TELESTE

January 1 – December 31, 2009

Financial Statement

TELESTE

FINANCIAL STATEMENT OF TELESTE CORPORATION 1 JANUARY TO 31 DECEMBER 2009

Q4/2009

- Net sales amounted to EUR 43.8 (28.1) million, an increase of 55.7% over the year of comparison
- Operating profit stood at EUR 1.7 (1.6) million including an impairment loss of EUR 0.8 million
- Undiluted result per share equaled EUR 0.06 (EUR 0.11)
- Orders received amounted to EUR 46.8 (25.3) million, an increase of 85.3% over the year of comparison
- Operating cash flow stood at EUR 7.3 (2.6) million

Financial Period 2009

- Net sales amounted to EUR 141.7 (108.7) million, an increase of 30.3% over the year of comparison
- Operating profit stood at EUR 2.5 (5.6) million, a fall of 55.2% over the previous year. Operating profit includes impairment loss of EUR 0.8 million.
- Undiluted result per share equaled EUR 0.02 (EUR 0.32)
- Year-on-year orders received improved by 27.3% standing at EUR 151.0 (118.6) million
- Orders received by Broadband Cable Networks stood at EUR 131.8 (101.4) million
- Orders received by Video Networks amounted to EUR 19.2 (17.2) million
- Operating cash flow stood at EUR 9.8 (9.7) million
- The Board of Directors proposes that a dividend of EUR 0.08 (0.12) per outstanding share will be paid

Net sales in Q4 amounted to EUR 43.8 (28.1) million. Deliveries of products and systems by the business areas fell from the year of comparison approximately 21.3%, i.e. by EUR 6.0 million, yet there was a clear increase in net sales from the services business due to the acquisitions by Broadband Cable Networks.

Including the impairment loss of EUR 0.8 million, operating profit amounted to EUR 1.7 (1.6) million, i.e. 3.9% (5.6%) of net sales. This depreciation allowance involved the business area of Video Networks. Operating profit from the German services of the Broadband Cable Networks business area improved clearly over Q3. This was due to timing of several deliveries falling on Q4 and improvements made in the level of service.

Undiluted result per share for Q4 was EUR 0.06 (0.11).

In Q4, the year-on-year orders received increased by 85.3% standing at EUR 46.8 (25.3) million. The Group's order backlog totaled EUR 33.1 (24.0) million. The order backlog includes the order for video headend (Luminato) of EUR 12.0 million received in June 2008 from India. Deliveries related to this order have been delayed by about one year with respect to the original schedule. Nevertheless, we continue to estimate that the deliveries will begin in 2010 although financing of the delivery involves significant factors of uncertainty.

Broadband Cable Networks in Q4

Net sales in Q4 amounted to EUR 39.3 (23.8) million. The share of German services in net sales stood at EUR 21.7 million.

Operating profit for Q4 stood at EUR 2.4 (1.7) million making 6.1% (7.2%) of the net sales. Improvement in operating profit over Q3 was particularly noticeable in the German services.

Orders received amounted to EUR 40.8 (19.7) million. Of all orders received the new German Group companies accounted for EUR 23.4 million. Order backlog totaled EUR 27.0 (21.0) million including the order of EUR 12.0 million received from India in June 2008 for the Luminato headend solution. Order backlog of the new Group companies accounted for EUR 4.5 million primarily consisting of technical implementation of fibre-optic projects and upgrading of cable networks. Deliveries related to the services business are largely based on framework agreements.

Video Networks in Q4

In Q4, net sales for Video Networks totaled EUR 4.5 (4.4) million, an increase of EUR 1.4 million over Q3.

Operating profit amounted to EUR -0.7 (-0.1) million. This decline in operating profit over the year of comparison was caused by the impairment loss of EUR 0.8 million.

Orders received in Q4 stood at EUR 6.0 (5.6) million. Order backlog totaled EUR 6.1 (3.0) million.

REPORT OF THE BOARD OF DIRECTORS

Business Description and Overview

Founded in 1954, Teleste is a technology company currently running the business units of Broadband Cable Networks and Video Networks. In line with its strategy, Teleste continues to focus on the chosen product and technology segments as well services business.

In the year under review, the services offered by Teleste grew significantly especially in Germany. Caution shown by our clientele still affected the business environment of Teleste's products and systems so our cost structure was adapted to accommodate the prevailing market situation.

Investments increased significantly amounting to EUR 25.2 (3.9) million. Investments in services business made in line with the specified strategy stood at EUR 17.1 million including the German acquisitions and the estimated additional contract price related thereto.

Net Sales and Profitability

Teleste's net sales totaled EUR 141.7 (108.7) million, an increase of 30.3% over the previous year. Owing to the general tight situation in the financial market, our main customers, i.e. the European cable operators, postponed maintenance investments on their networks. Increased net sales is attributable to the investments in the provision of services by the Broadband Cable Networks business area in Germany.

