

January 1 – September 30, 2009

Interim Report Q3





TELESTE CORPORATION INTERIM REPORT - 1 JAN TO 30 SEPTEMBER 2009

Highlights in Q3

- Net sales grew by 72.9% over the year of comparison amounting to EUR 41.7 (24.1) million.
- Operating profit grew by 10.2% over the year of comparison amounting to EUR 1.6 (1.5) million.
- Undiluted result per share equalled EUR 0.03 (EUR 0.11).
- Year-on-year orders received improved by 82.9% standing at EUR 48.6 (26.6) million.
- The Company continued to strengthen its position as the leading service provider for German cable operators in line with the established European services strategy

Net sales in Q3 amounted to EUR 41.7 (24.1) million. Deliveries of products and systems by the business areas fell from the year of comparison approximately 21%, i.e. by EUR 5.1 million, yet in total terms there was a clear increase in net sales due to the offering of new services by Broadband Cable Networks. The impact of acquisitions made in Germany (AVC and Cableway) on the increased net sales compared with the Q2 level was 36% or EUR 11 million.

Operating profit stood at EUR 1.6 (1.5) million making 3.9% (6.1%) of the net sales. The improvement in operating profit by EUR 1.2 million from Q2 was mainly attributable to measures involving cost structure adjustments and efficient management of material expenses. The business operations of AVC and Cableway were included, for the first time, in the offering of services by Broadband Cable Networks. Out of these, the effect of Cableway on result was slightly negative.

Undiluted result per share for Q3 was EUR 0.03 (0.11). Result per share of the period of comparison includes one-off tax rebate from 2002 to 2004 the impact of which was approximately EUR 0.06 per share.

Year-on-year orders received in Q3 increased by 82.9% standing at EUR 48.6 (26.6) million. Orders received increased from Q2 by 64.5% or EUR 19.1 million, out of which approximately EUR 11 million involved impact contributable to acquisitions. Order backlog totalled EUR 30.3 (27.8) million. Order backlog includes the order of EUR 12.0 million received from India in June 2008 for the Luminato headend solution. In our estimation, actual deliveries will start after the year-end in 2010.

Group operations January to September

Net sales amounted to EUR 97.9 (80.6) million, an increase of 21.5% over the period of comparison. This increase in net sales was due to newly acquired services business companies, whereas the product and systems business operations were clearly on a lower level compared with the last year. Owing to the general tight situation in the financial market, our main customers, i.e. the European cable operators, have postponed their network investments. Moreover, chances for investment of our East European customers have become more difficult with the local currencies weakening and the financial market getting tighter. However, there has been some improvement in the market situation since the beginning of the year.

Operating profit stood at EUR 0.8 (4.1) million making 0.8% (5.0%) of the net sales. The year-on-year weakening in the operating profit is attributable to the significant contraction (EUR -23.3 million, i.e. -33.9%) in product and system deliveries by the Broadband Cable Networks business area. Adaptation of the cost structure in product and systems solutions continues with the accrued savings for the period under review being approximately 16% i.e. EUR 6.6 million. Other income increased by EUR 1.0 million consisting mainly of profit on one-off sale of fixed asset items. Undiluted result per share equalled EUR -0.03 (0.21).

Year-on-year orders received improved by 11.6% standing at EUR 104.2 (93.4) million.

Changes in Group Structure

In line with its strategy, Teleste strengthened the offering of services of the Broadband Cable Networks business area. On 1 January 2009 the Company acquired three German companies (Antel GmbH, MKS and YoungNet GmbH) and on 1 July strengthened its position further by acquiring AVC Systemhaus GmbH. In our estimate, the effect of these acquisitions on Teleste net sales for 2009 will be more than EUR 50 million and the operating profit will be positive. 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 the Financial Items for the period 1 January to 30 June; Cableway is consolidated as a Group company as of 1 July 2009.

