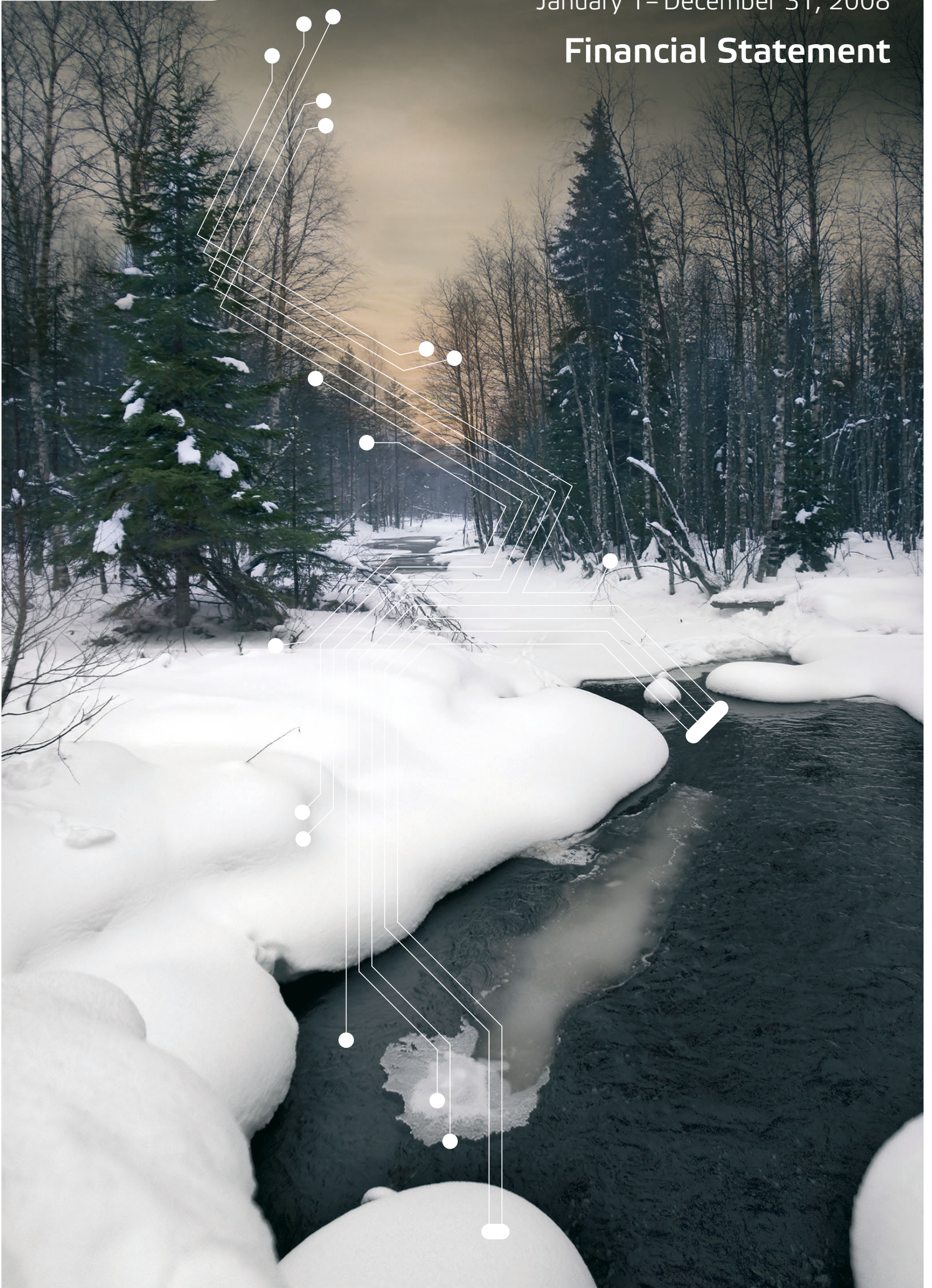


January 1 – December 31, 2008

Financial Statement



Teleste Corporation Financial Statement 2008

- Net sales amounted to EUR 108.7 (125.1) million, a fall of 13.1 % over the year of comparison
- Operating profit amounted to EUR 5.6 (13.2) million, a fall of 57.3 % over the previous year
- Undiluted result per share stood at EUR 0.32 (0.55) per share, a fall of 41.4% over the year of comparison
- Orders received equaled last year's level, i.e. EUR 118.6 (118.5) million. Order backlog totaled EUR 24.0 (21.5) million.
- Orders received by Broadband Cable Networks stood at EUR 101.4 (101.4) million
- Orders received by Video Networks amounted to EUR 17.2 (17.1) million
- Operating cash flow stood at EUR 9.7 (12.0) million
- The Board of Directors proposes that a dividend of EUR 0.12 (0.24) per outstanding share will be paid

REPORT OF THE BOARD OF DIRECTORS

Overview

Due to the rapid weakening in the global economy, strong fluctuations in the exchange rates and the tightening in the financial markets Teleste's business environment became increasingly uncertain and harder to predict towards the end of the year. The changes in the business environment made our clientele increasingly cautious regarding their investment plans, and the relevant projects were partially pushed back. Similarly, year-on-year framework deliveries were reduced.