Operating profit stood at EUR 2.5 (5.6) million making 1.8% (5.2%) of the net sales. This year-on-year weakening in the operating profit was caused by the significant decline (EUR -29.4 million) in product and system deliveries by the Broadband Cable Networks business area and the impairment loss of EUR 0.8 million made in the Video Networks business area. Cost structure adaptation involving our product and system solutions brought in year-on-year savings of about EUR 7.5 million. Other income increased mostly due to profit from one-off sales of fixed asset items.

Year-on-year orders received by the Group improved by 27.3% standing at EUR 151.0 (118.6) million.

Profit after financial items totaled EUR 1.4 (5.1) million while the net profit equaled EUR 0.4 (5.5) million. Net profit for the year of comparison includes a tax rebate of EUR 1.3 million involving deductibility of specific items from 2004 to 2006. Undiluted result per share for the Group stood at EUR 0.02 (EUR 0.32). Return on capital employed amounted to 3.3% (10.4%) and return on equity was 0.9% (11.8%).

BUSINESS AREAS

Broadband Cable Networks

Along with equipment and systems Broadband Cable Networks supplies its main clientele consisting of cable operators with an increasing amount of network maintenance and planning services. The relevant products and systems involve construction of transfer networks and signal processing. Product deliveries include individual pieces of equipment and turnkey networks alike.
In Europe - the business unit's main market area - Broadband Cable Networks has 28 own sales offices supported by a number of retail and integration partners. Outside Europe, Broadband Cable Networks has offices of its own located in China and India. The services companies acquired in January and July 2009 significantly strengthen the provision of services in Germany.

R&D efforts of the business unit were particularly focused on the Internet Protocol based video processing system (Luminato product range). Our product development also included work on the new generation amplifier technology (the Access product range) and the optical transfer system for HFC networks (the HDO product range).

Orders received by Broadband Cable Networks stood at EUR 131.8 (101.4) million. Year-on-year orders received of products and systems decreased by 35.8% standing at EUR 65.3 (101.4) million. Orders received by the German services amounted to EUR 66.5 million.

Year-on-year net sales grew by 35.6% (-14.4%) standing at EUR 125.5 (92.6) million. In terms of net sales, the German services business accounted for EUR 62.3 million. Net sales in products and systems for the business area decreased by 31.7% standing at EUR 63.2 (92.6) million.

Operating profit stood at EUR 2.9 (6.1) million making 2.3% (6.6%) of the net sales. Operating profit decreased clearly from the year of comparison owing to decline in net sales of products and systems.

Video Networks

Primary clientele of Video Networks includes public sector organizations and system integrators. The business area is specializing in high-quality video surveillance transfer and management systems carrying real-time video, audio and data.

Product development conducted by Video Networks focused particularly on the advancement of video surveillance management system VMX and the specification for the video surveillance transfer system based on the video encoding standard H.264.

The business has seven sales offices in Europe with two overseas, in the United States and Australia, more specifically.

Orders received by Video Networks amounted to EUR 19.2 (17.2) million. Net sales amounted to EUR 16.1 (16.1) million. Operating profit of EUR -0.3 (-0.5) million includes an impairment loss of EUR 0.8 million.

R&D and Investments

R&D expenditure for the period under review totaled EUR 10.8 (13.5) million making 7.6% (12.4%) of net sales. The decrease in R&D expenditure (EUR 2.7 million) was mainly due to cost adaptation measures involving personnel expenses. Teleste's product development expenses mainly involved products and systems of our business areas, and in their net sales the product development expenses accounted for 13.6% (12.4%). In April 2009, 23 persons moved from R&D to be employed by Cybercom Plenware. This solution supports the implementation of our business growth strategy, enables focusing on our core business and provides flexibility with regard to R&D personnel resources.

The most significant R&D effort involved further development of the video processing system based on the Internet Protocol (the Luminato product range). Our R&D efforts also included the new generation amplifier technology (the Access product range), the optical transfer system for HFC networks (the HDO product range) and the video surveillance management system (the VMX product range). Specification of the video surveillance transfer system based on the advanced video encoding (H.264) standard and the choice of partner for the implementation stage were brought to the conclusion.

Some 60% (60%) of product development expenses involved further development of product platforms currently in production, maintenance, and customer-specific product applications. Out of the R&D expenses, EUR 1.6 (2.5) million were activated mainly for the Luminato video processing system. Depreciation on the activated R&D expenses amounted to EUR 2.5 (2.2) million.

At the end of the financial period, 10% (25%/2008, 23%/2007) of the Group personnel were working in R&D related duties. A number of Teleste's projects involved co-operation with Finnish universities and research institutes.

Investments for the period under review totaled EUR 25.2 (3.9) million making 17.8% (3.6%) of the net sales. Investments made to increase the German services business amounted to EUR 17.1 million, and this figure includes the estimated additional contract price. Investments include the additional contract price of EUR 3.4 million related to the DINH Telecom company acquisition (Teleste purchased the capital stock of DINH Telecom in 2007). Product development investments totaled EUR 1.6 (2.5) million. In Finland a premises expansion investment of EUR 3.0 million was carried out. At the end of 2009, amalgamation of production-related operations was launched in Finland, and we believe this will improve the cost-efficiency of our production in 2010. As to investments for the period, EUR 0.2 (0.2) million, was implemented by means of financial leasing.

