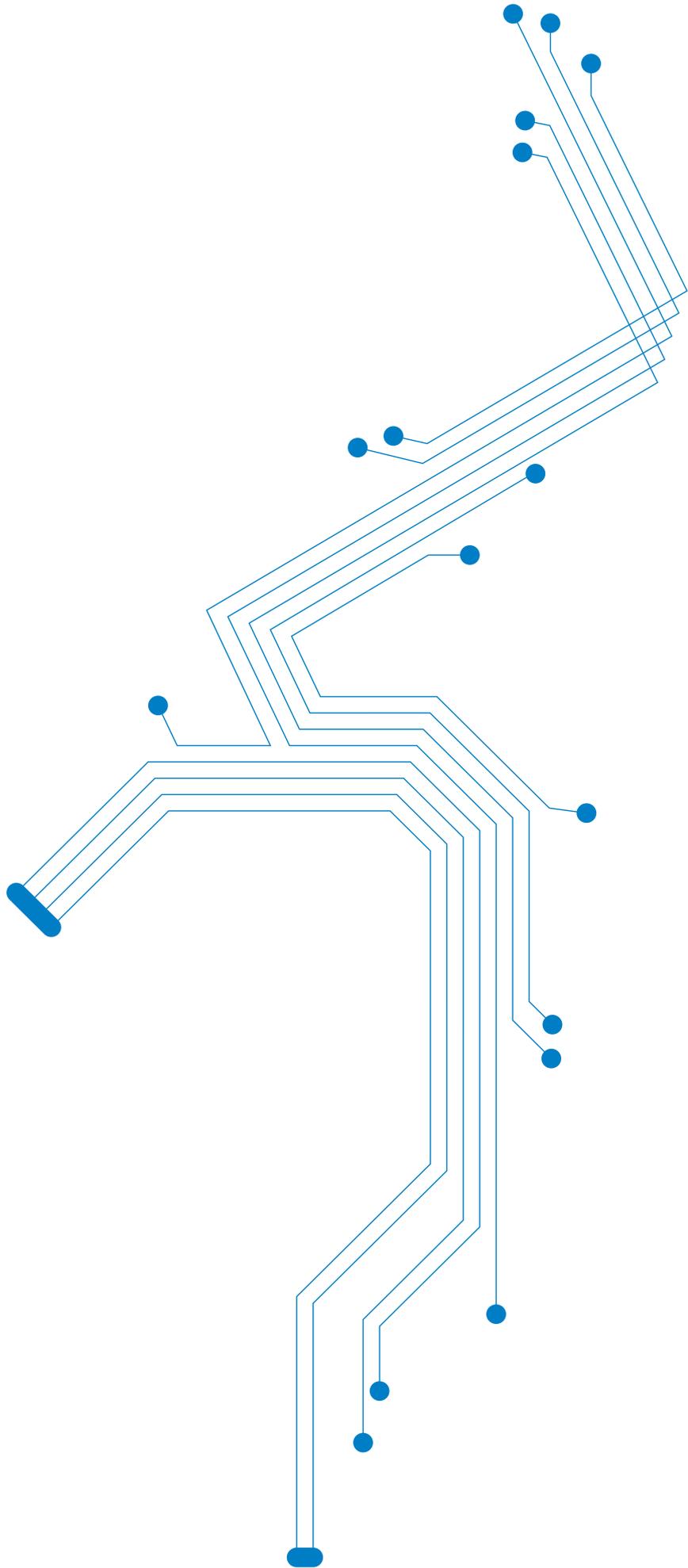


Half year financial report





TELESTE CORPORATION HALF YEAR FINANCIAL REPORT 1 JANUARY TO 30 JUNE 2016

NET SALES AND PROFIT GREW CLEARLY

April to June 2016

- Net sales amounted to EUR 67.5 (59.7) million, an increase of 13.0%
- Operating profit stood at EUR 3.9 (2.5) million, an increase of 54.4%
- Undiluted earnings per share stood at EUR 0.16 (0.10), an increase of 66.7%
- Orders received totalled EUR 67.2 (64.1) million, an increase of 4.8%
- Cash flow from operations stood at EUR 0.5 (-2.2) million.

January to June 2016

- Net sales amounted to EUR 128.1 (113.2) million, an increase of 13.2%
- Operating profit stood at EUR 6.5 (5.1) million, an increase of 26.8%
- Undiluted earnings per share stood at EUR 0.25 (0.22), an increase of 14.6%
- Orders received totalled EUR 126.5 (121.0) million, an increase of 4.5%
- Cash flow from operations stood at EUR 2.0 (-3.4) million.

