Financial statements 2024

TELESTE

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Report of the board of directors 2024

1. OVERVIEW

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

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

In 2024, uncertainty remained across geopolitics, trade policy and macroeconomics. Various events around the world, including tensions in Europe, the Middle East and between China and Taiwan, were reflected in the macroeconomic situation. The election of the new President of the United States has significantly increased the risk of tariffs and a trade war. Economic growth in Europe did not progress as expected, even though inflation and interest rates began to decline during the year. Investments by the company's customers remained at a low level in Europe, which led to a decline in the company's total net sales. However, adjusted EBIT improved due to cost savings and restructuring. At the same time, the company significantly grew its business in North America.

The company changed its segment structure starting from the first quarter of 2024. The operating segments are Broadband Networks and Public Safety and Mobility.

The volume of the **Broadband Networks** business, delivering network solutions, was lower than expected in Europe during 2024 due to the company's customers implementing cost-saving measures and maintaining a low level of investment. The softness in market demand in Europe was compensated by the start of larger-scale deliveries to the North American market, which began in early 2024. The relative share of the company's net sales derived from North America is expected to continue to grow in 2025 and 2026. The demand for broadband services and network equipment is expected to grow due to competition among network operators to provide reliable high-speed broadband connections to households and companies.

The market for public transport information and security systems continued its steady growth in 2024. In the **Public Safety and Mobility** business, the company implemented several public transport information systems projects in cooperation with significant rolling stock manufacturers. At the same time, progress was made on a number of other customer projects in Europe and the Middle East. Growing urban environments and their safety, the increase of environmentally sustainable public transport services, and the increasing popularity of smart digital systems for a smoother life provide a foundation for steadily growing business in public transport information and security systems in the coming years.

In 2024, the company implemented several cost-saving and restructuring measures to secure profitability and cash flow. The company also completed a change to its group structure, in which the Broadband Networks and Public Safety and Mobility businesses were incorporated as separate legal entities. The company also restructured its financing.

2. DESCRIPTION OF BUSINESS OPERATIONS

Teleste Corporation is a public limited company listed on the Helsinki Stock Exchange (Nasdaq Helsinki). The Group's registered office is in Turku. The company has a branch office in the Netherlands and subsidiaries in 12 countries outside Finland. Teleste Corporation is the parent company of its subsidiaries.

Over the years, the company's in-depth expertise has made it a leading international provider of broadband, security and information technologies and related services. The company's operations are organised into two operating segments: **Broadband Networks** and **Public Safety and Mobility**.

The **Broadband Networks** segment focuses on fixed telecommunications network subscriber access products, with its largest customer base consisting of data communications operators. The customers can also include companies that integrate solutions into larger systems and retailers that use Teleste's products for their end-to-end-deliveries. The main markets for the business are Europe and, to a growing extent, North America. The unit develops, designs and manufactures a large part of its products. Its product development units operate in Finland and Belgium and the in-house manufacturing activities mainly take place in Finland. The unit also offers comprehensive services for access network design, construction, maintenance and operation. The customer base for the services mainly consists of European data communications operators.

The Broadband Networks unit has 12 offices and a number of retail and integration partners. Outside Europe, it has subsidiaries and offices in the United States and China.

The **Public Safety and Mobility** operating segment's most significant customer base comprises rolling stock manufacturers and public sector organisations, such as public transport operators and authorities. The customer base also includes companies that create broader integrated solutions and use Teleste's solutions for their end-to-end-deliveries. The main market for the business is Europe, but it also operates in North America and the Middle East. The unit designs, develops and manufactures a large part of its products. Its product development units operate in Finland and Poland. In-house manufacturing is mainly carried out in Finland. The product portfolio also includes third-party products that complement Teleste's range of products. The unit also provides services for project planning, systems integration and deployment, as well as systems maintenance and modernisation. The service customers include the unit's entire customer base.

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

3. NET SALES AND PROFITABILITY

The formulas for any alternative performance measures are presented in section 20 of the Report of the Board of Directors.

Consolidated net sales decreased by 12.4%, amounting to EUR 132.5 (151.3) million. Net sales decreased in both business units. Of the net sales, Finland accounted for 8.7% (9.0%), other Nordic countries 9.2% (12.9%), the rest of Europe 66.9% (72.2%), and North America and the rest of the world 15.2% (5.9%). The net sales of the Broadband Networks segment decreased by 15.4% in January–December, amounting to EUR 78.2 (92.5) million. The comparison period included EUR 2.8 million in deliveries in the services business in Switzerland, which was subsequently divested. The net sales of the Public Safety and Mobility segment decreased by 7.7% in January–December, amounting to EUR 54.3 (58.9) million.

The Group's adjusted EBITDA was EUR 9.2 (7.2) million, representing an increase of 27.2% The Group's expenses for material and manufacturing services decreased by 14.3% to EUR 66.2 (77.3) million. Material expenses were reduced by lower sales volumes and grater share of net sales from products and software with higher gross margins. Personnel expenses decreased by 13.7% to EUR 41.0 (47.5) million. The decrease was due to personnel reductions and temporary layoffs under the cost-saving programme. Depreciation and amortisation decreased by 15.0% to EUR 5.2 (6.1) million. Other operating expenses decreased by 10.6% to EUR 19.6 (21.9) million.

The Group's adjusted EBIT for January–December was EUR 4.0 (1.2) million, an increase of 248.2%, or EUR 2.9 million. The adjusted EBIT represented 3.0% (0.8%) of net sales. The adjusted EBIT improved due to cost-saving measures and a two-percentage-point increase in the gross margin, which compensated for the decrease in net sales. The Group's EBIT was EUR -5.5 (-0.5) million, representing -4.2% (-0.3%) of net sales. The decline was due to lower net sales, as well as a 6.7 million-euro R&D asset impairment reported as adjustment items, and 2.7 million euros in restructuring costs in Finland and abroad. The impairment consisted of 0.6 million-euro impairment of video surveillance software, and a 6.1 million euro impairment of R&D capitalisations, due to uncertainties in the technology direction of the cable industry, as well as slower adoption of DAA technology in the market.

The Group's net expenses from financial items amounted to EUR 1.5 (1.9) million. Direct taxes for the financial period amounted to EUR +1.0 (+1.9) million. The direct taxes for the financial period include a decrease in deferred tax assets related to R&D capitalisations. The direct taxes for the comparison period included a reversal of tax provisions and associated deferred tax assets, totalling EUR 1.7 million, following the cancellation of a tax reassessment decision for the Group's Belgian subsidiary in the 2023 financial year. The Group's net result for the financial period was EUR -6.1 (-0.5) million. Adjusted earnings per share were EUR 0.20 (0.09) and earnings per share were EUR -0.32 (0.00).

4. INVESTMENTS AND PRODUCT DEVELOPMENT

Investments by the Group totalled EUR 6.3 (8.0) million, representing 4.8% (5.3%) of net sales. Leases capitalised in accordance with IFRS 16 amounted to EUR 1.7 (1.1) million, while other investments in tangible and intangible assets came to EUR 0.3 (0.8) million. A total of EUR 4.3 (6.1) million of R&D expenses were capitalised during the period under review. Depreciation on capitalised R&D expenses was EUR 2.1 (3.0) million. A one-time impairment of EUR 6.7 million was allocated to the Group’s capitalised R&D expenses.

R&D expenses amounted to EUR 14.1 (17.7) million, representing 10.0% (11.7%) of consolidated net sales. Product development projects in the Broadband Networks business were focused on distributed access architecture solutions and DOCSIS 4.0-compliant smart amplifiers, as well as network telemetry and remote management solutions for the North American market. In the Public Safety and Mobility business, product development projects were focused on passenger information systems and customer-specific product platforms.

5. PERSONNEL

The Group employed 673 (803) people on average in January–December 2024. At the end of December, the Group employed 619 (750) people, of whom 29% (37%) worked abroad. Personnel expenses decreased by 13.7% year-on-year to EUR 41.0 (47.5) million. Salaries and fees accounted for EUR 37.0 (42.9) million of personnel expenses. The company has a bonus programme in place to incentivise its employees. The short-term remuneration of senior management consists of a monetary salary, fringe benefits and possible annual remuneration, which is mainly determined by the development of the net sales and profitability of the Group's and the profit centres’ net sales and profitability. The company also has share-based incentive schemes in place for key employees.

6. FINANCING AND CAPITAL STRUCTURE

At the end of the period under review, the Group's interest-bearing debt stood at EUR 34.2 (37.8) million, with short-term loans from banks representing EUR 8.2 (5.8) million of that amount. Interest-bearing liabilities associated with leases capitalised in accordance with IFRS 16 amounted to EUR 4.5 (4.8) million, of which EUR 1.4 (1.5) million were short-term liabilities. The Group's cash and cash equivalents amounted to EUR 8.8 (6.2) million. At the end of December 2024, the amount of unused binding credit facilities was EUR 14.0 (14.7) million.

The Group's total assets at the end of the period under review stood at EUR 121.2 (132.2) million, and equity amounted to EUR 54.8 (60.9) million. The amount of total assets was mainly affected by a decrease in inventory levels due to the improvements in efficiency with regard to fixed assets, and the write-down recognised on capitalised R&D expenses. The Group's equity ratio was 45.4% (45.4%) and the net gearing ratio was 46.3% (51.9%).

During the third quarter, the company signed a syndicated refinancing arrangement that includes a repayable loan, credit limits and a non-binding guarantee limit. In connection with the new loan facilities arrangement, the company repaid its old loans and discontinued the related hedge accounting. The profit accumulated in the hedge reserve was reclassified to profit for the period. All financing agreements include financial covenants regarding the minimum equity ratio, the maximum net debt to adjusted EBITDA ratio and the minimum liquidity. The collateral for the financing agreements consists of EUR 68.9 million in enterprise mortgages, EUR 32.0 million in pledges of shares in subsidiaries, and EUR 43.7 million in pledges of internal debt securities.

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

- A EUR 26.0 million repayable loan maturing in August 2026, the remaining principal of which was EUR 25.2 million on 31 December 2024. The loan is amortised four times a year in instalments of EUR 0.8 million.
- A EUR 15.0 million binding Revolving Credit Facility (RCF) maturing in August 2026, of which the following items were in use on 31 December 2024:
  - EUR 5.0 million, maturing in March 2025
- A EUR 4.0 million binding credit limit, valid until August 2026. On 31 December 2024, EUR 4.0 million of the credit limit was unused.
- A EUR 8.0 million non-binding bank guarantee limit
- The financing agreement includes two conditional one-year extension options.

7. SEGMENT RESULT

As the company announced on 25 April 2024, Teleste reports its key financial figures according to a new segment structure starting from the first interim report of 2024. The operating segments are Broadband Networks and Public Safety and Mobility. The Group's reported segments correspond to the Group's operating segments. The Group's common functions are treated outside segment reporting.

The figures presented in this "Segment results" section for the reportable operating segments are based on the figures reported to the company's management for the purpose of assessing the result and allocating resources. The segments' results are presented as Adjusted EBITDA and Adjusted EBIT. The adjusted EBITDA and adjusted EBIT figures do not take into account items affecting the comparability of the operational performance between reporting periods. Such items include, for instance, profit or loss from the divestiture or closing down of operations, profit or loss from the reorganisation of operations, impairment losses, expenses related to significant strategic changes or other extraordinary income or expense related to the operations, amongst other things. More information on the Group's operating and reporting structure and the reconciliation of segment figures with Teleste Group's figures is provided in the notes to the consolidated financial statements under "Segment reporting".

BROADBAND NETWORKS

The net sales of the Broadband Networks business unit decreased by 15.4% in January–December, amounting to EUR 78.2 (92.5) million. Deliveries of HFC network products to Europe continued at a low level, although they showed signs of recovery in the fourth quarter. The delivery volumes of 1.8 GHz smart amplifiers to North America increased towards the end of the year, but they did not yet fully compensate for the decline in the European market. Deliveries of distributed access architecture products were lower than expected. The comparison period included EUR 2.8 million in deliveries in the services business in Switzerland, which was subsequently divested, and higher deliveries in the services business in the UK.

The adjusted EBIT of the Broadband Networks business unit was EUR 6.2 (6.0) million, representing an increase of 3.5%. The decrease in net sales was offset by reductions in personnel expenses and other operating expenses, which were achieved as a result of significant cost-saving programmes. The impairment of EUR 6.1 million on capitalised R&D expenses was reported as an adjustment item.

PUBLIC SAFETY AND MOBILITY

The net sales of the Public Safety and Mobility operating segment decreased by 7.7% in January–December, amounting to EUR 54.3 (58.9) million. Deliveries to video security and public transport operator customers decreased as orders were delayed due to fluctuations that are typical of the project business. This was compensated for by higher deliveries to rolling stock manufacturers, especially in the maintenance business.

The adjusted EBIT of the Public Safety and Mobility operating segment was EUR 1.9 (-0.4) million, representing an increase of EUR 2.3 million. The adjusted EBIT increased due to the gross margin rising to a substantially better level than in the comparison period, and also due to cost-saving measures. The impairment of EUR 0.6 million on capitalised video security software R&D expenses was reported as an adjustment item.

8. GROUP STRUCTURE

The parent company has a branch office in the Netherlands and subsidiaries in 12 countries outside Finland.

9. INTANGIBLE ASSETS

The company's intellectual property rights are safeguarded through the confidentiality of device designs and software source codes, their secure storage, as well as selected patents and patent applications. In the Broadband Networks business, the company follows a North America-centric IPR strategy, as a result of which Teleste has received 29 patents for cable TV network devices and 14 applications are pending. The inventions relate to the features of smart network devices that enable automatic functions and the optimisation of energy consumption. In the Public Safety and Mobility business, the company follows an IPR strategy focused on public transport solutions, which has resulted in Teleste receiving 36 patents. Patents have been used to protect innovations concerning the transfer and management of video security data in public transport. The company also ensures that its products do not infringe on other intellectual property rights by keeping contracts up to date, providing staff training, and regularly monitoring competitors' patents. The company also has legal expenses insurance.

10. THE MOST SIGNIFICANT BUSINESS RISKS

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

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

10.1. STRATEGIC RISKS

Geopolitical tensions continued to escalate globally in 2024. In addition to the ongoing war in Ukraine, there were significant armed engagements in the Middle East, alongside heightened tensions in Asia, particularly concerning China and Taiwan. These geopolitical dynamics may lead to unpredictable changes in the company's operational environment and could impact the availability, usability, and global supply chains of various materials and components.

The company should proactively anticipate potential changes in the operating environment and markets, and prepare for them by various means. Technological transitions, such as telecommunications operators' shift to next-generation technologies in subscriber networks, could significantly alter the competitive positions of current suppliers and attract new competitors to the market. Increasing competition may also lead to intensifying price competition, which may affect the profitability of the business.

The right technology choices, product development investments, incorporating new technologies into the business and their timing are key to success. Product development involves calculated risks. If those risks materialise, the value of the product development investments can decrease. Especially in the Broadband Networks business, product development decisions are often made without customer commitments, which is typical for the industry. This risk may be mitigated by attempting to negotiate customer commitments or shared risk-taking agreements.

New technology standards, such as the DOCSIS 4.0 specification, often include alternative technology variants for different features. This has increased product development costs and the associated risks for suppliers. As commercial products enter the market, operators may change their technology choices from one standard variant to another. This could result in a scenario where not all product development investments align with the projected market size.

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

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

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

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

Economic cycles and, in particular, fluctuations in the level of investment activity among broadband network operators and public transport operators affect the demand for the company's products and services. Potentially changing inflation environments, interest rate levels and market subsidies by various governments may also affect the company's customers' financing, profitability, ability to make investments and, consequently, the demand for the company's products and services.

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

10.2. OPERATIONAL RISKS

The new administration in the United States has announced potential increases to import tariffs. Such potential tariffs may impact company's short-term profitability, as the products are predominantly manufactured in Europe. The company has developed action plans to address various scenarios, both in the short term and the long term. It is also possible that the situation will develop into a global trade war where customs levies imposed by different countries, export restrictions or other changes may have a negative effect on the supply chains of raw materials and components, and the profitability of products. In addition, geopolitical factors can take surprising turns and quickly change the situation in terms of supply chains and logistics chains.

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

Customers' investment levels and order volumes vary significantly between different periods due to, for example, optimisation of the customers' own inventories and transitions of technology generations. Predicting volume fluctuations and preparing for them is often difficult, which can lead to inaccurate assessments of the company's production capacity and its timely adjustment to meet customer demand at any given moment, taking into account the needs of different market areas.

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

Various technologies are used in Teleste's products and solutions, and the intellectual property rights associated with the application of these technologies can be interpreted in different ways by different parties. Such difficulties of interpretation may lead to costly investigations or court proceedings.

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

Several information systems are critical to the development, manufacture and supply of products to customers. The maintenance of information systems and deployment of new systems involve risks that may affect the ability to deliver products and services.

Competent employees with the necessary qualifications and skills play a key role in the achievement of the company's objectives. The development of personnel competence, employee engagement and recruitment involves risks that influence how competitiveness is maintained and developed.

An unstable labour market situation may have a negative impact on the company's operational capabilities. Labour action in production or export logistics, for example, may interrupt deliveries to customers. Cost and personnel reductions implemented by the company from time to time can cause uncertainty amongst personnel and may lead to employee turnover, which complicates the company's operations.

10.3. RISKS RELATED TO UNEXPECTED EVENTS AND SECURITY

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

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

Information systems may be exposed to external cyber security threats, and we strive to protect ourselves from these threats through technical solutions and by increasing the security competence of our personnel. Increased geopolitical tensions have increased the likelihood of cyber attacks. Such attacks can cause local and global disruptions that have an adverse impact on the activities of Teleste or its customers or suppliers.

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

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

10.4. FINANCIAL RISKS

As the company expands into new markets, more working capital is needed to support growth, as both the start-up costs and longer logistics supply chains increase the need for working capital.

The risk of obsolete inventories may increase due to higher safety stock levels and occasional disruptions in the availability of materials. The increase in working capital may reduce the financial reserves available to the company. Problems with the availability of raw materials and components may continue to complicate manufacturing operations and cause delays in deliveries, leading to increased working capital and a higher liquidity risk for the company.

The company's financial development during the past two financial periods has reduced the company's debt but, due to expansion into new markets, potential other market disruptions, the functionality of value chains or changes in the customer base, this development may be reversed and limit the availability of financing, thereby increasing the liquidity risk in the future.

Potential changes in interest rates could have a significant effect on the company's financial expenses to the extent that interest-bearing liabilities have not been hedged.

Part of the company's net sales and a significant proportion of raw material and component purchases are denominated in currencies other than the euro. Significant exchange rate fluctuations expose the company to currency risks. In particular, the development of the exchange rates of the US dollar and the Chinese renminbi against the euro influences product costs and result. The company hedges against short-term currency exposure by means of forward exchange contracts and stock options.

The company is exposed to risks related to its customers' liquidity and payment behaviour, which may affect Teleste's cash flow or lead to credit losses. Significant changes in the financial or tax regulations of different countries, or changes in the interpretation of such regulations, may also have an impact on Teleste's financial performance, liquidity or cash flow.

More detailed information on financial risks is published in the notes to the financial statements 2024.

11. LEGAL PROCEEDINGS AND JUDICIAL PROCEDURES

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

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

12. DECISIONS BY THE ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) of Teleste Corporation held on 11 April 2024 adopted the financial statements and consolidated financial statements for 2023 and the company’s remuneration report for 2023 and discharged the members of the Board of Directors and the CEO from liability for the financial period 2023. In accordance with the proposal of the Board of Directors, the AGM resolved that, based on the adopted balance sheet, no dividend be paid for the financial period that ended on 31 December 2023.

The AGM decided that the Board of Directors shall consist of six members. Timo Luukkainen, Jussi Himanen, Vesa Korpimies, Mirel Leino-Haltia, Anni Ronkainen and Kai Telanne were elected as members of Teleste Corporation's Board of Directors.

In its organisational meeting held after the AGM on 11 April 2024, the Board of Directors elected Timo Luukkainen as its Chairman. Mirel Leino-Haltia was elected Chair of the Audit Committee, with Jussi Himanen and Vesa Korpimies as members.

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

PricewaterhouseCoopers Oy, a firm of Authorised Public Accountants, was elected as the company's auditor. The audit firm has appointed Markku Launis, APA, as the auditor with principal responsibility. It was decided that the auditor's fees will be paid according to the invoice approved by the company. PricewaterhouseCoopers Oy was also elected as the sustainability reporting assurer, and it will be paid compensation for the task against an invoice approved by the company.

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

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

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

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

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

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

13. THE PARENT COMPANY'S PROFIT PERFORMANCE AND FINANCIAL POSITION

During the reporting period, the parent company’s net sales amounted to EUR 60,635 thousand, representing a decrease of 20.0% from the comparison period (2023: 75,784). The decrease in net sales is due to the lower net sales of the Broadband Networks business segment and completed business transfers. The parent company’s operating result was EUR 957 thousand, representing 2% of net sales. The operating profit as a percentage of net sales increased by 4 percentage points from the comparison period EUR (2023: -2%, -1,730). The operating result improved mainly due to the company’s cost-saving measures. The parent company’s result was EUR 3,956 (139) thousand. The result improved due to a business transfer, efficiency improvement measures and a write-down recognised on the shares of a subsidiary during the comparison period. Financial expenses amounted to EUR 2,963 (3,756) thousand. The share capital at the end of the financial period 2023 was EUR 6,967 thousand, divided into 18,985,588 shares. The company has one series of shares. Each share carries one vote and equal rights to dividends. The shares are registered in the book-entry system maintained by Euroclear Finland Oy. The parent company’s equity at the end of the financial period was EUR 32,352 (28,396) thousand. Equity was strengthened by the positive result.

The parent company had bank loans of EUR 30,200 (33,024) thousand, of which long-term loans represented EUR 22,000 (27,224). During the third quarter, the company signed a syndicated refinancing arrangement that includes a term loan, credit limits and a non-binding guarantee limit. In connection with the new loan facilities arrangement, the company repaid its old loans and discontinued the related hedge accounting. In connection with this, the company's non-current loans decreased and, at the same time, the company had more revolving credit facilities in use, which are treated current loans, EUR 8,200 (5,800) thousand. The parent company's current liabilities included loans from subsidiaries amounting to EUR 34.8 (16.4) million. The change was due to business transfers. The return on equity was 12.2%, representing an improvement from the comparison period (2023: 0.5%). The equity ratio was 36.3% (2023: 30.9%).

14. SHARES AND CHANGES IN SHARE CAPITAL

Pursuant to the authorisation issued by the Annual General Meeting on 5 April 2023, Teleste Corporation's Board of Directors decided on a directed share issue without consideration, relating to the reward payment for the performance period 2021–2023 of Teleste Group's share-based incentive plan. In the share issue carried out on 28 March 2024, a total of 8,628 Teleste Corporation shares held by the company were conveyed without consideration to the key employees participating in the share-based incentive plan in accordance with the terms and conditions of the plan. The start of the performance period and its key conditions were disclosed in a stock exchange release published on 11 February 2021.

On 31 December 2024, Tianta Oy was the largest single shareholder of Teleste with a holding of 25.2% (25.2%). According to Euroclear Finland Ltd, the number of Teleste shareholders at the end of the period under review was 5,047 (5,408). Foreign shareholders accounted for 0.8% (1.0%) of the shares, while nominee-registered holdings accounted for 2.4% (2.8%). The distribution of the company’s shareholding based on the sector-specific classification confirmed by Statistics Finland, the distribution of shareholding by size category, shareholders directly or indirectly holding at least 5% of the company’s shares, and the 10 largest shareholders are presented in the notes to the financial statements. The company is not aware of any shareholder agreements.

On 31 December 2024, the company's registered share capital stood at EUR 6,966,932.80, divided into 18,985,588 shares. The Group's parent company Teleste Corporation held 738,398 (747,026) treasury shares, representing 3.9% (3.9%) of all Teleste shares, on 31 December 2024.

In January–December 2024, the share turnover of Teleste on Nasdaq Helsinki was 1.3 (1.5) million shares and EUR 3.4 (5.2) million. The volume-weighted average price of the share was EUR 2.61 (3.37), the lowest share price of the review period was EUR 2.07 (2.55) and the highest EUR 3.45 (4.75). The closing price of the Teleste share on 31 December 2024 was EUR 2.64 (2.70) and market capitalisation was EUR 50.1 (51.3) million.

Valid authorisations at the end of the financial period on 31 December 2024:

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

15. OWNERSHIP BY MANAGEMENT AND MEMBERS OF THE GOVERNING BODIES ON 31 DECEMBER 2024

On the balance sheet date, the CEO and Members of the Board owned 185,279 (167,345) Teleste Corporation shares, corresponding to 1.0% (0.88%) of outstanding shares and votes. The CEO and the Board members did not have subscription rights based on stock options. On the financial statements date, the members of the Leadership Team other than the CEO or entities under their control owned 40,699 (49,454) Teleste Corporation shares equal to 0.21% (0.26%) of all shares and votes. The combined shareholding of the members of the management and governance bodies amounts to 219,360 shares, corresponding to 1.18% (1.13%) of outstanding 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.

16. OPERATING ENVIRONMENT IN 2024

BROADBAND NETWORKS

The demand for broadband services and network equipment is expected to grow due to competition among network operators to provide reliable high-speed connections to households and companies. Since 2023, market demand has decreased due to the weakened macroeconomic situation, the development of operators' net sales, cost-saving measures, and the optimisation of inventory levels among operators. Market demand remained soft also in 2024 as part of the transition to next-generation cable and fibre-based technologies. This had a negative impact on the business of many technology vendors.

Next-generation DOCSIS 4.0-compliant technologies provide subscribers with broadband access connectivity with speeds of up to 10 gigabits using existing network infrastructure. This enables cable broadband services to remain competitive and complementary with optical fibre. Network operators in North America started their deployment of new DOCSIS 4.0 technology in 2024. In Europe, investments are set to begin in the latter half of 2025, targeting parts of the market whilst a larger investment cycle is expected on fibre-based technology. This will result in a smaller wave of DOCSIS 4.0 investments in Europe compared to previous cable infrastructure upgrades. The North American cable market is significantly larger than the European market, and investments in DOCSIS 4.0-compliant products are expected to turn the market to considerable growth from 2025 onwards. Potential U.S. trade actions and import tariffs may cause temporary disruptions in the market, but they are not expected to have a significant longer-term impact on the market growth.

Deliveries of Teleste's 1.8 GHz DOCSIS 4.0-compliant smart amplifiers began in the first half of 2024, and delivery volumes are rising. The relative share of the company's net sales derived from North America is expected to continue to grow in 2025 and 2026. Possible import tariffs in the United States may impact the profitability of the business in the short term.

PUBLIC SAFETY AND MOBILITY

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

Public transport operators invest in information and security systems to ensure the efficient operation of services and infrastructure, as well as to ensure the safety of passengers. Public transport information systems are continuously developing to become increasingly smart and real-time. Smart technology in video security solutions is also increasing, including real-time mobile video security systems and comprehensive situational awareness systems that include not only video but also the management and analysis of other sensory data flows. These investments are mainly executed through publicly funded projects with fixed or indexed prices.

The market for public transport information systems experienced steady growth in 2024. We expect moderate and steady market growth to continue in both information systems and security systems in the coming years. Teleste's strategic focus will particularly be on information and security solutions for public transport. To maintain competitiveness, Teleste must consistently invest in research and development for new intelligent solutions, as the proportion of real-time software systems in these solutions will continue to increase. Maximising sales prices within the limits of contractual agreements, ensuring professional project management, enhancing overall profitability, and maintaining operational efficiency will remain top priorities.

17. PROPOSAL OF THE BOARD OF DIRECTORS ON THE USE OF THE PROFIT SHOWN ON THE BALANCE SHEET

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.03 (0.00) be distributed on outstanding shares for the financial period that ended on 31 December 2024.

18. OUTLOOK FOR 2025

Teleste estimates revenue for 2025 to be between 135 and 150 million euros, with adjusted operating profit in the range of 4 to 7 million euros. The result is expected to be primarily realised in the second half of the year. The potential implementation of import tariffs in the United States could negatively affect profitability in the short term.

19. EVENTS AFTER THE END OF THE REVIEW PERIOD

Ulf Andersson was appointed as the EVP & GM of the Broadband Networks business unit and a member of the Leadership Team as of 1 January 2025. The company issued a press release on his appointment on 2 December 2024. Hanno Narjus will continue with the company in a new role as Senior Fellow, Industry Relations.

20. KEY FIGURES 2020–2024

	IFRS 2024	IFRS 2023	IFRS 2022	IFRS 2021	IFRS 2020
Profit and loss account, balance sheet					
Net sales, Meur	132.5	151.3	165.0	144.0	145.0
Change%	-12.4 %	-8.3 %	14.6 %	-0.7 %	-38.4 %
Sales outside Finland,%	91%	91.0 %	92.5 %	90.1 %	92.8 %
Operating profit, Meur	-5.5	-0.5	-4.8	8.7	4.5
% of net sales	-4.2 %	-0.3 %	-2.9 %	6.1 %	3.1 %
Profit after financial items, Meur	-7.1	-2.4	-5.0	9.0	3.7
% of net sales	-5.3 %	-1.6 %	-3.0 %	6.3 %	2.5 %
Profit before taxes, Meur	-7.1	-2.4	-5.0	9.0	3.7
% of net sales	-5.3 %	-1.6 %	-3.0 %	6.3 %	2.5 %
Profit for the financial period, Meur	-6.1	-0.5	-5.9	6.9	-8.0
% of net sales	-4.6 %	-0.3 %	-3.6 %	4.8 %	-5.5 %
R&D expenditure, Meur	14.1	17.7	15.8	11.3	10.8
% of net sales	10.6 %	11.7 %	9.6 %	7.9 %	7.4 %
Gross investments, Meur	6.3	8.0	12.1	11.1	6.6
% of net sales	4.8 %	5.3 %	7.3 %	7.7 %	4.5 %
Interest bearing liabilities, Meur	34.2	37.8	50.4	28.0	31.0
Shareholder's equity, Meur	54.8	60.9	60.4	69.0	63.1
Total assets, Meur	121.2	134.7	152.3	135.2	133.0
Personnel and order book					
Average personnel	673	803	861	863	856
Order book at year end, Meur	118	130.4	132.2	108.6	77.1
Orders received, Meur	124.9	149.6	188.5	175.5	148.8
Key metrics					
Return on equity,%	-10.5 %	-0.8 %	-9.1 %	10.5 %	-11.8 %
Return on capital employed,%	-5.0 %	0.2 %	-3.5 %	10.2 %	-4.5 %
Equity ratio,%	45.4 %	45.4 %	39.7 %	53.3 %	48.8 %
Net gearing,%	46.3 %	51.9 %	61.2 %	20.2 %	17.0 %
Earnings per share, euro	-0.32	0.00	-0.31	0.39	-0.43
Earnings per share fully diluted, euro	-0.32	0.00	-0.31	0.39	-0.43
Shareholders equity per share, euro	3.00	3.34	3.31	3.79	3.46

	IFRS 2024	IFRS 2023	IFRS 2022	IFRS 2021	IFRS 2020
Alternative performance measures, 1,000 €					
Adjusted EBIT	4,033	1,158	1,969	5,514	5,066
Adjusted earnings per share, EUR	0.20	0.09	-0.01	0.21	-0.06
Bridge calculation					
EBIT	-5,525	-481	-4,838	8,714	4,516
Business reorganisation costs	2,742	725	879	0	550
Other non-recurring item	0	0	0	-3,200	0
Impairment on R&D expenses	6,653	0	5,400	0	0
Strategic development projects	164	915	529	0	0
Adjusted EBIT	4,033	1,158	1,969	5,514	5,066
Profit for the period attributable to equity holder of the parent	-5,853	-82	-5,669	7,089	-7,827
Weighted average number of ordinary shares outstanding during the period	18,246	18,237	18,226	18,216	18,204
Undiluted earnings per share	-0.32	0.00	-0.31	0.39	-0.43
Profit for the period attributable to equity holder of the parent	-5,853	-82	-5,669	7,089	-7,827
Business reorganization costs	2,742	725	879	0	550
Book loss on discontinued operations	0	0	0	0	6,106
Other non-recurring item	0	0	0	-3,200	0
Impairment on R&D expenses	6,653	0	5,400	0	0
Strategic development projects	164	915	529	0	0
Change in deferred assets	0	0	-1,332	0	0
Weighted average number of ordinary shares outstanding during the period	18,246	18,237	18,226	18,216	18,204
Adjusted earnings per share	0.20	0.09	-0.01	0.21	-0.06

CALCULATION OF KEY FIGURES

Return on equity

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

Return on capital employed

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

Equity ratio

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

Gearing

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

Earnings per share

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

Earnings per share, diluted

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

21. PER-SHARE PERFORMANCE MEASURES

Telesta share	2024	2023	2022	2021	2020
Highest price, euro	3.45	4.75	5.76	6.66	5.78
Lowest price, euro	2.07	2.55	3.13	4.47	3.51
Closing price, euro	2.64	2.70	3.54	5.24	4.49
Average price, euro	2.61	3.37	4.34	5.46	4.40
Price per earnings	-8.2	-603.1	-11.4	13.5	-10.4
Market capitalization, Meur	50.1	51.3	67.2	99.5	85.2
Stock turnover, Meur	3.4	5.2	6.3	13.8	13.8
Turnover, number in millions	1.3	1.5	1.5	2.5	3.1
Turnover,% of share capital	6.8 %	8.1 %	7.7 %	13.3 %	16.5 %
Average number of shares	18,985,588	18,985,588	18,985,588	18,985,588	18,985,588
Number of shares at the year-end	18,985,588	18,985,588	18,985,588	18,985,588	18,985,588
Average number of shares, diluted w/o own shares	18,210,431	18,245,666	18,234,914	18,222,877	18,220,370
Number of shares at the year-end, diluted w/o own shares	18,247,190	18,238,562	18,227,906	18,217,394	18,218,503
Paid dividend, Meur	0.5*	0.0	0.0	2.6	2.2
Dividend per share, euro	0.03*	0.00	0.00	0.14	0.12
Dividend per net result,%	neg	0.0 %	0.0 %	36.0 %	neg.
Effective dividend yield,%	1.1 %			2.7 %	2.7 %

** The Board's proposal to the AGM*

Corporate governance statement

This Corporate Governance Statement has been prepared pursuant to chapter 7, section 7 of the Finnish Securities Markets Act and the Finnish Corporate Governance Code 2025. The Corporate Governance Code is available on the Finnish Securities Market Association's website at cgfinland.fi/en. The Corporate Governance Statement is issued separately from the Report of the Board of Directors, and the provided data are based on the situation as at 31 December 2024.

TELESTE'S GOVERNING BODIES

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

General Meeting

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

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

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

Shareholders' Nomination Board

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

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

Teleste's three largest shareholders registered in the company's register of shareholders maintained by Euroclear Finland Oy on 30 August 2024 were Tianta Oy, Mandatum Life Insurance Company Limited and Ilmarinen Mutual Pension Insurance Company.

Prior to the Annual General Meeting 2025, the composition of the Nomination Board was as follows:

- Timo Luukkainen (m), appointed by Tianta Oy
- Patrick Lapveteläinen (m), appointed by Mandatum Life Insurance Company Limited
- Esko Torsti (m), appointed by Ilmarinen Mutual Pension Insurance Company

Timo Luukkainen has served as the Chairman of the Nomination Board. The Nomination Board met three (3) times in 2024, and the members participated in all of the meetings.

According to its rules of procedure, the Nomination Board is responsible for a) preparing and presenting a proposal on the number of Board members to the AGM, b) preparing and presenting a proposal on the Board members to the AGM and advising the company's Board in respect of the composition of the Audit Committee, c) preparing and presenting a proposal on the remuneration of the Board members, and d) looking for candidates for new Board members.

On 20 January 2025, the Nomination Board published and submitted to Teleste's Board of Directors its proposal for the composition and remuneration of Teleste's Board of Directors, which was published as a stock exchange release. The proposals of the Nomination Board are included in the notice of the Annual General Meeting.

The Nomination Board's report on its work and its rules of procedure are available in full on Teleste's website. www.teleste.com/shareholders-nomination-board

Board of Directors

Rules of Procedure

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

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

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

The rules of procedure of the Board of Directors are available in full on Teleste's website at www.teleste.com/rules-of-procedure-for-the-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 (AGM) decides on the number of Board members and their election. The Board elects a Chairman of the Board from among its members. A person designated by the Board of Directors acts as the secretary of the Board.

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

The Annual General Meeting held on 11 April 2024 elected the six persons specified below to Teleste's Board of Directors. Timo Luukkainen was elected Chairman on 11 April 2024 by the members of the Board.

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

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

On 31 December 2024, Board members and their controlled entities held shares in Teleste Corporation and other companies included in the Teleste Group as follows:

Himanen, Jussi	18,748 shares
Korpimies, Vesa	19,748 shares
Leino-Haltia, Mirel	22,971 shares
Luukkainen, Timo	52,225 shares
Ronkainen, Anni	4,433 shares
Telanne, Kai	41,811 shares

In 2024, Teleste's Board of Directors held 14 meetings. The Board members attended the meetings as follows:

Himanen, Jussi	14/14 (100 %)
Korpimies, Vesa	14/14 (100 %)
Leino-Haltia, Mirel	14/14 (100 %)
Luukkainen, Timo	14/14 (100 %)
Mäkijärvi, Heikki (member of the Board until 11 April)	3/3 (100 %)
Ronkainen, Anni (from 11 April)	11/11 (100 %)
Telanne, Kai	13/14 (93 %)

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

Principles concerning the diversity of the Board of Directors

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

It is in the interests of Teleste and its shareholders that Teleste's Board of Direc-

Member	Position	Gender	Date of birth	Education	Principal occupation	Member since
Luukkainen, Timo	Chairman	Male	1954	M.Sc. (Econ.), M.Sc. (Eng.), MBA	Board professional	2016
Himanen, Jussi	Member	Male	1972	M.Sc. (Eng.)	WithSecure Oyj, VP Strategy and M&A	2019
Korpimies, Vesa	Member	Male	1962	M.Sc. (Econ.)	EM Group Oy, CEO	2019
Leino-Haltia, Mirel	Member	Female	1971	D.Sc. (Econ.), CFA	Professor of Practice, Board professional	2020
Ronkainen, Anni	Member	Female	1966	M.Sc. (Econ.)	Board professional	2024
Telanne, Kai	Member	Male	1964	M.Sc. (Econ.)	Alma Media Corporation, CEO	2008

tors is composed of people with different educational and professional backgrounds and international experience, and that Board members have complementary expertise and knowledge in different topics, such as Teleste's field of business and the related technologies, risk management and international sales and marketing. Teleste's objective is that the share of the less represented gender in the Board of Directors is at least 40%.

The Annual General Meeting held on 11 April 2024 elected six members to the Board of Directors. All of the Board members have a degree in technology or business. The aforementioned factors and characteristics relevant to diversity were represented in the Board of Directors in 2024. Many of the Board members have extensive experience in international business and have been, or currently are, members of the management or board of listed and unlisted companies. The share of the less represented gender on the Board of Directors was 33.3%.

Audit Committee

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

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

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

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

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

The Board of Directors that convened after Teleste's AGM on 11 April 2024 decided on the following Audit Committee composition: Mirel Leino-Haltia (Chair), Jussi Himanen and Vesa Korpimies.

In 2024, the Audit Committee held 9 meetings. The members attended the meetings as follows:

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

The rules of procedure of the Audit Committee are available in their entirety on Teleste's website at www.teleste.com/rules-of-procedure-for-the-audit-committee

Personnel and Remuneration Committee

Teleste's s Board of Directors decided on 6 September 2023 to establish a Personnel and Remuneration Committee to assist the Board in matters related to personnel and remuneration. The Chairman of the Personnel and Remuneration Committee is responsible for convening the committee. The Personnel and Remuneration Committee meets at least three times per year.

