

TURNOVER AND PROFITABILITY

Teleste's growth that began during the previous year's last tertial continued also during this year's first tertial. Orders received increased 65.5 percent to 33.4 million euros. Net sales came to 27.2 million euros, which was 43.4 percent higher than last year. Operating profit increased 41.8 percent to 1.9 million euros from last year's 1.4 million euros. The net result increased 101.4 percent to 1.2 million euros.

In order to secure the growth in the coming years, continued investments in the R&D, as well as in sales and marketing of Teleste's core division, Access Systems. The workload peaks in R&D and in production, which emerged due to the growth, were evened out with subcontracting. Component availability was secured by increasing the stock levels. The Home Networks division's loss burdened the group's figures during the first tertial. The main reason for the change in group items was the change in reserves during the first tertial last year.

TELESTE ACCESS SYSTEMS

Net sales by the group's core division were 20.7 million euros, an increase of 50.3 percent or 6.9 million euros compared to last year's first tertial. Operating profit was 2.7 million euros, an increase of 53.5 percent. Teleste Access System's order intake increased 97.4 percent to 28.3 million euros from last year's 14.3 million euros.

Access Systems, the division specializing in technology for fast broadband networks, continued its profitable growth, which began last year. Order intake remained strong in all the main market areas. Important orders were received from Telia of Sweden, Lyonnaise Cable of France, Deutsche Telekom of Germany and CasTel of the Netherlands, among others. An order for the new products for the fiber optic backbone network was received from Telia Stofa of Denmark. UGC, the parent company of Europe's largest cable operator, UPC, chose Teleste for its list of approved suppliers. Teleste was the first company in the world to take an environmentally friendly lead-free soldering method into use in production.

TELESTE EDUCATIONAL

Net sales were 3.7 million euros, an increase of 59.4 percent or 1.4 million euros during the first tertial. Operating profit was 0.7 million euros, which was a clear improvement on the previous year. Teleste Educational's order intake decreased 11.0 percent to 2.3 million euros from last year's 2.6 million euros.

During the first tertial, the Educational division, which concentrates on new software-based multimedia environments

for language learning, enjoyed good sales and profitability development, which was helped by the orders received last December from Italy and China. The division has continued investments to commercialize the new software-based technology. During the period under review, a frame agreement was made with California State University (CSU). According to the agreement, Teleste and CSU will jointly develop a software-based language learning environment for CSU's 350,000 students. The agreement creates good possibilities to increase software-based deliveries during the coming years. Mr. Visa Vanamo, M.Sc, MBA, was named to head the division on April 12.

TELESTE HOME NETWORKS

Net sales were 2.8 million euros, a decrease of 7.5 percent or 0.2 million euros. The operating loss was 0.9 million euros and worse than the previous year's. Teleste Home Networks' order intake decreased 18.1 percent to 2.9 million euros from last year's 3.5 million euros.

The Teleste Home Networks division's poor result during the first tertial has burdened the whole group's profitability. The actions taken last year to improve sales and profitability are estimated to have an effect only during the last tertial of the year. The full-year result is estimated to remain negative. Negotiations to divest the division are ongoing and the target is to finalize them before year-end. The sale is estimated to have only a minor effect on profit.

GROUP'S RESULT MORE THAN DOUBLED

ORDERS RECEIVED INCREASED 65 PERCENT

NET SALES INCREASED 43 PERCENT

ORDER BACKLOG OVER TWO AND HALF TIMES HIGHER THAN PREVIOUS YEAR

THE CORE DIVISION, ACCESS SYSTEMS, DOUBLED ORDERS RECEIVED

PERSONNEL

The group employed 625 people at the end of April (1999: 572), 430 (1999: 370) of them in Finland. In order to secure future growth, Teleste Access Systems continued to invest in R&D and sales and marketing. Its personnel strength increased by 75 from the year before. The personnel of the UK-based Home Networks division was cut by 20 people from the year before.

R&D AND INVESTMENTS

R&D costs during the period came to 2.4 million euros or 8.9 percent of the turnover (2.2 million euros last year). The majority of the costs are related to Teleste Access Systems, where the R&D personnel costs rose 33 percent. R&D concentrated on digital fiber backbone solutions and further development of products for the German market. R&D costs are booked as annual expenses.

The group's investments came to 0.7 million euros (0.7 million euros last year). The investments during the tertial were mainly for information technology and boosting production capacity.

FINANCE

During the period the group's liquidity remained good. The group's interest-bearing debt increased to 17.7 million euros due to seasonal variations and increased working capital required by the growth. Liquid funds were 5.2 million euros. The key figures improved from last year. The group's gearing was 66.2 percent (1999: 91.1 percent) and the equity ratio was 36.2 percent (1999: 33.5 percent), as calculated from the balance sheet at the end of April.

SHARES AND SHAREHOLDERS

The share price varied between 12.90 and 33.00 euros during the tertial. The closing price at the end of April was 28.95 euros. According to the Finnish Central Security Depository, the number of shareholders at the end of the period was 3,449. Foreign ownership accounted for 58.2 percent. The value of shares traded at Helsinki Exchanges was 311 million euros and the number of shares was 15.3 million.

