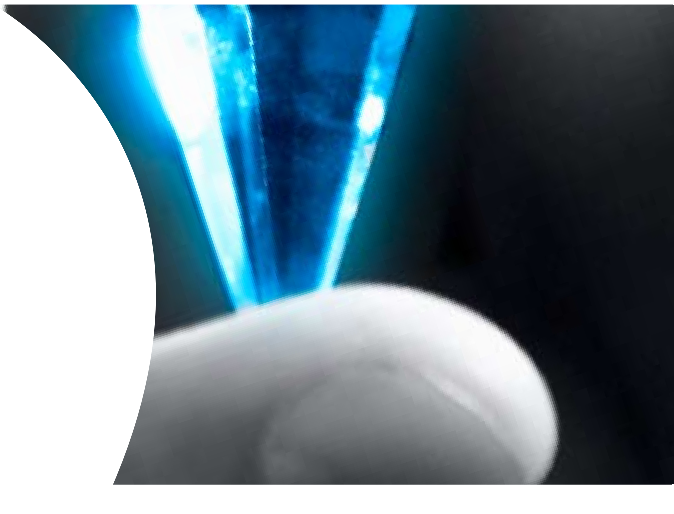


ANNUAL REPORT 2007

Index


By 2015, all technology applied to
deliver a great mobile experience
has been touched by Teleca

Year in Brief

DURING 2007 TELECA HAS REFOCUSED ITS BUSINESS TO BE SOLELY FOCUSED ON ENGINEERING SERVICES TARGETING THE MOBILE DEVICE INDUSTRY GLOBALLY. TELECA IS INVOLVED WITH KEY SOFTWARE R&D PROGRAMS WITH ALL THE LEADING MOBILE PHONE VENDORS. THE COMPANY'S TURNAROUND PROGRAM IS PROGRESSING ACCORDING TO MANAGEMENT PREDICTIONS. AFTER A PROFITABLE SECOND HALF OF 2007, THE COMPANY IS NOW FOCUSING ON GROWTH INITIATIVES AND MARGIN IMPROVEMENTS.

HIGHLIGHTS

Financial

- Revenues of SEK 1,311 million (1,490). The consulting business reported revenues of SEK 1,133 million (1,263) and product revenues amounted to SEK 178 million (227).

- Operating earnings (EBIT) of SEK –533 million (–277). Of the losses SEK –502 million derives from one time charges taken in the first half 2007 related to the close down of Products consisting of write-down of goodwill of SEK –357 million, write-down of capitalized R&D of SEK –104 million and provisions for restructuring of SEK –41 million.

- Excluding one-time costs Consulting contributed with SEK 70 million (84) to the operating earnings and Products with SEK –101 million (–220).

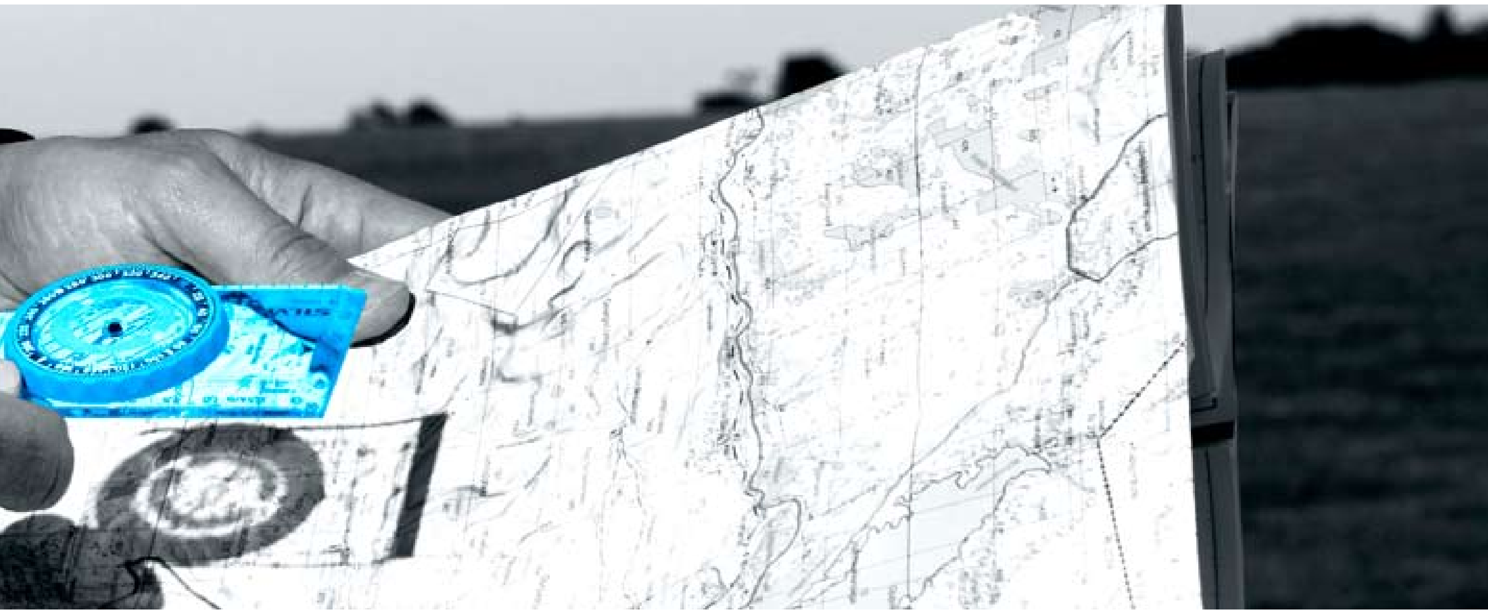
- In the second half 2007 Teleca reported operating earnings (EBIT) of SEK 65 million (–169) and a 10% operating margin (–23%). Of the losses of SEK –169 million in H2 2006 SEK –67 million relates to a write down of capitalized product development. Consulting contributed with SEK 42 million (27) and Products with SEK 23 million (–129).

Operational

- Teleca divested auSystems in April 2007 at a total consideration of SEK 812 million. SEK 561 million of the proceedings was returned to the shareholders through a share redemption program which was concluded in August 2007.

- Teleca closed in the 2nd quarter 2007 the software product division Obigo after significant losses. The products are today maintained from Korea and Russia, the maintenance business is profitable, however expected to decline rapidly during 2008.

- With the new focused business the company has established a leading position as a software outsourcing supplier to the top mobile phone OEM's and their key technology vendors. With specialists in 11 countries close to the R&D centers of customers around the world and over 60% of staff in low-cost countries Teleca is uniquely positioned to win market share by combining customer intimacy with scale and cost efficiency.



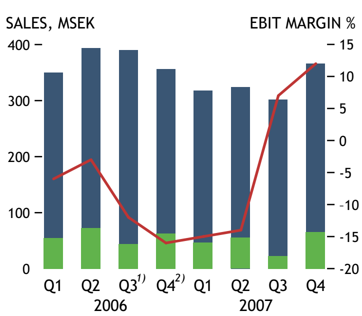
FINANCIAL SUMMARY

KEY FIGURES, SEK MILLION	2007	2006	%	H2'07[1]	H1'07	%
Net sales	1,311	1,490	–12	668	643	4
Operating earnings (EBIT)	–533	–277	–92	65	–598	–
Earningsfor the period from continuing operations	–663	–296	–124	41	–704	–
Earnings for the period from discontinuing operations	337	298	13	–13	350	–
Net earnings for the period	–327	2	–	27	–354	–
Earnings per share, SEK	–4.88	0.02	–	0.8	–5.68	–
Return on equity	–22.3	0.1	–	2.2	–20.2	–
Net sales Consulting	1,133	1,263	–10	581	552	5
Net Sales Products	178	227	–21	87	91	–4
EBIT Consulting	70	84	–17	42	28	50
EBIT Products	–101	–220	54	23	–124	–
Avg. no of employees	2,076	2,037	2	2,018	2,151	–6
Share price at end of period, SEK	13.65	19.27	–29	13.65	20.17	–32

1) H1'07 stands for first half of 2007. This abbreviation exists on several places in the annual report.

During the last years, Teleca has undergone significant changes. We therefore do not think it is relevant to present more than a two year summary. Instead we compare between the first and the second half 2007 since restructuring the company.

SALES & EBIT[1] % GROUP

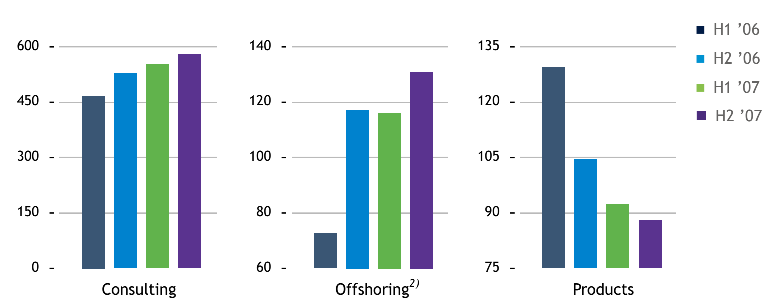


1) Excluding one-time costs.

2) Q306 Including BenQ insolvency effect of MSEK 46.

3) Q406 Including restructuring in Products of MSEK 57.

REVENUE PER CATEGORY NORMALIZED[1] (MSEK)



1) Consulting H1 & H2 2006 - adjusted for the closed R&D integration centre in Sweden.

2) Telma consolidated as of March 2006.

CEO Comment

IN 2007 WE COMPLETED THE TASK OF TRANSFORMING TELECA INTO BECOMING THE GLOBAL LEADER WITHIN SOFTWARE ENGINEERING SERVICES SUPPLYING THE MOBILE PHONE AND MOBILE DEVICE INDUSTRY. WE OFFER THE TOP FIVE OEMS AND OUR OTHER CUSTOMERS THE ADVANTAGES OF SIGNIFICANT SCALE, THE BROADEST RANGE OF SERVICES AND THE WIDEST GLOBAL COVERAGE. WITH THE ADVENT OF THE MOBILE INTERNET, THE OUTLOOK FOR EXPANDING INTO OTHER INDUSTRIAL AREAS IS VERY PROMISING. IN 2008 AND BEYOND ENDLESS NEW POSSIBILITIES AND MARKET OPPORTUNITIES WILL OPEN UP FOR TELECA.

In February 2008 we participated in the annual Mobile World Congress (MWC) in Barcelona, the key event for the mobile industry. We participated for the first time under our new brand, with a sharp engineering services profile and a true global offering.

The event was very successful for us. It confirmed that we are perceived as a leader in our segment, and we are well positioned to capture new business from existing and new customers.

We received praise for the quality and commitment of our people, our global presence is proving to be increasingly important, and our technology focus and emphasis is in line with the direction of key industry players.

2007 – BUSINESS TURNAROUND

For the full year 2007 net sales totaled SEK 1,311 million with an EBIT of SEK –533 million. Net earnings for the year totaled SEK –327 million corresponding to SEK –4.88 per share.

In April 2007 we stopped investing in the software products division and it was taken to maintenance phase. The product business contributed a total loss of SEK 603 million during the year. The related balance sheet write-downs (goodwill and capitalized development cost) amounted to a total of SEK 502 million. After significant restructuring, Products showed a profit of SEK 23 million over the second half of 2007.

In April 2007 we divested the auSystems division at a total consideration of SEK 812 million. A majority of the proceedings (SEK 561 million) was distributed to the shareholders through a redemption programme. The business was divested in two transactions. The first to Swedish Cybercom for the Sweden, Norway and Poland divisions and the second to French Devoteam for the other international affiliates. This divestment brought Teleca a capital gain of SEK 370 million. In June 2007 Teleca closed its affiliate in Japan to limit further losses in that unit.

The changes relating to Products, auSystems and Japan were all completed and accounted for as one-time costs in June 2007. From the third quarter the company focused on executing the new strategy and driving profitability and growth in the services business.

In second half of 2007, net sales totaled SEK 668 million, an increase of 4% over first half. Second half EBIT was SEK 65 million compared to a negative SEK –598 million in the first half. Teleca ended 2007 with a strong fourth quarter showing a 12% operating margin and 3% growth over the year before. After a period of poor financial results and major change in the company we can now document that Teleca has turned around.

STRATEGIC DIRECTION

Market opportunity

We see a large potential for medium and long term growth in the mobile software market.

For many years, mobile voice has been the dominant factor. Today the focus is more and more on mobile Internet and we expect industries such as automotive, consumer electronics and healthcare to embrace mobile technologies in their products. This adds new requirements to mobile software with a focus on end-to-end capabilities and opens up new demands for software engineering.

To meet these new demands on services we will accelerate our ability to deliver expertise around open systems from all major sites. We will accelerate recruitment in all off-shore sites and in some on-shore sites. We will re-train some of our Russian staff.

While this investment should accelerate organic growth during the second half 2008 and into 2009, it may have a negative impact on margins in the first half of 2008. In the short-term we plan to continue using a significant amount of sub-contracting to capture an increased share of the market.

Customer and expertise focus

The mobile phone industry is led by five global players, and technology eco-systems have formed around these companies. We have successfully focused our marketing around these leading companies and their key technology partners.

We will stay focused on excelling in mobile technology. Our expertise has until recently been focused on embedded software – which is the software that resides inside any device. Now we have extended our expertise to cover mobile technology from an end-to-end perspective. The ability to expand in two directions – new market segments and new mobile competences brings us good prospects for growth.

TURNAROUND

SUMMARY H1'07 (H1'06)	PRODUCTS	CONSULTING	ONE-TIME COSTS	TOT. GROUP
Revenue MSEK	91 (125)	552 (619)	– (–)	643 (744)
EBIT MSEK	–124 (–91)	28 (57)	–502 (–74)	–598 (–108)
EBIT margin %	–136 (–73)	5 (9)	– (–)	–93 (–15)
SUMMARY H2'07 (H2'06)				
Revenue MSEK	87 (102)	581 (644)	– (–)	668 (746)
EBIT MSEK	23 (–129)	42 (27)	– (–67)	65 (–169)
EBIT margin %	26 (–126)	7 (4)	– (–)	10 (–23)

Our offering

I usually tell our staff that we can never win business by having the lowest price: We will be selected only if we have the skill, scale and presence required. However, we will lose business if we are too expensive. We solve this equation by building skills around all leading technologies within the industry, by being present in the locations where the industry is most active – and by constantly increasing our off-shore presence and driving down our average cost base.

We aim to grow our presence in Europe and in the United States, and we will accelerate growth in our off-shore and near-shore centers in Russia, China and Poland. We are committed to establishing both a marketing and engineering presence in India.

IN SUMMARY

While 2007 did not start well, it finished very well. We were forced to make big changes at high cost, and with a significant impact on our staff and shareholders. We found solutions to these issues and as a result we are now in a new and better phase.

We have found our place in the market. We can deliver to the satisfaction of our customers – and now we need to grow.

To achieve this we will work very hard to make ourselves more attractive to hundreds of new employees all over the world, attract or keep strong partners and earn and maintain the trust of shareholders.

In the next year we will raise our responsiveness, scale and skill to yet another level. While it will require hard work, it offers a great and exciting opportunity for our team. We are now able to capitalize on the good work we did in 2007 and drive growth and profitability for the company in 2008 and beyond.

René Svendsen Tune
President & CEO

Teleca at the Mobile World Congress in Barcelona in February 2008

RENÉ SVENDSEN-TUNE

President and CEO

René Svendsen-Tune has more than twenty years of experience within the IT and mobile industries. Since 1990, he has been focused on leadership and management. Born in 1955, he graduated from the Technical University of Copenhagen, Denmark in 1981. He stayed on as a graduate student to do research for two additional years before leaving in 1983 to build a career within the Danish IT industry for nine years. In 1993 René joined Nokia and held various management positions in the Nokia Networks regional organization until 1998, when he became a global head of sales at the Helsinki, Finland headquarters. In 2001, he was appointed global head of the entire customer organization, which employed more than 7,500 people in marketing, sales and services by 2006. René joined Teleca as President and CEO in June 2006.

Teleca in Brief

TELECA IS UNIQUE AND VERY COMPETITIVE WITH ITS GLOBAL REACH, HIGH SHARE OF OFF-SHORE STAFF AND BUSINESS WITH TIGHT RELATIONS WITH ALL TOP-FIVE MOBILE PHONE MANUFACTURERS.

TELECA TODAY

Our marketplace: Teleca's customers are world leading technology companies that need to develop new technologies or enhance existing solutions. Among the customers are Ericsson, Motorola, Nokia, Samsung, LG and Sony Ericsson.

Our focus: Our business is software for mobile phones, where we work with all the leading device manufacturers, and companies within their ecosystems. We are expanding our capability and reach to cover services and solutions for the whole converging industry (data/telecom), including mobile Internet services and non-phone devices with mobile connectivity.

What we do: We offer customers tailored solutions, software development, integration, customization & testing, and solutions related to our software assets for mobile phones (browser, messenger). We are increasingly using Open Source Software components and software created by our strategic partner network to make our offer even more comprehensive.

Where we are: The Group has about 2,000 employees in 11 countries in Asia, Europe and North America. We are quoted on the Small cap list of the Nordic Exchange.

How we make a difference: Our global and local expertise areas enable our customers to gain the benefit of working with local project managers, while our services and solutions can be tailored to exactly fit customer requirements anywhere in the world. When we share our expertise, we help our customers shorten development time and cost throughout the entire project lifecycle. We recognize that as mobile devices become more advanced, people will rely upon a great mobile experience to feel comfortable with a device and use its advanced functions. This will drive demand for more functions and more models.

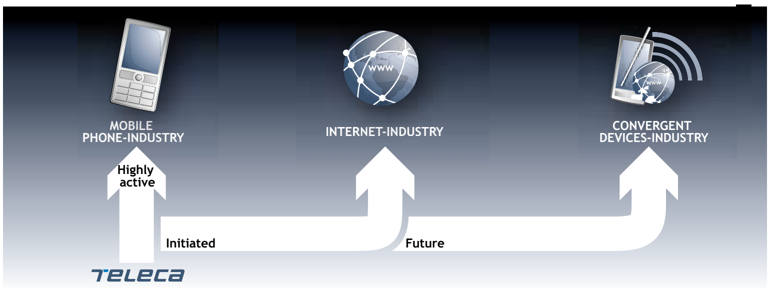
TELECA IN THE FUTURE

Our mission statement sets our target. *By 2015, all technologies applied to deliver a great mobile experience have been touched by Teleca*. This means that we aim to be:

- The #1 supplier for the leaders of the handset business.
- The preferred partner for the leaders of the Internet ecosystem.
- The recognized expert the new entrants to the mobile industry will seek out.
- The most attractive company for talented people.

While maintaining our focus on the mobile phone business, we will expand our customer reach and capability to include new adjacent businesses. These include mobile Internet services and the whole ecosystem of convergence devices with wireless connectivity. Building on our experience from earlier customer cases, we will offer services and solutions to implement end-to-end systems for mobile Internet. Our offer portfolio will include competences and services for both clients and end-to-end parts of the server side.

TELECA IN THE FUTURE



Resourcefully Yours

Market & Strategy

OUR TARGET IS TO TAKE AN INCREASING SHARE OF THE BUSINESS OUTSOURCED BY THE LEADERS OF THE MOBILE DEVICE ECOSYSTEM. WE ARE ALSO SEEKING GROWTH BY PROVIDING SERVICES AND SOLUTIONS TO THE PLAYERS IN THE MOBILE INTERNET ECOSYSTEM.

OUR MARKET TODAY[1)]

Total $8 BILLION (2007)

- Top 5 OEMs internal 62%
- Other OEMs/ODMs internal 11%
- Technology partners 12%
- Independent software companies 15%.

Teleca market share ≈15% of indepentdent software companies, ≈2% of total software R&D.

1) According to company estimates

OUR MARKET

We estimate the total value of software in mobile phones in 2007 to be $8 billion worldwide. This includes both development and integration of software. A major part of this value is created and captured by the phone manufacturers themselves. A further large portion of the business goes to platform vendors. Today, we estimate that approximately 15% of the value goes to services and solutions providers such as Teleca. Out of those 15% Teleca has a 15% market share which makes us the largest independent services and software provider in this space.

During 2007, we saw several new trends on the market that we will address in our strategy:

- Phone manufacturers are expanding business to services, Internet companies are extending to mobile products and platforms.
- Continuous price pressure, but also increasing difference in valuation of services: A need for a flexible combination of high-value and low-cost services.
- Increasing use of Open Source Software as a building block, both in application software (such as Browsers) and in platforms (such as Android™).

THE COMPETITION

We see two types of main competitors: firstly, there are large companies with wide services portfolio mainly based in India (in addition to mobile devices) and strong focus on off-shore. Second, there are the local or regional services companies with only a limited amount of off-shore capability. Teleca is unique in combining the on-shore/on-site operations with a strong off-shore scale. Depending on the particular customer and project requirements, we may run the operation fully on-shore, as a combination of on-shore and off-shore, or pure off-shore. This also helps us in adapting our mode of operation to the maturity of the respective technology.

OUR STRATEGY

We focus on profitable growth across our complete services offer and geographical reach in order to stay in a leading position within our industry.

The four cornerstones of our strategy are:

1. **Market and customers:** Strong focus on the mobile device ecosystem and expansion to Internet ecosystem. Systematic market coverage and processes.

2. **Global offer:** Continue to support all leading platforms and development methods, with special focus on Open Source skills. Enhance repeatability and solution capacity.

3. **Value creation and capture:** Continue the shift from resource hiring to task-based supply. Provide a tailored combination of on-shore and off-shore capabilities.

4. **Excellence in execution:** Have a global delivery organization focusing on implementing the *Resourcefully yours* concept to our customers. Manage scale and global utilization.

Further, we will use Open Source software components, our own existing software assets such as browser and messenger, and software created by our strategic partner network.