The Board of Directors elects the Chairman of the Personnel and Remuneration Committee and other members from among its members annually at its organisational meeting after the Annual General Meeting. The minimum number of members of the Personnel and Remuneration Committee is three. The majority of the members of the Personnel and Remuneration Committee must be independent of the company, In addition to the members, the meetings are attended by Teleste's CEO and Senior Vice President, People and Culture (except for topics that concern them). The secretary of the Board of Directors serves as the secretary of the Personnel and Remuneration Committee. In addition, if it so wishes, the Personnel and Remuneration Committee may invite other members of the company's operational management to its meetings.

The Personnel and Remuneration Committee may, if necessary, use external advisors to carry out its duties and obtain information from internal and external parties. The Personnel and Remuneration Committee may also allow other necessary persons to participate in its meetings as needed.

All members of the Board may attend meetings of the Personnel and Remuneration Committee meetings at their discretion. The Chairman of the Personnel and Remuneration Committee regularly presents a summary of the matters addressed by the Committee and its recommendations to the Board of Directors. The minutes and materials of the Personnel and Remuneration Committee are made available to all Board members in accordance with the company's policy.

On 11 April 2024, the Board of Directors decided on the composition of the Personnel and Remuneration Committee as follows: Kai Telanne (Chair), Timo Luukkainen, Anni Ronkainen.

The Personnel and Remuneration Committee met 5 times in 2024. The members attended the meetings as follows:

Telanne, Kai ....5/5 (100 %), Chair
Luukkainen, Timo.........5/5 (100 %), member
Ronkainen, Anni..........5/5 (100 %), member

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

The rules of procedure of the Personnel and Remuneration Committee are available in full on Teleste's website at www.teleste.com/rules-of-procedure-of-the-personnel-and-remuneration-committee

President and CEO

The company's CEO is in charge of the Group's business operations and corporate govern-

Member	Date of birth	Gender	Education	Position	Tasks and areas of responsibilities
Harju, Esa	1967	Male	M.Sc. (Eng.)	President and CEO	Is in charge of the Group's business operations and corporate governance in accordance with the Limited Liability Companies Act, Teleste's Articles of Association and the instructions and regulations issued by the Board
Hyytiäinen, Juha	1967	Male	M.Sc. (Econ.)	CFO, until 23 August 2024	Area of responsibility: finance and IT
Järvenpää, Pasi	1967	Male	M.Sc. (Eng.)	Senior Vice President, Research and Development	Area of responsibility: Teleste's research and development
Kallas, Linda	1980	Female	M.Sc. (Eng.)	Senior Vice President, Strategy, Communications & Sustainability	Area of responsibility: Teleste's strategy, marketing and communications, as well as sustainability matters
Kerkelä-Hiltunen, Mervi	1975	Female	M.Sc. (Econ.)	CFO, from 10 October 2024	Area of responsibility: finance and IT
Korolainen, Esa	1980	Male	M.Sc. (Eng.)	Senior Vice President, Operations, Logistics & Sourcing From 27 May 2024	Area of responsibility: Teleste's operations, logistics and sourcing
Mattila, Markus	1968	Male	M.Sc. (Eng.)	Senior Vice President, Operations, Logistics & Sourcing, until 3 May 2024	Area of responsibility: Teleste's operations, logistics and sourcing
Narjus, Hanno	1962	Male	M.Sc. (Econ.)	Senior Vice President	Area of responsibility: Broadband Networks business
Sand, Valerian	1984	Male	M.Sc. (Econ.)	Senior Vice President	Area of responsibility: Public Safety and Mobility business
Vanne, Tuomas	1979	Male	M.Sc. (Military Science)	Senior Vice President, People and Culture	Areas of responsibility: human resources management and competence development

ance in accordance with the Limited Liability Companies Act, Teleste's Articles of Association and the instructions and regulations issued by the Board.

The detailed terms of employment of the CEO are specified in a separate contract approved by the Board of Directors. The CEO is not a member of Teleste's Board of Directors. Esa Harju, born 1967, M.Sc. (Eng.), has been the company's CEO effective from 1 January 2022. The CEO is assisted by the Leadership Team. The company's Board of Directors decides on the salary, remuneration and other benefits received by the CEO.

Leadership Team

On 31 December 2024, the Group's Leadership Team consisted of eight members including the CEO, to whom the members of the Leadership Team report. The members of the Leadership Team are directors of Teleste's business units and Group functions. The subsidiaries operate as part of the business units. Teleste's Leadership Team is chaired by the CEO who reports to the Board of Directors. The Leadership Team has no authority under law or the Articles of Association.

The Leadership Team handles the main issues related to managing the company, such as matters related to the operational control of the businesses, strategy, budgets, investments, financial and other reporting, and potential restructuring measures. As a rule, the Leadership Team meets once a month and at other times when necessary.

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

On 31 December 2024, Leadership Team members and their controlled entities held shares in Teleste's and other companies included in the Teleste Group as follows:

Harju, Esa	25,343 shares
Järvenpää, Pasi	7,759 shares
Kallas, Linda	7,700 shares
Kerkelä-Hiltunen, Mervi	0 shares
Korolainen, Esa	4,200 shares
Narjus, Hanno	10,180 shares
Sand, Valerian	1,050 shares
Vanne, Tuomas	3,192 shares

Auditing, revisions and remuneration of the auditor

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

On 11 April 2024, Teleste's Annual General Meeting elected the audit firm PricewaterhouseCoopers Oy (PwC) as the company's auditor. The audit firm appointed Markku Launis, APA, as the auditor in charge.

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

In 2024, Teleste Group's auditing expenses totalled EUR 253,785, with PwC accounting for EUR 171,317 of that total and other audit firms for EUR 64,468. The Group's audit firm, PwC, has provided Teleste Group companies other additional services for the total amount of EUR 32,875.

Insider management

Teleste complies with the Market Abuse Regulation (EU) 596/2014 (MAR) and the insider guidelines of Nasdaq Helsinki Oy in their valid form at any given time. The company also has its own insider guidelines, which have been approved by the company's Board of Directors.

Teleste maintains project-specific and

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

Persons discharging managerial responsibilities at Teleste with the obligation to notify are the Board members, the CEO, the CFO, the SVP in charge of the Broadband Networks business unit and the SVP in charge of the Public Safety and Mobility business unit. They and persons closely associated with them shall notify Teleste and the Finnish Financial Supervisory Authority of any transactions they conduct in Teleste's financial instruments, which Teleste discloses in the form of separate stock exchange releases. It is recommended for persons discharging managerial responsibilities at Teleste to time their trading activities involving financial instruments issued by Teleste in such a manner that as accurate as possible information affecting the value of the share is available in the market.

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

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

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

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

Related party transactions

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

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

Internal control

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

Risk management

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

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

Internal auditing

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

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

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

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

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

Sustainability report

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

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

The Corporate Sustainability Reporting Directive (CSRD) is the European Union's regulatory framework created to improve and standardise corporate sustainability reporting. It entered into effect starting from the financial period 2024. Teleste Corporation has prepared its first sustainability report in accordance with European Sustainability Reporting Standards (ESRS) under the Corporate Sustainability Reporting Directive (CSRD) and in compliance with the provisions of chapter 7 of the Finnish Accounting Act. The Company voluntarily includes footnotes to the ESRS datapoints it considers most important in its report, for ease of reading. The list is not exhaustive.

In addition to sustainability reporting, the impact of the company's sustainability efforts has been monitored by means of the international EcoVadis sustainability assessment for several years now. In 2024, the company made a commitment to the Science Based Targets initiative (SBTi) to achieve a clear path towards the emissions targets stipulated by the Paris Agreement. In 2023, the company also made a commitment to the UN Sustainable Development Goals and the UN Global Compact, which is based on the SDGs and is the world's largest corporate responsibility initiative. Together, EcoVadis, the UN Global Compact and the EU's reporting obligations support the continuous development of sustainability efforts.

We are very pleased and proud to present our new sustainability report. We believe the report provides additional insights into our company from a sustainability perspective and contains all the necessary sustainability information.

Contents

1. General disclosures ESRS 2

General disclosures, including information provided under the Application Requirements of topical ESRS listed in ESRS 2 Appendix C.

BASIS FOR PREPARATION

GENERAL BASIS FOR PREPARATION OF THE SUSTAINABILITY STATEMENT (BP-1)

Teleste Corporation and its subsidiaries form a group ("Teleste", "the Group", "the company") consisting of two business segments: Broadband Networks and Public Safety and Mobility. The business segments have been incorporated as subsidiaries that are 100% owned by Teleste Corporation. The parent company also has Group functions that support the operations of the business units by providing various administrative and other services.

The sustainability statement has been prepared on a consolidated basis. The scope of the statement is consistent with the scope of the consolidated financial statements of Teleste Corporation. The report has been prepared in accordance with the provisions of chapter 7 of the Finnish Accounting Act. In this report, the value chain is limited to suppliers who have a direct contractual relationship with Teleste, the company's internal functions and customers who are in a direct contractual relationship with Teleste. Teleste's competitiveness and competitive advantage are largely based on innovation and high technology. No material information has been omitted from the statement on the basis of the information corresponding to intellectual property, know-how or the results of innovation.[1]

The reported sustainability aspects and indicators are based on Teleste's double materiality assessment, which was updated during the financial year 2024. The material reporting requirements from the perspective of the company's operations, products and stakeholders have been selected on the basis of the materiality assessment. The material impacts, risks and opportunities and aspects to be reported, which were determined on the basis of the double materiality assessment, were approved by the company's Board of Directors on 5 November 2024. This sustainability report is Teleste's first sustainability report in accordance with the ESRS.[2]

Going forward, Teleste will publish a sustainability report annually. The reporting period is the same as for financial reporting. For this report, the financial year is 1 January 2024–31 December 2024.[3] The materiality assessment and its results are discussed in more detail in the section "Description of the processes to identify and assess material impacts, risks and opportunities" (IRO-1).

DISCLOSURES IN RELATION TO SPECIFIC CIRCUMSTANCES (BP-2)

During the period under review, there were no circumstances exceptional for the business that would have had a significant effect on the content of the company's sustainability reporting.[4]

Time horizons

The time horizons defined in the ESRS are, as a rule, used in the report. Short-term refers to the reporting period, medium-term refers to the period from the end of the reporting period up to five years, and long-term refers to a time horizon of more than five years. Teleste deviates from these definitions in the climate risk assessment and resilience analysis, for which the time horizons were defined as follows: in the short-term time horizon, the risk was estimated to be realised by 2026, in the medium-term time horizon by 2030, and in the long-term time horizon by 2050. For climate risks, the decision was made to keep the time horizons consistent with the time horizons used in Teleste's climate targets.[5]

The report includes all ESRS standards identified as material in the double materiality assessment: ESRS 2, E1, E5, S1 and G1. Transitional provisions have been applied on a standard-specific basis for data points that are voluntary in the first year or during the first three years. Transitional provisions have been applied in the following sections:

- ESRS 2: SBM-1 40 b,c and SBM-3 48e
- ESRS E1: E1-6 (scope 3 emissions), E1-9
- ESRS E5: E5-6
- ESRS S1: S1-11, S1-15[6]

Value chain estimation, sources of estimation and outcome uncertainty

Teleste's reporting mainly includes metrics related to the company's own operations. However, the company's emissions calculation and related metrics in section E1 and the share of recycled aluminium in Teleste's products in section 2 also contain information related to the value chain. As is typical, the scope 3 emission category, which describes the emissions of the value chain, includes estimates in particular. Supplier-specific emis-

1 ESRS2, BP-1, 5 a, b, b(i), c, d, e
2 ESRS 2, BP-1, 3, 5a
3 ESRS2, BP-1, 3, 5a
4 ESRS2, BP-2, 6
5 ESRS 2, BP-2, 9a, b
6 ESRS2, BP-2, 17

sions data and factors have been used in the calculation of transport emissions whenever they are available, thus aiming for the most accurate possible calculation result. The company partly utilises obtained emissions data and calculations based on tonne-kilometres, which include assumptions and uncertainties. These are described in section E1 in the paragraph "Metrics and targets (E1-4)". There are also uncertainties associated with determining the proportion of recycled aluminium, and these are described in more detail in section E5 in the paragraph "Resources inflows, including resource use (E5-4)". Teleste aims to continuously improve the accuracy and reliability of the data.[7] The company has not reported any quantitative metrics or monetary amounts that are subject to a high level of measurement uncertainty.[8]

Changes in preparation or presentation of sustainability information

This is Teleste's first report based on the ESRS, so there are no changes when compared to previous periods.

Reporting errors in prior periods

This is Teleste's first report based on the ESRS, so there are no corrections.

GOVERNANCE

THE ROLE OF THE ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES (GOV-1)

Until 11 April 2024, the members of Teleste's Board of Directors were Timo Luukkainen, Jussi Himanen, Vesa Korpimies, Mirel Leino-Haltia, Heikki Mäkijärvi and Kai Telanne[9].

The following six persons were elected as members of the Board of Directors at the Annual General Meeting on 11 April 2024: Timo Luukkainen, Jussi Himanen, Vesa Korpimies, Mirel Leino-Haltia, Anni Ronkainen and Kai Telanne[10].

The members of the Board of Directors are not employees of the company. Of the members of the Board of Directors, 100% are independent of the company, when assessed according to the Finnish recommendations. Of the members of the Board of Directors, 66% are independent of the company's significant shareholders. The gender distribution of the Board of Directors (ratio of female to male members) was 0.5.[11]

The Board of Directors that convened after Teleste's AGM on 11 April 2024 decided on the following Audit Committee composition: Mirel Leino-Haltia (Chair), Jussi Himanen and Vesa Korpimies. Effective from 11 April 2024, the Personnel and Remuneration Committee has consisted of Kai Telanne (Chair), Timo Luukkainen and Anni Ronkainen.

On 31 December 2024, the Group's Leadership Team consisted of eight members including the CEO, to whom the members of the Leadership Team report. Esa Harju, Pasi Järvenpää, Linda Kallas, Hanno Narjus, Valerian Sand and Tuomas Vanne were members of the Leadership Team for the entire financial year. Esa Korolainen was a member of the Leadership Team starting from 27 May 2024, and Mervi Kerkelä-Hiltunen starting from 10 October 2024. The members of the company's Leadership Team also included Markus Mattila until 3 May 2024 and Juha Hyytiäinen until 25 August 2024. All members of the Leadership Team, with the exception of the CEO, are employed by the company. The gender distribution of the Leadership Team (ratio of female to male members) was 0.33.[12]

The governance bodies responsible for the administration and operations of Teleste Corporation are the Annual General Meeting, the Board of Directors and the CEO, assisted by the Shareholders' Nomination Board, the Board of Directors' Audit Committee and Personnel and Remuneration Committee, and the Leadership Team, which is led by the CEO. The governance policies are defined in the rules of procedure of each governance body.[13]

Sustainability-related topics are addressed in accordance with Teleste's sustainability management model. Traditionally, sustainability efforts have been focused on the management of risks and impacts. Following the double materiality assessment, opportunities will also be incorporated into the process. The aim is to integrate the assessment of sustainability-related risks and opportunities more closely into the Group-level process for managing risks and opportunities.[14]

Teleste's sustainability management model:

Board of Directors

Teleste's Board of Directors is the highest decision-making body in strategic matters related to sustainability. The Board of Directors confirms the material sustainability themes and approves the key policies and strategy, as well as the company's sustainability report.[15]

The Audit Committee of the Board of Directors is responsible for monitoring and evaluating the company's sustainability reporting. The Personnel and Remuneration Committee discusses and prepares matters related to the remuneration of the company's management (CEO and Leadership Team), including sustainability-related targets as part of the management's remuneration. The Board of Directors and the Leadership Team have access to the expertise of sustainability experts employed by the company.[16]

CEO and Leadership Team

The CEO is responsible for the Group's implementation of the sustainability targets confirmed by the Board of Directors. The CEO reports to the Board of Directors on material sustainability-related impacts, risks and opportunities. The CEO and the Group's Leadership Team addresses the Group's sustainability-related impacts, risks and opportunities, oversees the company's sustainability efforts and provides the necessary resources for sustainability efforts. The Senior Vice President, Strategy, Communications & Sustainability is a member of the Leadership Team and is in charge of the company's sustainability efforts and the sustainability and quality team. Progress towards sustainability targets is monitored by both the Leadership Team and the sustainability steering group.[17]

Sustainability steering group

The sustainability steering group acts as a preparatory body for the decision-making of the Leadership Team. It includes representatives from the Leadership Team and the sustainability and quality team.[18]

Sustainability and quality team

The sustainability and quality team coordinates Teleste's sustainability efforts. The

7 ESRS 2, BP-2, 10
8 ESRS 2, BP-2, 11
9 ESRS 2, GOV-1, 22 a
10 ESRS 2, GOV-1, 22 a
11 ESRS 2, GOV-1, 21 a, b, d, e
12 ESRS 2, GOV-1, 22 a
13 ESRS 2, GOV-1, 22, AR 3, ESRS 2, GOV-1, 22 b
14 ESRS 2, GOV-1, 22 c, ciii
15 ESRS 2, GOV-1, 22 c
16 ESRS 2, GOV-1, 22 c, 23 a
17 ESRS 2, GOV-1, 22 c, cii, 22 d
18 ESRS 2, GOV-1, 22 c, ci,ii

team works together with a network comprised of representatives of various functions and business units.

The business units and Group functions are responsible for the implementation of sustainability efforts and ensuring that the company meets all of its commitments.[19]

The material impacts, risks and opportunities being focused on the themes of climate and circular economy has been taken into account in the allocation of resources to sustainability functions. Actions and expertise related to own workforce and social responsibility have been concentrated in the HR department. Governance-related expertise is concentrated in the legal department. The HR department maintains a competence matrix, which is presented to the executive management on a regular basis. Competence related to sustainability is addressed, based on the executive management's report, as part of operational processes related to competence, which are also subject to approval by the governance bodies.[20]

INFORMATION PROVIDED TO AND SUSTAINABILITY MATTERS ADDRESSED BY THE UNDERTAKING'S ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES (GOV-2)

Sustainability topics, including actions and targets related to the minimisation of impacts, are addressed by several different functions in accordance with the sustainability management model.

Teleste's environmental and climate targets are an integral part of the company's ISO14001-certified environmental management system, the targets of which are monitored by the Leadership Team in annual management reviews.

As a rule, the sustainability steering group meets monthly. The steering group addresses current measures and targets related to both sustainability and quality, and sets guidelines for practical sustainability efforts.

Sustainability matters, including targets, impacts, risks and opportunities, are regular items on the Leadership Team's agenda.

The due diligence process involves many different functions. The process is not addressed as a separate set of measures — instead, the different parts of the process are addressed as necessary as part of the measures taken by each function.

The sustainability steering group acts as a preparatory body for the administrative, management and supervisory bodies in sustainability matters. Information on sustainability targets and progress towards them has previously been provided to the administrative and supervisory bodies. In most cases, targets and actions related to social responsibility have been addressed separately as part of HR matters. In connection with the double materiality assessment, information was provided to the administrative and supervisory bodies on both the assessment process itself and the material impacts, risks and opportunities identified on the basis of the process. In accordance with their roles, the executive management presents sustainability-related matters to the Audit Committee, which issues its recommendations before approval by the Board of Directors. Sustainability matters are on the agenda of the Board of Directors at least annually.

Although sustainability has already been on the agenda of the management and the sustainability steering group previously, the company deemed it necessary to clarify the management model. A clearer description of the sustainability management model was created in 2024. The management model describes the responsibilities and division of duties of different organisations and working groups with regard to sustainability matters. Top management, i.e. the Board of Directors, approves the most important sustainability targets and the sustainability report.

In 2024, sustainability — especially regulatory issues such as the CSRD and double materiality assessment — were also on the agenda of the Board of Directors and the Audit Committee. Teleste continues to work on structuring the company's sustainability efforts, and the goal is to embed sustainability even more systematically into the company's existing operating practices and guidelines.

Teleste's previous sustainability impact assessment process was based on a materiality assessment that is simpler than the double materiality assessment, and the sustainability priorities have been defined on the basis of the double materiality assessment. Sustainability, including ethical operating practices, has been taken into account in the background work for the strategy. The Leadership Team participates in determining sustainability targets and priorities.

The sustainability risks identified in the double materiality assessment were partially integrated into the Group's risk matrix in late 2024. Going forward, Teleste will aim to address sustainability risks more systematically as part of the Group's risk management process.

Sustainability-related opportunities are taken into account as part of Teleste's strategy work. The process concerning the management of opportunities will be updated in 2025. In connection with this, sustainability-related opportunities will be systematically integrated into the Group-level management of opportunities. In practice, risks — and especially opportunities — provide inputs for the company's strategy work.

The Senior Vice President, Strategy, Communications & Sustainability, is Leadership Team member responsible for sustainability. In accordance with her role, she brings the sustainability perspective to the Leadership Team's work.

The following sustainability-related topics, among others, were addressed in the meetings of the Leadership Team during the financial year 2024:

- Updates to Group policies
- Employee well-being and development
- Occupational safety
- Sustainability reporting
- Double materiality assessment process and its outcomes
- Focus areas of the sustainability strategy
- Environmental and climate targets, SBTi commitment
- EU taxonomy[21]

INTEGRATION OF SUSTAINABILITY-RELATED PERFORMANCE IN INCENTIVE SCHEMES (GOV-3)

The targets established for the Leadership Team's variable remuneration components include a sustainability-related metric. In the

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[19] ESRS 2, GOV-1, 22 c
[20] ESRS 2, GOV-1, 23, 23a, b
[21] ESRS2, GOV-2, 26 a-c

assessment, the company uses the results of the EcoVadis sustainability assessment, which also takes climate-related matters into account. EcoVadis is a globally recognised sustainability rating platform that assesses the sustainability and social responsibility of companies based on four key themes: Environment, Labour and Human Rights, Ethics, and Sustainable Procurement.

Teleste has two types of incentive schemes in place: a long-term incentive scheme and a short-term incentive scheme. The metrics of both schemes consist of both financial and operational metrics. The short-term incentive scheme for the company's management includes a sustainability-related target as one of its metrics. The targets established for the Leadership Team's variable remuneration components include a sustainability-related metric. In the assessment, the company uses the results of the EcoVadis sustainability assessment, which takes into account climate- and human rights-related matters, for example. From the metric, it is not possible to separately distinguish Teleste's performance relating to the company's climate targets. The EcoVadis platform helps Teleste manage ESG risk and compliance, achieve its sustainability targets and make a broad impact by steering the improvement of the sustainability performance of the company and its value chain.[22]

The targets established for the Leadership Team's variable remuneration components include a sustainability-related metric with a weight of 5%. The conditions of Teleste's incentive schemes concerning the variable remuneration component for the company's personnel, including the management, are approved by the Board of Directors. The key sustainability metric included in the remuneration scheme for the Leadership Team is based on the result of the company's EcoVadis assessment. Sustainability-related metrics have not been incorporated into the remuneration of the company's Board of Directors or other governance bodies. More information on Teleste's remuneration principles and the total remuneration of the administrative, management and supervisory bodies is presented in the Remuneration Policy and Remuneration Report. The company's Remuneration Policy and related guidelines do not include a separate requirement for the company's personnel (including the Leadership Team) or the administrative, management and supervisory bodies regarding the integration of sustainability metrics in the company's various incentive schemes.[23]

STATEMENT ON DUE DILIGENCE (GOV-4)

CORE ELEMENTS OF DUE DILIGENCE	Paragraphs in the report	Brief description
Embedding due diligence in governance, strategy and business model	ESRS 2 GOV-1 description of governance model ESRS E1 MDR-P policies ESRS E5 MDR-P policies ESRS G1 MDR-P policies ESRS S1 MDR-P policies	Description of the governance model concerning sustainability matters Policies related to sustainability matters
Engaging with affected stakeholders in all key steps of the due diligence	ESRS 2: SBM-2 Stakeholders and stakeholder engagement. ESRS 2: SBM-3 materiality assessment	Stakeholder engagement and the involvement of stakeholders in the assessment of material impacts, risks and opportunities
Identifying and assessing adverse impacts	ESRS 2 SBM-3: materiality assessment ESRS 2 IRO-1: material impacts	Identification of adverse impacts as part of the materiality assessment Description of material impacts
Taking actions to address those adverse impacts	ESRS E1 MDR-A actions ESRS E5 MDR-A actions ESRS G1 MDR-A actions ESRS S1 MDR-A actions	Topic and impact-specific descriptions for the prevention of material adverse impacts
Tracking and communicating the effectiveness of these efforts	ESRS E1 MDR-T targets ESRS E5 MDR-T targets ESRS G1 MDR-T targets ESRS S1 MDR-T targets	Impact-specific targets and metrics for tracking the effectiveness of actions

[24]

RISK MANAGEMENT AND INTERNAL CONTROLS OVER SUSTAINABILITY REPORTING (GOV-5)

Teleste has a robust risk management policy and process for the Group. Sustainability-related risks identified in accordance with the DMA process, and risk management, are integrated into Teleste Group's risk management process. Consequently, sustainability-related risk management and the development of internal control processes will continue in the coming years.

Risk management is an integral part of decision-making, management and day-to-day operations in Teleste's business units and Group functions (OLS, R&D, IT, finance and control, HR, legal). Risk management is applied at the strategic, operational, business programme and project levels. Sustainability-related risk management is integrated into the Group's approach.

Risk owners determine the risk management method as part of risk assessment. The available options for the risk management method are as follows:

Risk avoidance, which is aimed at the elimination of the risk or the company's with-

[22] ESRS 2, GOV-3, 29a-e ja E1, E1.GOV-3, 13

[23] ESRS 2, GOV-3, 29a-e ja E1, E1.GOV-3, 13

[24] ESRS 2, GOV-4, 30,32

drawal from, or non-participation in, the risk. This also includes the avoidance of actions that could cause the risk in question.

Risk mitigation, which is aimed at optimising or mitigating the risk. Risk mitigation means reducing the severity or probability of loss.

Risk sharing, which is aimed at transferring, externalising or insuring against the risk.

Risk acceptance or retention, which means accepting the loss or benefit arising from the realisation of the risk.

When the chosen risk management method is risk mitigation or risk sharing, the risk owner designates a person responsible for the risk management actions. The owner of the risk management actions plans the appropriate measures to achieve an acceptable balance between the impact of the potential risk and business objectives. The risk owner must integrate the risk management measures into the relevant business processes and evaluate the effectiveness of the actions in question.

Teleste's internal control consists of policies, processes, procedures, and control and monitoring measures. Applicable laws, regulations, as well as the Teleste's policies and guidelines, are followed. Internal controls are implemented at multiple levels. Regarding reporting, internal control involves risk identification and assessment, processes, and conducting internal control testing and reporting. The same principles are applied in sustainability reporting as in financial reporting. The owner of risk management actions is responsible for the implementation and monitoring of the risk management actions.

The Chief Financial Officer (CFO) is responsible for preparing risk reviews and reporting key risks to Teleste's Audit Committee and Teleste's Board of Directors twice a year, in accordance with the annual schedule of the Audit Committee and the Board of Directors.[25]

STRATEGY

STRATEGY, BUSINESS MODEL AND VALUE CHAIN (SBM-1)

Teleste is an international technology group that offers an integrated product and service portfolio that makes it possible to build a networked and secure society. Teleste's sustainability strategy is closely integrated into the business model and the goal of supporting a sustainable society. The key elements are focused on reducing environmental impacts, improving safety, sustainable supply chains, employee well-being and transparent reporting. Teleste's main products include broadband network solutions and public transport and security solutions, such as passenger information systems and video security solutions, as well as related installation and maintenance services. Teleste's key markets are Europe and North America, and its main customer groups include telecommunications operators, public security operators, and transport and infrastructure companies. At the end of the reporting period, Teleste had 632 employees. The company had 452 employees in Finland, 163 in other European countries and 17 outside Europe.[26]

Teleste Corporation's net sales in 2024 amounted to EUR 132.5 million. The company's primary sector is the electronics and electronic equipment sector.[27]

The company has no activities related to the production of nuclear power or fossil energy, chemicals production, controversial weapons or tobacco products.[28]

Teleste has no separate product-specific, service-specific or customer segment-specific sustainability targets. All targets apply to the entire Group.[29]

Business model and value chain

Teleste is an international technology company that offers products and services related to broadband networks, video security and passenger information solutions. Teleste's value chain covers product development, design, manufacturing, installation and maintenance, and the company focuses on close cooperation with its customers and suppliers to ensure high quality and customer satisfaction.

Teleste develops and acquires its inputs through research and product development (R&D) and from reliable suppliers with whom it cooperates closely to ensure quality and availability. The company invests heavily in the development of innovative solutions and applies criteria related to the ethical and ecological sustainability of materials. Manufacturing mainly takes place in Finland, where the products are assembled and tested. This way, Teleste ensures the high quality of its products and customer satisfaction.

Customers benefit from Teleste's innovative and reliable solutions that improve the performance and reliability of telecommunications networks, the smoothness of public transport and the security of society. Investors can expect stable financial performance and dividend distribution. Other stakeholders benefit from Teleste's responsible business and commitment to sustainability.

Teleste's value chain covers the procurement of components, smart manufacturing and delivery to customers. Upstream, the company purchases components from reliable suppliers and ensures their quality by means of regular inspections. The downstream value chain includes Teleste's own manufacturing units in Finland, where the products are assembled and tested. After manufacture, the products are delivered to customers, and Teleste also offers installation and maintenance services. Teleste controls a significant part of its value chain internally, which improves efficiency and customer satisfaction.

The double materiality assessment covered the impacts, risks and opportunities of the entire value chain and business operations. The impacts, risks or opportunities related to Teleste's own operations were not disaggregated by business unit. The identified material impacts, risks and opportunities are mainly related to Teleste's entire business. The impacts related to the in-use energy consumption of products are particularly evident in the downstream value chain.[30]

INTERESTS AND VIEWS OF STAKEHOLDERS (SBM-2)

Teleste engages in regular interaction with key stakeholders
and develops its operations based on stakeholder feedback. The views of stakeholders were utilised in the materiality assessment carried out in 2024, on the basis of which Teleste confirmed the sustainability themes that are material to the company's operations. The themes constitute the focal points of Teleste's sustainability efforts. The mate-

[25] ESRS2, GOV-5, 36 a-e
[26] ESRS2, SMB-1, 40, 40 a, ai,ii,iii, 40g
[27] ESRS2, SMB-1, 40b
[28] ESRS2, SMB-2, 40d
[29] ESRS2, SBM-1, 40e
[30] ESRS 2, SBM-1, 42 a-c, ESRS2, AR 14, AR15

riality assessment is discussed in more detail in the section Material sustainability-related impacts, risks and opportunities.

The purpose of stakeholder engagement is to communicate Teleste's strategy, business, targets, products and services to stakeholders and, at the same time, obtain information about the stakeholders' thoughts and wishes concerning Teleste's operations. The feedback is reviewed as part of the normal work of the Leadership Team, and the company aims to take stakeholder perspectives into account as quickly as possible in day-to-day operations. Perspectives that lead to larger, strategy-level changes are used as inputs in the strategy process.

Teleste's most significant stakeholders are customers, shareholders and investors, suppliers and the company's personnel. The perspectives and wishes of stakeholders are surveyed in various ways. With regard to investors and shareholders, the most important communication channels are external investor reporting, the separate investor pages on the company's website, the Annual General Meeting and various investor meetings. With the exception of public reports, all of the aforementioned communication channels are bi-directional. They provide stakeholder representatives with the opportunity to express their opinions and ask questions. Some of the aforementioned communication channels also serve as communication channels for customers. Information on customer wishes, ideas and requirements is obtained through various events and customer meetings.

The opinions of the personnel are listened to as part of day-to-day operations and supervisory work. The annual Success and Growth Discussions also provide a good opportunity to take the employees' opinions into consideration. Teleste also conducts regular pulse surveys among the personnel. The employees also have the opportunity to comment on the assessment of risks and opportunities.

Cooperation with suppliers mainly takes place in supplier meetings. Information is obtained from suppliers on, for example, new solutions that the product development and procurement organisation can use in the design of existing and new products and the procurement of related materials.

Based on the stakeholder interviews and surveys conducted as part of the materiality assessment process, Teleste's most significant environmental impacts are related to energy consumption and the energy efficiency of products. The recyclability of materials was also highlighted as a key issue. With regard to social responsibility, the well-being of Teleste's employees was considered important and material also from the perspective of attracting and retaining talent. The positive impacts of the community from a broader perspective include, for example, improving remote work opportunities and supporting public transport and security. With regard to governance practices, the Nordic management style was highlighted as a positive aspect. The recent improvement in the Supplier Code of Conduct was recognised as a positive development. Information security was also mentioned, and improving documentation was highlighted as a development area.[31]

Among the stakeholders, the importance of sustainability has been highlighted by customers in particular. To respond to this wish, Teleste has developed its sustainability-related practices and sought to integrate sustainability into the processes of all organisations. In addition, Teleste has recruited a new Sustainability Director to further develop the company's sustainability efforts. The materiality analysis provided Teleste with good tools for developing its sustainability efforts. The sustainability strategy and targets will be specified further in 2025. The company aims to integrate sustainability even more closely into its strategy. The company expects that increasing sustainability measures to change the stakeholder's sustainability perception of Teleste in the medium term.

Teleste's sustainability management model is described in more detail in the paragraph "The role of the administrative, management and supervisory bodies (GOV-1)". The views of stakeholders are highlighted in accordance with the management model and as described above, as part of the normal work of the Leadership Team. The views of the company's key stakeholders were surveyed as part of the double materiality assessment. The key stakeholders participated in assessing the materiality of material impacts. In accordance with the management model, the Board of Directors approved the double materiality assessment, which included summaries of interviews with stakeholder representatives carried out in connection with the materiality assessment. The key perspectives obtained from stakeholders served as inputs for the strategy work.[32]

MATERIAL SUSTAINABILITY-RELATED IMPACTS, RISKS AND OPPORTUNITIES (SBM-3)

Material sustainability-related impacts, risks and opportunities have been determined by means of a double materiality assessment. The aim was to identify and assess the impacts, risks and opportunities that may be of relevance to the implementation of the company's strategy in the short and long term, while simultaneously identifying and assessing the impacts of the company's business activities on society and the environment.

The most material impacts, risks and opportunities are described in the tables below for each ESRS standard. They are also discussed under each individual topic-specific standard. The scope of this report only includes the topics covered by the ESRS.[33]

[31] ESRS2, SMB-2, 45a, ai-v, 45b
[32] ESRS2, 45a-d
[33] ESRS2, SMB-2, 48h

Table 1: Material impacts on the environment and society[34]

Topic	Impact on the environment or society	Positive/ Negative	More detailed description of the impact	Actual/ potential	Position in the value chain
Climate change (E1)					
Climate change mitigation	GHG emissions	Negative	Teleste's own operations and the entire value chain generate GHG emissions.	Actual	Entire value chain
Climate change adaptation	New environmentally friendly technologies	Positive	Energy-efficient solutions and products, as well as new innovative technologies, enable more sustainable and low-carbon infrastructure and the green transition.	Actual	Own operations
Climate change mitigation	Reducing the carbon footprint of products by means of energy-efficient solutions	Positive	A significant part of the carbon footprint of Teleste's products is caused by the in-use energy consumption of the products. Energy-efficient solutions significantly reduce the carbon footprint.	Actual	Customers
Climate change mitigation	Promoting and implementing sustainable practices throughout the value chain	Positive	By challenging the entire value chain to participate in the reduction of emissions and the adoption of sustainable practices, Teleste has the opportunity to have a positive impact.	Actual	Entire value chain
Climate change mitigation	Reducing travel and related emissions by means of more reliable telecommunications connections	Positive	Reliable telecommunications connections enabled by Teleste's products reduce the need for travel.	Actual	Customers
Energy	Reducing the life-cycle energy consumption of products.	Positive	A significant part of the carbon footprint of Teleste's products is caused by the in-use energy consumption of the products. Energy-efficient solutions significantly reduce Teleste's carbon footprint.	Actual	Own operations, customers
Energy	Energy consumption and the origin of energy in Teleste's own operations and logistics	Negative	Energy consumption has many negative environmental impacts, such as emissions arising from energy production. The source and production method of the energy used have a significant effect on the amount of emissions.	Actual	Own operations, supply chain

[34] ESRS2, SBM-3, 48a, c

Circular economy (E5)					
Resources inflows, including resource use	Environmental impact of raw material consumption in production activities	Negative	Use of raw materials with a significant environmental impact in production activities.	Tosiasiallinen	Oma toiminta
Resources inflows, including resource use	Use of recycled materials in production activities	Positive	Aluminium is a significant raw material in Teleste's products, and the use of recycled aluminium reduces environmental impacts and promotes the circular economy.	Actual	Own operations
Resource outflows related to products and services	Promoting the circular economy by producing easily recyclable and repairable products.	Positive	The products are designed to be repairable and easy to dismantle, which improves recyclability and extends the life-cycle of the products.	Actual	Own operations
Waste	Products with long lifespans reduce adverse environmental impacts.	Positive	Equipment that is designed to be modular enables software updates and repairability, extending the product lifespan and reducing waste.	Actual	Customers
Waste	Amount of waste produced	Negative	Teleste's operations mainly generate recyclable waste.	Actual	Own operations
Own workforce (S1)					
Working conditions	Minimum and equal pay	Positive	Employee well-being is improved by Teleste's focus on adequate and equal pay, as well as training and skills development in all operating countries	Potential	Own operations
Working conditions	The Nordic management model improves work-life balance	Positive	The flexibility enabled by Teleste as an employer – such as flexible working hours, opportunities for remote work, parental leave and childcare opportunities – improve the work-life balance. These measures also enable long careers and high job satisfaction.	Actual	Own operations
Equal treatment and opportunities for all	Gender equality and equal pay for work of equal value	Negative	Diversity, equality and inclusion of employees and Board members, the proportion of women among the workforce	Actual	Own operations
Governance Business conduct (G1)					
Corporate culture	Code of Conduct and whistleblowing channel	Positive	A strong corporate culture encourages ethical business	Actual	Own operations
Protection of whistleblowers	Society's economic and public interests	Positive	The effective protection of whistleblowers improves the prevention and detection of misconduct that has an adverse impact on the public interest, and improves opportunities to address misconduct	Actual	Entire value chain

The negative impacts related to climate change and the circular economy described in Table 2 are related to carbon dioxide emissions and the consumption of materials. They are not directly dependent on Teleste's strategy or business model. Instead, they are related to all manufacturing activities and energy-consuming industries. The positive impacts related to climate change and the circular economy, in turn, are directly linked to Teleste's operations and strategy. With regard to Teleste's own workforce, the positive impacts and the identified negative impact are related to Teleste's operating model and strategy. The positive impacts related to governance are related to Teleste's operating model and strategy. All of the impacts identified as material have been assessed over the medium term.

Four material impacts related to Teleste's own workforce were identified in the materiality assessment. To simplify the reporting, two positive impacts related to working conditions were combined into one impact, which is described in the report under measures to improve work-life balance.

The identified material impacts are mainly related to Teleste's own operations and operating model. However, the impacts related to climate change and the circular economy also include impacts related to the value chain, such as emissions caused by the in-use energy consumption of products, and energy-efficient products. The governance-related impacts extend not only to Teleste's own operations but also to the value chain through business relationships.[35]

The company's most material risks and opportunities were also determined on the basis of the materiality assessment. The material risks and opportunities are described in the tables below for each ESRS standard. All of the opportunities identified as significant in the double materiality assessment are related to climate change, while the identified material risks relate to climate change, circular economy, own workforce and governance.

