A Smart, Safe, Smooth Future

Annual Report 2018

Contents

Teleste 65 years – Building the networked society

Tuesday, 22 January 2019, is a special day for us as Teleste turns 65. Join our birthday video greetings.

Watch the video from this link.

Turn for the better

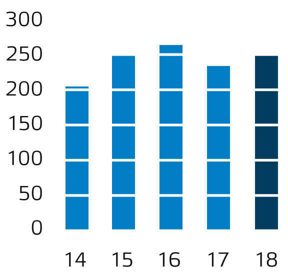
TELESTE offers an integrated product and service portfolio that makes it possible to build and run a better networked society. Our solutions bring television and broadband services to your home, secure your safety in public places and guide your use of public transport. With solid industry experience and drive for innovations, we are a leading international company in broadband, security and information technologies and related services.

We connect with our customers through a global network of offices and partners. In 2018, Teleste had approximately 1,400 employees on average. Teleste is listed on Nasdaq Helsinki.

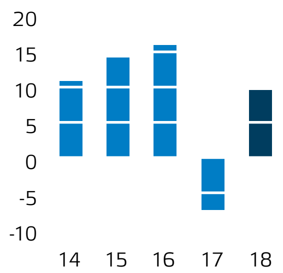
See more information on www.teleste.com and follow Teleste on Twitter @telestecorp.

- Net sales increased by 6.7% to EUR 250.3 (234.6) million.
- Operating result increased to EUR 9.7 (-7.5) million. Undiluted earnings per share were EUR 0.38 (-0.50).
- Orders received totalled EUR 264.0 (262.9) million.
- Order backlog increased, reaching the highest level in Teleste's history.
- Cash flow from operations was EUR 15.0 (19.3) million, a decrease of 22.0%.
- The Board of Directors proposes a dividend of EUR 0.20 for 2018.
- The launching of investments in distributed access architecture was delayed.
- Net sales of Network Services improved and profitability developed favorably.
- The updated strategy paves the way for future years.

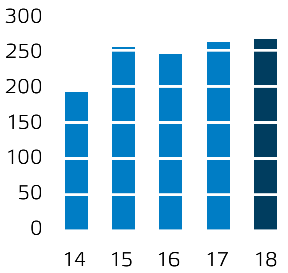
Net sales, MEUR



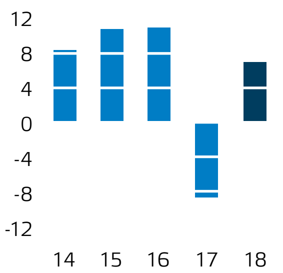
Operating result, MEUR



Orders received, MEUR



Result for the year, MEUR



CEO's review

Back on a growth track – positive expectations for the future

A good order backlog provides a strong foundation for this year.

The year we left behind can, for a number of reasons, be described as a turn for the better. Our net sales got back on a growth track and our result improved clearly after the drop in 2017. Our order backlog also rose to a record-high level towards the end of the year. This success did not come easily—it required a lot of work and measures. The improvement was achieved through the determined work of our personnel.

Our net sales increased by 6.7 per cent year-on-year to EUR 250 million. The access network market was in transition, as waiting for the arrival of new technology slowed down customers' investments. Growth came from video security and passenger information solutions and services business. Our operating result rose to EUR 9.7 million (2017: EUR -7.5 million, including EUR 10.1 million of goodwill impairment and restructuring provision). The most important reasons for the strong upward turn were the clear improvement in the profitability of services business in Germany and the increased net sales of video security and information solutions. The efficiency of the implemented development measures is demonstrated by our accelerated growth and improved profitability towards the end of the year. Our orders received (EUR 264 million) and order backlog (EUR 71 million) achieved a record-high level. This shows that we are heading in the right direction.

IN THE MIDDLE OF TECHNOLOGICAL TRANSITION

We progressed as planned with the implementation of our strategy. However, we were somewhat prematurely optimistic with our expectations concerning the adoption of new access network technology. In access network products, we aim to conquer new markets with distributed access architecture products, particularly in North America but later also in Europe. North America has the world's largest cable network market and the greatest need for additional network capacity. Distributed architecture enables increasing the network capacity more cost-efficiently than the traditional HFC technology. Therefore, it is probable that the first actual investments in distributed architecture networks will be seen in North America.

The new technology requires the compatibility of different devices and systems. Our product development worked hard to meet these requirements and during the year we reached a phase in which our potential customers were testing the compatibility of our products with a number of operators and equipment manufacturers. Therefore, our expectations for the starting of investments are stronger than before.

ACHIEVEMENTS IN GERMANY

Our great achievements during the year included the services business in Germany turning profitable, even though only a year before we had to recognise a considerable goodwill impairment. In the summer 2017, we prepared an action plan that included agreement negotiations and considerable measures for the improvement of internal efficiency. The plan was successfully implemented during the year. The updated co-operation agreement signed with the largest customer in the spring made the long-term development of operations possible. There is still a lot of work to do, but the profitability of business clearly provides us with better opportunities for further development.

FROM VIDEO SECURITY TO SITUATIONAL AWARENESS

Our performance in passenger information solutions was also good. We resolved the quality challenges faced in the previous year and received a lot of new orders. The video security market is developing in an interesting way as our customers need more comprehensive information gathered from an increasing number of sources. Therefore, we decided to invest in intelligent new-generation situational awareness systems. As a result of our product development, we launched the S-AWARE® platform. We won a strategically significant order to deliver the situational awareness system for the Helsinki metro; the system is based on this new platform.

ACCURATE SITUATIONAL AWARENESS AMID TRANSITION

When updating our strategy in 2018, we also discussed what kind of company Teleste is today. Even though our customers, and often also our competitors, are in quite a different league in terms of net sales, we are a preferred partner, because of our strong technological expertise and innovativeness. We have achieved a good market position in many of our areas of expertise, particularly in Europe. We are a responsible company with an excellent reputation among our customers. We do what we promise and we always keep our standards high. Although the market is constantly changing, we have always been able to adapt to changes and find growth factors in change.

A good order backlog provides a strong foundation for this year, but we are cautious with our expectations. We expect to receive our first orders from the North American market, but major investments will probably not be seen for a few years yet. The market for traditional HFC technology will contract. However, by increasing our market share, we will still be able to do profitable business in this market for many years. In services business, we will continue to focus on the improvement of profitability. Judging by the trends in our operating environment, situational awareness systems will constitute an important growth area for us. There is also a clearly growing need for passenger information solutions serving public transport.

I would like to thank all of Teleste's employees for their determined work and all the great moments we experienced in 2018. Let's continue the good work. I would also like to thank our customers, owners and partners for their valuable support.

Jukka Rinnevaara
President and CEO

Events and news

Telenet upgrades its optical HFC equipment

In January 2019, Teleste signed an agreement with Belgian Telenet on supplying optical network products for an upgrade project to install 1.2 GHz capable equipment in the optical section of the access network. The equipment enables the delivery of broadband services through the cable TV network according to the DOCSIS 3.1 standard.

The agreement is a continuation of a former frame agreement with Telenet, and its value is substantial. The investments related to the frame agreement will be made within three years.

As a provider of entertainment and telecommunication services in Belgium, Telenet Group is always looking for the perfect experience in the digital world for its customers. Under the brand name Telenet, the company focuses on offering digital television, high-speed Internet and fixed and mobile telephony services to residential customers in Flanders, Brussels and a part of Wallonia (Botte du Hainaut). Under the brand name BASE, it supplies mobile telephony in Belgium. The Telenet Business department serves the business market in Belgium and Luxembourg with connectivity, hosting and security solutions. More than 3,000 employees have one aim in mind: making living and working easier and more pleasant.

Telenet Group is part of Telenet Group Holding NV and is quoted on Euronext Brussel. Telenet is 58% owned by Liberty Global – the world's largest international TV and broadband company, investing, innovating and empowering people in more than 10 countries across Europe to make the most of the digital revolution.

High-speed broadband connections to Telia Finland

For years now, Telia Finland and Teleste have co-operated successfully in the field of cable TV technology. The co-operation has focused on network devices and headend technology. With cable TV technology now shifting in the direction of distributed access architecture, Telia Finland and Teleste have also kept up-to-date with this development.

For some time now, Teleste has been developing Remote PHY distributed access architecture devices utilising the DOCSIS 3.1 technology to work with Cisco's cBR-8 routers, for instance. Now, the first operator in Finland, Telia Finland has deployed DAN300 Remote PHY devices manufactured by Teleste and connected to Cisco routers. With the new DAN300 Remote PHY devices, Telia Finland ensures that its customers will continue to enjoy cost-efficient high-speed broadband connections, responding to consumers' increasing broadband consumption needs in the future.

Telia Finland is an international, locally strong new generation operator. Its history in Finland dates back to 1855. At the end of December 2017, Telia had approximately 4.2 million subscribers. Telia is part of the international Telia Company, which is present in 11 countries ranging from Norway to Turkey.

Co-operation with Vodafone continues in Germany – Significant three-year frame agreement

In May 2018, Teleste's subsidiary Cableway signed a three-year strategic partnership agreement with Vodafone Germany for installation and maintenance services to service Vodafone's cable network customers in Germany. The agreement ensures the continued partnership with Vodafone Germany one year prior to the expiry of the previous contract. The expected contract value, over EUR 200 million over term, is one of the highest in Teleste's history.

LONG-TERM CO-OPERATION

The co-operation with Vodafone Germany started in 2008 when it outsourced part of the technical services of its cable networks to Cableway. Since then, Cableway has been Vodafone's most important service provider, covering areas in North and South Germany. The long-term co-operation between Vodafone and Cableway and the anticipated renewal of the agreement demonstrate exceptionally close partnership that is based on trust.

CONSIDERABLE GROWTH POTENTIAL

In addition to the current services, Cableway has the opportunity to expand its service offering into other areas, such as higher added-value services and new geographical areas.

Vodafone Germany is Germany's largest cable television operator, offering fixed broadband, mobile communications, internet and TV services. Vodafone is also a key contributor to the development of Germany's 5G infrastructure. In May 2018, Vodafone announced that it had signed an agreement to acquire the German company Unitymedia GmbH. Unitymedia is Germany's second largest network operator, providing services for over seven million customers. Approval of the acquisition by the competition authorities is still pending.

Teleste's subsidiary Cableway has been providing services for German operators for over 10 years. Cableway's operations cover nearly all of Germany, and its largest offices are in Bergisch Gladbach and Munich. The company has approximately 500 employees, which makes it one of the most important service providers in the industry in Germany.

CAF chose Teleste's on-board solutions for its metro trains in the cities of Manila and Naples

The international rolling stock manufacturer CAF chose Teleste's on-board solutions for its metro trains in the Philippines and Italy. The deliveries in 2019 comprise altogether 30 metro units to Manila and 12 to Napoli. The agreement is a continuation to the long co-operation between Teleste and CAF.

Teleste's delivery to CAF includes the passenger information system and Ethernet network for the Manila metro trains. The delivery to Naples covers the passenger information and video security systems as well as the Ethernet network. The seamless integration of the system components ensures reliable functioning of the entire on-board system.

Teleste's on-board system solution ensures that, every day, hundreds of thousands of passengers can benefit from accurate timely information and enjoy smooth and safe travel.

Market niche on cruise ships

Cruise lines are spending a lot of time and money enhancing the in-cabin passenger experience. Examples of convenience achievable through better broadband connections include improved connectivity, high-quality video and interactive TV portals to enable guests to book a table at the restaurand, reserve tickets for evening shows or make spa appointments.

All this also provides operators with the opportunity for additional revenue. Today, in-cabin connectivity is provided as standard on new cruise ships. However, cruise lines should be able to offer the same experience also on older cruise ships, but the absence of data cabling to the cabins has been a challenge. In addition, it is often not possible to instal new cables because of the structures of the ships, too high installation costs and limited time available during major refits. The continuously growing cruise industry market increase cruise lines' need to improve broadband connections on their ships.

In 2018, Teleste delivered a connectivity solution to four major cruise lines operating in the Caribbean. Data and IPTV services for the TV sets in the cabins were provided using Teleste's Mini CMTS and coaxial cables. The solution utilises the same DOCSIS technology used by cable television operators. In addition to the Mini CMTS, Teleste upgraded the RF network using Teleste amplifiers/passives and Luminato TV head-ends and also provided professional services to install the solution.

Teleste in InnoTrans – in the world's largest rail industry fair

In September, Teleste and its German subsidiary iqu Systems participated as an exhibitor in InnoTrans, the world's largest rail industry fair arranged in Berlin. Teleste showcased a comprehensive product portfolio for rolling stock manufacturers and public transport operators, including on-board and passenger information systems as well as video security and situational awareness solutions.

Teleste's theme, 'Choose the best partner for smart public mobility', stirred a lot of interest among the visitors, and the stand was visited by numerous current customers as well as new acquaintances. The need to ensure a safe and smooth travel experience for the increasing number of passengers in large cities increases the demand for smart passenger information systems as well as situational awareness solutions to provide operational control and safety in public places. With Teleste's smart solutions, operators can offer a smooth and safe journey for passengers, regardless of the increasing number of passengers in the future.

Esa Harju, SVP Video Security and Information, at InnoTrans. Watch the video from this link.

Teleste's on-board solution for Merseytravel metro

Teleste's long-term customer Stadler selected Teleste's on-board solution for Merseytravel metro trains in the UK. Delivered to the Liverpool city region by 2020, the deployment will consist of 52 trains designed for specific needs of customers travelling on the Merseyrail metro network. The agreement includes an option for another 60 trains.

Teleste's solution enables the implementation of an end-to-end on-board system that includes all systems and components required for a smooth and safe passenger experience. The system delivered by Teleste comprises Ethernet network, intercommunication, passenger counting, public address system, passenger information systems as well as LED and TFT LCD displays for information delivery and advertising.

Teleste's advanced fleet management system enables remote content management of all trains and ensures content distribution even to moving vehicles. In addition, the system ensures safe and reliable functioning of trains that only have the driver and no guard to control the closing of doors and the departure from the station: rear-view cameras and cabin monitors are fitted for safe passage on side access doors. The trains also feature a video security system to ensure passenger safety inside the carriages.

We are motivated by challenges and inspired by technology

Megatrend

Megatrends guide strategy work

Teleste's strategy aims to respond to various major global patterns, in other words, megatrends. Of these megatrends, digitalisation, the fast pace of technological development, urbanisation, climate change and globalisation have the most significant impact on Teleste's business. Megatrends affect the everyday life of all of us. They promote increasing demand for Teleste's products and services. However, at the same time, there are uncertainties in the market that may have a negative effect on demand or Teleste's competitiveness. The annually updated strategy takes into account the opportunities and threats posed by megatrends.

DIGITALISATION GAINS GROUND

Digitalisation and the accelerating development of technologies will have an important role in tomorrow's world. The internet is growing in importance every day. People's needs and quality requirements are increasing, and the ways in which it is used are changing. Video and electronic data transfer are increasing and expanding into new areas. In fact, most of the content published on the internet is already in video format. This change means that operators will have to invest in increasingly efficient high-quality broadband networks and in ensuring 24/7 service. Advanced networks also enable operators to provide a broader range of services.

RAPIDLY PROGRESSING TECHNOLOGICAL DEVELOPMENT

Technological development is changing the world at an accelerating pace and to an increasing extent, and video and data transfer technologies are also continuing to develop swiftly. New technologies, such as 5G mobile technology and distributed architecture in optical fibre and coaxial cable networks, enable a better user experience and new ways of building networks. Smart technology is added to networks to enhance capacity use and improve the quality experienced by the user. In the network, smart features are coming closer to the user.

In addition, the number of terminal devices connected to the network will increase with more diverse uses along with the Internet of Things (IoT) becoming more common. When, for instance, home electronics, industrial manufacturing equipment and nursing home monitoring systems are connected to the network, they will gather and produce an enormous amount of data, which will further increase the quality requirements set for the network. The devices also talk to each other and with their users. Interactivity generates new kinds of commercial activity and earning models.

ACCELERATING URBANISATION

The history of urbanisation is a long one, but today urbanisation is progressing at an accelerating pace. Increasingly compact urban environments contribute to expanding traffic volumes and may strengthen the feeling of insecurity caused by our individualistic society. In new urban environments, it is essential to develop public transport and ensure safety, particularly in public spaces. Public transport helps to reduce traffic emissions and, therefore, also to slow down climate change. Urbanisation and globalisation also escalate the occurrence of various disturbance factors, which increases the need for surveillance. As more and more threats and needs arise, ensuring the functioning of society will increasingly be based on situational awareness instead of surveillance.

GLOBALISATION TRANSFORMS THE MARKET

Globalisation, i.e. worldwide networking, increases interdependencies between different actors and also interactions between development trends. For a long time now, in the company sector, globalisation has intensified international competition for markets and factors of production, which can be seen as continuously increasing efficiency requirements. This trend often favours a larger company size. In economic policy, the change in regional power relationships is a notable development. Traditionally strong markets, such as Europe and North America, are levelling off, while Asia and Asian companies are on the rise. The long-continued efforts to remove barriers to trade have promoted globalisation. On the other hand, the development has recently reversed, demonstrating increased protectionism.

Teleste’s strategy

VISION

Best partner for networked society

MISSION

We make your everyday life smart, safe and smooth

STRATEGY

1. Grow Distributed Access Architecture business
2. Penetrate the US market
3. Develope operational performance
4. Become market leader for Public Transport solutions
5. Commercial success with Video Security and Situational Awareness
6. Passionate professionals

VALUES

Customer-centricity, respect, reliability, result orientation

Teleste's strategy up to 2021

As a leading player in its field, Teleste participates in the building of a networked society. Teleste develops and provides video and broadband technologies and services for operators and the public sector. Teleste aims to make people's everyday life smart, safe and smooth.

To achieve this goal, we have created a strategy with six specific priorities. The planning of measures and the setting of goals are based on this strategy. The implementation of the strategy and action plans is systematically monitored, and we respond to any deviations rapidly.

GROWTH FROM DISTRIBUTED ARCHITECTURE

The transition of the network technology market is progressing and old technologies are being replaced by new ones. Teleste is strong in traditional optical fibre and coaxial cable (cable TV) hybrid network (HFC networks) technology. Distributed access architecture brings functions closer to consumers, enabling more cost-efficient development of an increasingly smart and powerful network.

The adoption of this new technology will increase operators' network investments in the next few years. Teleste's technological head start has enabled it to already develop distributed architecture expertise and suitable products. The objective is to immediately achieve a strong market position when investments in the new technology begin.

ENTERING US MARKETS

Teleste has a strong market position in access network products in Europe. We are now seeking growth by expanding our market area particularly into North American markets, in which Teleste is engaged in a joint venture as the majority shareholder. Potential customers are currently testing access network products supplied by Teleste and modified to suit the needs of these markets. There is clearly potential in US and Canadian markets for an innovative technology supplier like Teleste.

DEVELOPMENT OF SERVICES BUSINESS

Services business focuses on the improvement of productivity and development of innovative solutions to satisfy customers' needs. The profitability improvement measures are mainly targeted at our business in Germany. Its performance has already been improved through comprehensive operational changes and reorganisation. The development of the offering focuses on creating high added-value services and tools that decrease the life cycle costs of networks. The tough price competition in the services business means that services must be efficiently produced in order to ensure profitable business, but the pricing of high added-value services can be more value-based.

PROFITABLE GROWTH IN VIDEO SECURITY AND SITUATIONAL AWARENESS SYSTEMS

Teleste provides its European and North American customers with comprehensive video security and situational awareness solutions. Customers' needs are shifting from surveillance towards more extensive situational awareness consisting of different systems to achieve overall control of situations. In the future, we will focus on developing increasingly comprehensive and smart solutions. Our product development will focus on software connecting different systems, wireless solutions and mobile applications.

MARKET LEADERSHIP IN PUBLIC TRANSPORT SOLUTIONS

Teleste has already established its position as a high-quality provider of passenger information and security solutions. Therefore, it is possible to achieve market leadership in public transport solutions. We are targeting the growing European and North American markets. We ensure profitable growth by maintaining continuous high quality, an innovative offering and excellent reliability of delivery.

MOTIVATED TELESTE PROFESSIONALS

Teleste is an international high-tech company whose competitiveness is largely based on highly skilled and motivated personnel. We apply Lean ideology-based operating models that promote innovation and high quality and are built on continuous improvement. Ensuring an adequate level of expertise is one of the cornerstones of our strategy. In order to promote co-operation and improve productivity, we focus on the development of internal communication and the utilisation of efficient HR processes.

We are part of a global shift into a new era

Technology and solutions

Customer-driven innovation

At Teleste, technological development is based on the development of products and product features in accordance with customers' needs. New products and product features help Teleste's customers to enhance their offering and respond to the increasing efficiency and quality requirements of the market. The key areas of technological development are the efficiency of products or solutions, quality-related features, modularity, smartness, processability, recyclability and cost of use.

Product development is often triggered by new technology or standards introduced in the industry, or the need to modify the product offering for a new market. In addition, Teleste designs manufacturing equipment for in-house use. Understanding the customer's problems and needs and converting them into the desired product features requires a thorough understanding of the customer's industry, in addition to technological expertise. Teleste's strengths include strong and versatile technological expertise and good customer relations.

The product development function works in close co-operation with customers as well as Teleste's production and sales functions. These functions are also physically located on the same premises for cable network products as well as video security and passenger information products. This promotes seamless communication. Teleste's customer-driven approach to new innovations and the quick productisation of them provide the company with a clear competitive edge.

TECHNOLOGICAL CHOICES ACCORDING TO TRENDS

The technologies used in the industries of Teleste's customers are evolving at a rapid pace. As Teleste works on a number of different technologies, it has to choose the architectures, technologies and areas of expertise that will be the most important in the future and use its resources for their development. The other necessary elements are then covered by means of a partner network, such as universities, universities of applied sciences and other research institutes.

ACCESSING NEW MARKETS

In 2018, product development at Teleste focused on the development of solutions complying with the DOCSIS 3.1 standard for the US market, the development of applications for broadband networks and the development of increasingly smart video security and information solutions. Remote-controlled and smart optical nodes that support distributed architecture, launched in the European and US cable TV market, constituted the most significant product launch. Product development-related costs totalled EUR 12.5 million, representing 9 per cent of the net sales of Teleste's product business.

PROTECTION OF INNOVATIONS

Continuous development and innovation are part of Teleste's policy, and the entire personnel are encouraged to adopt this approach. Our achievements in product development are protected by patents. Teleste's entire extensive patent portfolio is the result of our in-house product development. The technologies related to the building of cable networks are largely patented. In passenger information solutions, on the other hand, the solutions are new, which is why we actively protect them. Players in Teleste's field of industry and market areas have traditionally respected intellectual property rights.

However, our expansion into new market areas calls for increasingly careful risk management. Therefore, we have paid extra attention to patents in 2018.

INCREASED INTELLIGENCE

The proportion and importance of various software tools used in the products, solutions and services provided by Teleste is continuously increasing. In addition to software expertise, mastering the DOCSIS and IP protocols is even more important than before when migrating to distributed access networks. Similarly, product platforms and product concept development will become more common.

SCTE:n Adaptive Power Challenge – Telestes innovation as the winner of the contest

During the summer of 2018, Teleste took part into the Adaptive Power Challenge contest, launched by the SCTE, Comcast and Liberty Global and eventually ended up winning the enterprise category! It is worth to mention that Comcast and Liberty Global are the two biggest cable operators in the world. The awards were distributed at Cable-Tec Expo, the world's largest cable and telecom event, in October in Atlanta. The contest was set to collect the brightest ideas and innovations across the cable industry to overcome the problem of how to manage and optimize the energy consumption in broadband networks.

It was self-evident for Teleste to get involved as soon as the contest was out. After all, the energy saving has been featured in our products for years and we also have several patents pending related to different energy saving features.

Our proposal in the Adaptive Power Challenge was based on the finding that although outside plant devices are designed and operated to fulfil their specification at full load, the actual capacity used in the network is seldom that heavy. This means that the amplifier module doesn't have to run at full power all the time. Actually, it can be operated with lower power consumption, when maximal capacity is not in use. Further, the end-user quality of experience stays intact. Today, the most – if not all – of the outside plant devices are using lots of unnecessary power since there is practically no capacity used in the highest frequencies. We also believe that in the future, the full capacity up to the 1.2 GHz, that is the highest frequency in the cable plant today, will not be totally exploited, which allows prolonged power saving opportunity.

The core of our proposal was based on the three different alternative methods. As a result, the power consumption by the amplifier module can be decreased up to 30 %. This can reduce the total network power consumption by up to 20 %. That saves a lot of money, energy and nature, all without truck rolls. This does make sense!

Watch the video from this link.

S-AWARE® situational awareness system for the Helsinki Metro

Helsinki City Transport chose Teleste's S-AWARE situational awareness system for the Helsinki Metro. With Teleste's system, Helsinki City Transport aims to develop end-to-end situational awareness and promote safe travel in the Helsinki Metro. The system can also be used to improve response readiness and maintain a high standard of service during possible security threats, alerts and emergencies as well as any other demanding and critical situations.