Financing

Liquidity of the Group remained good throughout the year. Operating cash flow stood at EUR 9.8 (9.7) million. Accounts receivable caused no essential credit losses. At the end of the period, the amount of unused binding stand-by credits amounted to EUR 19.5 (31.0) million. The current binding stand-by credits of EUR 40.0 million run till November 2013. The Group's equity ratio was 43.6% (61.7%) and gearing 22.0% (3.6%). Interest bearing debt on 31 December 2009 was EUR 22.8 (11.0) million.

Personnel and Organisation

In 2009, the Group employed an average of 1103 people (702/2008, 681/2007). At the year-end, the figure totaled 1260 (677/2008, 672/2007) of which 68% (33%/2008, 34%/2007) were stationed overseas. In the year of comparison the Group had, on average, 29 hired personnel. Employees stationed outside Europe accounted for less than 5% of the Group's personnel. Expenditure on employee benefits amounted to EUR 44.6 (33.2/2008, 31.5/2007) million.

As part of the cost-structure adaptation measures required by the general market situation, the Finnish personnel have been on a rotating layoff. In 2009, a co-determination procedure was conducted in the parent company as a result of which 24 persons were given notice. Our sales organisation overseas was also streamlined.

Group Structure

In line with its strategy, Teleste strengthened the offering of services provided by the Broadband Cable Networks business area. On 1 January 2009 three companies were acquired in Germany: Antel GmbH, MKS Companies ja Young-Net GmbH, followed by acquisition of AVC Systemhaus GmbH on 1 July 2009. At the signing of contract the total acquisition price amounted to EUR 11.0 million; the contract price may increase depending on the development of profitability of the acquired companies. The acquisitions were paid for in cash and financed through a bank loan. On 1 January Teleste Services GmbH with 100% holding of the acquired companies was set up in Germany. With these acquisitions Teleste's holding in the German Cableway AG increased up to 75%. Result equal to Teleste's holding in Cableway AG is presented under Financial Items for the period 1 January to 30 June; Cableway is consolidated as a subsidiary company as of 1 July 2009. The effect of these on Teleste's net sales for 2009 was EUR 62.3 million and on profit EUR 1.4 million, respectively.

Parent company Teleste has branch offices in Australia, China, Denmark, France, the Netherlands, and Spain with subsidiaries in 12 countries outside Finland.

Essential Risks of Business Areas

Allocating resources to, and the technical implementation of, Teleste's comprehensive integrated deliveries pose a challenge involving, therefore, also reasonable risks. The present difficult market situation may delay the implementation of investment plans among the clientele. The way customers proceed with their investments follows a typically cyclic pattern. Furthermore, the prevailing circumstances may undermine the solvency of some customers. In compliance with its strategy, Teleste intends to smoothen this cyclic pattern in its net sales by increasing the services business.

Correct technological choices and their timing are vital for the success of our business areas. It is equally important to take into account any developments in the market such as consolidations taking place among the clientele and competition. Much of Teleste's competition comes from the USA and, therefore, strong euro up against the US dollar erodes our competitiveness. Teleste hedges against short-term currency exposure by means of forward contracts.

The Board of Directors annually reviews any essential risks related to the company operation and the management thereof. Risk management has been integrated into the strategic and operative practices of our business areas. Risks and their probability are reported to the Board with regular monthly reports. The company has covered risks involving damage to operative functions of the business areas mainly by means of insurance policies. These insurances do not include credit loss risks. No such risks materialized in 2009, and no legal proceedings or judicial procedures were pending that would have had any essential significance for the Group operation.

Decisions by the Annual General Meeting

On 7 April 2009, the Annual General Meeting (AGM) confirmed the financial statements for 2008 and discharged the Board and the CEO from liability for the financial period. The AGM confirmed the Board's proposed dividend of EUR 0.12 per share. The dividend was paid out on 21 April 2009.

The AGM decided that the Board of Directors shall consist of six members. Marjo Miettinen was elected Chairman of the Board with Pertti Ervi and Petteri Walldén as new Board members. Tero Laaksonen, Pertti Raatikainen and Kai Telanne were re-elected members of the Board.

Authorised Public Accountants KPMG Oy Ab continue as the auditor until the next AGM. Accountant authorised by the Central Chamber of Commerce of Finland Esa Kailiala was chosen auditor-in-charge.

The AGM authorised the Board to acquire the maximum of 900,000 of the company's own shares and to convey the maximum of 1,744,721 company's own shares. The AGM also authorised the company Board to issue 10,000,000 new shares. Pursuant to the special rights provided by the company, the maximum number of significant shares is 5,000,000; these special rights are included in the authorisation to issue 10,000,000 new shares.

The authorizations are valid until the Annual General Meeting of Shareholders for year 2010.

Shares and Changes in Share Capital

At the end of 2009, EM Group Oy was the largest single shareholder with a holding of 20.32%.