Outlook for 2016

We estimate that net sales and operating profit for 2016 will exceed the 2015 level.

Comments on the second quarter of 2016 by CEO Jukka Rinnevaara:

"The demand for Teleste's products continued to grow during the second quarter. Also, net sales increased, and we managed to improve our result clearly.

The demand for products by Video and Broadband Solutions remained at a good level. As for video security and information systems, orders received increased, in particular, in France, the United States and Switzerland. Net sales grew significantly in access network products. The growing market areas were, in particular, the Netherlands, the United Kingdom, and Belgium. The growth of the operating profit was slowed down by price erosion and increased costs, which were brought about, among other things, by the ramp-up of new products. Investment outlook of the cable operators remained positive, but as the quarter progressed, a number of customers transferred deliveries of access network products entered in the order backlog over to 2017.

Network Services business area increased its net sales and profitability. In Germany, net sales increased slightly and profitability improved clearly from the previous year, although profitability was burdened by the starting up expenses related to new services of our main customer in southern Germany. Our Engineering Services business unit, launched in the UK in the previous year, achieved a positive operating result. As for other countries, the profitability of our services business remained at a good level."

Group Operations in April to June 2016

Key figures (M€)	4-6/2016	4-6/2015	Change, %
Orders received	67.2	64.1	+4.8%
Net sales	67.5	59.7	+13.0%
Operating profit	3.9	2.5	+54.4%
Operating profit, %	5.7%	4.2%	
Profit for the period	2.9	1.7	+67.5%
Earnings per share, EUR	0.16	0.10	+66.7%
Cash flow from operations	0.5	-2.2	

In the second quarter, orders received by the Group amounted to EUR 67.2 (64.1) million, up 4.8% over last year's comparative period. Order backlog decreased by 13.1% to EUR 40.6 (46.7) million. Net sales grew by 13.0% amounting to EUR 67.5 (59.7) million.

Compared to the same period in the previous year, operating profit increased by 54.4% standing at EUR 3.9 (2.5) million, which is 5.7% (4.2%) of the net sales. Operating profit increased for both Video and Broadband Solutions and Network Services. Personnel expenses totalled EUR 19.1 (18.4) million, an increase of 3.9%. Expenses related to material and manufacturing services increased by 13.9% to EUR 35.2 (30.9) million. Net financial expenses equalled EUR 0.2 (0.1) million. Profit for the financial period increased 67.5% equalling EUR 2.9 (1.7) million. Undiluted earnings per share stood at EUR 0.16 (0.10) per share, an increase of 66.7%.

Cash flow from operations stood at EUR 0.5 (-2.2) million. Cash flow was improved by the operational result and changes in working capital.

Group Operations in January to June 2016

Key figures (M€)	1-6/2016	1-6/2015	Change, %	1-12/2015
Orders received	126.5	121.0	+4.5%	251.3
Net sales	128.1	113.2	+13.2%	247.8
Operating profit	6.5	5.1	+26.8%	14.3
Operating profit, %	5.1%	4.5%		5.8%
Profit for the period	4.5	3.9	+15.7%	11.0
Earnings per share, EUR	0.25	0.22	+14.6%	0.61
Cash flow from operations	2.0	-3.4		4.9
Net gearing, %	32.7%	35.3%		26.3%
Equity ratio, %	48.8%	44.3%		48.3%
Personnel at period-end	1,538	1,517	+1.4%	1,506

Orders received by Teleste Group increased by 4.5% and stood at EUR 126.5 (121.0) million. Net sales increased 13.2% equalling EUR 128.1 (113.2) million.

Operating profit grew by 26.8% standing at EUR 6.5 (5.1) million. Personnel expenses totalled EUR 36.7 (35.3) million, an increase of 3.9%. Expenses related to material and manufacturing services increased by 18.4% to EUR 66.8 (56.4) million. Financial items totalled EUR -0.6 (0.2) million. In the comparative period, financial items were brought up to positive by foreign exchange gains. Taxes for the Group amounted to EUR 1.3 (1.4) million while the Group's implicit tax rate equalled 22.5% (26.0%). Undiluted result per share increased by 14.6% to EUR 0.25 (0.22).

Cash flow from operations stood at EUR 2.0 (-3.4) million. Cash flow from operations increased from the comparative period as a result of improved operating profit and changes in working capital.