Teleste's system also enables efficient co-operation with multiple other operators, including the police, fire and rescue departments, Helsinki Regional Transport Authority and the cities of Helsinki and Espoo. The deployment of the situational awareness system will begin in 2019, and the project will be completed in multiple phases by the end of 2020.

Smarter decision-making processes

Security and operations control systems are becoming incresingly complex, producing more and more data. At the same time, the importance of efficient data management increases. Teleste's S-AWARE solution processes high volumes of real-time data from multiple sources and systems and, should an exceptional situation occur, helps to ensure access to the right information at the right time and place. This creates the foundation for efficient decision-making.

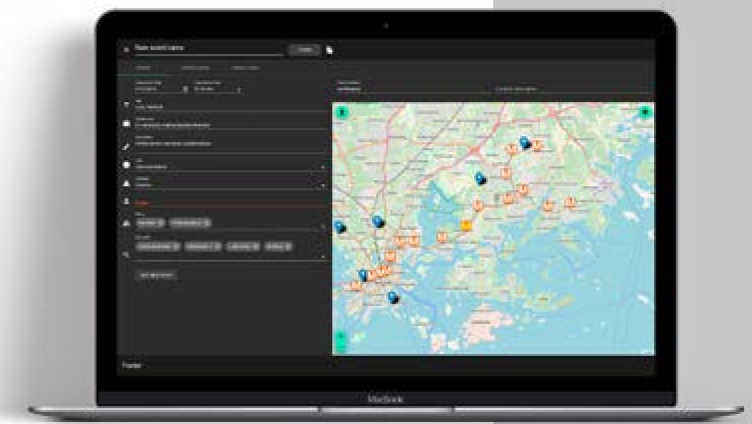
Better management of situations

An efficient decision-making process requires comprehensive wide-ranging information of different situations. Teleste's S-AWARE solution was developed to respond to this need: it can be used to gather information from multiple sources for as broad and accurate situational awareness as possible. The system helps to better understand ongoing situations and events. It also identifies events and makes quick and reliable alerts, ensuring efficient management and control of situations and actions.

S-AWARE includes multiple smart features and functions for the development of personnel and operations. For instance, it can use automated or standardised operating models to manage workflows and improve the efficiency of data processing.

Future situational awareness management

In addition to the management of everyday operations, the S-AWARE system can also be used for reporting and for the improvement of operations. The information resources stored in the system enable the generation of future scenarios and proactive planning of future situations and events. Scenario work can also be applied to the training of personnel, and actions in different situations can also be rehearsed in advance.



Connected Zone concept as part of Teleste's smart city project

In October, Teleste organised a security seminar in Sweden, introducing the Connected Zone concept for the first time. The concept is part of Teleste's broader engagement in the development of smart solutions. It will be developed further as part of Teleste's smart city project. The objective of the concept is to respond to the increasing feeling of insecurity experienced by people in public places, by offering new digital services for users of public transport.

The Connected Zone concept transforms bus stops into digital safe zones in which passengers can contact the control room on their personal mobile phones if necessary. A mobile phone application is used for this purpose that provides the control room with the necessary place and personal data. The control room can contact the digital display of the bus stop and use the display to give an alarm. The situation and events at the bus stop can also be monitored in real time via the video security system integrated into the bus stop.

In addition to solutions to improve safety, Connected Zone provides new opportunities for the distribution of information. The smart displays integrated into bus stops are designed for demanding weather conditions and can be used to display different contents, such as public transport timetable information as well as various commercial messages and advertisements. The solutions included in the concept and the wide variety of passenger data they gather also help to make the content more relevant to meet the needs of public transport passengers.

In Finland, Teleste's smart and safe bus stop is in use on the Nokia campus in Espoo, where it is being tested as part of the Nokia Bell Labs-driven LuxTurrim5G ecosystem project. The project develops fast 5G network-based services which are integrated into smart light poles with antenna, base stations, sensors, screens and other devices. Funded by Business Finland, the project opens new business opportunities for digital services and brings smart city innovations closer to practical implementation.

Watch the video from [this link.]

Customer satisfaction is the basis of our existence

Video and Broadband Solutions

Two-folded development

Net Sales of Video and Broadband Solutions business area decreased to EUR 138.7 (142.1) million. Net sales decreased in access network products and increased in video security and information solutions.

Operating result increased by 58.3%, standing at EUR 7.7 (4.9) million and representing 5.6% (3.4%) of net sales. Orders received decreased year-on-year by 10.6% to EUR 152.3 (170.4) million. The biggest decrease in orders received was seen in access network products.

R&D expenses amounted to EUR 12.5 (12.1) million. The projects focused on distributed access architecture, network products complying with the DOCSIS 3.1 standard (including solutions designed for the US market), situational awareness and video security solutions, passenger information systems and customer-specific projects.

Hanno Narjus, SVP Network Products business unit, interviewed at Cable Next-Gen Europe 2018. Watch the video from this link.

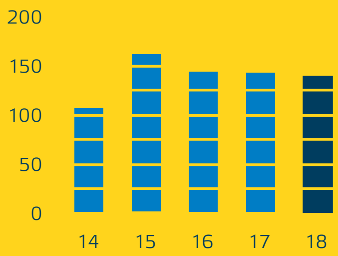
VBS share of net sales

55,4%

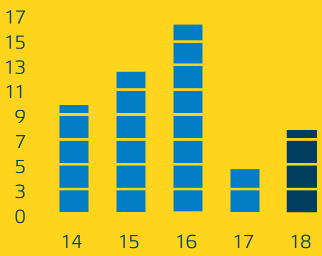
VBS share of personnel

50,3%

Development of VBS net sales, MEUR



VBS operating profit, MEUR



Network Products

Network Products provides access networks, video headends and video-on-demand solutions and related services to cable operators. In access network products, Teleste is the market leader in Europe, and it is a globally significant supplier of video headends. The access networks product range contains all components from FttX solutions to amplifiers and passive components, such as antenna sockets. In video headends, the emphasis is on completely digital solutions. The services related to our product operations consist of systems design, quality-assurance consulting, maintenance of delivered systems, and training.

Video Security and Information

Teleste delivers comprehensive modular video security and information solutions to public transport operators, train manufacturers and the public sector. Teleste's product portfolio covers a broad range of video security systems, situational awareness systems and passenger information solutions. Teleste's solutions are often joined together with other operational systems, such as traffic control, alarm and crisis management systems. Teleste has a strong market position among leading train manufacturers and public transport operators and in demanding video security projects. Teleste's main market areas are in Europe and North America.

Network Products

Technological transition ongoing

> The transition provides good growth opportunities in the future.

2018 was a busy year for the business unit. The objective to enter the North American market and the development of new distributed architecture required a lot of marketing and product development measures.

The expectations concerning the technological transition proved sligtly premature and optimistic. Operators' investments in distributed architecture networks did not get a proper start yet, so investment activity in the sector was slightly decreasing. Net sales of the business unit came mainly from previously signed frame agreements on HFC network upgrade projects. The price level of amplifiers remained good, which had a positive effect on profitability.

For a couple of years already, Teleste has been getting closer to new customers in North America, which has the world's largest cable infrastructure market. Local operators are particularly interested in distributed architecture, as it can be used to build an efficient network of a high standard cost-efficiently, utilising the existing cable network. Teleste's intelligent network innovations, launched in European markets for years already, have also stirred great interest among operators, as they stand out from the American competitors' products. Discussions with potential customers have progressed well; Teleste has delivered its products for testing and evaluation to ensure the compatibility of different devices.

CHANGING MARKETS

The traditional HFC technology market will contract over time, with distributed architecture gaining ground. Teleste has been the indisputable market leader in delivering HFC technology-based equipment, but now the size of available projects is decreasing. However, the situation is not changing quickly. Therefore, these products will constitute a profitable business for Teleste for many years yet. Therefore, Teleste aims to increase its market share in HFC products.

Transfer from HFC technology to distributed architecture means a huge change for the entire industry. The deployment of the technology requires talent, deeper expertise and close co-operation between different parties and even competitors. Teleste has invested strongly in the new technology, the development of products complying with the DOCSIS 3.1. standard as well as the strengthening of partnerships, because it is important for Teleste to participate in the currently developing ecosystem from the very beginning. At the same time, new technology provides Teleste with the opportunity to offer its customers smarter devices and a broader selection of products.

TECHNOLOGICAL KNOW-HOW IS THE KEY

According to Teleste's updated strategy, in addition to conquering the North American market, the main focus of the Network Products business is on developing distributed access architecture and DOCSIS 3.1.-compliant products. Expectations are high on the commencement of distributed access architecture investments within the next few years. The negotiations carried out have shown that potential customers appreciate Teleste's technological know-how and brand. Teleste's competitive position is also strengthened by the fact that it has demonstrated genuine commitment to standard-compliant networks and has, together with Cisco, delivered the world's first two-supplier distributed access architecture delivery to Telia.

Requirements on network capacity, speed, quality and reliability are continuously increasing. Along with the increasing diversity of the data and video content in the network as well as the connected devices, quality requirements in particular are increasing. Teleste aims to respond to these needs through strong development of its own expertise and capabilities.

Video Security and Information

Growth in many sectors

Strong order backlog.

Business developed favourably in 2018. Net sales started growing again and order backlog increased as a result of new customer agreements. The increased net sales and implemented efficiency improvement measures resulted in better profitability. In addition, the number of customers increased and market position strengthened.

General trends, such as globalisation, urbanisation and digitalisation, require investment in public transport and systems that improve its safety. In addition, many countries make efforts to slow down climate change through more ecological means of travel. Teleste's offering particularly supports ecological digital development of urban areas. Teleste's strategy update included defining the business unit's objectives and strategy for the future years on the basis of this market potential. Achieving a leading position in public transport information and security solutions and establishing profitable growth in video security and situational awareness systems were defined as the most important objectives. At the same time, Europe and North America were specified as the market area.

STEPS FORWARD

Towards the end of 2017, Teleste acquired the German iqu Systems, a company focusing on passenger information systems and software. In 2018, the company was successfully integrated into Teleste's operations. Iqu Systems supplemented Teleste's offering and brought new public transport operator customers, particularly from Germany and its neighbouring markets. We also made great progress in the improvement of our efficiency. The measures related to product development, manufacturing, sourcing and quality assurance gave expected results, and earlier quality problems related to passenger information products were resolved and our delivery capacity improved.

ACTIVE PRODUCT DEVELOPMENT

Active product development enabled Teleste to launch new products and more advanced solutions. The most significant investments were made in passenger information solutions and the new situational awareness system platform launched with the product name S-AWARE®. The platform was designed for the development of safety and operational efficiency in public transport, airports, critical infrastructure and the authoritative sector. It collects real time data from various subsystems, data sources and sensors, compiling a continuous up-to-date overall picture of the entire operational infrastructure. This helps to better understand ongoing situations and events and provides a foundation for efficient decision-making. The first significant S-AWARE® platform-based system was ordered in October 2018 by Helsinki City Transport. It chose Teleste's solution to improve situational awareness and promote safe travel in the Helsinki subway system.

POTENTIAL IN THE MARKET

The year 2019 has had a positive start. Teleste's good reputation in international markets provides opportunities for success. The unit's improved order backlog, competitive offering and strong expertise create a solid foundation for profitable growth. However, competition in the market will remain tough, and the increasing size of customers also increases the general requirement level and cost pressure. Teleste focuses on good account management and keeping up the quality level of products.

Network Services

Performance improved

> More high added-value services.

The extensive development initiatives triggered by the poor profitability of Network Services were successful already in 2018 as the segment got back on a profitable growth track. Net sales of Network Services increased by 21 per cent to EUR 111.7 (2017: 92.5) million. The operating result turned profitable at EUR 2.0 million. The business area employed 693 people on average.

The growth of the business area came mainly from its largest market in Germany, in which two large projects was delivered in addition to the normal service agreement. In the UK, net sales also increased clearly, but profitability varied greatly between services. Development was steady in Finland, Switzerland and Belgium. The business area was fairly successful in acquiring new customers.

CONSIDERABLE CHANGE IN GERMANY

The most extensive development measures were targeted at the operations in Germany. The agreement signed with the largest customer was challenging in terms of profitability. The costs of the agreed service tasks had increased as a result of the market conditions, so the cost of subcontracting was lower than their cost. Teleste's subsidiary Cableway and its largest customer, Vodafone Germany, negotiated the terms and conditions of a new frame agreement, and the new three-year agreement was published in May 2018. The new agreement created a foundation for the improvement of

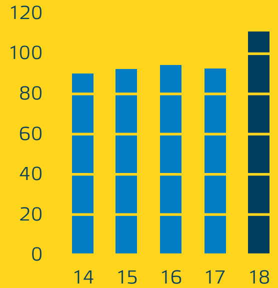
NS share of net sales

44,6 %

NS share of personnel

49,7 %

Development of NS net sales, Meur



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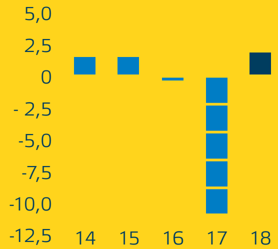
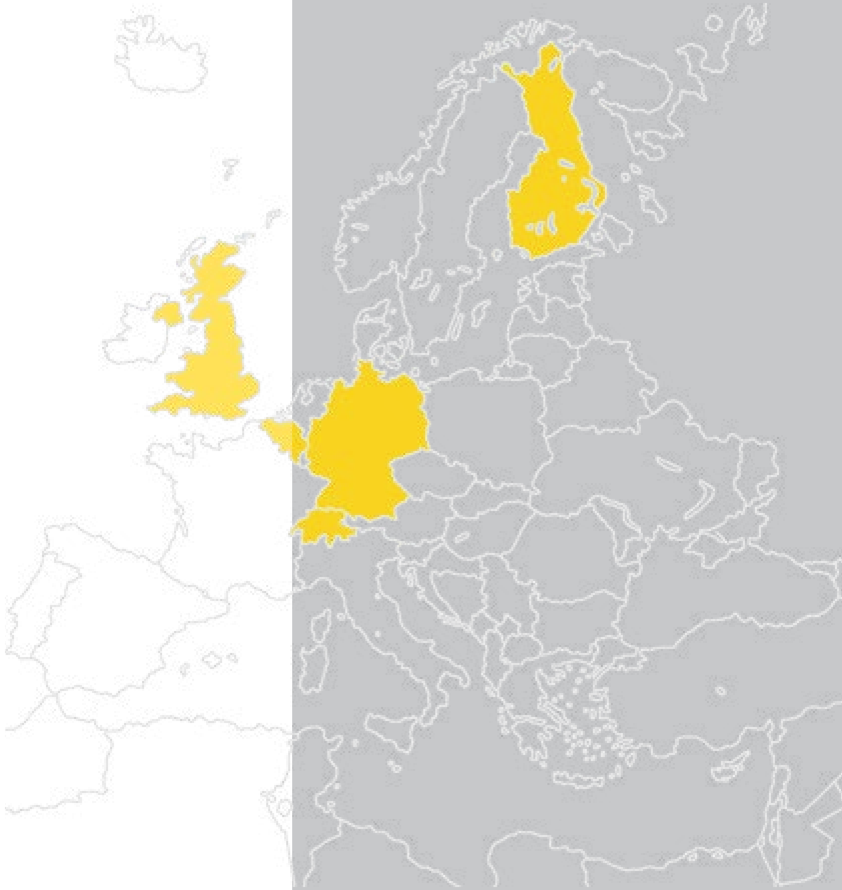




profitability and increased and expanded co-operation to cover high added-value services. Now the services consist mainly of installation and maintenance services, but the long-term objective is to increase the proportion of design and consulting services.

In addition to signing the frame agreement, the internal productivity improvement programmes initiated in 2017 were continued in Germany and new improvement measures were launched. The efficiency of operations improved considerably already in 2018, but the comprehensive transformation process will continue in 2019.

NEW STRATEGY

According to Teleste's revised strategy, the priorities of the services business comprise the improvement of profitability and the development of innovative solutions to respond to customers' needs. The development of the offering focuses on creating high added-value services and tools that decrease the life cycle costs of networks. The clearly higher technical level and complexity of customers' networks also require a higher level of expertise in design, building and maintenance.

The tough price competition in the services business means that services must be produced efficiently in order to ensure profitable business, but the pricing of high added-value services can be more value-based. The implementation of the strategy has already been started by setting targets, preparing detailed action plans and specifying the indicators for the evaluation of achievements.

A WELL-KNOWN COMPANY

There is clearly a need for the services provided by Teleste, and the operators' situation also anticipates a need for extensive project deliveries. Teleste is a well-known company in the industry, which is an important competitive factor, especially when it comes to new customers. Ensuring competitiveness will continue to be an important part of the productivity improvement programme in Germany, and as one of these operations Teleste will increase its own resources for the excavation. In the UK, Teleste's customers are starting to invest in fibre infrastructure, the utilisation rate of which is still very low there. Teleste's subsidiary Flomatik is an important provider of network design services in the UK.

Network Services

Network Services offers network design, installation and maintenance as well as professional services for operators across Europe. Our customers are often the leading players in their countries, and they aim to make new services available to their subscribers, including high-speed Internet access, pay TV, video-on-demand and telephony. Network Services operates in Germany, the UK, Finland, Switzerland and Belgium.

Lean operations and quality with passionate professionals

Personnel

Aiming for excellent personnel experience

Teleste's competitiveness is largely based on motivated and skilled personnel. Teleste offers its employees challenging and varied tasks, the opportunity to develop their skills among the industry's best professionals, as well as an international work community. Well-being at work springs from meaningful tasks, a pleasant working environment and a good work–life balance.

Teleste's mission is to build a networked society to make life smart, smooth and safe for people. Teleste employees represent different backgrounds, countries and cultures, but we all share the same values: customer centricity, respect, reliability and result orientation. Teleste engages in building a networked society in co-operation with others, creating a dialogue between personnel and stakeholders.

Personnel

At the end of December 2018, Teleste had 1,353 employees (2017: 1,446). Teleste's field of operations is very international and the company has offices in 17 countries. In terms of the number of employees, the largest Teleste countries are Germany (37%) and Finland (35%).

PERSONNEL BY LOCATION

35%
IN FINLAND

65%
IN OTHER COUNTRIES

People strategy

Focus area
Line Manager support

Goal
Excellent people leadership

Focus area
Employee experience

Goal
Competent and passionate Telestians

Focus area
Processes and performance

Goal
Smart and harmonized HR processes

LOCAL INTERNATIONAL PLAYER

Teleste is an international technology company that takes local requirements into account. Because of Teleste's global business environment, international activities are part of Teleste employees' everyday work. Compliance with the standards and quality requirements of HR activities is assessed by annual audits.

Teleste's HR management consists of a network that is present in seven countries, providing global support also for teams and supervisors in countries in which Teleste has fewer employees. In 2018, Teleste implemented personnel indicators throughout the Group to ensure, for example, compliance with the GDPR in the processing of personal data. The HR network connects the offices to one another and creates a framework for joint development of HR activities, taking into account local needs and global targets.

AIMING FOR EXCELLENT PERSONNEL EXPERIENCE

Teleste's HR strategy was revised in autum 2018. The three key targets of the strategy are good leadership, skilled and motivated employees and appropriate HR tools for all Teleste eployees and their supervisors. Good leadership is based on Teleste's shared values, dialogue, clearly defined inspiring targets and close co-operation.

Well-being at work and disability management play an important role in supervisors' work. In future, we will carry out two annual measurements to survey the success of the management and supervisors in improving the quality of management. A good personnel experience and operating culture support the commitment of skilled and motivated employees to performing diverse tasks at Teleste and also the recruitment of new employees. Continuous development of expertise and operations constitute an essential part of our operating culture, which we call the Teleste Spirit. Appropriate HR management tools promote a good personnel experience and smooth everyday work.

DEVELOPMENT OF EXPERTISE

The development of technologies, products and services, as well as continuous improvement of the efficiency of our operations, require solid expertise from our personnel. Teleste's strategic capabilities include the management of customer relations, development of products, manufacture of products and management of the supply chain, as well as seamless co-operation between teams. Employees' special expertise is developed in each area in accordance with personal development plans. In addition, joint training programmes promote the development of expertise. In 2018, we launched six new online training programmes and a number of product training programmes for the personnel on our eLearning platform. Furthermore, we launched the Sourcing Academy programme for sourcing professionals.

PREFERRED EMPLOYER

Teleste has a good reputation as an employer. Potential applicants are particularly interested in Teleste's technological expertise and international business environment as well as the opportunity to develop with it. Our co-operation with educational institutions is designed to increase the company's visibility among potential employees, which ensures the availability of employees also in the future. For young people, we offer summer jobs, work placements and thesis placements. On average, employees stay with Teleste for a long time. A motivating job promotes commitment to the employer, and long careers develop solid expertise and knowledge. Careers will become even longer in the future. We take this into account by promoting well-being at work, enhancement of expertise and a good work–life balance.

Teleste's incentive systems are based on the results achieved, measured on the company and personal level. Teleste uses performance-based and production bonus systems as well as share-based incentive schemes. In 2018, more employees joined Teleste's performance-based system. The performance-based systems support the company strategy with targets that are naturally integrated into the work of teams and individual employees.

Corporate responsibility

Smooth and safe everyday life

Teleste is involved in building a networked society. Its primary task is to increase the intelligence, convenience and safety of people's everyday life.

Teleste's products and services promote the use of public transport, the safety of public areas, the reception and sharing of information and entertainment as well as the general progress of digital development. Teleste's influence on the surrounding society is positive in many ways, and the carbon footprint of its own operations is low.

Corporate responsibility is at the core of Teleste's work, and it is reflected in the company's vision, mission and strategy. In addition to ethical rules, everyday business is governed by many laws, guidelines and environmental certificates. Corporate responsibility is developed and it is ensured when collaborating with any stakeholders. A good corporate citizen, Teleste engages in active co-operation with customers, partners, universities, other educational institutions, research institutes and other communities to achieve the joint goal.

ECONOMIC, ECOLOGICAL AND SOCIAL RESPONSIBILITY

Teleste follows the division of corporate responsibility into economic, environmental and social components. Economic responsibility is addressed through customer centricity and result orientation. We observe the operating environment; we are open and proactive. We keep close to the customer, now and in the future. Result orientation is ensured by making timely decisions, setting challenging goals, communicating them clearly and carrying things through. Environmental responsibility involves considering the environmental impacts of a product's entire life cycle and monitoring their development. Environmental responsibility is a particularly important aspect of the reliability of products. Social responsibility is addressed in ethical guidelines as well as through fair working conditions and practices. Respect for all people is included in the basics of social responsibility.

> Corporate responsibility is at the core of Teleste's work.

EXTENSIVE CONSIDERATION OF IMPACTS

Teleste provides long-lasting products. Therefore, their energy consumption and maintainability are important factors when considering life cycle costs and environmental burden. We aim to reduce these impacts throughout the production process, ranging from design to production, distribution, use and recycling. The production process is described on the next double-page spread.

EFFECTS OF OUR OPERATIONS UNDER CONTROL

The environmental effects of Teleste's operations are relatively small, mainly resulting from materials and components used in production as well as energy consumption and bisness travel. In 2018, Teleste's energy consumption amounted to 6.9 GWh. Energy is used for production as well as the heating and lighting of premises. We aim to reduce our energy consumption by always choosing more energy-efficient devices.

The sourcing of materials and components is governed by strict rules to ensure the quality of the final products and also the responsibility of sourcing. Sourcing is described in more detail on page 34. We aim to reduce the need for business travel by utilising network connections for meetings and negotiations. Whenever possible, Teleste employees prefer public transport and choose low-emission alternatives as company cars. The most significant emissions from travel are caused by the services business, as network maintenance requires driving.

RISK MANAGEMENT

Risk assessment and preparedness are important contributors to financial success. Twice a year, Teleste carries out a survey and assessment of risks. Risks are separately analysed for each business unit. The objective is to prepare a continuity management plan for risks that can have a serious effect on business. We have designated persons in charge of monitoring the most important risks and the continuity management plans in the business units and Group functions.

Teleste carries out an annual internal audit to evaluate the efficiency of processes related to risk management, control, leadership, administration and selected functions. The audit also includes making proposals for the improvement of these processes and functions. In addition, internal auditing carries out special tasks assigned by the management.

On 5 April 2018, Teleste's Board of Directors established an audit committee to prepare matters concerning the company's financial reporting and supervision. The audit committee assists the Board of Directors by preparing the matters that fall within the responsibilities of the audit committee. The audit committee convenes at least four times a year.

Corporate responsibility

Production process

DESIGN

Product development plays a key role in our consideration of the product life cycle environmental impact. Decisions made at the design stage have great significance for the entire product life cycle, as they cover the entire supply chain from the procurement of raw materials to the removal of the product from the market. Environmentally conscious product design aims to reduce material volumes, cut energy consumption and improve product quality.