As to the company share price in 2009, the low was EUR 2.25 (1.90) and the high EUR 4.30 (7.49). Closing price at the end of the year stood at EUR 3.72 (2.24). According to the Finnish Central Security Depository the number of shareholders at the end of the period under review was 5440 (5532). Foreign ownership accounted for 9.69% (11.18%). Trading with Teleste share at NASDAQ OMX Helsinki Oy amounted to EUR 28.5 (51.1) million. In 2009, 7.8 (11.5) million shares standing for 44.0% (64.6%) of the share capital were traded at NASDAQ OMX Helsinki Oy.

In May 2008, the Board of the company decided to launch a repurchase program of own shares based on authorisation granted by the Annual General Meeting. In compliance with the Board's decision, in the review period 78,530 (421,470) shares were purchased out of the total amount of 500,000; the purchase price averaged EUR 3.36 (3.29) per share. At the end of December, the number of own shares in the Group possession stood at 379,985 (766,191) out of which parent company Teleste Corporation had none (0) and the subsidiary Teleste Incentive Oy had 379,985 shares, respectively. At the end of the period, the Group's holding of the total amount of shares amounted to 2.13% (4.3%). On 10 June 2009, the number of company's own shares conveyed by authorisation granted by the Annual General Meeting of 2009 for the additional purchase price of DINH Telecom acquired on 2 April 2007 was 464,736, making 2.61% of the share capital.

Flaggings

With stock purchases performed on 14 January 2009, holding by EM Group Oy of the total number of shares and votes of Teleste Corporation stands at 5.04%.

With stock purchases performed on 29 January 2009, holding by EM Group Oy of the total number of shares and votes of Teleste Corporation stands at 10.57%.

With stock purchases performed on 10 February 2009, holding by Reima Kuisla of the total number of shares and votes of Teleste Corporation stands at 5.59%.

With stock purchases performed on 25 February 2009, holding by Reima Kuisla of the total number of shares and votes of Teleste Corporation stands at 0.00%.

With stock purchases performed on 25 February 2009, holding by EM Group Oy of the total number of shares and votes of Teleste Corporation stands at 20.32%.

At the balance sheet date, the registered share capital of Teleste stood at EUR 6,966,932.80 divided in 17,805,590 shares.

Ownership by Management and Members of the Governing Bodies on 31 December 2009

On the balance sheet date, CEO and the Members of the Board owned 108,695 Teleste Corporation shares equaling to 0.61% of all shares and votes.
Based on stock option rights, CEO was entitled to subscribe 160,000 shares. On the balance sheet date, the ownership including rights of options by the CEO and the Board amounted to 268,695 shares, which is equal to 1.42% of all shares and votes.

Based on the rights of options, the company amount of shares may increase by 1,140,000 shares equaling to 6.02% of all shares and votes.

Teleste Corporation complies with the Finnish Corporate Governance Code, which was issued by the Securities Market Association on October 20th 2008, and entered into force on January 1st, 2009. The Corporate Governance Statement will be issued separately from the company's annual report, and it will be available on Teleste's website under Investors.

Events after the End of the Period

In Finland, the co-determination procedure initiated in December 2008 was concluded on 22 January 2010. Adaptation measures agreed in the co-determination procedure continued in Finland until the end of 2010.

A program involving renewal of processes in Broadband Cable Networks' German services business has been launched, and this is designed to improve the cost-efficiency. For this reason we estimate that the number of personnel operating in services business in Germany will decrease by less than 10% out of the current 624 persons.

Outlook for 2010

In Teleste´s estimation, the offering of services to private households by the operator clientele of Broadband Cable Networks will remain relatively stable even in an uncertain market situation. The demand for network services provided by Broadband Cable Networks will remain stable, but owing to the difficult situation in the financial market the cable operators continue to be cautious with regard to their network investments.
In our view, deliveries involving product solutions offered by Broadband Cable
Networks in 2010 will remain at least on the same level with 2009. Net sales of the business area will grow owing to the increased offering of services. However, the exceptionally cold winter in Europe makes network installation works difficult in Q1. Moreover, significant sporting events scheduled for the first half of 2010 may delay the upgrading of networks.

As for the markets of the Video Networks business area, increased needs for security and more effective traffic infrastructure allow for a cautious growth in net sales in 2010.

Teleste is confident about keeping its strong market position in the core markets and continues to implement its strategy in a goal-directed manner while adapting its cost structure as required by the economic situation. In an uncertain market situation, the recent strategic investments made in the services business enable the net sales to grow from the 2009 level. Bearing in mind increased net sales and the adaptation of costs we estimate the operating profit to improve over 2009.

Owing to the offering of services by the Group, changes will be made to the segment reporting as from the beginning of 2010. The new segments include Video and Broadband Solutions with the emphasis on products, and Network Services focusing on the services business. The product and system solutions consisting of Broadband Cable Networks and Video Networks will be combined under the Video and Broadband Solutions business area, whereas Network Services will include the network maintenance and planning services.