On the other hand, the developing Indian market was active and Teleste managed to secure the largest single order on record of EUR 12.0 million from Digicable Networks PVT Ltd for delivery of IP-headends.

Measures designed to increase flexibility in the cost structure were initiated in the second half of the year. Sufficient financing was secured by way of binding credit limits agreed with two separate banks. These limits amount to EUR 40 million in total and remain valid until November 2013.

Product development efforts continued on a par with last year. The most important project involved the video processing system making use of the IP-based technology.

Events after the End of the Period under Review

The services business was strengthened right in the beginning of January 2009 by acquiring three German companies providing network maintenance services to German operators. In 2009, the acquisitions will increase Teleste's net sales by approximately EUR 30 million. The relevant acquisition cost calculation will be completed by the release of the interim report for Q1 of 2009.

With the share transactions carried out on 14 and 29 January 2009, EM Group Oy flagged their holding of Teleste to have increased up to 5.04% and 10.57%, respectively.

Net Sales and Profitability

Teleste net sales totaled EUR 108.7 (125.1) million, a decrease of 13.1 % over the previous year. Net sales in Q4 amounted to EUR 28.1 (31.1) million.

Operating profit stood at EUR 5.6 (13.2) million making 5.2 % (10.5 %) of the net sales. Operating profit for Q4 stood at EUR 1.6 (3.0) million making 5.6% (9.8%) of the net sales.

Orders received by the Group equaled last year's level, i.e. EUR 118.6 (118.5) million. Order accrual weakened for the amplifier solutions included in frame agreements, especially in the second half-year. Orders received in Q4 stood at EUR 25.3 (29.7) million. Teleste's order backlog grew by 11.6% amounting to EUR 24.0 (21.5) million at the year-end. This increase in order backlog was mainly attributable to the significant contract of EUR 12 million secured in June by Broadband Cable Networks in India. Orders worth EUR 7.5 million entered in 2006 and 2007 have been taken away from the order backlog as the relevant deliveries have been estimated uncertain.

Profit after financial items totaled EUR 5.1 (12.7) million while the net profit after taxes equaled EUR 5.5 (9.4) million. Accounting period taxes include a tax refund of EUR 1.3 million. The relevant adjustment applied to the tax deductibility of specific items for 2004 to 2006. Undiluted result per share for the Group stood at EUR 0.32 (EUR 0.55). Return on capital employed amounted to 10.4% (27.1%) and return on equity was 11.8% (22.2%).

R&D and Investments

R&D expenditure for the period under review totalled EUR 13.5 (13.1) million making 12.4% (10.5%) of net sales. The most significant R&D effort involved further development of the so-called Luminato video processing system based on Internet protocol. Our on-going product development efforts also included the broadband data transfer system EttH, the new generation amplifier technology Access, the high-density optics solution HDO, video surveillance transfer system MP-X and the CCTV management system VMX. Specification of the Gateway involved in the last mile system FttX and the selection of partners for the implementation stage were successfully completed.

Some 60% (40%) of product development expenses involved further development of product platforms currently in production and their maintenance as well as customer-specific product applications. Activated product development expenses stood at EUR 2.5 (2.7) million. This capitalization mainly involved the IP-headend, EttH, and MP-X. Deprecia-

tion on activated R&D expenses amounted to EUR 2.2 (1.4) million.

The R&D expenditure in Q4 amounted to EUR 3.4 (3.5) million.

A number of Teleste's projects involved co-operation with Finnish universities and research institutes. 25% of Teleste's personnel (23%/2007, 22%/2006) worked in R&D related assignments.

Investments for the period under review totalled EUR 3.9 (12.3) million making 3.6 % (9.8 %) of net sales. Investments of EUR 2.5 million involved product development while EUR 0.7 million included acquisitions. As to investments for the period, EUR 0.2 (1.8) million was carried out by financial leasing.