Video and Broadband Solutions in April to June 2016

Key figures (1000 €)	4-6/2016	4-6/2015	Change, %
Orders received	42,470	40,926	+3.8%
Net sales	42,769	36,519	+17.1%
Operating profit	3,180	2,999	+6.0%
Operating profit, %	7.4%	8.2%	

Orders received totalled EUR 42.5 (40.9) million, an increase of 3.8% from the comparative period. Orders for the video security and information systems increased. Order backlog totalled EUR 40.6 (46.7) million. Net sales grew by 17.1% amounting to EUR 42.8 (36.5) million. Net sales grew in access network products. Operating profit increased by 6.0% to EUR 3.2 (3.0) million, representing 7.4% (8.2%) of the net sales. The growth of the operating profit was slowed down by price erosion and increased costs, which were brought about, among other things, by the ramp-up of new products.

R&D expenses for the business area amounted to EUR 3.0 (2.9) million making 7.0% (8.0%) of the net sales. Product development projects focused on network products complying with the DOCSIS 3.1 standard, distributed access architecture, video security and information solutions, as well as customer-specific projects. Capitalized R&D expenses amounted to EUR 0.3 (0.2) million. Depreciation on capitalised R&D expenses equalled EUR 0.3 (0.3) million.

Video and Broadband Solutions in January to June 2016

Key figures (1000 €)	1-6/2016	1-6/2015	Change, %	1-12/2015
Orders received	78,862	74,916	+5.3%	157,951
Net sales	80,462	67,052	+20.0%	154,396
Operating profit	5,628	5,002	+12.5%	12,781
Operating profit, %	7.0%	7.5%		8.3%

Orders received totalled EUR 78.9 (74.9) million, an increase of 5.3% from the comparative period. Orders for video security and information systems increased. Net sales grew by 20.0% amounting to EUR 80.5 (67.1) million. Net sales grew in the Network Products business. Operating profit increased 12.5% equalling EUR 5.6 (5.0) million. Operating profit increased in access network products as well as in video security and information systems.

Product development expenses equalled EUR 5.7 (5.8), in other words, 7.0% (8.7%) of the net sales. Product development projects focused on network products complying with the DOCSIS 3.1 standard, distributed access architecture, video security and information solutions, as well as customer-specific projects. Capitalized R&D expenses amounted to EUR 0.9 (0.6) million. Depreciation on activated R&D expenses amounted to EUR 0.5 (0.5) million.

Network Services in April to June 2016

Key figures (1000 €)	4-6/2016	4-6/2015	Change, %
Orders received	24,719	23,211	+6.5%
Net sales	24,719	23,211	+6.5%
Operating profit	691	-492	N/A
Operating profit, %	2.8%	-2.1%	

Net sales for the second quarter stood at EUR 24.7 (23.2) million, which is 6.5% higher than that of the comparative period. Net sales grew in the UK and Germany. Operating profit stood at EUR 0.7 (-0.5) million making 2.8% (-2.1%) of the net sales. Operating profit improved in Germany and the UK, where our new services business achieved a positive quarterly operating profit. The business developed favourably also in other markets.

Network Services in January to June 2016

Key figures (1000 €)	1-6/2016	1-6/2015	Change, %	1-12/2015
Orders received	47,642	46,122	+3.3%	93,362
Net sales	47,642	46,122	+3.3%	93,362
Operating profit	845	103	+723.5%	1,520
Operating profit, %	1.8%	0.2%		1.6%

The year-on-year net sales grew by 3.3% amounting to EUR 47.6 (46.1) million. Operating profit stood at EUR 0.8 (0.1) million, up by 724% from the comparative period. Operating profit improved particularly in the UK, where our investments aimed at the expansion of the business achieved a positive result. Profitability of our German services business has been burdened by our main client's starting up expenses of services in a new area in southern Germany.

Personnel and Organisation in January to June 2016

In the period under review, the Group had an annual average of 1,507 people (1,477/2015, 1,275/2014), of whom 737 (682) were employed by Video and Broadband Solutions, and 770 (795) by Network Services. At the end of the review period, the figure totalled 1,538 (1,517/2015, 1,303/2014)

of whom 65% (66%/2015, 69%/2014) were stationed overseas. About 3% of the Group's employees were working outside Europe.

Personnel costs amounted to EUR 36.7 million (35.3/2015, 29.3/2014). This increase in the personnel expenses was brought about by the increased number of employees in Video and Broadband Solutions as well as the general wage development.

Investments and Product Development in January to June 2016

In the period under review, investments by the Group totalled EUR 2.3 (13.5) million accounting for 1.8% (11.9%) of net sales. As for the year-on-year investments, EUR 11.5 million involved an acquisition. Product development investments amounted to EUR 0.9 (0.6) million while other investments equalled EUR 1.4 (0.8) million.

Product development projects focused on network products complying with the DOCSIS 3.1 standard, distributed access architecture, video security and information solutions, as well as customer-specific projects.