Sponsor Fund I Ky sold its last stake of Teleste's shares to domestic and foreign investors on February 17, 2000. The lot amounted to 34 percent of Teleste's share capital. The new group being formed from the merger of Sampo Insurance plc and Leonia plc increased its shareholding on February 17, 2000 to 6.1 percent and decreased it on March 28, 2000 to 4.9 percent.

With the warrants of Teleste's 1997 bond loan with warrants, 2,400 shares were subscribed during the period; subsequently, Teleste's registered share capital was 6,439,560 euros divided among 16,098,900 shares.

DECISIONS OF THE ANNUAL GENERAL MEETING

The Annual General Meeting on April 12, 2000 confirmed the financial statements for 1999 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 0.10 per share.

The Annual General Meeting elected Mr. Pekka Vennamo as the Chairman of the Board and Mr. Matti Suutarinen, Mr. Heikki Keränen, Mr. Tero Laaksonen and Mr. Asko Schrey as members of the Board.

The Annual General Meeting decided to authorize the Board to decide on the acquisition and on the conveyance of the company's own shares as well as to authorize the Board to decide on the increase of the share capital by a new issue. The Board has not used the authorizations.

The Annual General Meeting decided to issue a bond loan with warrants to the personnel of Teleste. As a result of the bond loan with warrants, the share capital may increase by a maximum of 1,125,000 shares, i.e. 450,000 euros.

EVENTS AFTER THE END OF THE PERIOD

With the warrants of Teleste's 1997 bond loan with warrants, 340,500 shares were subscribed on May 5, 2000; subsequently, Teleste's registered share capital was 6,575,760 euros divided among 16,439,400 shares.

On May 25 Teleste received a 4.4 million euro order from ComHem, a subsidiary of Swedish Telia, for the first phase modernization of their digital broadband fiber backbone network.

OUTLOOK FOR THE REST OF THE YEAR

The Teleste Access Systems and Educational divisions will grow profitably this year and, despite the Home Networks division's poor performance, the group's net sales are estimated to continue along a path of good growth during the rest of the year. In spite of the increased investments to secure growth in the coming years and Home Networks' projected loss, the group's result will improve from the previous year and profitability will be good. As in previous years, also this year the accumulation of sales and the result will be weighted on the last tertial of the year. The divestiture of the Home Networks division is targeted to be finalized during this year.

Teleste's interim report for the January - August period will be published on October 10, 2000.

June 13, 2000

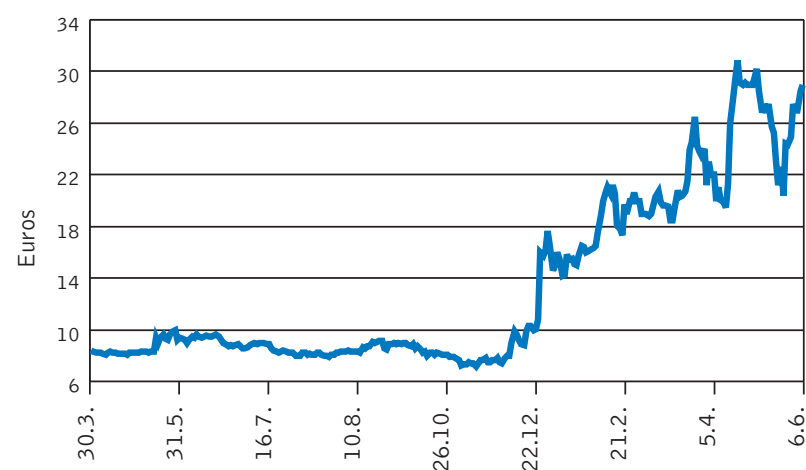
Teleste Corporation
Board of Directors

Timo Toivila
CEO

LARGEST SHAREHOLDERS

PER 30.4.2000	Number of shares	Percentage of shares
Ilmarinen Mutual Pension Insurance Company	676 250	4.2 %
Evli Funds	570 038	3.5 %
Varma-Sampo Mutual Pension Insurance Company	537 750	3.3 %
Sampo-Leonia	515 700	3.2 %
FIM Funds	453 500	2.8 %
Alfred Berg Funds	379 350	2.4 %
Gyllenberg Funds	350 550	2.2 %
The Local Government Pensions Institute	300 000	1.9 %
Pohjola	160 000	1.0 %
MeritaNordbanken	153 100	1.0 %
Eläke-Fennia keskinäinen vakuutusyhtiö	150 000	0.9 %
Nominee registration	9 359 364	58.1 %
Others	2 493 298	15.5 %
TOTAL	16 098 900	100.0 %