Financing

Liquidity of the Group remained good throughout the year. Operating cash flow stood at EUR 9.7 (12.0) million. At the end of the period, the amount of unused binding stand-by credits amounted to EUR 31.0 (23.0) million. The current binding stand-by credits of EUR 40.0 million run till November 2013. The Group's equity ratio was 61.7% (60.2%) and gearing 3.6% (3.8%). Interest bearing debt on 31 December 2008 was EUR 11.0 (9.5) million.

Personnel and Organisation

In 2008, the Group employed, on average, 702 people (681/2007, 608/2006). At the year-end, the figure totaled 677 (672/2007, 621/2006) of which approximately 33% (34%/2007, 30%/2006) were stationed overseas. The stated number of personnel does not include temporary labor averaging 29 (64) persons in the financial period. The number of temporary labor at the year-end was 8 (36).

Employees stationed outside Europe accounted for less than 10% of the Group's personnel. Expenditure on employee benefits amounted to EUR 33.2 (31.5/2007, 27.1/2006) million.

In the co-determination negotiations concluded in December, temporary lay-off of the personnel was agreed upon as part of the cost structure adaptation procedures required by the market situation. Additional lay-offs involving personnel will be continued in a flexible manner as required by the market situation.

Description of Business Areas and the Involved Key Risks

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.

Integrated deliveries of solutions create favorable conditions for growth even if the involved resource allocation and technical implementation pose a challenge involving, therefore, also reasonable risks. The current difficult situation in the financial market may slow down implementation of investment plans among the clientele. The way customers proceed with their investments follows a typically cyclic pattern. In compliance with its strategy, by increasing the services business Teleste intends to smoothen this cyclic pattern in its net sales. Furthermore, the prevailing circumstances may undermine the solvency of some customers.

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 the company 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 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 reporting.

The company has covered risks related to damage in operative functions of the business areas mainly by insurance policies. These insurances do not include credit loss risks. No such risks materialized in 2008, and no legal proceedings or judicial procedures were pending that would have had any essential significance for the Group operation.

Broadband Cable Networks

Broadband Cable Networks provides its main clientele of cable operators with equipment and systems designed for the construction of transmission network and signal processing. Deliveries include individual pieces of equipment and turnkey networks alike. Increasingly the business also makes available a number of services related to the maintenance and engineering of network infrastructure.

The main market area of Broadband Cable Networks is Europe, which business area involves 21 own sales offices supported by a number of retail and integration partners. Outside Europe, Broadband Cable Networks has own offices located in China and India. Acquired in February 2008, Ortikon Interactive Oy strengthens the provision of IPTV solutions for the business area.

The product development efforts of the business area focused, in particular, on further development of the IP-based headend system Luminato, the broadband data transfer system EttH, the new generation amplifier technology pre-

ented by Access and the high-definition fibre-optic solution HDO.

Orders received by Broadband Cable Networks were level with the year of comparison standing at EUR 101.4 (101.4) million. The order backlog was strengthened by the order of EUR 12.0 million received from India in June for the Luminato headend solution. The related deliveries are expected to start towards the end of first half of 2009.

Net sales fell by 14.4% (+26.5 %) standing at EUR 92.6 (108.2) million. This reduction in net sales was mainly caused by a decrease in amplifier deliveries based on the frame agreements.

Operating profit decreased by 52.4% (+41.7%) standing at EUR 6.1 (12.8) million. Weakening in the operating profit was mainly due to diminished net sales.

At the year-end, order backlog stood at EUR 21.0 (19.7) million. Orders worth EUR 7.5 million entered in 2006 and 2007 have been deleted from the order backlog as the relevant deliveries have come to be deemed uncertain.

Orders received in the last quarter of the period under review remained at EUR 19.7 (25.2) million. The decrease in the order accrual for Q4 over the period of comparison was caused by a reduction in orders on amplifier deliveries related to frame agreements and a weakening in orders obtained from the Eastern Europe.

Net sales for Q4 amounted to EUR 23.8 (25.5) million while the operating profit stood at EUR 1.7 (2.3) million.

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. The product development efforts of the business area focused particularly on further development of IP-based video surveillance transfer systems MP-X and the CCTV management system VMX.

The business has seven sales offices in Europe with two overseas, in the United States and Australia, more specifically. Sales offices in Thailand and China were closed in 2008.

Orders received by Video Networks were level with the year of comparison amounting to EUR 17.2 (17.1) million. Net sales fell by 4.8 % (+4.3 %) standing at EUR 16.1 (16.9) million. Operating profit was EUR 0.5 (+0.3) million in the red. Weakened profitability was mainly caused by diminished net sales. At the year-end, order backlog stood at EUR 3.0 (1.8) million.