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Table 2 Material sustainability risks

Topic	Description of the risk	Impact on business and the value chain	Time horizon (Short-term → 2026, Medium-term →2030, Long-term →2050)	Position in the value chain
Climate change E1				
Transition risks				
Climate change adaptation	Societal uncertainty caused by climate change	Geopolitical threats may lead to significant availability issues. Certain sanctions may affect the export business. Changes in international trade agreements may weaken Teleste's competitiveness.	All time horizons	Entire value chain
Climate change mitigation	Increasing regulation	Changes in international trade agreements may weaken Teleste's competitiveness. New regulations can increase raw material prices and cause temporary availability problems.	All time horizons	Own operations
Climate change adaptation	Component availability problems or suppliers discontinuing their production activities entirely	The product business accounts for a large proportion of Teleste's net sales. Consequently, Teleste's products are vulnerable to component availability challenges. A change in a component may require new type approval. Component availability challenges may also reduce profitability if materials need to be purchased in a currency other than that used in the company's manufacturing and accounting functions.	All time horizons	Supply chain
Climate change mitigation	Impacts of climate change on the technology transition.	Climate change creates uncertainties regarding the speed of the technology transition, making it more difficult to predict.	Medium-long	Own operations, customers
Climate change adaptation	Uncertainty in customers' business operations due to climate-related reasons	Some of the company's significant customers are located in at-risk regions from the perspective of climate change. The impact of the risk is directly proportional to the size of the customer account.	Medium-long	Customers

[35] ESRS2, 48cii-iv

The risks and identified as material in relation to climate change were analysed in more detail in the resilience analysis. In connection with this, the risks were grouped into larger sets to improve understandability. The results of the resilience analysis are described in more detail in section E1 Climate change. The risk "Uncertainty caused by climate change" includes the risks identified in connection with the materiality analysis with regard to geopolitical threats and risks caused by trade policy, such as the domestication of production. In connection with this, it was noted that the link between exchange rate volatility and climate change is fairly weak, and the decision was made to exclude it from the risks related to climate change. The same decision was made with regard to risks related to travel by the company's own personnel. They were excluded from the list of risks because their link to climate change could not be clearly justified. In the materiality analysis, one of the identified climate risks was the loss of certain business areas due to uncertainty arising from climate change. This risk is described in the table by the more accurate descriptor "impacts of climate change on the technology transition". With regard to many risks, the impacts on Teleste's business and the measures to prepare for the risk are quite similar in practice. Increasing regulation and changes in international trade agreements, as well as risks related to import tariffs and changes in export and import restrictions, have been taken into account as part of the "increasing regulation" risk. Factors related to trade policy, in turn, have been taken into account as part of the "Societal uncertainty caused by climate change" risk.[36]

Physical risks				
Climate change adaptation	Power and telecommunications outages caused by extreme weather phenomena	Power and telecommunications outages interrupt production and disrupt the work of the rest of the organisation. They can also result in machine breakdowns and small amounts of material waste.	All time horizons	Own operations
Climate change adaptation	Heat waves and a permanent rise in temperatures	Increased need for cooling in production, processes and operating premises. Product manufacturing requires stable conditions. Increased heat resistance/cooling needs for products.	All time horizons	Own operations
Energy	Increasing energy consumption due to changing weather conditions	IIncreased need for cooling or heating in production, processes and operating premises. Product manufacturing requires stable conditions. Increased heat resistance/cooling needs for products.	Medium-long	Own operations and supply chain
Circular economy E5				
Resources inflows, including resource use	Geopolitical threats: e.g. escalation of the China-Taiwan conflict and disruptions in the supply of components (particularly semiconductors)	Geopolitical threats may lead to significant challenges in the availability of environmentally friendly materials.	Medium-term	Supply chain
Own workforce S1				
Working conditions	Loss of key employees due to deterioration of work-life balance	Due to cost savings related to personnel, there is a high risk that the work-life balance will deteriorate and Teleste will lose key employees.	Medium-term	Own operations

[36] ESRS2, SBM-3, 48a

All impacts identified as material are estimated to occur over a period of 1–5 years.[37] The time horizon of the risks is described in the table above.

Table 3 describes the physical and transition opportunities related to climate change. The opportunities related to energy and the energy consumption of network technologies were combined into one slightly broader item. As in the risk section, in the context of opportunities the link between exchange rate volatility and climate change is fairly weak, and the decision was made to also exclude it from the opportunities related to climate change. No material opportunities were identified under the other ESRS topics.

The material sustainability impacts and risks are largely taken into account in the company's sustainability efforts, the background factors of the strategy, the business model and decision-making. Teleste's sustainability efforts are the subject of continuous development and, in the future, the company will pay increasing attention to the management of sustainability-related opportunities in particular. Teleste has no significant sustainability-related risks that would currently affect the next annual financial reporting.

Sustainability-related risks and opportunities are taken into account in the development of the risk and opportunity management process. Teleste's strategy and business model are adapted as necessary to mitigate risks and take advantage of opportunities. The risk and opportunity management process provides inputs for strategy work.

The resilience of the strategy and business model with regard to the climate-related risks described above has been analysed in connection with the climate resilience analysis. The results of the analysis are described in Table 4. Resilience analysis. Based on the analysis, Teleste's strategic measures, technological innovation capacity, strong in-house product development, manufacturing expertise and cooperation with suppliers increase resilience to risks caused by climate change. The company has not carried out a detailed analysis with regard to other risks, impacts and opportunities. The company did not identify any separate significant financial effects related to material risks and opportunities during the reporting period. The company has not prepared any financial forecasts in which the impact of an individual risk would be significant in the next reporting period.[39]

Table 3 Material opportunities [38]

Topic	Description of the opportunity	Impact on business and the value chain	Type of opportunity	Position in the value chain
Climate change (E1)				
Climate change adaptation	Business opportunities created by changes caused by extreme weather phenomena	For example, replacing equipment damaged by storms, more maintenance or remote maintenance services, energy-efficient equipment. Equipment for extreme weather conditions.	Physical	Own operations
Climate change mitigation	Business opportunities related to climate change mitigation	Tighter legislation may increase business opportunities, especially in public transport and smart network solutions.	Transition	Own operations
Climate change mitigation	The emergence of entirely new business areas in the transition towards a more climate-resilient future	The green transition may create unexpected needs to develop new products or applications that are supported by Teleste's technology and innovation expertise.	Transition	Entire value chain
Climate change mitigation	Reputational benefit and competitive advantage derived from being a leader with regard to climate change	Teleste's goal is to be the leading ESG player in its industry. In addition to Teleste's own operations, innovations on the part of suppliers can also create a competitive advantage or reputational benefit for broader stakeholders, also improving the company's image and employer image.	Transition	Own operations
Energy	Increased demand for energy-efficient products	Electricity availability challenges and electricity saving targets may lead to increased demand for energy-efficient products and increased appreciation for energy-saving features.	Transition	Own operations

[37] ESRS2, SBM-3, 48ciii
[38] ESRS2, SMB-3, 48a
[39] ESRS2, SMB-3, 48b, d, f

IMPACT, RISK AND OPPORTUNITY MANAGEMENT

DESCRIPTION OF THE PROCESSES TO IDENTIFY AND ASSESS MATERIAL IMPACTS, RISKS AND OPPORTUNITIES (IRO-1)

Teleste has an established and regularly repeated Group-wide risk management process, which is supplemented by an ESRS-compliant double materiality assessment. A double materiality assessment of sustainability has been utilised in assessing the themes and impacts that guide Teleste's sustainability efforts.

In 2024, Teleste conducted a materiality assessment, based on which the key impacts, risks and opportunities related to the company's business were assessed, particularly from the perspective of sustainability. The aim was to identify and assess the impacts, risks and opportunities that may be of relevance to the implementation of the company's strategy in the short and long term, while simultaneously identifying and assessing the impacts of the company's business activities on society and the environment. The company's established risk management process is primarily focused on identifying and assessing risks, threats and opportunities that are relevant to the implementation of the company's strategy or maintaining the company's value. The double materiality assessment adds to the established risk management process the company's impacts on society and the environment, as well as the risks and opportunities associated with them.[40]

The process of determining material impacts began with a background analysis. The purpose was to generate a long list of potential impacts on people and the environment in Teleste's context. The background analysis took into account Teleste's business objectives, values, impacts relevant to the industry and reporting requirements. The long list of impacts included a total of 125 impacts that were grouped into 21 ESG themes (short list) to facilitate the determination of materiality.

The next step was to decide which stakeholders to include in the assessment. In the materiality assessment, the most significant stakeholders were defined as suppliers, customers, shareholders and investors, as well as the company's own personnel. As the company's Board of Directors also includes shareholders, the Board of Directors represented the perspective of investors and shareholders in the materiality assessment.

Priorities were assigned to the impacts on people and the environment on a scale of 1–5 by both stakeholder representatives and Teleste's personnel. This score represented the significance of each impact. The overall score for impact materiality also consisted of scope (on a scale of 1–5), irremediability (on a scale of 1–5) and likelihood (on a scale of 0–1, where 1=100%).

Impact materiality was assessed on the basis of the total of the four scores or high significance. For the total score, the materiality threshold was defined as 3. Impacts with a significance score of 4 or higher were also defined as material.

In connection with the assessment of material impacts, the aim was to take impacts on people and the environment into account as broadly as possible by engaging different stakeholders in the assessment.

In the background analysis behind the long list of impacts, efforts were made to take the entire industry's impacts into consideration. The value chain perspective was taken into account by engaging both suppliers and customers in the process. The stakeholder perspective was taken into account by interviewing stakeholder representatives. The company's own personnel participated extensively in the materiality assessment. Representatives of external stakeholders assessed the materiality of the impacts. External experts were used in the materiality assessment.

Impact materiality was assessed on the basis of the significance, scope, irremediability and likelihood of the impacts. For negative impacts, the assessment also took into account the irremediable character of the impact: if the total score for an impact did not exceed the materiality threshold but its irremediable character was assessed as high, it was identified as a material impact. The impacts were divided into actual and potential impacts. For potential impacts, the likelihood of the impact was also determined. No particular functions or business relationships with an elevated risk of adverse impacts were separately identified or taken into account in connection with the process. All of the actual and potential impacts that exceed the materiality threshold are material.[41]

The assessment of material risks and opportunities also began with the preparation of a long list of potential sustainability-related risks and opportunities. A development effort related to the management of risks and opportunities is under way at the Group level. Sustainability-related risks and opportunities are taken into account as part of the development effort. The list was prepared on the basis of Teleste's risk analysis and supplemented by opportunities and other risks in a workshop. The list included a total of 150 risks and opportunities, covering all 10 ESRS standards and certain company-specific topics.

The scale and likelihood of the risks and opportunities were assessed by project managers. The assessment included the following perspectives: scale: Impact on the company's development, financial position, financial performance, cash flows, access to financing or capital costs in the short, medium or long term. The scale was estimated in millions of euros. Likelihood: How likely is it that the risk or opportunity will materialise. Likelihood was assessed on a scale of 0–1, where 1=100% likelihood of materialisation.

The analysis of risks and opportunities was based on the same background material as the assessment of impacts. For example, with regard to climate risks, the link between impacts and risks and opportunities is clear. In connection with the reporting process, it was recognised that the link should be determined with greater specificity in the future with regard to certain aspects.

A risk or opportunity was considered material if its scale exceeded EUR 1.5 million or if the total impact and likelihood score was 1 or higher (on a scale of 0–3). No material risks or opportunities that do not have potential financial effects were identified in the analysis.

The materiality assessment focused particularly on assessing sustainability-re-

[40] ESRS2, IRO-1, 53a
[41] ESRS2, IRO-1, 53b, bi-iv

lated risks. Drawing the line between sustainability-related risks and other risks was challenging in some respects. When the risks were analysed in more detail, it became apparent that it was difficult to justify the link between climate change and changes in exchange rates, which were defined as a material risk, for example. These challenges and the changes based on them are presented in more detail in the tables describing the impacts, risks and opportunities. In connection with the reporting, it was also observed that the link between the impacts and the risks and opportunities should be taken into consideration in more detail. As the double materiality assessment on which the sustainability reporting is based was carried out as a separate process, its results are not fully comparable with the company's previous assessments. The company considers sustainability-related risks to be of equal value to other risks. However, with regard to the reporting on 2024, the low comparability of the results of different analyses did not make it possible to apply the same process to taking all of the company's risks into account in financial and sustainability reporting. The company aims to take this into consideration in the development of the assessment process concerning risks and opportunities.[42]

The material impacts, risks and opportunities were analysed in a workshop led by an external expert. Members of Teleste's materiality assessment project team participated in the workshop. The project team also included members of Teleste's Leadership Team. The materiality thresholds were defined in the workshop. The final report on the materiality assessment and the material aspects of sustainability were also approved by the company's Board of Directors.[43]

TTeleste's Group-level risk management process differs from the process used in the double materiality assessment. The risks identified as material in the double materiality assessment are partly included in the Group's risk register. In its current form, the Group's risk register only contains risks. The impacts to which the risks relate have not been listed separately. Opportunities are addressed separately.[44]

Teleste's Group-level risk and opportunity management process is under development. The company considers its sustainability-related risks to be equal in value to other risks, and takes sustainability-related risks and opportunities into account as part of the development of the process for assessing risks and opportunities. A need for further development has been identified particularly with regard to the management of opportunities. The aim of the development effort is to take opportunities — including sustainability-related opportunities — into consideration even more systematically.[45]

The materiality assessment is based on a background analysis. The background analysis took into account Teleste's business objectives, values, impacts relevant to the industry and reporting requirements. The background material for the assessment of risks and opportunities also included a climate risk analysis, among other things.[46]

Based on the significant (material) impacts, Teleste identified the reporting requirements that its sustainability report should cover. The topic-specific reporting standards relevant to Teleste are as follows:

1. ESRS E1, climate change
2. ESRS E5, resource use and circular economy
3. ESRS S1, own workforce
4. ESRS G1, governance and corporate culture

Teleste's sustainability strategy and targets are also described in accordance with ESRS 2.[47]

The aspects to be reported on were defined as part of the double materiality assessment project. The ESRS requirements were taken into account in determining the material impacts, risks and opportunities. The standards to be reported on were determined on the basis of the aspects identified in the double materiality assessment.[48]

The background analysis for the materiality assessment process aimed to comprehensively take into account the potential impacts, risks and opportunities in Teleste's context. Aspects related to pollution, water and marine resources, and biodiversity and ecosystems were also represented in the materiality assessment's short list covering 21 ESG themes, based on which the representatives of stakeholders determined Teleste's most material themes. Impacts, risks and opportunities related to environmental pollution, water use and wastewater in the context of Teleste's own operations are managed as part of the Group's environmental management system.

Teleste has assessed, at a high level, the actual and potential impacts on biodiversity and ecosystems in the vicinity of its sites by applying the Key Biodiversity Areas criteria. No separate assessment has been conducted for the value chain. According to the Key Biodiversity Areas criteria, Teleste's sites are not located in or near biodiversity-sensitive areas. Teleste's production facilities or offices are not subject to environmental permits. With regard to the production facilities or other sites, the company has not identified there would be a need to implement mitigating measures related to biodiversity.

Aside from the materiality assessment, no separate consultations of stakeholders or affected communities have been organised.[49]

Description of the processes to identify and assess material climate-related impacts, risks and opportunities (E1. IRO-1)

Teleste has identified and assessed climate change-related impacts, risks and opportunities in the materiality assessment conducted in 2024. Climate change and its effects were identified as a material impact. The materiality assessment is discussed in more detail at the beginning of this section.[50]

Teleste had previously identified and assessed climate change-related risks and opportunities in a climate risk analysis conducted in 2023. In connection with the climate risk analysis, Teleste sought to systematically identify potential risks and business opportunities related to climate change. Of these, the potential risks and business opportunities that are the most significant to the company's operations were identified. These identified risks and opportunities served as input for the 2024 double materiality assessment, in which risks were also considered more broadly from the perspective of stakeholder relations. The assessment covered

[42] ESRS2, IRO-1, 53c, ci-iii
[43] ESRS2, IRO-15, 3d
[44] ESRS2, IRO-1, 53e
[45] ESRS2, IRO-1, 53f
[46] ESRS2, IRO-1, 53g
[47] ESRS2, IRO-1,56
[48] ESRS2, IRO-1,59
[49] ESRS2, IRO-1, Lisäys C, E2 (11), E3 (8) ja E4 (17-19)
[50] E1, E1.IRO-1 20a, AR9

the identification of physical and transition risks related to climate change, as well as an assessment of the magnitude and likelihood of each risk.

The company utilised the TCFD recommendations and IPCC scenarios in the assessment of the climate risk exposure of its assets and operations. The assessment covered the most significant sites and operations.[51] Two scenarios were used in the risk assessment: the first scenario assumes that global temperatures will rise by 1.5–2ºC, and the second scenario assumes that global temperatures will rise by more than 4ºC by 2100 (based on RCP 2.6 and IPCC 2022 SSP1-2.6 and RCP 8.5 and IPCC 2022 SSP5-8.5).

In the scenario that is based on a temperature rise of less than 2ºC, the assumptions are that the demand for GHG emission-reducing products and services will grow and regulation will increase, requiring the development of the transparency of the chain of production, for example. Also in this scenario, carbon tariffs, the EU's Carbon Border Adjustment Mechanism (CBAM) and other regulations related to carbon pricing and emissions trading are projected to have an impact on the business environment. In the under 2ºC scenario, the worst physical risks would be avoided and exposure to the adverse impacts of these risks is lower in Northern Europe than elsewhere. Nevertheless, the scenario would entail an increase in physical risks, such as storms, tornadoes, floods and forest fires. However, the number of geographical regions where living and working conditions become impossible or productivity falls significantly due to the temperature is low in the under 2ºC scenario.

In the over 4ºC scenario, it is assumed that the business environment will become more unpredictable or unstable. With regard to technologies, adaptation is expected to require investments and the development of products and services that promote adaptation. Market risks and availability problems for basic commodities and raw materials are possible. In addition, in this scenario, the loss of peace and free movement is possible, as are waves of climate refugees. Physical risks would increase and potentially cause not only direct harm to assets and people, but also indirect losses due to factors such as disruptions in logistics and procurement, interruptions in business operations, repair costs and costs arising from adaptation. On some continents, the changes could lead to loss of life, health or productivity.[52]

The 1.5–2ºC scenario is particularly useful in the identification and assessment of transition risks, while the over 4ºC scenario provides a better foundation with regard to physical risks.[53]

The assessment took into account the potential physical and transition impacts of climate change in Teleste's markets, as well as impacts on suppliers and customers in the value chain close to Teleste. The location of Teleste's production facilities was taken into consideration in the scenario analysis, particularly with regard to the likely impacts of physical climate risks. The analysis also took into account the geographical location of significant customers and suppliers in order to assess the risk posed by a potential sea level rise, for example.[54]

Risks were identified in the short, medium and long term. The climate risk assessment covers an assessment of the threats posed by climate change to Teleste's assets and business operations in the short, medium and long term.[55] The time horizon was defined as follows: in the short-term time horizon, the risk was estimated to be realised by 2026, in the medium-term time horizon by 2030, and in the long-term time horizon by 2050.[56] The same principles were also applied in the identification of transition risks and the assessment of exposure.[57]

The assessment of physical risks and hazards covers extreme weather phenomena, sea level rise and long-term impacts of climate change. In the short term, the hazards posed by the sudden impacts of weather phenomena, such as floods and storms, were taken into account. In the long term, the assessment focused on permanent changes and hazards, such as sea level rise and a permanent rise in temperatures. With regard to transition risks, the impacts of tightening regulation on the company's competitiveness have been taken into account, for example. Scenario-based analysis provides a foundation for risk prioritisation and the planning of adaptation strategies.[58] The use of scenarios ensures that the assessment covers the risks in potential serious developments, which supports strategic decision-making and the planning of adaptation measures.[59] Experts from different parts of the organisation were engaged in the risk assessment. Consequently, Teleste is of the view that the scenarios applied cover the company's likely risks and uncertainties.[60] Climate risks are part of the risk assessment process managed by the CFO.[61]

The analysis of climate risks and opportunities assessed the impacts on business operations caused by hazards, transition events or physical risks related to climate change. Impacts on strategy and business operations were examined in more detail in connection with the resilience analysis. Climate risks and their management are discussed in more detail in section E1 Climate change, in the table "Resilience analysis".[62]

Teleste's business supports the green transition because, among other things, it promotes the use of public transport and provides energy-efficient network solutions. The company has not identified assets or business activities that are incompatible with or need significant efforts to be compatible with a transition to a climate-neutral economy. Some of Teleste's business activities promote the environmental objectives related to climate change mitigation and adaptation as defined in the EU Taxonomy. These business activities are described in more detail in the following section: Disclosures pursuant to Article 8 of Regulation (EU) 2020/852 (Taxonomy Regulation).[63]

DISCLOSURE REQUIREMENTS IN ESRS COVERED BY THE UNDERTAKING'S SUSTAINABILITY STATEMENT (IRO-2)

The table contains all the standards defined as material: ESRS 2, E1, E5, S1 and G1.

[51] E1, E1.IRO-1 AR 11c
[52] E1, E1.IRO-1 AR 13c
[53] E1, E1.IRO-1 AR 11d
[54] E1, E1.IRO-1 20b, E1.IRO-1 20c
[55] E1, E1.IRO1 AR 11a, E1.IRO-1 AR 12a
[56] E1, E1.IRO-1 AR 11b
[57] E1, E1.IRO-1 a
[58] E1, E1.IRO-1 21, E1.IRO-1 21
[59] E1, E1.IRO-1 AR 11d, E1.IRO-1 AR 12c
[60] E1, E1.IRO-1 AR 13b
[61] E1, E1.IRO-1 AR 15
[62] E1, E1.SBM-3 19c
[63] E1, E1.IRO-1 AR 12d

Content index

Cross-cutting standards -ESRS2 “General disclosures”

Standard section	Disclosure requirement	Section in the report
BP-1	General basis for preparation of sustainability statements	General basis for preparation of the sustainability statement (BP-1)
BP-2	Disclosures in relation to specific circumstances	Disclosures in relation to specific circumstances (BP-2)
GOV-1	The role of the administrative, management and supervisory bodies	The role of the administrative, management and supervisory bodies (GOV-1)
GOV-2	Information provided to and sustainability topics addressed by the undertaking’s administrative, management and supervisory bodies	Information provided to and sustainability matters addressed by the undertaking’s administrative, management and supervisory bodies (GOV-2)
GOV-3	Integration of sustainability-related performance in incentive schemes	Integration of sustainability-related performance in incentive schemes (GOV-3)
GOV-4	Statement on due diligence	Statement on due diligence (GOV-4)
GOV-5	Risk management and internal controls over sustainability reporting	Risk management and internal controls over sustainability reporting (GOV-5)
SBM-1	Strategy, business model and value chain	Strategy, business model and value chain (SBM-1)
SBM-2	Interests and views of stakeholders	Interests and views of stakeholders (SBM-2)
SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	Material sustainability-related impacts, risks and opportunities (SBM-3)
IRO-1	Description of the processes to identify and assess material impacts, risks and opportunities	Description of the processes to identify and assess material impacts, risks and opportunities (IRO-1)
IRO-2	Disclosure requirements in ESRS covered by the undertaking’s sustainability statement	Disclosure requirements in ESRS covered by the undertaking’s sustainability statement (IRO-2)

Environmental information – ESRS E1 Climate change

Standard section	Disclosure requirement	Section in the report
ESRS 2, GOV-3	Integration of sustainability-related performance in incentive schemes	Integration of sustainability-related performance in incentive schemes (GOV-3)
E1-1	Transition plan for climate change mitigation	Transition plan (E1-1)
ESRS 2, SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	Risks related to climate change adaptation and their management
ESRS 2, IRO-1	Description of the processes to identify and assess material climate-related impacts, risks and opportunities	Material impacts, risks and opportunities and their interaction with strategy and business model (E1 SBM-3)
E1-2	Policies related to climate change mitigation and adaptation	Policies (E1-2)
E1-3	Actions and resources in relation to climate change policies	Measures (E1-3)
E1-4	Targets related to climate change mitigation and adaptation	Metrics and targets (E1-4)
E1-5	Energy consumption and mix	Energy consumption and mix (E1-5)
E1-6	Gross Scopes 1, 2, 3 and Total GHG emissions	Gross Scopes 1, 2, 3 and Total GHG emissions (E1-6) The transitional provision concerning Scope 3 emissions has been used
E1-9	Anticipated financial effects from material physical and transition risks and potential climate-related opportunities	Phased-in

ESRS E5 "Resource use and circular economy"

Standard section	Disclosure requirement	Section in the report
ESRS2, IRO	Description of the processes to identify and assess material resource use and circular economy-related impacts, risks and opportunities	Identification and assessment of material impacts, risks and opportunities (E5.IRO-1)
E5-1	Policies related to resource use and circular economy	Policies (E5-1)
E5-2	Actions and resources related to resource use and circular economy	Measures (E5-2)
E5-3	Targets related to resource use and circular economy	Metrics and targets (E5-3)
E5-4	Resource inflows	Resources inflows, including resource use (E5-4)
E5-5	Resource outflow	Outflows related to products and services (E5-5)
E5-6	Anticipated financial effects from resource use and circular economy-related impacts, risks and opportunities	Phased -in

Social information - ESRS S1 “Own workforce”

Standard section	Disclosure requirement	Section in the report
ESRS 2, SBM-2	Interests and views of stakeholders	Interests and views of stakeholders (ESRS 2, SBM-2)
ESRS 2, SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	Material impacts, risks and opportunities and their interaction with strategy and business model (ESRS 2, SBM-3)
S1-1	Policies related to own workforce	Policies related to own workforce (S1-1)
S1-2	Processes for engaging with own workers and workers’ representatives about impacts	Processes for engaging with own workers and workers’ representatives about impacts (S1-2)
S1-3	Processes to remediate negative impacts and channels for own workers to raise concerns	
S1-4	Taking action on material impacts on own workforce, and approaches to mitigating material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions	Taking action on material impacts on own workforce, and approaches to mitigating material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions (S1-4)
S1-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities (S1-5)
S1-6	Characteristics of the undertaking’s employees	Characteristics of the undertaking’s employees (S1-6)
S1-7	Characteristics of non-employee workers in the undertaking’s own workforce	Characteristics of non-employee workers in the undertaking’s own workforce (S1-7)
S1-9	Diversity metrics	Diversity metrics (S1-9)
S1-10	Adequate wages	Adequate wages (S1-10)
S1-13	Training and skills development metrics	Training and skills development metrics (S1-13)
S1-15	Work-life balance metrics	Phased -in
S1-16	Compensation metrics (pay gap and total compensation)	Compensation metrics (pay gap and total compensation) (S1-16)
S1-17	Incidents, complaints and severe human rights impacts	Incidents, complaints and severe human rights impacts (S1-17)

Governance information – ESRS G1 "Business conduct"

Standard section	Disclosure requirement	Section in the report
ESRS 2, GOV-1	The role of the administrative, management and supervisory bodies	The role of the administrative, management and supervisory bodies (ESRS 2, GOV-1)
ESRS 2, IRO-1	Description of the processes to identify and assess material impacts, risks and opportunities	Description of the processes to identify and assess material impacts, risks and opportunities (ESRS 2, IRO-1)
G1-1	Corporate culture and business conduct policies and corporate culture	The role of the administrative, management and supervisory bodies (ESRS 2, GOV-1)

This table includes the data points that derive from other EU legislation, as listed in ESRS 2 Appendix B. It shows which data points can be found in our report and the location of the information in the report.

Disclosure requirement and related data point	SFDR reference	Pillar 3 reference	Benchmark Regulation reference	EU Climate Law reference	Location in the report or Not material
ESRS 2 GOV-1 Board's gender diversity paragraph 21 (d)	x		x		The role of the administrative, management and supervisory bodies (GOV-1)
ESRS 2 GOV-1 Percentage of board members who are independent paragraph 21 (e)			x		The role of the administrative, management and supervisory bodies (GOV-1)
ESRS 2 GOV-4 Statement on due diligence paragraph 30	x				Statement on due diligence (GOV-4)
ESRS 2 SBM-1 Involvement in activities related to fossil fuel activities paragraph 40 (d) i	x	x	x		N/A
ESRS 2 SBM-1 Involvement in activities related to chemical production paragraph 40 (d) ii	x		x		N/A
ESRS 2 SBM-1 Involvement in activities related to controversial weapons paragraph 40 (d) iii	x		x		N/A
ESRS 2 SBM-1 Involvement in activities related to cultivation and production of tobacco paragraph 40 (d) iv			x		N/A
ESRS E1-1 Transition plan to reach climate neutrality by 2050 paragraph 14				x	N/A
ESRS E1-1 Undertakings excluded from Paris-aligned Benchmarks paragraph 16 (g)		x	x		N/A
ESRS E1-4 Emission reduction targets paragraph 34		x	x		Metrics and targets (E1-4)
ESRS E1-5 Energy consumption from fossil sources disaggregated by sources (only high climate impact sectors) paragraph 38	x				Energy consumption and mix (E1-5)
ESRS E1-5 Energy consumption and mix paragraph 37	x				Energy consumption and mix (E1-5)
ESRS E1-5 Energy intensity associated with activities in high climate impact sectors paragraphs 40 to 43	x				Energy consumption and mix (E1-5)
ESRS E1-6 Gross Scope 1, 2, 3 and Total GHG emissions paragraph 44		x	x		Phased-in

Disclosure requirement and related data point	SFDR reference	Pillar 3 reference	Benchmark Regulation reference	EU Climate Law reference	Location in the report or Not material
ESRS E1-6 Gross GHG emissions intensity paragraphs 53 to 55	x	x	x		Phased-in
ESRS E1-7 GHG removals and carbon credits paragraph 56				x	Not material
ESRS E1-9 Exposure of the benchmark portfolio to climate-related physical risks paragraph 66			x		Phased-in
ESRS E1-9 Disaggregation of monetary amounts by acute and chronic physical risk paragraph 66 (a)		x			
ESRS E1-9 Location of significant assets at material physical risk paragraph 66 (c)		x			Phased-in
ESRS E1-9 Breakdown of the carrying value of the company's real estate assets by energy-efficiency classes paragraph 67 (c)		x			Not material
ESRS E1-9 Degree of exposure of the portfolio to climate-related opportunities paragraph 69			x		Not material
ESRS E2-4 Amount of each pollutant listed in Annex II of the E-PRTR Regulation (European Pollutant Release and Transfer Register) emitted to air, water and soil, paragraph 28	x				Not material
ESRS E3-1 Water and marine resources paragraph 9	x				Not material
ESRS E3-1 Dedicated policy paragraph 13	x				Not material
ESRS E3-1 Sustainable oceans and seas paragraph 14	x				Not material
ESRS E3-4 Total water recycled and reused paragraph 28 (c)	x				Not material
ESRS E3-4 Total water consumption in m3 per net revenue on own operations paragraph 29	x				Not material
ESRS 2 – IRO 1 – E4 paragraph 16 (a) i	x				N/A
ESRS 2 – IRO-1 – E4 paragraph 16 (b)	x				N/A
ESRS 2 – IRO-1 – E4 paragraph 16 (c)	x				N/A

Disclosure requirement and related data point	SFDR reference	Pillar 3 reference	Benchmark Regulation reference	EU Climate Law reference	Location in the report or Not material
ESRS E4-2 Sustainable land/agriculture practices or policies paragraph 24 (b)	x				Not material
ESRS E4-2 Sustainable oceans/seas practices or policies paragraph 24 (c)	x				Not material
ESRS E4-2 Policies to address deforestation paragraph 24 (d)	x				Not material
ESRS E5-5 Non-recycled waste paragraph 37 (d)	x				Outflows related to products and services (E5-5)
ESRS E5-5 Hazardous waste and radioactive waste paragraph 39	x				Outflows related to products and services (E5-5)
ESRS 2 – SBM-3 – S1 Risk of incidents of forced labour paragraph 14 (f)	x				N/A
ESRS 2 – SBM-3 – S1 Risk of incidents of child labour paragraph 14 (g)	x				N/A
ESRS S1-1 Human rights policy commitments paragraph 20	x				Policies related to own workforce (S1-1)
ESRS S1-1 Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8, paragraph 21			x		Policies related to own workforce (S1-1)
ESRS S1-1 Processes and measures for preventing trafficking in human beings paragraph 22	x				Policies related to own workforce (S1-1)
ESRS S1-1 Workplace accident prevention policy or management system paragraph 23	x				Policies related to own workforce (S1-1)
ESRS S1-3 Grievance/complaints handling mechanisms paragraph 32 (c)	x				Processes to remediate negative impacts and channels for own workers to raise concerns (S1-3)
ESRS S1-14 Number of fatalities and number and rate of work-related accidents paragraph 88 (b) and (c)	x		x		Not material
ESRS S1-14 Number of days lost to injuries, accidents, fatalities or illness paragraph 88 (e)	x				Not material

Disclosure requirement and related data point	SFDR reference	Pillar 3 reference	Benchmark Regulation reference	EU Climate Law reference	Location in the report or Not material
ESRS S1-16 Unadjusted gender pay gap paragraph 97 (a)	x		x		Compensation metrics (pay gap and total compensation) (S1-16)
ESRS S1-16 Excessive CEO pay ratio paragraph 97 (b)	x				Compensation metrics (pay gap and total compensation) (S1-16)
ESRS S1-17 Incidents of discrimination paragraph 103 (a)	x				Incidents, complaints and severe human rights impacts (S1-17)
ESRS S1-17 Non-respect of UNGPs on Business and Human Rights and OECD paragraph 104 (a)	x		x		Incidents, complaints and severe human rights impacts (S1-17)
ESRS2 – SBM-3 – S2 Significant risk of child labour or forced labour in the value chain paragraph 11 (b)	x				N/A
ESRS S2-1 Human rights policy commitments paragraph 17	x				Not material
ESRS S2-1 Policies related to value chain workers paragraph 18	x				Not material
ESRS S2-1 Non-respect of UNGPs on Business and Human Rights principles and OECD guidelines paragraph 19	x		x		Not material
ESRS S2-1 Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8, paragraph 19			x		Not material
ESRS S2-4 Human rights issues and incidents connected to its upstream and downstream value chain paragraph 36	x				Not material
ESRS S3-1 Human rights policy commitments paragraph 16	x				Not material
ESRS S3-1 Non-respect of UNGPs on Business and Human Rights, ILO principles or and OECD guidelines paragraph 17	x		x		Not material
ESRS S3-4 Human rights issues and incidents paragraph 36	x				Not material
ESRS S4-1 Policies related to consumers and end-users paragraph 16	x				Not material
ESRS S4-1 Non-respect of UNGPs on Business and Human Rights and OECD guidelines paragraph 17	x		x		Not material
ESRS S4-4 Human rights issues and incidents paragraph 35	x				Not material

Disclosure requirement and related data point	SFDR reference	Pillar 3 reference	Benchmark Regulation reference	EU Climate Law reference	Location in the report or Not material
ESRS G1-1 United Nations Convention against Corruption paragraph 10	x				Not material
ESRS G1-1 Protection of whistleblowers paragraph 10 (d)	x				Not material
ESRS G1-4 Fines for violation of anti-corruption and anti-bribery laws paragraph 24 (a)	x		x		Not material
ESRS G1-4 Fines for violation of anti-corruption and anti-bribery laws paragraph 24 (a)	x				Not material

2. Environmental information

DISCLOSURES PURSUANT TO ARTICLE 8 OF REGULATION (EU) 2020/852 (TAXONOMY REGULATION).

The taxonomy is a classification system for the financial market based on Regulation (EU) 2020/852, valid from the beginning of 2022, listing economic activities that are sustainable with respect to the climate and the environment. The goal of the taxonomy is to reorient capital flows towards sustainable investments so that the EU can achieve the ambitious emission reduction targets it has set for itself.

The taxonomy defines six key environmental objectives against which the company's various business activities are assessed. The environmental objectives are: (1) climate change mitigation, (2) climate change adaptation, (3) the sustainable use and protection of water and marine resources, (4) the transition to a circular economy, (5) pollution prevention and control, and (6) the protection and restoration of biodiversity and ecosystems.

The technical screening criteria determine whether a given economic activity contributes substantially to the achievement of the environmental objectives in question, in which case the activity can be classified as sustainable. In addition to considering the fulfilment of the technical screening criteria, it is necessary to ensure that the activity in question does no significant harm to any of the other five environmental objectives and that the activity is aligned with the UN Guiding Principles on Business and Human Rights and the OECD guidelines. The reporting obligation includes reporting the percentage share of taxonomy-eligible and taxonomy-aligned turnover, capital expenditure (CapEx) or operating expenditure (OpEx).

Taxonomy-eligible activities

Teleste's business is partly within the scope of the EU Taxonomy Regulation, i.e. taxonomy-eligible. Some of Teleste's economic activities are subject to the technical screening criteria concerning climate change mitigation, and some are subject to the screening criteria concerning the transition to a circular economy. The activities concerning climate change mitigation are related to the taxonomy items 6.14 "Infrastructure for rail transport" and 6.15 "Infrastructure enabling low-carbon road transport and public transport". Part of the business operations of Teleste's Broadband Networks unit is linked to the criteria that concerns contributing to the transition to a circular economy: information and communication, item 4.1 Provision of IT/OT data-driven solutions. The company has no activities related to the production of nuclear power or fossil energy, chemicals production, controversial weapons or tobacco products.[64]

Taxonomy reporting

For the financial year 2024, Teleste reports taxonomy-eligible and taxonomy-aligned business activities in relation to all six environmental objectives. Proportions of turnover, capital expenditure and operating expenditure are reported for the business activities.

Screening process for taxonomy-eligible and taxonomy-aligned activities

Teleste has assessed its taxonomy eligibility and taxonomy alignment for the financial year 2024. The process included the identification of taxonomy-eligible activities, the assessment of the technical screening criteria and Do No Significant Harm criteria for each environmental objective for all relevant activities, and the assessment of the minimum social safeguards at the company level.

The taxonomy-eligible and taxonomy-aligned share of turnover was assessed for each of the company's businesses.

Teleste has already previously reported taxonomy-aligned business activities that contribute to climate change mitigation. These taxonomy-aligned activities within the scope of categories 6.14 and 6.15 include, among other things, the company's public transport information solutions for rail transport and video security solutions for public transport applications. For these functions, only external sales are included in the reported turnover. In addition, part of the business activities of Teleste's Broadband Networks segment is taxonomy-eligible according to the criteria concerning contribution to the transition to a circular economy.

Reporting principles

Turnover

Teleste applies the same IFRS accounting principles as in the consolidated financial statements when calculating the turnover KPI. The total turnover used in calculating the KPI corresponds to the net sales figure presented in the consolidated financial statements. The accounting principles concerning net sales are presented in note 2.2 to the consolidated financial statements.

The taxonomy-eligible and taxonomy-aligned share of turnover was assessed for each of the company's businesses. Only external sales are included in the reported turnover.

Capital expenditure and operating expenditure

The share of capital expenditure and the share of operating expenditure related to economic activities that are considered to be environmentally sustainable are reported at the company level on a cost centre basis, avoiding double counting under and between the KPIs. Examples of such activities include research and development projects.[65]

The company has further specified its definitions for taxonomy reporting in the financial period 2024. Consequently, the comparison figures presented in the report have been restated to correspond to the figures reported for the financial period 2024.

[64] ESRS2, SBM-2 40d
[65] ??