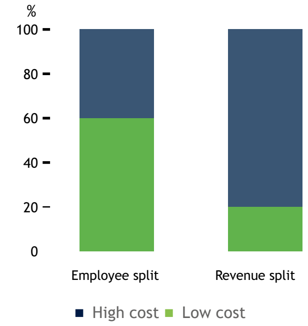
Today, over 60% of our resources are located in low-cost sites, mainly in Russia. The trend will continue. In 2007, we established new off-shoring centers in China and Poland. We will grow fast in all the three off-shore centers, expecting to have a low-cost share of 70% by 2010. The work in on-shore centers focuses on services with exceptionally high added value, requiring deep technical understanding and the capability to solve customers' challenges in an innovative and efficient manner.

LONG TERM FINANCIAL OBJECTIVES

Teleca's long term strategic objectives are;

- in 2009 target growth of (%): 10 – 15 and EBIT margin (%) of 10 – 15.
- in 2010 target growth (%) of 15+ and EBIT margin (%) of 15+.

HEADCOUNT & REVENUE



Our Offering

TELECA IS RENOWNED FOR BEING THE WORLD'S LEADING SUPPLIER OF SERVICES AND SOLUTIONS TO THE MOBILE DEVICE INDUSTRY. OUR FOCUS IS ON SOFTWARE FOR MOBILE PHONES, WHERE WE WORK WITH ALL THE LEADING PHONE MANUFACTURERS, AND COMPANIES.

SALES PER CUSTOMER

- Top 5 OEMs 52%
- Key suppliers to the top 5 OEMs 34%
- Others 14%

OUR CUSTOMERS

The top five OEMs (Nokia, Motorola, Samsung, Sony Ericsson and LG) account for 52% of our sales. Another 34% of our sales is generated through sales to ODMs and platform providers such as STMicroelectronics and Ericsson. This focus is important, as an increasing share of the total phone market is being captured by the leaders. Their combined share is forecasted to reach 90% in 2010. We also maintain a close relationship with mobile operators that enables us to react to market trends and consumer and operator requirements, helping our major customers.

Qualified partner network

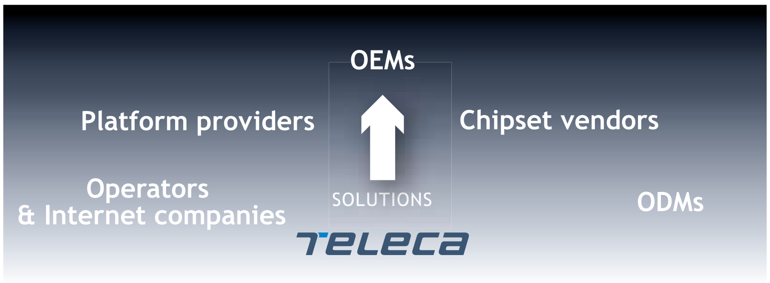
Our goal is to increase the percentage income derived from task-based projects as we can draw on our global expertise to perform these tasks, and offer customers greater value while increasing overall profit margins. Around 50% of our revenue comes from time and materials consulting, while the other 50% comes from task-based projects.

While offering stand-alone solutions and consultancy services, we also offer solutions together with our network of industry-leading partners. This network includes Microsoft, Symbian and Adobe.

OUR CORE COMPETENCES

Our services comprise software development, integration, customization, and testing, together with solution offers related to our software assets.We are also using Open Source Software (OSS) components and software created by our strategic partner network to make our solution offer more comprehensive. By

SOLUTION-DRIVEN ECO-SYSTEM



OEMs -main customers, such as: Nokia, SonyEricsson and Motorola. **ODMs** -design and manufactures mobile phones by assignment from another company. Examples: Flextronics, Foxconn and Arima. **Chipset vendors** -such as: TI, STMicroelectronics and Ericsson who offer hardware that forms the base in a mobile phone. **Operators & Internet companies** -not large customers today, but the relationships are important as the role of mobile services business is growing fast. Examples: Vodafone, Verizon, Google and Microsoft. **Platform providers** -customers and partners. Cooperation agreements regarding the use of various technologies. Examples: Microsoft, Adobe, S60, UIQ and Symbian.

having a global presence, and concentrating on outsourcing, we are able to offer global customers the right expertise in the right numbers anywhere in the world. Because of our global presence and combined onshore/offshore model, we can take large and complex projects, doing end-to-end work, and being a true strategic partner for our customers.

Development

Many of the new ideas and innovations we offer our customers are a direct result of our development work.

We have experience of building fully integrated solutions for the top five OEMs. This enables us to offer solutions that optimize components for sharing valuable system resources such as battery power, memory and bandwidth. By combining Teleca's experience, size and capacity for software development with the advantages brought by OSS we make it possible for our OEM/ODM customers to offer new, exciting solutions in a fraction of the time it would normally take.

Integration & Customization

We have experience from customizing handsets according to all tier-one operator requirements. Customization services include: Adapting the user-interface (UI) to operator requirements, 'look and feel' adaptations – colors, menus, types, themes, adding operator-specific functions and features.

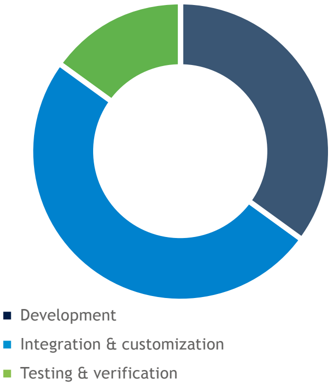
Integration and customization is the area that generates most revenue for Teleca.

Test and Validation services

Proportionately more Teleca employees are involved with Test and Validation than with our other areas. There can be no development or integration without a professional testing function, but testing can be profitable on its own.

Teleca offers complete terminal test services and test case development for mobile device vendors and operators. We offer customers a test strategy from consulting, specification and development to execution. Our testing teams act as a stand-alone service to the major OEMs, offering a recognized stamp of quality on projects developed either in-house by the customer, by other external suppliers, or by ourselves.

REVENUE PER SERVICE CATEGORY



OFFSHORE AND/OR ONSHORE

Teleca's core competences are offered to customers globally and can be performed either close to the customer (onshore) or at one of our offshore centers. Combinations of the two methods are also common.

Offshore services help companies focus on their core business, save on cost, and pave the way for rapid growth. Onshore services are provided close to customers, but take advantage of lower labor costs, bringing cost efficiency to the development process.

As the industry becomes more mature and development complexity increases through the introduction of cameras, music players, mobile TV etc, we expect a greater demand for offshore and onshore services. Teleca is well positioned to offer development on a global scale for major device manufacturers, having project managers close to customers while drawing on the best expertise for the particular project from all over the world.

We offer solutions for companies looking to capitalize on the benefits of scale, quality and economy that offshore sourcing brings. Our offshore centers offer a full range of expertise in development, verification, testing and implementation of all types of services for mobile device manufacturers.

AREAS OF EXPERTISE

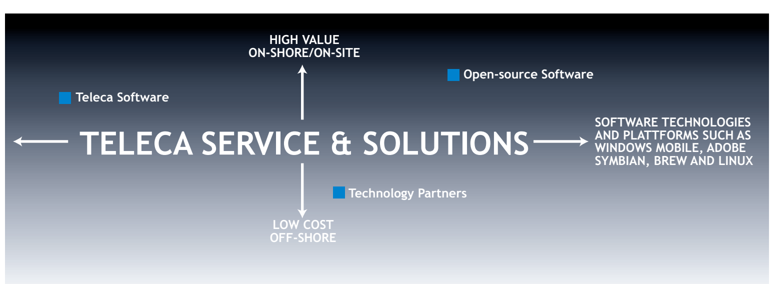
We offer the following areas of expertise:

Major platforms

Symbian

Teleca is an accredited Symbian Independent Design House (IDH), an S60 Competence Center and S60 Boutique; and one of the world's leading Symbian/UIQ centers of excellence. We employ more

BUSINESS STRATEGY



Teleca provides services and solutions across all major software platforms, and ranging from on-site expert assignments to large-scale off-shore operations. As building blocks for solutions, Teleca can also offer own software, components from open source ecosystem, or software developed by our technology partners.

than 400 Symbian specialists throughout Europe, Asia and the USA who work with device design, systems integration and application development.

Windows Mobile
Since 2002, Teleca has been certified as a Microsoft Gold Systems Integration Partner, offering device manufacturers tried and tested solutions. We have access to source code and the rights to modify it for exact customer needs.

Open Source
Open Source Software (OSS) is gaining ground as a platform for mobile software, as it outperforms proprietary solutions in price – and often in performance. Teleca's aim is to be the market leader in providing OSS-based solutions to our customers. An important Open Source technology is Linux where Teleca has a center of excellence in Finland, and we employ over 200 Linux engineers worldwide at our centers in Finland, Poland, China, Germany, France, Russia and Sweden.

BREW
Teleca offers reference designs and pre-integrated selections of Teleca software assets on chipsets for most major manufacturers of BREW phones.

OTHER IMPORTANT AREAS

Adobe
Teleca is the only Adobe partner with a global network and a complete offering for the mobile phone sector. We are both an integration and reseller partner to Adobe, where we have complete source code access for FlashCast and Flash Lite, including Real Time Debug and build environments. We also have change and modification rights to source code, enabling us to adapt these products to customer requirements, at the same time protecting customer IPRs.

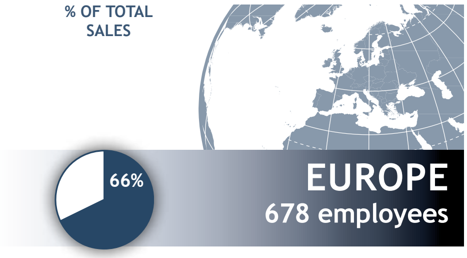
Internet
Building on our wide experience from device-side technologies, we are extending our offer to cover mobile end-to-end solutions. These solutions are needed by our customers when implementing mobile Internet services. Typical mobile end-to-end offers includes development and integration of device-side and server-side protocol stacks, as well as application software for downloading and provisioning content. Current case examples include a mobile gaming platform, porting of mobile client software across platforms, and solutions based on Adobe's Flash and Flash Cast technologies.


Touched by Teleca

Our Markets

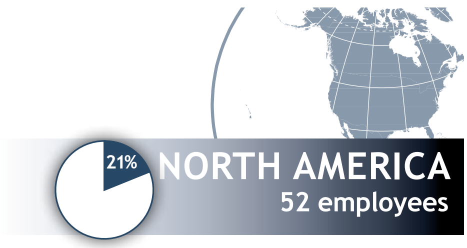
GENERAL DESCRIPTION | HIGHLIGHTS 2007

% OF TOTAL SALES



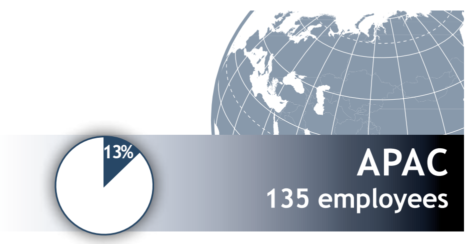
Operations in six countries where Germany and Finland are the largest. Teleca has an extensive customer base throughout Europe and works with leading OEMs and chipset and platform vendors in the area. Strong delivery capabilities in Symbian, S60 and UIQ software environments. Excellent strength in mobile platform development.

- Good growth and improved market positions. Germany and Finland strong, Sweden and UK are recovering from difficulties early 2007.
- STMicroelectronics signed as a key partner in developing an S60 reference design. We have seen further growth in our strategic accounts with Sony Ericsson, Ericsson and Nokia.



Teleca North America is to a large extent a marketing operation for Teleca's global services and solutions offerings, but also has a local consulting unit.

- Several high-profile customer wins during 2007 and first entry to Internet industry achieved.
- Local consulting back on normal utilization after a difficult first half of 2007.



Presence in Korea, Taiwan and China with direct sales into the market with local presence. Provides consulting services and solutions. Supports large Products customers.

- Product changes executed above expectations.
- Products now contributing to the result.
- Difficult transition to services model.

1) Note these 18% are also included in the percentages for the other regions above.

Offshore centers in Russia, China and Poland where Russia is the largest unit with 1010 employees. Offshore services from Russia are mainly supplied to customers in North America. China Offshore centre rapidly ramping up to support Teleca's customers world-wide. Teleca Poland is a near shore center providing outsourcing to primarily European customers.

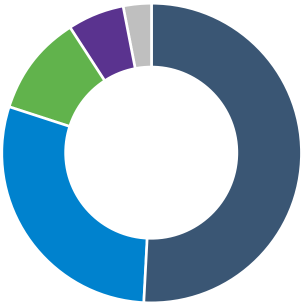
- Rapid growth in Russia and China.
- Russia has gained ten new customers in 2007 and had a stable growth in revenue with 250 new staff since acquisition in April 2006.
- China cleared to deliver offshore services on two major technology platforms.

LARGE CUSTOMERS	COMPETITORS	KEY MARKET TRENDS	STRATEGIC FOCUS 2008
■ Nokia ■ Sony Ericsson ■ Ericsson ■ Motorola ■ Alcatel-Lucent ■ Adobe ■ STMicroelectronics	■ In-house development ■ Sasken ■ Sysopendigia ■ Elektrobit ■ HiQ ■ TietorEnator ■ Smaller local companies	■ Top OEMs becoming stronger and consolidating. ■ Active in their core business and broadening product portfolio into end-to-end services (E2E). ■ Content will be more important in retaining and growing the customer base. ■ OEMs can focus on content by developing a cost efficient R&D organization and by offshoring part of the development to low cost countries.	The European operation will seek further growth in the current business by strengthening capabilities in embedded technologies, e.g. S60, UIQ, UI/UE (User Interface/User Experience), and E2E. We will consolidate our combined on shore and offshore offerings to give our key customers the benefits of cost efficiency and high quality deliveries.
■ Motorola ■ Kyocera Wireless ■ Adobe ■ Qualcomm ■ Microsoft	■ In-house development ■ Wipro ■ Sasken ■ B2	■ New trends often emerge in North America. ■ It is a diverse market with a strong drive from Teleca's legacy customers towards outsourcing of development to a strong focus on in house development for the new entrants into the mobile domain. ■ As competition increases and an increased focus is placed on cost efficiency the market for outsourced services and solutions will increase.	Extend business with existing and new customers by leveraging Teleca's extensive outsourcing capabilites and an extended local presence. Breaking new ground with new entrants into the mobile domain through Teleca's in depth knowledge in the mobile device domain.
■ Samsung ■ LG ■ Huawei ■ Arima ■ Quanta	■ In-house development ■ Wipro ■ Sasken ■ Jatayu ■ Infraware	■ Key growth market targeted by the mobile industry. ■ China has now surpassed 550 M subscribers. ■ Major OEMs continue to take market share in China at the expense of local OEMs. ■ Smartphone development and plug and play solutions from chipset manufacturers are increasing and the offshoring trend has reached Asia.	Extend existing business with major customers in the region by leveraging Telecas global offerings. Support and maintain major customers successfully using Teleca mobile application products.
■ Not disclosed	■ Sasken ■ Wipro	■ Global OEMs with high cost bases are actively looking to establish low cost centres and partner with credible global outsourcing companies with presence in low cost countries. ■ The market is looking for offshore companies with strong local presence and ability to take full responsibility for bigger projects.	Rapidly expand and establish the outsourcing centres in China and Poland to fulfil the service needs of Teleca's major customers worldwide. Further grow our Russian outsourcing centre to serve key customers.

Human Resources

TELECA AIMS TO HAVE HIGHLY QUALIFIED TECHNICAL AND SALES EXPERTISE AS WELL AS LEADERSHIP AND ADMINISTRATIVE COMPETENCE. TO ADDRESS THIS PRIORITY WE ARE RECRUITING COMPETENT AND AMBITIOUS INDIVIDUALS THAT ARE CAPABLE OF WORKING ON DEMANDING PROJECTS AND JOBS IN AN EVER-CHANGING ENVIRONMENT.

EMPLOYEES PER AREA



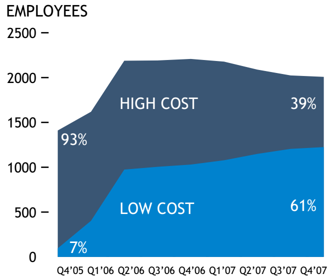
- Russia 51%
- Europe excl. Sweden & Russia 29%
- Asia 11%
- Sweden 6%
- North America 3%

ATTRACTING THE BEST

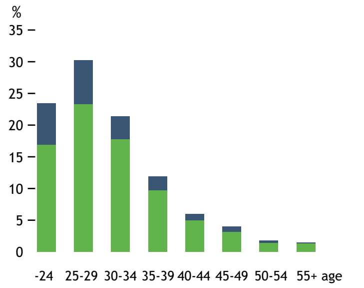
The demand for talent within Teleca's core competences is high in countries where Teleca operates so recruitment is of high importance. Teleca has a global approach to recruitment meaning that we drive recruitment activities according to a corporate process that includes all the necessary steps to attract, assess, hire and introduce the right candidates for Teleca. We base our hiring decision on skills and ability, regardless of gender, ethnic background, sexual orientation, physical challenge, age or faith. When new employees join Teleca they will receive basic knowledge of the company, its structure and business activities as well as Teleca values and policies. They will also receive basic training enabling them to work efficiently as soon as possible and we ensure that the job role and individual business objectives are clear, so employees understand how they can best contribute to the success of Teleca as well as to their individual development. We have good relationships and contacts with local universities, enabling us to attract graduates. We also use a *recommend a friend* program, rewarding colleagues who can recommend a relevant person to be hired in Teleca.

The search for profiles is executed through a number of different channels like: Internet, newspaper ads and through search agencies. Teleca's Global

HEADCOUNT ALLOCATION



AGE STRUCTURE



intranet also gives us the opportunity to post all job openings internally, thereby giving people the chance to apply for jobs outside their normal home country.

Appraisal, 3P "Personal performance plan"

3P is a key HR process that ensures cascading of business objectives through the organization and a yearly dialogue between manager and employees about performance feed-back, individual business objectives and development plans. This ensures focus and structure in achieving important business objectives as well as an on-going focus on developing our people and skills to meet individual ambitions as well as business requirements for skills

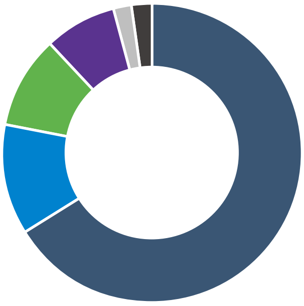
Bonus plan

Pay for performance is the basic thinking behind the bonus plan we have developed and implemented in 2007. In Teleca, *pay for performance* means that salary revision and bonus is linked to business performance as well as individual performance. This link is critical to Teleca's results-oriented, performance-based culture.

Expatriates

With an increasing focus and requirement for global resources, highly specialized skills and international leadership skills, we will have an increase in the need for expatriates in a number of countries. We have further developed our global expatriate process to ensure we handle this with the right approach and support for expatriates.

EMPLOYEE EDUCATION



1 976 employees of which 24% are women on December 31, 2007.

- Academic engineering degree 67%
- Other engineering degree 12%
- Upper secondary school 10%
- Other academic degree 8%
- Dr. of engineering 2%
- Other 2%

To stay focused on the values and encourage all Teleca employees to *live* the values in their everyday work, we have introduced a *Teleca Employee Award*. The objective of the award is to highlight achievements that are significant in scope, effort or impact on the business and at the same time demonstrate *Teleca Values*. We select a winner of the award each quarter.

WHY IS IT EXCITING TO WORK FOR TELECA?

Teamwork over international boundaries

Employees could one day be working on a project with teams from Finland and Russia, the next day with colleagues from China and the USA.

Few other companies can offer the chance to work with such prestigious customers in varied teams and on several continents.

Working with the best people

We pride ourselves on employing the most skillful people. Many people in our company have become leading experts in their field.

Varied and interesting projects

We have a flat organization structure and work across all major platforms and all types of development projects for the mobile industry. Our project structure comprises a wide variety of varied and interesting projects at different times.

Tailored training and development

In order to match the best we invest in our employees and their future. We offer individual training and development programs that increase their expertise in their chosen fields and raise their market value.

HR FOCUS 2008

The focus in 2008 will be on people development activities and climate, and we will kick off a number of activities to improve this even further:

We will introduce a *people day* program, where the overall focus will be people development and focus on key-skilled staff. Managers by function will review required skills development activities as well as special plans for key-skilled staff. Succession planning for key positions will also be part of this *people day*.

Secondly we will focus on our skills and career development plans and activities with priority on our engineering staff.

We will introduce a program addressing the increasing demand for excellent leadership at all levels, starting with basic people management and up to strategic leadership.

Employee motivation is crucial and therefore Teleca will introduce a regular climate survey, starting in Q1 2008 where we ask all employees a number of questions relevant for employee motivation. The answers will be analyzed and fed back to our staff, and we will make use of the outcome to continuously develop Teleca as a company.

Total compensation and benefit will also be on the HR agenda for 2008. In particular we will benchmark Teleca benefits, and initiate adjustments where necessary.

OUR VALUES

To live up to our core purpose of making our customers more successful Teleca's every day work is based on the following core principles:

- We do our best to predict and solve our customers' problems in the most innovative and resourceful way.
- We aim to be completely open and share our insights, expertise and experience with both our colleagues and our customers in order to promote the optimal climate for success.
- We attract the best people and provide them with a creative working environment enabling them to develop their skills to match the best in the industry.
- The results we generate will have a significant impact on the development of the mobile phone industry.

MEET OUR PEOPLE

Hanchul Kim,
Teleca Korea, Head of APAC delivery

I am responsible for delivery in APAC. I review various opportunities that have come up across APAC and follow-up with relevant people within our organization. Our customers are the major handset manufacturers, so I am always working at the leading edge of mobile technology. My work is really dynamic. I get to work with many friendly people with different cultural backgrounds. What is great about Teleca is the endless opportunities you have when working in different areas of mobile technology.