In the last quarter of the year under review, orders received amounted to EUR 5.6 (4.5) million with net sales equaling EUR 4.4 (5.5) million. The year-on-year decrease in the net sales is attributable to rescheduling of deliveries agreed with specific customers. Operating profit was EUR 0.1 million in the red (0.7 million in the black) due to low volume of net sales.

In 2009, price competition will continue to intensify, especially in the area of network solutions. Large companies have entered the market with determination. Moreover, technology involved in these applications is renewing rapidly.

Business Areas by Geography

In geographical terms, the Group's business areas are divided up into Scandinavia, rest of Europe and others.

Scandinavia:

Net sales in the Nordic countries amounted to EUR 32.2 (35.5) million. Investments for the area totalled EUR 3.4 (6.1) million.

Rest of Europe:

Net sales for the rest of Europe stood at EUR 70.5 (78.3) million while the investments made in the area amounted to EUR 0.3 (6.1) million.

Others:

Net sales amounted to EUR 5.9 (11.3) million. Investments totalled EUR 0.1 (0.1) million.

Group Structure

In the period under review, Teleste acquired the share capital of the Finnish Ortikon Interactive Oy. The parent company of Teleste Group has branch offices in Australia, China, Denmark, France, India, the Netherlands, Russia and Spain with subsidiaries in 12 countries outside Finland.

Decisions by the Annual General Meeting

The Annual General Meeting (AGM) on 1 April 2008 confirmed the financial statements for 2007 and discharged the Board and the CEO from liability for the financial period. The AGM confirmed the Board's proposed dividend of EUR 0.24 per share. The dividend was paid out on 15 April 2008.

The AGM decided that the Board of Directors shall consist of six members. Mr. Tapio Hintikka was re-elected Chairman of the Board whilst Mr. Tero Laaksonen, Mr. Pertti Raatikainen, Mr. Timo Toivila and Mr. Pekka Vennamo continued as members on the Board of Directors. Mr. Kai Telanne was elected new member of the Board.

Authorised Public Accountants KPMG Oy Ab continue as the auditor until the next AGM.

The AGM authorised the Board to acquire the maximum of 1,400,000 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 to issue 5,000,000 new shares. The maximum number of shares that may be subscribed with the special rights granted by the Company is 2,000,000 shares.

These authorisations will be valid until the AGM due to be held in 2009.

Management and the Auditors

CEO of the company has been Mr. Jukka Rinnevaara. The AGM elected KPMG Oy Ab as the auditor.

Shares and Changes in Share Capital

At the end of 2008, Mandatum Life was the largest single shareholder with a holding of 9.43%.

In terms of the company share price in 2008, the low was EUR 1.90 (6.47) and the high EUR 7.49 (12.34), respectively. Closing price at the end of the year stood at EUR 2.24 (6.71). According to the Finnish Central Security Depository, the number of shareholders at the end of the period was 5532 (5270) while foreign ownership accounted for 11.18% (20.51 %). Trading with Teleste share at NASDAQ OMX Helsinki Oy amounted to EUR 51.1 (72.4) million. In 2008, 11.5 (7.2) million shares standing for 64.6% (40.5%) of the shares 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 421,470 shares were purchased out of the total amount of 500,000; the purchase price averaged EUR 3.29 per share. At the end of December, the number of own shares in the Group possession stood at 766,191 (352,482) out of which Teleste Corporation had 266,191 shares and the subsidiary Teleste Incentive Oy had 500,000 shares, respectively. The Group's holding of the total amount of shares at the end of the period amounted to 4.3% (1.9%).

In the period under review, 7,761 own shares were conveyed to the Management Team share bonus scheme. This equals 0.04 % of the total number of shares. On 22 December 2008, 500,000 own shares were conveyed unrequited to Teleste Incentive Oy owned 100% by Teleste Corporation.

In the review period, 134,285 new shares were subscribed by Teleste 2002B options.

The 2004B options received by Teleste key personnel were listed in NASDAQ OMX Helsinki Oy on 1 April 2008.

On behalf of their customers, Schroder Investment Management Limited flagged their holding of Teleste to have decreased below five per cent by transactions performed

on 22 July 2008. New holding at the moment of flagging was 4.96% of the company share capital and 4.42% of the votes.

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

Other matters affecting the company governance will be stated in the Annual Report under Good Governance.

Outlook for 2009

As the offering of services for the clientele of Broadband Cable Networks increases and becomes more versatile and with the competition intensifying, the operators will need to invest in increased network capacity and improved quality. The competitive solutions of the business area and the strengthening in the demand for the services business ensure our strong market position in the current challenging business environment.