Modularity is an important aspect in product design, and nearly all of the HFC access network products are modular. The new ICON9000 product increases this modularity. The AC9100 NEO product can be upgraded as a distributed access architecture device by adding to the existing device a cover that introduces the new functionality. Similarly, the Luminato digital headend platform is a modular product platform. The benefits of modularity are reflected in the serviceability of the products and the versatility of the platform, which also means a longer life cycle for the product. Teleste has also studied new power supply solutions for improved efficiency. These will be used in new distributed access architecture products.

The power consumption of broadband networks increases along with the increasing capacity requirements. Operators are looking for new sustainable solutions to improve network performance and manage their power consumption. The Make Sense solution launched by Teleste in 2018 enables decreasing the power consumption of amplifier units when the overall load on the network decreases. In this way, network power consumption can be cut by as much as 20 per cent a year without risking the service level.

SOURCING

Teleste's international supplier network consists of suppliers from more than 20 countries. In direct purchases, 20 per cent of suppliers account for 80 per cent of all sourcing. Co-operation with suppliers is based on annual contracts and a long-term approach. The co-operation is steered and monitored through the Code of Conduct, guidelines concerning functions such as logistics and order processing, supplier evaluations, supplier self-evaluations, meetings and audits.

Direct sourcing consists of different categories: components, products and services. Indirect sourcing consists of goods and services that we use for our own business operations. When choosing suppliers, we ensure that they meet Teleste's criteria. The Teleste Supplier Code of Conduct was updated in 2018 to better meet the needs expressed by Teleste's customers.

Teleste always strives to ensure that materials come from ethically and environmentally responsible sources. The company uses a third-party service to maintain the necessary information pertaining to the legitimate trade of natural resources and supply chains in line with sustainable development. The third-party service monitors the origin of the raw materials used in standard components (conflict minerals, 3TG). For more information, see the next double-page spread.

PRODUCTION

The most significant sources of environmental impacts in Teleste's manufacturing are energy consumption and the waste generated by the company's operations. Teleste's production operations consist of the manufacture, assembly and testing of electronics. All of these processes are environmentally safe.

Production efficiency is maintained by using the lean approach. One aspect of quality development in production is the use of continuous improvement boards (JAPA boards). In 2018, JAPA activities were extended to cover employee processes, and the first office robotics applications have been implemented for the update of forecast and control parameters. In addition, Teleste applies the 5S method in its production. This method focuses on improving productivity by eliminating non-value adding activities, improving quality and safety and creating a visually attractive, efficient workplace.

The Recycling and reuse section includes more details about the sorting of waste.

DISTRIBUTION AND SERVICES

Our logistics management takes into account environmental questions and cost-efficiency alike. The carbon footprint arising from transport results mainly from transport of materials and finished products. It is reduced by applying a forecasting processas well as prioritising land and sea transport over air cargo. In 2018, Teleste delivered 1,277 tonnes of products, meaning that the dispatched quantity increased by approximately 8 per cent. In 2019, we aim to reduceCO2 emissions from air transport compared with the 2018 level.

The space taken up by packages and packaging materials also contribute to the environmental load of distribution. The need for space has been reduced by using packages that can be stacked on top of each other, and packages have been made more environmentally friendly by replacing chipboard with cardboard as box cover material. Cardboard covers are lightweight and easy to recycle.

In the services business, the main source of environmental load is CO2 emissions from driving related to installation and servicing. Vehicle choices and route planning are used for reducing CO2 emissions.

USAGE

Teleste's products are safe throughout their production process and service life. The design of products takes into account the full product life cycle, including availability, service life and serviceability. The upgradeability of products with long life spans is part of the environmental perspective. Customer satisfaction is guaranteed by long-lasting and serviceable products with energy consumption matching the set targets.

Teleste continuously develops its access network products to allow its customers (operators) to reduce their network electricity consumption relative to the amount of data transmitted. The general measurement used in the industry is bit/W, which is the amount of data transferred using one unit of energy. New DOCSIS 3.1 devices with an extended frequency range provide operators with the opportunity to achieve a better efficiency ratio.

RECYCLING AND REUSE

Source separation of waste is essential for efficient recycling and reuse. At Teleste, all waste generated is appropriately sorted for recycling. In 2018, the Group generated 178.2 tonnes of waste, of which 118.7 tonnes were used as material and 53 tonnes for power generation. Only 6.5 tonnes were taken to disposal sites. In 2018, Teleste's waste recycling rate rose from 62 to 67 percent. This means that an increasing proportion of waste is reused as material.

Corporate responsibility

Responsible supply chain

DELIVERY TIMES ARE A CHALLENGE

In 2018, the long delivery times of components were the most significant challenge in sourcing. This also created price pressure. Even though component manufacturers invested in increasing their production capacity, the capacity was still too low to meet the market demand. In addition, some manufacturers gave up the production of certain passive and semiconductor components. According to the forecast of WSTS (World Semiconductor Trade Statistics) for 2019, the growth of demand in the semiconductor market will slow down considerably the growth was 13.7 per cent in 2018. Challenges in the availability of passive components are expected to continue throughout 2019.

INTRODUCING THE SOFTWARE ROBOT

Efficient planning of the future in a challenging supply environment means that the master data for items to be purchased must be accurate and reliable. Keeping up excellent data quality also requires continuous maintenance. In summer 2018, Teleste started using a software robot that assists with operational purchasing and updates parameters of the ERP system. Delegating recurring manual tasks to the robot has made work more rewarding and decreased the possibility of human error. Operational purchasing can use more time on expert work, making use of their professional skills.

TELESTE SOURCING ACADEMY

Teleste Sourcing Academy was established as part of the sourcing development action plan launched in 2017. It was evident that sourcing skills had to be significantly developed in order for sourcing to respond to the expectations and to achieve the strategic targets.

Teleste Sourcing Academy is an investment in Teleste's future. It is a training programme for those engaged in sourcing, aiming for broad-ranging development of professionals skills and expertise. The global training programme provides the entire team with the same level of know-how, inspires to exchange ideas, strengthens the joint operating models and promotes co-operation.

INTERNATIONAL CAREFULLY SUPERVISED SUPPLIER NETWORK

Suppliers are crucially important for Teleste. Our international supplier network consists of suppliers from more than 20 countries. In direct purchases, 20 per cent of suppliers account for 80 per cent of all sourcing. Co-operation with suppliers is based on annual contracts and a long-term approach. The co-operation is steered and monitored through the Code of Conduct, guidelines concerning functions such as logistics and order processing, supplier evaluations, supplier self-evaluations, meetings and audits.

Teleste's sourcing is divided into strategic sourcing and operational purchasing. Strategic sourcing selects suppliers, negotiates contracts and is responsible for supplier relationship management. Operational purchasing places orders with suppliers and is responsible for daily supplier interaction. The sourcing organisation actively develops operations by harmonising ways of working and by sharing information throughout the organisation.

> Teleste Sourcing Academy is an investment in Teleste's future.

STRICT SELECTION CRITERIA

Supplier selection is based on Teleste's values: customer centricity, respect, reliability and result orientation. When selections are made, the aspects evaluated include, among other things, technological know-how, the quality of products and deliveries, delivery reliability, operational ethics and cost efficiency. The Teleste Supplier Code of Conduct was updated in 2018 to better meet the needs expressed by Teleste's customers. Teleste categorises suppliers into key, primary, approved and new suppliers. The category specifies the relationship and management model between Teleste and the supplier. Key suppliers and primary suppliers are evaluated annually, approved suppliers at three-year intervals and new suppliers at the beginning of the supplier relationship. The evaluation model is updated when necessary. Active evaluation of the supplier base and reviews of suppliers' business continuity plans are part of the supplier-related business continuity risk management.

COMPREHENSIVE SELF-EVALUATION

Before engaging in more active co-operation, each new supplier fills in Teleste's comprehensive self-evaluation that consists of approximately 100 questions related to corporate governance, information security, occupational safety, corporate responsibility, compliance with law and environmental regulations as well as the organisation and its know-how and ability to innovate. What is important in the answers is not only how the supplier describes their operations and what kind of evidence they provide, but also how the supplier's supply chain works, how they steer it and how this steering can be verified.

RESPONSIBLE SUPPLY CHAIN

Direct sourcing consists of different categories, such as components, products and services provided for customers. Indirect sourcing consists of goods and services that we use for our own business operations. The requirements for suppliers are based on the category and the volume of sourcing. The typically long life cycle of Teleste's products sets high requirements for components with regard to their life cycle, life cycle cost development and agility of delivery. Teleste always strives to ensure that materials come from ethically and environmentally responsible sources.

The company uses a third-party service to maintain the necessary information pertaining to the legitimate trade of natural resources and supply chains in line with sustainable development. The third-party service monitors the origin of the raw materials used in standard components (conflict minerals, 3TG). Teleste only purchases products and components that fulfil the requirements of the RoHS directive. There are also counterfeit components available on the market. Teleste promotes anti-counterfeiting by committing to four basic principles (Teleste's Anti-Counterfeiting Statement) and by requiring that its suppliers also promote these principles through their own actions.

Board of directors

PERTTI ERVI

B.Sc. (Eng.), born in 1957
Chairman of the Board 2017–
Member of the Board 2009–2017

Independent of Teleste and its significant shareholders.

Principal occupation:
Independent Consultant

Primary working experience:
Computer 2000,
Co-President until 2000

Computer 2000 Finland Oy,
MD until 1995

Other elected positions of trust:
Efecte Oy, Member of the Board 2009– ,
Chairman of the Board 2011–

F-Secure Corporation, Member of the Board 2003– , Chairman of the Audit Committee 2006–

TIMO MIETTINEN

M.Sc. (Eng.), born in 1955
Member of the Board 2017–
Chairman of the Board 2016–2017

Non-independent of a significant shareholders, Tianta Oy is a significant shareholder of Teleste.

Principal occupation:
EM Group Oy, Member of the Board 2014–,
Chairman of the Board 2017–

Primary working experience:
Ensto Oy, CEO 1993-1995, Chairman of the Board 2006–2013, Member of the Board 2014–2017

EM Group Oy, Chairman of the Board 2005–2013

Lännen Tehtaat Oyj (current Apetit Oyj),
Chairman of the Supervisory Board 2011–2013

Other elected positions of trust:
Tianta Oy, Chairman of the Board 2017–

Ensto Invest Oy, Member of the Board 2017–

Alvar Aalto Foundation,
Member of the Board 2014–

Deutsche Bibliotheks Verein in Finnland,
Chairman of the Board 2014–

JANNICA FAGERHOLM

M.Sc. (Econ.), born in 1961
Member of the Board 2013–

Independent of Teleste and its significant shareholder

Principal occupation:
Signe and Ane Gyllenberg Foundation, Managing Director 2010–

Primary working experience:
SEB Gyllenberg Private Bank, Managing Director 1999–2010

Handelsbanken Liv, Country Manager, Life Insurance business in Finland 1998–1999

Sampo Group, Investment Director Life Insurance 1996–1998

Sampo Group, various posts in Asset Management 1990–1996

Other elected positions of trust:
Kesko Corporation, Member of the Board 2016–

Sampo plc, Member of the Board 2013

Hanken School of Economics, Member of the Board 2010–2018, Chairman of the Board 2019–

Veritas Pension Insurance Company, Member of the Board of Supervisors 2010–

HEIKKI MÄKIJÄRVI

M.Sc. (Eng.), born in 1959
Member of the Board 2018–

Independent of Teleste and its significant shareholders

Principal occupation:
Telia Ventures, CEO 2018–

Primary working experience:
Airbus Ventures, General Partner, 2015–2016

Deutche Telekom AG, Senior Vice President, Venture Capital & Group

Business Development and Venturing, 2011–2014

Openwave systems INC, Senior Vice President, Business Development, 2009–2011

Accel Partners, Venture Partner, 2002–2009

Cisco Systems, Technical Director & Business Development Manager, 1998–2001

Nokia, several management positions in Finland and in Germany, 1983–1998

Other elected positions of trust:
DNA Plc, Member of Board since 2017–, member of the Audit Committee since 2017–

TIMO LUUKKAINEN

M.Sc. (Econ.), M.Sc.(Eng.), MBA, born in 1954
Member of the Board 2016–

Non-independent of a significant shareholders, Board member in Tianta Oy.

Principal occupation: Board professional

Primary working experience:
Ensto Oy, Managing Director 2009–2016

Evervent Oy, CEO 2007–2009

In France, England and in Switzerland during 1992–2008:

Member of the Management Group of French subsidiary of General Motors

EMEA director of Hyster ja Mouvex -consortiums

CEO of Irrifrance

CEO of ABB subsidiaries 1985–1992

CEO of UPM Kymmene subsidiaries 1981–1985

Other elected positions of trust:
Tianta Oy, Member of the Board 2018–

KAI TELANNE

M.Sc. (Econ.), born in 1964
Member of the Board 2008–

Independent of Teleste and its significant shareholders

Principal occupation:
Alma Media Oyj, CEO 2005–

Primary working experience:
Kustannus Oy Aamulehti, Managing Director 2001–2005

Kustannus Oy Aamulehti, Deputy MD 2000–2001

Other elected positions of trust:

Tampere Chamber of Commerce and Industry, Member of the Board 2018–

Varma Mutual Pension Insurance Company, Member of the Board 2009-, Vice Chairman of the Board 2017–

Altia Group, Member of the Board 2016–

The management group

JUKKA RINNEVAARA

President and CEO
M.Sc. (Econ.) Born in 1961

Joined Teleste in 2002

Primary working experience:
ABB Building Systems, Group Senior Vice President 2001–2002

ABB Installaatiot Oy, President 1999–2001

Other elected positions of trust:
Technology Industries of Finland, Member of the Board 2019–

Turku Chamber of Commerce, Chairman of the Board 2012–2015, vice Chairman 2016–

Ventilation Holding Finland Oy, Member of the Board 2008–

JOHAN SLOTTE

Deputy CEO
LL.M, EMBA Born in 1959

Regional Director of Network Services in Germany, Austria and Switzerland

Head of corporate business development and legal affairs

Joined Teleste in 1999

Member of the Management Group since 1999–

Primary working experience:
Uponor Group, Various directorial positions 1989–1999

JUHA HYYTIÄINEN

CFO
M.Sc. (Econ.) Born in 1967

Joined Teleste in November 2013

Member of the Management Group since 2013–

Primary working experience:
Nokia Corporation, Business Controller and Director positions in Finance and Control 2000–2013

Ensto Saloplast Oy, Financial Manager 1998–2000

OMG Kokkola Chemicals Oy, Financial Manager 1994–1998

HANNO NARJUS

Network Products, Senior Vice President
M.Sc. (Econ.) Born in 1962

Joined Teleste in 2006

Member of the Management Group since 2007–

Primary working experience:
Nokia Corporation, Various managerial positions 1996–2006

Teleste Corporation, Director, Sales/ Continental Europe 1989–1996

ESA HARJU

Video Security and Information, Senior Vice President
M.Sc.(Eng.) Born in 1967

Joined Teleste in 2016

Member of the Management Group since 2016–

Primary working experience:
Independent Consultant 2015–2016

Ixonos Plc, President and CEO 2013–2015

Nokia Siemens Networks Finland Oy, CEO 2012

Nokia Siemens Networks, Head of Nordic & Baltic Region 2010–2012

Employment by Nokia and Nokia Siemens Networks since 1991

Other elected positions of trust:
Taiste Oy, Chairman of the Board 2016–

PASI JÄRVENPÄÄ

Research and Development, Senior Vice President
M.Sc. (Eng.) Born in 1967

Member of the Management Group since 2013 -

Primary working experience:
Joined Teleste in 1994

MARKUS MATTILA

Operations, Senior Vice President
M.Sc. (Eng.) Born in 1968

Joined Teleste in 2008

Member of the Management Group since 2008 -

Primary working experience:
Nokia Mobile Phones/Nokia Corporation, Manager and Director

positions in Operations, Logistics and Sourcing 1993-2008

Information for shareholders

In 2019, there are two milestones on the company's timeline.

On 22 February, Teleste turned 65 years old.

The foundation of Teleste's business operations is its strong technological expertise in signal transmission. Throughout these decades, Teleste has always been a company that is Finnish at root but operates globally.

In addition, March marked the 20th anniversary of the company's listing on the Helsinki Stock Exchange.

Teleste has set its sights on future and its mission is to be the best partner in building a networked society.

TELESTE SHARE

Teleste Corporation is listed on Nasdaq Helsinki in the Technology sector and is quoted in the small cap segment. The company shares are included in the book-entry securities system. The company has one series of shares. In Annual General Meeting each share carries one vote and confers an equal right to a dividend.

On 31 December 2018 Teleste's registered share capital stood at EUR 6,966,932.80 divided in 18,985,588 shares.

As to the company share price in 2018, the low was EUR 5.12 (6.51) and the high EUR 7.58 (9.62). Closing price on 31 December 2018 stood at EUR 5.26 (6.68).

- Trading code TLT1V
- ISIN code FI0009007728
- Reuter's ticker symbol TLT1V.HE
- Bloomberg ticker symbol TLT1VFH

FINANCIAL RELEASES IN 2019

Teleste Corporation Financial Statement 2018 was released on Thursday 7 February 2019.

Other releases during 2019:

- Interim report January–March at 9 May 2019
- Half year financial report January–June at 15 August 2019
- Interim report January–September at 31 October 2019

Financial reports are published as stock releases. Publications are available on Teleste's website both in English and in Finnish.

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

ANNUAL GENERAL MEETING

Teleste Corporation's Annual General Meeting will be held on Thursday, 4 April 2019, commencing at 4 p.m., in Helsinki Hall at Finlandia Hall in Helsinki, Mannerheimintie 13 e. Registration and distribution of voting tickets begins at 3 p.m.

Shareholders registered on the list of shareholders with Euroclear Finland Oy on Monday, 25 March 2019 are entitled to participate in the Annual General Meeting.

A shareholder who wants to participate in the meeting shall register no later than Thursday 28 March 2019 at 4 p.m.

SIGN UP TO THE AGM:

a. Company website at: www.teleste.com/AGM
b. investor.relations@teleste.com;
c. phone +358 2 2605 611 Monday–Friday between 09:00–16:00 EET
d. regular mail: Teleste Corporation, Tiina Vuorinen, P.O. Box 323, FI-20101 Turku, Finland.

PROPOSAL FOR DISTRIBUTION OF DIVIDEND 2018

The Board of Directors proposes to the AGM that, based on the adopted balance sheet, a dividend of EUR 0.20 per share be paid for the fiscal year that ended on 31 December 2018.

- Dividend ex date at 5 April 2019
- Dividend record date at 8 April 2019
- Payment of dividend at 15 April 2019

More information: www.teleste.com/AGM

CHANGES IN SHAREHOLDERS' CONTACT INFORMATION

The shareholder register is maintained by Euroclear Finland Oy. Shareholders are kindly requested to inform the custodian of their book-entry account of any changes in contact details.

For more information:
www.teleste.com/investors

Teleste Corporation was listed on Nasdaq Helsinki 30 March 1999. Listing price was 8.20 EUR

TELESTE CORPORATION

Postal address: P.o. Box 323,
FI-20101 Turku, Finland

Visiting address: Telestenkatu 1,
20660 Littoinen

Telephone (switchboard)
+358 2 2605 611

Business ID 1102267-8

www.teleste.com

facebook.com/telestecorporation
twitter.com/telestecorp
linkedin.com/company/teleste
slideshare.net/telestecorporation
youtube.com/telestecorporation

Teleste´s website is responsive, and as such, in mobile-optimised format.

We are dedicated to our customer´s success

Financial Statement
2018

CONTENTS

REPORT OF THE BOARD OF DIRECTORS

OVERVIEW

Teleste is an international technology company that develops and offers video and broadband technologies and related services. Our supply of technology contributes to the convenience and safety of daily living. Our core business is video – the processing, transfer and management of video and data. Our customer base consists of cable and telecom operators, rolling stock manufacturers, public transport operators as well as public sector organizations. Our business is divided into two divisions, which are Video and Broadband Solutions and Network Services. In both areas, we rank among the world's leading companies and technological forerunners.

In 2018, the company progressed according to plan in the company's strategic areas. The strategic priorities in 2019 include development of the distributed access architecture offering and successful launch of sales in the US cable operator market; significant growth of net sales and improved performance in video security and information solutions; and development of operations and improved profitability in the services business in Germany.

NET SALES AND PROFITABILITY

Orders received by the Group increased by 0.4% to EUR 264.0 (262.9) million, the highest level in Teleste's history. Net sales increased by 6.7% to EUR 250.3 (234.6) million. Operating result was EUR 9.7 million, while operating result for the reference period was EUR 7.5 million negative. Operating result represented 3.9% (-3.2%) of net sales. Result for the reference period included the goodwill impairment of EUR 7.7 million related to the services business in Germany as well as the restructuring provisions of EUR 2.4 million in Germany and Finland. Operating result improved in both Video and Broadband Solutions and Network Services. Expenses for material and manufacturing services increased by 8.0% to EUR 137.9 (127.7) million. Personnel expenses decreased by 4.9% and were EUR 66.0 (69.4) million. The decrease resulted from the decreased number of personnel. Depreciation, amortisation and other operating expenses decreased by 1.1% to EUR 38.5 (38.9) million. Net financial expenses were EUR 0.7 (0.9) million. Taxes for the Group amounted to EUR 2.2 (0.7) million, and effective tax rate was 24.5%. Undiluted earnings per share were EUR 0.38 (-0.50).

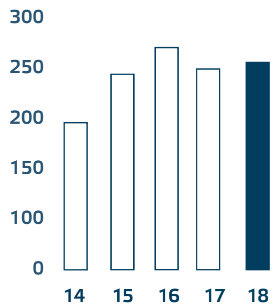
BUSINESS AREAS

Video and Broadband Solutions

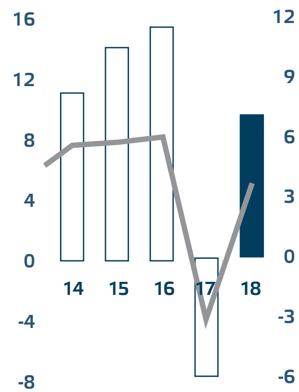
Video and Broadband Solutions focuses on access network products as well as video security and information solutions. Its main customer base comprises cable operators, rolling stock manufacturers and public sector organisations, such as public transport operators and authorities. Customers may also include companies that integrate solutions into larger systems, using Teleste's products for their end-to-end-deliveries. The business area's main market is Europe, but it also operates in North America and China. Teleste develops, designs and manufactures most of its products. The company's product development units are located in Finland, Poland, Germany and Belgium. In-house manufacturing is mainly carried out in Finland. In addition, Teleste supplements its product portfolio with products developed by third parties.

Video and Broadband Solutions has 32 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.

Net sales,
Meur



Operating result,
Meur % of Net Sales



Orders received decreased year-on-year by 10.6% to EUR 152.3 (170.4) million. The biggest decrease in orders received was seen in access network products. Net sales decreased by 2.4% to EUR 138.7 (142.1) million. Net sales decreased in access network products and increased in video security and information solutions. Operating result increased by 58.3%, standing at EUR 7.7 (4.9) million and representing 5.6% (3.4%) of net sales. Operating result was improved by the increased net sales of video security and information solutions. Operating result for the reference period was burdened by the EUR 0.8 million restructuring provision related to personnel reduction.

R&D expenses amounted to EUR 12.5 (12.1) million, representing 9.0% (8.5%) of VBS net sales. Product development projects focused on distributed access architecture, network products complying with the DOCSIS 3.1 standard (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 4.8 (3.5) million. Depreciation on capitalised R&D expenses was EUR 2.2 (1.5) million.

Network Services

Network Services offers comprehensive services for access network design, construction and maintenance. Its customer base mainly consists of large European cable and telecommunications operators and network equipment manufacturers. The implementation and scope of services range from stand-alone solutions to integrated turnkey deliveries. Most deliveries are based on frame agreements. The services also include Teleste's own product solutions. Teleste's competence covers an extensive range of services from cable network design, installation and maintenance to technical operation of networks. Teleste also uses its network of subcontractors to provide services. Teleste engages in services business in the markets of Germany, England, Switzerland, Finland, Belgium and Poland.

Orders received and net sales increased by 20.7% to EUR 111.7 (92.5) million. Net sales increased particularly in Germany. Operating result was EUR 2.0 million, while operating result for the reference period was EUR 12.4 million negative. The negative operating result for the reference period included the goodwill impairment and restructuring provision for the services business in Germany, totalling EUR 9.3 million.