Board of Directors' Proposal for Dividends

The parent company's distributable equity at the balance sheet date equals EUR 24.4 million.

Regarding the Annual General Meeting scheduled for 9 April 2010, the Board proposes that a dividend of EUR 0.08 (EUR 0.12) per share would be paid for the outstanding shares for the year 2009.

2 February 2010

TELESTE CORPORATION
The Board of Directors

Jukka Rinnevaara
President and CEO

The audited Financial Statements have been prepared according to IAS 34 valuation principles.

STATEMENT OF COMPREHENSIVE INCOME (tEUR)

	10-12/2009	10-12/2008	Change %
Net sales	43 784	28 125	55.7 %
Other operating income	533	469	13.7 %
Raw material and consumables used	-21 038	-12 390	69.8 %
Employee benefits expense	-13 407	-8 755	53.1 %
Depreciations	-1 492	-1 191	25.2 %
Impairment of goodwill	-800	0	n/a
Other operating expenses	-5 862	-4 686	25.1 %
Operating profit	1 718	1 571	9.3 %
Financial income	85	58	46.6 %
Financial expenses	-151	-161	-6.2 %
Profit before taxes	1 652	1 468	12.5 %
Taxes	-657	393	n/a
Profit for the period	995	1 861	-46.5 %
Attributable to:			
Equity holders of the parent	995	1 861	-46.5 %
Earnings per share for profit of the year attributable to the equity holders of the parent			
Basic (expressed in euro per share)	0.06	0.11	-45.0 %
Diluted (expressed in euro per share)	0.06	0.11	-45.0 %
Total comprehensive income for the period (tEUR)			
Net profit	995	1 861	-46.5 %
Translation differences	170	-485	n/a
Fair value reserve	-116	0	n/a
Total comprehensive income for the period	1 049	1 376	-23.8 %
Attributable to:			
Equity holders of the parent	1 049	1 376	-23.8 %

STATEMENT OF COMPREHENSIVE INCOME (tEUR)

	1-12/2009	1-12/2008	Change %
Net sales	141 651	108 695	30.3 %
Other operating income	3 124	1 820	71.6 %
Raw material and consumables used	-69 962	-49 145	42.4 %
Employee benefits expense	-44 584	-33 226	34.2 %
Depreciation and amortisation expense	-5 582	-4 705	18.6 %
Impairment of goodwill	-800	0	n/a
Other operating expenses	-21 323	-17 811	19.7 %
Operating profit	2 524	5 628	-55.2 %
Financial income	105	446	-76.5 %

Financial expenses	-710	-979	-27.5 %
Share of profit of associates	-544	n/a	n/a
Profit before taxes	1 375	5 095	-73.0 %
Taxes	-959	433	n/a
Profit for the period	416	5 528	-92.5 %
Attributable to:			
Equity holders of the parent	416	5 528	-92.5 %
Earnings per share for profit of the year attributable to the equity holders of the parent			
Basic (expressed in euro per share)	0.02	0.32	-92.5 %
Diluted (expressed in euro per share)	0.02	0.32	-92.5 %
Total comprehensive income for the period (tEUR)			
Net profit	416	5 528	-92.5 %
Translation differences	189	-508	n/a
Fair value reserve	-116	0	n/a
Total comprehensive income for the period	489	5 020	-90.3 %
Attributable to:			
Equity holders of the parent	489	5 020	-90.3 %

STATEMENT OF FINANCIAL POSITION (tEUR)

Assets 1000 euro	31.12.2009	31.12.2008	Change %
Non-current assets			
Property, plant and equipment	9 960	6 373	56.3 %
Goodwill	31 657	13 865	128.3 %
Other intangible assets	7 664	6 466	18.5 %
Available-for-sale investments	713	790	-9.7 %
Total	49 994	27 494	81.8 %
Current assets			
Inventories	20 682	14 049	47.2 %
Trade and other receivables	26 884	24 728	8.7 %
Cash	12 518	9 268	35.1 %
Total	60 084	48 045	25.1 %
Total assets	110 078	75 539	45.7 %
Equity and liabilities			
Equity attributable to equity holders of the parent			
Share capital	6 967	6 967	0.0 %
Share premium	1 504	1 504	0.0 %
Translation differences	-372	-561	-33.7 %
Invested non restricted equity	2 737	1 451	88.6 %
Other reserves	-116	0	n/a
Retained profits	35 949	37 284	-3.6 %
Total	46 669	46 645	0.1 %

Non-current liabilities			
Interest-bearing liabilities	12 237	1 175	941.4 %
Other liabilities	6 461	66	9689.4 %
Deferred tax liabilities	265	959	-72.4 %
Provisions	513	314	63.2 %
Total	19 476	2 514	674.6 %
Current liabilities			
Trade and other liabilities	32 372	15 851	104.2 %
Current tax payable	0	113	-100.0 %
Provisions	1 026	629	63.2 %
Interest-bearing liabilities	10 535	9 787	7.6 %
Total	43 933	26 380	66.5 %
Total liabilities	63 409	28 894	119.5 %
Equity and liabilities total	110 078	75 539	45.7 %