Table 4 Proportion of turnover from products or services associated with Taxonomy-aligned economic activities

Financial year 2024	2024			Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic Activities (1)	Code (2)	Turnover (3)	Proportion of Turnover, year 2024 (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Proportion of Taxonomy aligned (A.1) or eligible (A.2) turnover, year 2023 (18)	Category enabling activity (19)	Category transitional activity (20)
		M€	%	Y;N; N/EL	Y;N; N/EL	Y;N; N/EL	Y;N; N/EL	Y;N; N/EL	Y;N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Public transport information solutions for rail transport	CCM 6.14	48.5 M€	37 %	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	33 %	E	
Video security solutions for public transport applications	CCM 6.15	3.3 M€	2 %	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	3 %	E	
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**51.8 M€**	**39 %**	**39 %**	**0 %**	**0 %**	**0 %**	**0 %**	**0 %**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**Y**	**36 %**		
Of which Enabling		51.8 M€	39 %	39 %	0 %	0 %	0 %	0 %	0 %	Y	Y	Y	Y	Y	Y	Y	36 %	E	
Of which Transitional		-	0 %	0 %													0 %		T
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Provision of IT/OT data-driven solutions	CE 4.1	0.8 M€	1 %														0 %		
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0.8 M€	1 %	0 %	0 %	0 %	0 %	0 %	0 %								0 %		
Total (A.1+A.2)		52.6 M€	40 %	39 %	0 %	0 %	0 %	0 %	0 %								36 %		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities		79.9 M€	60 %																
Total		**132.5 M€**	**100 %**																

Table 5 Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities

Financial year 2024	2024			Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')									
Economic Activities (1)	Code (2)	Turnover (3)	Proportion of Turnover, year 2024 (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Proportion of Taxonomy aligned (A.1) or eligible (A.2) turnover, year 2023) (18)	Category enabling activity (19)	Category transitional activity (20)
		M€	%	Y;N; N/EL	Y;N; N/EL	Y;N; N/EL	Y;N; N/EL	Y;N; N/EL	Y;N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 CapEx of environmentally sustainable activities (Taxonomy-aligned)																			
Public transport information solutions for rail transport	CCM 6.14	1.4 M€	23 %	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	15 %	E	
Video security solutions for public transport applications	CCA 6.15	0.2 M€	3 %	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	6 %	E	
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		1.6 M€	25 %	25 %	0 %	0 %	0 %	0 %	0 %	Y	Y	Y	Y	Y	Y	Y	21 %		
Of which Enabling		1.6 M€	25 %	25 %	0 %	0 %	0 %	0 %	0 %	Y	Y	Y	Y	Y	Y	Y	21 %	E	
Of which Transitional		0.0 M€	0 %	0 %													0 %		
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0.0 M€	0 %	0 %	0 %	0 %	0 %	0 %	0 %								0 %		
Total (A.1+A.2)		1.6 M€	25 %	25 %	0 %	0 %	0 %	0 %	0 %								21 %		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy-non-eligible activities (B)		4.7 M€	75 %																
Total A+B		**6.3 M€**	**100 %**																

Table 6 Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities

Financial year 2024	2024			Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')										
Economic Activities (1)	Code (2)	Turnover (3)	Proportion of Turnover, year 2024 (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Proportion of Taxonomy aligned (A.1.) or eligible (A.2.) OpEx, year 2023 (18)	Category enabling activity (19)	Category transitional activity (20)
		M€	%	Y;N; N/EL	Y;N; N/EL	Y;N; N/EL	Y;N; N/EL	Y;N; N/EL	Y;N; N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Sourcing of and maintenance costs of taxonomy-aligned commodities	6.14	5.9 M€	39 %	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	38 %	E	
R&D costs for rail transport (6.14) and public transport (6.15)	6.15	1.3 M€	9 %	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	7 %	E	
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		7.2 M€	48 %	48 %	0 %	0 %	0 %	0 %	0 %	Y	Y	Y	Y	Y	Y	Y	45 %		
Of which Enabling		7.2 M€	48 %	48 %	0 %	0 %	0 %	0 %	0 %	Y	Y	Y	Y	Y	Y	Y	45 %	E	
Of which Transitional		0.0 M€	0 %	0 %													0 %		T
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0.0 M€	0 %	0 %	0 %	0 %	0 %	0 %	0 %								0 %		
A. OpEx of Taxonomy eligible activities (A.1+A.2)		7.2 M€	48 %	48 %	0 %	0 %	0 %	0 %	0 %								45 %		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-non-eligible activities		8.0 M€	52 %																
TOTAL		**15.2 M€**	**100 %**																

NUCLEAR AND FOSSIL GAS RELATED ACTIVITIES

	Nuclear energy related activities	
1	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	No
2	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	No
3	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	No

	Fossil gas related activities	
4	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	No
5	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/ cool and power generation facilities using fossil gaseous fuels.	No
6	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	No

CLIMATE CHANGE ESRS E1

RISKS RELATED TO CLIMATE CHANGE ADAPTATION AND THEIR MANAGEMENT

Table 7 Resilience analysis [66]

Risk	Time horizon	Impact on Teleste's business*	Measures and link to strategy	Resilience
Transition risks				
Societal uncertainty caused by climate change	all time horizons	Geopolitical threats may lead to significant availability issues. Certain sanctions may affect the export business. Changes in international trade agreements may weaken Teleste's competitiveness.	- Aim to be present in all markets. Teleste's GoWest strategy aims to strengthen the company's position also in the United States. - Geographical diversification of the supplier base - Finding alternative components for high-volume products - Also investigating alternative countries of manufacture.	A broader customer base and supplier base reduces risk across all time horizons. Resilience is at a moderate level.
Increasing regulation	all time horizons	Changes in international trade agreements may weaken Teleste's competitiveness. New regulations can increase raw material prices and cause temporary availability problems.	- The cornerstones of Teleste's culture vision are innovativeness, joy and respect. Technological innovation capacity and strong in-house product development and manufacturing expertise help to respond to the challenges arising from changing regulation. - Good supplier relationships, product development cooperation and the selection of responsible s uppliers promote preparedness - Surveying alternative suppliers in regions that support the purpose of the regulations	Technological innovation capacity, strong in-house product development, manufacturing expertise and cooperation with suppliers increase resilience across all time horizons.
Component availability problems or suppliers discontinuing their production activities entirely	all time horizons	The product business accounts for a large proportion of Teleste's net sales. Consequently, Teleste's products are vulnerable to component availability challenges. A change in a component may require new type approval. Component availability challenges may also reduce profitability if materials need to be purchased in a currency other than that used in the company's manufacturing and accounting functions.	-The risk has been comprehensively taken into account in the procurement strategy and guidelines. - Geographical diversification of the supplier base and suppliers' buffer stocks - Alternative suppliers - Alternative components for high-volume products. - In addition to long-term supplier relationships, cooperation with reliable independent distributors. - Own buffer stocks enable product manufacture in s pite of short-term availability challenges - In-house product design and in-house production increase agility with regard to component changes and facilitate inventory management	The measures and existing operating practices reduce risk. Teleste is resilient to short-term availability challenges. In general, resilience is at a moderate level.
Impacts of climate change on the technology transition.	medium-long	Climate change creates uncertainties regarding the speed of the technology transition, making it more difficult to predict.	In accordance with the strategy, the aim is to remain in the market with competitive products and to moni-tor market developments closely.	Strategic measures increase resilience in the medium and long term, but climate change creates uncertainty.

[66] E1, E1.SBM-3 18, E1.SBM-3 19c

Uncertainty in customers' business operations due to climate-related reasons	medium-long	Some of the company's significant customers are located in at-risk regions from the perspective of climate change. The impact of the risk is directly proportional to the size of the customer account.	We aim to have a presence in all markets. Teleste's GoWest strategy aims to strengthen the company's position also in the United States.	Strategic measures increase resilience across all time horizons.
Physical risks				
Power and tele-communications outages caused by extreme weather phenomena	all time horizons	Power and telecommunications outages interrupt production and disrupt the work of the rest of the organisation. They can also result in machine breakdowns and small amounts of material waste.	The risk has been taken into account as part of risk assessments concerning the company's own properties and technical aspects. Suppliers have their own contingency plans.	Contingency plans concerning technical building systems support preparedness, but disruptions are still possible.
Heat waves and a permanent rise in temperatures	all time horizons	Increased need for cooling in production, processes and operating premises. Product manufacturing requires stable conditions. Increased heat resistance/cooling needs for products.	- Surveys and risk assessments of technical building systems - Measures related to supplier management and suppliers' own contingency plans - The products are designed to withstand challenging conditions	The measures increase resilience.

*transition risks have been assessed in a 1.5ºC scenario, physical risks have been assessed in a 4ºC warming scenario

DESCRIPTION OF THE PROCESS TO IDENTIFY AND ASSESS MATERIAL CLIMATE-RELATED IMPACTS, RISKS AND OPPORTUNITIES

Teleste has identified and assessed climate change-related impacts, risks and opportunities in the double materiality assessment conducted in 2024. Climate change and its effects were identified as a material impact. A description of the processes to identify and assess material impacts, risks and opportunities is provided in the section "Impact, risk and opportunity management" in the paragraph "Description of the process to identify and assess material impacts, risks and opportunities (IRO-1)".[67]

MATERIAL IMPACTS, RISKS AND OPPORTUNITIES AND THEIR INTERACTION WITH STRATEGY AND BUSINESS MODEL (E1 SBM-3)

Teleste conducted a resilience analysis in 2024, in which the resilience of the company's business was assessed in relation to the climate risks identified in 2023. The resilience analysis takes into account Teleste's own operations and the impacts of climate change on suppliers and customers. The analysis does not include impacts further out in the upstream or downstream value chain. Consequently, risks related to the procurement of raw materials required in the production of components were not examined, for example. All of the physical risks and transition risks identified as material were reviewed in the resilience analysis. To improve understandability, the risks were grouped, and the most significant of these groups are presented in this report. The results are described in table 7 Resilience analysis.[68]

A critical assumption made in the assessment is that the transition to a lower-carbon and more climate-resilient economy will lead to increased regulation and a more unstable business environment. Another assumption is that the need for, and significance of, energy-efficient solutions and stable network connections will grow. The uncertainties in the resilience analysis include changes in regulation and markets, the speed of technological development, the unpredictability of the impacts of climate change, and supply chain vulnerabilities.[69]

With regard to many risks, the impacts on Teleste's business and the measures to prepare for the risk were quite similar in practice. The resilience analysis was carried out in cooperation with the organisation's various experts to ensure a diverse and comprehensive view. Estimates of the financial effects of the risks, as determined in connection with the climate risk and materiality assessment, were utilised in the analysis. The process began with the identification of the potential impacts of each risk on Teleste's business in different time horizons (based on RCP 2.6 and IPCC 2022 SSP1-2.6 and RCP 8.5 and IPCC 2022 SSP5-8.5).[70]

In the resilience analysis, the same time horizons were applied as in the climate risk assessment.[71] The next step was to describe the company's preparatory measures for managing the impacts of the risk and the effect of the preparations in the event of the risk materialising were assessed. That was followed by an assessment of the extent to which Teleste's business model and strategy take at-risk assets and business activities into account. Based on this, Teleste's resilience to the risks in question was assessed. The company's mitigation measures were taken into account in analysing resilience. Risks and resilience are described in the table Resilience analysis . Teleste's strategy takes into account the prevailing megatrends, such as climate change, which supports adaptation to changes.[72]

TRANSITION PLAN (E1-1)

Teleste has not yet prepared a separate transition plan. The plan will be drawn up and approved in 2027 at the latest.[73]

POLICIES (E1-2)

The key contents of Teleste's environmental policy are focused on reducing the company's environmental footprint and promoting positive environmental impacts. In its policy, the company commits to reducing the consumption of resources, the generation of waste and GHG emissions. The key focus areas include product design, energy consumption and the reduction of GHG emissions, the sourcing of materials, waste management and increasing employee awareness.

The company has previously identified that its largest climate impacts arise in the value chain and the use of the products manufactured by the company. In the double materiality assessment, the impacts related to climate and energy also included the GHG emissions arising from the company's own operations and the entire value chain. In addition, energy consumption related to the company's own operations and logistics was identified as an impact that is also related to the generation of emissions. In its environmental policy, Teleste is committed to the continuous improvement of its operations and processes in order to reduce energy consumption and emissions. In addition, the company uses renewable energy at its manufacturing plants to the extent that it is possible. These principles support the reduction of negative impacts related to energy consumption and the adoption of renewable energy. Remote work and remote maintenance are favoured in order to reduce work-related travel and emissions from maintenance-related traffic. Good production planning and the optimisation and consolidation of deliveries to the extent that it is possible aims to reduce emissions arising from transport. Land and sea transport are favoured over air transport, and solutions based on renewable fuels are used where possible. Together, all of these policies support the reduction of emissions and, consequently, the mitigation of climate change.

Reducing the carbon footprint of products by means of energy-efficient solutions was identified as an impact in the materiality analysis. A significant part of Teleste's carbon footprint is caused by the in-use energy consumption of products. Product design aims to reduce the products' energy consumption and improve their energy efficiency. Policies related to product design are aimed at not only reducing negative emission impacts but also increasing positive impacts by introducing energy-efficient devices to the market. Energy-efficient solutions and products, as well as new innovative technologies, enable more sustainable and low-carbon infrastructure and the green transition, which supports climate change adaptation. They also mitigate climate change by reduc-

[67] E1, E1.IRO-1 20a, AR9
[68] E1, E1.SBM-3 19a
[69] E1, E1.SBM-3 AR 7, 8
[70] E1, E1.SBM-3 19b
[71] E1, E1.SBM-3 AR7b
[72] E1, E1.SBM-3 19b, E1.SBM-3 AR8b
[73] E1, E1-1 17

ing the carbon footprint of both customers and the company itself. Growing demand for energy-efficient products was identified as an opportunity in the materiality analysis, and the aforementioned policies support the preparation for this.

Policies concerning product design are described in more detail in the report section Resource use and circular economy (ESRS E5). One of the objectives of product design is to develop the reliability of products, for example. Reliable data communications connections reduce the need for travel, while up-to-date passenger information increases the attractiveness of public transport, for instance. These mitigate emissions, but they simultaneously support climate change adaptation. Product development also aims at designing products for maintenance, and the company opts for remote maintenance when possible. These and other policies help the company to prepare for potential business opportunities related to climate change mitigation. The reputational benefit and competitive advantage of leadership with regard to climate change was also identified as an opportunity, and product development innovations support this.[74]

The company does not have actual policies for managing the risks identified in the materiality analysis, but they are managed in accordance with the risk management process. The process is described in more detail in the section Description of the processes to identify and assess material impacts, risks and opportunities (IRO-1). An exception to this is the component risk, for which the related policies are described in the section Policies (E5-1).

The policies apply to all of the company's employees, subcontractors and stakeholders at all of Teleste's operating locations globally. The policy is publicly available on the company's website. The policy applies to product design, energy consumption, materials procurement, waste management and the company's value chain, including transport and distribution. No separate exceptions are mentioned. The aim of the environmental policy is to address the most significant environmental impacts, particularly those that arise in the company's value chain and the use of products. Teleste's management is responsible for the realisation of the principles laid down in the environmental policy. The Leadership Team monitors compliance with the policy, sets environmental targets and regularly monitors progress. Teleste complies with the environmental principles of the UN Global Compact initiative and ensures that its operations comply with environmental legislation and regulations.[75]

The policy also takes into account the views of key stakeholders through the materiality assessment. The company ensures that its environmental targets and practices are aligned with stakeholder expectations and global sustainability trends. In addition, Teleste's Supplier Code of Conduct aims to engage the company's suppliers' commitment to monitoring their GHG emissions and setting emission reduction targets that support the Paris Agreement. This supports the promotion and implementation of sustainable practices throughout the value chain.[76]

The company has set targets to reduce GHG emissions by 2030. The target is to reduce Scope 1 emissions by 100%, Scope 2 emissions by 50% and, for Scope 3 emissions, upstream and downstream transportation-related emissions by 20%. Teleste calculates emissions annually in accordance with the GHG Protocol. The emissions calculation includes all significant Scope 1 and Scope 2 emissions. Teleste's emission reduction targets cover Scope 1 and 2 emissions and, for Scope 3, upstream and downstream emissions related to transportation and distribution. Emission calculations serve as the basis for setting targets.[77] Teleste assesses the suitability of the base year in connection with the calculation and, in accordance with the GHG Protocol, updates the base year if the operations change significantly.[78] Teleste is also committed to setting short-term emission reduction targets in accordance with the Science Based Targets initiative.[79]

MEASURES (E1-3)

Teleste's measures for managing the climate-related risks identified in the double materiality assessment are described in table 7"Resilience analysis" at the beginning of section E1.

In order to reduce Scope 1 emissions, the company has explored transitioning to renewable fuels and the potential of using electric vehicles. Key measures to reduce Scope 2 emissions include reducing energy consumption and switching to renewable energy sources where possible. During the reporting period, Teleste purchased carbon free electricity for its offices in Littoinen and Tampere in Finland, as well as in Hanover in Germany and Birmingham in the United Kingdom. Roof renovation was carried out at the manufacturing plant in Littoinen in 2023, which makes it possible to install solar panels on the roof in the future. In addition, various energy-saving measures were successfully implemented at the Littoinen plant in 2024, and switching to renewable district heating has been explored. The energy-saving measures helped to reduce electricity consumption by approximately 5% and district heating consumption by approximately 14% when compared to 2023. This reduced the emissions of the Littoinen site by 10 tCO_2eq, as the electricity consumed was 100% carbon free.

To reduce Scope 3 emissions arising from transportation, Teleste favours sea and land transport over air freight. In addition, the company strives to reduce transportation-related emissions by consolidating shipments and using renewable fuels in transport operations where possible. In domestic transportation operations in Finland, Teleste has switched to a lower-emission service offered by the transport company. This reduced the emissions arising from domestic transport operations by 77% when compared to 2023, but as these transportation operations represent only about 10% of all transportation operations, the reduction in emissions is relatively small. Teleste has also purchased partial SAF (Sustainable Aviation Fuel) for a small proportion of its flights, which also slightly reduced transport-related emissions (13 tCO_2eq). Other options were also explored during 2024, but the financial situation during the reporting period limited the progress of the measures. The measures are planned to be implemented in the medium term so that the targets set for 2026 and 2030 can be achieved. The outcomes for 2024 in relation to the targets are shown in the table Emission reduction targets.[80]

74 E1, E1-2 24, 25 b, MDR-P
75 E1, E1-2 24, MDR-P
76 E1, E1-2 24 MDR-P
77 E1, E1-4 34b
78 E1, E1-4 AR 25a
79 E1, E1-4 32, MDR-P 80g
80 E1, E1-4 34f, MDR-A

Product design aims to reduce the energy consumption of products and improve their energy efficiency. All of the measures related to the climate and the reduction of emissions support the company's strategic goal of being an ESG leader in its industry. The company actively monitors the global situation, legislative developments and megatrends in sustainability in order to also manage the other key opportunities identified in the materiality assessment.[81]

The impacts of business operations are monitored closely and measures are taken as necessary. As part of the ISO 14001-compliant management system, the company carries out annual assessments of environmental aspects and environmental risks and continuously develops its operations, among other things. All of the measures aimed at reducing emissions reduce the climate impacts arising from the company's operations.[82] The company has included the management of climate action as part of its business, and the expenses have therefore not been disaggregated from other expenses. Consequently, the magnitude of separate financial resources allocated to individual measures is not significant. Teleste considers that the current resources are sufficient to implement the planned measures in the short term. The action plan for the reporting period did not require separate operating or capital expenditure classified as significant. The company has not planned to increase the operating or capital expenditure related to the measures for the next reporting period. The company has also not created a medium- or long-term capital investment plan related to climate and energy measures.[83]

Teleste's key decarbonisation levers include the use of renewable energy, reducing the emissions of the logistics chain, the circular economy and sustainable use of materials, taking energy efficiency into account in product design, employee training and promoting the environmental awareness of employees.[84] The company has not prepared a detailed calculation of the impacts of the individual measures on emissions, but the matter is examined as part of the setting of science-based climate targets and the preparation of the transition plan.[85]

The resources and investments allocated to the measures must be proportionate to the size of the business and the financial situation. The allocation of resources is also influenced by the customers' willingness to pay, which determines how much investment can be allocated to sustainable and emission-reducing measures. Without sufficient financial resources and market support, it is challenging to achieve long-term environmental targets, but the company is committed to ensuring that climate change mitigation is part of its sustainable business model.[86] As not all of Teleste's business activities are taxonomy-eligible, the indicators presented in the taxonomy tables at the beginning of section 2 "Environmental information" only apply to taxonomy-eligible business activities. The same principles have been applied in compiling the figures, but they are not consistent due to the different scope of assessment.[87]

METRICS AND TARGETS (E1-4)

Table 8 Emission reduction targets [88]

Indicator	2022 base year	2024 outcome	2026 target	2030 target
Scope 1 emissions [tCO_2eq]	261	126	-40 %	-100 %
Scope 2 emissions [tCO_2eq]	915	568	-20 %	-50 %
Scope 3: Emissions from transport [tCO_2eq/tonne transported]	0.541	0.563	-10 %	-20 %

Concepts scope 1–3: The Greenhouse Gas Protocol

Progress towards targets

Reducing Scope 1 emissions from the 2022 level

Direct Scope 1 emissions decreased from the previous level and the company achieved its short-term target. The change is mainly attributable to the divestment of the Swiss business in 2023, which resulted in lower fuel consumption for vehicles in the service business. In addition, consumption was generally lower than in 2022.

Reduction of Scope 2 emissions (market-based) from the 2022 level

Indirect emissions arising from purchased energy decreased from the 2022 level, and the short-term target was also achieved with regard to Scope 2 emissions.

Reducing Scope 3 transport emissions, relative to tonnes transported, from the 2022 level

Transport emissions relative to tonnes transported increased slightly from the previous level. Changes in shipping caused by the situation in the Red Sea extended transport times and increased the total mileage and fuel consumption of sea shipping. In addition, due to the start of the U.S. business, Teleste had to rely on air freight for certain larger shipments in order to adhere to customer schedules. Due to the extended transport times in sea shipping and various disruptions, such as the four-week port strike in Finland in spring 2024, some shipments had to be switched from sea freight to air freight to ensure that the materials needs of production activities were met.[89]

The climate-related sustainability targets set by Teleste are to reduce Scope 1 emissions by 40% by 2026 and by 100% by 2030 from a 2022 base year. The Scope 2 emission reduction target is 20% by 2026 and 50% by 2030. These targets are absolute. In addition, for Scope 3 transport-related emissions, the target is to reduce emissions in relation to tonnes transported by 10% by 2026 and by 20% by 2030. This target is relative and expressed in terms of transport-related emissions relative to the mass transported. The unit is tCO_2eq per

[81] E1, E1-3 28, MDR-A
[82] E1, MDR-A 68d
[83] E1, E1-3 29c ja AR22, MDR-A 69
[84] E1, E1-3 29a
[85] E1, E1-4 34f
[86] E1, E1-3 AR21
[87] E1, E1-3 29ci-iii,16c
[88] E1, E1-4 32, MDR-T
[89] E1, E1-4 34f

tonne transported. With regard to the opportunities identified as material in the double materiality assessment, the company has a strategic target of being an ESG leader in its industry, but no separate metrics have been defined for this target. The company also has not set any metrics or official targets concerning the energy consumption or efficiency of products.

The assumption behind the company's emission reduction targets is that improving energy efficiency and switching to renewable energy and fuels are key means of reducing Scope 1 and 2 emissions. For this reason, the monitoring of total emissions (Scope 1 and 2) is considered to be an illustrative metric for the management of emissions from the company's own operations. With regard to Scope 3 emissions, the assumption behind the relative emission reduction target for transport operations is that the optimisation of the logistics chain, the deployment of low-emission transport solutions and the use of alternative fuels are effective ways of reducing transport-related emissions. Consequently, transport-related emissions in relation to tonnes transported is considered to be an illustrative metric for the climate impacts of logistics.

The environmental targets are set on the basis of the key environmental aspects and the results of the materiality assessment. The materiality assessment also takes into account the views of stakeholders, such as customers, but stakeholders have not been involved in setting the targets. After identifying the environmental impact, the available data for describing the impact was determined. This was followed by defining a suitable metric and a target level for it. Development is monitored continuously and the results are reviewed regularly by the Leadership Team.[90] The assessment of total emissions for 2022 served as the basis for updating the emission reduction targets. When the targets were revised, the base year was also updated. The GHG Protocol and the IPCC's publications based on climate science were also utilised in defining the targets. The Paris Agreement and the related goals were also among the background factors in setting the targets. The company's climate targets support the EU's 2050 climate neutrality target, the Fit for 55 package and national emission reduction targets. They are partially aligned with the 1.5ºC target of the Paris Agreement and promote the transition to a low-carbon economy, particularly through the reduction of logistics emissions.[91]

Teleste has defined the organisational boundaries using an approach that is based on operational control.[92] The calculation is carried out annually in accordance with the GHG Protocol. The Scope 1 and 2 emission reduction targets set by the company cover its operations in Finland and those locations abroad where the number of internal employees is 10 or higher. The emission reduction target concerning Scope 3 transport operations covers transports departing from and arriving in Finland, as well as also transports arriving at and departing from the warehouse in Belgium. The transported products are under Teleste's ownership and consist of P&I products purchased from subcontractors and contract manufacturers.

Teleste's emissions calculation includes all significant Scope 1 and Scope 2 emissions. With regard to Scope 1 emissions, the targets are consistent with emissions calculations according to the ESRS standard. For Scope 2 and Scope 3 emissions, the calculation boundary and assumptions are not fully consistent with the requirements of the ESRS standard. For this reason, the company applies the transitional provision with regard to reporting Scope 3 emissions. For Scope 2 emissions, the boundary for the target and the related base year differs from the ESRS standard. Consequently, for 2024, there are two different Scope 2 figures in the report. The Scope 2 emission reduction target covers 95% of the Scope 2 emissions calculated according to the ESRS standard. The emissions calculated according to the standard are reported in the table "Greenhouse gas emissions by emission category and category" in section E1-6. Consistency will be taken into account in target-setting in the future.[93]

Teleste assesses the suitability of the base year in connection with the calculation and, in accordance with the GHG Protocol, updates the base year if the operations change significantly. The calculation for 2022 is also in line with the GHG Protocol and covers the activities included in the target.[94] The metrics have not been externally assured.[95] No changes have been made to the basis for preparation over the specified time horizon.[96] Teleste made a commitment to the Science Based Targets initiative in 2024, but the company's current targets are not yet validated by the SBTi. Climate scenarios will also be utilised in setting science-based emission reduction targets. This was not the case for the current targets. However, different potential developments have been examined in connection with the climate risk assessment and resilience analysis.[97]

For Scope 2 emissions, for sites for which consumption data on heating is not available, the emissions have been estimated on the basis of the number of personnel. As is typical, estimates and generalisations have also been made in the calculation of Scope 3 emissions in particular. Supplier-specific emissions data and factors have been used in the calculation of emissions whenever they are available, thus aiming for the most accurate possible calculation result. The aim is to continuously improve the accuracy of the data. Category 4 "Upstream transportation" includes supplier-specific emission data to the extent such data is available. Otherwise, the calculation is based on tonne-kilometres. The utilisation rate of transport equipment is not taken into account in category 9. Transportation-related emissions take into account transports departing from and arriving in Finland, as well as also transports arriving at and departing from the warehouse in Belgium. The transported products are under Teleste's ownership and consist of P&I products purchased from subcontractors and contract manufacturers.[98]

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90 E1, E1-4 33, MDR-T
91 E1, E1-4 33, E1-4 32 MDR-T 80f
92 E1, E1-6 AR 39b, E1-6 AR 46h, MRD-M 77a
93 E1, E1-4 34b
94 E1, E1-4 AR 25a
95 E1, E1 MDR-M 77b
96 E1, E1-4 32 MDR-T 80j
97 E1, E1-4 34e, 16a, MDR-T
98 E1, E1-4 32

ENERGY CONSUMPTION AND MIX (E1-5)
The energy consumption figures include the fuel consumption of vehicles under the company's control, as well as energy consumption related to electricity and heating from all of Teleste's sites, and are therefore consistent with the Scope 1 and Scope 2 emissions presented in paragraph E1-6. The calculations differ from Teleste's emission reduction targets in the sense that they also include very small sites. For the smallest sites, consumption data has been estimated on the basis of the number of personnel. For units where the source of energy is unknown, it is assumed that 60% of the energy is from fossil sources and 40% is from renewable sources. If the form of heating is not known, the assumption is that it is district heating. The roof of the Forssa site is equipped with solar panels. The energy generated by the solar panels is used for Teleste's functions.

Teleste's NET business segment focuses on the manufacture of electronic components, which is classified by the European Union as a high climate impact sector. Energy intensity has been calculated by dividing the total energy consumption of the sites representing the NET business (4,920 MWh) by the net sales of the business segment in question, which is based on the Broadband Networks segment's net sales as presented in section "Segment reporting" in the notes to the consolidated financial statements 2024. The net sales figure is consistent with IFRS reporting.

Table 9 Total energy consumption [99]

Energy consumption and mix	Year 2024
Fuel consumption from coal and coal products (MWh)	0
Fuel consumption from crude oil and petroleum products (MWh)	328
Fuel consumption from natural gas (MWh)	120
Fuel consumption from other fossil sources (MWh)	0
Consumption of purchased or acquired electricity, heat, steam, or cooling from fossil sources (MWh)	1,181
Total fossil energy consumption (MWh)	**1,630**
Share of fossil sources in total energy consumption (%)	**23 %**
Consumption from nuclear sources (MWh)	**2,017**
Share of consumption from nuclear sources in total energy consumption (%)	**28 %**
Fuel consumption for renewable sources, including biomass (also comprising industrial and municipal waste of biologic origin, biogas, renewable hydrogen, etc.) (MWh)	0
Consumption of purchased or acquired electricity, heat, steam, and cooling from renewable sources (MWh)	3,518
Consumption of self-generated non-fuel renewable energy (MWh)	0.5
Total renewable energy consumption (MWh)	**3,518**
Share of renewable sources in total energy consumption (%)	**49 %**
Total energy consumption (MWh)	**7,179**

Table 10 Energy intensity per net sales[100]

Energy intensity per net sales	Comparative	N	% N / N-1
Total energy consumption from activities in high climate impact sectors per net sales from activities in high climate impact sectors MWh/MEUR		67	

[99] E1, E1-5 37, 37a, b, AR34
[100] E1, E1-5 40-41

GROSS SCOPES 1, 2, 3 AND TOTAL GHG EMISSIONS (E1-6)

Teleste uses the GHG Protocol as the basis for calculating emissions. In the calculation of emissions, Teleste has used data that is as accurate as possible and available emission factors that are as descriptive as possible. Scope 1 emissions are based on fuel consumption data and, for refrigerants, refrigerant refills as invoiced in connection with maintenance. The calculation of refrigerant emissions is based on the global warming potential (GWP) values published by the IPCC, which are based on the IPCC's AR5 report. The fuel classifications of Statistics Finland and DEFRA (UK Department for Environment, Food and Rural Affairs) have been used in the calculation of fuel emissions data.

Scope 2 emissions have been calculated primarily on the basis of measured consumption data, but there are also units for which accurate consumption data was not available. For those units, estimates based on the size and number of personnel of the units have been used. These Scope 2 emissions figures also include smaller units that are not within the boundary used for the company's emissions target. Their consumption has also been estimated based on the best available data, as mentioned above. Supplier-specific emission factors have been used in the calculation of market-based Scope 2 emissions to the extent that they have been available. These emissions have been calculated using available CO_2 factors, which means that they do not take into account the climate impacts of GHGs other than carbon dioxide. Where necessary, location-based emission factors have been used. The sources used in the calculation

Table 11 GHG emissions by emission class and category[101]

	Retrospective				Milestones and target years			
	Base year 2022	Comparative	N	% N/ N-1	2025	2030	(2050)	Annual % target / base year
Scope 1 GHG emissions								
Gross Scope 1 GHG emissions (tCO_2eq)	261		126			-100%		
Percentage of Scope 1 GHG emissions from regulated emission trading schemes (%)								
Scope 2 GHG emissions								
Gross location-based Scope 2 GHG emissions (tCO_2eq)			901					
Gross market-based Scope 2 GHG emissions (tCO_2eq)			600			yes		
Significant Scope 3 GHG emissions								
Total Gross indirect (Scope 3) GHG emissions (tCO_2eq)								
1 Purchased goods and services								
2 Capital goods								
3 Fuel and energy-related activities (not included in Scope 1 or Scope 2)								
4 Upstream transportation and distribution								
5 Waste generated in operations								
6 Business travel								
7 Employee commuting								
8 Upstream leased assets								
9 Downstream transportation								
10 Processing of sold products								
11 Use of sold products								
12 End-of-life treatment of sold products								
13 Downstream leased assets								
14 Franchises								
15 Investments								
Total GHG emissions								
Total GHG emissions (location-based) (tCO_2eq)								
Total GHG emissions (market-based) (tCO_2eq)								

[101] E1, E1-6 44, 50, AR 41, AR 46d, 48, 49a, b, 51, 44 +52, 44+52a, 44+52b, 52 a, b, AR45e, AR46g, AR 46j

of location-based emissions are the reports and databases of the EEA (European Energy Agency), IRENA (International Renewable Energy Agency) and Our World in Data. Part of the location-based emission factors are CO_2 emission factors and part of them are CO_2eq factors, which means that they also take into account the climate impacts of other GHGs.[102]

The electricity purchased by Teleste for its sites located in Tampere in Finland, Hanover in Germany and Birmingham in the United Kingdom has been certified as 100% renewable with guarantees of origin. The electricity used at the Littoinen site is certified 100% CO_2-free electricity.[103] Electricity with guarantees of origin accounts for 80% of total electricity consumption. Teleste's operations do not generate any biogenic emissions.[104]

The company only reports Scope 1 and Scope 2 emissions from the consolidated accounting group (the parent and subsidiaries), as the company does not have investees, such as associates, joint ventures or other units that are not fully consolidated.[105]

RESOURCE USE AND CIRCULAR ECONOMY ESRS E5

IDENTIFICATION AND ASSESSMENT OF MATERIAL IMPACTS, RISKS AND OPPORTUNITIES (E5.IRO-1)

Teleste recognises that understanding environmental and social impacts is key to promoting sustainable and profitable growth. The assessment process was based on a combination of qualitative and quantitative methods, including:

Materiality assessment: A comprehensive double materiality assessment (DMA) was carried out in spring 2024. This included assessing the company's supply chain to identify actual and potential impacts, risks and opportunities.

Significance assessment (supplier self-assessment): A supplier assessment was used to identify the most significant sustainability issues concerning the company's operations and value chain. The assessment ensures that the significance of the entire value chain is taken into account from the perspective of the circular economy and sustainability.

Footprint of operations: Teleste assumed that the current operations in Europe will remain relatively stable. The implementation of the Go-West strategy will create a change in the value chain. The extent and impacts of this change will be assessed in 2025 after high-volume deliveries have begun. This means deeper understanding, data and related business decisions to approach new main markets in North America and Canada, while putting sustainability and the circular economy first.

Supply chain stability: Teleste assumed that the supply chain will maintain and develop its existing sustainability practices, which enables the assessment of risks and relevance across the entire value chain. New suppliers are carefully evaluated and the existing supplier base is continuously measured with regard to sustainability impacts.

Environmental risks and targets in own operations: This process enabled the monitoring and analysis of energy consumption, water use and waste management at the company's various plants, providing real-time data on operational efficiency and sustainability.

Supplier self-assessment: The company used a framework it developed itself to assess climate-related risks, taking into account factors such as regulatory changes, extreme weather phenomena and market shifts towards more sustainable products.

The double materiality assessment identified several critical impacts and risks, such as:

Environmental risks: Potential disruptions caused by climate-related events in the areas in which the suppliers are located.

Regulatory risks: Estimated changes in environmental regulation that may have an effect on operating costs and Teleste's profitability.

Opportunities for innovation: The demand for sustainable products presents an opportunity to develop new low-carbon offerings.

By disclosing the methods, assumptions and tools used, the company aims to promote transparency and engage the commitment of its stakeholders towards a more sustainable future. This approach not only helps the company manage risks but also enables the achievement of positive impacts throughout the company's operations and value chain.[106]

The primary objectives of stakeholder data collection are as follows:

- Collecting information on the stakeholders' views regarding resource use and waste management practices.
- Identifying opportunities for promoting the circular economy in Teleste's operations and product range.
- Promoting cooperation between stakeholders to advance sustainable practices in the company's value chain.

Teleste has identified key stakeholders that are engaged in the assessment process, including:

Internal stakeholders: Employees from different departments, such as production, procurement, product development and sustainability.

External stakeholders: Suppliers, customers, internal and external experts.[107]

Teleste Corporation has two different business units (Public Safety and Mobility, and Broadband Networks), which influence resource use and the company's circular economy initiatives. These business areas are related to the circular economy in the following areas:

In-house manufacturing (plants in Littoinen and Forssa): The plants are responsible for product assembly, and these units consume the most resources, energy, water and raw materials. That is why they are of central importance with regard to monitoring and target-setting.

Sourcing: This function is responsible for Sourcing, operational procurement, logistics and materials management. It plays a key role in selecting sustainable materials and optimising incoming transports to reduce CO_2 emissions.

Product development, R&D: An innovation-focused unit that is a material function with regard to designing products that are aligned with the principles of the circular economy, ensuring low life-cycle energy consumption, recyclability and longevity.

Global sales and marketing: Cooperation with customers to advance sustainability initiatives and support optimised use, responsible consumption and return processes.[108]

[102] E1, E1-6 AR 39
[103] E1, E1-6 AR 45d
[104] E1, E1-6 AR 46j
[105] E1, E1-6 50
[106] E5, E5 IRO-1 11a
[107] E5, E5 IRO-1 11b
[108] E5, E5 IRO-1 AR7a

Teleste Corporation uses various materials that are of key importance to the company's operations and reflect its commitment to sustainable resource management. The primary materials contain aluminium, steel, plastics and cardboard. The manufacturing units in Littoinen and Forssa account for the majority of the use of these materials. To support the transition to a circular economy, the company has increased the share of recycled materials, particularly with regard to aluminium, cardboard and plastic. The company's commitment to sustainability also extends to resource efficiency. By actively monitoring and managing its material resources, Teleste aims to minimise environmental impacts while ensuring responsible and efficient production and logistics processes.[109]

Materials-related impacts: Continuing the existing practices could lead to significant increases in emissions over the next five years, especially as the main market moves to the United States. This would extend transport distances and significantly increase emissions if the value chain were not optimised.

Materials-related risks: Teleste's dependence on finite raw materials, aluminium, introduces significant vulnerability risks to the supply chain. Forecasts indicate that growing global demand may lead to problems with the availability of recycled aluminium which, in turn, poses a risk to the realisation of a circular economy and may jeopardise profitability.

