



ANNUAL REPORT 2001

Teleste

Measurements of Success



Customer satisfaction

Owner satisfaction

Personnel satisfaction

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CEO's Letter



"Succeeding better than competitors in a very challenging market situation was in my opinion a very encouraging test result of Teleste's strong competitiveness in 2001."

2001, Year of Tough Challenges

Teleste group achieved its most important targets in 2001: the growth was profitable, use of capital improved and the business was focused on core competitiveness as Educational division was divested.

The weak economic situation, which was spreading from the USA to Europe, caused the market situation to weaken rapidly from spring onwards as customers postponed their investment decisions. In spite of an declining market, hard work and strong competitive positioning enabled Teleste to increase market share, leading to the increase in sales. We transferred from the fast growth of last year into an unlinear market situation, which is harder to predict and full of surprises and uncertainties. This required flexibility from all Teleste's functions and an extraordinary ability to stretch and quickly adapt from its personnel resulting in these excellent achievements. Although the market environment was more challenging than in previous years, Teleste survived quite well.

Concentrating in Core Business

The structural changes, driven by the aim to focus, already began during the previous decade when the group divested Teleste Communications division, which concentrated on ISDN technology. The UK based Teleste Home Networks division was sold at the end of year 2000.

After the divestiture of Educational division in December Teleste now concentrates on broadband transmission systems and solutions. Teleste's business at the end of the year 2001 was divided into two business units. The larger of the new units, Broadband Cable Networks, develops and delivers end to end solutions to cable operators, which enables them to offer their customers new services, such as fast internet connections to domestic users, interactive services for digital television and video-on-demand services. The other new unit, Video Networks, develops and delivers transmission solutions for high quality surveillance systems globally. The core of the unit is traffic, city center and corporate digital surveillance systems. Teleste signed the largest ever contract with British Telecom in July, under which equipment worth 33 million euros will be delivered during the next three years. This gives a good basis for the successful future of the unit.

Good Profitability

Despite of the difficult market situation Teleste's growth continued and profitability was good. The success enabled investments in R&D and foreign sales office network, which are aimed to strengthen the competitive position. Group's net sales in 2001 with Educational until mid December stood at 103 million euros. Comparable net sales for the continuing business increased 17 % to 93 million euros. A special source of joy was good cash flow, which was 31 million euros. Improved profits and success in working capital management resulted that return on capital employed and on equity were almost thirty percent.

Increased market share did not compensate the decreased market and orders received and order backlog were lower than last year. The increase in personnel by 51 new employees reflects the faith for better tomorrow.

Investments as Prerequisite for the Profitable Growth

Teleste's business concept is based on the know-how of the individuals and the organization, mutual trust and respect as well as innovative products derived from its own development work. It is important for Teleste to maintain an atmosphere, in which talented people are encouraged to strive for high achievements and to break their boundaries. We must understand how to secure the increased levels in know-how and mental growth of the organization. Teleste's know-how is not only based on up to date technical knowledge, but also on different know-how networks that supplement each other. Teleste is striving to build group work capabilities that maximizes the synergy effect needed to build a winning team and enhances individuality within its culture. Our experience at Teleste has proven that knowledge combined with motivation is an unbelievable source of power. An important challenge for us is to further develop our group work and knowledge management capabilities. Understanding our customers' needs, the markets, and our competitors, must be part of Teleste's core competitiveness.

The new products, that were introduced to the market, and increasing investments into R&D create prerequisites, which are expected to generate growth in the coming years also in countries outside Europe. During the past year new offices were established in India, Brazil and Poland. The important growth market for Video Networks is the USA, where two new offices were established. The Beijing office

for Broadband Cable Networks, which has operated already for several years, received a sister office for Video Networks in Shanghai at the beginning of 2002.

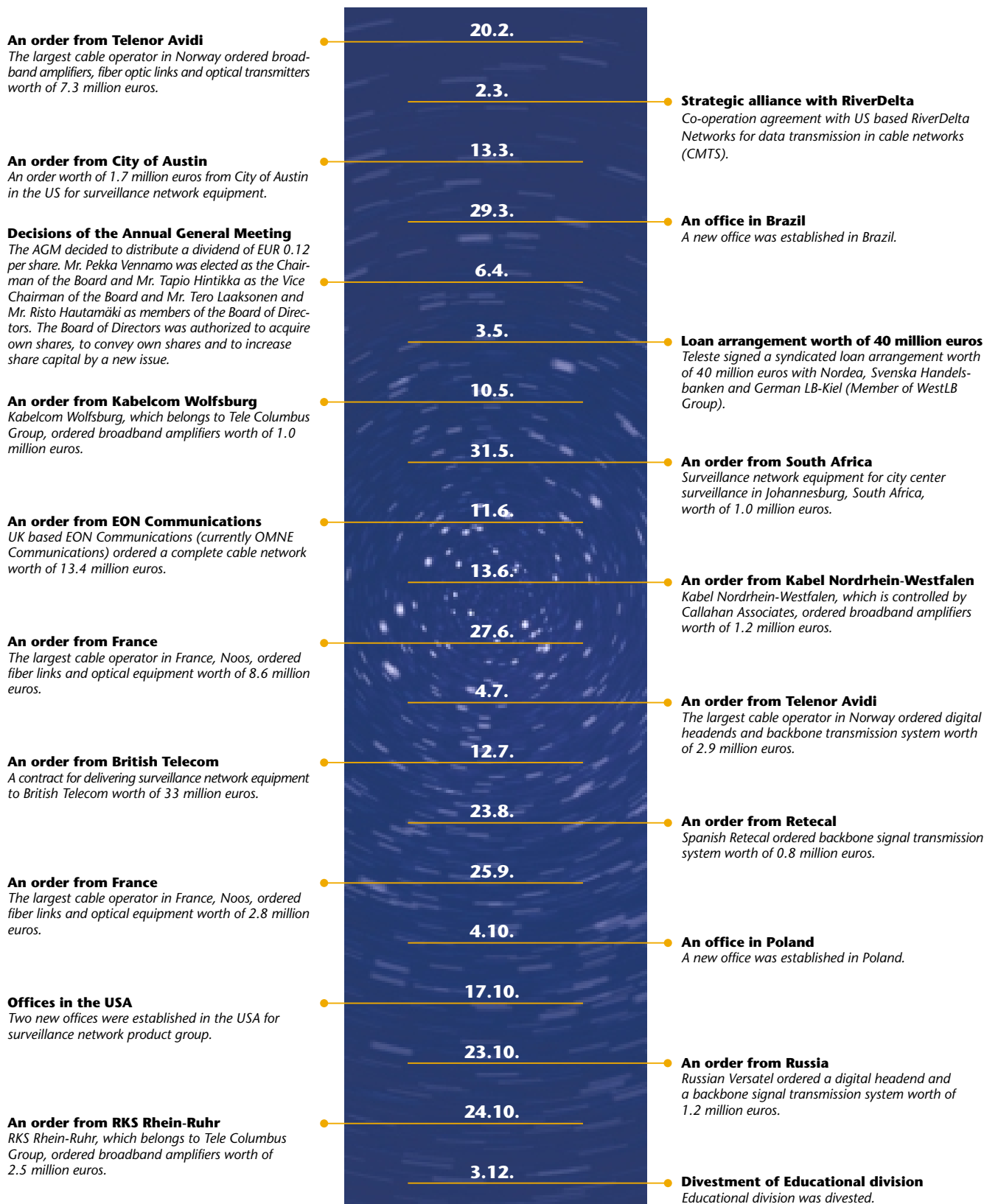
Challenges in Customer Base and in the Competitive Situation

After the fast changes in the market place and continued uncertain global economical situation, it is even bolder than earlier to comment the near future. According to Teleste's view, the domestic demand for fast internet connections and for interactive digital television will increase strongly in the coming years. It is a must for cable operators to invest into their networks in order to keep up with the competition. The investments in R&D and sales network together with the changes made in group structure have further improved our competitiveness and created possibilities for reaching our target of growing faster than the markets. To make reliable market predictions on quarterly basis is impossible as the customers project time schedules live strongly. At the beginning of the year the market situation is still in all cases difficult and the first quarter will be weaker than last year. At the moment the common understanding is that the market starts to recover during the second half of the year, which means that the full year sales and profits are estimated to be on last year's level.

The basic requirements of the good development have been the trust that our shareholders and customers have shown towards us. I thank them and my capable colleagues together with Teleste's partners for the past year. The basis of the company is in good shape, so I look optimistically to the future.

Timo Toivola
President and CEO

Teleste's Most Important Releases in 2001



Information for the Shareholders

Annual General Meeting

Teleste Corporation's Annual General Meeting will be held on Monday April 8, 2002, commencing at 3 pm., at Finlandia Hall in Helsinki. Registration begins at 2.30 pm.

Shareholders wishing to attend the Annual General Meeting must be registered in the list of shareholders kept by Finnish Central Securities Depository Ltd no later than March 27, 2002.

Shareholders wishing to attend the Annual General Meeting must inform the company by 4 pm. on April 3, 2002 at the latest by writing to Teleste Corporation, Ms. Tiina Vuorinen, P.O. Box 323, 20101 Turku, Finland, or by telephone +358 2 2605 611, or by telefax +358 2 2605 812, or by email to investor.relations@teleste.com. Written notice must arrive before the deadline stated above. Any letters of authorization must be submitted at the time the shareholders concerned inform the company of their intention to attend.