INVESTMENTS

Investments by the Group totalled EUR 7.0 (7.5) million, representing 2.8% (3.2%) of net sales. Of the investments, EUR 4.8 (3.5) million were related to product development. No company acquisitions were made during the financial period. Of the investments made in the previous financial period, EUR 2.1 million were related to a company acquisition. Other investments were related to machines, equipment and information systems. Of the investments, EUR 0.2 (0.4) million were carried out under financial lease arrangements.

Product development projects focused on distributed access architecture, network products complying with the DOCSIS 3.1 standard (including solutions designed for the US market), situational awareness and video security solutions, passenger information systems and customer-specific projects.

FINANCING AND CAPITAL STRUCTURE

Cash flow from operations was EUR 15.0 (19.3) million. In the reference period, cash flow from operations was improved by the introduction of the supplier financing programme.

Teleste Corporation has credit and loan facilities with a combined total value of EUR 50.0 million. The EUR 20.0 million credit facility will run until the end of August 2020 and involves a 1+1-year extension option. 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. At the end of the period under review, the amount of unused binding credit facilities was EUR 20.0 (20.0) million. On 31 December 2018, the Group's interest-bearing debt stood at EUR 26.8 (33.2) million.

The Group's equity ratio was 51.7% (48.3%) and net gearing ratio 5.9% (16.8%).

CORPORATE RESPONSIBILITY AND REPORTING OF NON-FINANCIAL INFORMATION

Corporate responsibility is a natural part of Teleste's operations and the product and service offering of its businesses. The products and services provided by Teleste promote safety, security, environmentally friendly and efficient public transport as well as energy-efficient digital communications solutions.

Teleste personnel

In the period under review, the average number of people employed by the Group was 1,393 (1,492/2017, 1,514/2016); of these, 700 (763) were employed by Video and Broadband Solutions and 693 (729) by Network Services. At the end of the review period, the Group employed 1,353 people (1,446/2017, 1,511/2016), of whom 65% (65%/2017, 66%/2016) were stationed abroad. Approximately 2% of the Group's employees were working outside Europe. Personnel expenses decreased by 4.9% year-on-year and were EUR 66.0 (69.4/2017, 72.6/2016) million. The decrease in personnel expenses was due to a lower number of personnel year-on-year. The average number of personnel decreased by 6.7%. The number of personnel decreased in both Video and Broadband Solutions and Network Services.

Social responsibility

Social responsibility is closely related to the company's employees and their working conditions. Development of leadership is one the areas of HR management that Teleste focuses on. Development needs of teams and the organisation are identified and the personnel's well-being and commitment are monitored through personnel feedback surveys.

Equality and non-discrimination are part of Teleste's value base.Teleste does not tolerate harassment at the workplace. Every employee has the right to report harassment and the company will always intervene in cases reported to it.

It is the duty of every employee in the Group to act in a manner that does not place anyone in an unequal position. Teleste aims to systematically promote equality between its female and male employees through means such as paying attention to equal distribution of work, career progress and diversifying of job contents.

Teleste manages its social and HR responsibility by monitoring a number of indicators relating to matters such as the development, equality, safety, working ability, well-being at work and commitment of employees. Appraisal discussions are held with all Teleste employees. The appraisal discussion process is a management tool. The discussions, carried out at least once a year, guide the assessment of performance and leadership and development at work. In 2018, 75 per cent of personnel were men and 25 per cent women. Of employees in supervisory positions, 81 per cent were men and 19 per cent women. Altogether 85.5 per cent of personnel had an indefinite employment contract. The average age of personnel was 42 years. In 2018, Teleste hired 131 new employees with indefinite contracts. Personnel turnover rate was 13 per cent. Workplace accident frequency rate was 7.3 per one million working hours in 2018. Personnel's absence rate due to illness in 2018 was 3.4.

Teleste respects and follows internationally recognised human rights, such as those specified in the UN Declaration and ILO Convention. Suppliers are also required to respect and follow these rights and, for their part, to ensure that they are not in any way involved in violation of human rights. Teleste, its employees and suppliers are committed to integrity, honesty and fairness in internal and external collaboration alike. Teleste does not allow, tolerate, encourage or, directly or indirectly, promote any illegal or unethical activity, such as bribery, or other acts that can be interpreted as corrupt, illegal or unethical. Teleste's employees must not, directly or indirectly, receive, request or offer bribes, grease payments or any other benefits, even under illegal pressure.

Teleste's Management Group specifies the targets and uses the annual calendar to monitor the achievement of targets related to HR matters, social matters, respect of human rights and prevention of corruption and bribery, as well as the environmental targets. In addition, audits in accordance with Teleste's certified quality system promote continuous improvement of operating methods. No discrepancies were reported in audits performed in 2018.

Environmental responsibility

Teleste's environmental management system was updated in 2018 to comply with the requirements of the ISO 14001:2015 standard. At the same time, the environmental considerations and risks related to the operations were reassessed. Teleste's most important environmental considerations related to its normal operations are energy consumed by the products, emissions from transport, generation of waste and energy and water consumption at premises. In exceptional situations, the most important environmental risk would be caused by a large fire as well as the resulting fire gases and the extinguishing waters.

Teleste's Management Group has specified environmental targets for the years 2019 to 2021 on the basis of the environmental policy, risk assessment and environmental considerations. The objectives are

- to include a power saving feature in 65 per cent of new network products installed outdoors
- to reduce energy consumption in properties by 10 per cent compared with the 2018 level
- to reduce the carbon footprint from air cargo below the level of 2018

The achievement of the environmental targets and the implementation of the planned measures are regularly monitored.

Energy consumption in 2018

Energy consumption by the Group consists of the consumption of electricity and heating energy. Total energy consumption remained on par with the previous year. Electricity consumption amounted to 4.1 GWh and heating energy consumption to 2.8 GWh. The company aims to use energy generated using renewable energy sources whenever possible. For instance, 100 per cent of the electricity purchased for the largest office and plant is generated using wind power.

Recycling and reuse in 2018

The total amount of waste generated by the Group increased 10 per cent from the previous year. This is mainly attributable to the material and product disposals carried out at the Littoinen plant. The production volume of the plant also increased from the previous year by more than 10 per cent, which partially explains the increased amount of waste. Last year, the waste recycling rate rose from 62 to 67 per cent. This means that we now direct 19 tonnes more of waste to reuse instead of generation of energy.

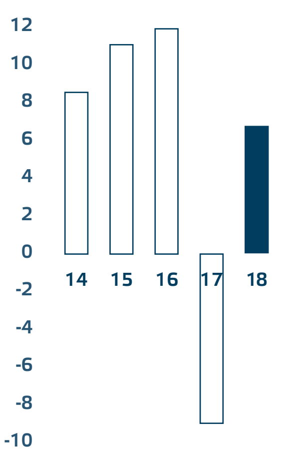
GROUP STRUCTURE

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

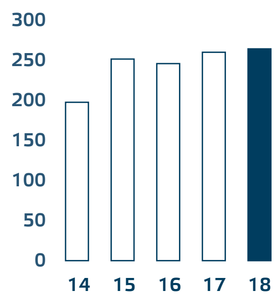
KEY RISKS FACED BY THE BUSINESS AREAS

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, rolling stock manufacturers and specified organisations in the public sector.

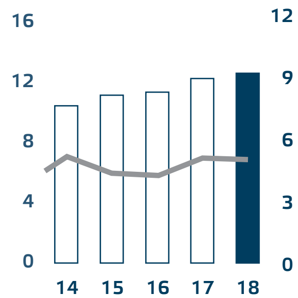
Result for the financial period
Meur



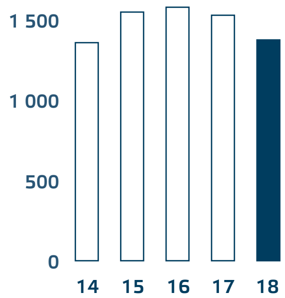
Orders received
Meur



R&D expenditure
Meur % of Net Sales



Average Personnel



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 or accidents, such as fire, may reduce the availability of components in the order-delivery chain of the electronics industry or suspend our own manufacturing operations. Many competitors in the business area come from the USA, 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.

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 transition, such as operators migrating to distributed architecture in access networks, 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 may also be exposed to external and internal threats and we need to protect them. 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 Board 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. On 29 January 2019, the court issued its decision on one of the complaints. The decision was favourable for Teleste. The decision will be final after the appeal period, unless it is appealed. The other litigation is still pending. According to the assessment by Teleste's management, the results of these litigations are not expected to have a material effect on Teleste's financial position.

DECISIONS BY THE ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) of Teleste Corporation held on 5 April 2018 adopted the financial statements and consolidated financial statements for 2017 and discharged the Board of Directors and the CEO from liability for the financial period 2017. The AGM confirmed the dividend of EUR 0.10 per share as proposed by the Board. The dividend was paid on 16 April 2018 on shares other than own shares held by the Company.

The AGM decided that the Board of Directors shall consist of six members. Pertti Ervi, Jannica Fagerholm, Timo Miettinen, Timo Luukkainen and Kai Telanne were re-elected as members of Teleste Corporation's Board of Directors, and Heikki Mäkijärvi was elected as a new Board member. Pertti Ervi was elected Chair of the Board in the organising meeting held after the AGM. The Board of Directors decided to establish an audit committee. Jannica Fagerholm was elected Chair of the Audit Committee, and Pertti Ervi and Kai Telanne were elected as members.

The AGM decided to elect one auditor for Teleste Corporation. 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. 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. 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 18 months from the date of the AGM's decision. 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.

SHARES AND CHANGES IN SHARE CAPITAL

On 31 December 2018, Tianta Oy was the largest single shareholder with a holding of 23.2%.

In the period under review, the lowest company share price was EUR 5.12 (6.51) and the highest was EUR 7.58 (9.62). Closing price on 31 December 2018 stood at EUR 5.26 (6.68). According to Euroclear Finland Ltd, the number of shareholders at the end of the period under review was 5,531 (5,618). Foreign and nominee-registered holdings accounted for 6.2% (6.6%) of the holdings. The value of Teleste's shares traded on the Nasdaq Helsinki from 1 January to 31 December 2018 was EUR 13.3 (16.8) million. In the period under review, 2.0 (2.0) million Teleste shares were traded on the stock exchange. Teleste's share is quoted in the technology section of Nasdaq Helsinki.

On 5 April 2018, Teleste Corporation's Board of Directors decided on a directed share issue without consideration, relating to the payment of the reward for the 2015–2017 performance period of Teleste Group's share-based incentive plan 2015. In the share issue, a total of 42,771 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 2018, the Group held 821,182 (863,953) of its own shares, all held by the parent company Teleste Corporation. At the end of the period, the Group's holding of the total number of shares amounted to 4.3% (4.6%).

On 31 December 2018, 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 5 October 2019.

OWNERSHIP BY MANAGEMENT AND MEMBERS OF THE GOVERNING BODIES ON 31 DECEMBER 2018

On the balance sheet date, the CEO and Members of the Board owned 167,397 (148,089) Teleste Corporation shares equal to 0.88% (0.78%) of all shares and votes. The CEO and the Board members did not have subscription rights based on stock options. On the balance sheet date, the members of the Management Group or entities under their control excluding the CEO owned 43,063 (53,686) Teleste Corporation shares equal to 0.23% (0.28%) 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.

OUTLOOK FOR 2019

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. Household broadband services are estimated to grow by 30–40 per cent 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 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. We expect that new investment projects that are based on distributed access architecture will be launched in Europe and North America in 2019. The transition to the new access architecture requires careful preparation, and we expect that upgrade projects will increase and more and more operators will launch distributed architecture investment projects in 2020. Transition 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 transition 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 2019 will be on par with the previous year, including the launch of distributed architecture product sales.

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 must ensure smooth running of services and infrastructure as well as passenger safety. Supply of real-time information for passengers is essential for flexible public transport. The public transport information systems market as well as video security and situational awareness systems market are expected to grow in 2019. The prices of traditional video security systems have fallen and competition has increased considerably. 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. The order backlog of video security and information solutions increased in 2018. Characterisitic 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 2019 from the previous year.

In Network Services, operators will increase their demand for various services as a result of changes in access architectures. As to Network Services, our business objective is to further develop operational efficiency 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. In 2018, we completed an important delivery project in Germany, and the forecast for 2019 does not include a similar project. Therefore, we estimate that net sales of Network Services will decrease in 2019 compared with the previous year.

Teleste expects the company's net sales to remain on par with 2018 (EUR 250.3 million). Operating result is expected to increase compared with 2018 (EUR 9.7 million).

PROPOSAL FOR THE DISTRIBUTION OF EARNINGS

Teleste Corporation's distributable equity on the date of the financial statements equalled EUR 52,859,059.13.

The Board of Directors proposes to the Annual General Meeting of 4 April 2019 that a dividend of EUR 0.20 per share be paid to outstanding shares for the year 2018.

Signatories to the Annual Report and the Financial Statements
6 February 2019

Pertti Ervi, COB
Jannica Fagerholm, MOB
Timo Luukkainen, MOB

Timo Miettinen, MOB
Heikki Mäkijärvi, MOB
Kai Telanne, MOB

Jukka Rinnevaara, CEO

The Auditor's Note
Our auditors' report has been issued today.

6 February 2019
KPMG OY AB

Petri Kettunen
Authorised Public Accountant

CONSOLIDATED FINANCIAL STATEMENT

Statement of comprehensive income

1,000 €	Note	1.1.–31.12.2018	1.1.–31.12.2017	Change, %
Net sales	1	250,346	234,589	6.7
Other operating income	2	1,766	1,531	15.3
Material and services		-137,905	-127,673	8.0
Employee benefits expense	3	-66,014	-69,406	-4.9
Depreciation and amortisation	4	-5,980	-5,263	13.6
Impairment on goodwill	4	0	-7,705	n/a
Other operating expenses	5	-32,492	-33,623	-3.4
Operating profit		**9,721**	**-7,549**	**n/a**
Financial income	6	325	537	-39.4
Financial expenses	7	-986	-1,458	-32.4
Profit/loss before taxes		**9,060**	**-8,470**	**n/a**
Income tax expense	8	-2,219	-675	228.5
Profit/loss for the financial period		**6,841**	**-9,145**	**n/a**
Profit attributable to:	9			
Equity holders of the parent		6,975	-9,106	n/a
Non-controlling interests		-133	-40	
		6,841	-9,145	n/a
Earnings per share for profit of the year attributable to the equity holders of the parenttulos:				
Basic (EUR)		0.38	-0.50	n/a
Diluted (EUR)		0.38	-0.50	n/a
Total comprehensive income for the period (tEUR)				
Net profit		6,841	-9,145	n/a
Items that may be reclassified to profit or loss:				
Translation differences		-241	-423	-43.1
Fair value reserve		-3	58	n/a
Total comprehensive income for the period		6,598	-9,511	n/a
Total comprehensive income attributable to:				
Owners of the parent company		6,705	-9,432	n/a
Non-controlling interests		-108	-78	37.6
		6,598	-9,511	n/a

Statement of financial position

1,000 €	Note	**31.12.2018**	31.12.2017	Change, %
Assets				
Non-current assets				
Intangible assets	10	11,268	9,469	19.0
Goodwill	10	30,573	30,814	-0.8
Property, plant and equipment	11	8,601	9,637	-10,7
Available-for-sale investments	12	561	693	-19.0
Deferred tax assets	13	2,131	2,061	3.4
		53,135	52,674	0.9
Current assets				
Inventories	14	32,833	33,689	-2.5
Trade and other receivables	15	50,500	45,520	10.9
Tax receivables	21	288	362	-20.2
Cash and cash equivalents	16	22,240	21,230	4.8
		105,861	100,801	5.0
Total assets		**158,996**	**153,475**	**3.6**
Equity and liabilities				
Equity attributable to equity holders of the parent				
Share capital	17	6,967	6,967	0.0
Share premium	17	1,504	1,504	0.0
Translation differences		-1,570	-1,404	11.8
Fair value reserve and other reserves		3,048	3,062	-0.5
Retained earnings		66,691	60,593	10.1
Equity holders of the parent company		**76,641**	**70,723**	**8.4**
Non-controlling interests		**522**	**630**	**-17.1**
Total equity		**77,163**	**71,352**	**8.1**
Non-current liabilities				
Interest-bearing liabilities	18	22,590	28,394	-20.4
Other liabilities	20	81	1,159	-93.0
Deferred tax liabilities	13	1,607	1,429	12.5
Provisions	19	266	619	-56.9
		24,545	31,601	-22.3
Current liabilities				
Trade and other payables	20	51,089	43,763	16.7
Current tax payable	21	966	719	34.3
Provisions	19	1,012	1,186	-14.7
Interest-bearing liabilities	18	4,222	4,853	-13.0
		57,288	50,522	13.4
Total liabilities		**81,833**	**82,123**	**-0.4**
Total equity and liabilities		**158,996**	**153,475**	**3.6**

Consolidated cash flow statement

1,000 €	Note	1.1.–31.12.2018	1.1.–31.12.2017
Cash flows from operating activities			
Profit for the period		6,841	-9,145
Adjustments for:			
Depreciation, amortisation and impairment	23	5,980	12,968
Other non-cash items		850	1,529
Financial income and expenses		662	921
Dividend income		-4	-6
Income tax expense		2,219	675
Changes in working capital and provisions:			
Increase/decrease in trade and other receivables		-4,980	14,749
Increase/decrease in inventories		857	-145
Increase/decrease in trade and other payables		4,514	260
Increase/decrease in provisions		527	134
Paid interests and other financial expenses		-986	-1,458
Received interests and dividends		325	537
Paid taxes		-1,796	-1,765
Net cash from operating activities		**15,009**	**19,254**
Net cash used in investing activities			
Purchases of property, plant and equipment (PPE)		-825	-1,975
Proceeds from sales of PPE		166	210
Purchases of intangible assets		-4,843	-3,123
Purchase of investments		-143	0
Acquisition of subsidiary, net of cash acquired		0	-996
Net cash used in investing activities		**-5,645**	**-5,884**
Cash flows from financing activities			
Proceeds from borrowings		4,087	4,000
Repayments of borrowings		-10,009	-1,138
Payment of finance lease liabilities		-655	-638
Dividends paid		-1,816	-4,530
Capital investment by non-controlling interests		0	708
Net cash used in financing activities		**-8,393**	**-1,598**
Change in cash			
Cash and cash equivalents at 1 January		21,230	9,496
Effect of currency changes		39	-38
Cash and cash equivalents 31.12.		**22,240**	**21,230**

Consolidated statement of changes in equity

1,000 €	Share capital	Share premium	Translation differences	Retained earnings	Invested non-restricted equity	Other reserves	Total	Non controlling interest	Total equity
	Attributable to equity holders of the parent								
At 1 January 2017	6,967	1,504	-978	73,922	3,140	-135	84,422	0	**84,422**
Comprehensive income			0	-9,106		0	-9,106	-40	-9,146
Translation differences			-427	41			-386	-37	-423
Cash flow hedges						58	58		58
Total comprehensive income	**0**	**0**	**-427**	**-9,065**		**58**	**-9,434**	**-77**	**-9,511**
Dividends				-4,530			-4,530	0	-4,530
Excercised share options				265	0		265	0	265
Changes in non-controlling interest			0	0			0	707	707
	0	0	0	-4,265	0		-4,265	707	-3,558
At 31 December 2017	6,967	1,504	-1,404	60,592	3,140	-78	70,722	630	71,352
New standards & other changes				179			179		179
Comprehensive income			0	6,975		0	6,975	-133	6,841
Translation differences			-165	-90		-11	-266	25	-241
Cash flow hedges						-3	-3		-3
Total comprehensive income	**0**	**0**	**-165**	**6,885**		**-14**	**6,706**	**-108**	**6,598**
Dividends				-1,816			-1,816	0	-1,816
Excercised share options				850	0		850	0	850
	0	0	0	-966	0	0	-966	0	-966
At 31 December 2018	**6,967**	**1,504**	**-1,569**	**66,691**	**3,140**	**-92**	**76,640**	**522**	**77,163**

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 its two business units Video and Broadband Solutions and Network Services; in both fields, we are among the global leaders. Video is at the core of our 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. Video and Broadband Solutions business segment has the emphasis on product solutions for broadband access networks, video service platforms and video surveillance applications. Network Services segment deliver 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 operations in China, Denmark, the Netherlands and a subsidiary in fourteen countries outside Finland. Teleste Corporation has been listed on the Helsinki Stock Exchange since 1999. A copy of the consolidated financial statements can be obtained either from Teleste's website www.teleste.com or from the parent company's head office, the address of which is mentioned above.

STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) in force as at 31 December 2018. International financial reporting standards, referred to in the Finnish Accounting Act and in ordinances issued based on the provisions of this Act, refer to the standards and their interpretations adopted in accordance with the procedure laid down in regulation (EC) No 1606/2002 of the EU. The notes to the consolidated financial statements also include additional information in accordance with the Finnish accounting and company legislation.

The Group has applied as from 1 January 2018 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 2018.

- **IFRS 9 Financial Instruments.** IFRS 9 replaces the earlier guidance in IAS 39. The new standard includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.The cumulative effect of the new standard was recorded in the opening balance and it increased the equity with 22 thousand euro. The main effect of IFRS 9 concerns timing of expected credit losses.
- **IFRS 15 Revenue from Contracts with Customers.** The new standard has replaced earlier IAS 18 and IAS 11 -standards and related interpretations. In IFRS 15 a five-step model is applied to determine when to recognise revenue, and at what amount. Revenue is recognised when (or as) a company transfers control of goods or services to a customer either over time or at a point in time. The cumulative effect of the new standard was recorded in the opening balance and it increased the equity with 73 thousand euro. All changes was allocated to VBS segment. The standard has also introduced extensive new disclosure requirements.
- **Amendments to IFRS 2 – Clarification and Measurement of Share-based Payment Transactions.** The amendments clarify the accounting for certain types of arrangements. Three accounting areas are covered: measurement of cash-settled share-based payments; classification of share-based payments settled net of tax withholdings; and accounting for a modification of a share-based payment from cash-settled to equity-settled.
- **Annual Improvements to IFRSs (2014-2016 cycle).** The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments relate to IFRS 1 and IAS 28.
- **IFRIC 22 Interpretation Foreign Currency Transactions and Advance Consideration.** When foreign currency consideration is paid or received in advance of the item it relates to – which may be an asset, an expense or income – IAS 21 The Effects of Changes in Foreign Exchange Rates -standard is not clear on how to determine the transaction date for translating the related item. The interpretation clarifies that the transaction date is the date on which the company initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date.

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

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement. The consolidated financial statements include the Group's proportionate share of the joint ventures' assets, liabilities, revenue and expenses on a line by line basis, from the date that joint control commences until the date that joint control ceases. At the end of the reporting period the Group had no interests in 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

Group as lessee

Leases of property, plant and equipment where substantially all the risks and rewards incidental to ownership have been transferred to the Group are classified as finance leases. These assets are capitalised and are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease less cumulative depreciation and any impairment losses. The associated lease liabilities are included in interest-bearing liabilities in accordance with their maturity.

These assets acquired under finance leases are depreciated as comparable owned assets over the shorter of the useful lives disclosed above for property, plant and equipment or lease period and are adjusted for impairment charges, if any. Lease payments are apportioned between the reduction of the outstanding lease liability and finance charge. In respect of finance leases, the depreciation on the leased assets and the financial charge on the lease liability are shown in the income statement. The financial charge is allocated to the income statement so as to achieve a constant interest rate on the outstanding liability during the lease term.

An operating lease is a lease of property, plant and equipment where the lessor retains significant risks and rewards incidental to ownership. Payments made thereunder are charged to the income statement as rental expense on a straight-line basis over the lease term.

GROUP AS LESSOR

Those leases under which Teleste is a lessor are classified as operating leases. Leased assets are presented in the lessor's balance sheet under property, plant and equipment according to the nature of the asset. They are depreciated over their estimated useful lives in accordance with the depreciation policy used for comparable assets in own use. Lease income is recognised in the income statement on a straight-line basis over the lease term.

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

Other intangible assets

Other intangible assets of the Group mainly consist of connection fees and these are not amortised.

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 equity and interest related to the remaining equity. The Group did not have financial assets measured at amortised cost.

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.

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. The model also takes into account any information on future financial conditions available at present.

In addition, the Group recognises an impairment on receivables if there is objective evicence of a customer's financial difficulties.

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

Financial assets measured at fair value through other comprehensive income include financial assets that according to the business model are to be held to collect and sell contractual cash flows. In addition, cash flows of financial assets consist fully of equity and the payment of interest on remaining equity. 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 excluding impairment gain and losses as well as exchange rate gains and losses, until the financial asset item is derecognised from the balance sheet or its classification is changed.

The Group recognises the loss allowance on expected credit loss for an asset measured at fair value through other comprehensive income. The loss allowance is recognised in other comprehensive income and it does not reduce the carrying amount of the financial asset item on the balance sheet. Expected credit losses are presented under the income statement item impairment of financial assets.