Business Areas

Broadband Cable Networks in Q3

Net sales in Q3 amounted to EUR 38.7 (20.9) million. Delivery volumes of products fell from the period of comparison by 23% in other words EUR 4.9 million. The share of German services in the net sales stood at EUR 22.7 million.

Operating profit for Q3 stood at EUR 1.6 (1.7) million making 4.3% (7.9%) of the net sales. Operating profit improved over Q2 in terms of products, whereas profitability of German services fell from the early year's level mainly due to the low level of activity in the summer holiday season.

Orders received amounted to EUR 42.8 (22.8) million. Order backlog totalled EUR 24.4 (26.1) million. Share of the new German Group companies stood at EUR 27.7 million of all orders received. Order backlog includes the order of EUR 12.0 million received from India in June 2008 for the Luminato headend solution. Share of the new Group companies of the order backlog, which involved technical implementation of two fibre projects, amounted to EUR 5.0 million. Deliveries related to the services business are primarily based on framework agreements.

Business Activities - January to September

Net sales of Broadband Cable Networks grew by 25.3% and stood at EUR 86.2 (68.8) million. Delivery volumes on products fell by EUR 23.3 million or 34% from the period of comparison, whereas new net sales worth EUR 40.6 million was created in Germany through the acquisitions. In our estimation European cable operators continue to proceed cautiously with regard to their network investments in the current difficult market situation.

Operating profit stood at EUR 0.5 (4.4) million making 0.5% (6.4%) of the net sales. This weakening in the operating profit was caused by a significant decline in the deliveries of products and systems.

Orders received totalled EUR 91.0 (81.8) million, out of which the German services business accounted for EUR 45.6 million.

Video Networks in Q3

In Q3, net sales for Video Networks totalled EUR 3.1 (3.2) million. Net sales fell by EUR 1.2 million from the Q2 of the year owing to delays in material deliveries and scheduling of project deliveries.

Operating profit amounted to EUR -0.04 (-0.2) million. Improvement over the period of comparison was caused by cost adaptation. Orders received in Q3 stood at EUR 5.8 (3.8) million. Increase in orders received was due to the project delivery of approximately EUR 3 million ordered by Chicago Transit Authority. Order backlog totalled EUR 5.9 (1.7) million.

Business Activities - January to September

Net sales of Video Networks totalled EUR 11.6 (11.7) million. Operating profit amounted to EUR 0.3 (-0.3) million. Improvement over the period of comparison was mainly caused by cost adaptation.

Orders received by Video Networks amounted to EUR 13.2 (11.6) million.

Personnel - January to September

At the end of September the Group employed 1260 people (2008: 694, 2007: 677) out of which 418 (2008: 471, 2007: 446) were stationed in Finland. Owing to acquisitions the number of personnel has increased by 630. No hired personnel was used in the period under review (2008: 20, 2007: 69). Layoffs involving personnel stationed in Finland have been on-going since the end of 2008. In the uncertain market situation preparations for additional layoffs have been taken designed to adapt the company operations to the market situation without compromising the company's potential for growth.

R&D and Investments - January to September

Average number of persons working in R&D related assignments was 137 (2008: 161, 2007: 140) and at the end of September this number was 123 (160). In April 2009, 23 persons moved from R&D to be employed by Cybercom Plenware. This solution supports implementation of our strategy related to business growth, enables focusing on core business and provides flexibility to the R&D personnel resources.

Product development expenses equalled EUR 8.3 (10.1) in other words 8.5% (12.5%) of net sales. Teleste's product development expenses were mainly focused on products and systems for which the product development expenses amounted to 15.0% (12.5%). Development efforts continued by further development of the IP based Luminato video processing system and the development of the next generation video surveillance transfer system. Activated R&D expenses stood at EUR 1.2 (1.8) million and depreciation on previous activation items equalled EUR 1.7 (1.3) million. Some 70% of product development expenses involved further development of product platforms currently in production and their maintenance as well as customer-specific product modifications.