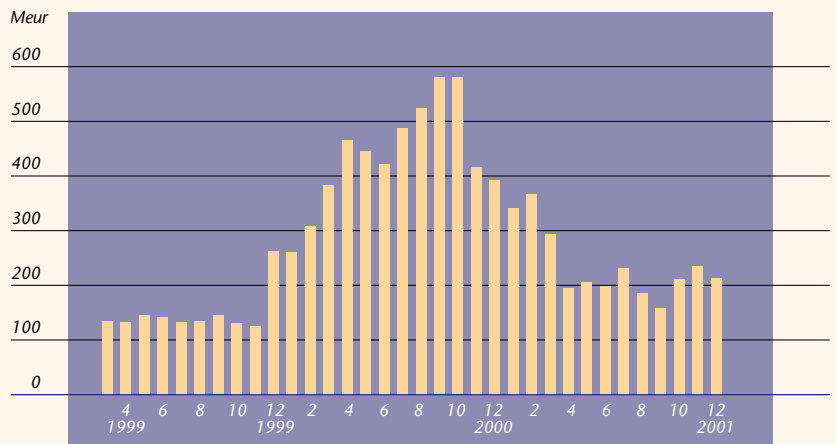
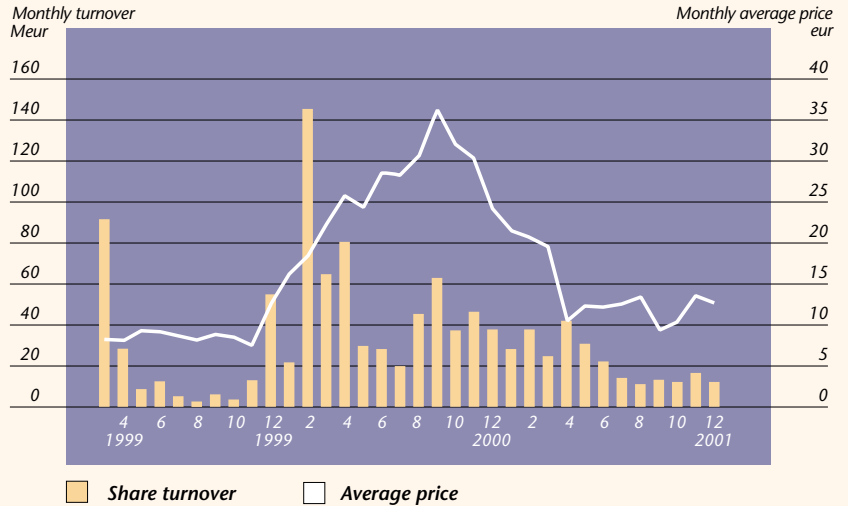
Financial Information

May 6, 2002 Interim report January–March
 July 29, 2002 Interim report January–June
 October 28, 2002 Interim report January–September

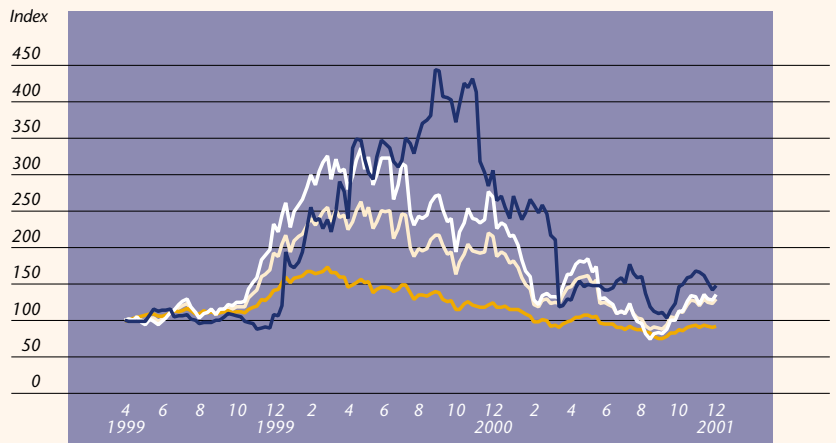
Financial information is available in Finnish and English. Financial reports are not printed, instead they are published on Teleste's internet pages, www.teleste.com. Stock exchange releases can be found from the same address. Paper copies of the financial publications may be ordered from: Teleste Corporation, Investor Relations, P.O. Box 323, 20101 Turku, Finland, or by telephone +358 2 2605 611, or by email to investor.relations@teleste.com.

Investor Relations

The director responsible for investor relations is Mr. Antti Salminen. All inquiries about the company can be addressed to him by telephone +358 2 2605 611 or by email to investor.relations@teleste.com.



Market capitalization per month



Share price development

- HEX All-share index
- HEX Portfolio index
- Telecommunications and electronics
- Teleste

Personnel

Teleste's success is based on the know-how of individuals and organization. The basis of competitiveness and profitable growth is also in the future to find top talents and to build prerequisites that enable record achievements of the personnel. To reach Teleste's tough targets requires continuous improvement of the know-how level. A good organizational climate is a decisive factor in a flexible organization that beats the records. It is also important to maintain Teleste's position as a tempting employer for current and future employees.

Management of knowledge, know-how and performance is emphasized when an inspiring and energetic atmosphere is created. The key for Teleste's success is also the organization's ability to assume new knowledge and to adapt it in a fast changing environment. More than ever team work capabilities are needed in order to reach the synergies of very different know-how areas.

Extensive training programs were continued during the year in order to improve capabilities of the personnel. The fourth class of Teleste's internal MBA-level three-year-long "Commitment to Growth" program began its studies. Extensive training was arranged during the year about new

technologies and project management training was continued.

A thorough organizational climate survey was conducted last Autumn, a repetition from year 1999. The results were once again encouragingly positive, but development areas were also found.

Regular development discussions are part of Teleste's normal evaluation routines. Most of Teleste's personnel are within bonus and reward programs. The programs are designed to support parallel activity of the different parts of the organization.

The comparable number of personnel increased by more than fifty experts. The increase took place mainly in R&D and in sales and marketing.

	2001	2000
Research and Development	138	115
Production and Material Management	260	259
Sales and Marketing	109	85
Finance and IT	32	29
Finland	460	427
Other countries	79	61
Female	206	197
Male	333	291
Operatives	232	232
Staff	330	330
Total	539	488
Average age	36.7	36.9

The figures exclude the personnel numbers of divested Educational and Home Networks divisions.

Teleste Management Group

Timo Toivila, M.Sc.(Eng.)

President and CEO

Born 1950

Member of the Board 1995–1997

Chairman of the Board 1996–1997

CEO since 1997 (1996)–

Owns 60,000 Teleste shares

Owns options for 110,000 Teleste shares

Antti Salminen, M.Sc.(Econ.)

Senior Vice President and CFO, IR

Born 1963

Joined Teleste 1997

Owns 6,660 Teleste shares

Owns options for 30,000 Teleste shares

Johan Slotte, LL.M

Senior Vice President, Development

Born 1959

Joined Teleste 1999

Owns 1,000 Teleste shares

Owns options for 12,000 Teleste shares

Pekka Rissanen, M.Sc.(Eng.), MBA

Senior Vice President

Broadband Cable Networks, Sales and Marketing

Born 1963

Joined Teleste 1998

Does not own Teleste shares

Owns options for 20,000 Teleste shares

Juha Järvenreuna, M.Sc.(Eng.)

Senior Vice President

Broadband Cable Networks, Product Operations

Born 1964

Joined Teleste 1995

Does not own Teleste shares

Owns options for 17,300 Teleste shares

Visa Vanamo, M.Sc., MBA

Senior Vice President and General Manager

Video Networks

Born 1956

Joined Teleste 2000

Does not own Teleste shares

Owns options for 10,000 Teleste shares



Business Units

Teleste is divided into two business units: Broadband Cable Networks and Video Networks.

The customers of Broadband Cable Networks are cable operators and the majority of the business takes place through direct customer contacts. Video Networks delivers transmission network solutions for surveillance systems and the majority of the sales takes place through system integrators.

Broadband Cable Networks

The business concept of Broadband Cable Networks is to produce innovative, reliable and cost effective network solutions for cable operators. Teleste is one of the leading companies in Europe in this field and is aiming to be a global challenger.

The business unit offers cable operators solutions for all parts of the network. A cable operator is a company that transmits television programs, data and telephone services to consumers through its own cable network. The network can be divided into two main parts: signal processing systems and subscriber network.

Signal processing systems include receiving the content from satellites, studios, terrestrial broadcasts and servers; signal

processing; modulation and packeting; digital transmission in backbone networks and conditional access interfaces. In this part of the network the signals are in a digital format and the technology used is digital technology.

In subscriber network analog transmission technology is used and the signals can be either analog or digital. The subscriber network consists of an optical part and a coaxial part. Optical transmission is designed for long distances and coaxial cable is used in the "last mile".

The main market of the business unit is Europe. Within Europe there are wide differences regarding the operations of the cable operators. In Belgium and in the Netherlands about 95 percent of the households have been connected to cable networks already for decades, whereas in Spain the first steps were taken at the end of the 90's.