CONSOLIDATED CASH FLOW STATEMENT, 1000 EUROS

	1.1.-31.12. 2009	1.1.-31.12. 2008	Change %
Cash flows from operating activities			
Profit for the period	416	5 528	-92.5 %
Adjustments for:			
Non-cash transactions	6 666	4 955	34.5 %
Interest and other financial expenses	710	979	-27.5 %
Interest income and other financial income	-95	-436	-78.2 %
Dividends	-10	-10	0.0 %
Taxes	959	-433	n/a
Change in working capital			
Increase in trade and other receivables	12 008	1 932	521.5 %
Increase in inventories	-384	1 887	n/a
Increase in trade and other payables	-7 702	-3 296	133.7 %
Decrease in provisions	-92	0	n/a
Paid interests and other financial expenses	-1 042	-1 096	-4.9 %
Received interests and dividends	105	246	-57.3 %
Paid taxes	-1 708	-583	192.8 %
Cash flow from operating activities	9 831	9 673	1.6 %
Cash flow from investing activities			
Acquisition of subsidiary, net of cash acquired	-10 281	-378	2619.8 %
Purchases of property, plant and equipment (PPE)	-3 272	-293	1016.7 %
Proceeds from sales of PPE	500	0	n/a
Purchases of intangible assets	-1 327	-2 692	-50.7 %
Proceeds from sales of shares	0	221	n/a
Investments in shares	-10	-80	n/a
Net cash used in investing activities	-14 390	-3 222	346.6 %
Cash flow from financing activities			
Proceeds from borrowings	20 542	6 093	237.1 %
Payments of borrowings	-9 921	-4 596	115.9 %
Payment of finance lease liabilities	-702	-578	21.5 %

Dividends paid	-2 035	-4 158	-51.1 %
Own shares	-264	-1 386	-81.0 %
Proceeds from issuance of ordinary shares	0	249	-100.0 %
Net cash used in financing activities	7 620	-4 376	-274.1 %
Change in cash			
Cash and cash equivalents 1.1.	9 268	7 702	20.3 %
Effect of currency changes	189	-508	n/a
Cash and cash equivalents 31.12.	12 518	9 268	35.1 %

Consolidated statement of changes in equity, 1000 euro

Attributable to equity holders of the parent	Share capital	Share premium	Translation Differ-rences	Retained earnings	Invested non-restricted equity	Other reserves	Total
Equity 31.12.2008	6 967	1 504	-561	37 284	1 451	0	46 645
Total comprehensive income for the period	0	0	189	416	0	-116	489
Dividends	0	0	0	-2 035	0	0	-2 035
Equity-settled share-based payments	0	0	0	284	1 286	0	1 570
Equity 31.12.2009	6 967	1 504	-372	35 949	2 737	-116	46 669

Business segments 2009, 1000 euro	Broadband Cable Networks	Video Networks	Group
External sales			
Services	66 757	320	67 077
Goods	58 789	15 785	74 574
External sales total	125 546	16 105	141 651
Operating profit of segments	2 869	-345	2 524
Financial items			-605
Shares of associates			-544
Profit for the period			1 375
Segments assets	83 181	14 379	97 560
Unallocated assets			12 518
Total assets			110 078
Capital expenditure for the period	24 507	734	25 241
Depreciations for the period	4 590	992	5 582
Impairment of goodwill	0	800	800

Business segments 2008, 1000 euro	Broadband Cable Networks	Video Networks	Group
External sales			
Services	5 459	218	5 677
Goods	87 146	15 872	103 018
External sales total	92 605	16 090	108 695
Operating profits of the segments	6 098	-470	5 628

Financial items			-533
Profit before taxes			5 095
Segments assets	50 930	15 341	66 271
Unallocated assets			9 268
Total assets			75 539
Capital expenditure for the period	3 378	518	3 896
Depreciations for the period	3 713	992	4 705

Geographical segments 2009, 1000 euro	Nordic countries	Other Europe	Finland	Others	Group
Sales by origin	17 964	107 011	11 630	5 046	141651
Assets	11 843	64 547	32 611	1 077	110078
Capital expenditure for the period	20	20 580	4 611	30	25 241

Geographical segments 2008, 1000 euro	Nordic countries	Other Europe	Finland	Others	Group
Sales by origin	19 628	70 522	12 620	5 925	108695
Assets	9 925	12 582	51 157	1 875	75 539
Capital expenditure for the period	40	330	3 408	118	3 896