SHARE PRICE 30.4.1999 - 6.6.2000



**CONSOLIDATED
STATEMENT OF INCOME** (tEUR)

	1-4/2000	1-4/1999	Change %	1-12/1999
TURNOVER	27 157	18 939	43.4 %	68 131
Other operating income	1 773	-14		484
Change in inventories of finished goods	105	422	-75.1 %	2 040
Materials and services	-13 102	-6 953	88.4 %	-25 422
Personnel expenses	-7 342	-6 036	21.6 %	-19 799
Other operating expenses	-5 582	-3 824	46.0 %	-12 225
Depreciation	-1 082	-1 175	-7.9 %	-3 312
OPERATING PROFIT	1 927	1 359	41.8 %	9 897
Financial income and expenses	-268	-399	-32.8 %	-860
PROFIT AFTER FINANCIAL ITEMS	1 659	960	72.8 %	9 037
Extraordinary items	0	0		0
PROFIT BEFORE TAXES	1 659	960	72.8 %	9 037
Taxes	-483	-375	28.8 %	-2 604
NET PROFIT	1 176	584	101.4 %	6 433

**CONSOLIDATED
BALANCE SHEET** (tEUR)

	30.4.2000	30.4.1999	Change %	31.12.1999
Fixed assets				
Intangible assets	7 313	8 409	-13.0 %	7 577
Tangible assets	8 055	8 830	-8.8 %	7 952
Investments	45	45	0.0 %	45
Current assets				
Inventories	12 271	7 340	67.2 %	8 521
Other current assets	20 204	13 059	54.7 %	16 143
Liquid funds	5 193	2 829	83.6 %	3 235
TOTAL ASSETS	53 081	40 512	31.0 %	43 472
Equity	19 001	13 537	40.4 %	19 461
Obligatory reserves	1 455	2 775	-47.6 %	1 428
Non-current liabilities	13 981	8 827	58.4 %	7 069
Current liabilities	18 644	15 374	21.3 %	15 514
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	53 081	40 512	31.0 %	43 472

TURNOVER

BY DIVISION (tEUR)	1-4/2000	1-4/1999	Change %	1-12/1999
Access Systems	20 699	13 773	50.3 %	49 752
Educational	3 734	2 343	59.4 %	8 957
Home Networks	2 797	3 022	-7.5 %	11 006
Others and group items	-73	-199	63.3 %	-1 584
TOTAL	27 157	18 939	43.4 %	68 131

OPERATING PROFIT

BY DIVISION (tEUR)	1-4/2000	1-4/1999	Change %	1-12/1999
Access Systems	2 664	1 735	53.5 %	8 143
Educational	722	-227	418.1 %	521
Home Networks	-921	-441	-109.0 %	-543
Others and group items	-538	292	-284.2 %	1 776
TOTAL	1 927	1 359	41.8 %	9 897

ORDERS RECEIVED

BY DIVISION (tEUR)	1-4/2000	1-4/1999	Change %	1-12/1999
Access Systems	28 318	14 345	97.4 %	53 672
Educational	2 333	2 622	-11.0 %	13 067
Home Networks	2 859	3 490	-18.1 %	11 977
Others and group items	-135	-287	-53.0 %	-597
TOTAL	33 374	20 170	65.5 %	78 120

KEY FIGURES

	1-4/2000	1-4/1999	Change %	1-12/1999
Earnings per share	0.07	0.04		0.40
Earnings per share without goodwill depreciation	0.09	0.06		0.47
Shareholders' equity per share	1.18	0.84		1.21
Return on equity	18.3 %	13.0 %		39.0 %
Return on capital employed	17.8 %	17.4 %		36.2 %
Equity ratio	36.2 %	33.5 %		45.4 %
Gearing	66.2 %	91.1 %		38.1 %
Investments	713	740	-3.6 %	1 963
Order backlog	25 252	10 528	139.9 %	19 872
Personnel, average	614	574	7.0 %	584
Number of shares (thousands)	16 099	16 099		16 099
Highest share price, EUR	33.00	8.75		19.00
Lowest share price, EUR	12.90	8.05		7.00
Average share price, EUR	20.36	8.25		9.06
Turnover, in thousands	15 298	5 336		24 818
Turnover, in MEUR	311	46		225

CONTINGENT LIABILITIES (tEUR) AND PLEDGED ASSETS

	1-4/2000	1-4/1999	1-12/1999
For own debt			
Mortgages	2 985	2 985	2 985
Guarantees	415	751	332
Leasing liabilities	1 629	1 558	1 784
TOTAL	5 029	5 295	5 101

DERIVATIVE INSTRUMENTS (Te)

	1-4/2000	1-4/1999	1-12/1999
Value of underlying forward contracts	16 099	9 844	16 548
Market value of forward contracts	886	496	401

BUSINESS DEVELOPMENT

BY TERTIAL	1-4/2000	1-4/1999	5-8/1999	9-12/1999	1-12/1999	5/1999-4/2000
Turnover	27 157	18 939	20 564	28 628	68 131	76 349
Operating profit	1 927	1 359	2 723	5 815	9 897	10 465
Operating profit without goodwill depreciation	2 196	1 797	3 502	5 661	10 960	11 359
Financial items	-268	-399	-250	-211	-860	-729
Profit before taxes	1 659	960	3 122	4 955	9 037	9 736
Orders received	33 374	20 170	25 271	32 679	78 120	91 324
Order backlog	25 252	10 528	14 992	19 872	19 872	25 252

Taxes are computed on the basis of the tax on the profit for the period. The figures are not audited.