Financial assets measured at fair value through profit or loss

The category of financial assets recognised at fair value through profit or loss includes financial assets acquired to be held for trading or designated as such at initial recognition. 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
At the end of each reporting period, the Group assesses whether it can reasonably expect to fully or partially collect an item included in financial assets. Recognition of final credit loss directly reduces the gross carrying amount of an item included in financial assets.

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

FINANCIAL LIABILITIES
Financial liabilities have been classified according to IFRS 9 into the following categories:
- financial liabilities measured at amortised cost
- financial liabilities measured at fair value through income statement.

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

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

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

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

Trade receivables
Trade receivables are recognised at the original invoice amount to customers and stated at their cost less impairment losses, if any. The amount of doubtful receivables and assessment of a potential impairment is based on risk of individual receivables. Trade receivables are measured at their probable value at the highest. An impairment loss is recorded when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Bad debts recognised in the income statement are included in other operating expenses.

Cash and cash equivalents
Cash and cash equivalents comprises cash balances, call deposits and other short-term highly liquid investments with original maturities of three months or less from the date of acquisition. Bank overdrafts, if any, are included within current liabilities.

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 provision for non-cancellable purchase commitments of the Group is recognised, if these commitments result in inventory in excess of forecasted requirements. A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. A reimbursement from a third party related to a provision is recognised as a receivable only when the reimbursement is virtually certain.

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

REVENUE RECOGNITION AND NET SALES
Revenue is recognised at a point in time or over time. The performance obligations is typically satisfied when goods are delivered and services are performed. Revenue from the sale of goods is recognised in the income statement when all significant risks and rewards of ownership have been transferred to the buyer, which normally takes place when a commodity is delivered. Revenue from services is recognised when the service has been performed. Typical payment term to customer is 30 to 90 days from invoicing data. Payment term over 12 months doesn't exist. Teleste is granting normal warranteis in this business for it's products. Defects in Teleste products caused by design, bad

material or manufacturing are repaired or replaced by new products. There is no sale with a right of return. Costs of obtaining customer contract are capitalized when they exist.

Revenue from construction contracts is recognised either on a percentage-of-completion basis, using units of delivery (based on predetermined milestones) or by applying the cost-to-cost method of accounting as the measurement basis. Estimated contract profits are recognised in earnings in proportion to recorded sales, when a certain predetermined milestone has been achieved. In the cost-to-cost method, 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.

Costs related to a construction contract for which revenue is not yet recognised are included in inventories under unfinished construction contracts. 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 rental income and 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

The granted share options are measured at their fair values using the Black-Scholes option pricing model at the grant date and are recognised as an employee expense during the vesting period with a corresponding increase in equity. When the options are exercised, the proceeds received, net of any transactions costs, are credited to share capital (nominal value) and the share premium reserve.

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. Translation differences relating to sales and purchases are treated as adjustments to these items. All other translation 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.

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 is it probable that the temporary difference will not reverse in the foreseeable future. Deferred tax liabilities are recognised at their full amounts in the balance sheet, and deferred tax assets are recognised at estimated realisable amounts. The enacted or substantially enacted tax rate at the balance sheet date is used as the tax rate.

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

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

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

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.
* = not yet endorsed for use by the European Union as of 31 December 2018.

- **IFRS 16 Leases** (effective for financial years beginning on or after 1 January 2019).
- The new standard replaces the current IAS 17 –standard and related interpretations. IFRS 16 requires the lessees to recognise the lease agreements on the balance sheet as a right-of-use assets and lease liabilities. The accounting model is similar to current finance lease accounting according to IAS 17. There are two exceptions available, these relate to either short term contacts in which the lease term is 12 months or less, or to low value items i.e. assets of value about USD 5 000 or less. The lessor accounting remains mostly similar to current IAS 17 accounting. The impact on opening balance 1.1.2019 will be 6.9 million euro, which will be recognized as assets and liabilities. Teleste will not restate comparative information but recognise the cumulative effect of initially applying this Standard as an adjustment to the opening balance at the date of initial application.
- **IFRIC 23 Uncertainty over Income Tax Treatments** (effective for financial years beginning on or after 1 January 2019).
- The interpretation brings clarity to the accounting for income tax treatments that have yet to be accepted by tax authorities. The key test is whether the tax authority will accept the company's chosen tax treatment. When considering this the assumption is that tax authorities will have full knowledge of all relevant information in assessing a proposed tax treatment.
- **Amendments to IFRS 9**: Prepayment Features with Negative Compensation (effective for financial years beginning on or after 1 January 2019).
- The amendments enable entities to measure at amortised cost some prepayable financial assets with so-called negative compensation.
- **Amendments to IAS 28**: Long-term Interests in Associates and Joint Ventures* (effective for financial years beginning on or after 1 January 2019).
- The amendments clarify that a company applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture.
- **Plan amendment, Curtailment or Settlement** (Amendments to IAS 19)* (effective for financial years beginning on or after 1 January 2019).
- The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, an entity uses updated actuarial assumptions to determine its current service cost and net interest for the period and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI).
- **Annual Improvements to IFRSs** (2015–2017 cycle)* (effective for financial years beginning on or after 1 January 2019).
- The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments relate to IFRS 3, IFRS 11, IAS 12 and IAS 23.
- **Amendments to References to Conceptual Framework in IFRS Standards*** (effective for financial years beginning on or after 1 January 2020)
- The revised Framework codifies IASB's thinking adopted in recent standards. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs.
- **Definition of a Business** (Amendments to IFRS 3)* (effective for financial years beginning on or after 1 January 2020)
- The amendments narrowed and clarified the definition of a business. They also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business.
- **Definition of Material** (Amendments to IAS 1 and IAS 8)* (effective for financial years beginning on or after 1 January 2020)
- The amendments clarify the definition of material and include guidance for the definition. In addition, the explanations accompanying the definition have been improved. The amendments aim also to ensure that the definition of material is consistent across all IFRS Standards.
- **IFRS 17 Insurance Contracts*** (effective for financial years beginning on or after 1 January 2021)
- The new standard for insurance contracts will help investors and others better understand insurers' risk exposure, profitability and financial position. This standard replaces IFRS 4-standard.

Segment reporting

Teleste Group is organised in two reporting segments. These segments are based on the Group's organisational and internal reporting structure.

BUSINESS SEGMENTS

The Group comprises two business segments that are Networks Services and Video and Broadband Solutions.

Video and Broadband Solutions business segment has the emphasis on product solutions for broadband access networks, video service platforms and video surveillance applications.

Network Services segment deliver comprehensive network service solutions including new construction, rebuilding, upgrading, planning and maintenance services of cable networks.

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.

There are no major inter-segment sales in the Group.

UNALLOCATED ITEMS

Unallocated income statement items include costs and incomes which follow earnings after depreciations. Assets not allocated to the segments represent cash. Unallocated liabilities are interest bearing liabilities and tax liabilities.

Business segments

2018 1,000 €	Video and Broadband Solutions	Network Services	Group
External sales			
Services	4,687	111,669	116,356
Goods	133,990	0	133,990
Total external sales	138,677	111,669	250,346
Operating profit of segments	7,738	1,983	9,721
Operating profit			9,721
Financial items			-661
Profit before taxes			9,060
Non-current assets of segment	48,111	2,893	51,003

2017 1,000 €	Video and Broadband Solutions	Network Services	Group
External sales			
Services	7,567	92,507	100,074
Goods	134,515	0	134,515
Total external sales	142,082	92,507	234,589
Operating profit of segments	4,888	-12,437	-7,549
Operating profit			-7,549
Financial items			-921
Profit before taxes			-8,470
Non-current assets of segment	47,655	2,958	50,613

Geographical division

2018 1,000 €	Finland	Nordic countries	Other Europe	Others	Group
Sales by origin	15,172	24,606	201,367	9,201	250,346
Assets	43,520	348	7,013	122	51,003
Capital expenditure	5,143	228	1,618	0	6,989

2017 1,000 €	Finland	Nordic countries	Other Europe	Others	Group
Sales by origin	13,296	28,634	179,884	12,774	234,589
Assets	43,806	154	6,398	255	50,613
Capital expenditure	4,168	80	3,101	134	7,482

Major customer

Revenues from one common customer of the Group's Video and Broadband Solution and Network Services segment represents approximately 72.7 Meur in 2018 (62.1 Meur in 2017), which is 29.0% (26.5%) of Group net sales.

Revenue from contracts with customers

	2018	2017
Revenue from contracts with customers	250,346	234,589
All revenue streams are generated from contracts with customers		
Receivables, which are included in"trade and other receivables" Note 15	43,984	39,785
Net assets from contracts (+assets - liabilities)		
Contract assets (+)		
Video and Broadband Solutions	1,863	1,517
Network Services	10,152	11,240
	12,015	12,757
Contract liabilities (-)		
Video and Broadband Solutions	-1,490	-900
Network Services	-8,061	-4,824
	-9,551	-5,723
	2,464	**7,034**
Timing of the revenue recognition		
Timing of the revenue recognition, at point in time		
Video and Broadband Solutions	134,020	137,974
Network Services	110,632	91,915
	244,651	229,889
Timing of revenue recognition, over the time		
Video and Broadband Solutions	4,657	4,108
Network Services	1,037	592
	5,695	4,700
	250,346	**234,589**
Revenue by category		
Goods		
Video and Broadband Solutions	133,990	134,515
Network Services	0	0
	133,990	134,515
Services		
Video and Broadband Solutions	4,687	7,567
Network Services	111,669	92,507
	116,356	100,074
Total	**250,346**	**234,589**

Order backlog

Timing of order back log

	2019	Later	Total
Order backlog end of 2018			
Video and Broadband Solutions	51,902	19,115	71,017
Network Services	0	0	0

Timing of order back log

	2018	Later	Total
Order backlog end of 2017			
Video and Broadband Solutions	37,981	19,402	57,383
Network Services	0	0	0

Business combinations acquired during 2018 and 2017

DURING 2018

During 2018 there were no acquisitions. A conditional supplementary contract price from Iqu acquisition of 1,050 thousand euro was de-recogniced in other current liabilities and in fair value category 3.

DURING 2017

During 2017 Video and Broadband solution segment was strengthened by acquiring 100% of shares of Iqu Systems GmbH, the German company specialised in intelligent passenger information systems and software. Through the acquisition, Teleste will complement its offering of passenger information solutions for public transport, one of the company's key focus areas.

The acquisitions resulted in 444 thousand of intangible assets, which was allocated to customer relationships, trademark and technology. The goodwill, amounted 1,459 thousand euro, is mainly due to new information management solutions for city trafic segment and synergies in the logistics. The goodwill include estimated amount of the conditional supplementary contract price for Iqu. Total consideration is estimated to be 2,050 thousand euro depending on the profitability development during the next year. The total unpaid contract price of 1,050 thousand euro was booked in non current other liabilities and are classified as fair value level 3. The unpaid contract price is discounted and the difference is booked as a finacial expense in profit and loss statement. The final unpaid contract price is estimated to be between 0.3 and 1.0 Million euro. Teleste personnel increased with 20 persons. All costs related to the acquisitions, 30 thousand euro, are expensed in other operating expenses.

The impact of the acquisition on Teleste's net sales during the period 1 .11. 2017–31.12.2017 was 696 thousand euro and on the net profit 70 thousand euro. Iqu's net sales 1.1.2017–31.12.2017 was 2,364 thousand euro and profit 32 thousand euro.

The fair values determined in the business combination are based on the following estimates:

- The fair value of acquired trade marks is determined to equate with the discounted royalties, which have been managed to be avoidable by owing the trademarks in question. A reasonable royalty per cent, that an external party would pay for a licensing agreement, has been estimated when determining the fair values.
- The fair value of acquired technology is determined to equate with the discounted product development costs, which have been managed to be avoidable by owing the technology in question.
- Determination of fair value of the customer relationships is based on the estimated life time of the customer relationships and the discounted cash flows to be derived from the existing customerships.

Notes to the Consolidated Financial Statements

1. CONSTRUCTION CONTRACTS

No revenue from construction contarcts were recognised during 2018 (133 thousand euros in 2017).

2. OTHER OPERATING INCOME

1,000 €	2018	2017
Government grants related to development costs	545	453
Gain on disposals of non-current assets	26	93
Income from insurance	815	0
Other income	380	985
Total	**1,766**	**1,531**

3. EMPLOYEE BENEFITS EXPENSE

Wages and salaries	-53,713	-57,196
Pension expenses		
Defined contribution plans	-9,937	-10,581
Other post employment benefits	-4,524	-4,184
Activated R&D salaries and social costs	3,010	2,820
Equity-settled share-based transactions	-850	-265
Total	**-66,014**	**-69,406**

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	1,393	1,492

4. DEPRECIATION, AMORTISATION AND IMPAIRMENT

1,000 €	2018	2017
Depreciation and amortisation by asset type:		
Tangible assets		
Buildings	-377	-395
Machinery and equipment	-2,088	-2,207
Other tangible assets	-154	-216
Total	**-2,619**	**-2,818**
Intangible assets		
Capitalised development expenses	-2,261	-1,492
Other intangible assets	-1,101	-953
Total	**-3,361**	**-2,445**
Depreciation and amortisation total	-5,980	-5,263
Impairment		
Impairment on goodwill	0	-7,705
Total	**-5,980**	**-12,968**

5. OTHER OPERATING EXPENSES

Rental expenses	-4,596	-4,488
External services	-6,583	-5,755
Other variable costs	-6,742	-8,700
Travel and IT costs	-5,850	-5,510
R&D costs	-1,274	-1,239
Other expenses	-7,447	-7,932
Total	**-32,492**	**-33,623**

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

Audit expenses

1,000 €	2018	2017
KPMG		
Auditing assignments	-167	-144
Tax consultancy	-14	-53
Other assignments	-1	-32
Other auditors		
Auditing assignments	-11	-10
Other assignments	-46	-42

Other assignments than audit assignments during year 2018 by KPMG Oy Ab amounted 15 thousand euro. These assignments consisted of tax consultancy (14 thousand euro) and other assignments (1 thousand euro)

6. FINANCIAL INCOME

1,000 €	2018	2017
Interest and other financial income	62	61
Foreign exchange gain	259	470
Dividend income	4	6
Total	**325**	**537**

7. FINANCIAL EXPENSES

Interest expenses	-408	-417
Foreign exchange loss	-285	-838
Loss on disposal of share	-155	0
Other financial expenses	-138	-203
Total	**-986**	**-1,458**

Other financial expenses includes interests from financial leasing expenses during the period 9 thousand euro (16 thousand euro in 2017).

Losses from forward exchange contracts are included in operating profit.

8. INCOME TAXES

1,000 €	**2018**	2017
Recognised in the income statement		
Current tax expense		
Current year	-2,015	-1,106
Adjustments for prior years	-97	-86
Change in deferred tax liabilities and tax assets	-107	517
Total	**-2,219**	**-675**

Reconciliation of the tax expense, EUR -2,219 thousand, calculated using the Teleste Group's domestic corporation 20.0% tax rate.

1,000 €	**2018**	2017
Profit before tax	9,060	-8,470
Income tax using the domestic corporation tax rate (20.0%)	-1,812	1,694
Effect of tax rates in foreign jurisdictions	-174	26
Tax debt increase related to balance sheet items	0	22
Impairment of goodwill	0	-1,540
Non-deductible expenses	-83	-147
Loss for the period, for which no deferred tax asset is recognized	-54	-644
Taxes from previous year	-97	-86
Income tax income/expense reported in the consolidated income statement	-2,219	-675

9. EARNINGS PER SHARE

The basic earnings per share is calculated as follows:

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

The number of ordinary shares outstanding excludes the treasury shares.

The diluted earnings per share is calculated as follows:

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

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

	2018	2017
Profit for the year attributable to equity holders of the parent, (1,000 €)	6,975	-9,106
Weighted average number of ordinary shares outstanding during the financial year (1,000)	18,122	18,122
Basic earnings per share (€)	0.38	-0.50
Weighted average number of ordinary shares outstanding during the financial year (1,000)	18,122	18,122
Effect of share options on issue (1000)	46	80
Weighted average number of ordinary shares outstanding during the financial year (diluted) (1,000)	18,168	18,202
Diluted earnings per share (€)	0.38	-0.50

The share options granted by the Group have a dilutive effect, i.e. they increase the number of the ordinary shares when their subscription price is below the fair value of the share. The dilutive effect equals the number of the shares gratutiously issued ; this difference arises when the Group can not issue the same number of shares at their fair value using the proceeds received on the exercise of the options.

10. INTANGIBLE ASSETS

1,000 €	Develop-ment costs	Immaterial rights	Other intangible assets	Consolidated goodwill	Total
Cost at 1 January 2018	10,594	1,409	11,369	38,518	**61,890**
Translation differences	-2	-13	-36	-193	**-244**
Additions	4,843	307	4	0	**5,154**
Business disposals	0	0	0	-48	**-48**
Cost at 31 December 2018	15,435	1,708	11,332	38,277	**66,752**
Cumulative amortisation and impairment at 1 January 2018	-3,724	-513	-9,666	-7,705	**-21,607**
Translation differences	0	9	35	0	**44**
Amortisation for the year	-2,247	-360	-740	0	**-3,347**
Cumulative amortisation and impairment at 31 December 2018	-5,971	-865	-10,371	-7,705	**-24,911**
Carrying amount at 1 January 2018	6,870	896	1,703	30,814	**40,283**
Carrying amount at 31 December 2018	9,465	843	961	30,573	**41,841**

1,000 €	Develop-ment costs	Immaterial rights	Other intangible assets	Consolidated goodwill	Total
Cost at 1 January 2017	7,068	592	10,978	37,374	**56,013**
Translation differences	0	1	-19	-314	**-333**
Business combinations	0	0	6	0	**6**
Additions	3,526	646	444	1,459	**6,075**
Transfer between classes	0	170	-40	0	**130**
Cost at 31 December 2017	10,594	1,409	11,369	38,518	**61,890**
Cumulative amortisation and impairment at 1 January 2017	-2,232	-299	-8,936	0	**-11,468**
Translation differences	0	0	19	0	**19**
Cumulative amortisation on disposals and reclassifications	0	-29	24	0	**-5**
Amortisation for the year	-1,492	-185	-772	0	**-2,449**
Impairments	0	0	0	-7,705	**-7,705**
Cumulative amortisation and impairment at 31 December 2017	-3,724	-513	-9,666	-7,705	**-21,607**
Carrying amount at 1 January 2017	4,836	293	2,042	37,374	**44,545**
Carrying amount at 31 December 2017	6,870	896	1,703	30,814	**40,283**

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 2018. Goodwill has been allocated to the following cash-generating unit:

	Meur
Video and Broadband Solutions	30.2
Network Services	0.4

The recoverable amount of the segments 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 10 years' period. The cash flows for the first year for both segments are based on the budget for 2019 according the business plan. From 2020 onwards the cash flows are calculated with 2% (2%) 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 10.17% is used in VBS and 9.97% in NS segment (9.74% in VBS segment and 9.19% in NS segment) has been used in discounting the projected cash flows. The terminal value of the segments is calculated by using a growth rate of 2%. The impairment test process included the sensitivity analysis of the segment or a cash generating unit (CGU) in the segment.

Assumption used in 2018 and 2017 impairment tests

	2018		2017	
%	VBS	NS	VBS	NS
Yearly growth in cash flow years 1 -5	2	2	2	2
Yearly growth in cash flow years 6 -10	2	2	2	2
WACC (after tax)	10.17	9.97	9.74	9.19

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

Impairment test Meur	**2018**	2017
VBS	19.5	26.8
NS	1.0	1.6

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

Decline of free cash flow

	2018	2017
VBS	-26%	-25%
NS	-84%	-61%

Increase in discount rate

	2018	2017
VBS	2.3%	2.6%
NS	6.0%	9.5%

The Group received a grant amounting to 0.5 million euro from National Technology Agenies in Finland) and Poland towards development costs in 2018 (2017: 0.5 million euro). From the grant received 0,3 million euro (2017: 0.0 million euro) has been recognised to deduct the carrying amount of the asset. The grant has the condition, according to which 10% of the total costs of the project have to be incurred through subcontracting work in Finnish small and medium-sized companies.

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 at 1 January 2018	56	7,587	12,486	2,369	80	**22,579**
Translation differences	0	-8	44	-5	0	**32**
Additions	0	88	1,453	162	-10	**1,693**
Disposals	0	0	-200	-3	0	**-204**
Cost at 31 December 2018	56	7,668	13,783	2,523	71	**24,100**
Cumulative amortisation and impairment at 1 January 2018	-2	-3,022	-7,741	-2,178		**-12,942**
Translation differences	0	2	11	2		**15**
Cumulative amortisation on disposals and reclassifications	0	0	44	3		**47**
Amortisation		-377	-2,088	-154		**-2,619**
Cumulative amortisation and impairment at 31 December 2018	-2	-3,396	-9,775	-2,327		**-15,499**
Carrying amount at 1 January 2018	54	4,565	4,745	191	80	**9,637**
Carrying amount at 31 December 2018	54	4,272	4,008	196	71	**8,601**

1,000 €	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments and work in progress	**Total**
Cost at 1 January 2017	56	7,479	16,815	2,942	424	**27,717**
Translation differences	0	-18	-74	-13	0	**-104**
Business combinations	0	0	125	3	0	**128**
Additions	0	124	1,468	34	-344	**1,282**
Disposals	0	-5	-5,803	-501	0	**-6,309**
Reclassifications	0	7	-45	-96	0	**-134**
Cost at 31 December 2017	56	7,587	12,486	2,369	80	**22,579**
Cumulative amortisation and impairment at 1 January 2017	-2	-2,630	-11,227	-2,533		**-16,392**
Translation differences	0	3	41	30		**73**
Cumulative amortisation on business combinations	0	0	-8	0		**-8**
Cumulative amortisation on disposals and reclassifications	0	1	5,618	486		**6,104**
Reclassifications	0	0	13	-13		**0**
Amortisation		-395	-2,178	-147		**-2,720**
Cumulative amortisation and impairment at 31 December 2017	-2	-3,022	-7,741	-2,178	0	**-12,942**
Carrying amount at 1 January 2017	54	4,849	5,588	409	424	**11,325**
Carrying amount at 31 December 2017	54	4,565	4,745	191	80	**9,637**

Right-of-use assets

1,000 €	Intangible assets, right-of-use	Machinery and equipment, right-of-use	Total
Cost at 1 January 2018	328	2,823	3,151
Translation differences	-2	0	-2
Additions	19	216	235
Cost at 31 December 2018	345	3,039	3,384
Cumulative amortisation and impairment at 1 January 2018	-164	-957	-1,122
Translation differences	2	0	2
Amortisation	-47	-661	-708
Cumulative amortisation and impairment at 31 December 2018	-210	-1,618	-1,828
Carrying amount at 1 January 2018	164	1,865	2,029
Carrying amount at 31December 2018	135	1,421	1,556

1,000 €	Intangible assets, right-of-use	Machinery and equipment, right-of-use	Total
Cost at 1 January 2017	224	5,601	5,825
Translation differences	-11	0	-11
Additions	56	386	442
Disposals	0	-3,165	-3,165
Reclassifications	59	0	59
Cost at 31 December 2017	328	2,823	3,151
Cumulative amortisation and impairment at 1 January 2017	-135	-3,501	-3,635
Cumulative amortisation on disposals and reclassifications	0	3,165	3,165
Amortisation	-38	-622	-660
Cumulative amortisation and impairment at 31 December 2017	-164	-957	-1,122
Carrying amount at 1 January 2017	89	2,101	2,190
Carrying amount at 31 January 2017	164	1,865	2,029

12. OTHER FINANCIAL ASSETS

1,000 €	Investments designated as at FVTOCI
CostCumulative amortisation and impairment at 31 December 2018	1,117
Translation differences	-8
Additions	143
Disposals	-691
Cost at 31 December 2018	561
Cumulative amortisation and impairment 1.1.2018	-424
Cumulative impairment on disposals and reclassifications	424
Cumulative amortisation and impairment at 31 December 2018	0
Carrying amount at 1 January 2018	693
Carrying amount at 31 December 2018	561
Cost at 1 January 2017	1,117
Cost at 31 December 2017	1,117
Cumulative amortisation and impairment at 1 January 2017	-424
Cumulative amortisation and impairment at 31 December 2017	-424
Carrying amount at 1 January 2017	693
Carrying amount at 31 December 2017	693

13. DEFERRED TAX ASSETS AND LIABILITIES

1,000 €	Balance 1. Jan. 2018	Recognised in the income statement	Business combinations	Balance 31 Dec. 2018
Movements in temporary differences during 2018				
Deferred tax assets				
Effects of consolidation and eliminations	443	-75		368
Unused tax losses	1,033	124		1,157
Provisions	584	22		606
Total	**2,061**	**71**	**0**	**2,131**
Deferred tax liabilities				
Capitalisation of intangible assets	-696	-639		-1,335
Fair value adjustments to intangible and tangible assets on acquisition	-626	433	0	-193
Cumulative depreciation difference	-107	28		-79
Total	**-1,429**	**-178**	**0**	**-1,607**

The change in liabilities doesn't match the deferred tax recognised the income statement due to recognition of deferred tax liabilities for other intangible assets, foreign exchange rates and group internal eliminations.