Financing and Capital Structure in January to June 2016

Cash flow from operations stood at EUR 2.0 (-3.4) million. Cash flow from operations increased from the comparative period as a result of improved operating profit and changes in working capital.

The parent company has at its disposal financial and credit facilities amounting to a total of EUR 45.0 million. These binding credit limits are valid until the end of March 2018. At the end of the period under review, the amount of unused binding credit facilities amounted to EUR 15.9 (8.1) million. On 30 June 2016, the Group's interest-bearing debt stood at EUR 35.2 (40.1) million.

The Group's equity ratio equalled 48.8% (44.3%) while net gearing was 32.7% (35.3%).

According to forecasts, in the second half, the Group will have a positive sterling-denominated net cash flow, which is hedged in line with the foreign exchange hedging policy. The weakening of the pound sterling is expected to have a negative impact on the Group, limited by the hedges.

Key Risks Faced by the Business Areas

Founded in 1954, Teleste is a technology and services company consisting of two business areas – Video and Broadband Solutions and Network Services. With Europe as the main market area, our clients include European cable operators and specified organisations in the public sector.

As to Video and Broadband Solutions, client-specific and integrated deliveries of solutions create favourable conditions for growth, even if the concerned resource allocation and technical implementation pose a challenge involving, therefore, also reasonable risks. In particular, deliveries of integrated security and information solutions for the passenger transport may be large in size, setting high demands for the project quotation calculation and management and, consequently, there are risks involved. Our customers' network investments vary based on the relevant need for upgrading and their financial structure.

A significant part of Teleste's competition comes from the USA so the exchange rate of euro up against the US dollar affects our competitiveness. The exchange rate development of the US dollar and the Chinese renminbi to the euro affects our product costs. The company hedges against short-term currency exposure by means of forward exchange contracts. The modest performance in terms of economic growth and the financial challenges faced by the European public sector may slow down the implementation of our customers' investment plans. Furthermore, a weakening in the consumer purchasing power in Europe could slow down the network investments by the cable operators. Competition increased by the new service providers (OTT) may undermine the cable operators' ability to invest. Consequences of natural phenomena or accidents such as fire, may reduce the availability of components in the order-delivery chain of electronics industry or suspend our own manufacturing operations. Correct technological choices and their timing are vital to our success. A variety of technologies are used in products and solutions, and the intellectual property rights associated with the application of these technologies can be interpreted in different ways by different parties. Such

divergences can lead to costly investigations or litigation. Regardless of careful planning and quality assurance, complex products may fail in the customer's network and lead to expensive repair obligations.

Net sales of Network Services comes, for the most part, from a small number of large European customers, so a significant change in the demand for our services by any one of them is reflected in the actual deliveries and profitability. Improvements in customer satisfaction and productivity require efficient control of service process management as well as innovative solutions in processes, products, and logistics to ensure the quality of services and cost effectiveness. Smooth operation of cable networks necessitates efficient technical management of the networks and functional solutions for devices in accordance with contractual obligations. This, in turn, demands continuous and determined development of skills and competencies in Teleste's own personnel as well as those of our subcontractors. In addition, adequacy and utilisation rates of our own personnel and subcontractor network capacity affect the Company's delivery capacity and profitability. Tender calculation and management of larger projects with overall responsibility are complex and risky. Severe weather conditions may affect the supply conditions of our products and services.

Teleste's strategy involves risks and uncertainties: new business opportunities may fail to be identified or they cannot be acted upon successfully. The business areas will have to keep an eye on market movements, such as consolidations among the customers and competitors. Intensifying competition may decrease the prices of products and solutions faster than we manage to reduce the manufacturing and delivery costs of our products. Various information systems are critical to the development, manufacturing and supply of products to our customers. Maintenance of information systems and deployment of new systems involve risks that may affect our ability to deliver products and services. Information systems may also be subject to external threats, from which we aim to protect ourselves. Acquisition of skilled personnel and maintenance of their competence require encouragement, development, and recruitment, which can fail.

The Board of Directors annually reviews any essential risks related to the company operation and the management thereof. Risk management constitutes an integral part of the strategic and operative practices of our business areas. Risks are reported to the Board on a regular basis.

The company has covered any major risks of loss related to the business areas through insurance policies. Insurance will also cover credit loss risks related to sales receivables. In the period under review, no such legal proceedings or judicial procedures were pending that would have had any essential significance for the Group operation.

Group Structure

Parent company Teleste has branch offices in Australia, the Netherlands, and Denmark with subsidiaries in 14 countries outside Finland.

Shares and Changes in Share Capital

On 30 June 2016, EM Group Oy was the largest single shareholder with a holding of 23.2%.