Investments for the Group totalled EUR 17.5 (2.8) million. As for investments, EUR 11.3 million involved acquisitions related to Broadband Cable Networks' services business. Investments include additional purchase price of EUR 3.4 million related to the acquisition of DINH Telecom carried out in April 2007. Product development investments totalled EUR 1.2 (1.8) million. In Finland expenses for the production and storage building expansion investment amounted to EUR 1.7 million, which is included in the investments. In terms of total costs, this enlargement of premises designed to boost productivity amounts to approximately EUR three million.

Financing - January to September

Operating cash flow stood at EUR 2.6 (7.1) million. With the significant growth in delivery volumes, working capital has been tied to the Broadband Cable Networks business area's services business. Since beginning of the year, interest-bearing debt at the end of September increased by EUR 16.7 million standing at EUR 27.7 (11.3) million. This growth in debt mainly involved increase in the Broadband Cable Networks' services business in Germany. At the end of the review period, liquid funds stood at EUR 12.8 (8.9) million. The amount of unused stand-by credits amounted to EUR 14.5 (21.0) million. The current stand-by credits of EUR 40.0 million run till November 2013. The Group's gearing was 32.6% (5.2%) and the equity ratio was 43.4% (59.6%).

Teleste hedges main exchange rate risks of forecasted currency flows for six months ahead.

Shares and Shareholders

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%.

In the period under review, the trading price of shares fluctuated between EUR 2.25 (3.71) and EUR 4.30 (7.49). The closing price at the end of September was EUR 4.10 (3.92). According to the Finnish Central Security Depository the number of shareholders at the end of the period was 5,470 (5,326). Foreign ownership accounted for 10.3% (15.3%). The trading in NASDAQ OMX Helsinki Oy with the shares of Teleste amounted to EUR 25.8 (38.5) with the number of shares totalling 7.1 (6.6) million.

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.

At the end of September, Teleste and its subsidiaries were in possession of 379,985 own shares. In the period under review, the number of own shares purchased by authorisation granted by the Annual General Meeting of 2008 was 78,530.

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 as the 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.

These authorisations will be valid until the AGM due to be held in 2010.

Significant Short-Term Risks and Uncertainty Factors for the Business Areas

Potential ownership and debt rearrangements among Teleste's clientele may slow down the folding out of some investments in the business of Broadband Cable Networks.

Strengthening of order backlog for Video Networks is dependent on timing of the public sector decisions.

Inactive situation in the financial markets may lead to delays in the customers' investment plans and weakening solvency. The strength of the euro in relation to the US dollar may further erode Teleste's competitive edge. Introduction to the market of new competing technologies is a characteristic risk factor for both of our business areas.

Outlook

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. Demand for network services provided by the business area is increasing in Germany. Due to the difficult situation in the financial markets, the cable operators continue to proceed cautiously with regard to their network investments.

In our view, in the current year, deliveries of product solutions provided by Broadband Cable Networks will remain clearly under the 2008 level with the price competition continuing further. Net sales of the business area is growing owing to the increased offering of services.

Increased needs for security and more effective traffic infrastructure maintain demand for the Video Networks' solutions on the same level with the previous year.

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. The recent strategic investments in network services business performed by Teleste will cushion the cyclic pattern in the company net sales under the uncertain market conditions.

As a result of decreased demand for network investments, the Group's action plan prepares for sales in products and systems falling below the level of the previous year. Given the increased offering of network services we estimate net sales to exceed the last year's level, whereas operating profit will fall clearly from the last year's level.

Teleste's final accounts for the financial year 2009 will be released on 3 February 2010.