1,000 €	Balance 1. Jan. 2017	Recognised in the income statement	Business combinations	Balance 31 Dec. 2017
Movements in temporary differences during 2017				
Deferred tax assets				
Effects of consolidation and eliminations	446	-3		443
Unused tax losses	651	382		1,033
Provisions	735	-151		584
Total	**1,833**	**228**	**0**	**2,061**
Deferred tax liabilities				
Capitalisation of intangible assets	-669	-27		-696
Fair value adjustments to intangible and tangible assets on acquisition	-825	287	-88	-626
Cumulative depreciation difference	-136	29		-107
Total	**-1,630**	**289**	**-88**	**-1,429**

At 31 December 2018 the Group had unused tax losses in subsidiaries amounting 11,038 thousand euro (31 Dec. 2017: 10,229 thousand euro). A tax asset has been booked from 1, 157 thousand euro as this loss will not expire.

No deferred tax liability has been provided for the undistributed profits of the foreign subsidiaries amounting to 20,149 thousand euro at 31 Dec. 2018 (31 Dec. 2017: 19,209 thousand euro). This is because the realization of this tax liability is unlikely in the near future.

14. INVENTORIES

1,000 €	2018	2017
Raw materials and consumables	9,999	8,455
Work in progress	12,670	12,783
Finished goods	10,164	12,451
Total	**32,833**	**33,689**

The amount of the impairment losses of inventories to the net realisable value recognised as an expense during the financial period is 246 thousand euro. At the end of the financial year 5,379 thousand euro was deducted from the inventory value to the net realisable value (31 Dec. 2017: 5,625 thousand euro).

15. TRADE AND OTHER CURRENT RECEIVABLES

1,000 €	2018	2017
Trade receivables	43,984	39,785
Accrued income and prepayments	6,194	4,999
Other receivables	322	736
Total	**50,500**	**45,520**

16. CASH AND CASH EQUIVALENTS

Cash at bank and in hand and call deposits	22,240	21,230
Tottal	**22,240**	**21,230**
Cash and cash equivalents in the statement of cash flows	22,240	21,230

SHARE-BASED INCENTIVES

Share-based incentive programme 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 a 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 first plans within the programme are the matching share plan 2018–2020 and the performance share plan 2018–2020. The commencement of each new plan, its eligible participants and the matching ratio and performance targets applied to the individual plan is subject to a separate approval of Teleste's Board of Directors in each case.

Matching share plan 2018–2020

The first plans within the programme are the matching share plan 2018–2020 and the performance share plan 2018–2020. The commencement of each new plan, its eligible participants and the matching ratio and performance targets applied to the individual plan is subject to a separate approval of Teleste's Board of Directors in each case. The matching share plan 2018–2020 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 shares are delivered according to a fixed matching ratio determined by the Board of Directors for each individual plan. The matching ratio applied to the matching share plan 2018–2020 is one matching share for each two shares invested. The maximum aggregate gross quantity of matching shares that may be delivered on the basis of the matching share plan 2018–2020 is approximately 24,400 shares.

Performance share plan 2018–2020

The performance share plan 2018–2020 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 performance share plan is the total shareholder return (TSR) of Teleste share. The above investment in Teleste's shares is the requirement for an individual key employee to be included in the plan. If all the eligible key employees participate in the plan by fulfilling the investment precondition and the performance targets set for this performance share plan are fully achieved, the maximum number of shares that may be delivered under the performance share plan 2018–2020 is approximately 292,800 shares (gross before the deduction of the applicable taxes).

Share-based incentive programme 2015

On 5 February 2015, 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 2015'). The objective of LTI 2015 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 a competitive compensation for excellent performance.

LTI 2015 consists of three annually commencing plans with three main elements: an investment in Teleste shares that is required for a key employee to be included in the LTI 2015 programme; a matching share plan with a three-year vesting period based on the above investment; and a performance matching plan with a three-year performance period.

The commencement of each plan and the inclusion of eligible participants were subject to a specific approval by Teleste's Board of Directors.

Matching share plan

The matching share plan includes the investment of an individual 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 invested share free of charge.

Performance share plan

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 attained.

The performance criterion applied to the all three plans alike is the total shareholder return (TSR) of Teleste's share in the three-year performance period. A precondition for an individual key employee's participation in the plan was the above mentioned investment in Teleste shares.

Long-term share-based incentive programme	LTI 2018	LTI 2015	LTI 2015
Type	Share	Share	Share
Plan	2018–2020	2017–2019	2016–2018
Initial amount, pcs *	317,200	291,500	268,000
Initial allocation date	02 July 2018	01 July 2017	01 July 2016
Vesting date	30 March 2021	30 April 2020	30 April 2019
Maximum contractual life, yrs	2.7	2.8	2.8
Remaining contractual life, yrs	2.2	1.3	0.3
Number of persons at the end of the reporting year	31	34	29
Payment method	Cash & Equity	Cash & Equity	Cash & Equity

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

Long-term share-based incentive programme 2015	Changes during 2018*	Changes during 2017*
1 January		
Outstanding at the beginning of the reporting period, pcs	612,820	435,440
Reserve at the beginning of the reporting period	612,820	435,440
Changes during the period		
Granted	295,013	199,380
Forfeited	149,276	22,000
Invalidated during the period	0	0
Excercised	86,724	0
Expired	0	0
31 December		
Excercised at the end of the period	671,833	612,820
Outstanding at the end of the period	671,833	612,820

* Consists of the gross reward given as shares before the deduction of the applicable taxes.

Effect of Share-based Incentives on the result and financial position during year 2018, 1,000 €

Expenses for the financial year, share-based payments	727
Expenses for the financial year, share-based payments, equity-settled	721
Effect of IFRS 2 in equity	129
Liabilities arising from share-based payments 31 December 2018	14
Estimated tax effect on share based payments 31 December 2018	240

Effect of Share-based Incentives on the result and financial position during year 2017, 1,000 €

Expenses for the financial year, share-based payments	156
Expenses for the financial year, share-based payments, equity-settled	265
Liabilities arising from share-based payments 31 December 2017	1,116

17. CAPITAL AND RESERVES

1,000 €	Number of shares, 1,000	Number of own shares, 1,000	Number of shares, total 1,000	Share capital, 1,000 €	Reserve fund, 1,000 €
At 1 January 2018	18,122	864	18,986	6,967	1,504
Change in own shares	43	-43	0	0	0
At 31 December 2018	18,165	821	18,986	6,967	1,504

The number of Teleste Oyj shares was 18,985,588 at 31 December 2018 (31 Dec. 2017 18,985,588 shares). All shares issued have been fully paid.

The Annual General Meeting of Teleste Oyj held on 5th of April 2018 decided to authorize the Board of Directors to decide on repurchasing the Company's own shares in accordance with the proposal of the Board of Directors. Based on the authorization, the Board of Directors may repurchase a maximum of 1,200,000 own shares of the Company otherwise than in proportion to the holdings of the shareholders by using the non-restricted equity through public trading on Nasdaq Helsinki Ltd at the market price prevailing at the time of acquisition.

The Annual General Meeting of Teleste Oyj held on 6th of April 2017 decided to authorize the Board of Directors to decide on repurchasing the Company's own shares in accordance with the proposal of the Board of Directors. Based on the authorization, the Board of Directors may repurchase a maximum of 1,200,000 own shares of the Company otherwise than in proportion to the holdings of the shareholders by using the non-restricted equity through public trading on Nasdaq Helsinki Ltd at the market price prevailing at the time of acquisition.

At the end of December 2018, the Group held 821,182 of its own shares.

Shares subscribed for pursuant to the share option plans will entitle to dividend when the increase of the share capital is registered with the Finnish trade register. Voting and other shareholder rights will commence on the date on which the increase of the share capital is registered with the Finnish trade register.

Translation reserve

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

Dividends

After the balance sheet date the dividend of 0.20 euro per share (2017 0.10 euro per share) was proposed by the Board of Directors.

18. INTEREST-BEARING LIABILITIES

1,000 €	**2018**	2017
Non-current		
Loans from financial institutions	21,790	27,138
Finance lease liabilities	800	1,256
Total	**22,590**	**28,394**
Current		
Loans from financial institutions	3,554	4,240
Finance lease liabilities, current portion	668	613
Total	**4,222**	**4,853**

Interest-bearing loans from financial institutions are carried at amortised cost and finance lease liabilities are carried at fair value.

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

1,000 €	**31.12.2018**	31.12.2017
EUR	22,590	28,394
	22,590	28,394
Group long-term interest-bearing liabilities – interest rates are as follows:		
Bank loans	1.0%	0.8%
Finance lease liabilities	1.2%	1.0%
The currency mix of the Group short-term interest-bearing liabilities:		
1000 EUR	100%	100%
Group short-term interest-bearing liabilities – interest rates are as follows:		
Bank loans	1.0%	0.8%
Finance lease liabilities	1.2%	1.0%
Finance lease liabilities of the Group are payable as follows:		
Minimum lease payments		
Less than one year	677	627
Between one and five years	812	1,269
Total	1,489	1,896
Present value of minimum lease payments		
Less than one year	668	613
Between one and five years	800	1,256
Total	1,468	1,869
Future finance charges	22	27
Total finance lease liabilities	1,489	1,896

19. PROVISIONS

1,000 €	Warranty provision	Other provisions	**Total**
Balance at 1 January 2018	1,495	310	**1,805**
Provisions made during the year	-329	-198	**-527**
Balance at 31 December 2018	1 166	112	**1,278**

A liability for personnel reduction-related restructuring costs is shown in other liabilities.

1,000 €	**2018**	2017
Non-current	266	619
Current	1,012	1,186
Total	1,278	1,805

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.

20. TRADE AND OTHER CURRENT LIABILITIES

1,000 €	**2018**	2017
Current		
Trade payables	18,113	18,420
Personnel, social security and pensions	5,165	6,223
Accrued interest expenses and other financial items	63	70
Other accrued expenses and deferred income	15,352	11,606
Conditional purchase price	1,050	0
Personnel reduction-related restructuring liability	0	1,453
Advances	9,671	5,723
Other liabilities	1,675	269
Total	51,089	**43,763**
Non current		
Other liabilties	81	1,159

21. INCOME TAX PAYABLE FOR THE PERIOD

At the end of the period there was income tax receivable 288 and tax payable 966 thousand euro on the profit for the period (31 Dec. 2017 there was 362 thousand euro tax receivables and 719 thousand euro tax payables).

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.

The hedge accounting principles are applied in Teleste only for hedging the interest risk for specific long term loans.

Financial risks comprise market, credit, liquidity and cash flow interest rate risk, which are discussed more in detail below. The Group's exposure to price risk is low.

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

The Group's currency position is divided into the transaction position and net investments in foreign operations. Foreign exchange exposures of the Group's units arise from receivables and accounts payables denominated in foreign currency, sales and purchase contracts and from forecast sales and purchases. Major part of the Group's sales is in Euro. The most significant non-euro sales currencies are UK pound sterling (10 per cent), PLN (accounts for 4 per cent of the net sales), Swedish and Norwegian crowns (3 per cent) and US dollars (3 per cent). Significant part of expenses, 68 per cent, arise in euro and in US dollar almost 27 per cent. The hedging decisions are based on the expected net cash flow for the following six months.

Assets and liabilities in foreign currency translated at closing rate

	2018					2017				
	USD	SEK	NOK	GBP	PLN	USD	SEK	NOK	GBP	PLN
Current assets	2,589	709	254	7,548	3,502	1,385	1,514	2,260	9,625	5,641
Current liabilities	2,810	422	423	2,659	2,643	1,670	575	704	2,697	3,937

Cash flow hedges at 31 Dec 2018

Currency position

Currency	Exposure	Hedge	Net	Hedge Instrument	Hedge%
USD	12,370	10,306	2,065	Forward exchange contract	83
CNY	1,075	863	212	Forward exchange contract	80
GBP	2,645	2,135	510	Forward exchange contract	81
PLN	1,136	925	210	Forward exchange contract	81
NOK	720	582	138	Forward exchange contract	81
SEK	805	717	88	Forward exchange contract	89

Cash flow hedges at 31 Dec 2017

Currency position

Currency	Exposure	Hedge	Net	Hedge Instrument	Hedge%
USD	13,460	10,840	2,620	Forward exchange contract	81
CNY	1,566	1,256	310	Forward exchange contract	80
GBP	3,150	2,716	434	Forward exchange contract	86
PLN	963	792	170	Forward exchange contract	82
NOK	988	1,250	-262	Forward exchange contract	126
SEK	792	640	152	Forward exchange contract	81

In principle Teleste hedges forecast and probable cash flows. The Group only uses forward exchange agreements. 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 80-100 % by currency. The level of hedges is monitored on a monthly basis. Currency risk is also managed through, among others, operational planning, pricing and offer terms. Reprising interval varies between 3 and 24 months.

At the year-end 2018 the fair value of currency derivatives amounted to 20.7 million euro (31. Dec 2017: 23.2 million euro).

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 2018 the total non-euro-denominated equity of the Group's foreign subsidiaries amounted to 15.1 million euro (31 Dec. 2017: 14.5 million euro).

Sensitivity to market risk

	2018	2017
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	+-207	+-262
+-10 % change in EUR/CNY exchange rate	+-21	+-31
+-10 % change in EUR/GBP exchange rate	+-51	+-43

FAIR VALUE INTEREST RATE RISK AND CASH FLOW 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 25,344 thousand euro have short-term interest as a reference rate. The interest period is of less than one year. Hedge accounting is applied for interest swap contracts hedging the interest risk for 10,000 thousand euro of the loans. The change in the fair value of this hedging instrument, -3 thousand euro, is recognised in profit and loss as other comprehensive income.

The fair value of the interest swap contract is -81 thousand euro. All Group loans are denominated in euro. In 2018, the average interest rate of the loan portfolio was 1.0 per cent. All finance lease 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 2018, the effect on variable rate interest-bearing liabilities on profit before taxes would have been +-153 thousand euro had the interest rate increased or decreased by 1 percentage point.

Period in which repricing occurs	Within 1 year	1 year –5 years	over 5 years	**Total**
Financial instruments with floating interest rate				
Financial liabilities				
Loan from financial institutions		15,344		**15,344**
Financial instruments with fixed interest rate				
Financial liabilities				
Loan from financial institutions		10,000		**10,000**

CREDIT RISK

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

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

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

	2018				2017			
Analysis of trade receivables by age	Gross	Provision	Impairment loss	**Net**	Gross	Provision	Impair-ment loss	**Net**
Not over due	33,431	0.3%	-100	33,331	26,903	0%	0	26,903
1–30 days	5,655	2.0%	-113	5,542	6,584	0%	0	6,584
31–60 days	1,898	4.0%	-76	1,822	1,419	10%	-142	1,277
61–90 days	314	6.0%	19	333	1,098	20%	-220	878
91–120 days	803	12.0%	-96	707	1,983	30%	-595	1,388
Over 120 days	2,903	20.0%	-653	2,250	2,990	Estimated	-235	2,755
Total	**45,004**		-1,019	**43,984**	**40,977**		-1,193	**39,785**

The maximum exposure to credit risk at the reporting date was:	**2018**	2017
Loans and receivables	50,500	45,520
Available for sale financial assets	561	693

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. Cash and liquidity management reduces liquidity risk. At the year-end 2018 the Group's cash reserves totaled 22.2 million euro and its interest-bearing net debt 26.8 million euro. The Group administration raises the Group's interest-bearing debt centrally. At 31 December 2018 Teleste had committed and available credit facilities as well as other agreed and undrawn loans amounting to 20 million euro. Group's loan agreements and committed loan facilities include profitability and cash flow covenants like netdebt/EBITDA and equity-ratio.

The recognition and measurement principles applied to derivatives are described in the accounting principles for the consolidated financial statements. The nominal and fair values of derivatives at the balance sheet date are presented in the note Commitments and contingencies to the consolidated financial statements.

As of 31 December 2018, the contractual maturity of interest-bearing liabilities was as follows:

	2019	2020	2021	2022	2023
Loans from financial institutions	3,170	3,147	3,126	15,105	
Trade payables	18,113				
Finance lease liabilities	677	529	191	84	8
Forward exchange contracts					
Outflow	-20,415				
Inflow	20,539				
Other	57	57			

As of 31 December 2017, the contractual maturity of interest-bearing liabilities was as follows:

	2018	2019	2020	2021	2022
Loans from financial institutions	3,205	3,184	3,163	3,141	18,077
Trade payables	18,420				
Finance lease liabilities	632	604	474	155	76
Forward exchange contracts					
Outflow	-23,446				
Inflow	22,830				
Other	33	33	33		

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 2018 and 2017 was as follows:

	2018	2017
Total borrowings	26,812	33,248
Cash and cash equivalents	22,240	21,230
Interest-bearing net debt	4,572	12,017
Total equity	77,163	71,352
Interest-bearing net debt and total equity	81,735	83,370
Leverage ratio	5.6%	14.4%

22. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

All other financial assets and liabilities are measured at their fair values in the consolidated balance sheet except for the long-term bank loan, which is measured at amortised cost.

Derivative instruments

Teleste uses forward exchage contracts to hedge its balance sheet items against transaction risk. The changes in the fair values of forward exchage contracts designated as hedging instruments are fully recognised through profit and loss. The fair value changes of forward exchange contracts amounted to

227 thousand euro in 2018 (2017: -204 thousand euro) and they are recognised as adjustements to sales. Long term bank loans are hedged by a interest swap contract. For this interest swap contract Teleste apply hedge accounting. The fair value changes of interest swap contracts amounted to -81 thousand euro. The change in fair value -3 thousand euro is entered in the total comprehensive income. The currency exchange contracts and interest swap contracts are in level 2.

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

These financial assets comprise unlisted shares that are measured at cost. They are in level 3. The fair value of these investments could not be determined reliably and the estimate fluctuates significantly or the probabilities within the range of different estimates are not reasonably determinable to be used to estimate the fair value.

Finance lease liabilities

The fair values of finance lease liabilities are based on the discounted future cash flows. The discount rate used is the market interest rates for homogeneous lease agreements.

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.

Following discount rates were used for determining fair value:

	2018	2017
Finance lease liabilities	1.2%	1.0%

Carrying amounts of financial assets and liabilities by measurment categories

	Financial assets and liabilities at fair value through income statement	Investments designated as at fair value through other comprehnsive income (FVTOCI)	Financial liabilities measured at amortized cost	Carrying amount by balance sheet item	Fair Value	Note
2018 Balance item						
Non current financial assets						
Other financial assets		561		561	561	12
Current financial assets						
Trade and other receivables			43,984	43,984	43,984	15
Forward exchange contracts	227			227	227	25
Carrying amount by category	**227**	**561**	**43,984**	**44,772**	**44,772**	
Non-current financial liabilities						
Interest-bearing liabilities	800		21,790	22,590	22,590	18
Current financial liabilities						
Interest-bearing liabilities	668		3,554	4,222	4,222	18
Interest swap contracts	81			81	81	25
Trade and other payables			18,113	18,113	18,113	20
Other current liabilities			63	63	63	20
Carrying amount by category	**1,549**	**0**	**43,520**	**45,069**	**45,069**	

	Financial assets and liabilities at fair value through income statement	Investments designated as at fair value through other comprehnsive income (FVTOCI)	Financial liabilities measured at amortized cost	Carrying amount by balance sheet item	Fair Value	Note
2017 Balance item						
Non current financial assets						
Other financial assets		693		693	693	12
Current financial assets						
Trade and other receivables				39,785	39,785	15
Carrying amount by category	**0**	**693**	**0**	**40,478**	**40,478**	
Non-current financial liabilities						
Interest-bearing liabilities	1,256		27,138	28,394	28,394	18
Current financial liabilities						
Interest-bearing liabilities	613		4,240	4,853	4,853	18
Forward exchange contracts	204			204	204	25
Interest swap contracts	78			78	78	25
Trade and other payables			18,420	18,420	18,420	20
Other current liabilities			70	70	70	20
Carrying amount by category	**2,151**	**0**	**49,869**	**52,020**	**52,020**	

23. ADJUSTMENTS TO CASH FLOWS FROM OPERATING ACTIVITIES

1,000 €	2018	2017
Non-cash transactions:		
Depreciation and amortisation	5,980	5,263
Impairment on goodwill	0	7,705
Employee benefits	850	265
Total	6,830	13,233

24. OPERATING LEASES

Group as lessee

Minimum lease payments on non-cancellable operating leases are payable as follows:

1,000 €	2018	2017
Less than one year	1,357	913
Between one and five years	1,497	1,873
More than five years	821	913
Total	**3,675**	**3,699**

The Group leases factory and office facilities outside Finland under operating leases. The leases typically run for a period of 2–5 years, normally with an option to renew the lease after that date. According to the index clauses of the leases lease payments are increased every two years.

25. COMMITMENTS AND CONTINGENCIES

1,000 €	2018	2017
Rental and leasing liabilities		
Rental liabilities	3,675	3,699
Lease liabilities	3,698	4,656
Currency derivatives		
Value of the underlying forward contracts	20,674	23,169
Market value of the forward contracts	227	-204
Interest swap contracts		
Value of the underlying interest swap contracts	10,000	10,000
Market value of intersest swap contracts	-81	-78
Guarantees	2,812	4,479

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 denies patent infringement in both cases. According to the assessment by Teleste's management, the results of said litigations are not expected to have material effect on Teleste's financial position.

26. RELATED PARTY TRANSACTIONS

Identity of related parties

Teleste Group has related party relationships with its Board members and CEO.

Companies owned by the Group and parent company	Group holding, %	Group voting, %
Parent company Teleste Oyj, Turku, Finland		
Asheridge Investments Ltd, Chesham, UK	100	100
Cableway AG, Bergisch Gladbach, Germany	100	100
Cableway Management GmbH, Bergisch Gladbach, Germany	100	100
Cableway Nord GmbH, Bergisch Gladbach, Germany	100	100
Cableway Süd GmbH & Co. KG , München, Germany	100	100
Dinh TeleCom S.A., Herstal, Belgium	100	100
Teleste Norge A/S, Porsgrun, Norway	100	100
Flomatik Network Services Ltd. Fareham, UK	100	100
Iqu Systems GmbH, Hannover, Germany	100	100
Kaavisio Oy, Turku, Finland	100	100
Teleste Information Solutions GmbH, Bergisch Gladbach, Germany	100	100
Teleste Information Solutions Sp. Zoo, Warsow, Poland	100	100
Teleste Information Solutions Oy, Forssa, Finland	100	100
Satlan S.p.zoo, Wroclaw, Poland	100	100
Teleste Belgium SPRL, 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, Georgetown Texas, USA	100	100
Teleste Ltd, Chesham, UK	100	100
Teleste Networks Services S.A. Yverdon, Switzerland	100	100
Teleste Services GmbH, Hildesheim, Germany	100	100
Teleste SP z.o.o, Wroclaw, Poland	100	100
Teleste Sweden AB, Stockholm, Sweden	100	100
Teleste UK Ltd, Cambridge, UK	100	100
Teleste US, Inc, Dover DE, USA	100	100
Teleste Video Networks Sp zoo, Krakow, Poland	100	100

The key management personnel compensations

1,000 €	**2018**	2017
CEO		
Salaries and other short-term benefits	490	465

During 2018 no options were granted to the management of Teleste (2017: 0 options). At 31 December 2018 management did not have any options (2017: no options of which 0 were exercisable) . Management of the parent company has 0,88% or 167,397 of the parent company's shares (2017: 0,78% or 148,089 shares).

The CEO's pension plan is arranged through group pension insurance, payment amounted 94 thousand euro (95 thousand euro in 2017) and a capital redemtion policy, payment amounted 72 thousand euro (72 thousand euro in 2017). These payments are not included in above mentioned salaries and other short term benefits.

The key management personnel compensations

1,000 €	**2018**	2017
Pertti Ervi, Chairman of the Board	65	40
Jannica Fagerholm, Member of the Board	34	32
Timo Luukkainen, Member of the Board	32	32
Timo Miettinen, Member of the Board	32	40
Heikki Mäkijärvi, Member of the Board	32	0
Kai Telanne, Member of the Board	33	32
Jukka Rinnevaara, CEO	490	465
Total	**718**	**641**

The contractual age of retirement of CEO of the parent company, Jukka Rinnevaara, is 60. As to the contract, his term of notice has been specified as six (6) months in case the President and CEO decides to withdraw, and eighteen (18) months should the contract be terminated by the company. A fixed remuneration for the Board is paid as shares of the company in accordance with the decision of the Annual General Meeting. Remuneration of Board Meetings are paid in cash.

No cash loans were granted to nor commitments assumed or collaterals given regarding CEO or the members of the Board of Directors in 2018 and 2017.