New networks are built so that they enable two-way traffic. This way the business of the cable operators transforms from just one-directional television broadcasting to cover also among others, high speed internet connections, which has lately been the main driver for the invest-



ments. Old networks, which were built only for broadcasting purposes, need to be upgraded to equal new networks. The upgrading of old networks is the single largest business segment and for example renewing of the German cable networks began only last year in a larger scale.

Two-directional network enables operators to offer any interactive services to consumers. Today the interest is primarily focused on the areas of digital television, video-on-demand and interactive gaming.

Expanded Product and Service Offering as a Growth Vehicle

The most successful of the new services is high-speed internet connection for domestic users. The cable modem based service is mainly competing with traditional phone companies offering xDSL connections. Due to its technology base correctly built cable connection is clearly faster than the xDSL connections and this offers the cable operators a significant competitive advantage.

Digital television is routine for cable operators in those countries, where digital terrestrial broadcasts have been launched, such as the UK, Spain, Sweden and

Finland. However, as terrestrial broadcasts face problems as set top boxes are missing, the same service can be received through cable networks. In Finland Teleste has built all digital systems for the cable operators. Digitalizing the broadcast services frees up network capacity as instead of one analog television program, eight digital programs can be packed in the same space.

The free capacity can be used for other interactive services: either for speeding up the connections or for example for video-on-demand service offering. Teleste has already launched several products aimed for diversifying the service offering of the operators.

Teleste has started integration activities in addition to equipment deliveries. This is an answer to the market need for complete solutions instead of only equipment. The diversity and complexity of the networks has led into a situation where operators are seeking total deliveries, where a supplier is responsible not only for its own equipment but also for third party equipment and for integrating these into a functional combination.

As the networks are being digitalized,

the building of these networks is also becoming more and more complex. There is a greater need, especially amongst small and mid-sized operators, that the equipment supplier takes a broader responsibility for the functionality of the total network. This type of delivery has become more common during the past years. Teleste offers this kind of service on selected projects. Last year Teleste established a separate organization to handle these projects.

Video-on-demand services are expected to be launched in a larger scale in the coming years. Today they are available only in the UK and Austria in a limited scale. Video-on-demand services require that the cable network has a very high capacity especially in its fibre optic part. As a solution for this Teleste offers DWDM technology, by which a single fibre is able to carry several signals and therefore the capacity is multiplied.

Events of the Past Year

The past year was not an exception of the past trends in the customer base. There were several mergers and acquisitions through which the customers are trying to reach the economics of scale and to enhance their productivity. During the past year especially US based operators strengthened their position in Europe through acquisitions and today the largest cable operators in Europe are US based.

The market situation last year was difficult. The customers postponed their decision making on new investments as the global economical situation got worse. However, Teleste succeeded in increasing its market share and was one of the most successful companies in the business. Teleste won several significant contracts, such as from the largest cable operator in France, Noos, from OMNE Communications (previously known as EON Communications) in the UK, from Spanish Retecal and from Norwegian Telenor.

In a difficult market situation one of the most important areas of investments was R&D. The focus area in R&D was the further development of digital products. Also a new amplifier product family was introduced for product offering of the subscriber network.

In sales and marketing the existing sales network was strengthened and new offices were opened in India, Brazil and Poland. In these countries there already exists quite extensive cable networks, which however need upgrading. These countries will offer growth potential for Teleste in the coming years. In the old regions the focus area was in key customers functions.

Video Networks

Video Networks business unit designs and manufactures signal transmission solutions for high quality video surveillance networks globally. The core of the unit is traffic, city center and corporate surveillance systems. In these systems high quality video picture can be transmitted very long distances via fibre optic cable. In addition to video transmission the systems support the transmission of the required data and guidance signals in the same network.

The customers of the unit are system integrators, who build video surveillance networks for the end customers, such as different kind of authorities. Although the customers are completely different from those of Broadband Cable Networks, there are similarities in the basic technology of the products.

The amount of traffic is quickly increasing in many countries. This has led to traffic jams and to increase in public transportation. In many countries video surveillance networks have been built to secure the smoothness of traffic. Lately the target has been to increase the intelligence in the networks in order to transmit information and guidance also two-directionally.

Crime is a worsening problem in many countries and the effectiveness of camera surveillance as a means to decrease crime has led people to accept it as part of safe living environment. Also the events last fall most probably will speed up the building of city center surveillance all around the world.

There are several possible applications in companies for intelligent surveillance systems, such as security and process control. The digitalization of the networks has opened completely new opportunities in this market segment.

During the year the demand for these products remain good. Teleste signed the

largest ever contract with British Telecom in July. Teleste will deliver equipment worth 33 million euros during the next three years. During the year several orders were received from North America, such as a traffic surveillance system for the City of Austin.

During the year new sales offices were opened on the east and west coast of the USA. In the beginning of 2002 a sales office was opened in Shanghai, China. These markets are expected to offer significant growth opportunities in the future.

Several products based on digital technology were introduced. The focus in R&D was more and more in network based solutions.



The Board of Directors

Chairman

Pekka Vennamo

Born 1944

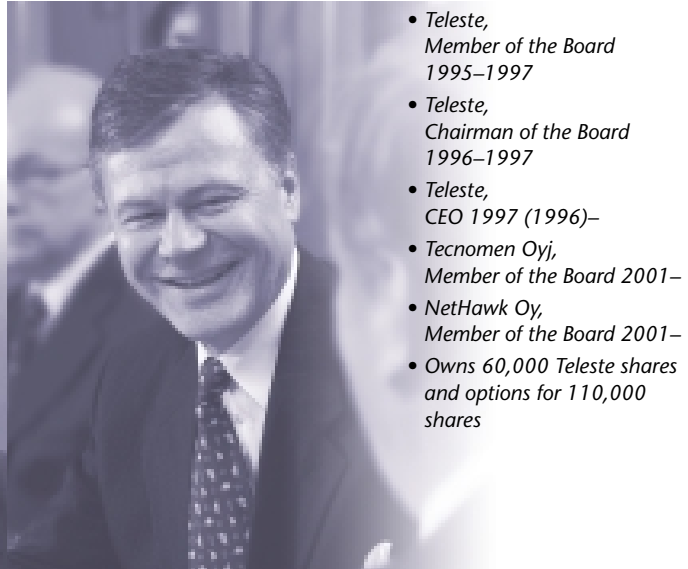
- Chairman 2000–
- Sijotus Oy,
Chairman of the Board and
CEO 1998–
- Soprano Oyj,
Chairman of the Board 2000–
- Jippii Group Oyj,
Chairman of the Board 2001–
- MachHitech AG,
Member of the Board 2000–
- Owns 4,200 Teleste shares



Timo Toivila, M.Sc.(Eng.)

Born 1950

- Teleste,
Member of the Board
1995–1997
- Teleste,
Chairman of the Board
1996–1997
- Teleste,
CEO 1997 (1996)–
- Tecnomen Oyj,
Member of the Board 2001–
- NetHawk Oy,
Member of the Board 2001–
- Owns 60,000 Teleste shares
and options for 110,000
shares



Tero Laaksonen, M.Sc.

Born 1946

- Member 1999–
- Telia Finland Oy,
CEO 1998–2001
- Nokia Telecommunications Oy,
Senior Vice President 1995–1998
- ICL Plc, Financial Services Unit,
President 1993–1994
- Owns 2,500 Teleste shares



Risto Hautamäki, M.Sc.(Eng.)

Born 1945

- Member 2001–
- Tamfelt Corporation,
CEO 1995–
- Does not own Teleste shares



Tapio Hintikka, M.Sc.(Eng.)

Born 1942

- Vice Chairman 2001–
- Hackman Oyj Abp, CEO 1997–
- Sonera Corporation,
Chairman of the Board 2001–
- Onninen Oy,
Member of the Board 2000–
- Does not own Teleste shares

Report of the Board of Directors

Changes in Group Structure

Teleste divested the Educational division in December and holds 17 % of the shares in the new company. The sale generated a one time gain of 4.7 million euros, which is booked in extraordinary items. The division's figures are consolidated in the group figures until December 18. Teleste was divided at the year-end into two business units: Broadband Cable Networks and Video Networks.

Turnover and Profitability

The group's net sales increased 3.2 % to 102.6 million euros (99.4 million euros). Operating profit grew 13.2 % to 13.8 million euros (12.2 million euros). The group's result for the financial period was 13.5 million euros (8.6 million euros). The group's earnings per share were 0.53 euros (0.44 euros). The return on capital employed was 27.4 % (31.4 %) and the return on equity was 28.9 % (31.4 %).

Comparable figures can be reached when Home Networks and Educational divisions are eliminated from year 2000 figures and Educational also from year 2001 figures. The group's net sales for continuing business increased 17.0 % to 93.0 million euros (79.5 million euros). Broadband Cable Networks' net sales grew 12.1 % to 79.5 million euros and Video Networks' net sales increased 57.0 % to 13.5 million euros.

The group's comparable operating profit increased 10.2 % to 12.5 million euros (11.4 million euros) and the profit for the financial period 43.8 % to 12.6 million euros (8.7 million euros). The product mix focused more than normally on lower margin products such as fibre nodes and

amplifiers. During the year investments continued on building the future growth prerequisites. New offices were opened in India, Brazil, the USA and Poland during the year. Specific attention was paid on managing fixed costs and efficient use of capital.