In the period under review, the lowest company share price was EUR 7.29 (5.32) while the highest was EUR 9.89 (7.79). Closing price on 30 June 2016 stood at EUR 8.50 (7.30). According to Euroclear Finland Ltd, the number of shareholders at the end of the period under review was 5,664 (5,028). Holdings of foreign and nominee-registered owners accounted for 7.0% (4.8%) of the shares. From 1 January to 30 June 2016, trading with Teleste share at NASDAQ OMX Helsinki amounted to EUR 14.7 (13.3) million. In the period under review, 1.7 (2.0) million Teleste shares were traded on the stock exchange.

At the end of June 2016, the Group held 863,953 of its own shares, of which the parent company Teleste Corporation had 321,953 shares and the Group companies had 542,000 shares, respectively. At the end of the period, the Group's holding of the total amount of shares amounted to 4.6% (4.6%).

On 30 June 2016, the registered share capital of Teleste stood at EUR 6,966,932.80 divided into 18,985,588 shares.

Valid authorisations at the end of the review period:

- Purchases of own shares: maximum 1,200,000 of the Company's own shares, valid until 6 October 2017.
- Issue of new shares: maximum 4,000,000 shares, valid until 31 March 2017.
- Disposal of own shares in possession: maximum 1,800,000 shares, valid until 31 March 2017.
- Based on the special rights granted by the Company, the number of shares to subscribe may not exceed 2,500,000 shares; these special rights are included in the maximum warrants concerning new shares and the Group's own shares mentioned above. This authorisation is valid until 31 March 2017.

Decisions by the Annual General Meeting

The Annual General Meeting (AGM) of Teleste Corporation on 7 April 2016 confirmed the financial statements for 2015 and discharged the Board of Directors and the CEO from liability for the financial period. The AGM confirmed the dividend of EUR 0.23 per share as proposed by the Board. The dividend was paid to non-treasury shares on 18 April 2016.

The AGM decided that the Board of Directors consists of six members. Mr. Pertti Ervi, Ms. Jannica Fagerholm, Mr. Esa Harju and Mr. Kai Telanne were re-elected as members of Teleste Corporation's Board of Directors. New Members of the Board were elected Messrs. Timo Luukkainen and Timo Miettinen. Mr. Timo Miettinen was elected Chair of the Board in the organising meeting held immediately after the AGM.

The Annual General Meeting decided that the number of auditors of Teleste Corporation shall be one. KPMG Oy Ab, Authorised Public Accountants, was elected as the auditor of the Company and KPMG Oy Ab has appointed Mr. Petri Kettunen, APA, as the principally responsible auditor.

The Annual General Meeting decided to authorise the Board of Directors to decide on repurchasing the Company's own shares. Based on this authorisation, the Board of Directors may repurchase a maximum of 1,200,000 own shares of the Company otherwise than in proportion to the holdings of the shareholders by using the non-restricted equity through the regulated market on Nasdaq Helsinki Ltd at the market price prevailing at the time of acquisition. The authorisation to repurchase own shares is valid for 18 months from the resolution of the Annual General Meeting.

Outlook for 2016

The business objective of Video and Broadband Solutions is to maintain its strong market position in Europe and to strengthen this market position in selected new markets outside Europe. Network capacity will continue to grow driven by the new broadband and video services provided by the operators, even if some cable operators have shifted their network investments scheduled for 2016 over to the next year. Our new products in line with the DOCSIS 3.1 communication standard allow the cable operators to increase their network capacity competitively. Price erosion in the market continues. Changes in the value of the euro, particularly against the US dollar and the Chinese renminbi, affect Teleste's competitiveness, on the one hand, and product manufacturing costs, on the other. The positive trend in the markets for video security and passenger information solutions will continue whereas the public sector decisions concerning the initiation of projects may be delayed by the current economic situation. The security solution for public areas introduced in Paris provides new opportunities for other major cities of the world. Train manufacturers and public transport operators benefit from Teleste's video security and passenger information solutions.

As to Network Services, our business objective is to further develop the operational efficiency and increase the share of those services that provide our customers with higher value. In the UK, our aim is to improve the profitability of the provided services. We estimate the demand for all-inclusive network services in our key target markets to continue at least at the previous year level.

We estimate that net sales and operating profit for 2016 will exceed the 2015 level.

10 August 2016

Teleste Corporation
Board of Directors

Jukka Rinnevaara
President and CEO

This half year financial 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. Teleste has prepared this report applying the same accounting principles as those described in detail in its the consolidated financial statements. The data stated in this report is unaudited. The changes in IAS1, IFRS13 and IAS19 have been applied in this report and they do not have any material impact on the financial reporting.