Reputational and market risks: Failing to implement sustainable practices or neglecting development alienates environmentally conscious customers and leads to a decrease in market share. If Teleste did not continue to develop its materials-related impacts or minimise the risks, the company could face disruptions related to its business model and long-term viability. The company recognises the need for continuous development in order to manage these risks and take advantage of opportunities for innovation and sustainable growth.[110]

Teleste is developing its business model towards adherence to the principles of a circular economy. By focusing on sustainable product design practices, the company aims to increase the use of recycled materials and reduce energy consumption during the product life-cycle. This transition not only reduces dependence on non-recycled resources but also minimises waste generation and lowers production costs. Investments in R&D in the design of modular products enable easier repairs and upgrades, which significantly reduces electronic waste and improves the value offered to consumers. In addition, co-operation with suppliers that are committed to sustainability can streamline the supply chain and improve resource efficiency. By taking advantage of these materials-related opportunities, Teleste aims to not only promote environmental sustainability and the well-being of communities but also improve its competitiveness.[111]

Teleste has a clear vision on the continuous improvement of the circular economy. At the same time, the company recognises the materials-related impacts and risks related to the transition. One significant impact is the potential increase in operational costs in the early stages of the transition, as investments in new technologies and processes, such as R&D and/or sustainable sourcing, may require significant capital. This transition may also disrupt the company's existing supplier relationships, especially if key suppliers are unable or unwilling to adapt to new sustainability criteria, which may lead to supply chain problems and changes. Teleste may also face regulatory risks, as developing policies concerning waste management and resource recycling policies may lead to the introduction of new requirements. There is also a market acceptance risk, as customers may be reluctant to adopt new products designed with the principles of a circular economy in mind, affecting short-term sales and profitability. Although the transition to a circular economy aims to reduce environmental impacts, the value chain can still generate waste and emissions, posing challenges to Teleste's sustainability targets. To manage these risks, the company is committed to developing a strong strategy that includes stakeholder engagement, pilot programmes and continuous progress monitoring, ensuring a smooth transition and the maximisation of the benefits of the circular economy.[112]

Teleste is committed to identifying the stages of the value chain where resource use, risks and negative impacts are concentrated. Teleste's analysis reveals opportunities for improvement in several key stages:

Product development and materials specifications
Product design is a key stage that largely determines resource use and the related risks. Teleste's dependence on non-renewable materials, especially aluminium, creates environmental risks and supply chain risks. Supply chains may also be disrupted by geopolitics, which can lead to raw material shortages and rising costs.

Manufacturing
In the manufacturing stage, the use of resources is significant, as Teleste consumes significant amounts of energy, especially electricity. The potential negative impacts are associated not only with emissions but also waste generation. Teleste's commitment and culture of continuous improvement with regard to energy efficiency and the deployment of cleaner technologies is crucial for mitigating these impacts.

Distribution and logistics
In the distribution stage, the risks are mainly related to CO_2 emissions associated with transportation. Growth in the number of deliveries, especially as deliveries to the United States increase, leads to increased CO_2 emissions. Fluctuations in fuel prices can also have a significant impact on operating costs, which underscores the need to explore sustainable logistics practices, such as delivery route optimisation and alternative modes of transport.

Product use and the end of functional life of products
The end-of-life stages of a product are critical stages where negative impacts may occur. Although end-users enjoy the long life-cycle of Teleste's products, the final disposal stage often leads to the generation of electronic waste. This creates a burden on the environment as well as potential reputational risks for our brand. To solve these problems, Teleste is exploring take-back programmes and designs products with recyclability in mind, which encourages responsible consumption and disposal among customers.

[109] E5, E5 IRO-1 AR7b
[110] E5, E5 IRO-1 AR7c
[111] E5, E5 IRO-1 AR7d
[112] E5, E5 IRO-1 AR7e

Conclusion:
Teleste strives to promote transparency and responsibility in the circular economy and in sustainable development. The company is committed to engaging its stakeholders in responding to these challenges and identifying opportunities for improvement, which ultimately drives the transition to a more sustainable circular economy.[113]

POLICIES (E5-1)

The purpose of Teleste's environmental policy is to define operating principles for minimising negative environmental impacts and increasing positive environmental impacts. The policy is approved at the Leadership Team level, and it applies to all of Teleste's employees, contractors and stakeholders at all Teleste sites, and it is publicly available.[114]

Teleste is committed to supporting sustainable development and adheres to the principles of the UN Global Compact corporate sustainability initiative. The company is committed to sustainable procurement and production practices that reduce environmental impacts and promote the circular economy. Aside from GHG emissions, Teleste's most important environmental aspects are resource use and waste generation. The operating principles defined in Teleste's environmental policy cover all key areas, which are product design, energy consumption, GHG emissions, materials management and waste management.

The company improves resource efficiency and promotes the circular economy by continuously extending the life-cycle of its products by developing their reliability, durability and serviceability.[115] In addition, the company strives to continuously increase the use of recycled materials in its products and packaging. Teleste procures materials from ethical and responsible sources. The guidelines for sustainable sourcing and the Supplier Code of Conduct were updated in 2023 to support a sustainable supply chain. The aim of the Supplier Code of Conduct is to set standards for the industry, and it includes requirements for the supply chain in the areas of human rights, decent work, health, safety, ethics and the environment.[116]

Teleste actively seeks opportunities to promote the circular economy in its operations. The company uses resources efficiently and reduces the amount of waste generated. Sales and manufacturing forecasting reduces the amount of rejected material. All waste generated in operations is sorted appropriately, and the target is to increase the recycling rate of waste to 80% by 2030. The disposal of waste is avoided.[117] The cardboard, plastic and metals used in products and packaging are recyclable. Teleste also favours recycled materials in its procurement. The target is to increase the share of recycled aluminium in products to 96% by 2030.[118]

Teleste's Leadership Team sets environmental targets based on the most significant environmental aspects and the materiality assessment, which means that the views of stakeholders are also taken into account.[119] The targets have also been defined in the policy and they are presented in section E5, in the paragraph Metrics and targets (E5-3).[120]

The environmental policy is publicly available to all employees, contractors and stakeholders. Teleste trains its employees to ensure that everyone is familiar with the policy and understands their responsibility for putting it into action.[121]

In order to manage the component availability risk, which is identified as a material risk in the materiality assessment, the company has defined a policy that covers a careful evaluation process for new supplier selection, continuous monitoring and classification of supplier performance, and comprehensive contractual arrangements. In addition, the company conducts regular business reviews with key suppliers to ensure the quality of cooperation and reacts quickly to any deviations. The company also actively monitors the life-cycle of components, the financial solidity of key suppliers and changes in their ownership structure, and keeps abreast of industry news and regulatory changes, which ensures proactive and sustainable risk management.[122]

MEASURES (E5-2)

The scope of application of the key measures covers the entire product life-cycle, from product design and materials procurement to disposal, with the aim of promoting sustainable resource use and the principles of a circular economy. Impacts related to product development identified in the double materiality assessment include promoting the circular economy by producing easily recyclable and repairable products, and reducing adverse environmental impacts through products with long life-cycles. To promote these impacts, Teleste conducts an environmental review of all new product families, which examines, for example, the choices of materials, serviceability and upgradability. This is an established practice and part of the company's product development process. Extending the life-cycle of products and choosing environmentally friendly materials can significantly reduce adverse environmental impacts and promote the circular economy. In addition, the serviceability and repairability of products reduce unnecessary consumption of resources and emissions caused by new production.

Key actions from a procurement perspective include increasing the use of recycled materials, favouring recyclable packaging, reducing the use of water and resources in the supply chain, and requiring suppliers to comply with strict environmental requirements.[123] Teleste encourages suppliers to adopt environmentally friendly technologies and sustainable practices regarding the management of natural resources. To reduce the environmental impacts of procurement, the company requires its suppliers to comply with environmental standards through audits, assessments and surveys. Potential deficiencies are addressed by drawing up a plan for remedy together with the supplier. These actions ensure compliance with requirements concerning the treatment of air, water and waste, provide structured solutions to address identified deficiencies, and promote sustainable improvements in the supply chain.[124]

In order to manage the environmental impact of raw material consumption and the impact of the recycling rate of materials, the company plans to strengthen its sustainable procurement resources in the near future. Strengthening these resources is expected to increase positive impacts and reduce negative impacts. There are also plans to repeat the supplier sustainability survey, as planned, during the next reporting period. The survey

[113] E5, E5 IRO-1 AR7f
[114] E5, E5-1 14, MDR-P 65a
[115] E5, E5-3 24a
[116] E5, E5-1 15b
[117] E5, E5-1 14, MDR-P 65b, 65d
[118] E5, E5-1 14
[119] E5, E5-1 14, MDR-P 65c, 65e
[120] E5, E5-1 15a
[121] E5, E5-1 14, MDR-P 65f
[122] E5, E5-1 14, MDR-P 65a
[123] E5, E5-2 19
[124] E5, E5-2 19 MDR-A 68d

is planned to be carried out at two-year intervals. The most recent survey was conducted in 2023. The survey provides the company with more detailed information resource use among its suppliers. The company also aims to influence potential shortcomings and the progress of remedies in connection with supplier business reviews, for example. The measures taken during the reporting period do not directly contribute to the target of increasing the share of recycled aluminium in Teleste’s products.

Waste generation is one of the impacts identified in the double materiality assessment. All waste generated in Teleste’s operations is sorted carefully and the aim is to minimise the amount of waste in all operations. The disposal of waste is avoided. To reduce this impact, the company organises sorting training whenever necessary. The most recent sorting training was held in 2023. In addition, as part of orientation training, new employees complete an online course on the subject of the environment, which covers the content of Teleste’s environmental policy, so that everyone understands their responsibilities with regard to environmental protection. Teleste is a member of a producer responsibility organisation for electrical and electronic equipment and packaging materials, which ensures that the recycling and appropriate treatment of these materials is carried out in accordance with applicable legal requirements.[125]

In the materiality assessment, component supply disruptions due to geopolitical threats were identified as a material risk from the perspective of resources and the circular economy. To manage component availability risk, the company conducts supplier risk assessments. In addition, an established process for new supplier evaluation and selection is applied. The product life-cycle is evaluated in regular reviews focused on the life-cycle of active products. The availability of any critical materials used in the products is also examined in connection with the review. Teleste regularly seeks alternative components to manage country risk. The measures support the policies related to these impacts and risks.[126]

The company has included the management of resource use and circular economy as part of its business, and the expenses have therefore not been disaggregated from other expenses. Consequently, the magnitude of separate financial resources allocated to individual measures is not significant. Teleste considers that the current resources are sufficient to implement the planned measures in the short term. The action plan for the reporting period did not require separate operating or capital expenditure classified as significant. The company has not planned to increase the operating or capital expenditure related to the measures for the next reporting period. The company has also not created a medium- or long-term capital investment plan related to climate and energy measures.[127]

Metrics and targets (E5-3)

Table 12 Other environmental targets

Metric	2021 base year	2024 outcome	2025 target	2030 target
Share of recycled aluminium in products manufactured in-house [%]	92 %	86 %	94 %	96 %
Waste recycling rate [%]	60 %	77 %	75 %	80 %

Progress towards targets

Increasing the share of recycled aluminium in Teleste’s products
The share of recycled aluminium in Teleste's products decreased slightly compared to the level in 2021. The company works with suppliers to ensure greater transparency and assurance of the use of recycled aluminium.

Increasing the waste recycling rate
The waste recycling rate has increased from the previous level, and the company achieved its short-term target. [128]

The company’s target is to increase the recycling rate for waste generated in its own operations to 75% by 2025 and to 80% by 2030. Another target is to increase the share of recycled aluminium in Teleste’s products to 94% by 2025 and to 96% by 2030. The company does not have official sustainability targets concerning the management of other impacts, risks or opportunities identified as material in the double materiality assessment.[129]

Teleste sets environmental targets on the basis of the most important environmental aspects and the results of the materiality assessment. The materiality assessment also takes into account the views of stakeholders, such as customers, but stakeholders have not been involved in setting the targets themselves. After identifying the environmental impact, the available data for describing the impact was determined. This was followed by defining a suitable metric and a target level for it. The Leadership Team monitors the results regularly.

[125] E5, E5-2 19, MDR-A 68a-d
[126] E5, E5 MDR-T 81b, MDR-A 68
[127] E5, E5-2 19 MDR-A 69b,c
[128] E5, E5-3 23, MDR-T 80j
[129] E5, E5-3 23, MDR-T 80b

Most of the waste generated by Teleste's operations is recyclable. Based on this, it is assumed that the waste recycling rate is a descriptive metric for the environmental impacts of waste. With regard to recycled aluminium, the assumption behind the metric is that aluminium has a significant environmental impact, and that this impact can be reduced by favouring the use of recycled aluminium. The share of recycled aluminium is therefore assumed to effectively reflect the environmental impact of the materials used in products.[130]

The targets are stated in the environmental policy and the operating principles defined in the policy support the achievement of the targets.[131] Both of the sustainability targets set are absolute.[132] The targets reduce the use of virgin raw materials and promote the continued circulation of materials. Thus, they support the principles of a circular economy, which aims to maximise the recycling and reuse of materials. Increasing the recycling rate reduces the incineration and disposal of waste, which reduces the burden on the environment. In addition, the use of recycled aluminium in products reduces the need for mining and promotes adherence to the waste hierarchy. Both of the targets support increasing the use of recycled materials. The target related to aluminium supports it directly in the company's own operations, while the target to increase the recycling rate of waste supports it in the future by promoting the availability of recycled materials. Both of the sustainability targets belong to level 3 "recycling" of the waste hierarchy.[133] The targets are not required by legislation, but they support, for example, the realisation of the EU's recycling requirements for corporate waste. The company has not applied science-based frameworks, such as Science-Based Targets for Nature (SBTN), in setting the targets. Instead, the targets are based on scientific sources and expert recommendations, such as publications by the Ellen MacArthur Foundation. The target for the share of recycled aluminium is based on industry best practices and market requirements, where the regulatory framework, such as the effects of the CBAM Regulation on aluminium, is also one factor to consider.[134]

The waste recycling rate is monitored at the company's Finnish sites in Littoinen, Forssa and Tampere. Other sites do not generate significant amounts of waste. The target of increasing the waste recycling rate covers waste generated by the operations of these units. It therefore includes not only waste generated in production but also waste generated in the office. The methods and assumptions concerning the calculation of recycled aluminium are described in paragraph "Resource inflows, including resource use (E5-4)". The target of increasing the share of recycled aluminium in Teleste's products covers products both in the NET and the PSM business.[135] No changes have been made to the basis for preparation of the metrics over the specified time horizon.[136] The metrics have not been externally assured.[137] The target of increasing the waste recycling rate is related to waste generated in the company's operations and, thus, resource outflows. The target of increasing the share of recycled aluminium is related to purchased materials and, thus, resource inflows.

The company also monitors the number of suppliers who have made a commitment to the Supplier Code of Conduct, but no formal target has been set for this. The assumption behind the metric is that the more suppliers commit to sustainable practices, the more sustainable the company's supply chain becomes. Another assumption is that suppliers also require their subcontractors to comply with ethical principles. In 2024, the outcome was 98%. The company has also not set an official target or metric regarding the procurement of renewable raw materials.[138]

RESOURCES INFLOWS, INCLUDING RESOURCE USE (E5-4)

Material flows consist of finished products (amplifiers, workstations, servers and related products, tools, adapters, circuit boards, auxiliary materials) and raw materials used in production (semiconductor and passive components, mechanical parts, modules, packaging materials and electromechanical parts). The upstream value chain for their production mainly involves the following materials: metals (aluminium, copper, zinc, steel, brass, nickel), plastics, composites and other technical materials (glass fibre and resins, ceramics, quartz glass), chemical materials and solders and other materials (silicon, tools and adapters). Fixed assets used in the company's own operations include measuring devices, circuit analysers, circuit board cleaning equipment and various jigs. Water is not used in the manufacture of the company's own products. In the upstream value chain, water is used in the production of raw materials, for example in connection with the production processes of circuit boards and components. The company does have precise visibility to the fixed assets used in the upstream value chain.[139]

The material weights of the components received in 2024 are obtained from ERP and product management systems. The predefined weight of each component is recorded in the system, which enables the calculation of the total weight of received components based on the quantities received during the

Table 13 Information on materials used in the manufacture of products during the reporting period [140]

The overall total weight of products and technical and biological materials used during the reporting period (kg)	The overall total weight was 962,625 kg, including technical materials 858,136 kg and biological materials (packaging materials, pallets) 104,489 kg.
Percentage of biological materials (%)	11 %
Weight of secondary reused or recycled components, secondary intermediary products and secondary materials, in absolute value (kg)	223,803kg
Weight of secondary reused or recycled components, secondary intermediary products and secondary materials, in percentage (%)	23 %

[130] E5, E5-3 23, MDR-T 80f-i, E5-4 28, MDR-M 77
[131] E5, E5-3 23, MDR-T 80a
[132] E5, E5-3 23, MDR-T 80b
[133] E5, E5-3 24 a-f
[134] E5, E5-3 27
[135] E5, E5-3 23, MDR-T 80c, E5, E5-2 19, MDR-M
[136] E5, E5-3 23, MDR-T 80f-i
[137] E5, E5 MDR-M 77b
[138] E5, E5-3 24d
[139] E5, E5-4 30
[140] E5, E5-4 31a-c

year. In the design phase, material weights are verified either by direct measurements or by using information provided by the manufacturers, and they are recorded in the system. Components are classified into main categories and the material composition of each main category is documented.

Based on the calculations, the recycling rate of aluminium is 86%. The share of recycled aluminium in the products is based on the average recycling rate of aluminium and partly on primary data provided by the supplier. For the primary data, the basic principle is the process documented in the following description. 30% of the material in the die casting process is remelted into products during production. This includes the intake channels, exhaust channels and cylinder head. This takes place before post-processing. Adding a recycled aluminium block (95% recycled on average) to this reused material increases the total recycled material content to over 90%.

The recycling rate applied for packaging material is 80%, which is based on the part number-specific information provided by the supplier and an average derived from it. For pallets, purchased pallets are taken into account. For the NET business, pallets purchased in Finland and Belgium have been taken into account, and they are all 100% secondary use pallets at the time of purchase. Pallets received in connection with materials orders are reused in connection with customer deliveries. For PSM's materials orders, recycled Euro pallets are used and they are 100% secondary use pallets when purchased. For customer deliveries, customer-specific pallets are used, which are purchased new.

In the calculation of the total weight of materials, a distinction is made between technical and biological materials. All of the purchased products used in manufacturing are therefore included in technical materials. Technical materials include other materials except packaging materials (cardboard packaging) and wooden pallets, which are included in biological materials.[141]

For biological materials, the purchased pallets comply with the ISPM 15 standard. For packaging materials, information on certification systems is not yet known, but the topic is being investigated. The company does not apply the cascading principle.[142]

Mass is calculated on the basis of the amount of incoming raw materials. The quantities of incoming materials are obtained directly from the ERP system, which ensures that double counting does not occur. A separate assessment has been made regarding pallets, as their weight and quantity are not directly monitored through the ERP system.[143]

OUTFLOWS RELATED TO PRODUCTS AND SERVICES (E5-5)

The most important products and materials that are outflows of the company's production process

Key products from the perspective of the use of materials in the NET business are telecom network products, such as broadband amplifiers and optical converters. In the PSM business, the key products are displays in rail passenger cars and at stations, as well as other infotainment products installed on train, tram and metro systems. The products manufactured by Teleste are electronic devices consisting mainly of circuit boards containing electronic components, display panels, internal cables, power supplies, software, housings and other mechanical structures. Teleste's environmental policy sets the following targets for product design, for example:

- The target is to extend the product life cycle by improving the reliability, durability and serviceability of products.
- Modular solutions support backward compatibility in product upgrades, thereby preventing unnecessary scrapping from customer systems.
- Ease of dismantling and recyclability are considered in the early stages of design.

A checklist of adverse impacts is used in product creation projects. Teleste's end products cannot be remanufactured. They are designed to be dismantled as easily as possible into mono-materials. The devices are highly modular and support software updates that extend the product life cycle. All the products are intended for professional use, which involves high requirements concerning quality and functionality. Maximising the life cycle of products is given significant attention in product design. There are hardly any side streams in the manufacture of the products. Teleste's products are manufactured to order, which means that the end products do not generate scrap material. All products go into production use, or are used as reserve equipment, by the customer.[144]

The expected durability of the products in relation to the industry average for each product group

The NET business manufactures telecom network products. For most of the products, the normal operating environment is an outdoor environment, which means that the temperature conditions in different geographical areas have a significant impact on the expected lifespan. No information is available on the average durability of products in the industry. At Teleste, the theoretical lifespan of PSM products is calculated using standard methods used in the electronics industry.

In the PSM business, especially for electronics products used in public transport, the MTBF (Mean-Time-Before-Failure) value is typically calculated according to the environmental conditions and operating hours of the customer project. Target values are typically also set for the products by the customer. As information is not generally available on the average durability of products in the industry, the average target values can be used as a benchmark. The table below shows the calculated MTBF values (as averages) and the mean target values for the PSM product categories.[145]

Product category	Calculated MTBF value	Mean target MTBF
Display products	155,000 h	120,000 h
Audio system products	450,000 h	200,000 h
Other infotainment products	200,000 h	80,000 h

[141] E5, E5-4 32
[142] E5, E5-4, 31b
[143] E5, E5-4 AR25
[144] E5, E5-5 35
[145] E5, E5-5 36a

Repairability of products

Part of the product creation process is an environmental review that takes the repairability of the product into consideration. Both businesses have their own versions of the checklist. Teleste's products have their own maintenance and spare parts service, which is available for at least seven years after official notification that the product will no longer be manufactured. The products are primarily designed to be openable; the parts are interchangeable; the products are highly modular, and the software is upgradable. The target of serviceability is also documented in Teleste's environmental policy. There is no established classification system for the repairability of public transport and telecom equipment intended for professional use.

A maintenance plan is created for products in the PSM business, which specifies whether the various products in the system are repairable or not. For repairable products, proactive maintenance measures are also specified as needed, if necessary for ensuring the life cycle of the product. Calculated on a mass basis, 50% of the products of Teleste's NET and PSM businesses were designed to be repairable.[146]

Quantities of recyclable materials in products

In the NET business, amplifier and optical converters with die-cast housings are products that are relevant in terms of the manufactured quantities and mass. The housings are primarily made of recycled aluminium. In the PSM business, the thin metal housings of displays and other infotainment products used on trains and at stations are relevant products in terms of the manufactured quantities and mass. The thin metal used in the housings is partly made from recycled material. Correspondingly, the recyclable materials in the products mentioned above include all mechanical metal parts, cables and PCB materials. As a rule, the components of the products can be separated into mono-materials.

At the customer's request, PSM products are subject to a recyclability analysis, in which the number of recyclable materials is determined by means of calculation. The calculation can be performed according to different standards (ISO 22628, ISO 21106, UNI-LCA-001). The calculation considers different material categories in accordance with the standards and generally all electronic components (circuit boards and display panels) are classified under electronics. For example, the recyclability figures extracted from the recyclability analysis of one TFT display product and one infotainment product according to different standards are as follows:

PSM products are similar electronic devices, so the example products can be considered to be representative of the entire PSM product portfolio.

The proportions of recyclable materials of products in the NET business in the calendar year 2024 have been calculated in accordance with the IEC/TR 62635 standard. Product examples representing high-volume products are provided in the table below.

The products of the NET business are similar electronic devices, so the example products can be considered to be representative of the entire NET product portfolio.[147]

PSM business	ISO 22628	ISO 21106	UNI-LCA-001
TFT display product	97.6 %	93.3 %	67.9 %
Infotainment product	98.8 %	86.3 %	87.4 %

NET business	IEC/TR 62635
Network product 1 Amplifier ICON3000	88.0 %
Network product 2 RF passive product 3TP-8	86.0 %
Network product 3 House distribution amplifier CX3-D	82.0 %

Waste streams

The waste generated by Teleste's operations is primarily non-hazardous waste. Very small amounts of hazardous waste are generated, and they are mainly recycled. The most significant proportion of the waste generated consists of packaging materials that are recycled. In addition, waste types typical of the industry, such as various types of metal, cable, electrical and electronic waste, are generated to some extent.[149]

Most of the waste generated by Teleste's operations is cardboard and paperboard. In addition, clean untreated wood, which practically means pallets, and plastic make up the majority of packaging waste. Other waste materials include combustible waste, waste that ends up in energy waste, aluminium and steel waste, electrical and electronic waste, cable waste, and recyclable paper and confidential paper waste.

The hazardous waste generated by the company's operations mainly consists of organic solid waste and aerosol waste.[150] The company's operations do not generate any radioactive waste.[151] At the company's sites in Littoinen, Forssa and Tampere, waste volumes are obtained from the waste management partners, which means that they are based on measurements. For the other units, waste volumes have been estimated on the basis of the best available data. The units for which waste volumes have been estimated are relatively small offices, which means that they do not generate significant amounts of waste. The waste volumes of small sites were estimated on the basis of the number of personnel. In the calculation, it was assumed that these sites generate small amounts of energy fraction and, in addition, waste fractions classified as recycled waste. The estimated data accounts for less than 5% of the total waste volume. Waste is monitored in the company's own waste accounting. The waste data in the tables covers the entire organisation's waste, and the boundary therefore differs from the boundary applied in Teleste's sustainability target concerning the waste recycling rate.[152]

[146] E5, E5-5 36b
[147] E5, E5-5 36c
[148] E5, E5-5 38
[149] E5, E5-5 38a
[150] E5, E5-5 38b
[151] E5, E5-5 39
[152] E5, E5-5 40

Table 14 Waste diverted from disposal, by recovery type, in tonnes (t) [153]

Hazardous waste	
Preparation for reuse	0 t
Recycling	0.07 t
Other recovery operations	0.01 t
Total	0.08 t

Non-hazardous waste	
Preparation for reuse	5 t
Recycling	77 t
Other recovery operations	25 t
Total	107 t

Table 15: Waste directed to disposal, by waste treatment type, in tonnes (t) [154]

Hazardous waste	
Incineration (without energy recovery)	0 t
Landfill	0 t
Other disposal operations	0 t
Total	0 t

Non-hazardous waste	
Incineration (without energy recovery)	0 t
Landfill	0 t
Other disposal operations	0 t
Total	0 t

Table 16: Summary [155]

Total amount of waste in tonnes	107 t
Total amount of hazardous waste in tonnes	0.08 t
Total amount of non-recycled waste in tonnes	25 t
Percentage of non-recycled waste	23 %

[153] E5, E5-5 37bi-iii
[154] E5, E5-5 37ci-iii
[155] E5, E5-5 37a, 37d, 39

3. Social information

OWN WORKFORCE S1

MATERIAL IMPACTS, RISKS AND OPPORTUNITIES AND THEIR INTERACTION WITH STRATEGY AND BUSINESS MODEL (ESRS 2, SBM-3)

The impacts, risks and opportunities related to the company's own workforce (value chain: own operations) concern working conditions, equal treatment and equal opportunities.

- Teleste's adheres to the principle of paying its personnel wages in accordance with the law and the applicable collective agreement. In addition, the company's compensation processes ensure equal pay for equal work, taking country-specific differences into account. Teleste is committed to promoting adequate and equal pay, as well as training and skills development, in all of its operating countries, thereby improving the well-being of its employees. The company monitors the wage development and wage level of its personnel, using human resources management processes to ensure that the minimum salary levels are exceeded in the various countries. In addition, Teleste's personnel mainly work in countries that have strict labour legislation and active supervision by the authorities. Some countries also have collective agreements in force, which, together with labour legislation, ensure employees' rights concerning pay. Teleste measures the ratio of the CEO's pay to the average pay of the employees and has set a target for it. The company also uses human resources management processes to ensure that these principles are complied with, and the company reacts as necessary.[156]
- The company adheres to management principles that support work-life balance. Teleste offers its employees flexible working time arrangements, such as flexible working hours, remote work opportunities, parental leave and childcare opportunities, which helps to achieve a balance between work and private life. Teleste measures the employees' satisfaction with management through personnel surveys and develops its supervisors by means of coaching and training. Working time arrangements comply with country-specific labour legislation and any potentially applicable collective agreements, which help to ensure flexibility. In addition, Teleste's personnel-related operating procedures and policies aim to enable the reconciliation of work and free time. The corporate culture is measured in a personnel survey, and targets have been set for it. Leadership is also measured, but no numerical target has been set for it.[157]
- Teleste invests in the well-being of its employees in many different ways, ensuring good working conditions and health-related support measures. These support measures include, for example, comprehensive occupational health care and insurance policies that take country-specific differences into account. The company also supports the maintenance and development of mental and physical well-being by providing employee benefits that support this. A success & growth review is held annually with each employee, and well-being is one of the topics addressed. Corrective measures are established with regard to well-being as necessary. Teleste measures well-being and engagement, and clear targets have been set for these.[158]
- The company's principles include equality and diversity. These topics are addressed in personnel training, including orientation training for new employees. The company's operating procedures and policies support the realisation of these principles in recruitment and the monitoring of pay equality, for example. This creates an inclusive work community and improves the employer image. The company has also set a diversity target for the composition of the Board of Directors, the achievement of which is monitored.

As part of annually updated strategy, a human resources strategy is also drawn up, and it takes the company's personnel into consideration. The human resources strategy is the responsibility of the Senior Vice President, People and Culture, who is part of the Leadership Team. The company's business model and changes thereto take the personnel and human rights into account. The Senior Vice President, People and Culture, is responsible for ensuring that these matters are taken into consideration as part of the development of the business model.[159]

Teleste's sustainability with regard to its own workforce is guided by the local legislation, collective agreements, the company's

[156] ESRS 2, SBM-3
[157] ESRS 2, SBM-3
[158] ESRS 2, SBM-3
[159] S1, SBM-2, 12

values, the human resources strategy and the company's personnel-related policies and operating procedures. Teleste's Code of Conduct is the highest-level policy guiding in these matters. Teleste's operations are also guided by the Leadership Principles and the Culture Vision. These principles apply to everyone working at Teleste, regardless of the form of employment.

Teleste's various forms of employment include the company's own employees, contracted employees and temporary agency workers. They can be either full-time or part-time, and the employment relationship may be either valid indefinitely or fixed-term.[160]

Teleste complies with local labour legislation and any collective agreements intended to mitigate the impacts on Teleste's employees. In addition, 100% of the company's personnel are registered in the human resources management system, which reduces the risk of legal non-compliance with regard to the terms of employment or wages. Teleste regularly collects feedback from its personnel and, at the same time, surveys development ideas that could have a positive impact on the personnel.[161]

Teleste requires equal treatment in the company. In addition, the company's recruitment process is designed to support equal treatment.[162]

Teleste does not perceive any negative impacts on its own workforce caused by climate change mitigation measures, and the company does not conduct business in regions with a significant risk of child labour or forced labour.[163]

All of the company's employees complete Code of Conduct training as part of the orientation training process. This aims to ensure that Teleste's employees understand the key principles that guide sustainability.[164] Of Teleste's employees, 91.7% had completed training on the Code of Conduct by the end of 2024. For certain business reasons, the company may need to adapt its operations in a way that may have temporary or permanent negative impacts on employees.[165]

POLICIES RELATED TO OWN WORKFORCE (S1-1)

Teleste has comprehensive process instructions related to its personnel, with the aim of being a responsible and fair employer in addition to promoting the company's business operations. Teleste complies with local labour legislation and any applicable collective agreements that are intended to mitigate negative impacts on Teleste's employees and enable ethical operations in various areas of operation.[166]

Teleste is committed to the following standards, which are recorded in the Teleste Global Human Resources Policy:

- Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87)
- Right to Organise and Collective Bargaining Convention, 1949 (No. 98)
- Forced Labour Convention, 1930 (No. 29) (and its 2014 Protocol)
- Abolition of Forced Labour Convention, 1957 (No. 105)
- Minimum Age Convention, 1973 (No. 138)
- Worst Forms of Child Labour Convention, 1999 (No. 182)
- Equal Remuneration Convention, 1951 (No. 100)
- Discrimination (Employment and Occupation) Convention, 1958 (No. 111)

In its Code of Conduct, Teleste commits to respecting the UN Guiding Principles on Business and Human Rights in all of its operations.[167] In addition, in its human resources management, the company is committed to promoting and complying with principles such as international human rights standards, non-discrimination and equality. The principles are also aimed at promoting Teleste's business operations in a broad sense. Teleste has prepared a comprehensive set of policies and operating procedures, the main principles of which are described at the beginning of each document. The content of the documents corresponds to various human rights principles and promotes the employees' well-being and opportunities for development at work.

The significance and rights of the company's own workforce is emphasised in recruitment, human resources management and cooperation with employees. Supervisors play a key role in the implementation of these policies and operating procedures. They receive regular training and are supported by online training activities related to human resources management processes, operating procedures and the content of policies. Supervisors are also supported by specialists in the company's People & Culture team. The People & Culture team also conducts audits of the company's personnel information system with the aim of detecting any shortcomings.[168]

The key policies related to human resources management are: Teleste Code of Conduct, Teleste Group Human Resources Policy, Whistleblowing Guideline, Risk Management Policy, and Teleste Group Global Compensation and Benefits Policy.[169]

Teleste complies with the Teleste Group Health and Safety Policy, and any incidents related to occupational accidents are reported and corrective measures are taken based on them.[170]

Teleste engages in diverse dialogue with its employees. The company conducts a personnel survey twice a year and consults employees via the Employee Sounding Board forum. Teleste also engages in statutory employer–employee cooperation in countries in which the employees are unionised. Employees can provide feedback anonymously, for example, through the personnel survey or Teleste's whistleblowing channel. Teleste's MyPulse process (personnel survey) and the Employee Sounding Board forum can be used to submit suggestions for improvement. The key topic area addressed are the matters specified in the IRO: employee well-being, equality and non-discrimination, pay-related issues and matters related to management and culture.

Teleste has designed its personnel-related processes and operating practices in such a way that human rights are reqonized and adhered.. The People & Culture team conducts regular audits of personnel information systems and processes to ensure that they operate correctly. These operating practices are documented in operating procedures and policies, which are the subject of training for supervisors, for example. Teleste's personnel are also provided with extensive opportunities to report deviations.[171]

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[160] S1, SBM-3, 14a
[161] S1, SBM-3, 14b ja 14c
[162] S1, SBM-3, 14d
[163] S1, SBM-3, 14e, 14f
[164] S1, SBM-3, 15
[165] S1, SBM-3, 16
[166] S1, S1-1, 19
[167] S1, S1-1, 21
[168] S1, S1-1, 20, 20a ja 22
[169] S1, S1-1, 19
[170] S1, S1-1,23
[171] S1, S1-1, 20b, c, 21

Teleste treats all employees with respect, fairness and equality. The company does not tolerate any form of racism or discrimination. The company's principle is that no one should be discriminated against due to age, origin, nationality, language, religion, conviction or opinion, political activity, trade union activity, family relationships, health status, disability, sexual orientation or other reason.[172]

Diversity and inclusion are the foundation of Teleste's way of working and thinking. Teleste's way of working means respecting all people and oneself. When they join the company, all Teleste employees complete onboarding training that covers the topic of diversity and inclusion.[173]

Through various policies, operating procedures and processes, Teleste is comprehensively committed to ensuring that employees are not subject to negative impacts.[174]

Teleste has drawn up operating procedures titled "Equal and Fair Treatment SOP" and "Diversity & Inclusion SOP" to prevent discriminatory behaviour and harassment in the company. The operating procedures also address the treatment of persons in vulnerable situations. In addition, the Recruitment SOP emphasises a clear recruitment process that ensures equal opportunities for candidates to be employed at Teleste regardless of their background. These topics are covered in orientation training and supervisor training, for example. The personnel also have the opportunity to raise concerns through various channels (including the whistleblowing channel and the personnel survey).[175]

Teleste complies with the Teleste Group Health and Safety Policy, and any incidents related to occupational accidents are reported and corrective measures are taken based on them. The company also has in place processes such as safety inspections and risk assessments, which are mentioned in the policy.[176]

Teleste engages in diverse dialogue with its employees. The company conducts a personnel survey twice a year and consults employees via the Employee Sounding Board forum. Teleste also engages in statutory employer–employee cooperation in countries in which the employees are unionised. Employees can provide feedback anonymously, for example, through the personnel survey or Teleste's whistleblowing channel. Teleste's MyPulse process (personnel survey) and the Employee Sounding Board forum can be used to submit suggestions for improvement.[177]

PROCESSES FOR ENGAGING WITH OWN WORKERS AND WORKERS' REPRESENTATIVES ABOUT IMPACTS (S1-2)

Teleste's personnel is one of the company's most important assets. For this reason, Teleste has created a comprehensive system for decision-making, cooperation and communication between the company and its personnel. For example, the employee representative forum (Johtajisto) provides an opportunity for employee representatives to participate in decision-making with the company's management. These forums discuss topics such as management, culture, well-being, equality and pay (ESRS2 S1-IRO1)[178]. Teleste regularly collects feedback from its personnel and, at the same time, surveys development ideas that could have a positive impact on the personnel. Employee representatives are also met with on a regular basis through the following forums, among others: legally stipulated employer–employee cooperation (Finland), Employee Sounding Board (global), Johtajisto employee representative forum (global). Cooperation is carried out on a regular basis in accordance with an annual meeting planning calendar. Cooperation with employee representatives is carried out by the People & Culture department, and the company's Senior Vice President, People and Culture, participates in the cooperation, as does the CEO from time to time. In selecting the representatives for the Employee Sounding Board, the aim is for the forum to have as diverse a group of participants as possible. The members of other forums are selected by the personnel. The rate of engagement is assessed by means of the response rate of the personnel survey. Separate targets have been set for the response rate as part of the annual report.[179]

Teleste's personnel are not organised according to the European Works Council (EWC), Societas Europaea (SE) Works Council or Societas Cooperativa Europaea (SCE) Works Council models.[180]

Teleste measures the impact of its measures through the personnel survey process. The personnel survey is conducted using a system acquired for that purpose, which ensures the anonymity of the participants. Summaries of the survey results are published for the personnel, and the summaries also specify measures to be taken. The personnel survey measures the following topics: 1) corporate culture, 2) leadership, 3) well-being and engagement . Employees also have the opportunity to give open feedback in the survey. The surveys are processed on a team-specific basis, at the Leadership Team level and with employee representatives. Teleste also monitors the development of sickness-related absences and the occupational accident frequency, and implements development measures based on them. An annual success and growth disicussionr is held with all Teleste employees to evaluate the planned and implemented measures. The company also addresses the personnel survey, myPulse results, the development of sickness-related absences and occupational accident statistics in various employee forums (including statutory employer–employee cooperation and the Johtajisto employee representative forum).[181]

PROCESSES TO REMEDIATE NEGATIVE IMPACTS AND CHANNELS FOR OWN WORKERS TO RAISE CONCERNS (S1-3)

Teleste complies with the principles set out in the Teleste Group Human Resources Policy, such as respect for human rights and equal treatment. Any shortcomings are addressed and corrective measures are decided on in meetings of the Leadership Team.

Teleste's employees have many opportunities to raise concerns and communicate them to the company's management. These instruments include personnel surveys, employee representative system , the Johtajisto employee representative forum and the Employee Sounding Board. Employees can raise concerns by contacting the company's People & Culture team or employee representatives. They can also use the whistleblowing channel. Employees can raise concerns through supervisors or employee representatives or by giving feedback in con-

172 S1, S1-1, 24a, b
173 S1, S1-1, 24c, d
174 S1, S1-4, 38b
175 S1, S1-1, 24a-d
176 S1, S1-1,23
177 S1, S1-1, 20b, c, 21
178 S1, S1-2, 27
179 S1, S1-2, 27a-c, e, 28
180 S1, S1-2, 27d, S1, S1-8, 63b
181 S1, S1-4, 38d, 39, S1, S1-2, 27e

nection with personnel surveys, for example. The results of the personnel survey and the action plans drawn up on the basis of the results are submitted to the People & Culture team for analysis. They are used to prepare a summary that is presented to the Leadership Team for decision-making.[182]

indicative of trust in this feedback channel.[183]

Reported concerns are only handled by the People & Culture team, which strives to protect the employees identity to the greatest possible extent in investigating the matter. Employees can also choose to use the anonymous whistleblowing channel.[184]

TAKING ACTION ON MATERIAL IMPACTS ON OWN WORKFORCE, AND APPROACHES TO MITIGATING MATERIAL RISKS AND PURSUING MATERIAL OPPORTUNITIES RELATED TO OWN WORKFORCE, AND EFFECTIVENESS OF THOSE ACTIONS (S1-4)

Through various policies, operating procedures and processes, Teleste is comprehensively committed to ensuring that employees are not subject to negative impacts due to working for the company.[185]

The key priorities of Teleste's human resources strategy are: 1) competence development, 2) good leadership, 3) a positive employee experience and 4) high-quality human resources management processes. Developing these areas is believed to increase employee well-being and promote business growth. Measures that increase well-being help reduce the risk of losing key resources due to a deterioration of work-life balance.