Hanchul Kim

Eimear O'Donoghue,
Teleca UK, Senior Software Engineer

I have been fortunate to work with some of the best software engineers in the industry. Working with them has helped to develop my engineering, leadership and project planning skills. Teleca's employees work hard and take pride in their commitments to customers. Teleca has a vibrant social scene with regular Sports and Social events, which is particularly important when many employees are away from the office on customer sites. There is a great atmosphere at Teleca and a great camaraderie amongst employees working on customer sites, making Teleca an enjoyable company to work for.

Eimear O'Donoghue

Quality the Teleca Way

OUR CORE PURPOSE IS TO HELP OUR CUSTOMERS TO BE MORE SUCCESSFUL. QUALITY IS THE WAY WE SUCCEED IN THAT. OUR FOCUS IS ON CLOSE CUSTOMER RELATIONSHIPS AND THE BEST QUALITY DELIVERY – AT THE RIGHT PRICE. QUALITY IS NOT A SEPARATE ENTITY; IT IS PART OF EVERYTHING WE DO.

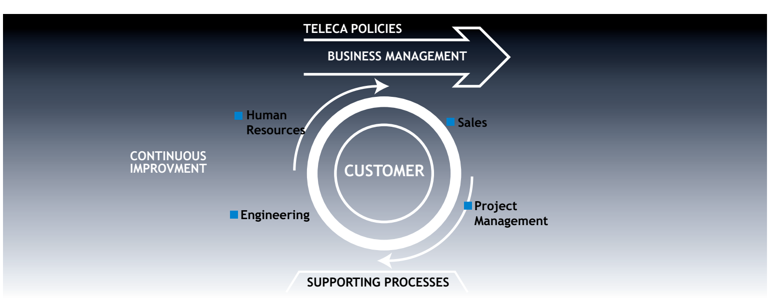
HOW WE WORK WITH QUALITY

Our way to achieving a high quality delivery is to understand and manage our customers' expectations. We then execute and deliver according to defined processes that give transparency throughout the process and predictable results that ensure a level of quality that surpasses requirements. We continually follow up on customer satisfaction and our own lessons learned to aid our continuous quality improvement work. Every Teleca team member is important in our journey of making Teleca the leader in our business. We are all responsible for quality.

Our management system, Teleca Business Process Model (TBPM), provides the framework for working with quality on a global level. We commit to a global approach as our key customers are global; yet, we need to make sure we can adapt to local requirements efficiently. Many of our projects span across multiple sites, setting tight requirements for common quality management. In addition, we ensure we optimize our cost structure globally. We make sure the processes and tools we use suit their purpose well, and lead us in the right direction.

Processes and policies are the main content of the TBPM, the management system of Teleca. The basic elements of it are people with the correct and continuously developing expertise, skilled sales people selling our services, and projects for implementing our software engineering tasks. The core processes, Sales, Project Management, Software Engineering and Human Resources map with these elements.

QUALITY CONTROL



The policies connected to the TBPM ensure top management commitment to several important topics including:

- **Integrity -** how to handle situations between competing bids or projects with customers competing with each other.
- **Security -** principles of security including keywords like confidentiality, integrity, availability and accountability.
- **Product Liability -** precautions of product safety and liability risks and principles of how to handle potential issues.
- **Risk -** principles of risk management in Teleca governed by the Global Risk Management Board.
- **IPRs -** precautions for avoiding IPR infringements and IPR retention principles.
- **Environmental issues -** Software engineering work, processing data as raw material, does not have direct negative effects on the environment, but we need to understand our responsibilities in design decisions, how our offices operate, how we travel, etc. affect the environment.

KEY FIGURES

Our units in four countries, Finland, France, Germany and Sweden are ISO 9001 certified. Our unit in Russia has been assessed to be at CMM level 5 which is the highest quality level a company can get in that well renowned system. During 2008 the separate ISO 9001 certificates will be combined to one multi-site ISO 9001 certificate and some new units added to it.

We will also align our measurement criteria as part of global alignment. During 2007, customer satisfaction measurement and project metrics have been institutionalized.

Global customer satisfaction follow-ups were initiated at the end of 2006 and further improved and refined during 2007. Customer satisfaction is formally followed at decision maker, project and at resource hiring level. After establishing the basic measurement criteria and improvement actions, targets are transferred to systematical improvements based on the results.

Customer satisfaction results are systematically analyzed and actions initiated at project level, at local unit level, at customer account level and at Teleca group level. Teleca Global Quality follows this continuous improvement and coordinates the process improvement actions together with the process owners.

GOING FORWARD

2007 has been an active year for quality development and we are continuing our work. We have changed from establishing programs to listening and then concentrating on systematic improvements. We have initiated a global assessment program to both assure compliance and to receive feedback globally. We listen to our people about how our processes work in practice. We also listen to our customers about what needs and expectations they have on our quality routines.

The Teleca Share

THE TELECA SERIES B SHARE HAS BEEN LISTED ON THE OMX NORDIC EXCHANGE SINCE FEBRUARY 21, 1997. THE SHARE IS TRADED ON THE SMALL CAP LIST, UNDER THE TICKER TELC B. THE A SHARE IS NOT LISTED. ONE TRADING LOT COMPRISES 500 SHARES.

SHARE CAPITAL

The share capital in Teleca amounted to SEK 112,279,459 on December 31, 2007, distributed among 62,377,477 shares, of which 655,000 are Series A shares and 61,722,477 Series B, each with a par value of SEK 1.80. Series A shares carry ten votes at general meetings of shareholders, and Series B shares one vote. All shares carry equal rights to Teleca's profits and assets. The price performance of Teleca's Series B shares, updated every 15th minute of each day of trading, is presented under *Investors – the share* on Telecas website.

OWNERSHIP STRUCTURE

The number of shareholders by December 31, 2007 was 10,838 (13,598 2006). The proportion of institutional ownership was 67 percent (76) of share capital. The proportion of non-Swedish ownership was 58 percent (40) of share capital.

AUTHORIZATION

At the Annual General Meeting in April 2007, the Board of Directors was given authorization to implement a new share issue on one or several occasions before the next annual meeting, notwithstanding shareholders' preferential rights, in a number up to 3,000,000 Series B shares. The purpose of the authorization is to facilitate financing of acquisitions. As per 31 December, 2007 the board had not utilized the authorization.

OPTIONS AND WARRANTS

On December 31, 2007 there were no options or warrants outstanding.

NEW ISSUES

During July-August 2007, Teleca carried out a mandatory redemption with the objective of distributing approximately SEK 561 million (SEK 9 per share) to the shareholders. The last day for trading in the Teleca share including the right to redemption share was July 9, 2007 and on July 10, 2007 the share price was adjusted by a corresponding SEK 9. The redemption shares were listed between July 13 and August 3, 2007 which doubled the number of outstanding shares for that limited period.

Further information regarding the redemption programme was sent to shareholders, and can be downloaded at www.teleca.com under *shareholder service*.

The Swedish Tax Authority states that 32% of the original acquisition price for the Teleca share of class A and B, should be allocated according to recommendation, SKV A 2007:27.

If the acquisition value is unknown, the acquisition value may be determined as 20 percent of the redemption amount or the sales proceeds in accordance with the *standard method*.

For practical examples and further information see www.teleca.com under *shareholder service*.

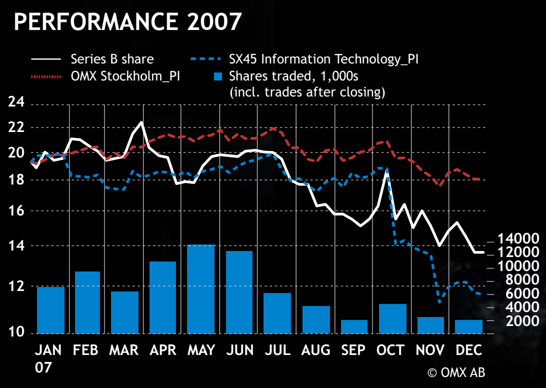
KEY FIGURES	2005	2006	2007
Earnings per share (SEK)	0.75	0.02	–4.88
Dividend per share (SEK)	–	–	–[1]
Equity (SEK)	31.71	31.22	16.77
Cash flow per share from current operations (SEK)	3.26	–1.13	–3.49
Share price (SEK)	26.70	19.27	13.65
P/E ratio	35.6	963.5	neg
Price/shareholders' equity	84	62	81

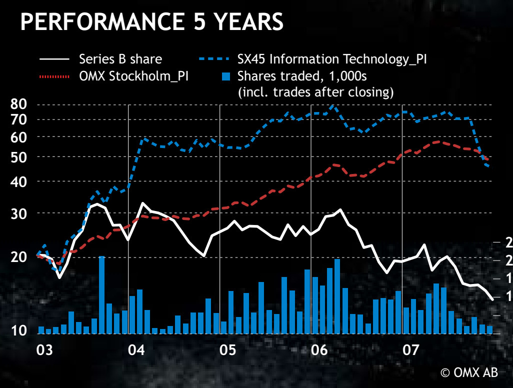
1) Board proposal for 2007

PUBLIC INFORMATION DISCLOSURE

We report significant events to shareholders, analysts, media and interested members of the public in accordance with stock market and other applicable regulations in a timely, objective, simultaneous and transparent manner. Information given by Investor Relations is authorized by Management. The dates of key regular events are announced on our corporate website www.teleca.com under Financial Calendar.

ANALYSTS THAT FOLLOW TELECA	
ABG Sundal Collier	Karl Berglund
Arete Research	Richard Kramer
Carnegie	Erik Gustafsson
Danske Bank, Danske Equities	Peter Trigarszky
Enskilda Securities	Andreas Joelsson
Erik Penser Fondkommission AB	Thomas Kullman
Evli	Anders Wiklund
Handelsbanken	Lars Hallström
Kaupthing bank	Jonas Elofsson
Nordea Standard & Poor's	Mattias Eriksson
Öhman J:or Fondkommission AB	David Jacobsson





TRADING AND PRICE TRENDS

During 2007, 62.8 million Teleca shares were traded. The turnover rate for Teleca Series B shares was 100.7 percent. Average daily turnover was 251,347 shares. The market price of Teleca shares was SEK 19.27 on 1 January, 2007 and SEK 13.65 at 31 December, 2007 during the year, which was a reduction of 29.2 percent. The benchmark indices OMXS-PI (OMX Stockholm All-Share Index) and the SX 45-PI (OMX Stockholm Information Technology Index) decreased by 6.0 percent and 40.9 percent, respectively. At the end of 2007, Teleca had a market value of SEK 851,5 million. The highest share price during the year was SEK 22.45 recorded on March 30. The lowest price, SEK 13.20 was recorded on December 27.

DIVIDEND AND DIVIDEND POLICY

Teleca's dividend policy has an objective for the annual dividend to be about 30 percent of the year's profit after tax. The Board proposes that no dividend should be paid for the financial year 2007 (SEK 0.0 per share in 2006).

FINANCIAL CALENDAR

Teleca's financial reports are downloadable from the Group's Internet website, www.teleca.com, where all information regarding Teleca is organized in both English and Swedish versions.

The archive of reports goes back to 2002. It is also possible to order printed versions of Annual Reports. Teleca does not print or distribute quarterly reports for environmental reasons.

EVENT	DATE
Q1 report	April 22 2008
Teleca's AGM	April 22 2008
Q2 report	July 18 2008
Q3 report	October 21 2008
Q4 report	February 2009

SHARE DATA

	SERIES A SHARE	SERIES B SHARE
Total no of shares	655,000	61,722,477
Round lot	500 shares	500 shares
Voting rights	10 votes	1 vote
Total turnover	0	62,836,828
Shares traded per day	–	251,347
Turnover rate %	–	101
Share price at start of year, SEK	–	19.27
Share price at year end, SEK	–	13.65
Highest price paid, SEK	–	22.45
Lowest price paid, SEK	–	13.20

SHARE HISTORY

FEBRUARY 21, 1997:
- Initial listing of Sigma on the O-list. Introductory price SEK 53

DECEMBER 3, 1998:
- 4 new shares in Sigma were received for each old Sigma share

MARCH 9, 2000:
- Acquisition of Måldata. For 4 shares in Måldata, 3 shares of class B in Sigma was received

JUNE 5, 2001:
- Spin-off of Epsilon, For each Sigma share, 0.25 shares in Epsilon was received

JUNE 12, 2001
- Change of name to Teleca

SEPTEMBER 21, 2001
- Spin-off of Sigma. For every Teleca share, 0.5 shares in Sigma was received
- The Swedish Tax Agency's recommendation:
  – The acquisition value shall be divided as follows: Teleca 79% and Sigma 21%

JANUARY 25, 2002:
- Acquisition of AU-System. For every share in AU-System, 0.2093 shares in Teleca AB was received
- The Swedish Tax Agency's recommendation depends on whether the bid was accepted before or after January 25, 2002:
  – For further information, see www.skv.se, RSV S 2001:15

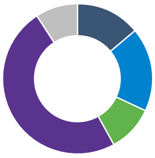
JULY 10, 2007:
- Mandatory redemption in Teleca. For every share in Teleca, one new share as well as one redemption share was received. The Redemption share was redeemed for SEK 9 in cash
- The Swedish Tax Agency's recommendation:
  –The acquisition value shall be divided as follows: Teleca 68% and redemption share 32%

1997 1998 2000 2001 2002 2007

Ownership Structure

SHAREHOLDER DISTRIBUTION BY TYPE

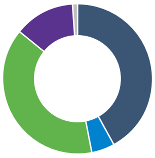
(31 December 2007)



1) Dan Olofsson (Danir) and Konstantin Caliacmanis sold all their shares in February 2008 to the American company Symphony Technology Group.

SHAREHOLDER DISTRIBUTION BY COUNTRY

(31 December 2007)



LIST OF SHAREHOLDERS AT 31 DECEMBER 2007 ACCORDING TO VPCS REGISTRAR

	SHAREHOLDER	NO. OF A-SHARES	NO. OF B-SHARES	TOTAL NO. OF SHARES	SHARE OF EQUITY, %	SHARE OF VOTES, %
1	Dan Olofsson (through companies)[1]	401,000	8,067,666	8,468,666	13.6%	17.7%
2	Goldman Sachs International Ltd	0	6,167,770	6,167,770	9.9%	9.0%
3	Didner & Gerge Equity Fund	0	3,045,000	3,045,000	4.9%	4.5%
4	BT Pension Scheme	0	2,672,000	2,672,000	4.3%	3.9%
5	ABN Amro Mellon AAM Omnibus	0	3,057,967	3,057,967	4.9%	4.5%
6	Per Lindberg	0	2,236,525	2,236,525	3.6%	3.3%
7	Eikos	0	2,019,800	2,019,800	3.2%	3.0%
8	Alpine Dynamic Dividend Fund	0	1,885,400	1,885,400	3.0%	2.8%
9	Den Danske Bank, Stockholm	0	1,717,812	1,717,812	2.8%	2.5%
10	Pictet & Cie	0	1,438,125	1,438,125	2.3%	2.1%
11	Banque Carnegie Luxembourg SA	0	1,369,454	1,369,454	2.2%	2.0%
12	F Inter	0	1,310,105	1,310,105	2.1%	1.9%
13	JP Morgan Bank	0	1,202,393	1,202,393	1.9%	1.8%
14	Konstantin Caliacmanis[1]	254,000	602,316	856,316	1.4%	4.6%
15	Odin Fonder	0	874,600	874,600	1.4%	1.3%
16	Fjärde AP fonden	0	798,500	798,500	1.3%	1.2%
17	Others	0	23,257,044	23,257,044	37.2%	33.9%
	Total	**655,000**	**61,722,477**	**62,377,477**	**100.0%**	**100.0%**

1) Dan Olofsson (Danir) and Konstantin Caliacmanis sold all their shares in February 2008 to the American company Symphony Technology Group.

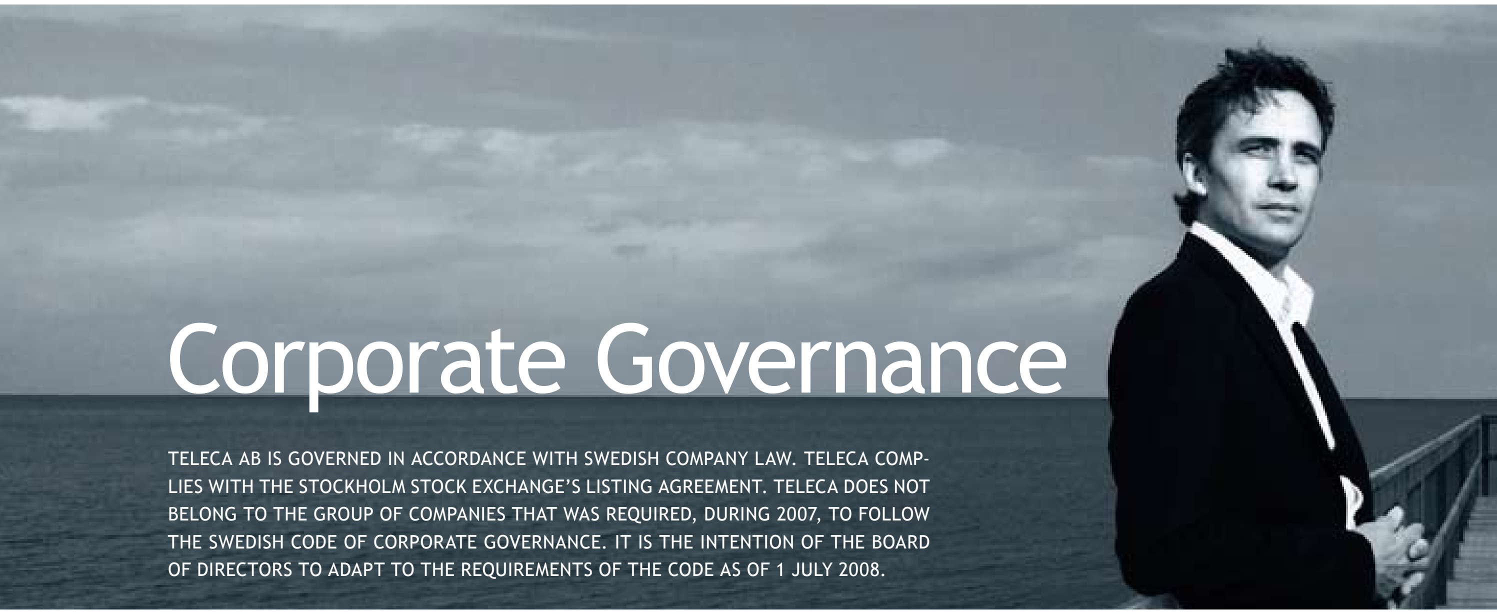
CLASS SIZES AND MARKET VALUE

CLASS SIZE	NO. OF SHAREHOLDERS	NO. OF A-SHARES	NO. OF B-SHARES	SHARE OF EQUITY, %	SHARE OF VOTES, %	MARKET VALUE, SEK
1–500	8,370	0	1,100,335	1.76%	1.61%	15,020
501–1 000	1,075	0	913,986	1.47%	1.34%	12,476
1 001–5 000	1,021	0	2,448,724	3.93%	3.59%	33,425
5 001–10 000	152	0	1,163,741	1.87%	1.70%	15,885
10 001–20 000	78	0	1,255,783	2.01%	1.84%	17,141
20 001–	142	655,000	54,839,908	88.97%	89.92%	757,505
Total December 31 2007	**10,838**	**655,000**	**61,722,477**	**100.00%**	**100.00%**	**851,453**

INCREASE IN NO. OF SHARES SINCE INITIAL LISTING

YEAR	EVENT	INCREASE IN NO. OF SHARES	INCREASE SHARE CAPITAL	TOTAL SHARE CAPITAL, SEK	NO. OF SHARES,	PAR VALUE OF SHARES, SEK
1996	–	–	–	216,000	2,160	100.00
1996	Split 25:1	267,840	–	216,000	270,000	0.80
1996	Bonus issue 20:1	5,400,000	4,320,000	4,536,000	5,670,000	0.80
1996	New issue	436,036	348,829	4,884,829	6,106,036	0.80
1996	Stock dividend		19,539,315	24,424,144	6,106,036	4.00
1997	New issue	1,322,000	5,288,000	29,712,144	7,428,036	4.00
1998	Split 4:1	22,284,108		29,712,144	29,712,144	1.00
1998	Bonus issue		29,712,144	59,424,288	29,712,144	2.00
1998	New issue	2,440,000	4,880,000	64,304,288	32,152,144	2.00
1999	New issue	540,879	1,081,758	65,386,046	32,693,023	2.00
2000	New issue[1)]	348,851	697,702	66,083,748	33,041,874	2.00
2000	New issue[2)]	93,750	187,500	66,271,248	33,135,624	2.00
2000	New issue[3)]	1,615,893	3,231,786	69,503,034	34,751,517	2.00
2000	New issue[4)]	629,794	1,259,588	70,762,622	35,381,311	2.00
2000	New issue[5)]	154,310	308,620	71,071,242	35,535,621	2.00
2000	New issue[6)]	1,000,000	2,000,000	73,071,242	36,535,621	2.00
2000	New issue[7)]	21,546	43,092	73,114,334	36,557,167	2.00
2000	New issue[8)]	124,617	249,234	73,363,568	36,681,784	2.00
2001	New issue[9)]	129,474	258,948	73,622,516	36,811,258	2.00
2001	New issue[10)]	451,400	902,800	74,525,316	37,262,658	2.00
2001	New issue[11)]	39,200	78,400	74,603,716	37,301,858	2.00
2001	New issue[12)]	124,100	248,200	74,851,916	37,425,958	2.00
2001	New issue[13)]	434,606	869,212	75,721,128	37,860,564	2.00
2001	Reduction[14)]		–757,211	74,963,917	37,860,564	1.98
2001	Reduction[15)]		–6,814,902	68,149,015	37,860,564	1.80
2002	New issue[16)]	20,229,408	36,412,934	104,561,950	58,089,972	1.80
2002	New issue[17)]	711,904	1,281,427	105,843,377	58,801,876	1.80
2002	New issue[18)]	267,239	481,030	106,324,407	59,069,115	1.80
2002	New issue[19)]	10,401	18,722	106,343,129	59,079,516	1.80
2003	New issue[20)]	2,000,000	3,600,000	109,943,129	61,079,516	1.80
2004	New issue[21)]	1,297,961	2,336,330	112,279,459	62,377,477	1.80
2007	Split 2:1[22)]		62,377,477	112,279,459	124,754,954	0.90
2007	Redemption programme		–62,377,477	112,279,459	62,377,477	1.80

1) Issue in kind payment in connection with the acquisition of 70% of the shares in Berika Malmö AB and all shares in JiiComp AB and supplementary payments to Cadato Intressenter AB.
2) Issue in kind in connection with the acquisition of ReklamKompaniet No 1 AB. Subscription price: SEK 224 per share.
3) Issue in kind in connection with the acquisition of Måldata AB (98%). Subscription price: SEK 128.49 per share.
4) Issue in kind in connection with the acquisition of Teleca Ltd. Subscription price: SEK 216 per share.
5) Issue in kind in connection with the acquisition of Arkitraven AB. Subscription price: SEK 220 per share.
6) New issue to institutional investors. Subscription price: SEK 250 per share.
7) Issue in kind in connection with the acquisition of Måldata AB (1%). Subscription price: SEK 129.49 per share.
8) Issue in kind in connection with the acquisition of Contra Ventum A/S. Subscription price: SEK 226.20 per share.
9) Issue in kind in connection with the acquisition of Connector Holding A/S. Subscription price: SEK 202 per share.
10) Subscription supported by warrants. Subscription price: SEK 61.50 per share.
11) Issue in kind in connection with the acquisition of iFace AG. Subscription price: SEK 153.05 per share.
12) Subscription supported by warrants. Subscription price: SEK 61.50 per share.
13) Set-off issue to the sellers of Teleca Ltd. Subscription price: SEK 126 per share.
14) Reduction of share capital in conjunction with the spin-off of Epsilon AB to the shareholders.
15) Reduction of share capital in conjunction with the spin-off of Sigma AB to the shareholders.
16) Issue in kind in connection with the acquisition of AU-System AB (publ). Subscription price: SEK 55 per share.
17) Issue in kind in connection with the acquisition of AU-System AB (publ). Subscription price: SEK 54.50 per share.
18) Issue in kind in connection with the acquisition of Pronyx AB (publ). Subscription price: SEK 29 per share.
19) Issue in kind in connection with the acquisition of Pronyx AB (publ). Subscription price: SEK 21.80 per share.
20) New issue in connection with the acquisition of YacCom and Geoworks' UK operations. Subscription price: SEK 32 per share. The subscription price was set at market price for the day of issue, 14 May 2003.
21) Issue in kind in connection with the acquisition of GeraCap. Subscription price: SEK 40.50 per share.
22) Split 2:1 and redemption programme, 12 July, 2007.