Increased needs for security and more effective traffic infrastructure push up demand for solutions by Video Networks. We estimate the demand for Video Networks' high-quality video surveillance solutions and the systems designed for the industry to remain at a reasonable level in 2009.

In the prevailing uncertain market situation, regardless of the increasing demand by the end-users, our clientele may be cautious with their network investments, which can cause delays in the final investment decisions in the first half of 2009. We believe the market situation to normalize towards the end of the year and get back on the growth path.

Teleste will keep its strong market position in the core markets and continue to implement its strategy in a goal-directed manner while adapting its cost structure as required. In 2009, the recent strategic investments in the services business performed by Teleste cushion the cyclic pattern in the company net sales under the uncertain market conditions.

Due to the temporary delays in network investments, preparations for weakening net sales and profitability will be made in the 2009 operating plan at least for the first half of the year.

Board of Directors' Proposal for Dividends

Regarding the Annual General Meeting scheduled for 7 April 2009, the Board proposes that a dividend of EUR 0.12 (EUR 0.24) per share would be paid for the outstanding shares for the year 2008.

3 February 2009

Teleste Corporation
Board of Directors

Jukka Rinnevaara
CEO

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

CONSOLIDATED INCOME STATEMENT, 1000 EUROS

	1.1. - 31.12. 2008	1.1. - 31.12. 2007	Change %
Net sales	108 695	125 100	-13,1 %
Other operating income	1 820	1 772	2,7 %
Change in inventories of finished products and work in progress	-1 082	-673	60,8 %
Raw material and consumables used	-48 063	-59 692	-19,5 %
Employee benefits expense	-33 226	-31 455	5,6 %
Depreciation and amortisation expense	-4 705	-3 552	32,5 %
Other operating expenses	-17 811	-18 324	-2,8 %
Operating profit	5 628	13 176	-57,3 %
Financial income	446	627	-28,9 %
Financial expenses	-979	-1 131	-13,4 %
Profit before taxes	5 095	12 672	-59,8 %
Taxes	433	-3 309	n/a
Profit for the period	5 528	9 363	-41,0 %
Attributable to:			
Equity holders of the parent	5 528	9 363	-41,0 %
Earnings per share for profit of the year attributable to the equity holders of the parent			
Basic (expressed in euro per share)	0,32	0,55	-41,4 %
Diluted (expressed in euro per share)	0,32	0,52	-38,9 %
INCOME STATEMENT 1000 EUROS	10-12 2008	10-12 2007	
Net sales	28 125	31 076	-9,5 %
Other operating income	469	618	-24,1 %
Change in inventories of finished products and work in progress	-119	-4 068	-97,1 %
Raw material and consumables used	-12 271	-10 179	20,5 %
Employee benefits expense	-8 755	-8 836	-0,9 %
Depreciation and amortisation expense	-1 191	-1 018	17,0 %
Other operating expenses	-4 686	-4 558	2,8 %
Operating profit	1 571	3 035	-48,2 %
Financial income	58	365	-84,1 %
Financial expenses	-161	-180	-10,6 %
Profit before taxes	1 468	3 220	-54,4 %
Taxes	393	-862	n/a
Profit for the period	1 861	2 358	-21,1 %

Attributable to:			
Equity holders of the parent	1 861	2 358	-21,1 %
Earnings per share for profit of the year attributable to the equity holders of the parent			
Basic (expressed in euro per share)	0,11	0,14	-20,8 %
Diluted (expressed in euro per share)	0,11	0,13	-17,0 %

CONSOLIDATED BALANCE SHEET, 1000 EUROS

Assets 1000 euros			
	31.12.2008	31.12.2007	Change %
Non-current assets			
Property, plant and equipment	6 373	7 757	-17,8 %
Goodwill	13 865	12 686	9,3 %
Other intangible assets	6 466	6 629	-2,5 %
Available-for-sale investments	790	723	9,3 %
Total	27 494	27 795	-1,1 %
Current assets			
Inventories	14 049	15 936	-11,8 %
Trade and other receivables	24 728	26 455	-6,5 %
Cash	9 268	7 702	20,3 %
Total	48 045	50 093	-4,1 %
Total assets	75 539	77 888	-3,0 %
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	-561	-53	958,5 %
Invested nonrestricted equity	1 451	2 531	-42,7 %
Retained profits	37 284	35 720	4,4 %
Total	46 645	46 669	-0,1 %
Non-current liabilities			
Interest-bearing liabilities	1 175	1 700	-30,9 %
Other liabilities	66	0	n/a
Deferred tax liabilities	959	1 197	-19,9 %
Provisions	314	425	-26,0 %
Total	2 514	3 322	-24,3 %
Current liabilities			
Trade and other liabilities	15 851	19 016	-16,6 %
Current tax payable	113	580	-80,5 %
Provisions	629	518	21,4 %
Interest-bearing liabilities	9 787	7 783	25,7 %
Total	26 380	27 897	-5,4 %
Total liabilities	28 894	31 219	-7,4 %
Equity and liabilities total	75 539	77 888	-3,0 %