26.10.2009

Teleste Corporation
Board of Directors

Jukka Rinnevaara
President and CEO

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

| STATEMENT OF COMPREHENSIVE INCOME (tEUR) | | | | |
|--|----------|----------|----------|-----------|
| | 7-9/2009 | 7-9/2008 | Change % | |
| Turnover | 41 711 | 24 118 | 72.9 % | |
| Other operating income | 478 | 466 | 2.5 % | |
| Materials and services | -23 416 | -9 893 | 136.7 % | |
| Personnel expenses | -10 912 | -7 904 | 38.1 % | |
| Other operating expenses | -4 841 | -4 214 | 14.9 % | |
| Depreciation | -1 412 | -1 114 | 26.8 % | |
| Operating profit | 1 608 | 1 460 | 10.2 % | |
| Financial income and expenses | -154 | -284 | -45.8 % | |
| Share of profit of associates | -354 | 0 | n/a | |
| Profit after financial items | 1 100 | 1 176 | -6.4 % | |
| Profit before taxes | 1 100 | 1 176 | -6.4 % | |
| Taxes | -560 | 698 | n/a | |
| Net profit | 540 | 1 874 | -71.2 % | |
| Attributable to: | | | | |
| Equity holders of the parent | 540 | 1 874 | -71.2 % | |
| Earnings per share for result of the year attributable to the equity holders of the parent (expressed in euro per share) | | | | |
| Basic | 0.03 | 0.11 | -71.8 % | |
| Diluted | 0.03 | 0.11 | -71.8 % | |
| Total comprehensive income for the period (tEUR) | | | | |
| Net profit | 540 | 1 874 | -71.2 % | |
| Translation differences | -73 | -44 | 65.9 % | |
| Total comprehensive income for the period | 467 | 1 830 | -74.5 % | |
| Attributable to: | | | | |
| Equity holders of the parent | 467 | 1 830 | -74.5 % | |
| STATEMENT OF COMPREHENSIVE INCOME (tEUR) | | | | |
| | 1-9/2009 | 1-9/2008 | Change % | 1-12/2008 |
| Turnover | 97 867 | 80 570 | 21.5 % | 108 695 |
| Other operating income | 2 591 | 1 351 | 91.8 % | 1 820 |
| Materials and services | -48 924 | -36 755 | 33.1 % | -49 145 |
| Personnel expenses | -31 177 | -24 471 | 27.4 % | -33 226 |
| Other operating expenses | -15 461 | -13 125 | 17.8 % | -17 811 |
| Depreciation | -4 090 | -3 514 | 16.4 % | -4 705 |
| Operating profit | 806 | 4 057 | -80.1 % | 5 628 |

| | | | | |
|--|-------|-------|--------|-------|
| Financial income and expenses | -539 | -432 | 24.8 % | -533 |
| Share of profit of associates | -544 | 0 | n/a | 0 |
| Profit after financial items | -277 | 3 625 | n/a | 5 095 |
| Profit before taxes | -277 | 3 625 | n/a | 5 095 |
| Taxes | -302 | 40 | n/a | 433 |
| Net profit | -579 | 3 665 | n/a | 5 528 |
| Attributable to: | | | | |
| Equity holders of the parent | -579 | 3 665 | n/a | 5 528 |
| Earnings per share for result of the year attributable to the equity holders of the parent (expressed in euro per share) | | | | |
| Basic | -0.03 | 0.21 | n/a | 0.32 |
| Diluted | -0.03 | 0.21 | n/a | 0.32 |
| Total comprehensive income for the period (tEUR) | | | | |
| Net profit | -579 | 3 665 | n/a | 5 528 |
| Translation differences | 19 | -23 | n/a | -508 |
| Total comprehensive income for the period | -560 | 3 642 | n/a | 5 020 |
| Attributable to: | | | | |
| Total comprehensive income for the period | -560 | 3 642 | n/a | 5 020 |