There is no restrictions according IFRS 12.

27. SUBSEQUENT EVENTS

The Group management is not aware of any significant events occurred after the balance sheet date, witch would have had an impact on the financial statements.

INCOME STATEMENT OF PARENT COMPANY

Income statement of parent company 1.1.–31.12.2018

1,000 €	Note	2018	2017
Net sales	1	**89,740**	**93,890**
Change in inventories of finished goods		-1,993	546
Other operating income	2	2,867	3,337
Material and services	3	-46,042	-51,312
Personnel expenses	4	-22,820	-24,080
Depreciation and amortisation	5	-927	-895
Other operating expenses		-14,395	-17,165
Operating profit		**6,431**	**4,320**
Financial income and expenses	6	1,519	-3,545
Profit/loss before extraordinary items		**7,950**	**775**
Appropriations			
Change in cumulative accelerated depreciation	7	79	-52
Group Contribution	7	-900	-3,700
Income taxes			
Taxes for current and prior periods	8	-1,259	-198
Profit/loss for the financial period		**5,870**	**-3,176**

Balance sheet 31.12.2018

1,000 €	Note	2018	2017
Non-current assets			
Intangible assets	9	995	1,445
Property, plant and equipment	9	3,537	3,871
Long-term receivables	10	26,602	23,327
Investments	11	38,686	39,266
		69,820	**67,910**
Current assets			
Inventories	12	10,817	11,431
Trade and other receivables	13	25,941	24,457
Cash and cash equivalents	14	15,678	13,785
		52,436	**49,673**
Total assets		**122,257**	**117,582**
Shareholders' equity			
Share capital	15	6,967	6,967
Share premium	15	1,504	1,504
Invested non-restricted equity	15	3,704	3,704
Retained earnings	15	43,285	48,277
Profit for the financial period	15	5,870	-3,176
		61,329	**57,276**
Appropriations	7	**398**	**477**
Provisions	16	**606**	**918**
Liabilities			
Long-term liabilities	17	21,000	27,000
Short-term liabilities	18	38,923	31,912
		59,923	**58,912**
Total equity and liabilities		**122,257**	**117,582**

Cash flow statement

1,000 €	**2018**	2017
Cash flow from operations		
Profit before extraordinary items	7,950	775
Adjustments		
Depreciations according plan	927	895
Financial income and expenses	-1,519	3,545
Cashflow before changes in working capital	7,357	5,215
Changes in working capital		
Increase (-) /decrease(+) in trade and other receivables	-1,248	1,361
Increase (-) / decrease (+) in inventories	614	1,843
Increase (+) / decrease (-) in trade payables	1,054	1,077
Change in provisions	-312	-209
Loans granted	-2,281	-3,486
Cashflow before financial items and taxes	5,185	5,802
Paid interests	-370	-933
Interests and dividends received	1,495	3,436
Income taxes paid	-1,003	-839
Cash flow from operations	**5,307**	**7,466**
Investments		
Payment of other tangible assets	-143	-243
Investments in subsidiary shares	0	-1,001
Disposal of shares	112	0
Change group cashpool	-236	1,351
Investment in other financial assets	-143	0
Cash flow from investments	**-410**	**107**
Financing		
Short-term liabilities	3,000	30,000
Long-term liabilities	-9,000	-26,000
Change in trade payables group	5,713	4,235
Paid dividends and other profit distribution	-1,816	-4,530
Group contribution received and paid	-900	-3,700
Cash flows from financing activities	**-3,003**	**5**
Change in liquid funds	**1,894**	**7,578**
Liquid funds 1.1	13,785	6,061
Effects of exchange rate fluctuations on cash held	0	146
Liquid funds 31.12	15,678	13,785

Accounting principles

ACCOUNTING PRINCIPLES OF TELESTE CORPORATION

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

FOREIGN CURRENCY TRANSACTIONS

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

DERIVATIVES

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

Our 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. Short-term investments include other funds equivalent to cash, such as commercial papers.

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. As to this, final accounts for the year of comparison have been adjusted by eliminating the value of treasury shares from the company fixed assets and the equity. This adjustment is based on an amendment of the Finnish accounting legislation. Use of own shares are recognised in invested non-restricted equity since 3 April 2007.

Notes to the Parent Company Financial Statement

1. NET SALES

1,000 €	**2018**	2017
Net sales by segments		
Video and Broadband Solutions	87,184	91,411
Network Services	2,556	2,479
Total	**89,740**	**93,890**
Net sales by market area		
Finland	12,228	10,822
Nordic countries	14,319	17,108
Other Europe	58,941	54,276
Others	4,252	11,684
Total	**89,740**	**93,890**

2. OTHER OPERATING INCOME

R&D subvention and others	261	453
Insurance compensation	827	630
Others	1,780	2,253
Total	**2,867**	**3,337**

3. MATERIAL AND SERVICES

Purchases	-44,793	-48,722
Change in inventories	1,378	-2,389
	-43,415	**-51,111**
Purchased services	-2,627	-201
Total	**-46,042**	**-51,312**

4. PERSONNEL EXPENSES

1,000 €	**2018**	2017
Wages and salaries	-18,515	-19,605
Pension costs	-3,576	-3,661
Other personnel costs	-730	-814
Total	**-22,820**	**-24,080**
Remuneration to Board members and Managing Directors		
Pertti Ervi, Chaiman of the Board	-65	-40
Timo Miettinen, Member of the Board	-32	-40
Jannica Fagerholm, Member of the Board	-34	-32
Kai Telanne, Member of the Board	-33	-32
Timo Luukkainen, Member of the Board	-32	-32
Heikki Mäkijärvi, Member of the Board	-32	0
Jukka Rinnevaara, CEO	-490	-465
Total	**-718**	**-641**

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

Year-end personnel	447	403
Average personnel	425	412

Personnel by function at the year-end

Research and Development	76	81
Production and Material Management	283	234
Sales and marketing	49	49
Administration	39	39
Total	**447**	**403**

5. DEPRECIATION ACCORDING TO PLAN

Buildings	-308	-310
Machinery and equipment	-118	-167
Goodwill	-275	-275
Other intangible rights	-226	-143
Total	**-927**	**-895**

6. FINANCIAL INCOME AND EXPENSES

1,000 €	**2018**	2017
Interest income	38	26
Interest income from Group companies	825	811
Interest expenses	-273	-385
Interest expenses to Group companies	-96	-77
Impairment of investments	0	-5,000
Gains and losses on disposals of investments	394	0
Currency differences	-26	-369
Other financial income and expenses	-50	-103
Dividend income from Group companies	703	1,545
Dividend income	4	6
Total	**1,519**	**-3,545**

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

Change in accumulated depreciation difference		
Buildings	98	85
Machines and equipment	-44	-27
Intangible assets	25	-110
Total	**79**	**-52**
Group contribution	**-900**	**-3,700**
Total	**-821**	**-3,752**
Accumulated depreciation in excess of plan	398	477

8. INCOME TAXES

Direct taxes	-1,233	-128
Taxes from previous years	-27	-71
Total	**-1,259**	**-198**

9. TANGIBLE AND INTANGIBLE ASSETS

	Intangible assets	Goodwill	**Total**	Buildings	Machinery	**Total**
Cost at 1 January 2018	8,257	2,197	**10,454**	8,902	9,156	18,058
Increases	62	0	**62**	29	62	92
Cost at 31 December 2018	8,319	2,197	**10,516**	8,931	9,218	18,150
Cumulative amurtisation and impairment at 1 January 2018	-7,762	-1,258	**-9,021**	-5,341	-8,846	**-14,187**
Depreciation	-226	-275	**-501**	-308	-118	**-426**
Cumulative amortisation and impairment at 31 December 2018	-7,988	-1,533	**-9,522**	-5,650	-8,964	**-14,613**
Advances 1.1	10	0	**10**	0	0	**0**
Activations	-10	0	**-10**	0	0	**0**
Carrying amount at 31 December 2018	**331**	**664**	**995**	**3 282**	**255**	**3,537**

10. LONG TERM RECEIVABLES

1,000 €	**2018**	2017
Subordinated loan from group company	2,444	2,427
Other long term receivables from group companies	24,158	20,900
Total	**26,602**	**23,327**

11. INVESTMENTS

Parent company	Shares in group companies	Shares others	Other invest-ments	Total
Cost at 1 January 2018	52,470	1,121	0	53,591
Increase	-48	0	143	95
Disposal	0	-1,102	0	-1,102
Cost at 31 December 2018	**52,422**	**19**	**143**	**52,583**
Cumulative amurtisation and impairment at 1 January 2018	-13,897	-428	0	-14,325
Impairment	0	428	0	428
Cumulative amurtisation and impairment at 31 December 2018	**-13,897**	**0**	**0**	**-13,897**
Carrying amount at 31 December 2018	**38,525**	**19**	**143**	**38,686**

12. INVENTORIES

1,000 €	**2018**	2017
Raw materials and consumables	5,398	4,020
Work in progress	271	400
Finished goods	5,149	7,012
Total	10,817	**11,431**

13. CURRENT ASSETS

Accounts receivables	11,952	13,414
Accounts receivables from Group companies	10,462	9,090
Other receivables from Group companies	1,860	630
Other receivables	-102	290
Accrued income	1,769	1,033
Total	25,941	**24,457**

14. LIQUID FUNDS

Cash and cash equivalents	**15,678**	**13,785**

15. CHANGES IN SHAREHOLDERS' EQUITY

1,000 €	2018	2017
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.	45,101	52,807
Dividends	-1,816	-4,530
Retained earnings 31.12.	43,285	48,276
Profit for the financial period	5,870	-3,176
Accumulated profit 31.12.	49,155	45,101
Total	**61,329**	**57,276**
Companys distributable equity 31.12.	52,859	48,805

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

16. OBLIGATORY PROVISIONS

1,000 €	2018	2017
Guarantee provisions	505	613
Other provisions	101	305
Total	**606**	**918**

17. LONG TERM LIABILITIES

Bank Loan	**21,000**	**27,000**

18. SHORT TERM LIABILITIES

Loan from others	3,000	3,000
Accounts payables	7,373	7,687
Accounts payables from Group companies	3,817	2,523
Other current liabilities	953	510
Other current liabilities from Group companies	17,627	11,914
Accrued liabilities	6,154	6,278
Total	**38,923**	**31,912**

19. CONTINGENT LIABILITIES AND PLEDGED ASSETS

1,000 €	2018	2017
Leasing liabilities		
For next year	1,030	1,211
For later years	1,230	1,883
Total	**2,260**	**3,094**
Rental liabilities		
Less than one year	92	92
Between one and five years	276	276
More than five years	821	913
Total	**1,189**	**1,281**
Liabilities on own behalf		
Bank guarantees	471	98
Guarantees given on behalf of subsidiaries	2,384	2,261

20. CURRENCY DERIVATES

Value of underlying forward contracts	20,674	23,169
Market value of forward contracts	227	-204
Interest rate swap	10,000	10,000
Market value of interest rate swap	-101	-97

Negative fair values have been booked as cost in profit and loss statement.

21. COMPANIES OWNED BY THE GROUP AND PARENT COMPANY

	Group holding share, %	Parent company's share, %
Asheridge Investments Ltd, Chesham, UK	100	0
Cableway AG, Bergisch Gladbach, Germany	100	0
Cableway Management GmbH, Bergisch Gladbach, Germany	100	0
Cableway Nord GmbH, Bergisch Gladbach, Germany	100	0
Cableway Süd GmbH & Co. KG , München, Germany	100	0
Dinh TeleCom S.A., Herstal, Belgium	100	1
Teleste Norge A/S, Porsgrun, Norway	100	100
Flomatik Network Services Ltd., Fareham, UK	100	100
Iqu Systems GmbH, Hannover, Saksa	100	100
Kaavisio Oy, Turku, Finland	100	100
Teleste Information Solutions GmbH, Bergisch Gladbach, Germany	100	0
Teleste Information Solutions Sp. Zoo, Warsaw, Poland	100	0
Teleste Information Solutions Oy, Forssa, Finland	100	100
Satlan S.p.zoo, Wroclaw, Poland	100	100
Teleste Belgium SPRL, Bryssel, Belgium	100	100
Teleste Corporation Iberica S.L, Alcobendas, Spain	100	0
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	0
Teleste Intercept, LLC, Dover DE, USA	60	0
Teleste LLC, Georgetown Texas, USA	100	100
Teleste Ltd, Chesham, UK	100	0
Teleste Network Services S.A., Yverdon, Switzerland	100	100
Teleste Services GmbH, Hildesheim, Germany	100	100
Teleste SP z.o.o, Wroclaw, Poland	100	0
Teleste Sweden AB, Stockholm, Sweden	100	100
Teleste UK Ltd, Cambridge, UK	100	100
Teleste US, Inc, Dover DE, USA	100	100
Teleste Video Networks Sp zoo , Krakow, Poland	100	100

Teleste Ltd. (02704083) and Asheridge Investments Ltd. (05418313) have taken advantage of the audit exemption provisions under section 479A of the Companies Act 2006 in the UK relating to subsidiary companies.

22. OWN SHARES

	Number of shares	Percent-age of share capital and votes, %
Teleste Oyj owns own shares 31.12.2018	821,182	4.33

23. SHARES AND OWNERS

Management interest

	Number of shares	Percent-age of share capital, %	Percent-age of votes, %
CEO and Board Members	167,397	0.88	0.88

Audit expenses	**2018**	2017
Auditing assignments	-43	-39
Tax consultancy	-14	-53
Other assignments	-1	-32
Total	**-58**	**-124**

SHARES AND SHAREHOLDERS

Major shareholders 31 December 2018	Shares	Shares, %
Tianta Oy	4,409,712	23.2
Mandatum Life Insurance Company Limited	1,679,200	8.8
Ilmarinen Mutual Pension Insurance Company	899,475	4.7
Kaleva Mutual Insurance Company	824,641	4.3
Teleste Oyj	821,182	4.3
Varma Mutual Pension Insurance Company	521,150	2.7
The State Pension Fund	500,000	2.6
Wipunen varainhallinta Oy	300,000	1.6
Mariatorp Oy	300,000	1.6
OP-Finland Small Firms Fund	280,737	1.5
Total (10)		

Sector Dispersion 31 December 2018	Shareholders	%	Shares	%
Households	5,172	93.5	4,664,942	24.6
Public sector institutions	4	0.1	1,930,725	10.2
Financial and insurance institutions	26	0.5	4,874,221	25.7
Corporations	264	4.8	7,358,769	38.8
Non-profit institutions	26	0.5	63,285	0.3
Foreign	39	0.7	93,646	0.5
Total	**5,531**	**100.0**	**18,985,588**	**100.0**
Of which nominee registered	10	0.2	1,081,051	5.7

Holding Dispersion 31 December 2018				
1-100	1,482	26.8	89,028	0.5
101-500	2,357	42.6	632,853	3.3
501-1,000	752	13.6	602,916	3.2
1,001-5,000	738	13.3	1,622,693	8.6
5,001-10,000	93	1.7	657,385	3.5
10,001-50,000	80	1.5	1,618,498	8.5
50,001-100,000	7	0.1	535,142	2.8
100,001-500,000	15	0.3	3,319,704	17.5
500,001-	7	0.1	9,907,369	52.2
Total	**5,531**	**100.0**	**18,985,588**	**100.0**
of which nominee registered	10	0.2	1,081,051	5.7

Proposal for the distribution of earnings

THE BOARD OF DIRECTORS PROPOSAL

Teleste Corporation's distributable equity on the date of the financial statements equalled EUR 52,859,059.13.

The Board of Directors proposes to the Annual General Meeting of 4 April 2019 that a dividend of EUR 0.20 per share be paid to outstanding shares for the year 2018.

Signatories to the Annual Report and the Financial Statements

6 February 2019

Pertti Ervi,
COB

Timo Miettinen,
MOB

Jannica Fagerholm,
MOB

Heikki Mäkijärvi
MOB

Timo Luukkainen,
MOB

Kai Telanne,
MOB

Jukka Rinnevaara,
CEO

Our auditors' report has been issued today.

6 February 2019
KPMG OY AB

Petri Kettunen
Authorised Public Accountant

AUDITOR'S REPORT

To the Annual General Meeting of Teleste Corporation

(This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Teleste Corporation (business identity code 1102267-8) for the year ended 31 December 2018. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, cash flow statement and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with 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 financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Board of Directors.

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 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.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 5 to the consolidated financial statements.

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

Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the 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. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Impairment of goodwill (EUR 30.6 million) (Refer to accounting principles for the consolidated financial statements and note 11)	
• In recent years the Group has expanded its operations through acquisitions. As a consequence the goodwill balance in the consolidated statement of financial position is significant. Under IFRS standards goodwill is not amortised, but it is tested for impairment at least annually. For testing purposes Teleste has allocated goodwill to cash-generating units. There is a risk that the acquired businesses may not trade in line with initial expectations and forecasts and therefore that, the carrying value of a cash-generating unit may exceed its recoverable amount and result in an impairment. In the financial year 2017, an impairment loss of EUR 7.7 million was recorded in the Network Services business area on the goodwill of the German services business. • Teleste determines recoverable amounts of the cash-generating units based on the value-in-use method. Value in use is calculated using discounted cash flow forecasts. The underlying key assumptions used to support the calculations require management judgement regarding net sales growth rate, profitability, discount rate and long-term growth rate, among others. Due to the fact that forecasts and estimates involve judgements and the significance of the carrying value involved, impairment of goodwill is considered a key audit matter.	• We assessed the grounds for the impairment loss recognised on goodwill, the Group's process for preparing cash flow forecasts and key assumptions used in the calculations, such as net sales growth rate, profitability and discount rate, by reference to the budgets approved by the parent company's Board of Directors, third party information and our own views. • We involved our valuation specialists in assessing the technical appropriateness of the calculations and comparing the assumptions used to market and industry data. • In addition, we considered the appropriateness of the notes to the consolidated financial statements on goodwill and impairment testing.

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Accuracy of net sales (EUR 250,3 million) (Refer to accounting principles for the consolidated financial statements and note 1)	
• Net sales is a material item in the consolidated financial statements: the number of sales transactions is large and the Group sells a wide variety of products, services and projects. • Due to the variety and large number of sales transactions the accuracy of net sales is considered a key audit matter.	• We tested controls over registering sales transactions and recognising related revenue. • We assessed the appropriateness of the revenue recognition principles the Group applies by comparing to currently valid IFRS standards, the Group accounting principles and contract terms. • As part of the audit procedures made to assess the accuracy of net sales, we performed data analyses to identify and analyse divergent sales transactions.
Valuation of inventories (EUR 32.8 million) (Refer to accounting principles for the consolidated financial statements and note 14)	
Valuation of inventories is considered a key audit matter due to the following factors: • Inventories represent approximately 21 percent of the consolidated total assets as at 31 December 2018. • Valuation of inventories requires management judgements over future sales and appropriate level of write-downs on inventory items. Demand for products may change due to customer behavior, fluctuations in market prices and technological developments.	• We analysed the inventory accounting process and tested the functionality of the related internal controls. We also tested internal controls surrounding inventory valuation and the accuracy of inventory quantities. Furthermore, we assessed the appropriateness of the company's inventory counting procedures. • In addition, we considered the appropriateness of inventory write-down principles and the adequacy of the write-downs recognised in the financial statements.

Responsibilities of the Board of Directors and the CEO for the Financial Statements

The Board of Directors and the CEO 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 CEO 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 CEO 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 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 the 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 CEO'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 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

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 8 April 2003 and our appointment represents a total period of uninterrupted engagement of 16 years.

Other Information

The Board of Directors and the CEO 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 and 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 6 February 2019
KPMG OY AB

Petri Kettunen,
Authorised Public Accountant, KHT

CORPORATE GOVERNANCE STATEMENT 2018

This Corporate Governance Statement has been prepared pursuant to Chapter 7, section 7 of the Securities Markets Act and the Finnish Corporate Governance Code 2015 issued by the Securities Market Association on 1 October 2015. The Corporate Governance Code is available on the Securities Market Association's website at http://cgfinland.fi/en/. The Corporate Governance Statement is issued separately from the Board of Directors' Report, and the provided data are based on the situation as at 31 December 2018.

CORPORATE GOVERNANCE

Teleste Corporation (hereafter 'Teleste') aims to organise its management in a consistent and functional manner. The company's governance is based on Finnish legislation and Teleste's Articles of Association. Teleste shares are listed on Nasdaq Helsinki Oy (hereafter 'Stock Exchange'). Teleste complies with the Securities Markets Act, the rules and regulations for listed companies issued by the Stock Exchange, including the Finnish Corporate Governance Code 2015, and the rules and regulations of the Finnish Financial Supervisory Authority. Since 1 March 2000, Teleste complies with the insider guidelines of the Stock Exchange in their valid form at any given time. These insider guidelines are complemented by Teleste's internal guidelines. The company has confirmed the values applied to its operations.

General Meeting

Teleste's General Meeting is the highest decision-making body of the company, held 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 AGM is held in Helsinki according to the established custom.

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

Board of Directors

Rules of Procedure

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

According to the Board's Rules of Procedure valid until 18th of September 2018, the Board shall resolve any matters that are of great importance to the Group when taking into account the scope and extent of the Group's operations. The Board oversees and assesses the work of the CEO and the Management Group. The Board decides on the criteria of the company's compensation system and makes decisions on other issues of great importance related to the personnel.

According to the said Rules of Procedure, the Board shall conduct an annual evaluation of its performance and working methods. The Board has adopted the Rules of Procedure, according to which the essential duties of the Board include the following:

- confirming the company's business strategy and revising it at regular intervals to ensure that it is kept up-to-date,
- approving annual budgets and supervising their implementation,
- deciding on individual major investments and divestments,
- reviewing and approving financial statements and interim reports,
- appointing the CEO and discharging them from their duties and specifying their responsibilities and terms and conditions of employment,
- deciding on incentive and bonus schemes for the management and personnel and, as necessary, presenting related proposals to the General Meeting,
- annually assessing the essential risks related to the company's operations and the management of such risks,
- confirming the company's values and policies.

In its meeting held on 18 September 2018, the Board of Directors adopted new Rules of Procedure. According to the new Rules of Procedure, 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, financial management 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 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.

Matters requiring approval by the Board are listed in Appendix 1 to the Board of Directors' Rules of Procedure. The appendix is regularly reviewed. In addition, 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 security 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
- 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.

The Rules of Procedure of the Board of Directors are available in their entirety on Teleste's website at https://www.teleste.com/investors/corporate-governance/board-directors/rules-procedure-board.

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 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 candidates for the Board of Directors are chosen in co-operation between the Chairman of the Board and the major shareholders of the company. In addition to the required experience and areas of expertise, the guidelines on the diversity of the Board are taken into account when choosing candidates. The term of office of Board members is one year, lasting until the close of the Annual General Meeting following the election. The number of terms of a Board member is not limited.

The Annual General Meeting held on 5 April 2018 elected the six persons specified below to Teleste's Board of Directors. Pertti Ervi was elected Chairman on 5 April 2018 by the members of the Board.

- Pertti Ervi, Chairman, b. 1957, B. Sc. (Eng.), independent consultant, Board member since 2009
- Jannica Fagerholm, member of the Board, b. 1961, M.Sc. (Econ.), Signe and Ane Gyllenberg Foundation, Managing Director, Board member since 2013
- Timo Luukkainen, member of the Board, b. 1954, B.Sc. (Econ.), M.Sc. (Eng.), MBA, Board professional, Board member since 2016
- Timo Miettinen, member of the Board, b. 1955, M.Sc. (Eng.), Chairman in EM Group Oy, Board member since 2016
- Heikki Mäkijärvi, member of the Board, b. 1959, M.Sc. (Eng.), Telia Ventures, CEO, Board member since 5.4.2018
- Kai Telanne, member of the Board, b. 1964, M.Sc. (Econ.), Alma Media Corporation, CEO, Board member since 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 and its significant shareholders, with the exception of following Board members:

- Timo Luukkainen – Board member in Tianta Oy since 6.4.2018. Tianta Oy is a significant shareholder of Teleste.
- Timo Miettinen – control over Tianta Oy (60% of the shares and voting rights). Tianta Oy is a significant shareholder of Teleste.

On 31 December 2018, Board members and their controlled entities held shares in Teleste Corporation and other companies included in the Teleste Group as follows:

- Pertti Ervi ....18,983 shares
- Jannica Fagerholm ....11,543 shares
- Timo Luukkainen ....4,652 shares
- Timo Miettinen ....5,929 shares, controlled entity Tianta Oy ....4,409,712 shares
- Heikki Mäkijärvi ....1,916 shares
- Kai Telanne ....23,063 shares

On 31 December 2018, Board members or their controlled entities held no share-based entitlements in Teleste Corporation or other companies included in the Teleste Group.