Corporate Governance

TELECA AB IS GOVERNED IN ACCORDANCE WITH SWEDISH COMPANY LAW. TELECA COMPLIES WITH THE STOCKHOLM STOCK EXCHANGE'S LISTING AGREEMENT. TELECA DOES NOT BELONG TO THE GROUP OF COMPANIES THAT WAS REQUIRED, DURING 2007, TO FOLLOW THE SWEDISH CODE OF CORPORATE GOVERNANCE. IT IS THE INTENTION OF THE BOARD OF DIRECTORS TO ADAPT TO THE REQUIREMENTS OF THE CODE AS OF 1 JULY 2008.

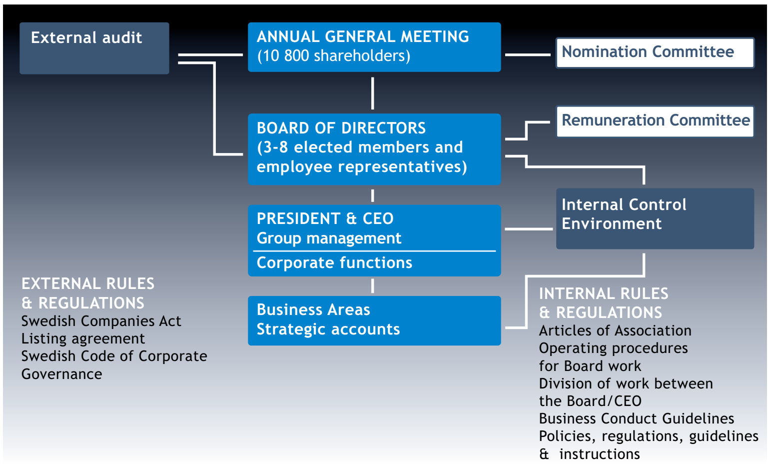
GENERAL MEETING OF SHAREHOLDERS

The Ordinary (Annual) General Meeting for 2008 will be held in Malmö on April 22. In order to attend the meeting, shareholders must be registered under their own names in the printout of the shareholder register issued by VPC AB as of April 16, 2008. External participation is not permitted, shareholders who wish to vote at the meeting, but cannot participate in person, may appoint a representative with a written appointment of proxy. At general meetings, each person entitled to vote may vote for the entire number of shares owned and represented without any voting restriction. The notice and agenda of the meeting will be publicized at the earliest six weeks and latest four weeks prior to the annual general meeting in the form of a press release and announcement in the newspapers Post- och Inrikestidningar and Dagens Industri. The meeting is held in Swedish. All board members and auditors participate in the annual general meetings, unless extraordinary circumstances prevent them.

NOMINATION COMMITTEE

At the 2007 Annual General Meeting of shareholders, it was decided that the Chairman of the Board was to convene a nomination committee consisting of the Chairman and one representative for each of the four largest shareholders

TELECA'S FINANCIAL CONTROL STRUCTURE



in the company in terms of votes based on shareholdings as at the end of September 2007. In accordance with this decision a nomination committee comprises the following were appointed: Dan Olofsson, Chairman of the Board, Konstantin Caliacmanis, Magnus Högström representing Adelphi Capital, Oliver Knobloch representing Pictet & Cie and Henrik Didner representing Didner & Gerge Equity Fund. No remuneration was paid to members of the Nomination Committee.

AUDITORS

The auditors elected at the 2007 Annual General Meeting of shareholders for a four- year period are Authorized Public Accountant Peter Gustafsson and Authorized Public Accountant Per-Arne Pettersson (deputy), both from Deloitte AB. Teleca has no audit committee; such matters are ultimately decided by the entire Board of Directors.

COMPOSITION OF THE BOARD

The Board shall consist of not fewer than three and not more than eight members elected by the Annual General Meeting. The employees are represented on the Board. The Board Members are elected for a period of one year. The Nominating Committee is responsible for identifying, screening and recommending candidates to the Board. The Committee will consider director candidates nominated by shareholders. Nominees for director are selected on the basis of experience, knowledge, skill, expertise, integrity, understanding of Teleca's business environment and willingness to devote adequate time and effort to the Board. The Board must be comprised of a majority of directors who qualify as independent under the listing standards of the Nordic Exchange. During the year, the Board consisted of seven members elected at the annual general meeting, in addition to two employee representatives. Former Chairman and board members Konstantin Caliacmanis and Göran Larsson represented major owners during 2007. The other Board members were independent in relation to Teleca's major shareholders. Before an extra general meeting held on March 7, 2008 Dan Olofsson, Konstantin Caliacmanis and Göran Larsson announced their resignation from the board as a consequence of Dan Olofsson through his company Danir and Konstantin Caliacmanis having sold all of their shares to Symphony Technology Group. Following a proposal by the nominee committee the EGM held on March 7, 2008 elected Chet Kamat and John Tristan Treadwell to the board of directors. Both representing Symphony Technology Group.

After March 7, 2008 Teleca's board of directors consists of Chet Kamat (chairman), J.T. Treadwell, Thomas Isaksson, Johan Vunderink, Juha Christensen, Anders Torstensson, Lars Andersson (employee representative) and Hasse Olsson (employee representative).

No Board Member is a member of Teleca's Group Executive Management. Directors are expected to spend the necessary time and effort to properly discharge their responsibilities, and accordingly, regularly attend meetings of the Board and committees on which directors sit. Directors are also expected to attend the Annual General Meetings of Shareholders.

BOARD OF DIRECTORS' WORK

The role of Teleca's Board of Directors is to effectively support and supervise the work carried out by senior management. In 2007, the Board of Directors held 8 regular meetings and 4 extraordinary meetings, of which 1 per capsulam. The Company auditors report to the Board each year on the basis of their audit and state their assessment of internal control. The company's auditors participated in two of the year's board meetings. The guidelines for board work are based on the rules of procedure, which also define the duties of the Board of Directors, the Chairman and the CEO, the latter's authority being stipulated separately in the job description for the position. The rules of procedure regulate, for example, the number of ordinary board meetings, as well as which business is to be discussed at such meetings.

The Board's work focuses primarily on strategic issues, business plans, the financial accounts and major investments and divestments, plus other decisions that have to be addressed by the Board. Reporting on the progress of the Company's operations and financial position was a standing item on the agenda. An evaluation of board work through a questionnaire to board members has been carried out. The nomination committee has based its work on this evaluation. Other senior executives within Teleca participated in Board meetings in order to present matters or carry out administrative duties. The CEO and the CFO attended all meetings in 2007. There is no permanent secretary of the Board. The secretary is chosen at every separate Board meeting. The secretary can not be a member of the Board. During 2007 Teleca's CFO has functioned as secretary at all Board meetings.

CHAIRMAN OF THE BOARD

The Chairman of the Board directs the work conducted by the Board and maintains continuous contact with the CEO to continuously monitor the Group's operations and development. The Chairman represents the Company in ownership matters.

REMUNERATION COMMITTEE

In 2007, the remuneration committee appointed by the Board consisted of Chairman Dan Olofsson and board member Göran Larsson. The responsibility of the committee regards matters related to remuneration to the CEO and other members of senior management, which pertains to the executives who, in addition to the CEO, comprise Group Management. A specification of salaries and other remuneration paid to the CEO, senior management and Board Members is presented in Note 8. Other than what is specified in Note 8 there exists no contracts regarding benefits for board members or executive management after that their assignments or employment contracts has been terminated.

The following guidelines applied for remuneration to senior management during 2007. Executive management consists of he CEO of Teleca AB and the executives in the corporate management team.

The guidelines will apply to employment contracts signed after the board of director's proposal on guidelines for remuneration of executive management has been approved by the decision of the AGM. This also applies to such cases where changes are made to employment contracts after the decision of the AGM. Teleca AB shall offer competitive remuneration and other employment terms in order to recruit and retain an executive management with high competence. The remuneration to executive management shall consist of fixed salary, possible variable salary, pension and other benefits.

The fixed salary, take into account the individuals areas of responsibility and experience. Reviews should be conducted every year. The variable salary should be dependent on the individual's completion of quantitative and qualitative targets. The variable salary shall not exceed 45 per cent of the fixed salary. Pensions shall be fee-based. The retirement age shall be 65. The pensions shall correspond to what can be considered feasible on the market in which the relevant member of the executive management is active. The CEO can cancel

his employment contract with a six months term of notice. Upon cancellation of the CEO employment contract by the Company, a 12 months term of notice applies. For other members of the executive management a six months mutual term of notice applies.

The executive management may be awarded other customary benefits, such as company car and company healthcare etc. The board may derogate from the above guidelines where there in an individual case are special reasons for doing so. For information about the guidelines proposed by the Board for 2008 see Note 8.

BUSINESS CONDUCT GUIDELINES

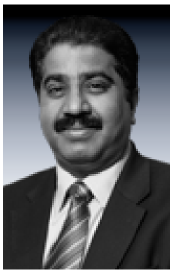
The reputation of our Group and the trust and confidence of our customers, employees, subcontractors and other stakeholders is decisive for the continued success of our business. Our relationships with these stakeholders and our day-to-day business shall be guided by Teleca's values. Our Business Conduct Guidelines, which are based on our values, set out the principles that govern how we do business and our collective responsibilities towards the company's stakeholders.

The Business Conduct Guidelines:

- have been set down to emphasize the basic principles that guide Teleca's operations
- shall guide the daily business of Teleca employees in their relations with other employees, customers, suppliers and shareholders
- establish that Teleca's response to international and national laws and regulations is one of compliance, and that these laws set the minimum standards for our actions
- imply that Teleca and its employees shall act as responsible participants within the company's areas of operation in the building of a sustainable society

It therefore follows that Teleca encourages suppliers, agents, consultants and other business partners to adhere to these principles within their sphere of influence. These principles shall also be applied when assessing current and potential partners. The Business Conduct Guidelines apply to the Board of Directors as well as all employees at Teleca. All employees at Teleca are required to read and confirm their observance of the Business Conduct Guidelines. Employees are also encouraged to report any conduct that they believe, in good faith, to be a violation of laws or the Business Conduct Guidelines. All reports of possible violations will be investigated and resolved as appropriate. No individual will suffer retaliation for reporting in good faith any violations of law or these standards. Any violation may be subject to stringent disciplinary action based on the corporate rules and/or job contracts of each company.

Board of Directors (All holdings as of December 31, 2007)



CHET KAMAT

Chairman, M.Sc. University of Mumbai; PGDM, Indian Institute of Management, Ahmadabad. Born 1961. Member of the Board of Teleca since 2008. Other assignments: Director at Capco NV, Symphony Marketing Solutions, Inc. & Netik Inc.

Holding in Teleca: 0.

JOHN TRISTAN TREADWELL

B.A. Yale, Born 1974. Member of the Board of Teleca since 2008. Other assignments: Member of the Board of Symphony Marketing Solutions and Symphony Metreo Inc.

Holding in Teleca: 0.

JUHA CHRISTENSEN

Studied Business Management at London Business School. Born 1964. Member of the Board of Teleca since 2004. Other assignments: Chairman and CEO at Sonopia Corporation. Board member Unwire A/S, Trolltech AS and Sonopia Corporation.

Holding in Teleca: 0.

JOHAN VUNDERINK

Vaassen, The Netherlands. Born 1947. Member of Board of Teleca since 2002. Other assignments: Chairman of Quint Wellington Redwood B.V, Board member Siennax International B.V., Practis Holding BV and Unit4Agresso NV.

Holding in Teleca: 104,650 Series B shares.

TOMAS ISAKSSON

M. Sc. Stockholm, Born 1954. Member of the Board of Teleca since 2007. Other assignments: Chairman and CEO in Venturi Wireless Member of the Board of AmpTech.

Holding in Teleca: 6,920 Series B shares.

LARS ANDERSSON

M.Sc. Eng, Arlöv. Born 1950. Employee representative. Board member since 2006.

Holding in Teleca: 0.

ANDERS TORSTENSSON

M.Sc. Ind. Eng. Born 1956. Member of the Board of Teleca since 2005. Other assignments: Chairman and owner of Mankato Investments AG, Chairman of Nanjing Scandinavian Industrial Campus Limited, Board Member of One Media Holding AB.

Holding in Teleca 60,000 Series B-shares.

HASSE OLSSON

B.Sc Engineering. Born 1956, Employee representative. Board member since 2007.

Holding in Teleca: 0.

Management (All holdings as of December 31, 2007)

RENÉ SVENDSEN-TUNE

President and Chief Executive Officer. Employed since 2006. M.Sc. Eng. Copenhagen. Born 1955. Other assignments: Board member of GN Store Nord and Excitor. Advisory Board member of NorthCap Partners. Shareholding in Teleca: 0.

LISBETH HALD

Senior Vice President Human Resources and Europe. Employed since 2006. M.Sc. Copenhagen. Born 1958. Shareholding in Teleca: 0.

VALERY KALACHEV

Senior Vice President Russia. Employed since 2006. M.Sc. Nizhny Novgorod. Born 1956. Shareholding in Teleca: 0.

HENRIC ISACSSON

Senior Vice President North America. Employed since 2005. M.Sc. Lund. Born 1963. Shareholding in Teleca: 0.

BEN SALAMA

Senior Vice President Asia Pacific. Employed since 2004. M.Sc London and BA mathematics Jerusalem. London. Born 1954. Shareholding in Teleca: 0.

STEFAN FLERON

Senior Vice President Strategic Accounts Europe. Employed since 1996. M.Sc. E.Eng. Lund. Born 1960. Shareholding in Teleca: 2,200 series B shares.

TOMI RANTAKARI

Vice President Strategic Accounts Europe. Employed since 2005. M.Sc. Helsinki. Born 1973. Shareholding in Teleca: 0.

DAN WESTIN

Vice President Strategic Accounts North America. Employed since 2007. M.Sc. Gothenburg and MBA Chicago. Born 1958. Shareholding in Teleca: 0.

ANETTE GREGOW

Vice President Corporate Communications. Employed since 2006. Diploma in Marketing Management. Lund. Born 1971. Shareholding in Teleca: 0.

SAMI INKINEN

Senior Vice President and Chief Technology Officer. Employed since 2007. M.Sc. and Ph.D. Tampere. Born 1967. Shareholding in Teleca: 3,200 series B shares.

KRISTIAN JÖNSSON

Vice President and General Counsel. Employed since 2007. LL.M. Lund. Born 1964. Shareholding in Teleca: 0.

CHRISTIAN LUIGA

Senior Vice President and Chief Financial Officer. Employed since 2004. Business administration graduate. Stockholm. Born 1968. Shareholding in Teleca: 3,800 series B shares.

MAGNUS RIMVALL

Vice President and Chief Information Officer. Employed since 2006. M.Sc. Lund and Ph.D. Zürich. Born 1957. Shareholding in Teleca: 11,700 series B shares.

WOLFGANG STAHL

Vice President Program Management. Employed since 2003. M.Sc. Darmstadt. Born 1956. Shareholding in Teleca: 0.

Board of Director's report

THE BOARD AND CEO OF THE TELECA AB (PUBL.), ENTERPRISE NUMBER 556250-3515, WITH ITS REGISTERED OFFICE IN MALMÖ, HEREBY PRESENT ITS ANNUAL REPORT AND CONSOLIDATED ANNUAL ACCOUNTS FOR THE PARENT COMPANY AND GROUP FOR THE FINANCIAL YEAR 1 JANUARY 2007 TO 31 DECEMBER 2007.

THE COMPANY

Teleca is the world's leading supplier of services and solutions to the mobile device industry. The focus is on software for mobile phones, where Teleca works with all the leading phone manufacturers, and companies.

The company's services comprise software development, integration, customization, and testing, together with solution offers related to browser and messenger software assets. Teleca also uses Open Source software components and software created by strategic partner networks to make our solution offering more comprehensive. By having a global presence, and concentrating on outsourcing, Teleca is able to offer global customers the right expertise in the right numbers anywhere in the world. Teleca has about 2,000 employees in 11 countries in Asia, Europe and North America.

OWNERSHIP

Teleca is quoted on the Stockholm Stock Exchange's small cap list, which is a part of the Nordic Stock Exchange under the abbreviation TELC B. At year-end, Teleca had 10,838 shareholders. For more information about Telecas share and ownership structure see pages 32-37.

STRATEGY

A new strategy was launched in April aimed at making Teleca the world's leading supplier of services and solutions to the mobile device industry. The company's focus is on profitable growth across its complete services offer and geographical reach in order to stay in a leading position within its industry.

The four cornerstones of Teleca's strategy are:

- **Market and customers:** Strong focus on the mobile device ecosystem and expansion to the Internet ecosystem. Systematic market coverage and account processes.
- **Global offer:** Continue to support all leading platforms and development methods, with special focus on Open Source skills. Enhance repeatability and solution capacity.
- **Value creation and capture:** Continue the shift from resource hiring to task-based supply. Provide a tailored combination of on-shore and off-shore capabilities.
- **Excellence in ex ecution:** Have a global delivery organization focusing on implementing the "Resourcefully yours" concept to our customers. Manage scale and global utilization.

Teleca will use Open Source software components, our own existing software assets such as browser and messenger, and software created by our strategic partner network.

OPERATIONS DURING THE YEAR

During 2007 the Company underwent several tough but important changes. The first half included both the hard work of restoring profitability in units that were not contributing to profit, as well as closing down parts of our business. During this period Teleca set out a clear target to restore operating margin at 10% and growth already during the second half of 2007. As a result of the changes and a clear focus on profitability the company met its targets.

On the backdrop of significant changes in OEM and operator strategies in the beginning of the year, Teleca decided to eliminate the risk of continued losses in its Obigo product business and therefore stopped investments into the Products division. In connection with the changes in Products the integration and development center in Lund, Sweden was closed. Teleca initiated a cooperation with Sony Ericsson Mobile Communications and more than 200 Teleca employees were offered employment by Sony Ericsson of which approximately 160 people accepted. The majority of Teleca's other operations was practically unaffected by the changes in Products. However the service business in Asia was quite closely linked to Telecas former product business, and the work to adapt to the new situation has taken somewhat longer than expected. Teleca has continued to maintain and support the existing software from its offices in Korea and Russia. Customer commitments have been fulfilled and Teleca has also continued to offer its existing Browser and Messenger products to the market.

In April Teleca divested the auSystems Group, a business that focused on services towards Network Equipment providers, Enterprises and Operators. The divestment was a natural part of Teleca's focus on services towards the mobile device industry. The business was divested in two transactions for a total consideration of SEK 812 million and the majority of the proceeds SEK 561 million was transferred to shareholders in August this year. The divestment resulted in a capital gain of SEK 370 million. The divested business had approximately 1,300 number of employees, all located in Europe.

In June 2007 Teleca closed its affiliate in Japan to limit further losses.