| | | | | |
|--|-----------|-----------|----------|------------|
| STATEMENT OF FINANCIAL POSITION (tEUR) | | | | |
| | 30.9.2009 | 30.9.2008 | Change % | 31.12.2008 |
| Non-current assets | | | | |
| Property, plant, equipment | 8 520 | 6 815 | 25.0 % | 6 373 |
| Goodwill | 25 999 | 13 584 | 91.4 % | 13 865 |
| Intangible assets | 8 216 | 6 408 | 28.2 % | 6 466 |
| Investments | 703 | 783 | -10.2 % | 790 |
| | 43 438 | 27 590 | 57.4 % | 27 494 |
| Current assets | | | | |
| Inventories | 19 876 | 16 131 | 23.2 % | 14 049 |
| Other current assets | 32 121 | 23 962 | 34.0 % | 24 728 |
| Short-term investments | 0 | 3 500 | n/a | 0 |
| Liquid funds | 12 836 | 5 434 | 136.2 % | 9 268 |
| | 64 833 | 49 027 | 32.2 % | 48 045 |
| Total assets | 108 271 | 76 617 | 41.3 % | 75 539 |
| Shareholder's equity and liabilities | | | | |
| Share capital | 6 967 | 6 967 | 0.0 % | 6 967 |
| Other equity | 38 544 | 38 698 | -0.4 % | 39 678 |
| | 45 511 | 45 665 | -0.3 % | 46 645 |
| Non-current liabilities | | | | |
| Provisions | 314 | 425 | -26.1 % | 314 |
| Non interest bearing liabilities | 2 250 | 1 288 | 74.7 % | 1 025 |
| Interest bearing liabilities | 12 412 | 1 311 | 846.8 % | 1 175 |
| | 14 976 | 3 024 | 395.3 % | 2 514 |
| Short-term liabilities | | | | |
| Trade payables and other s-t liabilities | 31 043 | 17 468 | 77.7 % | 15 964 |
| Provisions | 1 469 | 440 | 233.9 % | 629 |

| | | | | |
|--|---------|--------|--------|--------|
| S-t interest bearing liabilities | 15 271 | 10 019 | 52.4 % | 9 787 |
| | 47 783 | 27 927 | 71.1 % | 26 380 |
| Total shareholder's equity and liabilities | 108 271 | 76 617 | 41.3 % | 75 539 |

| Statement of cash flows (tEUR) | 1-9/2009 | 1-9/2008 | Change % | 1-12/2008 |
|--------------------------------|----------|----------|----------|-----------|
| Cash-flow from operation | 2 551 | 7 132 | -64.2 % | 9 673 |
| Cash in | 106 614 | 84 456 | 26.2 % | 112 238 |
| Cash out | -104 063 | -77 324 | 34.6 % | -102 565 |
| Cash-flow from investments | -12 463 | -1 829 | 581.4 % | -3 222 |
| Cash in | 1 085 | 220 | 393.2 % | 221 |
| Cash out | -13 548 | -2 049 | 561.2 % | -3 443 |
| Cash-flow from finance | 13 461 | -4 048 | -432.5 % | -4 376 |
| Cash in | 20 500 | 6 249 | 228.1 % | 6 342 |
| Cash out | -5 004 | -6 139 | -18.5 % | -6 560 |
| Paid dividend | -2 035 | -4 158 | -51.1 % | -4 158 |
| Other items | 19 | -23 | -182.6 % | -508 |
| Effect of currency rates | 19 | -23 | -182.6 % | -508 |
| Change in liquid funds | 3 568 | 1 232 | 189.6 % | 1 566 |