STATEMENT OF COMPREHENSIVE INCOME (tEUR)	4-6/2016	4-6/2015	Change %	1-12/2015
Net Sales	67,488	59,730	13.0 %	247,758
Other operating income	405	1,269	-68.1 %	2,854
Materials and services	-35,188	-30,904	13.9 %	-128,300
Personnel expenses	-19,087	-18,371	3.9 %	-70,532
Other operating expenses	-8,537	-8,021	6.4 %	-32,604
Depreciation	-1,210	-1,196	1.1 %	-4,874
Operating profit	3,871	2,507	54.4 %	14,302
Financial income and expenses	-208	-114	82.2 %	-363
Profit after financial items	3,663	2,393	53.1 %	13,939
Profit before taxes	3,663	2,393	53.1 %	13,939
Taxes	-790	-678	16.6 %	-2,928
Net profit	2,873	1,715	67.5 %	11,011
Attributable to:				
Equity holders of the parent	2,873	1,715	67.5 %	11,011
Earnings per share for result of the year attributable to the equity holders of the parent (expressed in € per share)				
Basic	0.16	0.10	66.7 %	0.61
Diluted	0.16	0.10	66.7 %	0.61
Total comprehensive income for the period (tEUR)				
Net profit	2,873	1,715	67.5 %	11,011
Possible items with future net profit effect				
Translation differences	-594	-69	761.5 %	240
Fair value reserve	-54	8	n/a	31
Total comprehensive income for the period	2,224	1,654	34.5 %	11,282
Attributable to:				
Equity holders of the parent	2,224	1,654	34.5 %	11,282
STATEMENT OF COMPREHENSIVE INCOME (tEUR)	1-6/2016	1-6/2015	Change %	1-12/2015
Net Sales	128,104	113,173	13.2 %	247,758
Other operating income	722	1,716	-57.9 %	2,854
Materials and services	-66,825	-56,441	18.4 %	-128,300
Personnel expenses	-36,726	-35,347	3.9 %	-70,532
Other operating expenses	-16,394	-15,590	5.2 %	-32,604
Depreciation	-2,407	-2,405	0.1 %	-4,874
Operating profit	6,473	5,105	26.8 %	14,302

Financial income and expenses	-617	192	n/a	-363
Profit after financial items	5,857	5,297	10.6 %	13,939
Profit before taxes	5,857	5,297	10.6 %	13,939
Taxes	-1,320	-1,376	-4.0 %	-2,928
Net profit	4,537	3,921	15.7 %	11,011
Attributable to:				
Equity holders of the parent	4,537	3,921	15.7 %	11,011
Earnings per share for result of the year attributable to the equity holders of the parent (expressed in € per share)				
Basic	0.25	0.22	14.6 %	0.61
Diluted	0.25	0.22	14.6 %	0.61
Total comprehensive income for the period (tEUR)				
Net profit	4,537	3,921	15.7 %	11,011
Possible items with future net profit effect				
Translation differences	-598	329	n/a	240
Fair value reserve	-203	12	n/a	31
Total comprehensive income for the period	3,735	4,262	-12.4 %	11,282
Attributable to:				
Equity holders of the parent	3,735	4,262	-12.4 %	11,282
STATEMENT OF FINANCIAL POSITION (tEUR)				
	30/06/2016	30/06/2015	Change %	31/12/2015
Non-current assets				
Intangible assets	6,562	6,601	-0.6 %	6,653
Goodwill	37,448	38,572	-2.9 %	37,849
Tangible assets	11,385	10,332	10.2 %	11,648
Deferred tax asset	1,571	1,681	-6.5 %	1,843
Available-for-sale investments	694	694	0.0 %	704
	57,659	57,879	-0.4 %	58,698
Current assets				
Inventories	31,224	30,639	1.9 %	32,661
Trade and other receivables	62,042	58,552	6.0 %	60,422
Cash and cash equivalents	9,867	15,236	-35.2 %	12,677
	103,132	104,427	-1.2 %	105,760
Total assets	160,791	162,306	-0.9 %	164,458
Shareholder's equity and liabilities				
Share capital	6,967	6,967	0.0 %	6,967
Other equity	70,223	63,467	10.6 %	70,578
	77,191	70,434	9.6 %	77,545
Non-current liabilities				
Deferred tax liability	1,676	1,794	-6.6 %	1,662
Non-current liabilities, interest-bearing	32,625	39,399	-17.2 %	30,723