Teleste's comprehensive occupational health care, comprehensive benefits that promote well-being at work and flexible working time arrangements improve well-being at work. In addition, the company's Nordic management style has been recognised as respecting the well-being of employees. Co-operation with employee representatives in various forums (Employee Sounding Board, statutory employer–employee cooperation forum, employee representative forum (johtajisto)) and the Wellbeing and Engagement SOP, for their part, ensure that the well-being of the personnel is looked after.[186] Key projects have included training on Teleste's leadership principles and improving the corporate culture. Due to cost-saving measures, limited progress has been made on these. The performance and development review process supports dialogue between the employee and the supervisor.[187]

Teleste measures the impact of its measures through the personnel survey process. The personnel survey measures the following topics: 1) corporate culture, 2) leadership, 3) well-being and engagement. Employees also have the opportunity to give open feedback in the survey. The surveys are processed on a team-specific basis, at the Leadership Team level and with employee representatives. Teleste also monitors the development of sickness-related absences and the occupational accident frequency, and implements development measures based on them. An annual success and growth discussionr is held with all Teleste employees to evaluate the planned and implemented measures. The company also addresses the results of the personnel survey, the development of sickness-related absences and occupational accident statistics in various employee forums (including statutory employer–employee cooperation and the employee representative forum (Johtajisto).[188]

The company does not perceive any negative impacts on the personnel from the green transition, such as the closure of a manufacturing plant due to emissions-related reasons.[189]

TARGETS RELATED TO MANAGING MATERIAL NEGATIVE IMPACTS, ADVANCING POSITIVE IMPACTS, AND MANAGING MATERIAL RISKS AND OPPORTUNITIES (S1-5)

Teleste's key targets related to its own workforce are the engagement rate, improving the health rate and developing the corporate culture. Employee representatives have not been directly involved in setting the targets, but the company engages in active dialogue with them about the status of the targets and plans corrective measures. The status of these targets is discussed in Teleste's cooperation forums (statutory employer–employee cooperation, Employee Sounding Board and the employee representative forum (Johtajisto)). The achievement of the targets and related measures are discussed in various employee forums. In addition, the results of the personnel survey are discussed extensively in cooperation forums.[190]

Key figures on the personnel are reported on the basis of data obtained from the personnel information system. The company's People & Culture team, the local HR unit and supervisors are responsible for keeping the information up-to-date. The key figures are reported in person-years at the end of the reporting period (31 December 2024) and as averages for the year. The figures include the entire Teleste Group's internal employees, but do not include external employees or persons on long absences.

Employee turnover is calculated by comparing the number of employees who left the company during the year with the average

191

Table 17 Targets related to own workforce

Indicator	2024 outcome	2024 target	2030 target
Employee turnover during the financial period	21 %	<17 %	<15 %
Engagement Personnel survey response rate	62 %	80 %	80 %
Corporate culture Average score of the personnel survey section on corporate culture, scale 1–10	6,3	7,5	8,0
Well-being Reversed absence rate	98.1 %	98.0 %	98.0 %
Remuneration Pay ratio: CEO/average employee salary	6:1	7:1	7:1

182 S1, S1-3, 32a-d
183 S1, S1-3, 33
184 S1, S1-3, 33
185 S1, S1-4, 38b
186 GS1, S1-4, 40a
187 GS1, S1-4, 38c
188 GS1, S1-4, 38d, 39
189 GS1, S1-4, 40a-b, 41, 43, AR43
190 GS1, S1-5, 47 a-c
191 S1, S1-5, 46

number of person-years. Employee turnover includes all reasons for termination of employment. The annual average is calculated monthly. The figures on remuneration are based on employees in an active employment relationship on 31 December 2024. The reported figures are consistent with the logic applied in the company's financial reporting.[192] The metrics concerning the company's own workforce have not been externally assured.[193] Teleste's Leadership Team constitutes the company's top management.[194]

The targets related to own workforce apply only to Teleste's own personnel. Stakeholder representatives have not been involved in setting the targets. In setting the targets, efforts have been made to take account of the international policies and standards that are mentioned in the company's global human resources policy.[195]

CHARACTERISTICS OF THE UNDERTAKING'S EMPLOYEES (S1-6)

Table 18 Number of employees at the end of the reporting period [196]

Gender	Number of employees (head count)	Number of employees (FTE)	Average number of employees (FTE)
Male	470	461	501.5
Female	162	158.2	171.3
Total employees	632	619	672.8

Table 19 Number of employees in countries where the company has at least 50 employees representing at least 10% of its total number of employees [197]

Country	Number of employees (FTE)	Average number of employees (FTE)
Finland	443	460.0

Table 20 Number of employees by contract type (FTE) [198]

2024	Female	Male	Total
Number of employees (FTE)	158.2	461	619
Number of permanent employees (FTE)	154.2	449	603
Number of temporary employees (FTE)	4.0	10.9	14.9
Number of non-guaranteed hours employees (FTE)	0.0	1.3	1.3
Number of full-time employees (FTE)	150.0	449	599
Number of part-time employees (FTE)	8.2	12.4	20.6

Table 21 Employee turnover in 2024 [199]

Number of terminated employment relationships	148
Employee turnover rate	21 %

CHARACTERISTICS OF NON-EMPLOYEE WORKERS IN THE UNDERTAKING'S OWN WORKFORCE (S1-7)

The reporting on the external workforce is based on the personnel information system, and the figures are presented in person-years. The key figures for the external workforce are reported in person-years at the end of the reporting period (31 December 2024) and as averages for the year. The external workforce includes employees who have a valid labour supply agreement with Teleste, including self-employed persons and temporary agency workers. Self-employed persons and temporary agency workers have not been disaggregated in the system with regard to the external workforce.[201]

[192] S1, S1-6, 50d, e, f
[193] S1, MRD-M 77b
[194] S1, S1-S9, AR71
[195] S1-5, MDR-T 46,80f
[196] S1, S1-6, 50a, AR 57
[197] S1, S1-6, 50a, AR 57
[198] S1, S1-6, 50b
[199] S1, S1-6, 50c, AR 59
[200] S1, S1-7, 55b, bi
[201] S1, S1-7, 55bii, 55c, 57

Table 22 Non-employee workers [202]

Number of non-employee workers (FTE)	103
Average number of non-employee workers (FTE)	113.0

DIVERSITY METRICS (S1-9)

Table Diversity metrics [203]

	Number of employees (FTE)	Number of employees (%)
Top management	8.0	1.3 %
Female	2.0	25 %
Male	6.0	75 %
Under 30 years old	45.8	7.4 %
30–50 years old	314.3	50.7 %
Over 50 years old	259	41.9 %

INTERESTS AND VIEWS OF STAKEHOLDERS (ESRS 2, SBM-2)

The material impacts, key risks and opportunities concerning the company's own workforce have been identified in the double materiality assessment. The company's own personnel participated in the materiality assessment process. The engagement of the company's own personnel and other stakeholders in the materiality assessment process is described in more detail in the following paragraph: Description of the processes to identify and assess material impacts, risks and opportunities (IRO-1). More information on taking the interests and views of stakeholders into account is provided in the following paragraph: Interests and views of stakeholders (SBM-2).

ADEQUATE WAGES (S1-10)

Teleste monitors the compensation development of employees in different countries by acquiring market data and using it in preparing compensation increase plans for each financial period. Teleste also complies with the provisions of collective agreements with regard to increases in wages. The company's target is to pay its employees a living wage in each market.[204] All of the company's employees are paid adequate wages in accordance with the applicable benchmarks. Teleste calibrates the criteria of its short-term bonus scheme annually to reflect market practices. The company's Merit Increase process ensures that the employees' base salary is reviewed annually based on predefined criteria. The global People & Culture team is responsible for monitoring compensation and remuneration trends. Teleste monitors gender pay equality by extracting annual reports from the personnel information system, in which the salary data of all of the company's personnel is stored. .[205]

TRAINING AND SKILLS DEVELOPMENT METRICS (S1-13)

Teleste develops its personnel through training and coaching activities that increase personal skills and team capabilities. However, during the reporting period, the amount of training activities was low due to cost savings and personnel reductions. In general, the topics of coaching and training activities in previous years have been related to leadership and the development of corporate culture. Projects have also been carried out to develop employee well-being, for example. Diversity has been emphasised in guidance concerning recruitment.[206]

Table: Performance and development reviews and training in 2024 [207]

	Female	Male	Total
Employees participating in performance and development reviews (%)	17 %	28 %	25 %
Average number of training hours per employee	0.9	0.4	0.5

COMPENSATION METRICS (PAY GAP AND TOTAL COMPENSATION) (S1-16)

Table: Gender pay gap [208]

	Palkkaero (%)
Blue-collar workers	6.2
White-collar workers	22.4
Total	30.6

Table: Total remuneration ratio [209]

	2024)
Total remuneration ratio	6:1

202 G S1, S1-7, 55a, AR 61
203 G S1, S1-9, 66a,b
204 G S1, S1-10, 69
205 G S1, S1-16, 97c
206 G S1, S1-S13, 83a,b
207 G S1, S1-13, 83 a,b, AR 77,78
208 S1, S1-16, 97a, AR 98-100
209 S1, S1-16, 97b, AR 101

Teleste calibrates the criteria of its short-term bonus scheme annually to reflect market practices. The company's Merit Increase process ensures that the employees' base salary is reviewed annually based on predefined criteria. The global People & Culture team is responsible for monitoring compensation and remuneration trends. Teleste monitors gender pay equality by extracting annual reports from the personnel information system, in which the salary data of all of the company's personnel is stored.[210]

INCIDENTS, COMPLAINTS AND SEVERE HUMAN RIGHTS IMPACTS (S1-17)

There were no serious human rights incidents in the company during the reporting period.[211]

Table 23 Incidents and complaints [212]

	Total number
Incidents of discrimination, including harassment	0
Complaints filed through channels for own workforce to raise concerns	0
Complaints received by the National Contact Points for OECD Multinational Enterprises	0
Fines, penalties and compensation for damages	0

[210] S1, S1-16, 97c
[211] S1, S1-17, 104a
[212] S1, S1-17, 103 a-c

4. Governance information

BUSINESS CONDUCT ESRS G1

GOVERNANCE

The role of the administrative, management and supervisory bodies (ESRS 2, GOV-1)

Teleste's Board of Directors confirms the company's ethical values and policies and monitors their implementation. Teleste's Ethics & Compliance function is responsible for ensuring that the company respects and complies with all applicable national and international laws and regulations, as well as the company's policies and guidelines. The Ethics & Compliance function prepares an annual compliance and ethics review. The Ethics & Compliance function also reports on key matters related to compliance and ethics to the Audit Committee of the Board of Directors, whose tasks include monitoring compliance with the policies and principles confirmed by the Board of Directors and evaluating compliance processes concerning laws and regulations.

Internal auditing includes evaluating the efficiency of processes related to risk management, supervision, management, administration and selected functions, as well as making proposals for their improvement. Internal auditing functions under the authority of the Board's Audit Committee. Internal control is based on Teleste's values and corporate culture, as well as Group- and operational-level structures and processes that support each other. In each of the two business units, the management of the business unit, supported by Teleste's centralised business controller function, is responsible for compliance with the principles of internal control on all levels of the units.[213]

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 Audit Committee members must have sufficient expertise and experience considering the responsibilities of the committee. The CEO or a director appointed by the CEO is responsible for the implementation of internal auditing, and the expertise of external parties is utilised as necessary. The management of the Group and the business units are responsible for internal control as part of their normal managerial duties, while the Board evaluates and monitors the effectiveness of internal control. The members of Teleste's Ethics & Compliance function are appointed by the CEO. In 2024, the committee consisted of the company's directors responsible for legal, financial and human resources matters. In addition, the Group CEO attended all meetings.[214]

IMPACT, RISK AND OPPORTUNITY MANAGEMENT

Description of the processes to identify and assess material impacts, risks and opportunities (ESRS 2, IRO-1)

Teleste has identified and assessed business conduct-related impacts, risks and opportunities in the double materiality assessment conducted in 2024. Corporate culture and whistleblower protection, and related impacts, were identified as material impacts. No material risks were identified. The materiality assessment is discussed in more detail in the following paragraph: Description of the processes to identify and assess material impacts, risks and opportunities (IRO-1).[215]

Business conduct policies and corporate culture (G1-1) (MDR-P, MDR-A)

The sustainability of Teleste's business conduct is guided by Teleste's Code of Conduct, which the company has further specified in its internal policies and guidelines. In accordance with these, the company is committed to complying with all applicable national and international laws and regulations and requires its suppliers and business partners to do the same. Teleste's Code of Conduct summarises the principles of sustainable business conduct, such as honest and transparent business, anti-corruption, product quality and safety, human rights, the environment and whistleblowing. Teleste has been a member of the UN Global Compact network since 2023, and Teleste is committed to its operating principles and goals, which are aimed at sustainable development from the perspectives of the economy, human well-being and the environment.[216]

Teleste's governance structure supports sustainable business and a culture of doing the right thing at all levels. Responsibility for sustainable business conduct thus extends from the company's Board of Directors down to every employee. The members of Teleste's Leadership Team and the persons

[213] G1, GOV-1, 5a
[214] G1, GOV-1, 5b
[215] G1, G1-IRO-1, 6
[216] G1, G1-1, 7

reporting to the members of the Leadership Team are responsible for ensuring that the company's policies are communicated appropriately and that their content is complied with. The company strives to ensure adherence to the culture of doing the right thing by providing training and online courses for the personnel, among other things.[217] Every Teleste Employee is required to complete training on the Code of Conduct at the start of their employment and whenever the content is updated[218]. In addition, Teleste aims to organise training especially for employees in the purchasing and sales organisations, for example, who are at the greatest risk of encountering situations involving corruption and bribery[219].

Together with its personnel, Teleste has defined the company's target culture, which is referred to as the Culture Vision. The personnel participate in various training activities concerning the corporate culture. Teleste's Leadership Team reviews the state of the company's corporate culture twice a year, in connection with addressing the other results of the personnel survey. In addition, the company's Board of Directors reviews the results of the personnel survey annually. The reviews focus on the development of the different components of Teleste's corporate culture and the necessary measures that may be initiated as necessary. As a technology company, Teleste considers innovation and job satisfaction to be particularly important, which is why resources in the human resources management function are allocated to analysing these matters. Twice a year, the People & Culture team publishes an internal report that is aimed at the personnel and discusses the development of the corporate culture. Teleste's management aims to incorporate the key components of the corporate culture in its other communications, and the People & Culture team plans training activities aimed at promoting the corporate culture. Teleste's personnel have the opportunity to foster and develop the corporate culture by responding to the personnel survey and giving feedback on the current situation.[220]

Teleste's employees and other stakeholders are encouraged to raise concerns about potential misconduct in Teleste's business or other functions related to the company. Teleste's employees can always contact their supervisor or a member of Teleste's Leadership Team in case of suspected misconduct. In addition, the whistleblowing channel ensures that whistleblowers can raise concerns anonymously. The whistleblowing channel is available to the company's employees and external stakeholders on Teleste's website.[221]

The company is committed to investigating all whistleblower reports that are made in good faith and protecting the privacy of the whistleblower. The whistleblower is not at risk of losing their job and will not face any other consequences if they report a genuine suspicion. In potential criminal cases, the whistleblower's identity may need to be disclosed in connection with legal proceedings.[222]

Teleste's Ethics & Compliance function investigates suspected misconduct reported by business units or Group functions. The Ethics & Compliance function reports significant suspicions of misconduct or violations to the Audit Committee of the Board of Directors. Only designated members of the whistleblowing team have access to reports received through the whistleblowing channel. Their actions are logged, and all of their actions are confidential. The whistleblowing team may request other persons to participate in the investigation process if that is necessary for investigating the matter. Such persons only have access to information that is relevant to the investigation and are also subject to confidentiality. Persons who are the subject of the suspected misconduct or who have connections to the case never participate in the investigation. Depending on the case, the results of the investigation process are reported to the company's CEO or the Chairman of the Audit Committee, and they decide on what actions will be taken to remedy the situation. The whistleblower is also informed of the results of the investigation, taking into account, however, the protection of the privacy of the persons who are the subject of the report and other matters related to confidentiality.[223]

METRICS AND TARGETS (MDR-T)

The target of Teleste's culture development effort is to build a consistent and strong organisational culture for the company. The company is of the view that a strong culture will promote employee engagement, enhance well-being at work and encourage innovation. Ultimately, the company believes that strong culture that is present in all of the work it does will also be reflected in customer relationships by strengthening them and leading to even stronger performance.[224]

The implementation of the corporate culture is measured every six months as part of the company's personnel survey, and a sustainability target has been set for it. The company does not have metrics or official sustainability targets concerning the management of other governance-related impacts, risks or opportunities identified as material in the materiality assessment.[225]

[217] G1, G1-1, 7
[218] G1, G1-1, 10g
[219] G1, G1-1, 10h
[220] G1, G1-1, 9, AR 1
[221] G1, G1-1, 10a
[222] G1, G1-1, 10c, e
[223] G1, G1-1, 10e
[224] G1, G1-1, 7, MDR-T
[225] G1, G1-1, 7, MDR-T

Statement of comprehensive income

CONSOLIDATED STATEMENT OF INCOME

1,000 €	Note	1.1.–31.12.2024	1.1.–31.12.2023	Muutos, %
Net sales	1	132,524	151,349	-12.44 %
Other operating income	2	607	961	-36.79 %
Material and services	14	-66,244	-77,304	-14.31 %
Employee benefits expense	3	-40,981	-47,479	-13.69 %
Depreciation and amortisation	4	-5,157	-6,066	-14.99 %
Impairment	4	-6,653	0	n/a
Other operating expenses	5	-19,622	-21,943	-10.58 %
Operating profit		**-5,525**	**-481**	**n/a**
Financial income	6	991	946	4.77 %
Financial expenses	7	-2,532	-2,881	-12.12 %
Profit before taxes		**-7,066**	**-2,416**	**n/a**
Income tax expense	8	1,013	1,911	-46.98 %
Profit for the financial period		**-6,053**	**-505**	
Profit attributable to:	9			
Owners of the parent company		-5,853	-82	
Non-controlling interests		-200	-423	
		-6,053	-505	
Earnings per share for profit of the year attributable to the equity holders of the parent	9			
Basic (expressed in € per share)		-0.32	0.00	
Diluted (expressed in € per share)		-0.32	0.00	
Total comprehensive income for the period (tEUR)				
Net profit		-6,053	-505	
Other items in other comprehensive income				
Items that may be reclassified to profit or loss:				
Translation differences		-65	471	
Fair value reserve		-383	141	
Related tax		77	-26	
Other items in other comprehensive income including tax total		-372	586	
Total comprehensive income for the period		-6,424	81	
Total comprehensive income attributable to:				
Owners of the parent company		-6,189	494	
Non Non-controlling interests		-235	-414	
		-6,424	81	

STATEMENT OF FINANCIAL POSITION

1,000 €	Note	31.12.2024	31.12.2023*	Change %
Assets				
Non-current assets				
Intangible assets	10	8,839	13,474	-34.40 %
Goodwill	10	30,082	30,107	-0.08 %
Property, plant and equipment	11	11,516	12,488	-7.79 %
Available-for-sale investments	12	27	364	-92.61 %
Other non-current receivables	12	116	119	-2.40 %
Deferred tax assets	13	3,163	1,873	68.83 %
		53,742	58,425	-8.01 %
Current assets				
Inventories	14	24,896	35,618	-30.10 %
Trade and other receivables	15	32,703	31,513	3.77 %
Tax receivables	21	1,019	444	129.85 %
Cash and cash equivalents	16	8,808	6,228	41.44 %
		67,426	73,802	-8.64 %
Total Assets		**121,168**	**132,226**	**-8.36 %**
Equity and Liabilities				
Equity attributable to equity holders of the parent				
Share capital	17	6,967	6,967	0.00 %
Share premium	17	1,504	1,504	0.00 %
Translation differences		-2,329	-2,154	8.13 %
Fair value reserve and other reserves		3,100	3,406	-8.99 %
Retained earnings		46,234	51,591	-10.38 %
Owners of the parent company		**55,476**	**61,315**	**-9.52 %**
Non-controlling interests		**-669**	**-433**	**54.29 %**
Equity total		**54,808**	**60,882**	**-9.98 %**
Non-current liabilities				
Interest-bearing liabilities	18	24,653	30,460	-19.06 %
Other liabilities	20	35	91	-61.65 %
Deferred tax liabilities	13	50	99	-49.88 %
Provisions	19	560	310	80.59 %
		25,297	30,959	-18.29 %
Current liabilities				
Trade and other payables	20	29,934	32,064	-6.64 %
Current tax payable	21	139	188	-25.77 %
Provisions	19	1,433	796	79.90 %
Interest-bearing liabilities	18	9,558	7,338	30.26 %
		41,063	40,385	1.68 %
Total Liabilities		**66,361**	**71,345**	**-6.99 %**
Total Equity anf Liabilities		**121,168**	**132,226**	**-8.36 %**

* A change has been made to the accounting practice regarding calculated tax receivables and calculated tax liabilities, and amounts attributed to the same tax authority have been netted. A corresponding adjustment has also been made to the figures for the fiscal year 2023. Further details on the impact are provided in note 13.

CONSOLIDATED CASH FLOW STATEMENT

1,000 €	Note	1.1.–31.12.2024	1.1.–31.12.2023
Cash flows from operating activities			
Profit for the period		-6,053	-505
Adjustments to cash flows from operating activities	23	21,398	13,638
Paid interests and other financial expenses		-2,130	-1,595
Other financial items		-201	-318
Received interests and dividends		204	290
Paid taxes		-788	-723
Net cash from operating activities		**12,431**	**10,787**
Cash flows from investing activities			
Purchases of tangible assets		-314	-1,876
Proceeds from sales of PPE		91	28
Purchases of intangible assets		-4,329	-4,967
Purchase of investments		0	0
Disposal of subsidiaries, net of cash disposed of		0	2,407
Acquisition of subsidiaries, net of cash acquired		0	0
Net cash used in investing activities		**-4,551**	**-4,407**
Cash flow from financing activities			
Proceeds from borrowings		37,387	0
Payments of borrowings		-40,823	-11,633
Payment of finance lease liabilities		-1,933	-1,920
Dividends paid		0	0
Net cash used in financing activities		**-5,369**	**-13,552**
Change in cash			
Cash and cash equivalents 1.1.		6,228	13,405
Effect of currency changes		71	-5
Cash and cash equivalents 31.12.		**8,808**	**6,228**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to equity holders of the parent

1,000 €	Share capital	Share premium	Translation differences	Retained earnings	Invested non-restricted equity	Other reserves	Total	Non controlling interest	Total equity
At 1 January 2023	**6,967**	**1,504**	**-1,850**	**50,458**	**3,140**	**152**	**60,372**	**-20**	**60,352**
Net profit				-82			-82	-423	-505
Other items in comprehensive income for the period			-304	766		114	576	10	586
Total comprehensive income	**0**	**0**	**-304**	**684**	**0**	**114**	**494**	**-414**	**81**
Dividends				0			0		0
Equity-settled share-based payments				449			449	0	449
	0	0	0	449	0	0	449	0	449
At 31 December 2023	**6,967**	**1,504**	**-2,154**	**51,591**	**3,140**	**266**	**61,315**	**-433**	**60,882**
At 1 January 2024	**6,967**	**1,504**	**-2,154**	**51,591**	**3,140**	**266**	**61,315**	**-433**	**60,882**
Net profit				-5,853			-5,853	-200	-6,053
Other items in comprehensive income for the period			-175	145		-306	-336	-35	-372
Total comprehensive income	0	0	-175	-5,708	0	-306	-6,189	-235	-6,424
Dividends				0			0		0
Equity-settled share-based payments				350			350		350
	0	0	0	350	0	0	350	0	350
At 31 December 2024	**6,967**	**1,504**	**-2,329**	**46,234**	**3,140**	**-40**	**55,476**	**-669**	**54,808**

Notes to the consolidated financial statements

1. ACCOUNTING PRINCIPLES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

COMPANY PROFILE

Teleste Corporation (the"Company") is a Finnish public limited liability company organised under the laws of Finland and domiciled in Turku in Finland. Its registered address is Telestenkatu 1, 20660 Littoinen. Founded in 1954 Teleste is a technology company running business activities, with a focus on product solutions for video service platforms and video surveillance applications for broadband subscriber networks, as well as comprehensive service solutions, such as network construction, renewal and maintenance, maintenance and design services. The parent company of Teleste Group, Teleste Corporation, has permanent establishment in Netherlands and subsidiaries in twelve countries outside Finland. Teleste Corporation has been listed on the Helsinki Stock Exchange since 1999. A copy of the consolidated financial statements can be obtained either from Teleste's website www.teleste.com or from the parent company's head office, the address of which is mentioned above.

STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) in force as of 31 December 2024. International financial reporting standards, referred to in the Finnish Accounting Act and in ordinances issued based on the provisions of this Act, refer to the standards and their interpretations adopted in accordance with the procedure laid down in regulation (EC) No 1606/2002 of the EU. The notes to the consolidated financial statements also include additional information in accordance with the Finnish accounting and company legislation.

The Finnish version of the financial statements are prepared and published in such a way that they meet the requirements of the ESEF RTS. ESEF financial statements are published in XHTML format in accordance with ESEF RTS. The ESEF financial statements have been certified by an audit company PricewaterhouseCoopers.

The consolidated financial statements have been prepared following the same principles as in 2023. The IFRS standards or amendments that came into effect in 2024 have had no impact on the company's financial statements for 2024.

BASIS OF PREPARATION

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

USE OF ESTIMATES

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

SUBSIDIARIES

Subsidiaries include all such companies (including structured entities) in which the group has control. The group has control over a company when it is exposed to or has rights to variable returns from its involvement with the company and has the ability to affect those returns through its power over the company's activities. Subsidiaries are consolidated in the group's financial statements in full from the date the group obtains control. Consolidation is terminated when control ceases.

ASSOCIATES

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

JOINT VENTURES

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

PRINCIPLES OF CONSOLIDATION

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

SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. At Teleste Corporation, the Board of Directors of the parent company acts as the chief operating decision maker.

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 who's 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 payables are adjusted to re-operating expenses. Other foreign exchange gains and losses are presented as financial income and expenses.

PROPERTY, PLANT AND EQUIPMENT

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

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

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

Land is not depreciated.

LEASES

Teleste has applied for IFRS 16 Leases from 1 January 2019.

Group as lessee

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

Lease terms are negotiated on case-by-case basis and are subject of wide variety of terms. Lease agreements do not contain any other covenants besides the lease subject's security interest.

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

INTANGIBLE ASSETS

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

Goodwill

Goodwill represents the Group's share of the difference between the acquisition cost and the fair value of identifiable assets, liabilities, and contingent liabilities acquired, as measured at the acquisition date. Goodwill is allocated to the cash-generating units that benefit from the acquisition. Goodwill is measured at original cost less than any accumulated impairment losses. Goodwill (and other intangible assets with indefinite useful lives) are not amortized but are assessed annually for possible impairment through impairment tests.

Research and development costs

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

Other intangible assets

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

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

The estimated useful lives are as follows:

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

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

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

A discontinued operation is a component of the Group's business that represents a separate major line of business or a geographical area of operations or is a subsidiary acquired exclusively with a view to resale. The result of discontinued operations is presented separately on the face of the consolidated income statement.

IMPAIRMENT

The carrying amounts of assets are assessed for potential impairment at each balance sheet date and whenever there is any indication that an asset may be impaired. For the purposes of assessing impairment, assets are grouped at the cash generating unit level, which is the lowest level for which there are separately identifiable, mainly independent, cash inflows and outflows. Goodwill, unfinished intangible assets and intangible assets with indefinite useful lives, if any, are in all cases tested annually. All goodwill items of the Group have been allocated to cash generating units. 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 a pro rata basis to other assets of the unit.

The recoverable amount is the higher of an assets 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 based on the objective of the contractual cash flows of the investment or by applying the fair value option at the time of the original acquisition.

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

Financial assets measured at amortised cost

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

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

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

For **trade receivables**, the so-called simplified approach according to IFRS 9 is used to estimate expected credit losses, whereby credit losses are recognized for the entire duration of the receivable. Impairments are based on the expected credit loss model. To determine expected credit losses, trade receivables are grouped by age category. Trade receivables do not contain a significant financing component. Credit losses recognized as expenses in the income statement are included in other operating expenses. Expected credit losses are assessed based on historical data on previous credit losses and an estimate of future outlooks.

Financial assets measured at fair value through other comprehensive income

The Group's financial assets measured at fair value through other comprehensive income consist of investments in non-listed shares.

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

Financial assets measured at fair value through profit or loss

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

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

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits in banks, and other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Items classified as cash and cash equivalents have a maturity of no more than three months from the date of acquisition. Overdraft accounts are included in either short-term or long-term financial liabilities according to their maturity.

Recognition of final credit loss

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

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

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

Derecognition of financial assets

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

Financial liabilities

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

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

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

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

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

Derecognition of financial liabilities

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

Treasury shares

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

Dividends

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

Provisions

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

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

Revenue recognition and net sales

Revenue is recognised at a point in time or over time. The performance obligations are 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 warranties in this business for its products. Defects in Teleste products caused by design, bad material or manufacturing are repaired or replaced by new products. There is no sale with a right of return. Costs of obtaining customer contract are capitalized when they exist. Revenue recognition process does not include any substantive discretionary items.

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

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

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

Other operating income

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

Government grants

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

Employee benefits

Pension arrangements

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

Share-based payments

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

Operating profit

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

Net sales
\+ other operating income
\- raw material and consumables used adjusted for changes in inventories of finished goods and work in progress
\- employee benefits expense
\- depreciation and amortisation expense and impairment losses
\- other operating expense
= operating profit / loss

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

Borrowing costs

Borrowing costs are generally expensed in the period in which they are incurred, except if they are directly attributable to the construction of an asset that meets the determined criteria, in which case they are capitalized as part of the cost of that asset.

Interest and dividend income

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

Derivative instruments

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently measured at fair value at the end of each reporting period. The accounting for changes in fair value depends on whether the derivative is designated as a hedging instrument and the nature of the item it hedges.

If hedge accounting is not applied to the derivative, changes in fair value through profit or loss are recognized in the income statement to adjust the corresponding expense item.

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

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

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

Income taxes

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

Deferred tax assets and liabilities are provided in the consolidated financial statements using the balance sheet liability method, providing for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The main temporary differences arise from the treatment of development costs, the depreciation difference on property, plant and equipment and effects of consolidation and eliminations. Deferred taxes are not provided for impairment of goodwill, which is not deductible for tax purposes, nor for undistributed profits of subsidiaries to the extent that 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 assessment of capitalized development expenditures, goodwill, obsolete inventory, credit losses, deferred taxes, and warranty provisions is based on accepted accounting models and case-specific judgment. Case-specific judgment has utilized the best available information at the time of preparing the financial statements.

The cash flow-based value in use of goodwill is determined as part of a cash-generating unit by calculating the estimated future discounted net cash flows from the cash-generating unit. The budget and long-term plans approved by management form the basis for the forecasted cash flows. The key uncertainties in the value-in-use calculations are the forecasts used. Detailed information on goodwill testing is provided in Note 10.

Inventory valuation using the FIFO method at the lower of cost or net realizable value is based on either specific consumption-based accounting or, alternatively, age-based accounting which can also reflect management's view of market conditions. The uncertainties primarily relate to changes in the market conditions of products, as the potential market for individual products is often limited. The inventory provision is presented in Note 14.

Expected credit losses are assessed based on historical data on past credit losses and an assessment of future prospects. The uncertainties relate to customers' payment behaviour and financial situation. Historically, the Group has not experienced significant credit losses, and a portion of trade receivables are secured by credit insurance or receivables financing. The breakdown of the credit loss provision for trade receivables is presented in Note 15.

In terms of deferred taxes, management's judgment is mainly applied to the recognition of deferred tax assets from tax losses. The recognition of deferred tax assets considers the respective company's forecasts, history, potential changes in cost structure, the amount of accrued losses, and their expiration period. Tax loss carry forwards recognized as deferred tax assets are presented in Note 13.

The Group's warranty provision is based on the average warranty period granted for its products and historical experience with defective products. The amounts of the warranty provision are disclosed in Note 19.

By the time of the disclosure of the consolidated financial statements, Teleste has not received any information on significant uncertainties or key future assumptions regarding the estimates as of the balance sheet date that would pose a significant risk of material changes in the carrying amounts of assets and liabilities within the next period.

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.

The Group has not adopted the published new accounting standards, changes to accounting standards, and interpretations that are not mandatory for the financial years ending on December 31, 2024.

The IFRS 18 standard, which will come into effect from 2027, is expected to have a significant impact on the presentation of the company's financial statements. The detailed effects of the changes to the standard have not yet been examined by the company.

Regarding other changes, the Group does not expect the standards, changes, or interpretations that will come into force in future financial years to have a significant impact on the entity in the current or future financial years, nor on foreseeable future transactions.

Segment reporting

Teleste reports its key financial figures starting from January 1, 2024, according to the new segment structure. The operational segments are Broadband Networks and Public Safety and Mobility. The group's reportable segments correspond to the group's operational segments. The group's shared functions are treated outside of segment reporting.

These presented segments are based on the group's internal organizational structure and internal financial reporting. The figures for the period 2023 have been adjusted according to the corresponding segment structure.

BUSINESS SEGMENTS:

The **Broadband Networks** segment focuses on subscriber network products for fixed telecommunications networks, with the most significant customer base consisting of telecommunications operators. Customers can also include companies integrating larger entities and resellers that utilize Teleste's products in their overall deliveries.
The unit's main market area is Europe, but growth is particularly sought in North America. The unit develops, designs, and manufactures a large portion of its products in-house. Its R&D units operate in Finland and Belgium, and own production mainly takes place in Finland. The product range also includes products developed by third parties that complement Teleste's offerings.

The most significant customer base for the **Public Safety and Mobility** segment consists of train manufacturers and public sector organizations, such as public transport operators and authorities. The customer base also includes companies and integrators integrating larger entities that utilize Teleste's solutions in their overall deliveries.

The unit's main market area is Europe, but it also operates in North America and the Middle East. The unit designs, develops, and manufactures a large portion of its products in-house. Its R&D units operate in Finland and Poland, with own production mainly taking place in Finland. The product portfolio also includes products developed by third parties that complement Teleste's offerings.

ITEMS NOT ALLOCATED TO SEGMENTS:

Items not allocated to segments include items related to group management, items treated as adjustments, and post-operating profit items of the group.

SEGMENT REPORTING:

Since the sales between segments are minimal, the reported figures of the segments are the group's external figures from which internal transactions are eliminated.

The Board uses the adjusted operating result to evaluate the results of the reportable segments. The assets and liabilities of the segments are not reported separately.

OPERATING SEGMENTS (TEUR)

	1-12/2024	1-12/2023	Change %
Broadband Networks			
Orders received	74,807	88,348	-15.3 %
Net sales	78,191	92,455	-15.4 %
Adjusted EBITDA	8,869	8,902	-0.4 %
Adjusted EBITDA %	11.3 %	9.6 %	17.8 %
Adjusted operating profit	2,668	2,913	-8.4 %
Adjusted operating profit %	6,201	5,989	3.5 %
Adjusted EBIT %	7.9 %	6.5 %	22.4 %
Public Security & Mobility			
Orders received	50,054	61,208	-18.2 %
Net sales	54,333	58,894	-7.7 %
Adjusted EBITDA	4,389	2,763	58.9 %
Adjusted EBITDA %	8.1 %	4.7 %	72.2 %
Adjusted operating profit	2,488	3,152	-21.1 %
Adjusted operating profit %	1,902	-389	n/a
Adjusted EBIT %	3.5 %	-0.7 %	n/a
Group reconciliation			
Adjusted operating profit from segments	8,102	5,600	44.7 %
Non-allocated items	-4,069	-4,441	n/a
Adjusted operating profit	4,033	1,158	248.2 %
Adjustment items	-9,559	-1,640	n/a
Operating profit	-5,525	-481	n/a
Finance items	**-1,541**	**-1,935**	**-20.4 %**
Profit before taxes	**-7,066**	**-2,416**	**n/a**

The adjustments for the fiscal year 2024 consist of the following items:	
Strategic development projects	164
Business reorganization	2,742
Impairment of development costs	6,653
Total	**9,559**

The adjustments for the fiscal year 2024 consist of the following items:	
Strategic development projects	915
Business reorganization	725
Total	**1,640**

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

Net sales

GEOGRAPHICAL DIVISION

Group operates in four geographical areas:

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

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

Major customers

The company had no major customer concentrations in 2024.

GEOGRAPHICAL DIVISION

2024 1,000 €	Finland	Nordic, countries	Other Europe	Others	Total
Sales by origin	11,535	12,162	88,689	20,138	132,524
Assets	47,447	200	2,848	84	50,579
Capital expenditure	5,444	109	737	21	6,311

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

REVENUE FROM CONTRACTS WITH CUSTOMERS

	2024	2023
Revenue from contracts with customers	132,524	151,349
All revenue streams are generated from contracts with customers		
Receivables, which are included in"trade and other receivables" Note 15	24,367	24,531
Net assets from contracts (+assets - liabilities)		
Contract assets (+)	4,843	3,598
Contract liabilities (-)	-1,146	-1,816
Total	**3,697**	**1,782**
Timing of the revenue recognition		
Timing of the revenue recognition, at point in time	123,120	139,161
Timing of revenue recognition, over the time	9,405	12,188
Total	**132,524**	**151,349**
Revenue by category		
Goods	118,147	131,150
Services	14,377	20,199
Total	**132,524**	**151,349**

ORDER BACKLOG

Timing of order backlog	2025	Later	Total
Order backlog end of 2024	66,958	51,306	118,263

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

2. OTHER OPERATING INCOME

1,000 €	2024	2023
Government grants related to development costs	369	217
Gain on disposals of investments	0	454
Gain on disposals of non-current assets	0	55
Other income	238	234
Total	**607**	**961**

3. EMPLOYEE BENEFITS EXPENSE

1,000 €	2024	2023
Wages and salaries	-37,013	-42,936
Pension expenses		0
Defined contribution plans	-5,094	-6,065
Other social security contributions	-2,189	-2,714
Activated R&D salaries and social costs	3,680	4,718
Equity-settled share-based transactions	-365	-483
Total	**-40,981**	**-47,479**

Information on the remuneration of the Group management is presented in the note Related party transactions.

The average number of employees during the financial year	673	803

4. DEPRECIATION, AMORTISATION AND IMPAIRMENT

1,000 €	2024	2023
Depreciation and amortisation by asset type:		
Tangible assets		
Buildings	-398	-389
Machinery and equipment	-508	-543
Other tangible assets	-4	-4
Total	**-910**	**-936**
Intangible assets		
Capitalised development expenses	-2,120	-2,995
Other intangible assets	-159	-177
Total	**-2,279**	**-3,172**
Right-of-use assets		
Land and water, right-of-use	-33	-30
Buildings and structures, right-of-use	-1,095	-1,036
Machinery and equipment, right-of-use	-839	-892
Total	**-1,967**	**-1,958**
Total Depreciation and amortisation	**-5,157**	**-6,066**
Amortisations by asset		
Intangible assets		
Capitalised development expenses	-6,653	0
Amortisations total	**-6,653**	**0**

In 2024 the Group made two impairment entries on research and development expenses.

A €6.1 million impairment was recorded in the Broadband Networks business due to instability in the adoption of technology variants in the cable market and slower-than-expected growth in the decentralized network architecture market.