| KEY FIGURES | 1-9/2009 | 1-9/2008 | Change % | 1-12/2008 |
|--|----------|----------|----------|-----------|
| Earnings per share, EUR | -0.03 | 0.21 | n/a | 0.32 |
| Earnings per share fully diluted, EUR | -0.03 | 0.21 | n/a | 0.32 |
| Shareholders' equity per share, EUR | 2.61 | 2.66 | -1.7 % | 2.74 |
| Return on equity | -1.7 % | 10.6 % | n/a | 11.8 % |
| Return on capital employed | 0.4 % | 9.9 % | -96.0 % | 10.4 % |
| Equity ratio | 43.4 % | 59.6 % | -27.2 % | 61.7 % |
| Gearing | 32.6 % | 5.2 % | 521.8 % | 3.6 % |
| Investments, tEUR | 17 519 | 2 755 | 535.9 % | 3 920 |
| Investments % of net sales | 17.9 % | 3.4 % | 423.5 % | 3.6 % |
| Order backlog, tEUR | 30 329 | 27 800 | 9.1 % | 24 000 |
| Personnel, average | 1 090 | 708 | 54.0 % | 702 |
| Number of shares (thousands) including own shares | 17 806 | 17 682 | 0.7 % | 17 708 |
| Highest share price, EUR | 4.30 | 7.49 | -42.6 % | 7.49 |
| Lowest share price, EUR | 2.25 | 3.71 | -39.4 % | 1.90 |
| Average share price, EUR | 3.61 | 5.86 | -38.4 % | 4.52 |
| Turnover, in million shares | 7.1 | 6.6 | 8.6 % | 11.5 |
| Turnover, in MEUR | 25.8 | 38.5 | -33.1 % | 51.1 |

| Treasury shares | Number of shares | % of shares | % of votes |
|---|---------------------|----------------|---------------|
| Teleste companies own shares 30.9.2009 | 379 985 | 2.13 % | 2.13 % |

| Contingent liabilities and pledged assets (tEUR) | | | | |
|--|-----|-----|----------|-----|
| For own debt | | | | |
| Guarantees | 0 | 306 | -100.0 % | 0 |
| Other securities | 120 | 240 | -50.0 % | 259 |

| | | | | |
|---------------------------------------|-------|--------|---------|-------|
| Leasing and rent liabilities | 5 990 | 2 440 | 121.4 % | 3 699 |
| | 6 110 | 2 986 | 84.9 % | 3 958 |
| Derivative instruments (tEUR) | | | | |
| Value of underlying forward contracts | 6 962 | 10 320 | -32.5 % | 9 094 |
| Market value of forward contracts | -236 | -148 | 59.5 % | 419 |

Taxes are computed on the basis of the tax on the profit for the period.

There are no changes in segment reporting compared to earlier adopted IAS14.

| Operating segments (tEUR) | 1-9/2009 | 1-9/2008 | Change % | 1-12/2008 |
|--|----------|----------|----------|-----------|
| Broadband Cable Networks | | | | |
| Order intake | 90 994 | 81 750 | 11.3 % | 101 430 |
| Net sales | 86 227 | 68 840 | 25.3 % | 92 605 |
| EBIT | 467 | 4 387 | -89.4 % | 6 098 |
| EBIT% | 0.5 % | 6.4 % | -91.5 % | 6.6 % |
| Video Networks | | | | |
| Order intake | 13 202 | 11 620 | 13.6 % | 17 203 |
| Net sales | 11 640 | 11 730 | -0.8 % | 16 090 |
| EBIT | 339 | -330 | n/a | -470 |
| EBIT% | 2.9 % | -2.8 % | n/a | -2.9 % |
| Total | | | | |
| Order intake | 104 196 | 93 370 | 11.6 % | 118 633 |
| Net sales | 97 867 | 80 570 | 21.5 % | 108 695 |
| EBIT | 806 | 4 057 | -80.1 % | 5 628 |
| EBIT% | 0.8 % | 5.0 % | -83.6 % | 5.2 % |
| Financial items | -539 | -432 | 24.8 % | -533 |
| Shares of associates | -544 | 0 | n/a | 0 |
| Operating segments net profit before taxes | -277 | 3 625 | n/a | 5 095 |