CONSOLIDATED CASH FLOW STATEMENT,1000 EUROS

	1.1.-31.12. 2008	1.1.-31.12. 2007	Change %
Cash flows from operating activities			
Profit for the period	5 528	9 363	-41,0 %
Adjustments for:			
Non-cash transactions	4 955	4 202	17,9 %
Interest and other financial expenses	979	1 131	-13,4 %
Interest income and other financial income	-436	-617	-29,3 %
Dividends	-10	-10	0,0 %
Taxes	-433	3 309	n/a
Change in working capital			
Increase in trade and other receivables	1 932	-1 209	-259,8 %
Increase in inventories	1 887	1 216	55,2 %
Increase in trade and other payables	-3 296	-1 414	133,1 %
Decrease in provisions	0	-332	n/a
Paid interests and other financial expenses	-1 096	-647	69,4 %
Received interests and dividends	246	208	18,3 %
Paid taxes	-583	-3 211	-81,8 %
Cash flow from operating activities	9 673	11 988	-19,3 %
Cash flow from investing activities			
Acquisition of subsidiary, net of cash acquired	-378	-5 301	-92,9 %
Purchases of property, plant and equipment (PPE)	-293	-1 257	-76,7 %
Purchases of intangible assets	-2 692	-2 724	-1,2 %
Proceeds from sales of shares	221	814	-72,9 %
Investments in shares	-80	0	n/a
Net cash used in investing activities	-3 222	-8 468	-62,0 %
Cash flow from financing activities			
Proceeds from borrowings	6 093	11 000	-44,6 %
Payments of borrowings	-4 596	-11 113	-58,6 %
Payment of finance lease liabilities	-578	-594	-2,7 %
Dividends paid	-4 158	-3 413	21,8 %
Own shares	-1 386	0	n/a
Proceeds from issuance of ordinary shares	249	1 630	-84,7 %
Net cash used in financing activities	-4 376	-2 490	75,7 %
Change in cash			
Cash and cash equivalents 1.1.	7 702	6 789	13,4 %
Effect of currency changes	-508	-118	330,5 %
Cash and cash equivalents 31.12.	9 268	7 702	20,3 %

Consolidated statement of changes in equity,1000 euros

Attributable to equity holders of the parent

	Share capital	Share premium	Translation differences	Retained earnings	Invested non-rest-riected equity	Total
Equity 31.12.2007	6 967	1 504	-53	35 720	2 531	46 669
Profit for the period	0	0	0	5 528	0	5 528
Dividends	0	0	0	-4 158	0	-4 158

Equity-settled share-based payments	0	0	0	194	-1 329	-1 135
Used share options	0	0	0	0	249	249
Exchange differences	0	0	-508	0	0	-508
Equity 31.12.2008	6 967	1 504	-561	37 284	1 451	46 645

BUSINESS SEGMENTS 2008, 1000 EUROS

	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 profit of segments	6 098	-470	5 628
Unallocated expenses			-100
Profit for the period			5 528
Segments assets	50 930	15 341	66 271
Unallocated assets			9 268
Total assets			75 539
Segments liabilities	14 443	2 351	16 794
Unallocated liabilities			12 100
Total liabilities			28 894
Capital expenditure for the period	3 378	518	3 896
Depreciations for the period	3 713	992	4 705

BUSINESS SEGMENTS 2007, 1000 EUROS

	Broadband Cable Networks	Video Networks	Group
External sales			
Services	4 681	363	5 044
Goods	103 523	16 533	120 056
External sales total	108 204	16 896	125 100
Operating profits of the segments	12 837	339	13 176
Unallocated expenses			-3 813
Profit for the period			9 363
Segments assets	54 952	15 234	70 186
Unallocated assets			7 702
Total assets			77 888
Segments liabilities	17 165	2 794	19 959
Unallocated liabilities			11 260
Total liabilities			31 219
Capital expenditure for the period	11 082	1 201	12 283
Depreciations for the period	2 800	752	3 552

