Finland	Others	Group
Sales by origin	24,606	201,367	15,172	9,201	250,346
Assets	348	7,013	43,520	122	51,003
Capital expenditure for the period	228	1,618	5,143	0	6,989

Segment information per quarter, 1000 eur	10-12/19	7-9/19	4-6/19	1-3/19	10-12/18	1-12 /2019	1-12 /2018
Video and Broadband Solutions							
Order intake	41,807	25,864	36,094	39,690	51,142	143,455	152,307
Net sales	36,142	34,641	35,291	35,277	36,691	141,351	138,677
EBIT	1,266	3,013	1,569	2,208	1,942	8,056	7,738
EBIT %	3.5 %	8.7 %	4.4 %	6.3 %	5.3 %	5.7 %	5.6 %
Network Services							
Order intake	22,340	25,491	22,952	23,323	29,829	94,106	111,669
Net sales	22,340	25,491	22,952	23,323	29,829	94,106	111,669
EBIT	-389	228	715	-901	291	-347	1,983
EBIT %	-1.7 %	0.9 %	3.1 %	-3.9 %	1.0 %	-0.4 %	1.8 %
Total segments							
Order intake	64,147	51,355	59,046	63,013	80,970	237,561	263,976
Net sales	58,482	60,132	58,243	58,600	66,519	235,457	250,346
EBIT	877	3,241	2,284	1,307	2,233	7,711	9,721
EBIT %	1.5 %	5.4 %	3.9 %	2.2 %	3.4 %	3.3 %	3.9 %
Total group							
Unallocated item	356	0	0	-7,298	0	-6,942	0
EBIT	1,237	3,241	2,284	-5,991	2,233	769	9,721
EBIT%	2.1 %	5.4 %	3.9 %	-10.2 %	3.4 %	0.3 %	3.9 %

Net sales by category, 1000 euro	10-12/19	7-9/19	4-6/19	1-3/19	10-12/18	1-12 /2019	1-12 /2018
Goods	34,763	33,854	34,235	34,411	40,304	137,264	138,677
Service	23,719	26,277	24,008	24,189	26,216	98,193	111,669
Total	58,482	60,131	58,243	58,600	66,520	235,457	250,346

Order backlog

Thousand euro	12/19	9/19	6/19	3/19	12/18
VBS order backlog end of period	73,223	67,456	76,233	75,429	71,017

Commitments and contingencies, 1000 euros	2019	2018	Change %
Lease liabilities	886	3,698	-76.0 %
Value of underlying forward contracts	21,146	20,674	2.3 %
Market value of forward contracts	-48	227	-121.0 %
Interest rate swap	10,000	10,000	0.0 %
Market value of interest swap	-65	-81	-19.2 %
Guarantees	2,197	2,812	-21.9 %

The number of employees broken down by following categories 31.12.

	2019	2018	Change %
Research and development	238	148	60.8 %
Production and material management	837	937	-10.7 %
Sales and marketing	149	190	-21.6 %
Administration	106	78	35.9 %
Total	1,330	1,353	-1.7 %