Segment assets

Segment assets include items directly attributable as well as those that can be allocated on a reasonable basis

| | 30.9.2009 | 30.9.2008 | Change % | 31.12.2008 |
|--------------------------|-----------|-----------|----------|------------|
| Broadband Cable Networks | 80 323 | 52 212 | 53.8 % | 50 930 |
| Video Networks | 15 112 | 15 471 | -2.3 % | 15 341 |
| Segment assets total | 95 435 | 67 683 | 41.0 % | 66 271 |
| Unallocated assets | 12 836 | 8 934 | 43.7 % | 9 268 |
| Total assets | 108 271 | 76 617 | 41.3 % | 75 539 |

| Information per quarter (tEUR) | 7-9/09 | 4-6/09 | 1-3/09 | 10-12/08 | 7-9/08 | 10/2008-9/2009 |
|---------------------------------|--------|--------|--------|----------|--------|----------------|
| Broadband Cable Networks | | | | | | |
| Order intake | 42 844 | 25 570 | 22 580 | 19 680 | 22 838 | 110 674 |
| Net sales | 38 661 | 26 266 | 21 300 | 23 765 | 20 873 | 109 992 |
| EBIT | 1 649 | 191 | -1 373 | 1 711 | 1 657 | 2 178 |
| EBIT % | 4.3 % | 0.7 % | -6.4 % | 7.2 % | 7.9 % | 2.0 % |
| Video Networks | | | | | | |
| Order intake | 5 800 | 3 996 | 3 406 | 5 583 | 3 753 | 18 785 |
| Net sales | 3 050 | 4 286 | 4 304 | 4 360 | 3 245 | 16 000 |

| | | | | | | |
|--------|--------|-------|-------|--------|--------|-------|
| EBIT | -41 | 212 | 168 | -140 | -197 | 199 |
| EBIT % | -1.3 % | 4.9 % | 3.9 % | -3.2 % | -6.1 % | 1.2 % |

Total

| | | | | | | |
|--------------|--------|--------|--------|--------|--------|---------|
| Order intake | 48 644 | 29 566 | 25 986 | 25 263 | 26 591 | 129 459 |
| Net sales | 41 711 | 30 552 | 25 604 | 28 125 | 24 118 | 125 992 |
| EBIT | 1 608 | 403 | -1 205 | 1 571 | 1 460 | 2 377 |
| EBIT % | 3.9 % | 1.3 % | -4.7 % | 5.6 % | 6.1 % | 1.9 % |

Attributable to equity holders of the parent (tEUR)

| | Share capital | Share premium | Translation differences | Retained earnings | Invested free capital | Total |
|---|---------------|---------------|-------------------------|-------------------|-----------------------|--------|
| Shareholder's equity 1.1.2009 | 6 967 | 1 504 | -561 | 37 284 | 1 451 | 46 645 |
| Total comprehensive income for the period | | | 19 | -579 | | -560 |
| Equity-settled share-based payments | | | | 175 | 1 286 | 1 461 |
| Paid dividend | | | | -2 035 | 0 | -2 035 |
| Shareholder's equity 30.9.2009 | 6 967 | 1 504 | -542 | 34 845 | 2 737 | 45 511 |
| Shareholder's equity 1.1.2008 | 6 967 | 1 504 | -53 | 35 720 | 2 531 | 46 669 |
| Profit of the period | | | -23 | 3 665 | | 3 642 |
| Equity-settled share-based payments | | | | 205 | -692 | -487 |
| Paid dividend | | | | -4 159 | | -4 159 |
| Shareholder's equity 30.9.2008 | 6 967 | 1 504 | -76 | 35 431 | 1 839 | 45 665 |

CALCULATION OF KEY FIGURES

| | |
|------------------------------|---|
| Return on equity: | $\frac{\text{Profit/loss for the period}}{\text{Shareholders' equity (average)}} \times 100$ |
| Return on capital employed: | $\frac{\text{Profit/loss for the period after financial items + financing charges}}{\text{Total assets - non-interest-bearing liabilities (average)}} \times 100$ |
| Equity ratio: | $\frac{\text{Shareholders' equity}}{\text{Total assets - advances received}} \times 100$ |
| Gearing: | $\frac{\text{Interest bearing liabilities - cash in hand and in bank - interest bearing assets}}{\text{Shareholders' equity}} \times 100$ |
| Earnings per share: | $\frac{\text{Profit for the period attributable to equity holder of the parent}}{\text{Weighted average number of ordinary shares outstanding during the period}}$ |
| Earnings per share, diluted: | $\frac{\text{Profit for the period attributable to equity holder of the parent (diluted)}}{\text{Average number of shares - own shares + number of options at the period-end}}$ |