One part of Teleca's strategy is to provide a tailored combination of on-shore and off-shore capabilities. During the year Teleca has continued to increase the number of employees

QUARTERLY TREND	2006 Q1	2006 Q2	2006 Q3	2006 Q4	2007 Q1	2007 Q2	2007 Q3	2007 Q4
Net sales, SEK million	350	394	390	356	318	324	302	366
Operating earnings (EBIT), SEK million	–20	–87	–113	–57	–542	–55	22	42
Operating margin, %	–6	–22	–29	–16	–170	–17	7	12
Approximate number of working days	64	59	65	63	62	61	64	63
Number of employees at end of period	2,129	2,173	2,138	2,203	2,189	2,038	2,029	1,976

in it's off shore centers. At the end of the year the number of employees passed 1000 in Russia, up 12 % compared to the end of 2006. In Q2 Teleca initiated the ramp-up of a new off-shore centre in China. Teleca had had 75 employees in China at the end of the year. Teleca has also opened a near-shore site in Poland during the year which employed 26 employees at the end of 2007.

Teleca has done a number of things to streamline the organization and bring it back to profitability. Several new policies and processes have been implemented by the global functions. A global performance management system has been rolled out, driving common goals and incentives across the company. Teleca further improved its global risk review process. This has resulted in a significantly lowered risk level across the project portfolio. The company has launched a new, single brand to create recognition around the world intended to strengthen Teleca's position as a world-leading supplier of mobile services and solutions.

Summary

The changes relating to Products, auSystems and Japan were all completed in the first half of 2007. The financial impact of the closure of products, primarily related to write down of capitalized development costs and impairment of goodwill, was so high that it was not compensated by the overall good performance of the second half of the year. From the third quarter the company focused only on executing the new strategy and driving profitability and growth in the services business and today the company has a leading position as a software outsourcing supplier to the top mobile phone OEM's and their key technology vendors.

In the first half of 2007 Teleca reported significant losses and negative growth, mainly due to restructuring. In the second half, growth picked up and the company showed a respectable profit margin of 10% in total for H2. Teleca ended 2007 with a strong fourth quarter showing a 12% operating margin and 3% growth compare with the previous year.

SALES

Net sales during 2007 were SEK 1,311 million (1,490), organic growth –14 %, and total growth –12%. Changes in currency exchange rates had a negative impact on net sales of 2.5%. In second half of 2007, net sales totaled SEK 668 million, an increase of 4% over first half.

The consulting business reported organic growth of –10% and revenues of SEK 1,133 million (1,263). In Q1 2007 consulting had revenues of SEK 275 million, in Q2 2007 SEK 277 million, in Q3 2007 SEK 270 million and in Q4 SEK 311 million. Consulting revenue grew 5% in the second half over the first half 2007.

Products reported revenues of SEK 178 million (227), an expected decline compared to 2006, and a natural development from the decision to ramp down the Products division.

Order intake has been satisfactory in 2007 and Teleca's strategy of creating tight links with the global leaders of the mobile device industry has showed results. For the year 52% (43) of total revenue derived from the top 5 OEM's and 86% (74) of revenue came from the top 5 OEMs and their key technology suppliers. The top 10 customers of the group made up for 85% (80) of the revenue. Of total revenue 17% (12) came from off-shoring in Russia.

Available working days

Seasonal variations in available time have an impact on income and profits. The number of available working days per quarter and year varies according to weekends and holidays taken. Annual and quarterly comparisons can, therefore, be misleading, as the income varies in relation to the number of available days. When holidays are taken, staffing costs lessen, although they are lower per day than the equivalent net sales. During 2007, the number of days available in the Group were 250, compared with 251 days in 2006. During 2007, one working day of sale of Teleca's services represented a theoretical value of SEK 4.5 million (5.0). The number of available days in a given quarter affects the margin. A change in the company's geographical structure can affect the number of available days. The table below shows the number of available working days, without taking into account holiday days taken per quarter during years 2006 to 2007.

AVAILABLE WORKING DAYS	FULL YEAR	Q1	Q2	Q3	Q4
2006	251	64	59	65	63
2007	250	62	61	64	63

Utilization rate

The utilization rate is calculated as the total number of hours that the customers are debited during a period, divided by the total number of available hours for all employees (with the exception of absence from e.g. holidays and illness).

UTILIZATION, %	Q4 2007	Q3 2007	Q2 2007	Q1 2007	JAN-DEC 2007
Teleca excl. Russia	71 (76)	70 (78)	68 (79)	70 (76)	70 (77)
Russia	81 (–)	82 (–)	81 (–)	78 (–)	81 (–)
Teleca incl. Russia	76 (83)	77 (84)	75 (85)	74 (–)	76 (83)

SALES PER REGION	GROUP	EUROPE	ASIA	NORTH AMERICA
Product revenue	178.2 (226,9)	49.9 (61.7)	113.3 (163.2)	15.0 (2.0)
Consulting revenue	1,132.6 (1,262,6)	808.5 (774.5)	62.8 (149.1)	261.3 (339.0)
Total revenue	1,310.8 (1,489,5)	858.4 (836.2)	176.1 (312.3)	276.3 (341.0)

OPERATING RESULT

	PRODUCTS	CONSULTING[1]	ONE-TIME COSTS	TOTAL GROUP
Revenue	178 (227)	1,133 (1,263)	– (–)	1,311 (1,490)
EBIT	–101 (–220)	70 (84)	–502 (–141)	–533 (–277)
EBIT margin	–57 (–97)	6 (7)	– (–)	–41 (–19)
Avg. employees	151 (255)	1,925 (1,782)	– (–)	2,076 (2,037)

1) Includes head office staff

Operating earnings (EBIT) for the period amounted to SEK –533 million (–277). Of the losses SEK –502 million derives from one time charges taken in the first half 2007 related to the close down of Products consisting of write-down of goodwill of SEK –357 million, write-down of capitalized R&D/patent of SEK –104 million and provisions for restructuring of SEK –41 million. Excluding one time charges operating earnings for 2007 were SEK –31 million. Excluding one time charges Consulting contributed with SEK 70 million (84) to the operating earnings and Products with SEK –101 million (–220).

OPERATING PROFIT/LOSS (EBIT), MSEK	FY 2007	Q4 07	Q3 07	Q2 07	Q1 07
Consulting	70 (84)	26 (36)	16 (–9)	11 (33)	17 (24)
Products	–101 (–220)	17 (–93)	6 (–36)	–56 (–47)	–68 (–44)
One–time costs	–502 (–141)	0 (0)	0 (–67)	–11 (–74)	–491(0)
Totalt	–533 (–277)	43 (–57)	22 (–112)	–56 (–88)	–542(–20)

Second half EBIT was SEK 65 million and the operating margin was 10% compared to a negative SEK –598 million in the first half. Consulting contributed with SEK 42 million (27) and Products with SEK 23 million (–129). Whilst Europe and Russia reported strong performance Asia reported weak results on the backdrop of the product business close down.

Depreciation in 2007 was SEK 54 million (137), of which tangible fixed assets accounted for SEK 25 million (31), capitalized product development costs for SEK 19 million (96), and other intangible fixed assets for SEK 10 million (10). Investments in product development totaling SEK 9 million (104) were capitalized in the balance sheet. Write-down of intangible assets amounted to SEK 461 million (95).

BUSINESS HIGHLIGHTS PER REGION

Europe

Teleca has operations in six countries in Europe, where Germany and Finland are the largest. In general the European units had a good year where Germany and Finland especially have shown strong results. The units in Sweden and UK had a tough first half of 2007 mainly due to the changes in the Products division, but improved their performance in the second half.

During the year we have seen further growth in our strategic accounts with Sony Ericsson, Ericsson and Nokia.

North America

Teleca North America is to a large extent a marketing operation for Teleca's global services and solutions offerings, but also has a local consulting unit. During 2007 several high-profile customer wins were achieved and Teleca made its first entry to the Internet industry in North America.

The local consulting unit in NA had a difficult first half of 2007 but ended the year with a better utilization and more promising outlook.

APAC

In APAC Teleca has units in Korea, Taiwan and China with direct sales into the market with local presence. The changes in the Products division had an immediate negative effect on the APAC business (Korea and Taiwan) since it was tightly linked together and the transition to a services model has been slow but is progressing. The maintenance of the product business has been executed above expectations and Products is now contributing to the result.

Off shore centers

Teleca has offshore centers in Russia, China and Poland where Russia is the largest unit with over 1000 employees. During the year we have seen rapid growth in Russia and China. Russia has gained ten new customers in 2007 and had a stable growth in revenue and 250 new staff have joined since the acquisition in April 2006.

The offshore centre in Chengdu China was established in Q2 2007 and the first customer signed within one month. The centre is now cleared to deliver offshore services on two major technology platforms.

NET FINANCIAL ITEMS

Earnings after financial items were SEK –540 million (–312). Net banking costs and net interest were SEK –10 million (–12), net exchange rate gains from financial assets and debts were SEK 2 million (–8) and other financial items were SEK 2 million (–15).

TAX

The pre-tax loss in continuing operations amounted to SEK –540 million (–312). For continuing operations, the Group reported a tax cost of SEK –124 million (4). Of these, SEK –65 million (52) is from revaluation of deferred tax, which does not impact on the Group's cash flow. The effective tax rate for the year was 28 percent (28).

The realization gains from the sale of auSystems of SEK 370 million in the accounts for discontinued operations are tax-liable for an amount of SEK 167 million only. As part of the divestment of auSystems, Teleca entered an agreement with Cybercom, which may lead to future tax savings for Cybercom. The benefit of these savings will be split equally between Teleca and Cybercom.

During the year, the fiscal loss that was incurred has not fully affected the tax on the profit for the year. In total, Teleca has accumulated tax loss carried forward of SEK 785 million (722) which offers the opportunity to set these deductions off against future taxable profits, which means that the tax paid may fall short of the booked tax. The deferred tax benefit of the tax loss carried forward, as well as the value of the temporary differences has been posted at net SEK 48 million (122) on the Balance Sheet.

RESULTS FOR THE YEAR

The loss for the year for continuing operations was SEK –663 million (–296). During the second quarter, auSystems was sold which resulted in a capital gain of SEK 370 million for the year. The result for the period of SEK –14 million from auSystems activities has been consolidated until 1 April 2007. The amount is reported in the Profit and Loss Account as results from discontinued operations. In addition, Teleca closed its office in Japan for which the net result has been posted as discontinued. Earnings for the year from discontinued operations were SEK 337 million (298). Earnings for the year were SEK –327 million (2).

LIQUID ASSETS AND FINANCIAL POSITION

Cash flow from current operations was SEK –233 million (–70) whereof SEK –84 million (–69) from operations. Change in working capital amounted to SEK –149 million (–1) which is explained by late payments from some larger customers and payments of earlier restructuring in Products during 2006 which has had an effect of SEK –60 million. At the end of the quarter working capital was SEK 125 million (160). Working capital includes liabilities related to provisions for restructuring costs and acquisitions of total SEK 74 million, of which future additional purchase prices amounts to SEK 30 million. The company experienced a temporary increase in working capital at the end of the year, mainly related to delayed payments from some larger customers. Accounts receivable in relation to Q3 revenue were 106% compared to 95% at the end of September. The difference represents approximately SEK 38 million in cash. The company's financial position is healthy and the company sees no need for further loans and assesses current credits as sufficient.

CASH FLOW MSEK	Q1 2007	Q2 2007	Q3 2007	Q4 2007	FY 2007	FY 2006
Cash flow from operations	–41	–97	25	29	–84	–69
Change in working capital	–12	–53	–33	–51	–149	–1
Cash flow from current operations	–53	–150	–8	–22	–233	–70
Investment operations	10	769	–15	–17	747	73
Cash flow from investment operations	–43	619	–23	–39	514	3

The net debt amounted to SEK 257 million (297) as at December 31, 2007. Excluding long-term debt related to an estimated supplementary purchase price for the acquisition of Telma of SEK 72 million, the net debt amounted to SEK 185 million (206).

The Group had total overdraft facilities of SEK 243 million (426), of which SEK 214 million (229) was utilized as at December 31, 2007. The overdraft is arranged with floating interest rates. The debt ratio was 21 percent (14) (see Note 39). Total assets amounted to SEK 1,046 million (1,948) and the Group's equity/assets ratio was 60 percent (63).

FINANCIAL POSITION	Q1 2007	Q2 2007	Q3 2007	Q4 2007	FY 2007	FY 2006
Operating capital, MSEK	57	85	95	125	125	160
Capital share as a percentage of net sales	18	26	31	30	10	11
Capital employed, MSEK	2,103	1,712	1,298	1,339	1,339	2,305
Equity assets ratio, %	67	75	61	60	60	63
Net debt[1], MSEK	256	-444	162	185	185	206

1) Excluding liabilities for additional purchase prices on acquired operations

The group's net investment for the year was SEK –747 million (–73), of which SEK –798 million (–103) was related to the acquisition and sale of operations and SEK 51 million (30) to current operations. Of the net investment in current operations SEK 24 million (21) was related to tangible fixed assets, SEK 12 million (106) to intangible fixed assets and SEK 15 million (–97) to other fixed assets.

In August 2007 a redemption share program was completed whereby SEK 561 million, equal to 9 SEK per share, was distributed to the shareholders.

SENSITIVITY ANALYSIS (2007) AND RISKS

SENSITIVITY ANALYSIS[1]	THEORETICAL IMPACT ON THE OPERATING RESULT, MSEK
Utilization rate +/– 1 percentage point	13
Price services income +/– 1 percentage point	11
Salary costs +/– 1 percentage point	8
Loan interest +/– 1 percentage point	1
Available days +/– 1 percentage point	11

1)Based on actual figures at December 31, 2007.

Risks

Teleca attempts to minimize risk at all times, even if certain risks can be difficult to influence and predict. Teleca's business risks include reduced demand for consultancy services, customer concentration, difficulties attracting and retaining skilled personnel, credit risks, and risks related to fixed price projects. A more comprehensive overview of the operational and financial risks can be found in Note 40.

RESEARCH AND DEVELOPMENT

As of the first quarter 2007 Teleca stopped developing software products and has not capitalized product development in the balance sheet since then. A write down of earlier capitalized product development of SEK 101 million was made in the first quarter of 2007. The outstanding value of capitalized product development is SEK 11 million at the end of 2007, which is planned to be depreciated by approximately SEK 4 million per quarter going forward. Teleca does not have any current plans for further investment in research or development.

INVESTMENTS IN DEVELOPMENT, MSEK	Q1 2007	Q2 2007	Q3 2007	Q4 2007	FY 2007	FY 2006
Capitalized development cost	9	0	0	0	9	104
Depreciation	–10	–4	–3	–4	–21	–98
Write–downs	–101	0	0	0	–101	–95

HUMAN RESOURCES

The average number of staff for 2007 was 2,076 (2,037), divided as follows:

EMPLOYEES AVERAGE (FULL-TIME EQUIVALENT)	Q1 2007	Q2 2007	Q3 2007	Q4 2007	FY 2007	FY 2006
Consulting[1]	1,902	1,889	1,943	1,961	1,925	1,782
o w Russia	940	994	1,036	1,036	1,001	724
Products	276	200	81	47	151	255
Total	**2,178**	**2,089**	**2,024**	**2,008**	**2,076**	**2,037**

1) Includes head office staff

Organic staff growth for 2007 was –5% and total staff growth 2%. Average number of employees in Consulting for 2007 per region were divided as follows : Europe 1,709 (of which Russia 1,001), Asia 163 and North America 53. At the end of the year, Teleca had 61% of its staff in low cost countries, mainly in Russia.

PARENT COMPANY

Net sales during the period amounted to SEK 116 million (86). The result following net financial items amounted to SEK 757 million (664). Liquid assets amounted to SEK 13 million (10). During the period, the parent company invested SEK –7 million (342) net in shares in subsidiaries. SEK 0 million (1) was invested in stock. Write-down of shares in subsidiaries amounted to SEK 1,089 million (0) and the expected shareholder dividend has been posted as SEK 0 per share.

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

During the first quarter of 2008 Teleca will adjust its way of operating to secure better scalability, further increase customer focus and improve operational efficiency. The company will leave its country based site-structure and organize its delivery in larger units and with a global perspective. This will improve flexibility, secure better leverage of skills and resources and improve efficiency. In connection with this Teleca will have redundancy costs at the level of SEK 14 million in Q1 2008. Redundancies are related to management, sales & administrative overhead only. Related annual savings will be at the level of SEK 20 million effective as of 1 March 2008. Thus the redundancy program is not expected to have any negative impact on the operating earnings for the full year 2008.

At the extraordinary meeting on March 7th 2008, it was decided that Teleca would make a rights issue to raise SEK 152 million to support its ongoing transformation into a pure play provider of software development services to the world's leading wireless communications companies. The rights issue is expected to support both organic growth and selected strategic acquisitions. The rights issue will be fully guaranteed by Symphony Technology Group. Conditions include, that nine existing shares will entitle the shareholders to subscribe for two new Teleca shares of the same class at SEK 11 per share. The rights issue will be fully subscribed, meaning that approximately 13.9 million new shares will be issued. The Subscription period is 1-18 April 2008.

At an extraordinary general meeting on 7 March 2008, Dan Olofsson, Chairman, Konstantin Caliacmanis and Göran Larsson, resigned as board of directors. At the same meeting Chet Kamat was elected Chairman and John Tristan Treadwell was elected board of director.

On March 20, 2008 Teleca announced that the figures for the first quarter will be weaker than previously anticipated and the company adjusted its guidance for 2008.

The background was that Teleca had experienced delays or cancellations of previously agreed and expected contracts from key clients. This has led to a decline in the utilization rate in the first quarter of 2008 and is expected to also have a negative effect on the second quarter of 2008.

While Teleca expects the situation to be of short term nature, the company will take all relevant measures to protect profitability until better visibility of demand returns. In a medium- to long-term perspective, Teleca expects that the demand for mobile device software as well as the demand for outsourced software services will increase and the company's growth strategy lies intact.

Current outlook:

Revenues and margins are expected to show increasing growth in 2008.

Teleca expects slight to moderate growth in services revenue whilst a decline in product revenue is expected. The company targets EBIT margins at 10% for the year 2008. Margins are expected to be higher in second half of the year than in the first half.

New outlook:

While Teleca expects flat organic growth in 2008 compared to 2007, the Company intends to seek growth through industry consolidation. The operating earnings (EBIT) in the first quarter is expected to show a small surplus (excluding earlier announced restructuring costs of around SEK 14 million). The EBIT margin for the second quarter is expected to be between 4% and 8%. Given the limited visibility, Teleca has taken a cautious view with regard to the second half of 2008. However, the Company remains committed to its ambition to deliver a double-digit EBIT margin for the second half of 2008.

MARKET OUTLOOK

Teleca remains confident in medium and long term growth in the mobile software market. The company expects the market for outsourcing to grow as the share of outsourcing will increase and technology will be leveraged into new industry segments.

Teleca expects that constant change and fierce competition among OEMs and technology companies in combination with a somewhat downbeat sentiment will drive industry players to further sharpen their strategies and continue to seek cost improvements and ways to accelerate the pace of product development.

While this may lead to changes in demand for Teleca's services, the company sees this situation as an opportunity of further strengthening its market position. Teleca expects the leverage of open systems like Symbian S60, Windows Mobile or Linux to accelerate and it expects outsourcing to further consolidate around the largest vendors.

While Teleca has focused on stabilizing profitability in 2007, it has taken a cautious approach to recruitment. The company is now however restricted by scale and in 2008 Teleca will attempt to accelerate its ability to deliver competences around open systems in significantly larger scale and from all major sites. To this end Teleca will accelerate recruitment in all off-shore sites and in some on-shore sites. Further Teleca will embark on a certain re-training of staff in Russia. While this investment is targeted to accelerate organic growth during the second half 2008 and into 2009, this may have a certain negative impact on margins in the first half of 2008. In order to be able to capture an increased share of the market also short-term, Teleca plans to continue using a significant amount of sub-contracting.

LONG TERM FINANCIAL OBJECTIVES

Teleca's long term strategic objectives are;

- in 2009 target growth of (%): 10 – 15 and EBIT margin (%) of 10 – 15.
- in 2010 target growth (%) of 15+ and EBIT margin (%) of 15+.

BOARD OF DIRECTORS' WORK

The role of Teleca's Board of Directors is to effectively support and supervise the work carried out by senior management. During the year, the Board consisted of seven members elected at the annual general meeting, in addition to two employee representatives. At an extraordinary general meeting on 7 March 2008, Dan Olofsson, Chairman, Konstantin Caliacmanis and Göran Larsson, resigned from the board of directors. At the same meeting Chet Kamat was elected Chairman and John Tristan Treadwell was elected to the board of directors. Other employees participate as needed in Board meetings to either submit reports or carry out administrative duties. In 2007, the Board of Directors held eight ordinary meetings and four extraordinary meetings, of which one per capsulam. Company auditors report to the Board each year on the basis of their audit and state their assessment of internal control. The company's auditors participated in two of the year's Board meetings. The guidelines for Board work are based on the rules of procedure, which also define the duties of the Board of Directors, the Chairman and the CEO, the latter's authority is stipulated separately in the job description for the position. The rule of procedure regulates, for example, the number of ordinary Board meetings, as well as the business to be discussed at such meetings. In addition to following up and reporting on current business operations and earnings trends, the work of the Board has included matters relating to divestment, strategic growth and direction, restructuring and issues of a financial nature.

In 2007, the remuneration committee appointed by the Board consisted of Chairman Dan Olofsson and board member Göran Larsson. The responsibility of the committee regards matters related to remuneration to the CEO and other members of senior management, which pertains to the executives who, in addition to the CEO, comprise Group Management. A specification of salaries and other remuneration paid to the CEO, senior management and Board Members is presented in Note 8. For information about the guidelines for remuneration to senior management used in 2007 see pages 39-41 on corporate governance and for the guidelines proposed by the Board for 2008 see Note 8.

Other than what is specified in note 8 there exists no contracts regarding benefits for board members or executive management after that their assignments or employment contracts has been terminated.