Additionally, the Public Safety and Mobility business recorded an impairment of €0.6 million in research and development expenses.

The basis for the impairment has been value-in-use calculations, where the future cash flows discounted to present value have not been sufficient to cover the underpreciated acquisition cost. The discount rate used has been 9.33%.

5. OTHER OPERATING EXPENSES

1,000 €	2024	2023
Rental expenses	-2,219	-2,282
External services	-6,604	-7,096
Other variable costs	-1,268	-1,656
Travel and IT costs	-3,010	-3,630
Capitalized development costs	612	1,358
R&D costs	-1,049	-1,523
Other expenses	-6,083	-7,114
Total	**-19,622**	**-21,943**

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

The breakdown of other business expenses groupings and comparative data has been updated to align with the grouping used in 2024.

Audit expenses

1,000 €	2024	2023
PricewaterhouseCoopers		
Auditing assignments	-147	-133
Assignments referred to in section 1, subsection 1, point 2 of the Auditing Act	-18	0
Tax consultancy	-7	-85
Other assignments	-8	-95
Other assignments		
Auditing assignments	-64	-50
Other assignments	-15	-22

PricewaterhouseCoopers Oy has been assigned as auditor of Teleste group.

6. FINANCIAL INCOME

1,000 €	2024	2023
Interest income	204	286
Other financial income	357	75
Foreign exchange gain	430	581
Dividend income	1	4
Total	**991**	**946**

7. FINANCIAL EXPENSES

1,000 €	2024	2023
Interest expenses	-2,019	-1,499
Foreign exchange loss	-190	-1,035
Interest from lease liabilities	-102	-104
Other financial expenses	-220	-243
Total	**-2,532**	**-2,881**

Losses/gains from forward exchange contracts are included in operating profit.

8. INCOME TAXES

1,000 €	2024	2023
Current tax expense		
Taxes based on the taxable income of the current year	-286	-587
Tax for previous accounting periods	99	2,048
Change in deferred tax liabilities and tax assets	1,200	450
Total	**1,013**	**1,911**

Reconciliation of the tax expense, EUR, 1 013 thousand, calculated using the Teleste Group's domestic corporation 20.0 % tax rate.

1,000 €	2024	2023
Profit before tax	-7,066	-2,416
Income tax using the domestic corporation tax rate (20.0%)	1,413	483
Effect of tax rates in foreign jurisdictions	37	-77
Non-taxable income	34	5
Non-deductible expenses	-174	-170
Loss for the period, for which no deferred tax asset is recognized	-396	-378
Tax losses not previously recognised	0	0
Taxes from previous year	99	2,048
Income tax income/expense reported in the consolidated income statement	**1,013**	**1,911**

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 diluted earnings per share is calculated as follows:

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

The number of ordinary shares outstanding excludes the treasury shares.
The changes in the number of the shares are presented in the note 17 Capital and reserves.

2024	
Profit for the year attributable to equity holders of the parent, (1 000 €)	-5,853
Weighted average number of ordinary shares outstanding during the financial year (1 000)	18,246
Basic earnings per share (€)	-0.32
Weighted average number of ordinary shares outstanding during the financial year (1000)	18,246
Effect of share options on issue (1000)	-35
Weighted average number of ordinary shares outstanding during the financial year (diluted) (1 000)	18,210
Diluted earnings per share (€)	-0.32

2023	
Profit for the year attributable to equity holders of the parent, (1 000 €)	-82
Weighted average number of ordinary shares outstanding during the financial year (1 000)	18,237
Basic earnings per share (€)	0.00
Weighted average number of ordinary shares outstanding during the financial year (1000)	18,237
Effect of share options on issue (1000)	9
Weighted average number of ordinary shares outstanding during the financial year (diluted) (1 000)	18,246
Diluted earnings per share (€)	0.00

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

10. INTANGIBLE ASSETS

1,000 €	Development costs	Immaterial rights	Other intangible assets	Goodwill	Total
Cost 1.1.2024	41,752	1,668	8,227	30,107	81,753
Translation differences	19	-12	70	-25	53
Additions	4,330	0	-2	0	4,329
Business Acquisitions	0	0	0	0	0
Disposals	0	-1	-7	0	-8
Business Disposals	0	0	0	0	0
Reclassifications	-30	0	0	0	-30
Cost 31.12.2024	46,071	1,655	8,288	30,082	86,096
Cumulative amortisation and impairment 1.1.2024	-28,567	-1,623	-8,048	0	-38,238
Translation differences	-19	12	-73	0	-81
Amortisation from business disposals	0	0	0	0	0
Disposals	0	0	7	0	7
Amortisation	-2,120	-35	-124	0	-2,279
Impairments	-6,653	0	0	0	-6,653
Cumulative amortisation and impairment 31.12.2024	-37,359	-1,647	-8,237	0	-47,244
Carrying amount 1.1.2024	13,185	44	179	30,107	43,515
Carrying amount 31.12.2024	8,712	8	50	30,082	38,852
Intangible assets consists of:					
- Assets owned by the group	38,852				
- Leased right of use assets	69				
	38,921				

1,000 €	Development costs	Immaterial rights	Other intangible assets	Goodwill	Total
Cost 1.1.2023	35,572	1,645	8,445	30,581	76,243
Translation differences	94	18	95	13	220
Additions	6,086	5	0	0	6,091
Business Acquisitions	0	0	0	0	0
Disposals	0	0	-20	0	-20
Business Disposals	0	0	-293	-487	-781
Reclassification	0	0	0	0	0
Cost 31.12.2023	41,752	1,668	8,227	30,107	81,753
Cumulative amortisation and impairment 1.1.2023	-25,488	-1,552	-8,138	0	-35,178
Translation differences	-84	-18	-97	0	-199
Amortisation from business disposals	0	0	293	0	293
Disposals	0	0	17	0	17
Amortisations	-2,995	-53	-124	0	-3,172
Impairments	0	0	0	0	0
Cumulative amortisation and impairment 31.12.2023	-28,567	-1,623	-8,048	0	-38,238
Carrying amount 1.1.2023	10,084	93	307	30,581	41,065
Carrying amount 31.12.2023	13,185	44	179	30,107	43,515
Intangible assets consists of:					
Assets owned by the group	43,515				
Leased right of use assets	66				
	43,581				

Teleste Corporation has begun reporting two separate segments as of January 1, 2024. The reportable segments have been defined as Broadband Networks and Public Safety and Mobility business areas. The reportable segments will also constitute cash-generating units from the beginning of 2024.

Group has revceived grants of 0.4 million euros in Finland for development costs in year 2024 (0.2 million euros in year 2023). Of these grants, 0.0 million euros (0.0 million euros in year 2023) has been booked as deduction of activated development costs. Development grants have clause which states that may be retracted if the conditions on which the grants have been permitted, have changed.

For the purposes of impairment testing goodwill items of the Group have been allocated to the segments, each of which represents a separate cash-generating unit. The aggregate goodwill amount totalled 30.1 million euros at 31 December 2024 (30.1 million euros at 31 December 2023). Goodwill has been allocated to the following cash-generating unit:

	million euros
Broadband Networks	16.8
Public Safety and Mobility	13.2

In goodwill impairment testing, the recoverable amount of cash-generating units is defined based on the value in use. The cash flow forecasts used in the testing are based on the strategies and business plans approved by the management. The calculations have been prepared for 5 years.

KEY ASSUMPTIONS

Forecasted Revenue Growth

The cash flow forecast for the first year is based on the 2025 budget according to the business plan. From 2026 onwards, cash flows are based on the long-term financial plan consistent with the strategy for the years 2026 and 2027. The revenue growth forecast for 2028 and 2029 is based on a conservative management estimate.

The average revenue growth used in the calculations is 13% for Broadband Networks and 10% for Public Safety and Mobility. Management's views on cash flows and growth estimates contain uncertainties as industry changes are difficult to predict.

Terminal Growth

The terminal value of the cash-generating unit in impairment calculations has been calculated with a terminal value growth rate of 1.5%.

Discount Rate

The discount rate used in the calculations is 9.3%.

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

Impairment test Meur	2024	2023
Broadband Networks	14.3	N/A
Public Safety and Mobility	20.2	N/A

The following tables show the key assumptions per unit and the percentage point change in the discount rate, resulting in the recoverable amount being equal to the carrying amount of the net assets of the cash-generating unit.

Revenue growth, change (percentage points)	2024	2023
Broadband Networks	-8.6%	N/A
Public Safety and Mobility	-13.6%	N/A

Terminal rate, change (percentage points)	2024	2023
Broadband Networks	-3.5%	N/A
Public Safety and Mobility	-6.3%	N/A

Discount rate change (percentage points)	2024	2023
Broadband Networks	2.3%	N/A
Public Safety and Mobility	4.2%	N/A

11. PROPERTY, PLANT AND EQUIPMENT

1,000 €	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments and work in progress	Total
Cost 1.1.2024	56	11,384	7,102	1,273	0	19,815
Translation differences	0	34	64	3	0	101
Additions	0	24	284	0	0	308
Business Acquisitions	0	0	0	0	0	0
Business Disposals	0	0	0	0	0	0
Disposals	0	0	-283	-28	0	-311
Reclassification	0	0	30	-27	0	3
Cost 31.12.2024	56	11,442	7,197	1,221	0	19,916
Cumulative depreciation and impairment 1.1.2024	-2	-5,073	-5,730	-1,112	0	-11,917
Translation differences	0	-23	-57	-1	0	-82
Cumulative amortisation from business acquisitions	0	0	0	0	0	0
Cumulative amortisation on business disposals	0	0	0	0	0	0
Cumulative amortisation on disposals and reclassifications	0	0	162	25	0	186
Depreciations	0	-397	-508	-4	0	-909
Cumulative depreciation and impairment 31.12.2024	-2	-5,493	-6,134	-1,093	0	-12,722
Carrying amount 1.1.2024	54	6,312	1,371	161	0	7,898
Carrying amount 31.12.2024	54	5,949	1,063	128	0	7,194

Property, Plant and Equipment consists of:	
- Assets owned by the group	7,194
- Leased right of use assets	4,321
	11,516

1,000 €	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments and work in progress	Total
Cost 1.1.2023	56	11,148	7,822	1,270	0	20,296
Translation differences	0	21	190	-1	0	209
Additions	0	313	420	5	0	738
Business Acquisitions	0	0	0	0	0	0
Business Disposals	0	-8	-1,133	0	0	-1,140
Disposals	0	-87	-191	0	0	-279
Reclassifications	0	-3	-6	0	0	-9
Cost 31.12.2023	56	11,384	7,102	1,273	0	19,815
Cumulative depreciation and impairment 1.1.2023	-2	-4,766	-6,283	-1,111	0	-12,162
Translation differences	0	-9	4	2	0	-3
Cumulative amortisation from business acquisitions	0	0	0	0	0	0
Cumulative amortisation on business disposals	0	8	899	0	0	906
Cumulative amortisation on disposals and reclassifications	0	83	192	0	0	276
Depreciations	0	-389	-543	-4	0	-935
Cumulative depreciation and impairment 31.12.2023	-2	-5,073	-5,730	-1,112	0	-11,917
Carrying amount 1.1.2023	54	6,382	1,539	159	0	8,134
Carrying amount 31.12.2023	54	6,312	1,371	161	0	7,898

Property, Plant and Equipment consists of:	
Assets owned by the group	7,898
Leased right of use assets	4,591
	12,489

RIGHT-OF-USE ASSETS

Righ-of-use assets according to IFRS 16

1,000 €	Intangible assets, right-of-use	Land and water, right-of-use	Buildings and structures, right-of-use	Machinery and equipment, right-of-use	Total
Cost 1.1.2024	256	1,285	7,077	6,449	**15,067**
Translation differences	11	0	43	-2	**52**
Additions	0	0	498	1,176	**1,675**
Business Disposal	0	0	0	0	**0**
Disposals	0	0	0	-17	**-17**
Reclassification	0	0	0	27	**27**
Cost 31.12.2024	266	1,285	7,618	7,634	**16,803**
Cumulative depreciations and impairment 1.1.2024	-190	-138	-5,333	-4,749	**-10,410**
Translation differences	-8	0	-43	-2	**-53**
Depreciation on disposals and reclassifications	0	0	0	16	**16**
Depreciations	0	-33	-1,095	-839	**-1,967**
Impairments	0	0	0	0	**0**
Cumulative depreciations and impairment 31.12.2024	-198	-171	-6,471	-5,574	**-12,413**
Carrying amount 1.1.2024	66	1,147	1,744	1,700	**4,657**
Carrying amount 31.12.2024	69	1,114	1,147	2,060	4,390

	Intangible assets, right-of-use	Property, Plant & Equipment, right-of-use	Total
	69	4,321	**4,390**

1,000 €	Intangible assets, right-of-use	Land and water, right-of-use	Buildings and structures, right-of-use	Machinery and equipment, right-of-use	Total
Cost 1.1.2023	260	1,187	7,652	5,958	**15,057**
Translation differences	-5	0	89	16	**100**
Additions	0	99	280	746	**1,124**
Business Disposal	0	0	-838	-371	**-1,208**
Disposals	0	0	0	-7	**-7**
Reclassification	0	0	-105	105	**0**
Cost 31.12.2023	256	1,285	7,077	6,449	**15,067**
Cumulative depreciations and impairment 1.1.2023	-196	-108	-4,966	-4,123	**-9,393**
Translation differences	6	0	-86	-13	**-93**
Depreciation on disposals and reclassifications	0	0	754	279	**1,033**
Depreciations	0	-30	-1,036	-892	**-1,958**
Impairments	0	0	0	0	**0**
Cumulative depreciations and impairment 31.12.2023	-190	-138	-5,333	-4,749	**-10,410**
Carrying amount 1.1.2023	64	1,079	2,686	1,835	**5,664**
Carrying amount 31.12.2023	66	1,147	1,744	1,700	4,657

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

12. OTHER FINANCIAL ASSETS

1,000 €	Available for sale investments	Investments designated as at FVTOCI	Total
Cost 1.1.2024	27	337	364
Translation differences	0	0	0
Additions	0	0	0
Reclassification	0	0	0
Business Disposals	0	0	0
Disposals	0	-337	-337
Cost 31.12.2024	27	0	27
Carrying amount 1.1.2024	27	337	364
Carrying amount 31.12.2024	27	0	27

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

13. DEFERRED TAX ASSETS AND LIABILITIES

For deferred tax assets and liabilities, an adjustment has been made to the figures for the fiscal year 2023, offsetting the items directed to the same tax recipient. The impact is shown in the tables below on the lines "Deferred tax liabilities/assets offset according to netting rules."

1,000 €	1.1.2024	Result	Other comprehnsive income (FVTOCI)	Others	31.12.2024
Movements in temporary differences during 2024					
Deferred tax assets					
Effects of consolidation and eliminations	100	-22			79
Unused tax losses	3,716	-147			3,569
Provisions	169	194			363
Hedging instruments	70	-26	-33		11
Other Items	294	232		62	589
Total	**4,349**	**231**	**-33**	62	4,610
Offsets deferred tax liabilities according to netting rules	-2,476				-1,447
Deferred tax assets total	**1,873**				**3,163**
Deferred tax liabilities					
Capitalisation of intangible assets	-2,285	1,003			-1,281
Fair value adjustments to intangible and tangible assets on acquisition	-54	26			-28
Cumulative depreciation difference	-82	3			-79
Hedging instruments	-109	-57	109		-57
Other items	-44	-6			-51
Total	**-2,575**	**969**	**109**	0	-1,497
Change total		**1,200**	**77**	**62**	
Offsets deferred tax liabilities according to netting rules	2,476				1,447
Deferred tax liabilities total	**-99**				**-50**

1,000 €	1.1.2023	Result	Other comprehnsive income (FVTOCI)	Others	31.12.2023
Movements in temporary differences during 2023					
Deferred tax assets					
Effects of consolidation and eliminations	109	-9			100
Unused tax losses	1,998	1,718			3,716
Provisions	607	-439			169
Hedging instruments	219	-57	-91		70
Other Items	504	-92		-118	294
Total	**3,437**	**1,122**	**-91**	-118	4,349
Offsets deferred tax liabilities according to netting rules	-1,851				-2,476
Deferred tax assets total	**1,585**				**1,873**
Deferred tax liabilities					
Capitalisation of intangible assets	-1,596	-689			-2,285
Fair value adjustments to intangible and tangible assets on acquisition	-74	19			-54
Cumulative depreciation difference	-82	0			-82
Hedging instruments	-174	0	65		-109
Other items	-43	-1			-44
Total	**-1,968**	**-671**	**65**	0	-2,575
Change total		**450**	**-26**	**-118**	
Offsets deferred tax liabilities according to netting rules	1,851				2,476
Deferred tax liabilities total	**-117**				**-99**

At 31 December 2024 the Group had unused tax losses in subsidiaries amounting 18,274 thousand euros (31 Dec. 2023: 17,753 thousand euros). A tax credit of 3,840 thousand euros has been recorded for the loss (31.12.2023 3,716 thousand euros).

In addition, the Group had 5,114 thousand euros (31 Dec. 2023: 4,906 thousand euros) of tax losses for which no deferred tax asset has been recognized. These losses do not expire. The use of tax losses has been evaluated by Group management, based on the results of previous years, improvements made to cost structures, and new contracts.

No deferred tax liability has been booked for the undistributed profits of the foreign subsidiaries amounting to 9,329 thousand euros at 31 Dec. 2024 (31 Dec. 2023: 8,857 thousand euros). This is because the realization of this tax liability is unlikely in the near future.

14. INVENTORIES

1,000 €	2024	2023
Raw materials and consumables	16,927	22,377
Work in progress	1,868	2,683
Finished goods	6,101	10,558
Total	**24,896**	**35,618**

The valuation of inventories to their net realizable value is at the end of the financial year, a total of 9,057 thousand euros provision (7,818 thousand euros in 2023). In the accounting period, a provision of 1,239 thousand euros was added, with which the book value of the inventory was recorded to match its net realizable value.

15. TRADE AND OTHER CURRENT RECEIVABLES

1,000 €	2024	2023
Trade receivables	24,367	24,531
Accrued income and prepayments	1,863	2,730
Other receivables	1,630	654
Assets based on customer contracts	4,843	3,598
Total	**32,703**	**31,513**

16. CASH AND CASH EQUIVALENTS

1,000 €	2024	2023
Cash at bank and in hand and call deposits	8,808	6,228
Investment certificates	0	0
Total	**8,808**	**6,228**
Bank account with credit	0	0
Cash and cash equivalents in the statement of cash flows	8,808	6,228

17. CAPITAL AND RESERVES

1,000 €	Number of shares, 1,000	Number of own shares, 1,000	Number of shares, total 1,000
1.1.2024	18,239	747	18,986
Change in own shares	9	-9	0
31.12.2024	18,248	738	18,986

The company's restricted equity on 31 December 2024 consisted of the following funds: Share capital EUR 6,967 thousand and share premium fund EUR 1,540 thousand.

The number of Teleste Oyj shares on 31 December 2024 was 18,985,588 (18,985,588 on 31 December 2023). All issued shares have been fully paid.

The Annual General Meeting of Teleste Oyj held on 11 April 2024 decided to authorize the Board of Directors to decide on the acquisition of the company's own shares in accordance with the Board of Directors' proposal. On the basis of the authorization, the Board of Directors may acquire up to 1,200,000 of the company's own shares in proportion to the shares not owned by the shareholders with the company's free equity capital at the market price of the shares at the time of acquisition in trading on a regulated market organised by NASDAQ OMX Helsinki Oy.

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

At the end 0f December 2024, the Group held 738,398 of its own shares.

Translation reserve

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

Dividends

The Board of Directors intends to propose to the Annual General Meeting to be held on 23 April 2025 to distribute dividend of 0.03 eur per share for the financial year 2024. No dividend was distributed for the financial year 2023.

Share-Based Incentive Proramme LTI 2021

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

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

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

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

The gross number of shares delivered under the 2021–2023 plan that ended in April 2024 was 16,878 shares and 0 performance matching shares. A net number of 8,628 shares was delivered to the key employees entitled to reward through a directed share issue on 28 March 2024.

Share-Based Incentive Programme 2022

On 9 February 2022, Teleste's Board of Directors decided on the establishment of a new long-term share-based incentive programme to be offered to Teleste's key employees (hereafter "LTI 2022"). The objective of LTI 2022 is to align the key employees' interests with those of Teleste's shareholders by creating a long-term equity interest for the key employees and, consequently, to increase the company's value in the long term and to drive a performance culture, retain key employees and offer the key employees competitive compensation for excellent performance.

LTI 2022 consists of three annually commencing plans with the following main elements: an investment in Teleste shares as a precondition for the key employee's participation in the individual plan, a matching share plan with a three-year vesting period based on the individual investment and a performance share plan with a three-year performance period. In addition, as part of the LTI 2022 programme, Teleste established a restricted share plan that is intended to be used as a tool in situations deemed necessary by the Board of Directors, for example ensuring the retention of key talents in the company, attracting new talent, or other specific situations determined by the Board.

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

The performance matching plan includes a three-year earning period. Any share premium will be paid if the earnings criteria set by the Board of Directors are met. The performance criteria applicable to the performance-based share premium scheme are the evolution of total return on equity (TSR) and the company's cumulative adjusted EBIT for the programs commencing in 2022, 2023 and 2024. The participation of an individual key person in the program is conditional on the above-mentioned investment in Teleste's shares.

The gross number of matching shares payable under the matching share plan 2022-2024 is 19,325 and under the performance share plan a maximum of 312,000 shares. The Board of Directors approved 34 key employees as eligible to participate in the plans beginning in 2022. At the end of 2024, 22 key employees were approved as eligible to participate in the plan.

The gross number of share awards to be paid under the additional share program 2023-2025 is 25,435 and the performance-based share award program is a maximum of 325,368 shares. The board approved 34 key personnel as eligible to participate in the programs that started in 2023. At the end of 2024, a total of 27 key personnel have been approved as eligible to participate in the program.

The gross number of share awards to be paid under the additional share program 2024-2026 is 25,275 and the performance-based share award program is a maximum of 449,112 shares. The board approved 38 key personnel as eligible to participate in the programs that started in 2024. At the end of 2024, a total of 34 key personnel have been approved as eligible to participate in the program.

Share based incentives during the reporting period 1.1.2021 - 31.12.2022

During the financial year 2024 Teleste had the share plan periods 2022-2024, 2023-2025 and 2024-2026 in operation. The objective of the plans is to align the interests of the key employees with those of the Company's shareholders by creating a long-term equity interest for the key employees and, thus, to increase Teleste's company value in the long term; and to drive performance culture, to retain critical leadership talent and to offer the key employees with competitive compensation for excellent performance in the Company. Each plan includes a shareholding pre-condition during the three-year plan period after which one (1) fixed matching share is paid as a reward against each two (2) shares held. In addition, performance shares may be earned on the basis of Teleste Total Shareholder Return (TSR) and adjusted Earnings Before Interests and Taxes (EBIT) during the plan period.

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

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

During the financial year 2024 fixed matching shares were paid from the plan period 2021-2023. No performance shares were earned from the performance period 2021-2023.

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

31.12.2024	Long Term Incentive Plan 2021(LTI 2021)	Long Term Incentive Plan 2022 (LTI 2022)			
	Vesting Period 2021-2023	Vesting Period 2022-2024	Vesting Period 2023-2025	Vesting Period 2024-2026	Total/ Weighted Average
Maximum number of shares *	357,500	363,350	363,350	552,825	1,279,525
Initial allocation date	1.7.2021	1.7.2022	1.7.2023	1.7.2024	
Estimated vesting date	28.3.2024	31.3.2025	31.3.2026	31.3.2027	
Maximum contractual life, yrs	2.7	2.8	2.8	2.7	2.7
Remaining contractual life, yrs	0.0	0.2	1.2	2.2	1.4
Total number of beneficiaries at the end of the reporting year	0	22	27	34	42
Settlement method	Shares and cash (net settlement)	Shares and cash (net settlement)	Shares and cash (net settlement)	Shares and cash (net settlement)	

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

Changes during the period 2024	Vesting period 2020-2022	Vesting period 2021-2023	Vesting period 2022-2024	Vesting period 2023-2025	Total
1.1.					
Outstanding at the beginning of the reporting period	241,813	331,325	350,803	0	923,940
Changes during the period					
Granted	0	0	0	474,387	474,387
Forfeited	228,247	70,063	36,487	0	334,796
Excercised	13,566	0	0	0	13,566
31.12.					
Outstanding at the end of the period	0	261,263	314,316	474,387	1 049,965

Valuation parameters for instruments granted during period 2024 are presented in the table below. The fair value of share based incentives has been determined at grant date, when the participants confirmed their participation. Market condition, in this case IFRS2 will be taken into account when determining the fair value at grant and it will not be changed during the plan. The fair value of the cost estimate will only be changed as far as service condition is concerned.

Inputs to fair value determination

Share price at grant, EUR	2.76 €
Effect of the market condition in the fair value	-34 %
Expected dividends, discounted EUR	0.13 €
Expected volatility *	41 %
Fair value per share of the equity-settled portion, EUR	1.75 €

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

Effect of Share-based Incentives on the result and financial position during year 2024, 1,000 €

Expenses for the financial year, share-based payments	365
Expenses for the financial year, share-based payments, equity-settled	366
Liabilities arising from share-based payments 31 December 2024	1
Estimated tax effect on share based payments 31 December 2024	350

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

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

Retention share-based incentive Program 2022-2024

The retention share-based incentive program is intended to be used in reward situations deemed necessary by the Board of Directors, such as retaining key personnel within the company, attracting new key personnel, or other specific situations determined by the Board.

The gross number of share rewards distributed under the retention share-based incentive program for the years 2022-2024 corresponds to a maximum of 100,000 Teleste Corporation shares.

Retention share-based incentive Program 2022-2024

Period 2024-2026	
Maximum number of shares	100,000
Initial allocation date	9.1.2024
Maximum contractual life, yrs	2.2
Remaining contractual life, yrs	1.2
Total number of beneficiaries at the end of the reporting year	45
Settlement method	Shares and cash (net settlement)

Changes during the period 2024

1.1. Outstanding at the beginning of the reporting period	0
Changes during the period	
Granted	80,000
Forfeited	0
Excercised	0
31.12. Outstanding at the end of the period	80,000

Fair value determination

Vesting period	9.1.2024-31.3.2026
Shares granted	80,000
Share price at 31.12.2024:	2.64
Fair value 31.12.2024, thousand euros	125

Future exercise dates and number of shares

Date	Number of shares
31.3.2025	9,000
25.6.2025	61,000
31.3.2026	10,000

The company's management approved 45 key personnel as eligible to participate in the retention program that started in 2024. By the end of 2024, a total of 45 key personnel have been approved as eligible to participate in the program. The gross number of share rewards to be paid under the retention program for 2022-2024 is a total of 80,000 shares.

18. INTEREST-BEARING LIABILITIES

1,000 €	2024	2023
Non-current		
Loans from financial institutions	21,503	27,223
Lease liabilities	3,150	3,236
Total	**24,653**	**30,460**
Current		
Loans from financial institutions	8,200	5,802
Lease liabilities, current portion	1,358	1,536
Total	**9,558**	**7,338**

Reconciliation of interest bearing liabilities

	Cash	Loans	Lease liabilities	Total
1.1.2024	6,228	33,025	4,772	31,570
Cash flows	2,510	-3,436	-1,933	-7,879
Arrangement fees		114		114
New lease agreements			1,675	1,675
Exchange rate differences	71		-6	-77
Sale of Business				0
Other changes				0
31.12.2024	8,808	**29,703**	**4,508**	**25,403**

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

1,000 €	31.12.2024	31.12.2023
EUR	24,557	29,916
Other	96	544

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

Bank loans	5.9 %	6.3 %
Lease liabilities	2.2 %	2.0 %

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

1,000 €		
EUR	9,379	6 ,400
Other	179	937

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

Bank loans	6.3 %	6.3 %
Lease liabilities	2.2 %	2.0 %

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

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

1,000 €	31.12.2024	31.12.2023
Less than one year	1,254	1,536
Between one and five years	2,243	2,143
More than five years	1,011	1,043
Total lease liabilities	4,508	4,723
Cash flow effect from leases		
Costs not included in lease liability		
Leasing costs from short term leases	-25	-36
Leasing costs from minor items	-432	-536
Costs not included in lease liability	-457	-572
Cash flow effect from leases		
Costs not included in lease liability	-457	-572
Costs included in lease liability	-1,933	-2,024
Cash flow effect from leases	-2,391	-2,596

19. PROVISIONS

1,000 €	Warranty provision	Tax provision	Other provisions	Total
1.1.2024	934	0	172	1,106
Provisions made during the year	388	0	499	886
31.12.2024	1,322	0	671	1,992

1,000 €	2024	2023
Non-current	560	310
Current	1,433	796
Total	**1,992**	**1,106**

20. TRADE AND OTHER CURRENT LIABILITIES

1,000 €	2024	2023
Current		
Trade payables	13,527	15,860
Advances received	364	675
Other liabilities	1,128	1,187
Accrued employee expenses	5,992	6,385
Interest liabilities	209	182
Derivatives	55	274
Contract liabilities	1,146	1,816
Other accrued liabilities	7,512	5,684
Total	**29,934**	**32,064**
Non current		
Other liabilties	35	91

Warranty provisions
The Group provides an average 30-month warranty for certain products. If defects are detected during the warranty period, products will be repaired at the Group's expense, or the customer will be given a corresponding new product. The amount of the warranty provision is based on past experience with defective products and an estimate of related expenses.

Other provisions
Other provisions include provisions for project revenue losses, pension provisions, and other provisions of minor value.

21. INCOME TAX PAYABLE FOR THE PERIOD

At the end of the accounting year, a tax receivable of EUR 1019 thousand and a tax liability of EUR 139 thousand were recorded in respect of the income of the accounting year (as of December 31, 2023, the tax receivable was EUR 444 thousand and the tax liability was EUR 188 thousand).

22. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Derivative instruments
Teleste uses currency forward contracts to hedge against transaction risks in foreign currencies. The company discontinued the use of currency options during 2024.

The company applies hedge accounting to USD-denominated forecasted purchases. Changes in the fair values of instruments used for USD hedges are recorded through other comprehensive income. More information is provided in the Financial Risk Descriptions section of the notes. At the closing date, the fair value of currency hedges subject to hedge accounting was approximately EUR -54 thousand (EUR -218 thousand), consisting entirely of the time value of derivatives.

Changes in the fair values of other currency forward contracts used for hedging purposes are fully recognized in the income statement. The fair value of these currency forwards was EUR 29 thousand in 2024 (EUR -57 thousand) and has been recorded as an adjustment to operating profit.

Teleste's currency forwards are all Level 2.

Equity instruments and shares, measured at fair value through other comprehensive income
Equity instruments and shares, measured at fair value through other comprehensive income, consist of shares in unlisted companies and are classified as Level 3. The company's balance sheet includes insignificant investments in unlisted shares, which are valued at cost or at a lower value based on management's estimated fair value. The fair value of these investments has not been reliably determinable, and the estimate varies significantly, or the probabilities of different estimates within a range cannot be reasonably determined, making it difficult to use the fair value for measurement.

Trade payables and other liabilities or receivables
For trade payables and other receivables, except those based on derivative instruments, equals their fair value as the discounting is not significant, considering the short maturity of these items.

Carrying amounts of financial assets and liabilities by measurement categories

2024 Balance item	Note	Assets and liabilities at fair value through income statement	Investments designated as at fair value through other comprehensive income (FVTOCI)	Assets and liabilities measured at amortized cost	Carrying amount by balance sheet item	Fair Value
Non current financial assets						
Other financial assets	12	27			27	27
Current financial assets						
Trade and other receivables	15			24,367	24,367	24,367
Derivative contracts	24	29			29	29
Interest rate hedging instruments	24	257			257	257
Carrying amount by category		314	0	24,367	24,681	24,681
Non-current financial liabilities						
Interest-bearing liabilities	18			24,653	24,653	24,653
Current financial liabilities						
Interest-bearing liabilities	18			9,558	9,558	9,558
Derivative contracts	24		55		55	55
Interest rate Swaps	24				0	0
Trade and other payables	20			13,527	13,527	13,527
Other current liabilities	20			209	209	209
Carrying amount by category		0	55	47,948	48,003	48,003

2023 Balance item	Note	Assets and liabilities at fair value through income statement	Investments designated as at fair value through other comprehensive income (FVTOCI)	Assets and liabilities measured at amortized cost	Carrying amount by balance sheet item	Fair Value
Non current financial assets						
Other financial assets	12	27	337		364	364
Current financial assets						
Trade and other receivables	15			24,531	24,531	24,531
Derivative contracts	24				0	0
Interest rate hedging instruments	24		546		546	546
Carrying amount by category		27	883	24,531	25,440	25,440
Non-current financial liabilities						
Interest-bearing liabilities	18			30,460	30,460	30,460
Current financial liabilities						
Interest-bearing liabilities	18			7,338	7,338	7,338
Derivative contracts	24	57	218		274	274
Interest rate Swaps	24	68			68	68
Trade and other payables	20			15,860	15,860	15,860
Other current liabilities	20			182	182	182
Carrying amount by category		125	218	53,839	54,182	54,182

Financial risk management

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

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

MARKET RISK

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

CURRENCY RISK

TRANSACTION RISK

Foreign exchange exposures of the Group's units arise from receivables and accounts payables denominated in foreign currency, sales and purchase contracts and from forecast sales and purchases. Major part of the Group's sales is in Euro. The most significant non-euro sales currencies are UK pound sterling (7 percent), PLN (accounts for 7 percent of the net sales), Swedish and Norwegian crowns (5 percent) and US dollars (9 percent). Significant part of expenses, 55 percent, arise in euro and in US dollar 38 percent, CNY 4 percent. The hedging decisions are based on the expected net cash flow for the following six months.

Sensitivity to market risks

1 000 €	**2024**	**2023**
	Profit or Loss	Profit or Loss
Sensitivity to market risks arising from financial instruments as required by IFRS 7		
+-10 % change in EUR/USD exchange rate	+-113	+-217
+-10 % change in EUR/CNY exchange rate	+-50	+-0
+-10 % change in EUR/GBP exchange rate	+-23	+-7

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

	2024					**2023**				
	USD	SEK	NOK	GBP	PLN	USD	SEK	NOK	GBP	PLN
Current assets	6,990	1,627	1,440	5,309	7,810	1,075	1,819	1,518	5,230	10,015
Current liabilities	8,957	1,133	889	1,296	3,986	2,308	1,301	602	1,396	3,052

The figures include unconsolidated balances of individual companies.

Cash flow hedges at 31 Dec 2024

Currency position, 1 000 €

Currency	Exposure	Hedge	Net	Hedge Instrument	Hedge %
USD	5,746	4,620	1,126	Forward exchange contract and forward option	80%
CNY	2,291	1,793	498	Forward exchange contract and forward option	78%
GBP	-84	145	-229	Forward exchange contract and forward option	-171%
PLN	1,123	884	239	Forward exchange contract and forward option	79%
NOK	290	251	39	Forward exchange contract and forward option	87%
SEK	487	393	94	Forward exchange contract and forward option	81%

Hedging funds, 1 000 €	Cash flow hedge reserve	Base value of options	Spot share of forward exchange contracts	Cash flow reserves total
1 January 2024	-172	0	437	264
Cost of hedging recognised in OCI	163		0	163
Hedging costs transferred to profit or loss			-546	-546
Change in deferred tax assets	-33			-33
Change in deferred tax liabilities			109	109
31 December 2024	-42	0	0	-41

Cash flow hedges at 31 Dec 2023

Currency position, 1 000 €

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

Hedging funds, 1 000 €	Cash flow hedge reserve	Base value of options	Spot share of forward exchange contracts	Cash flow reserves total
1 January 2023	-545	0	695	150
Cost of hedging recognised in OCI	464		-323	141
Change in deferred tax liabilities	-91			-91
Change in deferred tax liabilities			65	65
31 December 2023	-172	0	437	264

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

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

At the year-end 2024 the fair value of currency derivatives amounted to 10.7 million euros (31. Dec 2023: 14.4 million euros).

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

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

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

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

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

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

1,000 €	2024	2023
Profit/loss reported in operating profit not included in hedge accounting	343	-34

The effectiveness of the hedge is determined at the inception of the hedging relationship. Forward-looking performance evaluations are performed on a regular basis to ensure that there is an economic relationship between the hedged item and the hedging instrument. Credit risk has no material effect on the value of the hedging instrument. The hedged item and the hedging instruments have the same nominal value. A change in the USD exchange rate has the same but opposite effect on the value, so the hedging ratio is always 1: 1.

Inefficiency may arise if the timing or amount of the anticipated purchase changes materially.

Hedge accounting has significantly reduced the impact of USD exchange rate fluctuations on the company's 2023 and 2024 financial year results.

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

TRANSLATION RISK

Since the Group's currency risk exposure regarding net investments in foreign operations is relatively low, the equity position, i.e. differences in the calculatory euro values of these amounts (translation risk) is not actively hedged. At 31 December 2024 the total non-euro-denominated equity of the Group's foreign subsidiaries amounted to 5.5 million euro (31 Dec. 2023: 11.8 million euro).

INTEREST RATE RISK

Teleste's interest rate risk mainly comprises cash flow interest rate risk that arises from the interest-bearing liabilities. The Group can have floating or fixed interest loans and use interest swap contracts to achieve financial objectives. At the end of the reporting period 30.2 (28.8) million euros have short-term interest as a reference rate with the interest period less than one year. At the end of 2024, the loans have been hedged with an interest rate swap agreement up to EUR 8.8 (31.3) million euros.

The company has one interest rate swap, which is no longer subject to hedge accounting. Two other interest rate swaps, which were not subject to hedge accounting, matured during the financial year. In connection with the new loan arrangement, the company repaid its old loans and discontinued the related hedge accounting. The profit accumulated in the hedging reserve was reclassified to the profit for the financial year.

All Group loans are denominated in euro. In 2024, the average interest rate of the loan portfolio was 6.06 per cent. All right-of-use agreements are fixed-rate. The Group does not hedge the risk position resulting from the fair value interest rate risk as the position is small. The average balances of the variable rate loans realized during the period have been used in calculating the sensitivity analysis required by IFRS 7. At the closing date 31 December 2024, the effect on variable rate interest-bearing liabilities on profit before taxes would have been +- 302 thousand euros 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 1,000€				
Loan from financial institutions	30,200			30,200

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.

	2024				2023			
Analysis of trade receivables by age, 1,000 €	Gross	Provision%	Impairment loss	Net	Gross	Provision%	Impairment loss	Net
	Net							
Not overdue	19,188	0.1 %	-24	19,164	16,767	0.1 %	-17	16,749
1–30 days	2,993	0.2 %	-7	2,985	6,863	0.6 %	-75	6,788
31–60 days	776	0.4 %	-3	773	550	1.3 %	-7	542
61-90 days	665	0.7 %	-4	661	93	2.1 %	-2	91
91-120 days	242	0.9 %	-2	240	114	3.1 %	-4	110
121-360 days	567	4.3 %	-24	543	282	11.6 %	-33	249
Over 360 days	35	100.0 %	-35	0	106	100.0 %	-106	0
Total	**24,469**		**-101**	**24,367**	**24,774**		**-243**	**24,531**
Balance sheet book values	24,469		-101	24,367	24,774		-243	24,531

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

The maximum exposure to credit risk at the reporting date was:	**2024**	**2023**
Trade receivables and other receivables	24,469	24,774

LIQUIDITY RISK

Liquidity risk is monitored through Group's cash flow forecasts. The Group seeks to reduce liquidity risk through sufficient cash reserves and credit facility arrangements as well as with balanced maturity profile of loans. Efficient cash and liquidity management also reduces liquidity risk. At the year-end 2024 the Group's cash reserves totaled 8.8 (6.2) million euros and its interest-bearing net debt 34.2 (37.8) million euros. The Group administration raises the Group's interest-bearing debt centrally. At 31 December 2024 Teleste had committed and available credit facilities as well as other agreed and undrawn loans amounting to 14.0 (14.7) million euros.