In 2018, Teleste's Board of Directors held 9 meetings.
The Board members attended the meetings as follows:

- Pertti Ervi 9/9
- Jannica Fagerholm 9/9
- Timo Luukkainen 9/9
- Timo Miettinen 9/9
- Heikki Mäkijärvi 9/9
- Kai Telanne 9/9

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

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

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

Teleste does not have a separate nomination committee. The candidates for the Board of Directors are chosen in co-operation between the Chairman of the Board and the major shareholders of the company. In addition to the required experience and areas of expertise, the guidelines on the diversity of the Board are taken into account when choosing candidates.

The Annual General Meeting held on 5 April 2018 elected six members to the Board of Directors, five men and one woman. The Board members had a technical or business degree. Further, the other above factors and characteristics relevant to diversity were also represented in the Board of Directors in 2018.

Remuneration of Board members
The Annual General Meeting decides on the remuneration of the members of the Board of Directors. The Annual General Meeting held on 5 April 2018 decided on the following remunerations for Board service until the next AGM: The Chairman of the Board will be paid EUR 64,000 a year and each member EUR 32,000 a year. Out 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 regulated market organized by Nasdaq Helsinki Ltd, and the rest will be paid in cash. If committees of the Board of Directors are established for the Company, the following meeting fees will be paid: chairman EUR 600 and each member EUR 400 per meeting of the committee.

Salaries, remuneration and fringe benefits paid to the Board of Directors in 2018 were as follows:

- Pertti Ervi, EUR 65,200, including 3,832 Teleste shares
- Jannica Fagerholm, EUR 33,800, including 1,916 Teleste shares
- Timo Luukkainen, EUR 32,000, including 1,916 Teleste shares
- Timo Miettinen, EUR 32,000, including 1,916 Teleste shares
- Heikki Mäkijärvi, EUR 32,000, including 1,916 Teleste shares
- Kai Telanne, EUR 33,200, including 1,916 Teleste shares

AUDIT COMMITTEE

On 5 April 2018, Teleste's Board of Directors established an audit committee to prepare matters concerning the company's financial reporting and supervision. The audit committee assists the Board of Directors by preparing the matters that fall within the responsibilities of the audit committee. The audit committee convenes at least four times a year.

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 must have the expertise and experience required to fulfill the responsibilities of the committee. The audit committee consists of a minimum of three Board members, each of whom fulfills 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.

The audit committee consists of Jannica Fagerholm (Chair), Pertti Ervi and Kai Telanne (members). The Chair of the audit committee reports the committee's meetings to the Board of Directors in a summary.

In addition to the committee members, the participants in audit committee meetings include the company's CIO (secretary), CEO, CFO and auditor. 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 of the audit committee are distributed to all Board members.

The responsibilities of the audit committee include

- monitoring of Teleste Corporation's economic and financial situation as well as the financial statement reporting process
- supervision of the company's financial reporting process
- 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 efficiency of the company's internal control and risk management systems
- 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 or audit firm
- 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
- performing other tasks assigned to the committee by the Board of Directors

PRESIDENT AND CEO

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

The detailed terms of employment of the CEO are specified in a written contract approved by the Board of Directors. The CEO is not a member of Teleste's Board of Directors. Teleste's current President and CEO, Jukka Rinnevaara, b. 1961, M.Sc. (Econ.), started as CEO on 1 November 2002. 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. Salary, remuneration and fringe benefits paid to Teleste's CEO in 2018 totalled EUR 489,996. In addition, there was an additional pension payment of EUR 94,231 and capital redemption payment of EUR 71,500 in the financial year.

The contractual retirement age of CEO Jukka Rinnevaara is 60 years. CEO's contract includes defined contribution supplementary pension. The CEO's pension plan is arranged through group pension insurance and a capital redemption policy. The payment level of the group pension is 25 per cent of basic pay, excluding bonuses. Payment under the capital redemption policy is subject to the same adjustment procedure as the CEO's basic pay excluding bonuses.

The contract of CEO Rinnevaara specifies that his term of notice is six (6) months in case the CEO decides to withdraw, and eighteen (18) months should the contract be terminated by the company. Upon termination of the CEO's contract by the company, the CEO will be paid a compensation corresponding to eighteen (18) months of service without benefits.

MANAGEMENT GROUP

On 31 December 2018, 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 representing Teleste's business areas and units and directors representing the Group management. The subsidiaries operate as part of the business areas. 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 2018, Teleste's Management Group consisted of the following members:

- Jukka Rinnevaara, born in 1961, M.Sc. (Econ.), CEO, is in charge of the Group's business operations and corporate governance in accordance with the law, Teleste's Articles of Association and the instructions and regulations issued by the Board
- Johan Slotte, born in 1959, LL.M., EMBA, Deputy CEO, is in charge of the Germany, Austria and Switzerland areas including CEO of the Cableway companies, as well as the development and legal affairs related to Teleste Group's business operations
- Juha Hyytiäinen, born in 1967, M.Sc. (Econ.), CFO, is in charge of Finance, HR and ICT
- Hanno Narjus, born in 1962, M.Sc. (Econ.), Senior Vice President in charge of Network Products business unit
- Esa Harju, born in 1967, M.Sc. (Eng.), Senior Vice President in charge of Video Security and Information business unit
- Pasi Järvenpää, born in 1967, M.Sc. (Eng.), Senior Vice President in charge of Teleste's Research and Development
- Markus Mattila, born in 1968, M.Sc. (Eng.), Senior Vice President in charge of Teleste's Operations

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

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

The salary of all Management Group members consists of a fixed basic salary and a performance-based bonus. The amount of performance-based bonus depends on the performance of the company and the business area in question, as well as the achievement of other key operative objectives.

The Management Group including the CEO has a group pension plan and payment is based on the annual pay of the insured person, excluding bonuses. The payment is 25 per cent of the above pay.

INCENTIVE SCHEMES AND OWNERSHIP BY THE MANAGEMENT

Management Group's shareholding and share-based entitlements

On 31 December 2018, Management Group members and their controlled entities held shares in Teleste Corporation and other companies included in the Teleste Group as follows:

- Jukka Rinnevaara 101,311 shares
- Johan Slotte 9,634 shares
- Juha Hyytiäinen 7,724 shares
- Hanno Narjus 5,861 shares
- Esa Harju 6,650 shares
- Pasi Järvenpää 3,890 shares
- Markus Mattila 9,304 shares

On 31 December 2018, Teleste did not have any running stock option programmes, and the CEO, the members of the Management Group or their controlled entities did not hold any Teleste options or other share-based entitlements.

For shareholdings of the CEO and Management Group members, see Notes section: the Related party transactions.

In 2018, Teleste was not involved in any related party transactions that would have been of material importance for Teleste and deviated from normal business or been carried out on other than ordinary market terms.

Share-based incentive programme LTI 2015

On 5 February 2015, 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 2015'). The objective of LTI 2015 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 a competitive compensation for excellent performance.

LTI 2015 consists of three annually commencing plans with three main elements: an investment in Teleste shares that is required for a key employee to be included in the LTI 2015 programme; a matching share plan with a three-year vesting period based on the above investment; and a performance matching plan with a three-year performance period.

The commencement of each plan and the inclusion of eligible participants were subject to a specific approval by Teleste's Board of Directors.

The matching share plan includes the investment of an individual 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 invested share 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 attained.

The performance criterion applied to the all three plans alike is the total shareholder return (TSR) of Teleste's share in the three-year performance period. A precondition for an individual key employee's participation in the plan was the above mentioned investment in Teleste shares. The Board of Directors approved 37 key employees as eligible to participate in the first LTI 2015 program on 2015–2017, 42 key employees to participate on 2016–2018 and 40 key employees to participate on 2017–2019.

The gross quantity of matching shares delivered under the 2015–2017 plan ending in April 2018 was 47,250 shares, and the gross quantity of performance matching shares was 39,724 shares. A net quantity of 42,771 shares were delivered to the key employees entitled to reward through a directed share issue on 6 April 2018. The maximum gross quantities of shares delivered under the 2016–2018 plan starting in 2016 are 53,600 matching shares and 214,400 performance matching shares. The maximum gross quantities of shares delivered under the 2017–2019 plan starting in 2017 are 58,300 matching shares and 233,200 performance matching shares. Applicable taxes are deducted from the gross quantities, and the remaining net quantity is delivered to the participants as Teleste shares.

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 a 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 first plans within the programme are the matching share plan 2018–2020 and the performance share plan 2018–2020. The commencement of each new plan, its eligible participants and the matching ratio and performance targets applied to the individual plan is subject to a separate approval of Teleste's Board of Directors in each case. The matching share plan 2018–2020 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 shares are delivered according to a fixed matching ratio determined by the Board of Directors for each individual plan. The matching ratio applied to the matching share plan 2018–2020 is one matching share for each two shares invested. The maximum aggregate gross quantity of matching shares that may be delivered on the basis of the matching share plan 2018–2020 is approximately 24,400 shares The performance share plan 2018–2020 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 performance share plan is the total shareholder return (TSR) of Teleste share. The above investment in Teleste's shares is the requirement for an individual key employee to be included in the plan. If all the eligible key employees participate in the plan by fulfilling the investment precondition and the performance targets set for this performance share plan are fully achieved, the maximum number of shares that may be delivered under the performance share plan 2018–2020 is approximately 292,800 shares (gross before the deduction of the applicable taxes). The Board of Directors approved 35 key employees as eligible to participate in the plans beginning in 2018.

AUDITING, REVISIONS AND REMUNERATION OF THE AUDITOR

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

On 5 April 2018, Teleste's AGM elected Authorised Public Accountants KPMG Oy Ab for the company's auditor. The principally responsible auditor is Petri Kettunen, APA.

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

In 2018, Teleste Group's auditing expenses totalled EUR 177,651, of which the amount of KPMG was EUR 166,651. In addition, units of KPMG have supplied Teleste Group companies with other consultation worth total EUR 14,900 and other than KPMG auditors for EUR 46,036.

INSIDER MANAGEMENT

Since 1 March 2000, Teleste complies with the insider guidelines issued by the Board of Directors of Nasdaq Helsinki Oy in their valid form at any given time. These insider guidelines are complemented by the company's internal guidelines.

The Market Abuse Regulation ((EU) No. 596/2014, 'MAR') entered into force on 3 July 2016. As a result of the MAR, Teleste no longer has public insiders. The last date of updating the public insider register was 2 July 2016.

Teleste maintains a permanent insider register and project-specific insider lists prepared specifically for each project as needed. The permanent insider list includes the persons who are always up-to-date with all insider information concerning Teleste. There are no persons mentioned in the said insider list.

Project-specific insider list includes the persons who work for Teleste under an employment contract or other agreement and receive insider information concerning an individual project, as well as 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 an arrangement or a set of procedures is considered as a project.

The persons discharging managerial responsibilities at Teleste with the obligation to notify are Board members, CEO, Deputy CEO and CFO. They and persons closely associated with them have the obligation notify Teleste and the Finnish Financial Supervisory Authority of transactions conducted with Teleste's financial instruments. Teleste announces the transactions reported to it in a specific stock exchange release.

It is recommended for persons discharging managerial responsibilities at Teleste to time their trading activities with financial instruments issued by Teleste at such times that as accurate as possible information affecting the value of the share is available in the market.

The persons discharging managerial responsibilities at Teleste and anyone participating in the preparation of interim reports and/or financial statements are forbidden on their own account or on behalf of others, directly or indirectly, to trade with 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 statements. The persons participating in the preparation of interim reports and/or financial statements include the rest of Teleste's Management Group, the person in charge of investor relations and persons from financial administration participating in group accounting and management reporting.

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 Deputy CEO is in charge of insider issues.

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

INTERNAL SUPERVISION, RISK MANAGEMENT AND INTERNAL AUDITING

Internal supervision

Teleste's internal supervision 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 correctness of the conducted financial reporting. Internal supervision is based on Teleste's values and corporate culture, as well as on mutually supporting structures and processes within the Group and operational levels. The management of the Group and the business units monitor the internal supervision as part of their normal managerial duties, while the Board evaluates and verifies the appropriateness and efficiency of the internal supervision. In both business areas, the management of the business unit, supported by Teleste's centralized controlling function, is responsible for compliance with the principles of internal supervision on all levels of the areas.

Risk management

Risk management is based on the strategic and business goals of Teleste Group. The Group risk principles and objectives are subject to approval by Teleste's Board of Directors. Risk management aims to ensure the achievement of business goals, so that material risks affecting business operations and posing a threat to the achievement of goals are identified and continuously monitored and evaluated. The risk management methods are specified and the implementation of risk prevention is attempted through the same. In addition, any risks that for economic or other reasons are reasonable to insure, are aimed to be covered by insurance. In risk management, the regular evaluation of most significant risks and exercising control thereof in a cost-effective manner are emphasized. 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 risk management system. A part of the risk management system is monthly reporting by which, in particular, the development of the orders received, turnover, order backlog, deliveries, trade receivables and cash flow is monitored and, through the same, the profit development of the entire Teleste Group. 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 Board on a regular basis.

Teleste's risk management system covers the following risk categories, among others:

- strategic risks
- operational risks
- financial risks
- interest group risks
- personnel risks
- property and business interruption risks

Internal auditing

Internal auditing evaluates the efficiency of the processes regarding risk management, supervision, management and selected functions, and makes proposals for their improvement. Internal audit acts under the supervision of Audit Committee and CEO. The responsible person for audit is a director appointed by the CEO and the expertise of bodies external to the auditing unit is used as needed. In addition, internal auditing may carry out special tasks assigned by the Audit Committee. Internal auditing covers all the organisational levels. The external auditor participates in the choosing of the priorities of internal auditing and the assessment of results.

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

Internal supervision and risk management of the financial reporting process are based on the general principles of internal supervision and risk management described above. The CFO is responsible for the systems of internal supervision and risk management related to the financial reporting process.

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

Key figures 2014–2018

	IFRS 2018	IFRS 2017	IFRS 2016	IFRS 2015	IFRS 2014
Profit and loss account, balance sheet					
Net sales, Meur	250.3	234.6	259.5	247.8	197.2
Change %	6.7	-9.6	4.8	25.7	2.3
Sales outside Finland, %	93.9	94.3	93.3	95.1	92.5
Operating profit, Meur	9.7	-7.5	15.6	14.3	11.1
% of net sales	3.9	-3.2	6.0	5.8	5.6
Profit after financial items, Meur	9.1	-8.5	14.8	13.9	10.8
% of net sales	3.6	-3.6	5.7	5.6	5.5
Profit before taxes, Meur	9.1	-8.5	14.8	13.9	10.8
% of net sales	3.6	-3.6	5.7	5.6	5.5
Profit for the financial period, Meur	6.8	-9.1	11.8	11.0	8.5
% of net sales	2.7	-3.9	4.6	4.4	4.3
R&D expenditure, Meur	12.5	12.1	11.1	11.0	10.3
% of net sales	5.0	5.1	4.3	4.4	5.2
Gross investments, Meur	7.0	7.5	5.5	16.9	3.7
% of net sales	2.8	3.2	2.1	6.8	1.9
Interest bearing liabilities, Meur	26.8	33.2	30.6	33.0	24.4
Shareholder's equity, Meur	77.2	71.4	84.4	77.5	70.7
Total assets, Meur	159.0	153.5	162.1	164.5	132.5
Personnel and orders					
Average personnel	1,393	1,492	1,514	1,485	1,302
Order backlog at year end, Meur	71.0	57.4	26.9	42.2	15.2
Orders received, Meur	264.0	262.9	244.3	251.3	199.3
Key metrics					
Return on equity, %	9.2	-11.7	14.6	14.9	12.5
Return on capital employed, %	9.3	-6.6	14.8	14.2	12.2
Equity ratio, %	51.7	48.3	52.5	48.3	53.4
Gearing, %	5.9	16.8	25.0	26.3	9.5
Earnings per share, euro	0.38	-0.50	0.65	0.61	0.48
Earnings per share fully diluted, euro	0.38	-0.50	0.65	0.61	0.48
Shareholders equity per share, euro	4.25	3.94	4.66	4.28	3.94

Calculation of Key Figures

Return on equity:

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

Return on capital employed:

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

Equity ratio:

$$\frac{\text{Shareholders' equity}}{\text{Total assets – advances received}} \times 100$$

Gearing:

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

Earnings per share:

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

Earnings per share, diluted:

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

Equity per share:

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

Price per earnings (P/E):

$$\frac{\text{Share price at year-end}}{\text{Earnings per share}}$$

Efective dividend yield:

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

SHARES AND SHAREHOLDERS

INVESTOR RELATIONS

CEO, Mr. Jukka Rinnevaara is in charge of investor relations. In addition to the CEO, 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

Jukka Rinnevaara, CEO
Tiina Vuorinen, 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	7.58
12 months low	5.12
All-time high (7.9.2000)	39.00
All-time low (12.12.2008)	1.90

FINANCIAL INFORMATION

Financial releases in 2019

Interim report January–March	9.5.2019
Half year financial report January–June	15.8.2019
Interim report January–September	31.10.2019

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

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 will be held on Thursday, 4 April 2019, at 4:00 p.m., in Helsinki Hall of Finlandia Hall at the address of Mannerheimintie 13 e, Helsinki, Finland. The reception of persons who have registered for the meeting will commence at 3:00 p.m.

RIGHT TO PARTICIPATE AND REGISTRATION

Each shareholder, who is registered on Monday, 25 March 2019 in the shareholders' register of the Company maintained by Euroclear Finland Ltd, has the right to participate in the Annual General Meeting. A shareholder, whose shares are registered on his/her personal Finnish book-entry account, is registered in the shareholders' register of the Company.

A shareholder, who wants to participate in the Annual General Meeting, shall register for the meeting no later than Thursday 28 March 2019 at 4 p.m. by giving a prior notice of participation to the Company.

Such notice can be given

- through Company's website at www.teleste.com/AGM
- by email investor.relations@teleste.com;
- by telephone +358 (0)2 2605 611, from Monday to Friday between 9 a.m. and 4 p.m.; or
- by regular mail to the address Teleste Corporation, Tiina Vuorinen, P.O.Box 323, FI-20101 Turku, Finland.

The notice of participation shall be delivered to the Company before the deadline for registration. In connection with the registration, a shareholder shall notify his/her name, personal identification number, address, telephone number and the name of a possible assistant or proxy representative and the personal identification number of the proxy representative. The personal data given to Teleste Corporation is used only in connection with the Annual General Meeting and with the processing of thereto related necessary registrations.

Use of Representative and Proxies

A shareholder may participate in the Annual General Meeting and exercise his/her rights at the meeting by way of proxy representation. A proxy representative shall produce a dated proxy document or otherwise in reliable manner demonstrate his/her right to represent the shareholder. Should a shareholder participate in the meeting by means of several proxy representatives representing the shareholder with shares in different book-entry accounts, the shares by which each proxy representative represents the shareholder shall be identified in connection with the registration.

Possible proxy documents should be delivered in originals to the address Teleste Corporation, Tiina Vuorinen, P.O.Box 323, FI-20101 Turku, Finland by Friday 28 March 2019 at 4 p.m. at the latest.

Holders of nominee registered shares

A holder of nominee registered shares has the right to participate in the Annual General Meeting by virtue of such shares, based on which he/she on the record date of the Annual General Meeting, i.e. on 25 March 2019, would be entitled to be registered in the shareholders' register of the Company held by Euroclear Finland Ltd.

The right to participate in the Annual General Meeting requires, in addition, that the shareholder on the basis of such shares has been temporarily registered into the shareholders' register held by Euroclear Finland Ltd. at the latest by 1 April 2019, by 10 a.m. As regards nominee registered shares this constitutes due registration for the Annual General Meeting.

A holder of nominee registered shares is advised without delay to request necessary instructions regarding the temporary registration in the shareholders' register of the Company, the issuing of proxy documents and the registration for the Annual General Meeting from his/her custodian bank. The account manager of the custodian bank has to register a holder of nominee registered shares, who wants to participate in the Annual General Meeting, to be temporarily entered in the shareholders' register of the Company at the latest by the time stated above.

Other information

Pursuant to Chapter 5, Section 25 of the Finnish Companies Act, a shareholder who is present at the shareholders' meeting has the right to request information with respect to the matters to be considered at the meeting.

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 2018

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.20 per share be paid based on the adopted balance sheet for the financial period that ended on 31 December 2018 for shares other than those held by the Company. The dividend will be paid to a shareholder who on the record date of dividend payment 8 April 2019 is registered in the Company's shareholders' register maintained by Euroclear Finland Ltd. The dividend will be paid on 15 April 2019.

Payment of divided

Annual General Meeting	4.4.2019
Divided ex date	5.4.2019
Dividend record date	8.4.2019
Payment of dividend	15.4.2019

Divided history, eur

2012	2013	2014	2015	2016	2017	2018
0.17	0.19	0.20	0.23	0.25	0.10	0.20*

**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/Annual General Meeting.](www.teleste.com/Annual General Meeting)

Minutes of the Annual General Meeting will be available at Teleste's website no later than 18 April 2019.

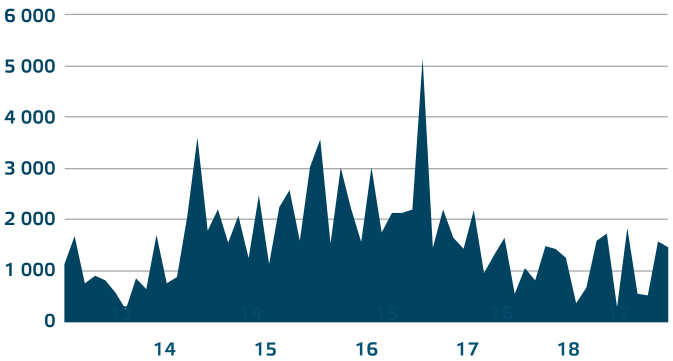
Teleste share

	2018	2017	2016	2015	2014
Highest price, euro	7.58	9.62	10.24	9.88	5.29
Lowest price, euro	5.12	6.51	7.29	5.32	4.25
Closing price, euro	5.26	6.68	8.86	9.80	5.27
Average price, euro	6.72	8.19	8.69	7.42	4.67
Price per earnings	13.8	-13.3	13.6	16.1	11.0
Market capitalization, Meur	99.9	126.8	160.6	177.6	98.7
Stock turnover, Meur	13.3	16.8	30.6	24.6	10.9
Turnover, number in millions	2.0	2.0	3.5	3.3	2.3
Turnover, % of capital stock	10.4	10.8	18.5	17.5	12.5
Average number of shares	18,985,588	18,985,588	18,985,588	18,985,588	18,918,869
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	18,168,088	18,202,396	18,169,002	18,036,667	17,729,215
Number of shares at the year-end, diluted w/o own shares	18,155,300	18,172,350	18,216,369	18,121,635	17,795,934
Paid dividend, Meur	3.6	1,8	4.5	4.2	3.6
Dividend per share, euro	*0.20	0.10	0.25	0.23	0.20
Dividend per net result, %	53.1	neg.	38.3	37.7	41.7
Effective dividend yield, %	3.8	1.5	2.8	2.3	3.8

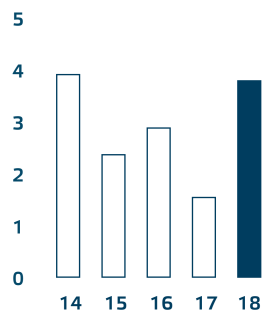
** The Board's proposal to the AGM*

Share price development 2014–2018
Eur

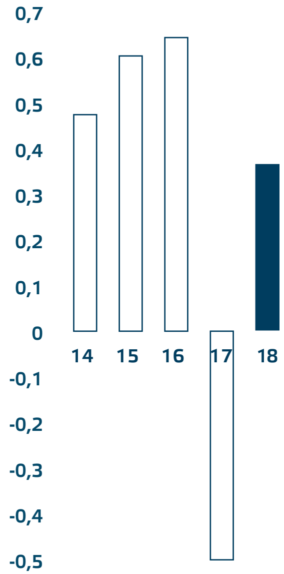
Share monthly turnover 2014–2018
1 000 Eur



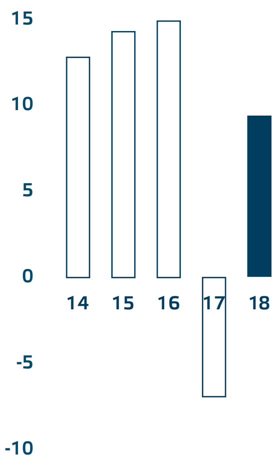
Effective dividend yield,
%



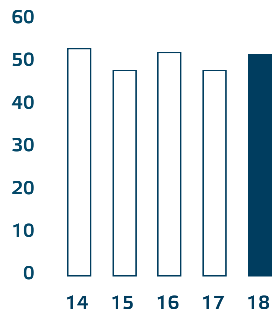
Earnings per share,
Eur



Return on capital employed
%



Equity ratio
%



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Teleste´s website is responsive, and as such, in mobile-optimised format.