Information per quarter (tEUR)	10- 12/08	7-9/08	4-6/08	1-3/08	10- 12/07	1- 12/2008
Broadband Cable Networks						
Order intake	19 680	22 838	32 872	26 040	25 250	101 430
Net sales	23 765	20 873	24 995	22 972	25 530	92 605
EBIT	1 711	1 657	1 829	901	2 371	6 098
EBIT %	7,2 %	7,9 %	7,3 %	3,9 %	9,3 %	6,6 %
Video Networks						
Order intake	5 583	3 753	4 535	3 332	4 510	17 203
Net sales	4 360	3 245	4 265	4 220	5 546	16 090
EBIT	-140	-197	-113	-20	664	-470
EBIT %	-3,2 %	-6,1 %	-2,6 %	-0,5 %	12,0 %	-2,9 %
Total						
Order intake	25 263	26 591	37 407	29 372	29 760	118 633
Net sales	28 125	24 118	29 260	27 192	31 076	108 695
EBIT	1 571	1 460	1 716	881	3 035	5 628
EBIT %	5,6 %	6,1 %	5,9 %	3,2 %	9,8 %	5,2 %

GEOGRAPHICAL SEGMENTS 2008, 1000 EUROS

	Nordic countries	Other Europe	Others	Group
Sales by origin	32 248	70 522	5 925	108 695
Assets	61 082	12 582	1 875	75 539
Capital expenditure for the period	3 448	330	118	3 896

GEOGRAPHICAL SEGMENTS 2007, 1000 EUROS

	Nordic countries	Other Europe	Others	Group
Sales by origin	35 535	78 260	11 305	125 100
Assets	57 483	18 837	1 568	77 888
Capital expenditure for the period	6 113	6 120	50	12 283

Commitments and contingencies	2008	2007	Change %
Guarantees	0	184	n/a
Other securities	259	365	-29,0 %
Rental liabilities	2 233	1 112	100,8 %
Lease liabilities	1 466	1 523	-3,7 %
Value of underlying forward contracts	9 094	7 746	17,4 %
Market value of forward contracts	419	-152	n/a

The average number of employees broken down by following categories	2008	2007	Change %
Research and development	173	158	9,5 %
Production and material management	302	305	-1,0 %
Sales and marketing	189	179	5,6 %
Finance, quality and IT	38	39	-2,6 %
Total	702	681	3,1 %

KEY FIGURES	IFRS 2004	IFRS 2005	IFRS 2006	IFRS 2007	IFRS 2008
Profit and loss account, balance sheet					
Net sales, Meur	66,0	82,6	101,8	125,1	108,7
Change %	21,8 %	25,1 %	23,2 %	22,9 %	-13,1 %
Sales outside Finland, %	85,1 %	89,3 %	90,6 %	91,2 %	90,2 %
Operating profit, Meur	5,6	8,6	9,8	13,2	5,6
% of net sales	8,5 %	10,4 %	9,6 %	10,5 %	5,2 %
Profit after financial items, Meur	5,4	8,3	9,3	12,7	5,1
% of net sales	8,2 %	10,1 %	9,1 %	10,1 %	4,7 %
Profit before taxes, Meur	5,4	8,3	9,3	12,7	5,1
% of net sales	8,2 %	10,1 %	9,1 %	10,1 %	4,7 %
Profit for the financial period, Meur	3,9	6,0	6,9	9,4	5,5
% of net sales	5,9 %	7,2 %	6,8 %	7,5 %	5,1 %
R&D expenditure, Meur	6,9	8,6	9,8	13,1	13,5
% of net sales	10,4 %	10,5 %	9,7 %	10,5 %	12,4 %
Gross investments, Meur	5,4	4,1	6,2	12,3	3,9
% of net sales	8,2 %	4,9 %	6,1 %	9,8 %	3,6 %
Interest bearing liabilities, Meur	10,8	3,9	8,0	9,5	11,0
Shareholder's equity, Meur	27,7	32,4	37,7	46,7	46,6
Total assets, Meur	54,4	54,8	68,2	77,9	75,5
Personnel and orders					
Average personnel	492	546	608	681	702
Order backlog at year end, Meur	20,7	22,7	28,1	21,5	24,0
Orders received, Meur	80,5	85,4	107,2	118,5	118,6
Key metrics					
Return on equity, %	15,1 %	19,8 %	19,7 %	22,2 %	11,8 %
Return on capital employed, %	16,1 %	23,7 %	24,3 %	27,1 %	10,4 %
Equity ratio, %	51,1 %	59,1 %	55,3 %	60,2 %	61,7 %
Gearing, %	-22,9 %	-14,3 %	3,2 %	3,8 %	3,6 %
Earnings per share, euro	0,23	0,35	0,41	0,55	0,32
Earnings per share fully diluted, euro	0,22	0,33	0,38	0,52	0,32
Shareholders' equity per share, euro	1,65	1,92	2,22	2,69	2,74
Teleste share					
Highest price, euro	7,06	8,35	12,75	12,34	7,49
Lowest price, euro	5,14	5,85	6,46	6,47	1,90
Closing price, euro	6,02	7,45	11,63	6,71	2,24
Average price, euro	6,03	6,97	9,83	10,10	4,52
Price per earnings	25,8	21,0	28,6	12,3	7,0
Market capitalization, Meur	101,4	129,2	202,2	118,6	39,9
Stock turnover, Meur	74,2	75,3	138,9	72,4	51,1
Turnover, number in millions	12,3	10,8	14,2	7,2	11,5
Turnover, % of share capital	70,9 %	62,3 %	81,4 %	40,5 %	64,6 %
Average number of shares	17334235	17339752	17363102	17494435	17708782
Number of shares at the year-end	17339752	17339752	17389302	17671305	17805590
Average number of shares, diluted w/o own shares	17918580	18001437	18022505	17971752	17372555
Number of shares at the year-end, diluted w/o own shares	17999752	18004752	18034752	17972785	17039399