Information per quarter, 1000 euro	10-12/09	7-9/09	4-6/09	1-3/09	10-12/08	1-12/2009
Broadband Cable Networks						
Order intake	40 816	42 844	25 570	22 580	19 680	131 810
Net sales	39 319	38 661	26 266	21 300	23 765	125 546
EBIT	2 402	1 649	191	-1 373	1 711	2 869
EBIT %	6.1 %	4.3 %	0.7 %	-6.4 %	7.2 %	2.3 %
Video Networks						
Order intake	6 008	5 800	3 996	3 406	5 583	19 210
Net sales	4 465	3 050	4 286	4 304	4 360	16 105
EBIT	-684	-41	212	168	-140	-345
EBIT %	-15.3 %	-1.3 %	4.9 %	3.9 %	-3.2 %	-2.1 %
Total						
Order intake	46 824	48 644	29 566	25 986	25 263	151 020
Net sales	43 784	41 711	30 552	25 604	28 125	141 651
EBIT	1 718	1 608	403	-1 205	1 571	2 524
EBIT %	3.9 %	3.9 %	1.3 %	-4.7 %	5.6 %	1.8 %

Commitments and contingencies, 1000 euro	2009	2008	Change %
Other securities	120	259	-53.7 %
Rental liabilities	2 243	2 233	0.4 %
Lease liabilities	3 733	1 466	154.6 %
Value of underlying forward contracts	8 043	9 094	-11.6 %
Market value of forward contracts	-228	419	n/a
Interest rate swap	11 500	0	n/a
Market value of interest swap	-157	0	n/a

The number of employees broken down by following categories 31.12.	2009	2008	Change %
Research and development	135	172	-21.5 %
Production and material management	964	326	195.7 %
Sales and marketing	115	141	-18.4 %
Finance, quality and IT	46	38	21.1 %
Total	1 260	677	86.1 %

KEY FIGURES	IFRS 2005	IFRS 2006	IFRS 2007	IFRS 2008	IFRS 2009
Profit and loss account, balance sheet					
Net sales, Meur	82.6	101.8	125.1	108.7	141.7
Change %	25.1 %	23.2 %	22.9 %	-13.1 %	30.3 %
Sales outside Finland, %	89.3 %	90.6 %	91.2 %	90.2 %	91.8 %
Operating profit, Meur	8.6	9.8	13.2	5.6	2.5
% of net sales	10.4 %	9.6 %	10.5 %	5.2 %	1.8 %
Profit after financial items, Meur	8.3	9.3	12.7	5.1	1.4
% of net sales	10.1 %	9.1 %	10.1 %	4.7 %	1.0 %
Profit before taxes, Meur	8.3	9.3	12.7	5.1	1.4
% of net sales	10.1 %	9.1 %	10.1 %	4.7 %	1.0 %
Profit for the financial period, Meur	6.0	6.9	9.4	5.5	0.4
% of net sales	7.2 %	6.8 %	7.5 %	5.1 %	0.3 %
R&D expenditure, Meur	8.6	9.8	13.1	13.5	10.8
% of net sales	10.5 %	9.7 %	10.5 %	12.4 %	7.6 %
Gross investments, Meur	4.1	6.2	12.3	3.9	25.2
% of net sales	4.9 %	6.1 %	9.8 %	3.6 %	17.8 %
Interest bearing liabilities, Meur	3.9	8.0	9.5	11.0	22.8
Shareholder's equity, Meur	32.4	37.7	46.7	46.6	46.7
Total assets, Meur	54.8	68.2	77.9	75.5	110.1
Personnel and orders					
Average personnel	546	608	681	702	1 103
Order backlog at year end, Meur	22.7	28.1	21.5	24.0	33.1
Orders received, Meur	85.4	107.2	118.5	118.6	151.0
Key metrics					
Return on equity, %	19.8 %	19.7 %	22.2 %	11.8 %	0.9 %
Return on capital employed, %	23.7 %	24.3 %	27.1 %	10.4 %	3.3 %
Equity ratio, %	59.1 %	55.3 %	60.2 %	61.7 %	43.6 %
Gearing, %	-14.3 %	3.2 %	3.8 %	3.6 %	22.0 %
Earnings per share, euro	0.35	0.41	0.55	0.32	0.02
Earnings per share fully diluted, euro	0.33	0.38	0.52	0.32	0.02
Shareholders equity per share, euro	1.92	2.22	2.69	2.74	2.68
Teleste share					
Highest price, euro	8.35	12.75	12.34	7.49	4.30
Lowest price, euro	5.85	6.46	6.47	1.90	2.25
Closing price, euro	7.45	11.63	6.71	2.24	3.72
Average price, euro	6.97	9.83	10.10	4.52	3.62

Price per earnings	21.0	28.6	12.3	7.0	137.8
Market capitalization, Meur	129.2	202.2	118.6	39.9	66.2
Stock turnover, Meur	75.3	138.9	72.4	51.1	28.5
Turnover, number in millions	10.8	14.2	7.2	11.5	7.8
Turnover, % of share capital	62.3 %	81.4 %	40.5 %	64.6 %	44.0 %
Average number of shares	17339752	17363102	17494435	17708782	17805590
Number of shares at the year-end	17339752	17389302	17671305	17805590	17805590
Average number of shares, diluted w/o own shares	18001437	18022505	17971752	17372555	17229154
Number of shares at the year-end, diluted w/o own shares	18004752	18034752	17972785	17039399	17425605
Paid dividend, Meur	2.7	3.4	4.2	2.0	1.4
Dividend per share, euro	0.16	0.20	0.24	0.12	*0.08
Dividend per net result, %	45.7 %	49.1 %	43.9 %	37.4 %	331.3 %
Effective dividend yield, %	2.1 %	1.7 %	3.6 %	5.4 %	2.2 %