The group's orders received for continuing business decreased 5.2 % to 87.2 million euros. Broadband Cable Networks' orders received were 74.2 million euros, a decrease of 9.4 % from previous year. Video Networks' orders received increased 29.6 % to 13.0 million euros. Order backlog stood at 17.8 million euros at the year-end.

The market situation of Broadband Cable Networks started to weaken in the spring, when customers began postponing their new investments. However, Teleste succeeded in increasing its market share in a difficult competitive environment, which helped to ease the effects of the tough market situation to Teleste's sales and profits. During the year the largest cable network delivery contract in Teleste's history was signed with UK based OMNE Communications. Also the orders from largest cable operator in France, Noos, strengthened significantly Teleste's market position.

The market situation for Video Networks remained good the whole year. Competitive position was strengthened especially with the Teleste's largest ever contract with UK based British Telecom.

During the last quarter the orders received for continuing business increased 11.4 % from previous quarter to 21.2 million euros, but were 19.8 % lower than during the last quarter of previous year. Net sales increased 5.6 % to 24.4 million euros from previous quarter, but decreased 9.0 % compared to the quarter year ago.

Operating profit improved 28.3 % from previous quarter to 4.2 million euros, but decreased 17.7 % from the last quarter of previous year.

R&D and Investments

R&D costs during the year for continuing business came to 8.4 million euros (8.0 million euros) and totally 9.2 million euros (8.6 million euros), which were booked as annual expenses. The main focus area in R&D was further development of digital products.

Investments for the year amounted to 3.7 million euros (3.1 million euros). The investments during the year mainly targeted information technology and equipment and measuring devices for production.

The above mentioned investments exclude the investment Teleste made into the company that acquired Educational division. Teleste owns 17 percent of that company.

Finance

The group's liquidity remained good during the year. Teleste signed in May a 40-million-euro syndicated credit facility with Nordea, Svenska Handelsbanken and LB-Kiel. The arrangement is valid for five years. Liquid funds stood at 26.9 million euros at year-end. The group's equity ratio was 44.5 % (42.7 %) and gearing -20.5 % (51.1 %). The interest-bearing debt on 31.12. was 20.0 million euros.

The group's hedging policy is to cover all material currency risks at least six months ahead.

Personnel

During the year the group employed on average 594 people (616). At the year-end the group employed 539 persons, of which 79 abroad. The number of personnel for continuing business increased by 51 persons. The increase was mainly in R&D and in sales and marketing.

Branch Offices

The parent company has branch offices in China, India, the Netherlands, Denmark, Belgium, Poland, Spain, France and Singapore.

General Meetings

The Annual General Meeting on April 6, 2001 confirmed the financial statements for 2000 and discharged the Board and the CEO from liability for the financial period. The Annual General Meeting

confirmed the Board's proposed dividend of EUR 0.12 per share.

The Annual General Meeting elected Mr. Pekka Vennamo as the Chairman of the Board and Mr. Tapio Hintikka as Vice Chairman of the Board, Mr. Tero Laaksonen and Mr. Risto Hautamäki as members of the Board.

The Annual General Meeting authorized the Board to decide on the acquisition and on the conveyance of the company's own shares as well as on the increase of the share capital by a new issue. Teleste began the acquisition of own shares according to the authorization in June. At the year-end the company possessed 400,000 own shares. The Board has not used the other authorizations.

Management and the Auditors

The Chairman of the Board was Mr. Pekka Vennamo. Board members were Mr. Tero Laaksonen and from April 6 Mr. Tapio Hintikka as Vice Chairman of the Board and Mr. Risto Hautamäki as member. Mr. Matti Suutarinen, Mr. Heikki Keränen and Mr. Asko Schrey were Board members until April 6. Mr. Johan Kronberg (Authorized Public Accountant) and SVH PricewaterhouseCoopers Oy continued as auditors. Mr. Timo Toivola acted as President and CEO for the company.

Changes in Share Capital

With the warrants of Teleste's 1997 bond loan with warrants, 285,880 shares were subscribed, thus bringing Teleste's registered share capital to 6,759,192 euros divided among 16,897,980 shares.

The trading with warrants of Teleste's 1997 bond loan with warrants began in Helsinki Exchanges on September 3, 2001.

Outlook for 2002

The demand for fast internet connections for homes and for digital television will increase strongly in the next few years. It is a must for cable operators to invest in their networks in order to keep up with the competition. Although delays in investment are still likely to happen, it is believed that the market starts to recover during the second half of 2002 or the first half of 2003. The changes made in the group structure and focusing in the core business have improved competitiveness and have created prerequisites for profitable growth that is faster than the market. In order to further improve its competitive position Teleste will continue its investments in R&D and sales.

The market situation in the beginning of the year is still difficult and the first quarter is expected to remain weaker compared to last year. Full year sales and profits are expected to be on last year's level. The foreseeable flow of the investments, which could begin already this year, creates good possibilities to grow and to improve profits.

Statement of Income 1.1.–31.12.2001

1000 euros	Note	GROUP		PARENT COMPANY	
		2001	2000	2001	2000
Net sales	1	102 606	99 448	85 385	73 526
Change in inventories of finished goods		628	3 245	447	2 879
Other operating income	2	1 349	1 145	1 714	958
Materials, supplies and services	3	-44 817	-46 575	-37 241	-35 150
Wages, salaries and social expenses	4	-25 569	-23 570	-19 341	-15 798
Depreciation and amortisation	5	-2 977	-3 269	-2 674	-2 319
Other operating expenses		-17 398	-18 216	-16 844	-14 506
Operating profit	6	13 821	12 208	11 446	9 589
Financial income and expenses	7	-716	-1 268	-905	-168
Profit after financial items		13 106	10 941	10 541	9 421
Extraordinary items	8	4 744	1 377	833	-2 128
Profit before taxes		17 850	12 317	11 374	7 293
Appropriations	9	0	0	16	124
Direct taxes	10	-4 360	-3 682	-3 655	-3 602
Profit for the financial period		13 490	8 636	7 735	3 815

Teleste without sold operations

In 2000 Home Networks division and in 2001 Educational division were sold. In the pro forma statement of income below Teleste Corporation is shown without sold operations. Sold operations are eliminated from net sales and from operating profit. The effect of eliminating operating profit is taken into account in taxes.

	2001	2000	Change
Net sales	92 960	79 476	17.0 %
Operating profit	12 521	11 357	10.2 %
Profit after financial items	11 806	10 241	15.3 %
Profit before taxes	16 550	11 618	42.5 %
Profit for the financial period	12 567	8 740	43.8 %
EPS	0.47	0.44	6.6 %

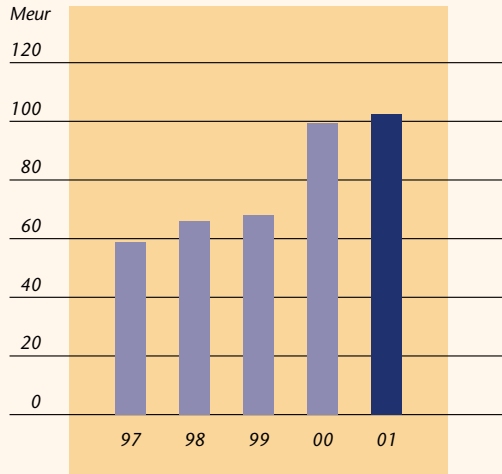
Balance Sheet 31.12.2001

	Note	GROUP		PARENT COMPANY	
		2001	2000	2001	2000
1000 euros					
Fixed assets					
Intangible assets	11	52	52	5 321	6 074
Goodwill	11	5 808	6 664	0	0
Tangible assets	11	8 050	7 799	7 859	7 226
Investments	12	5 864	58	8 651	2 825
Long-term receivables	13	3 390	3 324	4 577	3 324
		23 164	17 897	26 408	19 449
Current assets					
Inventories	14	11 583	13 450	10 600	11 488
Current/short-term receivables	15	15 181	24 905	13 255	20 438
Short-term investments	16	19 800	700	19 800	700
Cash in hand and at bank	16	7 143	6 653	6 275	5 226
		53 707	45 708	49 930	37 851
Total assets		76 871	63 605	76 338	57 300
Shareholders' equity					
Share capital	17	6 759	6 645	6 759	6 645
Share Premium Fund	17	1 136	1 056	1 136	1 056
Treasury shares	17	4 746	0	4 746	0
Retained earnings	17	12 418	10 469	5 327	8 252
Profit for the financial period	17	13 490	8 636	7 735	3 815
		38 549	26 806	25 703	19 768
Appropriations	9	0	0	1 835	1 852
Obligatory provisions	18	1 463	1 822	1 019	1 368
Liabilities					
Long-term liabilities	19	20 148	6 038	20 378	6 267
Short-term liabilities	20	16 711	28 939	27 403	28 047
		36 859	34 977	47 781	34 313
Total liabilities and shareholders' equity		76 871	63 605	76 338	57 300