At the 2007 Annual General Meeting of shareholders, it was decided that the Chairman of the Board was to convene a nomination committee consisting of the Chairman and one representative for each of the four largest shareholders in the company in terms of votes based on shareholdings as at the end of September 2007. In accordance with this decision a nomination committee comprises the following were appointed: Dan Olofsson, Chairman of the Board, Konstantin Caliacmanis, Magnus Högström representing Adelphi Capital, Oliver Knobloch representing Pictet & Cie and Henrik Didner representing Didner & Gerge Equity Fund. No remuneration was paid to members of the Nomination Committee.

Teleca has no audit committee; such matters are ultimately decided by the entire Board of Directors. Auditors, elected at the Annual General Meeting for 2007 for four years, are Authorized Public Accountant Peter Gustafsson and Authorized Public Accountant Per-Arne Pettersson (deputy), both from Deloitte AB.

Teleca does not belong to the group of companies that was required, during 2007, to follow the Swedish Code of Corporate Governance. It is the intention of the Board of Directors to adapt to the requirements of the Code as of 1 July 2008. For further information about corporate governance at Teleca see pages 38-41.

OTHER

As of the first quarter 2008 Teleca will no longer record its product business separately. The product business is seen as integrated in Teleca's operation in APAC.

ALLOCATION OF PROFIT

The following earnings in the parent company are at the disposal of the Annual General Meeting.

Balance Sheet Profit/Loss	1,579,353,175
Results for the year	–935,016,765
Total	**644,336,410**

The Board and CEO propose that the earnings are allocated as follows:

Balance Sheet adjustment	644,336,410
Total	**644,336,410**

DIVIDEND

The Board proposes that no dividend be paid for the 2007 financial year (SEK 0.0 per share, 2006).

AMOUNTS AND DATES

Unless otherwise indicated, amounts are stated in SEK millions (SEK M). The period referred to January 1 December 1 for income statement items and December 31 for balance-sheet items. Rounding-off differences may arise.

Consolidated Income Statement

SEK MILLION	NOTE	2007	2006
Operating income	3	**1,310.8**	**1,489.5**
Operating expenses			
Goods for resale/subcontractors		–202.8	–204.6
Other external expenses	5,6	–296.9	–328.8
Personnel expenses	7, 8, 9, 10	–829.5	–1 000.7
Depreciation and write down of tangible assets	11	–24.6	–30.9
Depreciation and write down of intangible assets	12	–490.4	–201.8
Total operating expenses		**–1,844.2**	**–1,766.8**
Operating profit/loss	14	**–533.4**	**–277.3**
Profit/loss from financial investments			
Profit/loss from other securities	16	–	–15.6
Other interest income and similar profit/loss items	17	56.2	28.0
Interest expense and similar profit/loss items	18	–62.5	–47.0
Total profit/loss from financial investments		**–6.3**	**–34.6**
Profit/loss after financial items		**–539.7**	**–311.9**
Tax on profit/loss for the year	19	–123.7	15.6
Profit/loss from continuing operations		**–663.4**	**–296.3**
Profit/loss from discontinued operations	35	336.5	297.9
Profit/loss for the year		**–326.9**	**1.6**
Attributable to equity holders of Teleca AB		–326.9	1.6
Attributable to minority interest		0.0	0.0
Earnings per share	38		
Continuing operations before dilution		–9.90	–4.75
Continuing operations after dilution		–9.90	–4.75
Total group before dilution		–4.88	0.02
Total group after dilution		–4.88	0.02

Consolidated Balance Sheet

SEK MILLION	NOTE	31 DEC, 2007	31 DEC, 2006
Assets			
Non-current assets			
Capitalised development costs	12	10.5	123.7
Patents, licences and similar rights	12	1.1	5.2
Other intangible assets	12	34.3	39.2
Goodwill	12,13	1,041.3	1,747.6
Improvement fee for non-Teleca property	11	1.8	2.3
Equipment and office machines	11	44.3	84.2
Other long-term securities	16	0.1	0.1
Other long-term receivables		22.5	11.4
Deferred tax asset	20	48.3	122.4
Total non-current assets		**1,204.2**	**2,136.1**
Current assets			
Finished goods and goods for resale		0.6	0.6
Trade receivables	21	386.8	668.9
Advances to suppliers		–	0.1
Other receivables		34.8	68.0
Prepaid expenses and accrued income	22	83.5	170.1
Other current financial assets	23	–	0.1
Bank		36.5	58.9
Short-term investments	24	0.1	0.8
Total current assets		**542.3**	**967.5**
Total assets		**1,746.5**	**3,103.6**
Equity and liabilities			
Equity			
Share capital	25	112.3	112.3
Other paid-in capital		1,733.6	1,733.6
Hedging and exchange differences		–7.2	6.3
Retained earnings		–792.5	95.8
Total equity attributable to equity holders of the parent		**1,046.2**	**1,948.0**
Minority interest		0.0	0.0
Total equity		**1,046.2**	**1,948.0**
Non-current liabilities			
Due to credit institutions	26	1.3	4.5
Provisions for pensions	27	2.5	13.3
Provisions	27	93.0	114.8
Other liabilities	23	3.0	23.6
Total non-current liabilities		**99.8**	**156.2**
of which interest-bearing		73.2	105.5
Current liabilities			
Due to credit institutions	26	5.5	18.1
Bank overdrafts	28	214.4	228.9
Other financial liabilities	24	0.1	4.5
Trade payables		81.4	181.7
Current tax payable		21.1	35.8
Provisions	27	0.6	2.9
Other liabilities		82.4	58.6
Accrued expenses and deferred income	29	195.0	468.9
Total current liabilities		**600.5**	**999.4**
Of which interest-bearing		220.0	251.5
Total equity and liabilities		**1,746.5**	**3,103.6**
Memorandum items			
Pledged assets and contingent liabilities	30		
Pledged assets		–	46.9
Contingent liabilities		53.9	72.0

Statement of changes in equity – Group

SEK MILLION	SHARE CAPITAL	OTHER PAID-IN CAPITAL	HEDGE AND EXCHANGE RESERVES	RETAINED EARNINGS	TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	MINORITY INTEREST	TOTAL EQUITY
Balance at 1 January 2006	**112.3**	**1,733.6**	**38.6**	**93.6**	**1,978.1**	**0.0**	**1,978.1**
Profit/loss attributable to cash flow hedges			–0.1		–0.1		–0.1
Change in hedge and exchange reserves							
by disposal of subsidiaries.			–0.6	0.6	0.0		0.0
Exchange differences			–31.6		–31.6		–31.6
Net profit recognised							
directly in equity			**–32.3**	**0.6**	**–31.7**		**–31.7**
Profit/loss for the year				1.6	1.6		1.6
Total profit/loss			**–32.3**	**2.2**	**–30.1**		**–30.1**
Balance at 1 January 2007	**112.3**	**1,733.6**	**6.3**	**95.8**	**1,948.0**	**0.0**	**1,948.0**
Retirement/redemption of shares	–56.1			–505.3	–561.4		–561.4
Bonus issue	56.1			–56.1	0.0		0.0
Profit/loss attributable to cash flow hedges			0.0		0.0		0.0
Exchange differences			–13.5		–13.5		–13.5
Net profit recognised directly in equity			**–13.5**		**–13.5**		**–13.5**
Profit/loss for the year				–326.9	–326.9		–326.9
Total profit/loss			–13.5	–326.9	–340.4		–340.4
Balance at 31 December 2007	**112.3**	**1,733.6**	**–7.2**	**–792.5**	**1,046.2**	**0.0**	**1,046.2**

Consolidated Cash Flow Statement

SEK MILLION	NOTE	2007	2006
Cash flows from operating activities			
Profit/loss after financial items	33	–204.1	1.6
Adjustment for non-cash items	33	165.7	12.2
Income taxes paid		–46.0	–83.0
Cash flows from operating activities			
before changes in working capital		**–84.4**	**–69.2**
Changes in working capital			
Inventories		1.1	–1.8
Current non-interest-bearing receivables		–99.6	–74.6
Current non-interest-bearing liabilities		–50.7	75.2
Changes in working capital		**–149.2**	**–1.2**
Cash flows from operating activities		**–233.6**	**–70.4**
Cash flows from investing activities			
Acquisition of intangible assets		–12.1	–106.3
Acquisition of property, plant and equipment		–25.4	–23.0
Disposal of property, plant and equipment		0.7	2.2
Acquisition of financial assets		–14.6	–17.8
Disposal of financial assets		–	114.9
Acquisition of operations/subsidiaries		–	–265.0
Disposal of subsidiaries	35	798.7	368.0
Cash flows from investing activities		**747.3**	**73.0**
Cash flow after investing activities		**513.7**	**2.6**
Cash flows from financing activities			
Changes in interest bearing liabilities		18.4	17.9
Redemption of shares		–561.4	–
Cash flows from financing activities		**–543.0**	**17.9**
Change in cash & cash equivalents		**–29.3**	**20.5**
Cash & cash equivalents at beginning of period		59.7	47.5
Exchange differences		6.2	–8.3
Change in cash & cash equivalents		–29.3	20.5
Cash & cash equivalents at end of year		**36,6**	**59.7**

For information on interest received and paid, see note 17 Interest income and note 18 Interest expense.

Income Statement – Parent Company

SEK MILLION	NOTE	2007	2006
Operating income		**115.9**	**85.5**
Operating expenses			
Goods for resale/subcontractors		–17.2	–10.2
Other external expenses	5,6	–172.5	–111.4
Personnel expenses	7, 8, 9,10	–38.7	–57.4
Depreciation of property, plant and equipment	11	–0.3	–1.5
Other operating expenses		–1.9	–
Total operating expenses		**–230.6**	**–180.5**
Operating profit/loss	14	**–114.7**	**–95.0**
Profit/loss from financial investments			
Share of profit of group companies	15	–659.2	782.8
Profit/loss from other securities	16	–	–15.6
Other interest and similar income	17	74.5	37.5
Interest and similar expense	18	–57.1	–46.0
Total profit/loss from financial investments		**–641.8**	**758.7**
Profit/loss after financial investments		**–756.5**	**663.7**
Appropriations	32	–	27.4
Tax on profit/loss for the year	19	–178.5	0.0
Profit/loss for the year		**–935.0**	**691.1**

Balance Sheet – Parent Company

SEK MILLION	NOTE	31 DEC, 2007	31 DEC, 2006
Assets			
Non-current assets			
Property, plant and equipment			
Improvement fee for non-Teleca property	11	–	1.3
Equipment and office machines	11	1.4	2.1
Total property, plant and equipment		**1.4**	**3.4**
Financial assets			
Share of profit of group companies	31	1,192.4	2,058.0
Due from group companies		214.2	242.4
Other long-term securities	16	–	0.0
Deferred tax asset	20	1.5	52.4
Total financial assets		**1,408.1**	**2,352.8**
Of which interest–bearing		214.2	242.4
Total non-current assets		**1,409.5**	**2,356.2**
Current assets			
Current receivables			
Trade receivables		8.2	0.7
Due from group companies		452.2	820.2
Other receivables		3,9	1.6
Prepaid expenses and accrued income	22	15.7	3.7
Total current receivables		**480.0**	**826.2**
Cash & cash equivalents			
Bank		12.6	4.2
Short-term investments		0.2	5.5
Total cash & cash equivalents		**12.8**	**9.7**
Total current assets		**492.8**	**835.9**
Total assets		**1,902.3**	**3,192.1**
Equity and liabilities			
Equity	25		
Restricted equity			
Share capital		112.3	112.3
Restricted reserves		68.0	68.0
Total restricted equity		**180.3**	**180.3**
Unrestricted equity			
Unrestricted reserves		1,579.3	1,602.7
Profit/loss for the year		–935.0	691.1
Total unrestricted equity		**644.3**	**2,293.8**
Total equity		**824.6**	**2,474.1**
Provisions			
Provisions for pensions		2.8	2.8
Total provisions		**2.8**	**2,8**
Of which interest-bearing		2.8	2,8
Current liabilities			
Bank overdrafts	28	227.1	206.2
Other financial liabilities		0.2	5.5
Trade payables		24.0	9.0
Due to group companies		750.5	444.1
Other liabilities		31.1	1.6
Accrued expenses and deferred income	29	42.0	48.8
Total current liabilities		**1,074.9**	**715.2**
of which interest-bearing		227.3	211.7
Total equity, provisions and liabilities		**1,902.3**	**3,192.1**
Memorandum items			
Pledged assets and contingent liabilities	30		
Pledged assets		–	5.0
Contingent liabilities		133.2	51.0

Statement of Changes in Equity – Parent Company

SEK MILLION	SHARE CAPITAL	SHARE PREM. ACCOUNT	LEGAL RESERVE	TOTAL RESTRICTED EQUITY	UNRESTRICTED EQUITY	TOTAL EQUITY
Balance at 1 January 2006	**112.3**	**1,664.4**	**3.6**	**1,780.3**	**2.7**	**1,783.0**
Reduction of share premium reserve		−1,600.0		−1,600.0	1,600.0	0.0
Reclassification in accordance with ÅRL 5:14		−64.4	64.4	0.0		0.0
Profit/loss for the year					691.1	691.1
Balance at 1 January 2007	**112.3**	**0.0**	**68.0**	**180.3**	**2,293.8**	**2,474.1**
Retirement/redemption of shares	−56.1			−56.1	−505.3	−561.4
Bonus issue	56.1			56.1	−56.1	0.0
Group contribution paid/received, net					−153.1	−153.1
Profit/loss for the year					−935.0	−935.0
Balance at 31 december 2007	**112.3**	**0.0**	**68.0**	**180.3**	**644.3**	**824.6**

Cash Flow Statement - Parent Company

SEK MILLION	NOTE	2007	2006
Cash flows from operating activities			
Profit/loss after financial items		–756.5	663.8
Adjustment for non-cash items	33	1,092.1	–769.8
Income taxes paid		–127.7	–0.3
Cash flows from operating activities			
before changes in working capital		**207.9**	**–106.3**
Changes in working capital			
Current non-interest-bearing receivables		346.2	–100.4
Current non-interest-bearing liabilities		315.1	–43.8
Changes in working capital		**661.3**	**–144.2**
Cash flows from operating activities		**869.2**	**–250.5**
Cash flows from investing activities			
Acquisition of property, plant and equipment		–0.2	–0.7
Disposal of property, plant and equipment		–	–
Acquisition of subsidiaries		–9.3	–50.6
Disposal of subsidiaries		2.3	392.7
Changes in other financial assets		28.2	–54.9
Cash flows from investing activities		**21.0**	**286.5**
Cash flow after investing activities		**890.2**	**36.0**
Cash flow after financing activities			
Changes in non-current liabilities and			
current interest-bearing liabilities		15.6	–33.6
Group contribution received/paid, net		–153.1	–
Shareholders' contribution paid		–188.2	–
Redemption of shares		–561.4	–
Cash flows from financing activities		**–887.1**	**–33.6**
Change in cash & cash equivalents		**3.1**	**2.4**
Cash & cash equivalents at beginning of period		9.7	7.3
Change in cash & cash equivalents		3.1	2.4
Cash & cash equivalents at end of year		**12.8**	**9.7**

For information on interest received and paid, see note 17 Interest income and note 18 Interest expense.

Note 1: Accounting policies

ACCOUNTING POLICIES - THE GROUP

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) approved by the EU and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as of 31 December 2006.

The Group also applies the Swedish Financial Accounting Standards Council's recommendation RR 30 (Supplementary Rules for Consolidated Financial Statements), which specifies additional information required under the provisions of the Swedish Annual Accounts Act. The financial statements for the parent company have been prepared in accordance with the Swedish Annual Accounts Act, the SFASC's recommendation RR 32, Accounting for Legal Entities, and the pronouncements of the SFASC's Emerging Issues Task Force. The parent company applies the same accounting policies as the group, apart from the points specified below in the section "Accounting Policies – Parent Company".

The International Accounting Standards Board ("IASB") has issued, and the EU have accepted, Financial Instruments for the financial year of 2007, IFRS7: Disclosures and supplements to the IAS 1 Presentation of Financial Statements with regard to the supplementary information concerning external financing, etc. do not signify any change in the statement of accounts or evaluation of the financial instruments. The change in IAS 1 conveys supplementary information regarding external financing.

The IASB has also issued IFRS 8 Operating segments, which will be applicable from 1 January 2009. IFRS 8 replaces IAS 14 Segment reporting. Compared to IAS 14, IFRS 8 sets requirements on the reported segment as well as that the application of accounting principles from the company management's perspective. Furthermore there are certain disclosure requirements in IAS 14. IRS 8 that do not create any essential differences for Teleca AB compared to the requirements applicable to IAS 14. IFRIC has issued the following interpretations which have been accepted by the EU: IFRIC 10 Interim financial reporting and impairment applied to the financial year beginning on 1 November 2006 or later, IFRIC 11 IFRS 2: Group and treasury share transactions applied to the financial year beginning on 1 March 2007 or later and IFRIC 12 Service concession arrangements applied to the financial year beginning on 1 January 2008 or later.

IFRIC 10 will be applied in a future version, meaning possible earlier goodwill write-downs and certain financial instruments will not be allowed in any later interim financial statement. IFRIC 7–9 and IFRIC 11–12 are not applicable to Teleca's operations.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements include the accounts of Teleca AB (publ) and subsidiaries in Sweden and other countries. Subsidiaries are defined as legal entities in which Teleca AB (Publ) owns or controls more than 50% of the voting power, or holds a participating interest in the legal entity and has significant influence over the entity, based on agreements or other provisions.

The consolidated financial statements have been prepared using the purchase method of accounting. This involves recognizing the assets and liabilities of an acquired subsidiary at market value as defined in an acquisition analysis. Only items subsequent to the acquisition date are credited or charged to equity. The profit and loss of companies acquired during the year is included in the consolidated financial statements from the acquisition date. The profit and loss of companies sold during the year is included up to the date of disposal. In the case of corporate acquisitions where final settlement takes place at a later date using earn-out payments, probable adjustment to purchase considerations are regularly assessed. If an adjustment to the value of acquired assets is required, their value is adjusted in the income statement, including any goodwill.

Intra-group transactions and balance sheet items and unrealized gains on transactions between group companies are eliminated. Reporting in all foreign companies in the Teleca Group is made in the currency used in the primary economic environment of each company's main activity, which is normally the local currency.

The income statements and balance sheets of foreign subsidiaries are translated to Teleca's presentation currency (SEK) as follows:

I) assets and liabilities presented on each balance sheet are translated at the closing rate;
II) income and expenses on each income statement are translated at the average rate for the year;
III) all exchange differences arising on translation are reported as a separate component of equity. Goodwill and adjustments to fair value arising from the acquisition of a foreign entity are treated as assets and liabilities in that entity and translated at the closing rate.

REVENUE RECOGNITION

Teleca earns the majority of its revenue from service assignments, both cost-plus and fixed-price contracts, licenses and royalty revenue from proprietary products, support and retailing of products.

Cost-plus service assignments are recognized as revenue in the period during which work is conducted.

For fixed-price service assignments, revenue associated with the transaction is recognized by reference to the stage of completion. Cost-plus projects with an agreed maximum price are recognized in accordance with the principles for fixed-price projects if it is probable that the maximum price will be reached. The project's stage of completion is the proportion that costs incurred to date bear to the estimated total costs of the transaction. Amounts recognized as revenue but not yet invoiced are reported under the item Accrued income and deferred expenses. If there is deemed to be a risk of loss in a project, individual provisions are made to cover the calculated risk and amount.

Revenue from licenses and royalties on products is recognized when a binding contract exists, delivery has been made, payment is likely to be received and there are no outstanding commitments. Revenue from licenses is recognized on the date of delivery. Royalties are recognized as revenue when the customer indicates the number of units produced. Revenue from support agreements is recognized over the contractual period.

FOREIGN CURRENCIES

Receivables and liabilities denominated in foreign currencies have been translated at the closing rate, with unrealized exchange gains and losses recognized in profit or loss.

INVENTORIES

Inventories have been measured at the lowest cost, based on first-in/first-out (FIFO), and net realizable value. Inventories also include a proportion of attributable indirect costs.

NON-CURRENT ASSETS

Intangible assets (note 12) and property, plant and equipment (note 11) with a finite useful life are carried at cost less accumulated depreciation, amortization, and impairment. Depreciation/amortization is based on the cost of an asset cost less residual value at the end of its useful life, using the straight-line method over the asset's estimated useful life. The useful life and residual value are subject to annual revaluation. Depreciation periods for non-current assets are shown below in the section entitled Depreciation/Amortization.

INTANGIBLE ASSETS

Intangible assets are carried at cost less accumulated amortization and impairment.

CAPITALISED EXPENDITURE FOR DEVELOPMENT

Development costs for products regarded as standard products are capitalized as intangible assets in the balance sheet. Development costs are reported as an intangible asset when the following criteria are met:

- It is technically possible to complete the product so that it will be available for sale.
- The company's intention is to complete the product and use or sell it.
- The company has the ability to use or sell the intangible asset.
- The intangible asset will generate probable future economic benefits for the company.
- The necessary and adequate technical, financial and other resources are available to complete the development and to use or sell the intangible asset.
- The company can reliably measure the expenditure attributable to the intangible asset.

Capitalized expenditure for development is shown at cost. Productive value is measured regularly in order to identify any impairment. Research costs are recognized as an expense as they arise.

GOODWILL

The profit that is made up from the difference between the acquisition value and the real value of the group's identifiable acquired net assets, with deductions drawn for identifiable possible obligations, is to be stated as goodwill. If the acquisition cost falls under real value for the acquired subsidiary company's net assets, the difference will be shown directly in the accounting results.

PROPERTY, PLANT AND EQUIPMENT

Improvement work on another party's property includes adaptation of offices in the course of the company's current operations.

Equipment and office machinery include assets used in administration, sales and operation.

IMPAIRMENT OF ASSETS

At the end of each reporting period, an assessment is made to identify whether any of the group's assets may be impaired. If any indication of impairment is present, an estimate of the recoverable amount of the assets is made. Goodwill is allocated to cash-generating units and is subject to annual impairment testing, together with intangible assets with an indefinite useful life and intangible assets, which are not available for, use, even if there is no indication of impairment.