* The Board's proposal to the AGM

Treasury shares	Number of shares	% of shares	% of votes
Teleste companies own shares 31.12.2009	379 985	2.13%	2.13%

CALCULATION OF KEY FIGURES

Return on equity:

Profit/loss for the financial period
------------------------------ * 100
Shareholders’ equity (average)

Return on capital employed:

Profit/loss for the period after financial items + financing charges
------------------------------ * 100
Total assets - non-interest-bearing liabilities (average)

Equity ratio:

Shareholders' equity
----------------------------- * 100
Total assets - advances received

Gearing:

Interest bearing liabilities - cash in hand and in bank - interest bearing assets
----------------------------- * 100
Shareholders' equity

Earnings per share:

Profit for the period attributable to equity holder of the parent
----
Weighted average number of ordinary shares outstanding during the period

Earnings per share, diluted:

Profit for the period attributable to equity holder of the parent (diluted)

Average number of shares - own shares + number of options at the period-end

Equity per share:	Shareholders' equity -------------------- Number of shares - number of own shares at year-end
Price per earnings (P/E):	Share price at year-end ------------------- Earnings per share
Effective dividend yield:	Dividend per share ------------------- Share price at year-end

MAJOR SHAREHOLDERS 31.12.2009	Shares	%
EM GROUP OY	3 617 552	20.32
MANDATUM LIFE	1 679 200	9.43
ILMARINEN MUTUAL PENSION INSURANCE COMPANY	894 776	5.03
KALEVA MUTUAL INSURANCE COMPANY	824 641	4.63
AKTIA CAPITAL MUTUAL FUND	524 200	2.94
VARMA MUTUAL PENSION INSURANCE COMPANY	521 150	2.93
THE STATE PENSION FUND	500 000	2.81
SKAGEN VEKST VERDIPAPIERFOND	437 000	2.45
FIM FENNO MUTUAL FUND	401 342	2.25
TELESTE INCENTIVE OY	379 985	2.13

SECTOR DISPERSION OF SHAREHOLDERS 31.12.2009	Number of shares	% of total shares
Companies	5 577 581	31,32%
Financial institutions	3 288 681	18,47%
Public institutions	2 172 976	12,20%
Nonprofit organisations	569 055	3,20%
Private individuals	4 471 934	25,12%
Foreign and nominee-registered	1 725 363	9,69%
Total	17 805 590	100,00%

HOLDING DISPERSION 31.12.2009

Number of shares	Owners	%	Shares	%
1-100	1 206	22,16%	85 172	0,47%
101-1 000	3 209	58,98%	1 334 199	7,49%
1 001-10 000	926	17,02%	2 600 455	14,6%
10 001 -100 000	82	1,50%	2 015 851	11,32%
100 001 - 1 000 000	15	0,27%	6 473 161	36,35%
1 000 001 -	2	0,03%	5 296 752	29,74%
Total	5 440	100,00%	17 805 590	100,00%

At 1 January 100% of shares of German companies, Antel GmbH, MKS and Young-Net GmbH was purchased. At 1 July 100% of shares in AVC Systemhaus GmbH. With these purchases Teleste ownership in Cableway Ag increased to 75%. The purchase prices amounted totally 10 954 thousand and was paid in cash.

The acquisition resulted in 2 977 thousand of intangible assets, which was allocated to trade marks, customer relationships and personnel. Teleste personnel increased with 624 persons. The goodwill, amounted 15 260 thousand EUR, is mainly due to future revenue expectation and to personnel synergy effects in the future. The goodwill include estimated amount of the conditional supplementary contract price. The impact of the acquisition on Teleste's net sales during the period 1.1.2009 - 31.12.2009 was 62 271 thousand EUR and on the profit 1 431 thousand EUR. If Cableway and AVC Systemhaus had been consolidated since 1 January 2009, the Group revenue would have been 14 750 thousand EUR higher and the Group revenue would have decreased 537 thousand EUR.

Calculation of recognised fair values on acquisition	
1 000 EUR	
Fair values used in consolidation	
Trade marks (inc. in intangible assets)	767
Customer relationship (inc. in intangible assets)	2 210
Book values used in consolidation	
Tangible assets	1 119
Inventories	7 304
Deferred tax receivables	1 022
Trade receivables	11 004
Other receivables	4 071
Liquid funds	2 553
Total assets	30 050
Book values used in consolidation	
Interest-bearing liabilities	1 767
Deferred tax liabilities	774
Other liabilities	25 629
Total liabilities	28 170
Net identifiable assets and liabilities	1 880
Total consideration	16 954
Acquisition costs	186
Goodwill on acquisition	15 260
Consideration paid in cash	-11 284
Cash and cash equivalents in acquired subsidiary	2 553
Total net cash outflow on the acquisition	-8 731

Notes

Notes

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