Non-current interest-free liabilities	203	3,519	-94.2 %	2,730
Non-current provisions	1,034	1,294	-20.0 %	1,026
	35,539	46,006	-22.8 %	36,141
Current liabilities				
Current interest-bearing liabilities	2,558	750	241.1 %	2,315
Trade payables and other liabilities	43,962	43,452	1.2 %	46,505
Tax liability, income tax	998	993	0.5 %	1,062
Current provisions	544	671	-19.0 %	889
	48,062	45,866	4.8 %	50,771
Total shareholder's equity and liabilities	160,791	162,306	-0.9 %	164,458

CONSOLIDATED CASH FLOW STATEMENT (tEUR)

	1-6/2016	1-6/2015	Change %	1-12/2015
Cash flows from operating activities				
Profit for the period	4,537	3,921	15.7 %	11,011
Adjustments	4,344	3,589	21.0 %	7,056
Interest and other financial expenses and incomes	-617	192	n/a	-363
Paid Taxes	-1,385	-1,176	17.7 %	-2,400
Change in working capital	-4,858	-9,894	-50.9 %	-10,384
Cash flow from operating activities	2,021	-3,369	n/a	4,920
Cash flow from investing activities				
A conditional supplementary contract price for prior subsidiary acquisitions	-485	0	n/a	-1,147
Purchases of property, plant and equipment (PPE)	-542	-689	-21.3 %	-1,258
Proceeds from sales of PPE	7	0	n/a	17
Purchases of intangible assets	-907	-569	59.4 %	-1,644
Acquisition of subsidiary, net of cash acquired	0	-6,826	n/a	-6,826
Net cash used in investing activities	-1,927	-8,084	-76.2 %	-10,858
Cash flow from financing activities				
Proceeds from borrowings	4,000	27,300	-85.3 %	44,300
Payments of borrowings	-2,138	-13,536	-84.2 %	-38,521
Dividends paid	-4,168	-3,694	12.8 %	-3,694
Purchases of own shares	0	-1,382	n/a	-1,382
Net cash used in financing activities	-2,306	8,688	n/a	703
Change in cash				
Cash in the beginning	12,677	17,672	-28.3 %	17,672
Change in cash during period	-2,212	-2,765	-20.0 %	-5,235
Effect of currency changes	-598	329	n/a	240
Cash at the end	9,867	15,236	-35.2 %	12,677

KEY FIGURES

	1-6/2016	1-6/2015	Change %	1-12/2015
Earnings per share, EUR	0.25	0.22	14.6 %	0.61
Earnings per share fully diluted, EUR	0.25	0.22	14.6 %	0.61
Shareholders' equity per share, EUR	4.26	3.89	9.5 %	4.28
Return on equity	11.7 %	11.1 %	5.5 %	14.9 %
Return on capital employed	11.8 %	11.0 %	6.6 %	14.2 %
Equity ratio	48.8 %	44.3 %	10.1 %	48.3 %
Gearing	32.7 %	35.3 %	-7.4 %	26.3 %

Investments, tEUR	2,304	13,468	-82.9 %	16,948
Investments % of net sales	1.8 %	11.9 %		6.8 %
Order backlog, tEUR	40,616	46,749	-13.1 %	42,150
Personnel, average	1,507	1,477	2.0 %	1,485
Number of shares (thousands) including own shares	18,986	18,986	0.0 %	18,986
Highest share price, EUR	9.89	7.79	27.0 %	9.88
Lowest share price, EUR	7.29	5.32	37.0 %	5.32
Average share price, EUR	8.44	6.75	25.0 %	7.42
Turnover, in million shares	1.7	2.0	-11.9 %	3.3
Turnover, in MEUR	14.7	13.3	10.1 %	24.6

Treasury shares

	Number of shares		% of shares	% of votes
Possession of company's own shares 30.6.2016	863,953		4.55%	4.55%

Contingent liabilities and pledged assets (tEUR)

Leasing and rent liabilities	9,439	5,587	68.9 %	7,858
Derivative instruments (tEUR)				
Value of underlying forward contracts	24,549	28,032	-12.4 %	24,599
Market value of forward contracts	631	-288	n/a	-27
Interest rate swap	10,000	11,000	-9.1 %	10,000
Market value of interest swap	-203	-19	968.4 %	0

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

OPERATING SEGMENTS (tEUR)	1-6/2016	1-6/2015	Change %	1-12/2015
Video and Broadband Solutions				
Orders received	78,862	74,916	5.3 %	157,951
Net sales	80,462	67,052	20.0 %	154,396
EBIT	5,628	5,002	12.5 %	12,781
EBIT%	7.0 %	7.5 %		8.3 %
Network Services				
Orders received	47,642	46,122	3.3 %	93,362
Net sales	47,642	46,122	3.3 %	93,362
EBIT	845	103	723.5 %	1,520
EBIT%	1.8 %	0.2 %		1.6 %
Total				
Orders received	126,504	121,038	4.5 %	251,313
Net sales	128,104	113,173	13.2 %	247,758
EBIT	6,473	5,105	26.8 %	14,302