MAJOR SHAREHOLDERS 30.9.2009

| | Shares | % |
|---|-----------|---------|
| 1. EM Group Oy | 3 617 552 | 20.32 % |
| 2. Mandatum Pension Insurance Company | 1 679 200 | 9.43 % |
| 3. Ilmarinen Mutual Pension Insurance Company | 894 776 | 5.03 % |
| 4. Kaleva Mutual Insurance Company | 798 541 | 4.48 % |
| 5. Aktia Capital Mutual Fund | 524 200 | 2.94 % |
| 6. Varma Mutual Pension Insurance Company | 521 150 | 2.93 % |
| 7. State Pension Fund | 500 000 | 2.81 % |
| 8. Skagen Vekst Verdipapierfond | 437 000 | 2.45 % |
| 9. FIM Fenno Mutual Fund | 401 342 | 2.25 % |
| 10. Teleste Incentive Oy | 379 985 | 2.13 % |

SEKTOR DISPERSION 30.9.2009

| | Shares | % |
|--------------------------------------|------------|----------|
| Corporations | 5 472 340 | 30.73 % |
| Financial and insurance corporations | 3 276 168 | 18.40 % |
| Public institutions | 2 172 976 | 12.20 % |
| Non-profit organizations | 578 963 | 3.25 % |
| Households | 4 468 515 | 25.10 % |
| Foreign and nominee -registered | 1 836 628 | 10.31 % |
| Total | 17 805 590 | 100.00 % |

| HOLDING DISPERSION 30.9.2009 | Owners | % | Shares | % |
|------------------------------|--------|---------|------------|----------|
| 1 - 100 | 1 212 | 22.15 % | 85 774 | 0.48 % |
| 101 - 1 000 | 3 221 | 58.88 % | 1 330 101 | 7.47 % |
| 1 001 - 10 000 | 944 | 17.25 % | 2 729 745 | 15.33 % |
| 10 001 - 100 000 | 76 | 1.38 % | 1 845 537 | 10.36 % |
| 100 001 - 1 000 000 | 15 | 0.27 % | 6 517 681 | 36.60 % |
| 1 000 001 - | 2 | 0.03 % | 5 296 752 | 29.74 % |
| Total | 5 470 | 100 % | 17 805 590 | 100.00 % |

ACQUISITIONS 1 Jan - 30 September 2009

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 Cabelway AG increased to 75%. The purchase prices amounted totally 10 954 thousand and was paid in cash.

The acquisition resulted in 3 150 thousand of intangible assets, which was allocated to trade marks, customer relationships and personell. Teleste personnel increased with 630 persons. The goodwill, amounted 8 754 thousand EUR, is mainly due to future revenue expectation and to personnel synergy effects in the future. The impact of the acquisition on Teleste's net sales during the period 1.1.2009 - 30.9.2009 was 40 593 thousand EUR and on the EBIT 1 818 thousand EUR.

Preliminary 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) 2 383

Book values used in consolidation

Tangible assets 1 583

Inventories 7 304

Deferred tax receivables 1 172

Trade receivables 10 331

Other receivables 4 108

Liquid funds 2 553

Total assets 30 201

Book values used in consolidation

Interest-bearing liabilities 1 767

Deferred tax liabilities 819

Other liabilities 25 229

Total liabilities 27 815

Net identifiable assets and liabilities 2 386

Total consideration 10 954

Acquisition costs 186

Goodwill on acquisition 8 754

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





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