The recoverable amount is based on the higher of value in use and net selling price, which is the price that would be obtained from reselling the asset to an independent third party. The value in use is the present value of future cash flows expected to arise from continuing use of an asset and from its disposal at the end of its useful life. If the recoverable amount is less than the carrying amount, the asset is written down to its recoverable amount and an impairment loss is recognized in the income statement. An impairment loss is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the impairment loss was recognized. However, an impairment loss is reversed only to the extent that it does not increase the carrying amount of an asset above the amount that would have been determined for the asset (net of amortization or depreciation) had no impairment loss been recognized in prior years. A reversal of an impairment loss is recognized in the income statement. Goodwill impairment losses are not reversed.

DEPRECIATION/AMORTISATION

Depreciation/amortization is based on the cost of an asset and its estimated useful life. The following percentage rates are used for depreciation/amortization:

Equipment and office machines	33–10%
Improvement work on non-Teleca property	20–10%
Capitalized expenditure for development	50–33%
Patents, licenses and similar rights	10–5%
Other intangible assets	33%

Depreciation for tax purposes is calculated in compliance with the laws and regulations of each country concerned. Depreciation for tax purposes over and above planned depreciation is considered as accelerated depreciation and is presented as an untaxed reserve.

PROVISIONS

Provisions are defined as liabilities of uncertain timing or amount. A provision is reported when the company has a present obligation as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimation of the amount can be made. Pensions, deferred tax liabilities, additional purchase price, restructuring measures and similar items are reported as provisions in the balance sheet.

Restructuring measures are reported as accruals if agreement has been reached with counterparties regarding time and amount of payment, and the payment date is within one year.

TAXES

Taxes consist of current tax calculated on taxable profit (tax loss), deferred tax and any adjustments recognized in the period for current taxation of prior periods. Income tax is reported in the income statement if it cannot be attributed to a transaction that is recognized directly in equity. All companies in the group calculate income tax in accordance with the tax laws of the countries in which the profit is taxed.

The balance sheet method is used to report deferred tax, whereby differences between the carrying amount of assets and liabilities and their tax base (temporary differences) give rise to deferred tax assets or liabilities. Deferred tax liabilities are recognized for all temporary differences, while deferred tax assets are recognized where it is probable that taxable profits will be available against which the deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for all taxable temporary differences attributable to investments in subsidiaries. Deferred tax is calculated using applicable tax rates and deferred tax recognized in the income statement.

Notional tax is reported by the parent company. This relates to tax on group contributions received/paid for the purpose of minimizing tax.

LEASING

A finance lease is a lease that substantially transfers all the risks and rewards incurred by ownership of an asset. Leases, which are not finance leases, are classified as operating leases.

Assets owned under finance leases are recognized at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the minimum lease payments. Liabilities from the lease taker to the leasing agent are recognized in the balance sheet. Lease payments should be apportioned between the finance charge and the reduction of the outstanding liability. The finance charge should be allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Lease payments under operating leases are recognized as an expense over the lease term on a straight-line basis. Operating leases mainly relate to premises, vehicles, computers and certain items of office equipment.

FINANCIAL ASSETS AND LIABILITIES

Acquisitions and sales of financial assets are reported on the transaction date, namely the date on which the group has a commitment to purchase or sell the asset. Initial measurement of financial instruments is at fair value, and subsequent measurement is at fair value or accrued cost, depending on the initial classification.

TRADE RECEIVABLES

Teleca's trade receivables are classified as "Loans and other receivables" and are recognized at amortized cost, which corresponds to the nominal amounts of the receivables. This asset is tested for impairment at each balance sheet date.

LONG-TERM SECURITIES

Teleca's other long-term securities are classified as "Assets measured at fair value through profit or loss". Assets in this category are initially measured at cost (fair value at the date of acquisition) and thereafter at fair value with any value changes recognized in profit or loss.

FINANCIAL LIABILITIES

Financial liabilities not subject to hedge accounting are classified as "Other liabilities" and are recognized and measured at amortized cost. Direct costs incurred in connection with the arrangement of borrowing are included in the cost of acquisition and reduce the value of the loan in question. Financial liabilities in foreign currency are translated at the closing rate.

FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

The group is exposed to various types of financial risk in the course of its operations. Financial risk refers to fluctuations in the company's earnings and cash flows as a result of changes in exchange rates, interest rates, refinancing and credit risks. It is the group's policy to protect itself against financial risk associated with loans, transactions and translation by using forward currency contracts, swaps and spots.

Teleca uses derivatives mainly to control exposure to exchange rate fluctuations. Derivatives are measured at fair value and recognized in the balance sheet. The effective portion of the change in fair value of outstanding derivatives hedging projected cash flows is recognized directly in equity until the underlying transaction is reflected in the income statement, with any deferred hedging gains or losses recognized in profit or loss. The ineffective portion of the change in fair value of derivatives used as cash flow hedges is entered in the income statement on the same line as profit or loss on the hedged transaction.

CASH & CASH EQUIVALENTS

The group's cash consists of demand deposits and short-term placements with banks with maturity of three months or less. These assets are carried at fair value.

CLASSIFICATION OF ASSETS AND LIABILITIES

Non-current assets and liabilities are mainly amounts, which are expected to be recovered or settled more than 12 months after the balance sheet date. Current assets and liabilities are mainly amounts which are expected to be recovered or settled within 12 months of the balance sheet date.

EQUITY COMPENSATION BENEFITS

Teleca grants options and other equity instruments to certain employees. Teleca has elected to use the exemption in IFRS 1 with regard to share-based payments. IFRS 2 Share-based Payment has therefore not been applied for the incentive schemes granted before 7 November 2002, which vested on 1 January 2005. The group's previous accounting policies have been applied instead, which means that the premium paid by the employee is recognized directly as equity. No expense is recognized in the income statement where the fair value of the instruments exceed the premium.

RETIREMENT BENEFIT OBLIGATION

The majority of Teleca's retirement benefit obligation consists of defined-contribution plans, for which the group makes payments to public and private pension institutions. The regular payments represent the pension expense for the year and are included in personnel costs. The group's cash outflows relating to defined-contribution pension plans are recognized as an expense during the period in which the employees render the related employee service. Because defined-contribution plans allow a certain predetermination of premium payments and Teleca does not compensate for changes in the value of paid premiums, actuarial risk does not fall on the company. A small proportion of the group's retirement benefit obligation consists of defined-benefit plans.

The liability reported in the balance sheet relating to defined-benefit pension plans is the present value of the defined-benefit obligation at the balance sheet date less the fair value of the assets, with an adjustment for unrecognized past service cost and actuarial gains and losses. The defined-benefit obligation is calculated annually by independent actuaries, using the projected unit credit method. The present value of the defined-benefit obligation is calculated by discounting expected future cash flows, using the rate for high-quality corporate bonds of a currency and term consistent with the currency and term of the post-employment benefit obligation.

One of the group's defined-benefit plans is Alecta's occupational pension plan (ITP). This is a multi-employer plan and is classified as a defined-benefit plan in accordance with IAS 19. However, as Alecta is unable to provide sufficient information to allow it to be reported as a defined-benefit plan, the plan has been reported as a defined-contribution plan in accordance with paragraph 30 of IAS 19.

BORROWING COSTS

Borrowing costs in the Group are recognized as an expense in the period in which they are incurred.

DISCONTINUED OPERATIONS

Teleca accounts for discontinued operations when a part of the business is either divested or classified as held for sale. The earnings after tax of discontinued operations and the earnings after tax with deductions for cost of sales at divestment are accounted as one single amount in the income statement. For previous periods presented in the financial reports, all operations that have been discontinued up to accounting year-end are also accounted as one single sum in the income statement.

During 2007, the sale of the auSystems division and the close down of Teleca Japan are accounted as a discontinued operations.

MINORITY INTEREST

Minority interest consists of the value of the minority's share of net assets for consolidated subsidiaries at the time of the original acquisition and the minority's share of the changes in equity after the acquisition.

IMPORTANT ESTIMATIONS AND ASSUMPTIONS FOR THE PURPOSE OF ACCOUNTING

Estimations and assumptions are appraised continually and based on historical experience and other factors, including expectations concerning events in the future which are said to be plausible under prevailing circumstances. As a direction in working out the statement of accounts, estimations and assumptions are made concerning the future. The estimations for the aims of accounting which are the result of these estimations and assumptions will, per definition, not always correspond with the real result.

TESTING OF GOODWILL WRITE-DOWNS

When calculating the recovery value necessity of cash-generating units for the estimation of goodwill write-downs, several assumptions concerning future conditions and estimations about growth, operational margins and market conditions have been made. For further information see Note 13. In the description in Note 13 it becomes clear that extensive changes in these assumptions and estimations have important implications for the goodwill evaluation

EVALUATION OF THE WORK IN PROGRESS

Approximately 35% of Teleca's turnover occurs in commissions at a fixed price. Changes and debts in these continual service commissions amount to extensive amounts. Estimations of the risks within the commission and the completed degrees thereof are based on earlier experiences of similar projects together, with the specific prerequisites of the project. The balance sheet consists of several commissions and no one commission makes up a central part. An incorrect estimation of any particular part will not account for an essential effect on the value of the work in progress. A general incorrect estimation may have essential consequences for the whole, but such an event is not deemed probable.

BALANCED EXPENDITURES FOR DEVELOPMENT WORK

Product development costs are activated in the balance sheet in accordance with the criteria described in Note 1. The profitability evaluation is continually made to identify the write-down necessity based on assumptions and estimations concerning the markets that the products are sold on, the product's competition and sales abilities, and the relevance of these markets. Changes in these assumptions and estimates have an extensive affect on the disclosed value of balanced expenditures for development work.

DEFERRED TAX

When estimating the value of deferred tax assets certain assumptions and estimations have been made concerning the future earning capacity of the relevant business. Changes in these assumptions and estimates can have extensive consequences for the accounted deferred tax claim. More information on these assumptions can be found in Note 20.

ACCOUNTING POLICIES - PARENT COMPANY

The financial statements for the parent company have been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Accounting Standards Council's recommendation RR 32, Accounting for Legal Entities. RR 32 requires the parent company to prepare the legal entity's financial statements in accordance with International Financial Reporting Standards (IFRS) and statements approved by the EU and additional requirements under the Swedish Annual Accounts Act, taking into account the relationship between tax expenses (income) and accounting profit.

The parent company's accounting policies are the same as the group's policies, with the following additions.

GROUP CONTRIBUTION AND SHAREHOLDERS' CONTRIBUTION

Group contribution and shareholders' contributions are reported in accordance with the recommendations of the Swedish Financial Accounting Standards Council's Emerging Issues Task Force. Shareholders' contributions are recognized directly in equity in the receiving company and capitalized in the shares and participating interests of the contributor, provided no impairment loss has been identified. Group contributions are reported on the basis of economic substance. This means that group contributions paid for the purpose of minimizing the group's tax are recognized directly in retained earnings less their current tax effect.

EQUITY - RESTRICTED FUNDS

In Sweden and certain other countries in which the group is active, the parent company and its subsidiaries have restricted funds which may not legally be distributed as dividends

EQUITY - UNRESTRICTED EQUITY

Unrestricted equity includes profits available for distribution from the parent company.

Note 2: Segment reporting

The group runs its operations in a number of divisions, which differ in terms of risks, opportunities, customers, products and services. The group's internal reporting system is structured to allow follow-up and assessment of the economic performance of operations in the different divisions. Consequently, the divisions represent Teleca's primary segment reporting format. After the divestment of auSystems Telecas operational reporting is broken down on two divisions Teleca Consulting and Teleca Products.

Operating income by revenue type:

	Teleca Consulting		Teleca Products		Groupwide and eliminations		Total continuing operations		Discontinued operations		Group total	
SEK million	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
External operating income	1,132.6	1,262.6	178.2	226.9	0.0	0.0	1,310.8	1,489.5	395.1	1,457.0	1,705.9	2,946.5
Internal operating income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating income	**1,132.6**	**1,262.6**	**178.2**	**226.9**	**0.0**	**0.0**	**1,310.8**	**1,489.5**	**395.1**	**1,457.0**	**1,705.9**	**2,946.5**
% of total external revenue	86%	85%	14%	15%	0%	0%	100%	100%				
Capitalised development cost	0.0	0.0	8.9	103.9	0.0	0.0	8.9	103.9	0.0	0.0	8.9	103.9
Operating expenses	−1,029.9	−1,165.9	−308.2	−472.0	0.0	0.0	−1,338.1	−1,637.9	−391.1	−1,406.7	−1,729.2	−3,044.6
Amortisation of capitalised work on the company´s own account	0.0	0.0	−478.1	−191.5	0.0	0.0	−478.1	−191.5	0.0	0.0	−478.1	−191.5
Other depreciation/ amortisation	−32.8	−39.5	−4.1	−1.7	0.0	0.0	−36.9	−41.2	−5.9	−13.7	−42.8	−54.9
Operating profit	**69.9**	**57.2**	**−603.3**	**−334.4**	**0.0**	**0.0**	**−533.4**	**−277.2**	**−1.9**	**36.6**	**−535.3**	**−240.6**
Operating margin, %	6%	5%	−339%	−147%	–	–	−41%	−19%	0%	3%	−31%	−8%
OTHER INFORMATION												
Assets	1,719.2	1,657.4	126.6	615.0	−138.3	−315.6	1,707.5	1,956.8	0.0	988.9	1,707.5	2,945.7
Unallocated assets	0.0	0.0	0.0	0.0	39.0	157.9	39.0	157.9	0.0	0.0	39.0	157.9
Total assets	**1,719.2**	**1,657.4**	**126.6**	**615.0**	**−99.3**	**−157.7**	**1,746.5**	**2,114.7**	**0.0**	**988.9**	**1,746.5**	**3,103.6**
% of total assets	98%	53%	7%	20%	−6%	−5%	100%	68%	–	32%	100%	100%
Liabilities	1,004.2	761.0	318.4	419.9	−997.0	−753.0	325.6	428.0	0.0	275.3	325.6	703.3
Unallocated liabilities	0.0	0.0	0.0	0.0	374.8	294.4	374.8	294.4	0.0	0.0	374.8	294.4
Total liabilities	**1,004.2**	**761.0**	**318.4**	**419.9**	**−622.3**	**−458.6**	**700.4**	**−30.6**	**0.0**	**275.3**	**700.4**	**997.7**
% of total liabilities	151%	76%	53%	42%	−104%	−121%	100%	−3%	–	103%	100%	100%
Investments in property, plant & equipment	21.3	10.8	0.5	0.9	0.2	0.7	22.0	12.4	3.3	11.8	25.3	24.2
Investments in intangible assets	−17.6	248.4	−348.3	103.9	–	–	−365.9	352.3	−328.1	−165.9	−694.0	186.4
Average number of employees	1,925	1,782	151	255	0	0	2,076	2,037	377	1,549	2,453	3,586

Assets and liabilities: Those assets that are included in the respective branch of business operations comprise of those operational assets that are utilised within those operational branches, mainly liquid assets, accounts receivable, accrued income and capital assets. Goodwill is distributed according to the operation that.

SECONDARY SEGMENT – GEOGRAPHICAL AREAS

The group's operations are divided into the following geographical areas; Sweden (the group's home market), the Rest of Europe (Finland, France, Poland, Russia, UK and Germany), Asia (China, Korea and Taiwan) and North America (USA).

The table below shows the distribution of the Group's sales by geographical area, based on location of customers.

Operating income by geographical area, SEK million	2007					2006				
	Continuing operations	%	Discontinued operations	Group total	%	Continuing operations	%	Discontinued operations	Group total	%
Sweden	338	26%	207	545	32%	339	23%	807	1,146	39%
Rest of Europe	521	40%	171	692	41%	498	33%	618	1,116	38%
Asia	176	13%	0	176	10%	312	21%	15	327	11%
North America	276	21%	1	277	16%	341	23%	9	350	12%
Rest of the World	0	0%	16	16	1%	0	0%	8	8	0%
Total Group	**1,311**	**100%**	**395**	**1,706**	**100%**	**1,490**	**100%**	**1,457**	**2,947**	**100%**

Continuation note 2

The table below shows the distribution of the Group's assets and investments by geographical area, based on location of subsidiaries.

Assets and investments by geographical area, SEK million	2007 Assets	2007 Investments in property, plant & equipment	2007 Investments in intangible assets	2006 Assets	2006 Investments in property, plant & equipment	2006 Investments in intangible assets
Sweden	1,471	6	–609	2,003	9	–42
Rest of Europe	948	17	–85	1,578	11	228
Asia	229	2	0	113	4	0
North America	252	0	0	27	0	0
Group eliminations	–1,154	0	0	–618	0	0
Total	1,746	25	–694	3,103	24	186

Note 3: Operating income

Operating income by revenue type:

SEK million	2007	2006
Continuing operations		
Sales of proprietary products	1,100.8	1,293.0
License	26.9	27.7
Royalty	131.3	110.7
Support	20.0	44.4
Sales of third-party products	0.0	0.0
Other	31.8	13.7
Operating income from continuing operations	1,310.8	1,489.5
Discontinued operations		
Sales of proprietary products	382.6	1,411.7
Sales of third-party products	2.3	21.9
Other	10.2	23.4
Operating income from discontinued operations	395.1	1,457.0
Total Group	1,705.9	2,946.5

Note 4: Finance leases

Finance leases
The Group's finance leases relate to computers, other IT equipment and vehicles. The Group does not engage in sub-leasing. The carrying value of leased assets on the balance sheet date was as follows:

SEK million	2007	2006
Acquisition value	41.8	56.0
Depreciation	–35.1	–33.4
Net value of finance leases	6.7	22.6

Liabilities under finance leases, SEK million.

Minimum lease payments	2007	2006
Maturity		
Within 1 year	5.3	18.1
1-5 years	1.4	4.5
Net value	6.7	22.6
Future cost finance leases	–0,3	–0,6
Present value of finance leases	6.4	22.0
Maturity		
Within 1 year	5.1	18.1
1-5 years	1.3	3.9
Net value	6.4	22.0

Note 5: Operational leasing agreements

The group as leases
On the balance sheet date, the group had outstanding commitments under non-cancelable operating leases, with the following maturity:

SEK million	Group 2007	Group 2006	Parent company 2007	Parent company 2006
Within 1 year	92.4	121.8	33.8	5.2
1–5 years	121.1	284.5	26.0	8.9
After 5 years	11.3	109.9	0.0	0.0
	224.8	**516.2**	**59.8**	**14.1**

The total amount for future minimum leasing payments for non-cancelable agreements pertaining to objects that have been sub-let amount to 32,4 MSEK at accounting year end.

The cost of leased assets in continuing operations for the year was SEK 90.3 (161.4) million, with 84.5 (136.2) million of this figure relating to premises and 5.8 (25.2) million to machinery/equipment. The corresponding costs for the Parent Company were SEK 15.8 (3.9) million for premises and SEK 0.4 (0) million for machinery/equipment. The Teleca Group has rental contracts for premises which are sub-let. The costs of these contracts are included in the above figures. Rental costs under these contracts amounted to SEK 15.9 (11.1) million, while rental income totaled 8.2 (7.5) million. Corresponding costs in the parent company were 15.9 (0), with income also 8.2 (0). Future rental costs for these contracts are SEK 18.7 million, of which 0 relates to the Parent Company.

During the year, Teleca has initiated rental agreements in Malmö, Sweden. On top of basic rent, an index is added that follows changes in the consumer price index. The Basic index is set to the October before the date of the contract. There is an option to extend the contract at the latest one year prior to its expiry."

Note 6: Auditors' fees

Fees to auditors, SEK million	Group 2007	Group 2006	Parent company 2007	Parent company 2006
Deloitte				
Auditing assignments	4.4	3.8	1.5	2.4
Other assignments	1.7	1.0	1.7	0.8
Other auditors				
Auditing assignments	0.3	0.4	–	–
Other assignments	0.0	0.0	–	0.0
Total fees to auditors	6.4	5.2	3.2	3.2

The Group's total fees to auditors include SEK 0.4 (SEK 3.4) million in discontinued operations.

Auditing assignments include examination of the annual report, financial statements and administration of the Board and CEO, other auditing assignments normally carried out by company auditors, and advice or other assistance connected with matters which arise during auditing assignments. All other work is classified as Other assignments.

Note 7: Salaries and other remuneration

Salaries and remuneration, SEK million	2007 Board and CEO[1)]	2007 Bonuses and similar remuneration	2007 Other employees	2006 Board and CEO[1)]	2006 Bonuses and similar remuneration	2006 Other employees
Parent Company						
Sweden	5.0	–	23.2	9.5	0.9	20.1
Total, Parent Company	5.0	0.0	23.2	9.5	0.9	20.1
Subsidiaries, Sweden	1.1	–	140.9	3.8	0.6	284.3
Subsidiaries, foreign						
Finland	1.6	–	62.9	3.2	0.1	43.8
France	2.7	0.2	12.0	1.0	–	15.1
Japan	–	–	–	–	–	–
China	1.5	0.2	5.1	–	–	–
Korea	8.1	2.0	56.5	5.3	1.6	52.9
Poland	0.2	–	1.2	–	–	–
Russia	4.3	0.2	77.2	1.9	0.0	51.7
UK	2.1	0.2	60.1	2.6	0.4	74.3
Taiwan	1.2	0.0	12.1	1.9	0.5	7.4
Thailand	–	–	–	0.0	0.0	0.0
Germany	2.8	0.5	127.6	3.0	0.6	108.3
USA	3.5	1.7	31.5	1.5	0.1	32.3
Total, foreign subsidiaries	28.0	5.0	446.2	20.4	3.3	385.8
Continuing operations	34.1	5.0	610.3	33.7	4.8	690.2
1) Including remuneration of Executive Vice President						
Total discontinued operations	3.9	–	179.1	14.3	1.5	646.8
Total, Group	38.0	5.0	789.4	48.0	6.3	1.337.0

Salaries and other remuneration, all employees, incl. Board, SEK million	2007 Salaries and other remuneration	2007 Social security contributions	2007 Retirement benefit expenses	2006 Salaries and other remuneration	2006 Social security contributions	2006 Retirement benefit expenses
Continuing operations						
Parent Company	28.2	15.2	4.7	29.6	14.7	4.6
Subsidiaries	616.2	146.1	42.3	694.3	214.7	58.6
Total continuing operations	644.4	161.3	47.0	723.9	229.4	63.2
Total discontinued operations	183.0	68.8	26.2	661.1	260.5	85.2
Total, Group	827.4	230.1	73.2	1,385.0	489.9	148.4

SEK 1.4 (0.7) million of the parent company's retirement benefit expenses relates to the Board, CEO and Executive Vice President. The parent company does not have any outstanding retirement benefit obligations to these individuals. SEK 2.7 (3.3) million of the group's retirement benefit expenses for continuing operations relates to the Board and the CEOs of the parent company and subsidiaries. The Groups outstanding retirement benefit obligations to these individuals amounts to SEK 0.0 million (0.0) SEK 0.4 (0.8) million of the group's retirement benefit expenses for discontinued operations relates to the Board and the CEOs of the parent company and subsidiaries.