Key figures	IFRS 2019	IFRS 2018	IFRS 2017	IFRS 2016	IFRS 2015
Profit and loss account, balance sheet					
Net sales, Meur	235.5	250.3	234.6	259.5	247.8
Change %	-5.9 %	6.7 %	-9.6 %	4.8 %	25.7 %
Sales outside Finland, %	93.3 %	93.9 %	94.3 %	93.3 %	95.1 %
Operating profit, Meur	0.8	9.7	-7.5	15.6	14.3
% of net sales	0.3 %	3.9 %	-3.2 %	6.0 %	5.8 %
Profit after financial items, Meur	0.4	9.1	-8.5	14.8	13.9
% of net sales	0.2 %	3.6 %	-3.6 %	5.7 %	5.6 %
Profit before taxes, Meur	0.4	9.1	-8.5	14.8	13.9
% of net sales	0.2 %	3.6 %	-3.6 %	5.7 %	5.6 %
Profit for the financial period, Meur	-1.7	6.8	-9.1	11.8	11.0
% of net sales	-0.7 %	2.7 %	-3.9 %	4.6 %	4.4 %
R&D expenditure, Meur	13.5	12.5	12.1	11.1	11.0
% of net sales	5.7 %	5.0 %	5.1 %	4.3 %	4.4 %
Gross investments, Meur	13.0	7.0	7.5	5.5	16.9
% of net sales	5.5 %	2.8 %	3.2 %	2.1 %	6.8 %
Interest bearing liabilities, Meur	33.0	26.8	33.2	30.6	33.0
Shareholder's equity, Meur	72.8	77.2	71.4	84.4	77.5
Total assets, Meur	149.6	159.0	153.5	162.1	164.5
Personnel and orders					
Average personnel	1,363	1,393	1,492	1,514	1,485
Order backlog at year end, Meur	73.2	71.0	57.4	26.9	42.2
Orders received, Meur	237.6	264.0	262.9	244.3	251.3
Key metrics					
Return on equity, %	-2.2 %	9.2 %	-11.7 %	14.6 %	14.9 %
Return on capital employed, %	1.6 %	9.3 %	-6.6 %	14.8 %	14.2 %
Equity ratio, %	49.5 %	51.7 %	48.3 %	52.5 %	48.3 %
Net gearing, %	34.1 %	5.9 %	16.8 %	25.0 %	26.3 %
Earnings per share, euro	-0.07	0.38	-0.50	0.65	0.61
Earnings per share fully diluted, euro	-0.07	0.38	-0.50	0.65	0.61

Shareholders equity per share, euro	4.00	4.25	3.94	4.66	4.28
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ALTERNATIVE PERFORMANCE MEASURES

Adjusted operating profit	7,711	9,721	-7,549	15,635	14,302
Adjusted earnings per share, EUR	0.31	0.38	-0.50	0.65	0.61

BRIDGE OF CALCULATION

Operating profit	769	9,721	-7,549	15,635	14,302
Cost item caused by a crime	6,942	0	0	0	0
Adjusted operating profit	7,711	9,721	-7,549	15,635	14,302

Net profit/loss to equity holder	-1,327	6,975	-9,106	11,820	11,011
Outstanding shares during the quarter	18,181	18,122	18,202	18,169	18,037
Earnings per share, basic	-0.07	0.38	-0.50	0.65	0.61

Net profit/loss to equity holder	-1,327	6,975	-9,106	11,820	11,011
Cost item caused by a crime	6,942	0	0	0	0
Outstanding shares during the quarter	18,181	18,122	18,202	18,169	18,037
Adjusted earnings per share, EUR	0.31	0.38	-0.50	0.65	0.61

Teleste share

Highest price, euro	6.80	7.58	9.62	10.24	9.88
Lowest price, euro	5.04	5.12	6.51	7.29	5.32
Closing price, euro	5.34	5.26	6.68	8.86	9.80
Average price, euro	5.72	6.72	8.19	8.69	7.42
Price per earnings	-73.2	13.8	-13.3	13.6	16.1
Market capitalization, Meur	101.4	99.9	126.8	160.6	177.6
Stock turnover, Meur	9.2	13.3	16.8	30.6	24.6
Turnover, number in millions	1.6	2.0	2.0	3.5	3.3
Turnover, % of share capital	8.5 %	10.4 %	10.8 %	18.5 %	17.5 %
Average number of shares	18985588	18985588	18985588	18985588	1898558
Number of shares at the year-end	18985588	18985588	18985588	18985588	8
Average number of shares, diluted w/o own shares	18181177	18168088	18202396	18169002	1803666
Number of shares at the year-end, diluted w/o own shares	18207708	18155300	18172350	18216369	1812163
Paid dividend, Meur	1.8	3.6	1.8	4.5	4.2
Dividend per share, euro	0.10*	0.20	0.10	0.25	0.23
Dividend per net result, %	neg.	53.1 %	neg.	38.3 %	37.7 %
Effective dividend yield, %	1.9 %	3.8 %	1.5 %	2.8 %	2.3 %