During the third quarter, the company entered into a syndicated refinancing arrangement consisting of a term loan, credit limits and a non-binding guarantee limit. Teleste Corporation has credit limits and credit agreements with a total value of EUR 53.0 (56.0) million. All financing agreements include financial covenants regarding the leverage ratio, net debt and adjusted EBITDA, as well as a minimum liquidity level. The financing agreements are secured by corporate mortgages totaling EUR 68.9 million, pledges of subsidiary shares totaling EUR 32.0 million and pledges of internal bonds totaling EUR 43.7 million. The financing agreement includes a conditional two one-year extension option.

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.

As of 31 December 2024, the contractual maturity of interest-bearing liabilities was as follows:

1,000 €	2025	2026–2029	Yli 5 vuotta
Loans from financial institutions	9,943	23,018	
Trade payables	13,527		
Lease liabilitites	1,254	2,243	1,011
Others			

Loans from financial institutions mature in 2025-2026.

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

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

23. ADJUSTMENTS TO CASH FLOWS FROM OPERATING ACTIVITIES

1,000 €	2024	2023
Adjustments to operating cash flow		
Adjustments		
Depreciation and amortisation	11,809	6,066
Employee benefits	350	449
Grain/loss on sale of fixed assets	11	-55
Grain/loss on sale of shares	0	-454
Change in provisions	888	-311
Other income and expenses not related to payment	0	0
Financial income and expenses	1,423	2,055
Dividend income	1	4
Taxes	-1,013	-1,911
Total	**13,469**	**5,842**
Change in net working capital		
Change in trade receivables and other receivables	-713	7,323
Change in inventories	10,754	2,900
Change in trade payables and other payables	-2,112	-2,427
Total	**7,929**	**7,796**
Cash flow adjustment from operating activities	21,398	13,638

24. COMMITMENTS AND CONTINGENCIES

1,000 €	2024	2023
Rental liabilities		
Lease liabilities	585	1,030
Currency derivatives		
Volume of the underlying forward contracts	10,683	14,442
Market value of the forward contracts	-26	-274
Volume of interest rate hedges	8,750	31,250
Market value of interest rate hedges	257	478
Guarantees provided		
Bank guarantees	2,908	5,171
General pledge commitments	68,900	50,000
Subsidiary shares	32,044	17,621
	103,853	72,792
Other liabilities		
VAT adjustment liability for real estate investments	565	646

25. RELATED PARTY TRANSACTIONS

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

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

The key personnel managing a company mentioned above, including their closest family members; and

A company owned by any individual mentioned above, where persons can, together or separately with another abovementioned individual, exercise control over or otherwise significantly influence the company's finance and business decision making process.

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

Companies owned by the Group and parent company	Group holding, %	Group voting, %
Parent company Teleste Oyj, Turku, Finland		
Teleste Norge AS, Porsgrun, Norway	100 %	100 %
Flomatik Network Services Ltd., Fareham, England	100 %	100 %
Teleste Systems GmbH, Hannover, Germany	100 %	100 %
Kaavisio Oy, Turku, Finland	100 %	100 %
Teleste Information Solutions Sp. Z o.o., Warsaw, Poland	100 %	100 %
Teleste Information Solutions Oy, Forssa, Finland	100 %	100 %
Teleste Networks Sp. Z o.o., Wroclaw, Poland	100 %	100 %
Teleste Belgium SA, Bryssel, Belgium	100 %	100 %
Teleste Corporation Iberica, S.L., Alcobendas, Spain	100 %	100 %
Teleste d.o.o., Ljutomer, Slovenia	100 %	100 %
Teleste Electronics (SIP) Co., Ltd., Shuzhou, China	100 %	100 %
Teleste France SAS, Pariisi, France	100 %	100 %
Teleste GmbH, Hildesheim, Germany	100 %	100 %
Teleste Intercept LLC, New Jersey, USA	80 %	80 %
Teleste LLC, New Jersey, USA	100 %	100 %
Teleste Ltd., Chesham, England	100 %	100 %
Teleste Sweden AB, Tukholma, Sweden	100 %	100 %
Teleste US, Inc., New Jersey, USA	100 %	100 %
Teleste Video Networks Sp. Z o.o., Krakow, Poland	100 %	100 %
Teleste Information Solutions s.r.l., Gorizia, Italy	100 %	100 %
Teleste Security Solutions Oy, Littoinen, Finland	100 %	100 %
Teleste Networks Oy, Littoinen, Finland	100 %	100 %
Teleste Networks AB, Tukholma, Sweden	100 %	100 %
	100 %	100 %

Teleste Group has increased its ownership in Teleste Intercept LLC to 80% from 60% in the financial year 2024. The change in ownership had no impact on the equity attributable to the owners of the parent company.

Employee benefits of the management 1,000 €	2024	2023
CEO		
Salaries and other short-term benefits	299	319
Share-based benefits	5	6
Long-term benefits	74	72
Total	379	398

In 2024, Teleste's CEO was granted 0 stock options (0 in 2023). The parent company’s management held 1.0% of the parent company's shares or 185,279 shares, at the closing date (0.9%, or 167,345 shares, as of December 31, 2023).

Transactions with key management personnel Board of directors and CEO compensations 1,000 €	2024	2023
Timo Luukkainen, Chairman of the Board	66	66
Mirel Leino-Haltia, Member of the Board, Chairman of the audit Comittee	49	49
Vesa Korpimies, Member of the Board, Member of the audit Comittee	37	36
Jussi Himanen, Member of the Board, Member of the audit Comittee	37	36
Heikki Mäkijärvi, Member of the Board (2023)	0	33
Kai Telanne, Member of the Board	33	33
Anni Ronkainen, Member of the Board	35	0
Esa Harju, CEO	379	398
Total	**636**	**651**
Other management team compensations		
Salaries, compensations and other short-term employee benefits	1,347	995
Share based payments	15	17
Long-term employee benefits	168	188
Total	**1,530**	**1,200**

The increase in the management team's compensation is due to the growth in the number of management team members and the temporary costs caused by personnel changes during the fiscal year.

No loans have been granted to the CEO and members of the board of directors, and no guarantees or liability commitments have been given on their behalf in 2024 or 2023.

26 SUBSEQUENT EVENTS

The group management does not have any information that will affect the 2024's financial statement after the financial statements' preparartion date.

Financial statements of parent company

INCOME STATEMENT OF PARENT COMPANY

1,000 €	Note	2024	2023
Net sales	1	60,636	75,784
Change in inventories of finished goods		-3,191	1,201
Other operating income	2	4,304	4,166
Material and services	3	-33,528	-45,423
Personnel expenses	4	-15,198	-22,893
Depreciation and amortisation	5	-446	-484
Other operating expenses	6	-11,619	-14,081
Operating profit		958	-1,730
Financial income and expenses	7	2,587	1,960
Profit before extraordinary items		3,545	230
Appropriations			
Accumulated depreciations	8	411	-91
Group Contribution	8	0	0
Income taxes			
Direct taxes	9	0	0
Profit for the financial period		3,956	139

BALANCE SHEET 31.12.2024

1,000 €	Note	2024	2023
Non-current assets			
Intangible assets	10	7	43
Property, plant and equipment	10	0	5,870
Long-term receivables	11	34,753	16,436
Investments	12	32,170	35,753
		66,930	58,101
Current assets			
Inventories	13	0	21,286
Trade and other receivables	14	17,089	9,727
Cash and cash equivalents	15	5,237	4,175
		22,326	35,189
Total assets		89,256	93,290
Shareholder's equity			
Share capital	16	6,967	6,967
Share premium	16	1,503	1,503
Invested non-restricted equity	16	3,704	3,704
Retained earnings	16	16,221	16,082
Profit for the financial period	16	3,956	139
		32,352	28,396
Appropriations	17	8	410
Provisions	18	172	517
Liabilities			
Long-term liabilities	19	22,000	27,223
Short-term liabilities	20	34,725	36,743
		56,725	63,966
Total equity and liabilities		89,256	93,290

CASH FLOW STATEMENT

1,000 €	2024	2023
Cash flow from operations		
Profit before extraordinary items	3,545	230
Adjustments		
Depreciations according plan	446	484
Profit/loss from sale of investments	0	-2,330
Financial income and expenses	-2,553	-2,338
Cashflow before changes in working capital	1,439	-3,953
Changes in working capital		
Increase (-) /decrease(+) in trade and other receivables	-8,025	8,580
Increase (-) / decrease (+) in inventories	7,589	686
Increase (+) / decrease (-) in trade payables	3,726	-3,175
Change in provisions	-137	73
Loans granted	0	0
Cashflow before financial items and taxes	4,592	2,210
Paid interests	-2,797	-2,474
Interests and dividends received	2,468	6,157
Income taxes paid	-48	-61
Cash flow from operations	4,214	5,832
Cash flow from investing activities		
Invetsments in intangible and tangible assets	0	-592
Investments in subsidiary shares	-5,395	2,495
Disposal of shares in subsidiaries	0	0
Loans granted	-2,242	-580
Proceeds from borrowings	1,171	2,000
Change group cashpool	104	-104
Investment in other financial assets	0	-2
Cash flow from investing activities	-6,362	3,218
Cash flow from financing activities		
Proceeds from borrowings	38,000	633
Payments of borrowings	-42,116	-13,126
Change group cashpool	7,327	-2,322
Paid dividends and other profit distribution	0	0
Cash flow from financing activities	3,210	-14,814
Change in liquid funds	1,062	-5,765
Liquid funds 1.1	4,175	9,940
Effects of exchange rate fluctuations on cash held	0	0
Liquid funds 31.12	5,237	4,175

NOTES TO TELESTE OYJ PROFIT & LOSS AND BALANCE SHEET 31.12.2024

1. NET SALES

1,000 €	2024	2023
Net sales by market area		
Finland	10,008	10,605
Nordic countries	4,983	8,745
Other Europe	33,135	50,732
Others	12,510	5,702
Yhteensä	**60,636**	**75,784**

2. OTHER OPERATING INCOME

R&D subvention and others	349	217
Insurance compensation	0	1
Gain on divestment of shares in subsidiaries	0	2,321
Other	3,956	1,626
Total	**4,304**	**4,166**

3. MATERIAL AND SERVICES

Purchases	-28,255	-40,318
Change in inventories	-4,495	-1,905
	-32,749	-42,223
Purchased services	-778	-3,200
Total	**-33,528**	**-45,423**

4. PERSONNEL EXPENSES

1,000 €	2024	2023
Wages and salaries	-12,535	-18,787
Pension costs	-2,276	-3,437
Other personnel costs	-387	-669
Total	**-15,198**	**-22,893**

Remuneration to Managing Director and Board members

1,000 €	2024	2023
CEO		
Salaries and other short-term benefits	299	319
Share-based benefits	5	6
Long-term benefits	74	72
Total	**379**	**398**
Timo Luukkainen, Chairman of the Board	66	66
Mirel Leino-Haltia, Member of the Board	49	49
Vesa Korpimies, Member of the Board	37	36
Jussi Himanen, Member of the Board	37	36
Heikki Mäkijärvi, Member of the Board (2023)	0	33
Kai Telanne, Member of the Board	33	33
Anni Ronkainen, Member of the Board	35	0
Esa Harju, CEO	379	398
Total	**636**	**651**
Cash loans, securities or contingent liabilities were not granted to the CEO or to the members of the Board of Directors		
Year-end personnel	28	334
Average personnel	241	329
Personnel by function at the year-end		
Research and Development	0	78
Production and Material Management	0	157
Sales and marketing	3	31
Administration	14	28
IT	11	12
Total	**28**	**306**

During the fiscal year 2024, the company carried out two intra-group business transfers where the company's operational activities were transferred to the group's subsidiaries, including most of the staff.

5. DEPRECIATION ACCORDING TO PLAN

1,000 €	2024	2023
Buildings	-298	-349
Machinery and equipment	-114	-95
Other intangible rights	-35	-40
Total	**-446**	**-484**

6. OTHER OPERATING EXPENSES

1,000 €	2024	2023
Office and property costs	-740	-1,004
Travel expenses	-549	-538
Sales and marketing	-174	-277
IT costs	-2,220	-2,786
Other expenses	-7,935	-9,475
Total	**-11,619**	**-14,081**
Audit expenses		
Auditing assignments	-82	-63
Assignments referred in 1 §, 1 subsection, point 2 of Auditing Act	-18	0
Tax consultancy	-7	-85
Other assignments	-8	-91
Total	**-115**	**-239**

7. FINANCIAL INCOME AND EXPENSES

1,000 €	2024	2023
Interest income	200	280
Interest income from Group companies	1,400	751
Interest expenses	-1,906	-1,490
Interest expenses to Group companies	-496	-712
Impairment of investments	-173	-1,420
Currency differences	149	-442
Other financial income and expenses	-388	-133
Dividend income from Group companies	3,801	5,123
Dividend income	0	4
Total	**2,587**	**1,960**

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

1,000 €	2024	2023
Change in accumulated depreciation difference		
Buildings	298	-51
Machines and equipment	114	-44
Intangible assets	0	4
Total	**411**	**-91**
Group contribution	**0**	**0**
Total	**411**	**-91**

9. INCOME TAXES

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

The company has tax-confirmed losses and losses for the current financial year total of 7,325 thousand euros, of which no tax receivables have been recorded

10. TANGIBLE AND INTANGIBLE ASSETS

1,000 €	Intangible assets	Intangible assets	Machinery	Total
Acquisition cost 1.1.	8,500	12,572	9,736	22,308
Increases	0	0	0	0
Transfer between items		-12,572	-9,736	-22,308
Acquisition cost 31.12.	8,500	0	0	0
Accumulated depreciation 1.1.	-8,457	-7,093	-9,346	-16,438
Disposals		7,390	9,459	
Depreciation	-35	-298	-114	-411
Accumulated depreciation 31.12.	-8,492	0	0	0
Book value 31.12.2024	7	0	0	0

11. LONG TERM RECEIVABLES

1,000 €	2024	2023
Subordinated loan from group company	2,000	2,000
Other long term receivables from group companies	32,753	14,436
Other long term receivables	0	0
Total	**34,753**	**16,436**

12. INVESTMENTS

Parent company	Shares in group companies	Shares other	Other investments	Total
Acquisition cost 1.1.	43,525	19	337	43,880
Increase	14,421	0	0	14,421
Disposal	-22,794	0	0	-22,794
Liquidation	0	0	-337	-337
Acquisition cost 31.12.	35,152	19	0	35,170
Accumulated depreciation 1.1.	-8,127	0	0	-8,127
Disposal	5,300	0	0	5,300
Impairment	-173	0	0	-173
Accumulated depreciation 31.12.	-3,000	0	0	-3,000
Book value 31.12.2024	32,151	19	0	32,170

13. INVENTORIES

1,000 €	2024	2023
Raw materials and consumables	0	12,855
Work in progress	0	1,214
Finished goods	0	7,217
Total	**0**	**21,286**

14. CURRENT ASSETS

1,000 €	2023	2022
Accounts receivables	1,916	5,242
Accounts receivables from Group companies	4,253	2,205
Other receivables from Group companies	8,928	0
Other receivables	207	260
Accrued income	855	2,021
Accured income Group companies	930	0
Total	**17,089**	**9,727**

15. LIQUID FUNDS

Cash and cash equivalents	5,237	4,175

16. CHANGES IN SHAREHOLDERS' EQUITY

1,000 €	2024	2023
Share capital 1.1.	6,967	6,967
New entries		
Share capital 31.12.	6,967	6,967
Share premium fund 1.1.	1,503	1,503
Share premium		
Share premium fund 31.12.	1,503	1,503
Invested non-restricted equity 1.1.	3,704	3,704
From new entries		
Acquisitions and disposals of own shares		
Share issue		
Invested non-restricted equity 31.12.	3,704	3,704
Retained earnings 1.1.	16,221	16,082
Dividends	0	0
Retained earnings 31.12.	16,221	16,082
Profit for the financial period	3,956	139
Accumulated profit 31.12.	20,177	16,221
Total	**32,352**	**28,396**
Invested non-restricted equity 31.12.	3,704	3,704
Accumulated profit 31.12.	20,177	16,221
Companys distributable equity 31.12.	**23,882**	**19,926**

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

17. APPROPRIATIONS

1,000 €	2024	2023
Appropriations in the company consists of cumulative accelated depreciations	8	410

18. OBLIGATORY PROVISIONS

1,000 €	2024	2023
Guarantee provisions	0	175
Fair value of negative hedging instruments	172	342
Total	**172**	**517**

19. LONG TERM LIABILITIES

1,000 €	2024	2023
Loans from banks	22,000	27,223

20. SHORT TERM LIABILITIES

1,000 €	2024	2023
Loans from banks	8,200	5,800
Advances received	93	21
Accounts payables	383	5,179
Accounts payables from Group companies	3,269	1,797
Other current liabilities	63	625
Other current liabilities from Group companies	19,719	16,000
Accrued liabilities, holiday pay debit	421	3,162
Other Accrued liabilities	2,576	4,158
Total	**34,725**	**36,743**

21. CONTINGENT LIABILITIES AND PLEDGED ASSETS

1,000 €	2024	2023
Leasing liabilities		
For next year	606	1,055
For later years	880	1,323
Total	**1,486**	**2,378**
Rental liabilities		
Less than one year	83	83
Between one and five years	173	106
More than five years	1,238	1,217
Total	**1,494**	**1,407**
Liabilities on own behalf		
Bank guarantees	377	377
Guarantees given on behalf of subsidiaries	2,532	4,794
General pledge commitments	68,900	50,000
Shares of subsidiaries	32,044	17,621
Internal loans	43,681	0
Total	**147,534**	**72,792**

22. CURRENCY DERIVATES

1,000 €	2024	2023
Value of underlying forward contracts	10,683	14,442
Market value of forward contracts	-29	-274
Interest rate swap	8,750	31,250
Market value of interest rate swap	257	478

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

23. COMPANIES OWNED BY THE GROUP AND PARENT COMPANY

	Group holding share %	Parent company share %
Teleste Norge AS, Porsgrun, Norway	100 %	0 %
Flomatik Network Services Ltd., Fareham, England	100 %	0 %
Teleste Systems GmbH, Hannover, Germany	100 %	0 %
Kaavisio Oy, Turku, Finland	100 %	100 %
Teleste Information Solutions Sp. Zoo, Warsaw, Poland	100 %	0 %
Teleste Information Solutions Oy, Forssa, Finland	100 %	100 %
Teleste Networks s.p.zoo, Wroclaw, Poland	100 %	0 %
Teleste Belgium SA, Bryssel, Belgium	100 %	0 %
Teleste Corporation Iberica, S.L, Alcobendas, Spain	100 %	100 %
Teleste d.o.o., Ljutomer, Slovenia	100 %	0 %
Teleste Electronics (SIP), Co., Ltd, Shuzhou, China	100 %	0 %
Teleste France SAS, Paris, France	100 %	0 %
Teleste GmbH, Hildesheim, Germany	100 %	0 %
Teleste Intercept, LLC, Dover DE, USA	80 %	0 %
Teleste LLC, New Jersey, USA	100 %	0 %
Teleste Ltd, Chesham, England	100 %	0 %
Teleste Sweden AB, Stockholm, Sweden	100 %	0 %
Teleste Networks AB, Stockholm, Sweden	100 %	0 %
Teleste US, Inc, Dover DE, USA	100 %	0 %
Teleste Video Networks Sp zoo, Cracow, Poland	100 %	0 %
Teleste Information Solutions s.r.l., Italy	100 %	0 %
Teleste Networks Oy, Littoinen, Finland	100 %	100 %
Teleste Security Solutions Oy, Littoinen, Finland	100 %	0 %

24. OWN SHARES

	Number of shares	Percentage of shares and votes
Teleste Oyj owns own shares 31.12.2024	738,398	3.89 %

25. SHARES AND OWNERS

Management interest

	Number of shares	Percentage of shares	Percentage of votes, %
CEO and Board Members	185,279	0.98 %	0.98 %

26. RELATED PARTY TRANSACTIONS

Loans between Group companies have been made on normal commercial terms.
Details of related parties are disclosed in the notes to the consolidated financial statements.

Major shareholders 31.12.2024	Shares	%
Tianta Oy	4,788,298	25.22 %
Mandatum Life Insurance Company Limited	1,679,900	8.85 %
Ilmarinen Mutual Pension Insurance Company	899,475	4.74 %
Kaleva Mutual Insurance Company	824,641	4.34 %
Mariatorp Oy	800,000	4.21 %
Wipunen Varainhallinta Oy	800,000	4.21 %
Teleste Corporation	738,398	3.89 %
Varma Mutual Pension Insurance Company	521,150	2.74 %
The State Pension Fund	500,000	2.63 %
Ingman Finance Oy Ab	235,000	1.24 %
Total (10)	**11,786,862**	**62.08 %**

Sector Dispersion	Shareholders	%	Shares	%
Households	4,772	94.55 %	5,071,407	26.71 %
Public sector institutions	3	0.06 %	1,920,625	10.12 %
Financial and insurance institutions	16	0.32 %	3,184,129	16.77 %
Corporations	211	4.18 %	8,629,899	45.45 %
Non-profit institutions	18	0.36 %	33,468	0.18 %
Foreign	27	0.53 %	146,060	0.77 %
Total	**5,047**	**100.00 %**	**18,985,588**	**100.00 %**
of which nominee registered	8	0.16 %	453,644	2.39 %

Holding Dispersion				
1–100	1,555	30.81 %	78,717	0.41 %
101–500	1,944	38.52 %	512,571	2.70 %
501–1 000	660	13.08 %	535,296	2.82 %
1 001–5 000	672	13.32 %	1,444,815	7.61 %
5 001–10 000	103	2.04 %	732,035	3.86 %
10 001–50 000	86	1.70 %	1,827,868	9.63 %
50 001–100 000	8	0.16 %	531,021	2.80 %
100 001–500 000	11	0.22 %	2,271,403	11.96 %
500 001–	8	0.16 %	11,051,862	58.21 %
Total	**5,047**	**100.00 %**	**18,985,588**	**100.00 %**
of which nominee registered	8	0.16 %	453,644	2.39 %

Accounting principles of Teleste corporation

ACCOUNTING PRINCIPLES OF TELESTE CORPORATION

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

COMPARABILITY

During the fiscal year 2024, the company carried out two intra-group business transfers where the company's operational activities were transferred to the group's subsidiaries, including the company's real estate, production, and most of the staff.

FOREIGN CURRENCY TRANSACTIONS

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

DERIVATIVES

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

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

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

VALUATION OF FIXED ASSETS

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

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

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

LEASED ASSETS

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

INVENTORIES

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

CASH

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

NET SALES

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

RESEARCH AND DEVELOPMENT

R&D expenses are recorded as revenue expenditure.

PENSION ARRANGEMENTS

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

INCOME TAXES

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

TREASURY SHARES

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

Proposal for the distribution of earnings

Teleste Corporation's distributable equity on the date of the financial statements amounted to EUR 23 881 515.

The board of directors intends to propose to the annual general meeting to be held on April 23, 2025, that dividend of 0,03 EUR per share to be distributed for the year 2024.

Signatories to the Annual Report and the Financial Statements in the year 2024.

Statements by the Board of Directors and the CEO
The financial statements, prepared in accordance with the international financial reporting standards (IFRS) adopted in the European Union, provide a true and fair view of the assets, liabilities, financial position, and profit or loss of both Teleste Corporation and the entities included in its consolidated financial statements. The annual report provides an accurate description of the business development and performance of Teleste Corporation and the entities included in its consolidated financial statements, as well as a description of the most significant risks and uncertainties and other aspects of the company's state. The sustainability report included in the annual report has been prepared in accordance with the reporting standards referred to in Chapter 7 of the Accounting Act and Article 8 of the Taxonomy Regulation.

26 February 2025

Timo Luukkainen
COB

Jussi Himanen

Vesa Korpimies

Mirel Leino-Haltia

Kai Telanne

Anni Ronkainen

Esa Harju
CEO

The Auditors Note

Our auditor's report has been issued today.

27 February 2025

PricewaterhouseCoopers Oy
Authorised Public Accountants

Markku Launis
Authorised Public Accountant (KHT)

Auditor’s Report

To the Annual General Meeting of Teleste Oyj

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion

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

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

What we have audited

We have audited the financial statements of Teleste Oyj (business identity code 1102267-8) for the year ended 31 December 2024. The financial statements comprise:

- the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, which include material accounting policy information and other explanatory information
- the parent company’s balance sheet, income statement, cash flow statement and notes.

BASIS FOR OPINION

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

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

Independence

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

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

OUR AUDIT APPROACH

Overview

Materiality

- Overall group materiality: € 1 300 000, which represents 1 % of consolidated revenue

Audit scope

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

Key audit matters

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

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

Materiality

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

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

Overall group materiality	€ 1 300 000 (previous year € 1 500 000))
How we determined it	1.0% of consolidated revenue
Rationale for the materiality benchmark applied	The groups profitability has been volatile during the last years due to revised strategy, strategy related divestments and investments in product development. Therefore, we chose revenue as the benchmark because, in our view, it is the benchmark against which the performance of the Group is commonly measured by users and is a generally accepted benchmark. We chose 1.0% which is within the range of acceptable quantitative materiality thresholds in auditing standards.

How we tailored our group audit scope

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

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

Key Audit Matters

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

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

KEY AUDIT MATTER IN THE AUDIT OF THE GROUP	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
VALUATION OF GOODWILL	
Refer to accounting principles for the consolidated financial statements and to note 10 in the consolidated financial statements. Goodwill is one of the most significant balance sheet items and amounted to € 30.1 million at the balance sheet date. The determination and whether an impairment charge is required involves significant management judgement, including identifying on which cash generating unit level the goodwill is tested and estimating the future performance of the business and the discount rate applied to these future cash flows. Due to materiality and judgment associated we have considered valuation of goodwill as key audit matter in the audit of the Group.	Our audit focused on assessing the appropriateness of management's judgment and estimates used in the goodwill impairment analysis through the following procedures: We tested the methodology applied in the value in use calculation by comparing it to the requirements of IAS 36, Impairment of Assets, and we tested the mathematical accuracy of calculation; We evaluated the process by which the future cash flow forecasts are drawn up, including comparing them to the latest Board approved targets and long-term plans. We tested the key underlying assumptions for the cash flow forecasts, including sales and profitability forecasts, discount rate used and the implied growth rates beyond the forecasted period. We compared the current year actual results included in the prior year impairment model to consider whether forecasts included assumptions that, with hindsight, had been optimistic. We tested whether the sensitivity analysis performed by the management around key assumptions of the cash flow forecast are appropriate by considering the likelihood of the movements of these key assumptions.

KEY AUDIT MATTER IN THE AUDIT OF THE GROUP	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
VALUATION OF INVENTORY	
Refer to accounting principles for the consolidated financial statements and to note 14 in the consolidated financial statements. Inventory is one of the most significant balance sheet items and amounted to € 24.9 million at the balance sheet date. Inventories are valued at the lower of cost or net realisable value. Costs are measured with FIFO method. Net realisable value is the estimated selling price in the ordinary course of business, less sales cost and costs needed to finish the production of the goods. The cost of inventories includes all direct costs incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, costs include share of overheads based on normal operating capacity. Impairment due to obsolescence is considered when assessing the valuation of inventories. Obsolescence provision is based on the best estimate at the balance sheet date and required judgement from management. Valuation of inventory is a key audit matter due to the size of the balance and because inventory valuation includes management judgement.	We assessed the compliance of the groups accounting policies in comparison to IAS 2 – Inventories and performed control testing and test of details to valuation and existence of the inventories. We tested a sample of inventory items to third party purchase invoices. We also tested management's calculations on the absorption of relative share of indirect production overheads. We attended stock takings in selected inventory locations to obtain audit evidence regarding existence and condition of the inventory. During the stock takes we assessed the appropriateness of the stock takes and performed independent test counts. We compared the value of selected finished goods inventory items to the sales prices. We assessed the principles related to the determination of the obsolescence provision and the adequacy of the obsolescence provisions recorded.

KEY AUDIT MATTER IN THE AUDIT OF THE GROUP	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
CAPITALIZATION OF R&D COSTS	
Refer to accounting principles for the consolidated financial statements and to note 10 in the consolidated financial statements. Groups's capitalized development amounted to € 8.7 million in the financial statements. During financial year, the Group has recognized a € 6.7 million impairment in previously capitalized development costs. Capitalization of R&D costs requires use of judgment as capitalization requires estimating technical and economic feasibility of the product developed. In addition, there is judgement involved in assessing recoverability of capitalized R&D costs as future cash flows generated by these intangible assets needs to be estimated. Due to materiality and judgment associated with capitalization of R&D costs, we have considered capitalization of R&D as key audit matter in the audit of the Group.	We assessed appropriateness of the company's R&D capitalization policy in comparison to IAS 38 – Intangible Assets. We evaluated the design and appropriateness of the process relating to R&D capitalization. We assessed whether capitalization criteria for R&D projects are met. We tested a sample of invoices and personnel related costs capitalized during the year. We evaluated the relevant assumptions used in the impairment testing of intangible assets, focusing on the reasonableness of the forecasted economic information.

We have no key audit matters to report with respect to our audit of the parent company financial statements.

There are no significant risks of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014 with respect to the consolidated financial statements or the parent company financial statements.

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

OTHER REPORTING REQUIREMENTS

Appointment

We were first appointed as auditors by the annual general meeting on 7 April 2021. Our appointment represents a total period of uninterrupted engagement of 4 years.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report but does not include the financial statements or our auditor's report thereon.

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 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 compliance with the applicable provisions, excluding the sustainability report information on which there are provisions in Chapter 7 of the Accounting Act and in the sustainability reporting standards.

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 compliance with the applicable provisions. Our opinion does not cover the sustainability report information on which there are provisions in Chapter 7 of the Accounting Act and in the sustainability reporting standards.

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

Helsinki 27 March 2025

PricewaterhouseCoopers Oy
Authorised Public Accountants

Markku Launis
Authorised Public Accountant (KHT)

Independent Auditor's Reasonable Assurance Report on Teleste Oyj's ESEF Financial Statements

To the Management of Teleste Oyj

We have been engaged by the Management of Teleste Oyj (business identity code 1102267-8) (hereinafter also "the Company") to perform a reasonable assurance engagement on the Company's consolidated IFRS financial statements for the financial year 1 January - 31 December 2024 in European Single Electronic Format ("ESEF financial statements").

MANAGEMENT'S RESPONSIBILITY FOR THE ESEF FINANCIAL STATEMENTS

The Management of Teleste Oyj is responsible for preparing the ESEF financial statements so that they comply with the requirements as specified in the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 ("ESEF requirements"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of ESEF financial statements that are free from material noncompliance with the ESEF requirements, whether due to fraud or error.

OUR INDEPENDENCE AND QUALITY MANAGEMENT

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

OUR RESPONSIBILITY

Our responsibility is to express an opinion on the ESEF financial statements based on the procedures we have performed and the evidence we have obtained.

We conducted our reasonable assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised) Assurance Engagements Other than Audits or Reviews of Historical Financial Information. That standard requires that we plan and perform this engagement to obtain reasonable assurance about whether the ESEF financial statements are free from material noncompliance with the ESEF requirements.

A reasonable assurance engagement in accordance with ISAE 3000 (Revised) involves performing procedures to obtain evidence about the ESEF financial statements compliance with the ESEF requirements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material noncompliance of the ESEF financial statements with the ESEF requirements, whether due to fraud or error. In making those risk assessments, we considered internal control relevant to the Company's preparation of the ESEF financial statements.

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

OPINION

In our opinion, Teleste Oyj ESEF financial statements for the financial year ended 31 December 2024 comply, in all material respects, with the minimum requirements as set out in the ESEF requirements. [If your client does voluntary tagging outside of required scope, this section has to be revised].

Our reasonable assurance report has been prepared in accordance with the terms of our engagement. We do not accept, or assume responsibility to anyone else, except for Teleste Oyj for our work, for this report, or for the opinion that we have formed.

Helsinki 27 March 2025

PricewaterhouseCoopers Oy
Authorised Public Accountants

Markku Launis
Authorised Public Accountant (KHT)

Assurance Report on the Sustainability Report

To the Annual General Meeting of Teleste Oyj

We have performed a limited assurance engagement on the group sustainability report of Teleste Oyj (business identity code 1102267-8) that is referred to in Chapter 7 of the Accounting Act and that is included in the report of the Board of Directors for the reporting period 1.1.–31.12.2024.

OPINION

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the group sustainability report does not comply, in all material respects, with

1. the requirements laid down in Chapter 7 of the Accounting Act and the sustainability reporting standards (ESRS);
2. the requirements laid down in Article 8 of the Regulation (EU) 2020/852 of the European Parliament and of the Council on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (EU Taxonomy).

Point 1 above also contains the process in which Teleste Oyj has identified the information for reporting in accordance with the sustainability reporting standards (double materiality assessment).

Our opinion does not cover the tagging of the group sustainability report in accordance with Chapter 7, Section 22, of the Accounting Act, because sustainability reporting companies have not had the possibility to comply with that requirement in the absence of the ESEF regulation or other European Union legislation.

BASIS FOR OPINION

We performed the assurance of the group sustainability report as a limited assurance engagement in compliance with good assurance practice in Finland and with the International Standard on Assurance Engagements (ISAE) 3000 (Revised) Assurance Engagements Other than Audits or Reviews of Historical Financial Information.

Our responsibilities under this standard are further described in the Responsibilities of the Authorised Group Sustainability Auditor section of our report.

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

AUTHORISED GROUP SUSTAINABILITY AUDITOR'S INDEPENDENCE AND QUALITY MANAGEMENT

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 engagement, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm applies International Standard on Quality Management ISQM 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors and the Managing Director of Teleste Oyj are responsible for:

- the group sustainability report and for its preparation and presentation in accordance with the provisions of Chapter 7 of the Accounting Act, including the process that has been defined in the sustainability reporting standards and in which the information for reporting in accordance with the sustainability reporting standards has been identified
- the compliance of the group sustainability report with the requirements laid down in Article 8 of the Regulation (EU) 2020/852 of the European Parliament and of the Council on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088;
- such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of a group sustainability report that is free from material misstatement, whether due to fraud or error.

INHERENT LIMITATIONS IN THE PREPARATION OF A SUSTAINABILITY REPORT

In reporting forward-looking information in accordance with ESRS, management of the Company is required to prepare the forward-looking information on the basis of assumptions that have been disclosed in the sustainability report about events that may occur in the future and possible future actions by the Group. Actual outcomes are likely to be different since anticipated events frequently do not occur as expected.

RESPONSIBILITIES OF THE AUTHORISED GROUP SUSTAINABILITY AUDITOR

Our responsibility is to perform an assurance engagement to obtain limited assurance about whether the group sustainability report is free from material misstatement, whether due to fraud or error, and to issue a limited assurance report that includes our opinion. 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 decisions of users taken on the basis of the group sustainability report.

Compliance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised) requires that we exercise professional judgment and maintain professional skepticism throughout the engagement. We also:

- Identify and assess the risks of material misstatement of the group sustainability report, whether due to fraud or error, and obtain an understanding of internal control relevant to the engagement in order to design assurance 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.
- Design and perform assurance procedures responsive to those risks to obtain 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.

DESCRIPTION OF THE PROCEDURES THAT HAVE BEEN PERFORMED

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. The nature, timing and extent of assurance procedures selected depend on professional judgment, including the assessment of risks of material misstatement, whether due to fraud or error. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our procedures included for example the following:

- We interviewed the company's management and the individuals responsible for collecting and reporting the information contained in the group sustainability report at the group level, as well as at different levels and business areas of the organization to gain an understanding of the sustainability reporting process and the related internal controls and information systems.
- We familiarised ourselves with the background documentation and records prepared by the company where applicable, and assessed whether they support the information contained in the group sustainability report.
- We performed site visits at the company's head office and site of operation in Finland.
- We assessed the company's double materiality assessment process in relation to the requirements of the ESRS standards, as well as whether the information provided about the assessment process complies with the ESRS standards.
- We assessed whether the sustainability information contained in the group sustainability report complies with the ESRS standards.
- Regarding the EU taxonomy information, we gained an understanding of the process by which the company has identified the group's taxonomy-eligible and taxonomy-aligned economic activities, and we assessed the compliance of the information provided with the regulations.

Helsinki 27.3.2025

PricewaterhouseCoopers Oy
Authorised Sustainability Auditors

Markku Launis
Authorised Sustainability Auditor

Shares and shareholders

INVESTOR RELATIONS

CFO, Ms. Mervi Kerkelä-Hiltunen is in charge of investor relations. In addition to the CFO, the top management of the company is committed to serving various participants of the capital market.

OBJECTIVES AND PRINCIPLES OF COMMUNICATION

Our communication aims at providing all the market participants with equally correct and relevant information, which supports the value formation of the company share. The principles guiding Teleste's disclosure policy include up-to-dateness, truthfulness and simultaneity.

Teleste adheres to the EU and Finnish legislation, the rules and guidelines of NASDAQ Helsinki Ltd as well as the regulations and guidelines of The European Securities and Markets Authority (ESMA) and the Financial Supervisory Authority. In accordance with the Finnish Securities Markets Act, EU regulations, Stock Exchange rules and the regulations and guidelines issued by ESMA and the Financial Supervisory Authority, Teleste publishes information on its financial position on a regular basis in its Interim and Half-Year Reports, Financial Statements Bulletin and Financial Statements.

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

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

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

CONTACT INFORMATION

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

SHARE BASICS

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

Facts about the share:

Listed on	30.3.1999
ISIN code	FI0009007728
Trading code	TLT1V
Reuter's ticker symbol	TLT1V.HE
Bloomberg ticker symbol	TLT1VFH
12 months high	3.45
12 months low	2.07
All-time high (7.9.2000)	39.00
All-time low (12.12.2008)	1.90

FINANCIAL INFORMATION

Financial releases in 2025

- Interim report January–March 7.5.2025
- Half year financial report January–June 14.8.2025
- Interim report January–September 5.11.2025

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

Silent period

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

CHANGES IN SHAREHOLDERS'

CONTACT INFORMATION

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

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

ANNUAL GENERAL MEETING

Teleste Corporation's Annual General Meeting (AGM) will be held on 23 April 2025 commencing at 2 p.m., in Helsinki Expo and Convention Centre, 2nd floor, meeting room 208, address: Rautatieläisenkatu 3, Helsinki. Registration and distribution of voting tickets begin at 1 p.m. Shareholders registered on the list of shareholders with Euroclear Finland Oy on 9 April 2025 are entitled to participate in the Annual General Meeting. A shareholder who wants to participate in the meeting shall register no later than 14 April 2025 at 16.

More information
www.teleste.com/AGM

or by e-mail
investor.relations@teleste.com

DIVIDEND POLICY

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

Proposal for Distribution of Dividend 2025

The Board of Directors proposes to the AGM that a dividend of EUR 0.03 (0.00) be distributed on outstanding shares for the financial period that ended on 31 December 2024.

For proposals by the Board for the General Meeting and other additional information about the AGM is available at Teleste's website: **www.teleste.com/AGM**

Minutes of the Annual General Meeting will be available at Teleste's website no later than 7 May 2025.

Dividend history, eur

2019	2010	2021	2022	2023	2024
0.10	0.12	0.14	0.0	0.0	0.03*

* Proposal by the Board

TELESTE CORPORATION

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