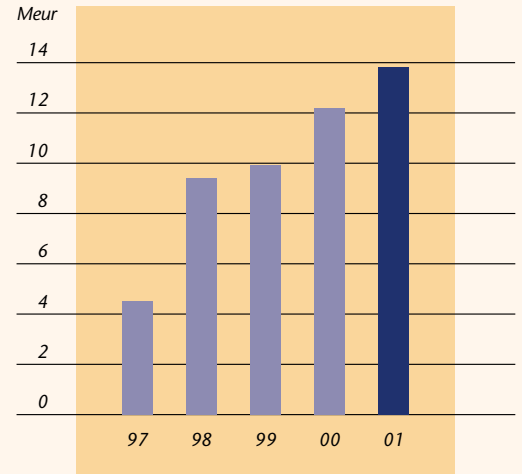
Cash Flow Statement

	GROUP		PARENT COMPANY	
	2001	2000	2001	2000
1000 eur				
Cash flow from operations				
Operating profit	13 821	12 208	11 446	9 589
Adjustments to operating profit	2 618	3 539	2 324	2 762
Change in net working capital	14 522	-11 836	22 566	-12 811
Interest income	589	232	526	456
Interest expenses	-1 011	-936	-1 111	-985
Dividend income	25	6	4	268
Other financial items	-318	-570	-324	-514
Taxes paid	-4 360	-3 668	-3 655	-3 602
Extraordinary items	4 744	1 667	0	1 667
Cash flow from operations	30 630	642	31 776	-3 170
Investments				
Other tangible assets	-3 713	-3 102	-3 634	-2 939
Sold group companies	0	572	0	572
Sale of other tangible assets	0	113	0	32
Cash flow from investments	-3 713	-2 417	-3 634	-2 335
Cash flow before financing	26 917	-1 775	28 142	-5 505
Financing				
Long-term liabilities	14 110	-1 031	14 111	-803
Long-term assets	-66	-3 324	-1 253	-1 472
Short-term liabilities	-15 159	11 570	-15 138	11 547
Paid dividends	-1 994	-1 609	-1 994	-1 609
Group contributions, net	0	0	833	2 100
Share issue	194	350	194	350
Others	334	-63	0	0
Own shares	-4 746	0	-4 746	0
Financing total	-7 327	5 893	-7 993	10 113
Change in liquid funds	19 590	4 118	20 149	4 607
Liquid funds 1.1.	7 353	3 235	5 926	1 319
Liquid funds 31.12.	26 943	7 353	26 075	5 926

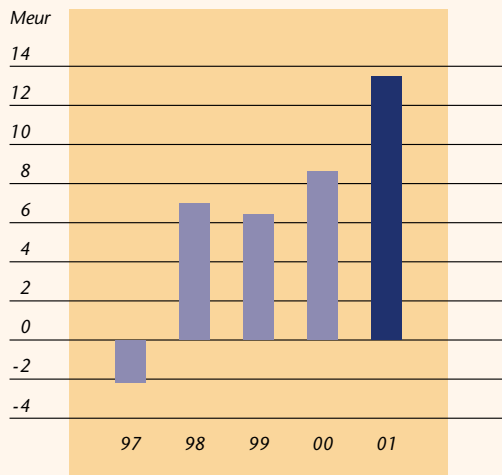
Teleste in Graphs



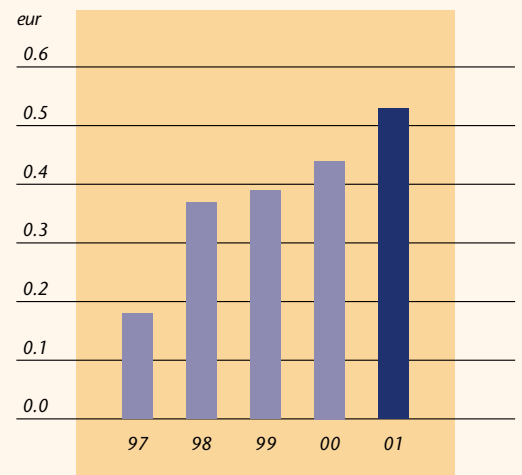
Net sales



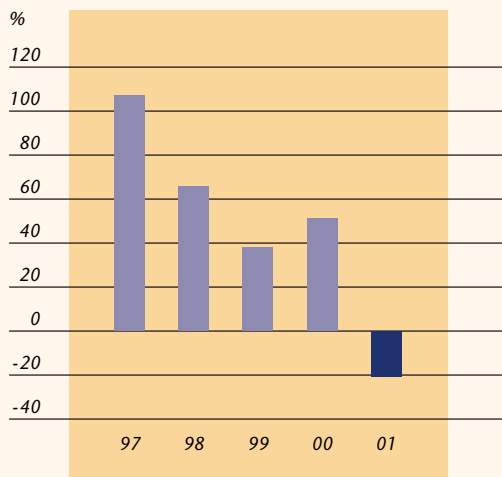
Operating profit



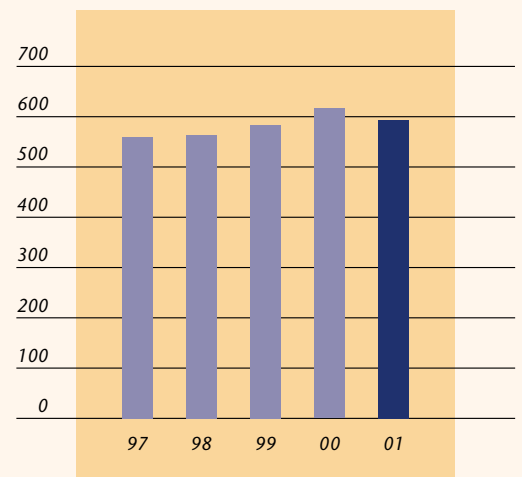
Profit for the financial period



Earnings per share



Gearing



Personnel on average

Accounting Principles of the Group

Consolidated Accounts

The consolidated Financial Statements include the accounts of the company and those companies in which it holds, directly or indirectly, over 50 % of the shares and voting rights.

The companies acquired or established during the financial period have been consolidated from the date of acquisition or formation. The companies disposed during the financial period have been consolidated up to the date of disposal.

All intercompany transactions and balances are eliminated as a part of the consolidation process. Minority interests in earnings and shareholder's equity are presented separately in the income statements and balance sheet.

Acquisitions of companies are accounted for by using purchase method. The excess of purchase consideration over the fair value of net assets acquired is carried as goodwill on consolidation and amortised over its estimated useful life, not exceeding 10 years.

Shareholdings below 20 % of the shares and voting rights are carried at cost, and only dividends are included in the consolidated income statement.

Foreign Currency Translation

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

The income statements of foreign subsidiaries are translated into euros at the average exchange rate for the accounting period, and the balance sheets are translated at the closing rate at the balance sheet date.

All the translation differences arising from consolidation of foreign shareholdings are credited or charged directly to retained earnings.

Derivative Financial Instruments

The business and the operations of the company give rise to certain exposure to currency related risks. These risks are managed to minimize their impact on the profitability and financial position of the company.

The group's hedging policy is to cover all material currency risks at least six months ahead. Regarding group's balance

sheet items in foreign currency, the hedging part of the derivative instruments are valued according the currency rates at the closing date and the currency difference is booked into the statement of income. Rest of the derivative financial instruments are considered to hedge future currency flows and their currency difference is not booked into the closing.

Derivative financial instruments are not used for speculative purposes.

Fixed Assets and Other Long-term Investments

The balance sheet values fixed assets are stated as historical cost, less the accumulated depreciation and amortisation. Depreciation and amortisation is calculated on straight-line basis over the expected useful lives of the assets. Estimated useful lives for various assets are:

Intangible rights	3 years
Goodwill and goodwill on consolidation	10 years
Other long-term expenses	3 years
Buildings	25–33 years
Machinery and equipment	3–5 years

Write-downs on permanent impairment of the assets are recorded when it becomes evident that the carrying amount is not recoverable.

Long-term investments and receivables include financial assets, which are intended to be held for over one year.

Leased Assets

The company does not currently hold any significant assets under capital lease terms. If such contracts are entered in the future, these contracts are accounted for as a purchase of asset and an incurred of an interest bearing liability. Assets held under operating leases are not recognised on the balance sheet, and the lease payments are charged as incurred.

Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined using the first-in-first-out (FIFO) method. The value of inventory does not include indirect costs.

Cash

Cash and cash equivalents include cash on hand and cash at banks. Short-term investments include other funds equivalent to cash, such as commercial papers.

Net Sales

Net sales include revenue from services and goods sold, adjusted for discounts granted, sales-related taxes and effects of the foreign exchange rate differences. Revenue is recognised when services are rendered, or when the goods are delivered to the customer.

Research and Development

All costs relating to research and development activities are expensed as incurred.

Pension Plans and Coverage of Pension Liabilities

The statutory pension liabilities of Finnish subsidiaries in the group are funded through pension insurance. Subsidiaries outside Finland have various pension schemes in accordance of local requirements and practices.

Extraordinary Items

Events that differ from normal activities and are by nature one time and relevant, are handled as extraordinary items. Extraordinary items are adjusted with their tax effect.

Taxes

Income taxes consist of current and deferred taxes. Current taxes in the income statement include tax refunds for the financial year, as well as the adjustments to tax accruals related to previous years.