Paid dividend, Meur	2,0	2,7	3,4	4,2	2,0
Dividend per share, euro	0,12	0,16	0,20	0,24	*0,12
Dividend per net result, %	52,2 %	45,7 %	49,1 %	43,9 %	37,4 %
Effective dividend yield, %	2,0 %	2,1 %	1,7 %	3,6 %	5,4 %

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 31.12.2008	Shares	%
1. Mandatum Henkivakuutusosakeyhtiö	1 679 200	9.43%
2. Ilmarinen Mutual Pension Insurance Company	894 776	5.03%
3. EM Group Oy	887 000	4.98%
4. Kaleva Mutual Insurance Company	798 541	4.48%
5. Varma Mutual Pension Insurance Company	521 150	2.93%
6. State Pension Fund	500 000	2.81%
7. Teleste Incentive Oy	500 000	2.81%
8. Aktia Capital Mutual Fund	487 200	2.74%
9. Alfred Berg Finland Sijoitusrahasto	458 828	2.58%
10. Skagen Vekst Verdipapierfond	437 000	2.45%

SECTOR DISPERSION OF SHAREHOLDERS	Number of shareholders	% of owners	Number of shares	% of total shares
Corporations	321	5,8	2 989 398	16,79
Financial and insurance corporations	23	0,42	4 674 291	26,25
Public institutions	12	0,22	2 879 657	16,17
Non-profit organizations	47	0,85	773 431	4,34
Households	5 084	91,9	4 499 012	25,27
Foreign and nominee -registered	45	0,81	1 989 801	11,18
Total	5 532	100	17 805 590	100

HOLDING DISPERSION	Number of shares	Owners	%	Shares	%
	1 - 100	1 225	22.18%	87 389	0.49%
	101 - 1 000	3 278	59.35%	1 356 341	7.62%
	1 001 - 10 000	908	16.44%	2 567 530	14.42%
	10 001 - 100 000	84	1.52%	2 115 967	11.88%
	100 001 -	28	0.51%	10 611 478	59.60%
Total		5 523	100.00%	16 738 705	94.01%
Nominee registered				1 066 885	5.99%
Total				17 805 590	100.00%

The range of products and services of Broadband Cable Networks was strengthened by acquisition of 100% of shares of Finish Ortikon Interactive Oy at 6 February 2008. The purchase price was 100 thousand EUR and it was paid in cash. The acquisition resulted in 202 thousands EUR of intangible assets, which was allocated to trade marks, customer relationships and technology. The goodwill, amounted 605 thousands EUR, is mainly due to synergy effects in the future. The impact of the acquisition on Teleste's net sales during the period was 563 thousand EUR and on the EBIT -119 thousands EUR

Recognised fair values on acquisition	
1 000 €	
Fair values used in consolidation	
Trade marks (inc. in intangible assets)	46
Customer relationship (inc. in intangible assets)	108
Technology (inc. in intangible assets)	48
Book values used in consolidation	
Tangible assets	13
Trade receivables	19

Other receivables	126
Total assets	360
Book values used in consolidation	
Interest-bearing liabilities	556
Deferred tax liabilities	53
Other liabilities	256
Total liabilities	865
Net identifiable assets and liabilities	-505
Total consideration	100
Goodwill on acquisition	605
Consideration paid in cash	-100
Cash and cash equivalents in acquired subsidiary	0
Total net cash outflow on the acquisition	-100



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