* The Board's proposal to the AGM

Treasury shares	Number of shares	% of shares	% of votes
Teleste companies own shares 31.12.2019	798,821	4.21%	4.21%

Major shareholders 31.12.2019

	Number of shares	% of share capital
Tianta Oy	4,409,712	23.2
Mandatum Life Insurance Company Limited	1,683,900	8.9
Ilmarinen Mutual Pension Insurance Company	899,475	4.7
Kaleva Mutual Insurance Company	824,641	4.3
Teleste Oyj	798,821	4.2
Varma Mutual Pension Insurance Company	521,150	2.7
The State Pension Fund	500,000	2.6
Wipunen varainhallinta Oy	400,000	2.1
Mariatorp Oy	397,162	2.1
OP-Finland Small Firms Fund	260,408	1.4

Shareholders by sector	Number of shareholders	% of Owners	Number of shares	% of shares
Households	5,167	93.7	4,775,530	25.2
Public sector institutions	3	0.1	1,920,625	10.1
Financial and insurance institutions	24	0.4	4,663,318	24.6
Corporations	265	4.8	7,487,972	39.4
Non-profit institutions	22	0.4	56,685	0.3
Foreign and nominee registered owners	34	0.6	81,458	0.4
Total	5,515	100.0	18,985,588	100.0
Of which nominee registered	10	0.2	1,073,289	5.7

Number of shares	Number of shareholders	% of shareholders	Number of shares	% of shares
1 - 100	1,512	27.4	88,876	0.5
101 - 500	2,292	41.6	615,299	3.2
501 - 1,000	779	14.1	629,379	3.3
1,001 - 5,000	744	13.5	1,649,207	8.7
5,001 - 10,000	78	1.4	535,194	2.8
10,001 - 50,000	81	1.5	1,635,773	8.6
50,001 - 100,000	7	0.1	507,208	2.7
100,001 - 500,000	15	0.3	3,358,122	17.7
500,001 -	7	0.1	9,966,530	52.5
Total	5,515	100.0	18,985,588	100.0
of which nominee registered	10	0.2	1,073,289	5.7

CALCULATION OF KEY FIGURES

Return on equity:	Profit/loss for the financial period ----- * 100 Shareholders' equity (average)
Return on capital employed:	Profit/loss for the period after financial items + financing charges ----- * 100 Total assets - non-interest-bearing liabilities (average)
Equity ratio:	Shareholders' equity ----- * 100 Total assets - advances received

Gearing:	$\frac{\text{Interest bearing liabilities - cash in hand and in bank - interest bearing assets}}{\text{Shareholders' equity}} * 100$
Earnings per share:	$\frac{\text{Profit for the period attributable to equity holder of the parent}}{\text{Weighted average number of ordinary shares outstanding during the period}}$
Earnings per share, diluted:	$\frac{\text{Profit for the period attributable to equity holder of the parent (diluted)}}{\text{Average number of shares - own shares + number of options at the period-end}}$