Deferred tax liabilities or assets result from temporary differences in accounting profit and taxable profit, adjustments or eliminations. Deferred tax liabilities are recognised at their full amounts in the balance sheet, and deferred tax assets are recognised at estimated realisable amounts. The change in deferred tax liabilities and assets during the financial year has been booked to income taxes in the income statement. In the parent company deferred taxes are presented in the notes. The confirmed tax rate for next year at closing date is used as the tax rate.

Social Costs of Options

Social costs have been expensed regarding those options, whose subscription period has begun. Regarding the rest of the options, the social costs are booked during the financial period, when the subscription period begins.

Own Shares

Own shares acquired by the company are presented in the fixed assets in the balance sheet. The acquisition cost of the acquired shares is recognized as undistributable equity.

Notes to the Statement of Income and Balance Sheet

	GROUP		PARENT COMPANY	
	2001	2000	2001	2000
1. NET SALES AND ORDERS RECEIVED				
Net sales by business unit				
Broadband Cable Networks	79 501	70 906	71 926	73 526
Video Networks	13 459	8 570	13 459	0
	92 960	79 476	85 385	73 526
Sold operations	9 646	19 972	0	0
Total	102 606	99 448	85 385	73 526
Orders received				
Broadband Cable Networks	74 153	81 871	72 376	75 737
Video Networks	13 009	10 037	13 009	10 037
	87 162	91 908	85 385	85 774
Sold operations	10 574	17 198	0	0
Total	97 736	109 106	85 385	85 774
Net sales by market area				
Finland	13 741	9 005	13 329	8 448
Scandinavia	20 232	20 580	18 469	17 555
Other EU	52 962	57 965	42 629	36 983
Other Europe	6 659	4 478	6 143	3 120
North America	4 143	1 645	2 772	1 645
Asia	3 286	4 418	1 633	4 418
Others	1 583	1 357	410	1 357
Total	102 606	99 448	85 385	73 526
2. OTHER OPERATING INCOME				
Profit on fixed assets sale	0	17	0	17
R&D subvention and others	1 290	658	1 118	518
SPP repayment	59	470	0	0
Group charges	0	0	596	423
Total	1 349	1 145	1 714	958
3. MATERIALS AND SERVICES				
Purchases	38 780	45 977	34 918	37 228
Change in inventories	1 128	-3 089	1 336	-3 627
	39 908	42 888	36 254	33 601
Purchased services	4 909	3 687	987	1 549
Total	44 817	46 575	37 241	35 150
4. PERSONNEL EXPENSES				
Wages and salaries	20 866	18 976	15 519	12 470
Pension costs	3 063	2 494	2 574	1 880
Other personnel costs	1 640	2 100	1 248	1 448
Total	25 569	23 570	19 341	15 798
Remuneration to Board members and Managing Directors	760	678	348	274
Year-end personnel	539	562	496	449
Average personnel	594	616	487	400
Personnel by function at the year-end				
Research and Development	138	115	134	110
Production and Material Management	260	259	260	228
Sales and Marketing	109	85	74	86
Finance and IT	32	29	28	25
Total	539	488	496	449
Sold operations	0	74	0	0
Total	539	562	496	449

	GROUP		PARENT COMPANY	
	2001	2000	2001	2000
5. DEPRECIATION ACCORDING TO PLAN				
Other capitalized expenditure	431	317	429	307
Buildings	272	256	268	253
Machinery and equipment	1 418	1 840	1 224	1 006
Goodwill on consolidation	856	856	753	753
Total	2 977	3 269	2 674	2 319
Change in accumulated depreciation difference				
Buildings			111	124
Other capitalized expenditure			-95	0
Total			16	124
6. OPERATING PROFIT				
Continuing operations	12 521	11 357	11 446	9 589
Sold operations	1 300	851	0	0
Total	13 821	12 208	11 446	9 589
7. FINANCIAL INCOME AND EXPENSES				
Interest income	589	232	503	195
Interest income from Group companies	0	0	23	261
Interest expenses	-1 011	-936	-1 004	-920
Interest expenses to Group companies	0	0	-107	-65
Currency differences	134	-212	131	-245
Write-down of investments	0	0	0	607
Other financial income and expenses	-452	-358	-455	-269
Dividend income from Group companies	0	0	0	262
Dividend income	25	6	4	6
Total	-716	-1 268	-905	-168
8. EXTRAORDINARY ITEMS				
Income				
Group contribution	0	0	833	2 100
Divestment of Home Networks division	0	1 377	0	1 727
Divestment of Educational division	4 744	0	0	0
Total	4 744	1 377	833	3 827
Expenses				
Divestment of Home Networks division	0	0	0	-5 955
9. APPROPRIATIONS AND DEFERRED TAX ASSETS AND LIABILITIES IN THE PARENT COMPANY				
Accumulated depreciation in excess of plan			1 835	1 852
Parent company has not booked deferred tax assets and liabilities				
Deferred tax liability from appropriations			532	537
Deferred tax assets from timing differences			295	329
10. INCOME TAXES				
Change in deferred taxes	166	-446	0	0
Direct taxes	4 194	4 128	3 655	3 602
Total	4 360	3 682	3 655	3 602

11. TANGIBLE AND INTANGIBLE ASSETS

Group	Intangible assets			Tangible assets				
	Intangible rights	Goodwill	Total	Land	Buildings	Machinery and equipment	Other capitalized expenditure	Total
Acquisition cost 1.1.	52	14 585	14 637	108	4 936	8 604	1 147	14 795
Translation difference	0	0	0	0	0	0	0	0
Increases	0	0	0	0	55	1 756	837	2 648
Decreases	0	0	0	0	-113	-177	-14	-304
Transfer between items	0	0	0	0	0	0	0	0
Acquisition cost 31.12.2001	52	14 585	14 637	108	4 878	10 183	1 970	17 139
Accumulated depreciation 1.1.	0	7 921	7 921	0	806	5 641	549	6 996
Translation difference	0	0	0	0	0	0	0	0
Accumulated depreciation of decreases and transfers	0	0	0	0	0	-28	0	-28
Depreciation	0	856	856	0	272	1 418	431	2 121
Accumulated depreciation 31.12.2001	0	8 777	8 777	0	1 078	7 031	980	9 089
Book value 31.12.2001	52	5 808	5 860	108	3 800	3 152	990	8 050
Book value of machinery and equipment 31.12.2001						3 152		
Book value of machinery and equipment 31.12.2000						2 963		
Parent company								
Acquisition cost 1.1.	7 580	0	7 580	108	4 489	4 615	883	10 095
Translation difference	0	0	0	0	0	0	0	0
Increases	0	0	0	0	56	1 697	801	2 554
Decreases	0	0	0	0	0	0	0	0
Transfer between items	0	0	0	0	0	0	0	0
Acquisition cost 31.12.2001	7 580	0	7 580	108	4 545	6 312	1 684	12 649
Accumulated depreciation 1.1.	1 506	0	1 506	0	477	1 971	421	2 869
Translation difference	0	0	0	0	0	0	0	0
Accumulated depreciation of decreases and transfers	0	0	0	0	0	0	0	0
Depreciation	753	0	753	0	268	1 224	429	1 921
Accumulated depreciation 31.12.2001	2 259	0	2 259	0	745	3 195	850	4 790
Book value 31.12.2001	5 321	0	5 321	108	3 800	3 117	834	7 859
Book value of machinery and equipment 31.12.2001						3 111		
Book value of machinery and equipment 31.12.2000						2 644		

12. INVESTMENTS

Group	Shares associated companies	Shares others	Treasury shares	Receivables others	Total
	Acquisition cost 1.1.	0	45	0	13
Translation difference	0	0	0	0	0
Increases	0	1 080	4 746	0	5 826
Decreases	0	-7	0	0	-7
Transfer between items	0	0	0	-13	-13
Acquisition cost 31.12.2001	0	1 118	4 746	0	5 864
Accumulated depreciation 1.1.	0	0	0	0	0
Translation difference	0	0	0	0	0
Accumulated depreciation of decreases and transfers	0	0	0	0	0
Depreciation	0	0	0	0	0
Accumulated depreciation 31.12.2001	0	0	0	0	0
Book value 31.12. 2001	0	1 118	4 746	0	5 864
Parent company					
	Shares group companies	Shares others	Own shares	Receivables others	Total
Accumulated depreciation 1.1.	3 472	38	0	0	3 510
Translation difference	0	0	0	0	0
Increases	0	1 080	4 746	0	5 826
Decreases	0	0	0	0	0
Transfer between items	0	0	0	0	0
Acquisition cost 31.12.2001	3 472	1 118	4 746	0	9 336

Accumulated depreciation 1.1.2001	685	0	0	0	685
Translation difference	0	0	0	0	0
Accumulated depreciation of decreases and transfers	0	0	0	0	0
Depreciation	0	0	0	0	0
Accumulated depreciation 31.12.2001	685	0	0	0	685
Book value 31.12.2001	2 787	1 118	4 746	0	8 651