EBIT%		5.1 %		4.5 %		5.8 %
Financial items		-617		192	n/a	-363
Operating segments net profit before taxes		5,857		5,297	10.6 %	13,939

Information per quarter (tEUR)	4-6/16	1-3/16	10-12/15	7-9/15	4-6/15	7/2015- 6/2016
Video and Broadband Solutions						
Orders received	42,470	36,392	43,419	39,616	40,926	161,897
Net sales	42,769	37,693	43,584	43,760	36,519	167,806
EBIT	3,180	2,449	2,666	5,113	2,999	13,407
EBIT %	7.4 %	6.5 %	6.1 %	11.7 %	8.2 %	8.0 %
Network Services						
Orders received	24,719	22,923	24,809	22,432	23,211	94,883
Net sales	24,719	22,923	24,809	22,432	23,211	94,883
EBIT	691	154	607	811	-492	2,263
EBIT %	2.8 %	0.7 %	2.4 %	3.6 %	-2.1 %	2.4 %
Total						
Orders received	67,189	59,315	68,228	62,048	64,137	256,780
Net sales	67,488	60,616	68,393	66,192	59,730	262,689
EBIT	3,871	2,603	3,273	5,924	2,507	15,670
EBIT %	5.7 %	4.3 %	4.8 %	8.9 %	4.2 %	6.0 %

Attributable to equity holders of the parent (tEUR)

	A	B	C	D	E	F	G	H	I
A	Share capital								
B	Share premium								
C	Translation differences								
D	Retained earnings								
E	Invested free capital								
F	Other funds								
G	Total								
H	Share of non-controlling interest								
I	Total equity								
(tEUR)	A	B	C	D	E	F	G	H	I
Shareholder's equity 1.1.2016	6,967	1,504	-99	66,034	3,140	0	77,545	0	77,545
Total comprehensive income for the period			-598	4,537	0	-203	3,735	0	3,735
Paid dividend				-4,168	0	0	-4,168	0	-4,168
Equity-settled share-based payments				77	0	0	77	0	77
Shareholder's equity 30.6.2016	6,967	1,504	-697	66,480	3,140	-203	77,191	0	77,191
Shareholder's equity 1.1.2015	6,967	1,504	-339	58,139	3,954	-31	70,194	487	70,681
Total comprehensive income for the period			329	3,921		12	4,262	0	4,262
Used options					-814		-814	0	-814

Paid dividend				-3,802			-3,802	108	-3,694
Interest, non controll party				10			10	-10	0
Equity-settled share-based payments				585			585	-585	0
Shareholder's equity 30.6.2015	6,967	1,504	-10	58,853	3,140	-19	70,434	0	70,434

CALCULATION OF KEY FIGURES

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

Major shareholders at 30/6/2016	Number of shares	% of share capital
EM Group Oy	4,409,712	23.23
Mandatum Life Insurance Company Limited	1,679,200	8.84
Ilmarinen Mutual Pension Insurance Company	1,084,475	5.71
Kaleva Mutual Insurance Company	824,641	4.34
Teleste Management II Oy	542,000	2.85
Varma Mutual Pension Insurance Company	521,150	2.74
The State Pension Fund	500,000	2.63
Teleste Oyj	321,953	1.70
Julius Tallberg Corp.	255,350	1.34
Nieminen Jorma Juhani	250,000	1.32

Shareholders by sector at 30/6/2016	Number of shareholders	% of Owners	Number of shares	Number of shares %
Households	5,315	93.84	4,850,548	25.5
Public sector institutions	3	0.05	2,105,625	11.1
Financial and insurance institutions	18	0.32	3,291,891	17.3
Corporations	253	4.47	7,258,403	38.2
Non-profit institutions	30	0.53	153,416	0.8
Foreign and nominee registered owners	45	0.79	1,325,705	7.0
Total	5,664	100	18,985,588	100

Number of shares at 30/6/2016	Number of shareholders	% of shareholders	Number of shares
1 - 100	1,404	24.8	88,887
101 - 5,00	2,487	43.9	673,380
501 - 1,000	793	14.0	641,379
1,001 - 5,000	796	14.1	1,731,739
5,001 - 10,000	83	1.5	576,479
10,001 - 50,000	68	1.2	1,400,676
50,001 - 100,000	11	0.2	798,745
100,001 - 500,000	15	0.3	3,349,612
500,001 -	7	0.1	9,724,691
Total	5,664	100	18,985,588
of which nominee registered	8	0.1	1,139,198



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