ALTERNATIVE PERFORMANCE MEASURES

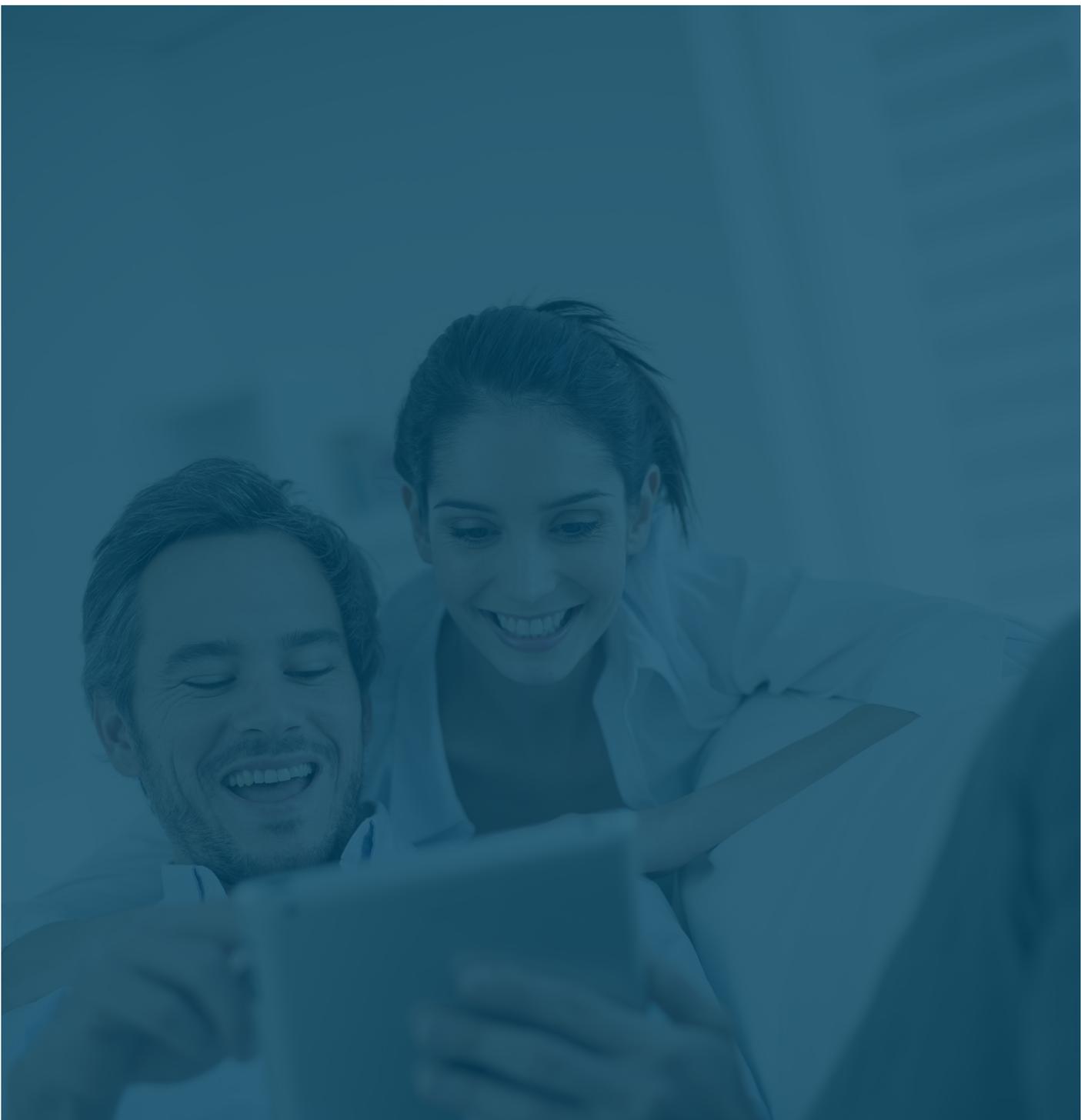
Effective from the beginning of 2019, Teleste has started to report non-IFRS alternative performance measures. The calculation of the alternative performance measures does not take into account income or expense items affecting comparability that are non-recurring or infrequently occurring and not part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

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

New Standard

Teleste has adopted IFRS 16 Leases standard from 1. January 2019. This new standard replaces IAS 17 Leases. As a result of the new IFRS 16 "Leases" standard, the Group recognised non-cancellable leases on the balance sheet. The right-of-use assets increased the balance sheet with 6.9 million euro and the interest bearing liabilities with 6.9 million euro.

A simplified method has been used for the transition, and the comparison figures from the year preceding the transition have not been adjusted. The Group made use of an easement allowed in the standard according to which short-term leases or assets with minor value do not need to be recognised on the balance sheet. The impact of the new standard is an increase of -4,316 thousand euro depreciation of right-of-use assets and a decrease of +4,650 thousand euro of rents in other operating expenses. Interest expenses increased by -166 thousand euro in finance expenses. Impact on operating profit is +334 thousand euro. The investments for the period do not include the recognition of right-of-use assets of 6.9 million euro.



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