	GROUP		PARENT COMPANY	
	2001	2000	2001	2000
13. INVESTMENTS				
Long term receivables from Group companies	0	0	1 236	0
Long term receivables from others	3 390	3 324	3 341	3 324
Total	3 390	3 324	4 577	3 324
14. INVENTORIES				
Raw materials and consumables	4 445	6 325	4 445	5 783
Work in progress	3 691	4 433	3 373	4 012
Finished goods	3 447	2 692	2 782	1 693
Total	11 583	13 450	10 600	11 488
15. CURRENT ASSETS				
Accounts receivables	13 414	22 333	10 046	14 530
Accounts receivables from Group companies	0	0	939	4 010
Loan receivables from Group companies	0	0	1 519	341
Other receivables	495	626	116	140
Deferred tax assets, note 23	193	359	0	0
Accrued income	1 079	1 587	635	1 417
Total	15 181	24 905	13 255	20 438
16. LIQUID FUNDS				
Short-term investments	19 800	700	19 800	700
Cash and cash equivalents	7 143	6 653	6 275	5 226
17. CHANGES IN SHAREHOLDERS' EQUITY				
Share capital 1.1.	6 645	6 439	6 645	6 439
Share issues	114	206	114	206
Transfer to share premium fund	0	0	0	0
Share capital 31.12.	6 759	6 645	6 759	6 645
Share premium fund 1.1.	1 056	912	1 056	912
Share issues	80	144	80	144
Transfer from share capital	0	0	0	0
Share premium fund 31.12.	1 136	1 056	1 136	1 056
Treasury shares 1.1.	0	0	0	0
Increase	4 746	0	4 746	0
Treasury shares 31.12.	4 746	0	4 746	0
Retained earnings 1.1.	19 105	12 110	12 067	9 861
Translation difference	53	-32	0	0
Dividends	-1 994	-1 609	-1 994	-1 609
Transfer to treasury shares	-4 746	0	-4 746	0
Retained earnings 31.12.	12 418	10 469	5 327	8 252
Profit for the financial period	13 490	8 636	7 735	3 815
Accumulated profit 31.12.	25 908	19 105	13 062	12 067
Total	38 549	26 806	25 703	19 768
Distributable funds	25 908	19 105	13 061	12 067

Parent company's share capital consists of one serie and is divided into 16,897,980 shares at 1 vote each.

	GROUP		PARENT COMPANY	
	2001	2000	2001	2000
18. OBLIGATORY PROVISIONS				
Provision for guarantees	937	1 025	725	839
Provision for pension commitments	178	321	178	321
Provision for restructuring	232	268	0	0
Others	116	208	116	208
Total	1 463	1 822	1 019	1 368
19. LONG-TERM LIABILITIES				
Bond loans	148	152	148	152
Bond loans from Group companies	0	0	230	227
Bank loans	20 000	5 886	20 000	5 888
Total	20 148	6 038	20 378	6 267
Liabilities due after 5 years	0	1 177	0	1 177
20. CURRENT LIABILITIES				
Bank loans	0	15 159	0	15 138
Advance payments received	942	888	881	829
Accounts payables	4 809	5 045	4 356	3 851
Accounts payables from Group companies	0	0	1 060	723
Other current liabilities	4 048	1 398	639	710
Other current liabilities from Group companies	0	0	13 908	1 732
Accrued liabilities	6 912	6 450	6 559	5 064
Total	16 711	28 939	27 403	28 047
21. CONTINGENT LIABILITIES AND PLEDGED ASSETS				
Debts covered by mortgages				
Bank loans	0	21 045	0	21 045
Debts covered by company mortgages				
Bank loans	20 000	0	20 000	0
Leasing liabilities				
For next year	298	296	163	105
For later years	388	321	175	210
	686	617	338	315
Rental liabilities				
	814	772	483	362
Other liabilities				
Mortgages	2 985	13 638	2 985	13 638
Company mortgages	40 000	0	40 000	0
For Group companies				
Guarantees			0	841
Other liabilities on own behalf				
Bank guarantees	1 152	537	1 152	537
Other liabilities on others behalf				
Guarantees	41	0	41	0
22. CURRENCY DERIVATIVES				
Value of underlying forward contracts	24 619	22 515	24 619	22 515
Market value of forward contracts	359	-803	359	-803

Forward contracts are used only for hedging currency exchange risks.

GROUP**23. DEFERRED TAXES**

	2001	2000
Deferred tax liability from appropriations	532	541
Deferred tax assets from consolidation	-171	-156
Deferred tax assets from timing difference	-554	-744
Total	-193	-359

24. COMPANIES OWNED BY THE GROUP AND PARENT COMPANY

	Group's share %	Parent company's share
Teleste Norge A/S, Oslo, Norway	100	100
Teleste Försäljning AB, Malmö, Sweden	100	100
Teleste UK Ltd, Cambridge, UK	100	100
Teleste Kaurakatu Oy, Turku, Finland	100	100
Teleste GmbH, Hannover, Germany	100	100
Suomen Yhteisantennit Oy, Turku, Finland	100	100
Kaavisio Oy, Turku, Finland	100	100
Kaavisio Norge A/S, Oslo, Norway	100	0
Teleste LLC, Texas, USA	100	100
Kaavisio France S.A., Paris, France	100	0

25. OWN SHARES

	Number of shares	Nominal value	% of share capital	% of votes
Parent company owns own shares 31.12.2001	400 000	160 000	2.4 %	2.4 %

Parent company has acquired own shares during the year:

Time	Number of shares	Nominal value Eur	Paid price (average)	Paid price (range)
June	16 650	6 660	11.47	11.40–11.50
July	249 700	99 880	12.41	11.50–13.70
August	33 650	13 460	14.39	14.00–14.79
September	100 000	40 000	9.71	9.15–10.00
Total	400 000	160 000	11.86	9.15–14.79

26. OWNERSHIP

Largest owners 31.12.2001

		Number of shares	Percentage of shares
OP funds			861 530
	OP-Delta	390 050	
	OP-Tuotto	181 950	
	OP-Pirkka	142 600	
	OP-Spektri	89 000	
	Osuuspankkien tutkimussäätiö	15 300	
	Henkivakuutusyhtiö Aurum	13 900	
	Opstock Private	13 350	
	Opstock Finland Index	7 780	
	Opstock RM Optimus	5 800	
	Kyösti Haatajan Säätiö	1 800	
Nordea			848 750
	Nordea Optima.fi	246 700	
	Nordea Nordic Small Cap	182 350	
	Nordea Fennia	153 100	
	Nordea Life Assurance	100 000	
	Nordea Avanti	62 100	
	Nordea Bank Finland Plc	50 000	
	Nordea Pro Suomi	33 050	
	Nordea Fennia Plus	21 450	
Ilmarinen Mutual Pension Insurance Company			840 350
Varma-Sampo Mutual Pension Insurance Company			789 150
Sampo			582 610
	Insurance Company Sampo	141 147	
	Mandatum Global Tech	78 100	
	Sampo Suomi Osake	76 200	
	Sampo Industrial Insurance	73 053	
	Mandatum Suomi Kasvuosake	62 050	
	Mandatum Stockbrokers Ltd	36 298	
	Sampo Eurooppa Yhdistelmä	33 000	
	Mandatum Nordic IT Small Firm	30 700	
	Sampo Suomi Yhteisöosake	25 000	
	Sampo Globaali Yhdistelmä	20 000	
	Mandatum Neutral	4 162	
	Sampo sektorit (Finland)	2 900	
The Local Government Pensions Institute			533 500
Alfred Berg Funds			411 000
	Alfred Berg Small Cap	128 100	
	Alfred Berg Portfolio	106 400	
	Alfred Berg Finland	103 500	
	Alfred Berg Optimal	73 000	
Teleste Corporation			400 000
FIM Funds			335 000
	FIM Forte	209 050	
	FIM Fenno	71 100	
	FIM Tekno	51 500	
	FIM Nordic	3 350	
State's Pension Institute			280 000
Nominee registration			6 110 800
Others			4 905 210
Total			16 897 980
			100.0 %

Ownership structure on 31 December 2001

Shares	Number of shareholders	Number of shares	Percentage of shareholders	Percentage of shares
1-1.000	4 227	1 026 976	89.4 %	6.1 %
1.001-10.000	387	1 269 745	8.2 %	7.5 %
10.001-100.000	88	3 301 552	1.9 %	19.5 %
100.001-	24	11 299 707	0.5 %	66.9 %
Total	4 726	16 897 980	100.0 %	100.0 %

Shareholders on 31 December 2001

Corporations	7.3 %
Financial and insurance institutions	59.9 %
Public organizations	18.0 %
Non-profit organizations	4.9 %
Households	9.2 %
Foreign	0.8 %
Total	100.0 %

Management interest

	Number of shares	Percentage of shares and votes
CEO and Board members	66 700	0.4 %

Option programs

Number of shares entitled to subscribe with options

	Number of shares	Percentage of shares and votes
CEO and Board members	110 000	0.6 %
Other option holders	748 520	4.1 %
1997 program warrants hold by the group	21 000	0.1 %
2000 program warrants hold by the group	387 500	2.1 %
Total	1 267 020	7.0 %

The Annual General Meeting decided on November 14, 1997 to issue a bond loan with warrants for Teleste's key personnel. With warrants attached to the bonds totally 1,280,000 shares at 0.68 euros a piece can be subscribed by the holders. The subscription period for 50 % of the warrants begins on December 1, 1999, for 25 % on December 1, 2000 and for 25 % on December 1, 2001. The subscription period for all the warrants ends on January 31, 2004. The board has the right to decide on transferring the option rights.

The Annual General Meeting decided on April 12, 2000 to issue a bond loan with warrants for Teleste's personnel. On June 18, 2001 the Board decided to cancel the B warrants attached to the bonds. After that with warrants attached to the bonds totally 820,000 shares can be subscribed by the holders. The subscription period for 63 % of the warrants begins on October 1, 2002 and their subscription price is 25.59 euros a piece. The subscription period for 37 % of the warrants begins on October 1, 2003 and their subscription price is 10.45 euros a piece. The subscription period for all the warrants ends on October 31, 2005. The subscription price is lowered with paid dividends. The board has the right to decide on transferring the option rights.

Calculation of Key Figures

Return on equity:	$\frac{\text{Profit before extraordinary items - taxes}}{\text{Shareholders' equity - own shares (average)}} \times 100$	Earnings per share:	$\frac{\text{Profit before extraordinary items - taxes}}{\text{Number of shares - number of own shares}}$
Return on capital employed:	$\frac{\text{Profit before extraordinary items} + \text{financial expenses}}{\text{Total assets - non-interest bearing liabilities - own shares (average)}} \times 100$	Equity per share:	$\frac{\text{Shareholders' equity}}{\text{Number of shares - number of own shares}}$
Equity ratio:	$\frac{\text{Shareholders' equity - own shares}}{\text{Total assets - advances received}} \times 100$	Price per earnings:	$\frac{\text{Share price at the end of the year}}{\text{Earnings per share}}$
Gearing:	$\frac{\text{Interest bearing liabilities - cash in hand and in bank - interest bearing assets}}{\text{Shareholders' equity}} \times 100$	Effective dividend yield:	$\frac{\text{Dividend per share}}{\text{Share price at the end of the year}}$

Key Figures

	1997 Proforma	1997 Official	1998	1999	2000	2001
Net sales, Meur	58.7	22.4	66.1	68.1	99.4	102.6
Change %			12.5	3.1	46.0	3.2
Sales outside Finland, %	88	88	90	91	91	87
Operating profit, Meur	4.5	1.2	9.4	9.9	12.2	13.8
% of net sales	7.7	5.5	14.2	14.5	12.3	13.5
Profit after financial items, Meur	4.1	1.2	8.8	9.0	10.9	13.1
% of net sales	7.0	5.6	13.4	13.3	11.0	12.8
Profit before taxes, Meur	-1.1	-4.0	9.8	9.0	12.3	17.9
% of net sales	-1.9	-17.8	14.8	13.3	12.4	17.4
Profit for the financial period, Meur	-2.2	-4.4	7.0	6.4	8.6	13.5
% of net sales	-3.8	-19.7	10.6	9.4	8.7	13.1
R&D expenditure, Meur	4.1	1.6	4.2	6.6	9.0	9.2
% of net sales	7.0	7.1	6.3	9.6	9.0	9.0
Gross investments, Meur	32.2	31.4	10.6	2.0	3.1	3.7
% of net sales	54.8	140.2	16.0	2.9	3.1	3.6
Average personnel	560	560	563	584	616	594
Order backlog at year-end, Meur	5.1	5.1	9.3	19.9	26.4	17.8
Orders received, Meur	58.3	25.1	70.1	78.1	108.9	97.7
Return on equity, %	20.0		60.3	39.0	31.4	28.9
Return on capital employed, %	20.2		37.8	36.2	31.4	27.4
Equity ratio, %	16.9	16.9	34.2	45.4	42.7	44.5
Gearing, %	107.0	107.0	65.9	38.1	51.1	-20.5
Earnings per share, eur	0.18	0.05	0.37	0.39	0.44	0.53
Earnings per share w/o goodwill depreciation, eur	0.21	0.05	0.41	0.45	0.49	0.58
Earnings per share fully diluted, eur	0.17	0.05	0.35	0.37	0.46	0.51
Shareholders equity per share, eur	0.46	0.46	0.82	1.17	1.61	2.05
Highest price, eur				19.00	39.00	24.00
Lowest price, eur				7.00	12.90	7.80
Closing price, eur				16.20	23.50	12.49
Average price, eur				9.06	24.06	13.64
Price per earnings				40.5	53.8	23.7
Market capitalization, Meur				260.8	390.4	206.1
Turnover, number in millions				24.8	25.7	19.3
Turnover, % of share capital				154.2	154.5	114.1
Average number of shares				16 049 364	16 360 488	16 564 126
Number of shares at the year-end				16 096 500	16 612 100	16 897 980
Average number of shares, diluted				17 345 000	18 153 402	18 137 428
Number of shares at the year-end, diluted				17 345 000	18 470 000	18 165 000
Dividend per share, eur	0.00	0.00	0.08	0.10	0.12	0.16*
Dividend per net result, %	0.0	0.0	21.6	25.0	27.5	30.3
Effective dividend yield, %				0.6	0.5	1.3

* The Board's proposal to the AGM

1997 result includes a one-time write-off of goodwill, worth of 5.2 million euros.

No corrections are made into the balance sheets.

Investments include the purchase price of Teleste Oy's shares 30.3 million euros in 1997 and 8.5 million euros in 1998. Group's official financial period for 1997 was four months long.

Proposal for Distribution of Profits

Distributable funds according to consolidated balance sheet were 25.9 million euros. The parent company's distributable funds were 13,061,160.07 euros. The Board of Directors proposes that a dividend of 2,639,676.80 euros (0.16 euros per share) be paid and that the remaining 10,421,483.27 euros be retained and carried forward.

February 5, 2002

Pekka Vennamo

Tapio Hintikka

Tero Laaksonen

Risto Hautamäki

Timo Toivola
President and CEO

Auditor's Report

To the shareholders of Teleste Corporation

We have audited the accounting, the financial statements and the corporate governance of Teleste Corporation for the period 1.1.–31.12.2001. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the CEO. Based on our audit we express an opinion on these financial statements and on corporate governance.

We have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require that we

perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. The purpose of our audit of corporate governance is to examine that the members of the Board of Directors and the CEO have legally complied with the rules of the Companies' Act.

In our opinion the financial statements have been prepared in accordance with

the Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company's result of operations as well as of the financial position. The financial statements with the consolidated financial statements can be adopted and the members of the Board of Directors and the CEO of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the distributable assets is in compliance with the Companies' Act.

Turku, March 1, 2002

PricewaterhouseCoopers Oy
Authorised Public Accountants

Johan Kronberg
Authorised Public Accountant

Mika Kaarisalo
Authorised Public Accountant

Corporate Governance

The tasks and responsibilities of the Annual General Meeting, the Board of Directors and the CEO are stipulated by the Companies Act. No special tasks have been assigned in addition to the tasks required by the law. The tasks and responsibilities of the Board members conform to the relevant legislation and are not confirmed separately.

The Board of Directors and the Chairman of the Board are elected by the Annual General Meeting. According to the Articles

of Association the Board shall consist of a minimum of three and a maximum of eight members. The Board members and the Chairman of the Board are elected for a period of one year from the meeting. The CEO is appointed by the Board of Directors.

The Board of directors convened nine times during the year.

The remuneration of the members of the Board is decided by the Annual General Meeting. The salary, fees and other benefits received by the CEO are decided by the

Board of Directors.

The salaries, fees and benefits paid to the members of the Board and the CEO in 2001 totaled 348 000 euros.

The company has followed from March 1, 2000 the insider regulations approved by Helsinki Exchanges' Board of Directors on October 28, 1999. The regulations have been amended with internal instructions.

Shares and Shareholders

Teleste's shares are traded on the main list of Helsinki Exchanges. The company has one share series and it's traded under the code TEL1V.

During the year the highest share price was 24.00 euros and the lowest 7.80 euros. The average price of the year was 13.64 euros. The closing price at the end of the year was 12.49 euros. The market capitalization of the share capital was at that time 206 million euros. During the year 19.3 million shares were traded in Helsinki Exchanges and they present 114 % of the share capital.

With warrants of Teleste's 1997 bond loan with warrants 285,880 shares were subscribed during the year. Due to this the

share capital increased 114,352 euros.

Teleste's registered share capital on December 31, 2001 totaled 6,759,192 euros divided to 16,897,980 shares. The nominal value of the shares is 0.40 euros.

The Board of Directors and CEO own totally 0.4 % of the share capital and votes. With warrants they can increase their shareholding to 1.0 % of the shares. CEO is entitled to subscribe 110,000 shares with warrants of Teleste's 1997 and 2000 bond loans with warrants. He owns 60,000 Teleste shares.

Teleste had 4,751 shareholders at the year-end. The amount of foreign ownership was 36.9 % at the end of the year.

On January 8, 2001 Putnam announ-

ced that the shareholding of their funds had increased to 10.33 %.

On January 24, 2001 Robert Fleming Holding announced that the shareholding of their funds had decreased to 3.97 %.

On March 1, 2001 Putnam announced that the shareholding of their funds had decreased to 7.36 %.

On July 16, 2001 Osuuspankkikeskus announced that the shareholding of their funds had increased to 5.1 %.

Analyst Coverage

According to our information the analysts listed below follow Teleste. Analysts do so on their own initiative. The list might not be complete. Teleste takes no responsibility for the opinions expressed by analysts.

The analysts following Teleste on their own initiative:

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