Note 8: Remuneration to senior executives

REMUNERATION TO THE BOARD OF DIRECTORS AND THE CHAIRMAN OF THE BOARD

A professional fee of SEK 0.7 million is paid to the chairman and the members of the board in accordance with the decision of the general meeting of shareholders. During the year a fee of SEK 0.1 million was paid out to the chairman of the board, Dan Olofsson, as well as SEK 0.1 million each to board members; Johan Vunderink, Juha Christensen, Anders Torstensson, Göran Larsson Tomas Isaksson and Konstantin Caliacmanis. No professional fee has been paid out to employee representatives on the board. The chairman of the board has no contract regarding pension or termination payment.

During 2007 the board entered into a consultant agreement with Johan Vunderink for services falling outside the range of his assignment as board member. The settlement is in accordance with standard commercial rates and conditions. A consultation fee of SEK 0.1 (0.5) million has been paid to Johan Vunderink via The Right Fit BV company and to Konstantin Caliacmanis the sum of SEK 1.0 (2.6) million was paid via Pteryx Ltd.

REMUNERATION OF THE CEO

The CEO, Svendsen-Tune, received remuneration totaling SEK 5.0 million for 2007. Remuneration covers his fixed salary and bonus. According to the employment contract, the cost of his pension premium amounts to 30% of his basic salary, equivalent to SEK 1.4 million. In addition to his fixed salary, René Svendsen-Tune has a bonus agreement, which comes into operation from 2008 until up to the end of 2011. The size of the bonus is based on the company's average B share price in June for the respective years in relation to the average share price in June of the preceding year. The average share price in the month of June for the respective years should amount to at least SEK 45 in order for the bonus to be paid out. The base for the calculation of the bonus is SEK 6.0 million, which means that the bonus yield should amount to that sum, if the average share price increased by 100%. The bonus can be paid out if the company becomes the object of a purchase offer of over SEK 45 per share. In this case the bonus is based on the remuneration that is offered for B shares. There is no bonus limit. For the extraordinary efforts performed during 2007 the Board has decided that the CEO will receive an extra bonus of SEK 1,0 Million. The period of notice on the part of the company is 12 months, and 6 months on the part of the CEO.

REMUNERATION TO OTHER SENIOR EXECUTIVES

In 2007, Group Management consisted of 11 individuals in addition to the CEO. Since 1 July 2007, only ten of these are included here, as a result of the company's restructuring process. In total, these 11 individuals received SEK 11.6 million in fixed salaries and SEK 1.0 million in bonuses. The value of other benefits amounted to SEK 0.2 million. Pension premiums for these executives are paid either as defined-benefit or defined-contribution pensions. Defined-contribution pensions amount to a maximum of 15% of their annual salary. Defined-benefit premiums are paid in accordance with the ITP occupational pension plan. Pension age is 65 years. A variable portion of salary may be paid to certain executives. The variable portion is based on individual targets linked to the particular executive's area of responsibility and varies between 0% and 45%. Besides this one executive has a bonus agreement that mirrors the CEO's bonus agreement but on a lower level.

The period of notice for all executives is between 3 and 12 months on the part of the employee. On the part of the company it varies for each individual and is between 6 and 12 months. No termination payment or remuneration apart from salary, pension payments and other benefits are paid during the notice period.

REMUNERATION TO SENIOR EXECUTIVES

SEK million	Basic salary/fees	Variable remu-neration	Other benefits	Retirement benefit expenses
Chariman of the board, Dan Olofsson	0.1	–	–	–
Other board members:				
Konstantin Caliacmanis	0.1	–	–	–
Juha Christensen	0.1	–	–	–
Göran Larsson	0.1	–	–	–
Tomas Isaksson	0.1	–	–	–
Johan Vunderink	0.1	–	–	–
Anders Torstensson	0.1	–	–	–
CEO, René Svendsen-Tune	4.0	1.0	–	1.4
Other executives (11)	11.8	1.0	0.2	1.5
	16.5	2.0	0.2	2.9

The board will propose to the annual general meeting that it decide on guidelines for fee payment to senior executives. By senior executives is meant the CEO and other persons of the board of management. The principles are applicable for the employment contracts that are included after the annual general meeting's resolution on guidelines just as is the case with existing conditions in accordance with the resolution of the general meeting. Those guidelines suggested before the general meeting of shareholders for 2008 are:

- Teleca AB shall offer a total remuneration, in line with the market, that sees to it that senior executives can be recruited and kept. Remuneration to the senior executives will consist of fixed salary, possible variable salary, pension as well as other benefits.
- The fixed salary should take into account the individual's domain of responsibility and experience. Reviews should be held annually.
- The variable salary should be dependent on the individual's compliance with quantitative and qualitative goals. The variable salary should amount to at least 45% of the fixed salary.
- Pension benefits are to be defined contribution planned. Conditions of pension should be in accordance with market relations and what is applicable for equivalent executives on the market.
- The employment contract with the CEO may be terminated by the employee by a termination notice period of six months and by a period of twelve months on the part of the company. For other persons on the company board there shall be a termination notice period of three to six months from both sides.
- The senior executives may be adjudicated sundry customary benefits, such as company car, company health care etc.
- The board retains the right to abandon the above guidelines in the event it judges that there may be a special case for so doing.

Note 9: Equity compensation benefits

No equity compensation benefits programs were issued during 2007. There is no specific programme aimed at the Board and Senior Executives. The Board and Group management do not own any share options.

CHANGES IN THE NUMBER OF OUTSTANDING SHARE OPTIONS AND THEIR AVERAGE EXERCISE PRICE:

	2002 Employee share option scheme
Group 2006	No. of options
Number at beginning of year	40,812
Granted	0
Forfeited	0
Exercised	0
Expired	40,812
Number at end of year	0
Group 2007	
Number at beginning of year	0
Granted	0
Forfeited	0
Exercised	0
Expired	0
Number at end of year	0

Note 10: Personnel, number of employees

Number of employees	2007 No. of employees DEC 31	2007 No. of employees average	2007 Of which men	2006 No. of employees DEC 31	2006 No. of employees average	2006 Of which men
Parent Company						
Sweden	21	27	16	18	20	12
Total, Parent Company	21	27	16	18	20	12
Subsidiaries						
Sweden	100	247	204	551	610	465
Finland	182	167	147	160	131	114
France	32	36	29	39	48	38
China	75	41	31	–	–	–
Korea	102	119	83	118	109	77
Poland	26	7	7	–	–	–
Russia	1,010	1,001	746	905	724	661
UK	111	122	104	133	144	117
Germany	232	219	198	199	180	165
Taiwan	33	37	30	30	20	15
USA	52	53	48	50	51	43
Total, subsidiaries	1,955	2,049	1,627	2,185	2,017	1,695
Total, Group	1,976	2,076	1,643	2,203	2,037	1,707

The average number of employees in discontinued operations was 377 (1,549) during the period January 1 to December 31 2007.

Male/female representation in group management, December 31	2007 Men, %	2007 Women, %	2006 Men, %	2006 Women, %
Parent Company				
Board	100	0	100	0
CEO and other members of group management	82	18	100	0
Group				
Board	92	8	100	0
CEO and other members of group management	78	22	91	9

Sick leave	Parent Company 2007	Parent Company 2006
Total sick leave	2.5%	1.1%
Long-term sick leave	80.6%	56.5%
– Sick leave, men	3.9%	1.4%
– Sick leave, women	0.3%	0.7%
– Sick leave, employees up to 29	[1]	[1]
– Sick leave, employees aged 30–49	0.4%	0.4%
– Sick leave, employees 50 and over	[1]	[1]

1) Not reported since the group is to small.

Note 11: Property, plant and equipment

Group, SEK million	2007 Improvement of non-Teleca property	2007 Equipment and office machines	2007 Total	2006 Improvement of non-Teleca property	2006 Equipment and office machines	2006 Total
Opening cost of acquisition	12.6	249.1	261.7	12.0	237.6	249.6
Purchases through acquisition of subsidiaries	–	–	–	–	36.3	36.3
Purchases	1.4	32.6	34.0	0.6	41.8	42.4
Disposals through sale of subsidiaries	–	−105.5	−105.5	–	−17.8	−17.8
Disposals	−11.5	−35.8	−47.3	–	−44.4	−44.4
Reclassification	–	−0.6	−0.6	–	–	–
Translation differences	–	−0.8	−0.8	–	−4.4	−4.4
Closing accumulated cost of acquisition	2.5	139.0	141.5	12.6	249.1	261.7
Opening depreciation	−10.3	−164.9	−175.2	−9.9	−149.5	−159.4
Purchases through acquisition of subsidiaries	–	–	–	–	−12.1	−12.1
Disposals through sale of subsidiaries	–	74.0	74.0	–	9.9	9.9
Disposals	10.2	23.3	33.5	–	26.9	26.9
Depreciation for the year in continuing operations	−0.6	−24.0	−24.6	−0.3	−30.6	−30.9
Depreciation for the year in discontinued operations	–	−4.5	−4.5	−0.1	−11.7	−11.8
Reclassification	–	0.6	0.6	–	–	–
Translation differences	0.0	0.8	0.8	–	2.2	2.2
Closing accumulated depreciation	−0.7	−94.7	−95.4	−10.3	−164.9	−175.2
Closing residual value	1.8	44.3	46.1	2.3	84.2	86.5
Of which finance leases	–	6.7	6.7	–	22.6	22.6

Parent Company, SEK million	2007 Improvement of non-Teleca property	2007 Equipment and office machines	2007 Total	2006 Improvement of non-Teleca property	2006 Equipment and office machines	2006 Total
Opening cost of acquisition	11.2	4.3	15.5	11.2	9.3	20.5
Purchases	–	0.2	0.2	0.0	0.7	0.7
Disposals	−11.2	−0.7	−11.9	0.0	−5.7	−5.7
Closing accumulated cost of acquisition	–	3.8	3.8	11.2	4.3	15.5
Opening depreciation	−9.9	−2.2	−12.1	−9.7	−4.5	−14.2
Disposals	9.9	0.1	10.0	0.0	3.6	3.6
Depreciation for the year	–	−0.3	−0.3	−0.2	−1.3	−1.5
Closing accumulated depreciation	–	−2.4	−2.4	−9.9	−2.2	−12.1
Closing residual value	–	1.4	1.4	1.3	2.1	3.4

Note 12: Intangible assets

Group, SEK million	2007 Capitalised development costs	Patents, licences and similar rights	Goodwill	Other intangible assets	Total	2006 Capitalised development costs	Patents, licences and similar rights	Goodwill	Other intangible assets	Total
Opening accumulated cost of acquisition	271.6	12.8	1,894.4	51.2	2,230.0	354.5	14.5	1,952.8	31.4	2,353.2
Purchases through acquisition of subsidiaries	–	–	–	–	–	–	–	246.1	21.5	267.6
Purchases	8.9	0.4	–	2.8	12.1	103.9	1.7	3.5	0.2	109.3
Change in purchase consideration	–	–	−10.5	–	−10.5	–	–	8.0	–	8.0
Disposals through sale of subsidiaries	−3.6	−3.2	−330.7	–	−337.5	–	−0.4	−227.8	–	−228.2
Disposals	–	−0.1	−12.1	−0.1	−12.3	−186.7	−3.0	−62.0	–	−251.7
Reclassification	-0.1	–	–	–	−0.1	–	–	–	–	–
Translation differences	–	0.2	−14.6	1.2	−13.2	−0.1	–	−26.2	−1.9	−28.2
Closing accumulated cost of acquisition	**276.8**	**10.1**	**1,526.5**	**55.1**	**1,868.5**	**271.6**	**12.8**	**1,894.4**	**51.2**	**2,230.0**
Opening accumulated amortisation	−52.6	−7.6	−86.8	−12.0	−159.0	−140.5	−7.0	−202.3	−4.8	−354.6
Purchases through acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–
Disposals through sale of subsidiaries	3.6	2.5	14.7	–	20.8	–	0.3	51.0	–	51.3
Disposals	–	0.1	–	–	0.1	185.9	1.6	62.0	–	249.5
Amortisation for the year in continuing operations	−19.7	−1.0	–	−8.6	−29.3	−96.5	−2.4	–	−7.6	−106.5
Amortisation for the year in discontinued operations	−1.1	−0.2	–	–	−1.3	−1.6	−0.3	–	–	−1.9
Reclassification	0.1	–	–	–	0.1	–	–	–	–	–
Translation differences	–	−0.2	4.1	−0.2	3.7	0.1	0.2	2.5	0.4	3.2
Closing accumulated amortisation	**−69.7**	**−6.4**	**−68.0**	**−20.8**	**−164.9**	**−52.6**	**−7.6**	**−86.8**	**−12.0**	**−159.0**
Opening accumulated write-down	−95.3	–	−60.0	–	−155.3	–	–	−60.0	–	−60.0
Write-down for the year	−101.3	−2.6	−357.2	–	−461.1	−95.3	–	–	–	−95.3
Closing accumulated write-down	−196.6	−2.6	**−417.2**	–	**−616.4**	−95.3	–	**−60.0**	–	**−155.3**
Closing residual value	**10.5**	**1.1**	**1,041.3**	**34.3**	**1,087.2**	**123.7**	**5.2**	**1,747.6**	**39.2**	**1,915.7**

Note 13: Goodwill

Goodwill is allocated to cash-generating units identified for each business segment and geographical area.

SEK million	DEC 31, 2007	DEC 31, 2006
Teleca Products	–	357.2
Teleca Consulting[1)]	783.0	783.4
Teleca France	42.5	40.6
Teleca Russia	215.8	238.3
auSystems' operations in the network equipment providers segment	–	46.5
auSystems Sweden South	–	86.4
auSystems Sweden West	–	27.5
auSystems Sweden East	–	123.0
auSystems Italia	–	44.7
Total	1,041.3	1,747.6

1) The total consulting business apart from France and Russia.

Write-down testing on goodwill occurs annually as well as at every given occasion where indications of impairment losses have been identified. The recoverable amount for cash-generating units is determined on the basis of calculating the utilization value. These calculations are based on estimated future cash flows over a 30-year period. Cash flows are based on financial budgets, fixed by the company board, for the coming year as well as an estimated market growth for the following three years. Cash flow projections for subsequent periods have been based on a decreasing growth to consequently amount to 0% after 9 years.

The assumptions mentioned above for the Consulting business (Teleca Consulting, France and Russia) results in an average growth rate of 10 % for the coming 5 year period and a 7% growth rate for the subsequent five year period.

An average operational margin of 8,8% has been assumed for Teleca Consulting and France and an average operating margin of 17%. for Russia.

Impairment testing has been carried out at the lowest level at which separable cash flows have been identified. To calculate the value in use, a discount rate of 12,5% before tax for Russia and 10,0% (10,0 %) before tax for other units has been used.

Impairment testing at 1% unit higher discount rate, alternatively 3 % units lower growth rate for the coming 5 year period, alternatively 1% unit lower operational margin than used in the calculations will not result in any write-down requirement.

Note 14: Transactions with Group companies and related parties

PARENT COMPANY

85% (90%) of the parent company's total sales revenue and 27% (24%) of its total operating costs are related to other group companies.

GROUP AND PARENT COMPANY RELATED PARTY TRANSACTIONS

As of 31-12-2007, Dan Olofsson, Chairman of the Board of Teleca AB, and family own through companies 100% of Danir AB, which is the largest shareholder of Teleca on the closing day, owning 14% of the capital. Danir AB also owns 100% of Epsilon AB and 28% of Sigma AB.

Teleca, Sigma and Epsilon previously belonged to the same corporate group. When the group was split into three separate groups, a number of commitments were divided among them. These included rental leases on properties in which all three groups are represented. Rental costs and other costs associated with the properties have been divided among the three groups based on the level of utilization. Teleca also sells services to Epsilon and Sigma, and purchases services from both groups. In both cases, revenue and costs represent less than 1.0% of total invoicing and cost base. All transactions are conducted on commercial terms and conditions. No representative of Danir AB participates in decisions affecting transactions with the two groups. See also Note 8, Remuneration of senior executives.

Note 15: Share of profit in group companies

	Parent Company	
SEK million	2007	2006
Anticipated dividend paid	426.6	–
Dividend paid	4.1	–
Profit from sale of group companies	–1.0	782.8
Write-down of shares in subsidiaries	–1,088.9	–
Total	**–659.2**	**782.8**

Note 16: Other securities

	Group		Parent Company	
Change during the year, SEK million	2007	2006	2007	2006
Opening carrying amount	0.1	0.1	0.0	0.0
Received shares in AB Ångpanneföreningen (publ) from sale of Benima (note 35)	–	112.3	–	112.3
Shares in AB Ångpanneföreningen (publ) subscribed for under new share issue	–	18.2	–	18.2
Sale of shares in AB Ångpanneföreningen (publ)	–	–130.5	–	–130.5
Closing carrying amount	**0.1**	**0.1**	**–**	**0.0**

Profit/loss from other securities, SEK million				
Capital loss on sale of shares in AB Ångpanneföreningen (publ)	–	–15.6	–	–15.6

Note 17: Interest and similar income

	Group		Parent Company	
SEK million	2007	2006	2007	2006
Continuing operations				
Interest, Group companies	–	–	44.7	23.7
Interest, external	3.4	0.6	4.2	0.4
Exchange gains	51.0	27.0	25.6	13.4
Other	1.8	0.4	–	0.0
Total continuing operations	**56.2**	**28.0**	**74.5**	**37.5**
Discontinued operations				
Interest, external	1.4	3.2	–	–
Exchange gains	0.3	0.9	–	–
Other	0.1	0.0	–	–
Total discontinued operations	**1.8**	**4.1**	**–**	**–**
Total Group	**58.0**	**32.1**	**–**	**–**
Interest received during the year	4.8	2.9	38.4	5.4

Note 18: Interest and similar expenses

	Group		Parent Company	
SEK million	2007	2006	2007	2006
Continuing operations				
Interest, Group companies	–	–	–4.9	–5.5
Interest, external (incl. bank expenses)	–13.4	–12.2	–9.0	–7.8
Exchange losses	–49.1	–34.8	–43.2	–32.7
Total	**–62.5**	**–47.0**	**–57.1**	**–46.0**
Total discontinued operations				
Interest, external (incl. bank expenses)	–3.6	–5.9	–	–
Exchange losses	–0.1	–1.0	–	–
Total discontinued operations	**–3.7**	**–6.9**	**–**	**–**
Total Group	**–66.2**	**–53.9**	**–**	**–**
Interest paid during the year	–11.4	–15.4	–13.8	–12.5

Note 19: Tax

	Group		Parent Company	
Tax expense, SEK million	2007	2006	2007	2006
Continuing operations				
Current tax expense[1)]	–58.9	–55.6	–127.7	0.0
Deferred tax relating to temporary differences	8.1	51.9	1.5	0.0
Deferred tax relating to tax losses	–72.9	–	–52.3	0.0
Deffered tax relating to untaxed reserves	–	7.7	–	–
Total tax expense for continuing operations	**–123.7**	**4.0**	**–178.5**	**0.0**
Discontinued operations				
Current tax expense	2.7	–4.0	–	–
Deferred tax expense	–1.9	0.0	–	–
Total tax expense for discontinued operations	0.8	–4.0	–	–
Total Group	**–122.9**	**0.0**	**–178.5**	**0.0**
1) Notional tax on group contributions	–	–	**–127.7**	–

Relationship between tax expense for the year and accounting profit, SEK million	Group		Parent Company	
	2007	2006	2007	2006
Continuing operations	–539.7	–311.8	–756.5	691.1
Discontinued operations	335.6	313.4	–	–
Profit before tax	**–204.1**	**1.6**	**–756.5**	**691.1**
Tax, based on tax rate of 28%	57.1	-0.5	211.8	-193.5
Adjustment of tax expense from prior years	1.9	1.6	–	–
Tax effect of non-deductible costs	–125.2	–13.6	–322.0	–0.1
Tax effect of non-taxable income	68.9	78.5	120.7	214.5
Adjustment for foreign subsidiaries´ tax rates	–2.2	–3.0	–	–
Tax losses for which deferred tax assets are not recognised	–72.2	–64.6	–136.7	–20.9
Revaluation of previous tax losses	–50.3	1.5	–52.3	–
Other adjustments of temporary taxes	–0.9	0.1	–	–
Total tax expense	–122.9	0.0	–178.5	0.0

The applicable tax rate has been calculated using the parent company's applicable tax rate, which was 28% in 2007 and 2006.

Note 20: Deferred income tax, the balance sheet

Deferred tax assets and tax debts are net accounted when there is a legal right of set-off for current tax assets and tax debts and when deferred taxes are calculated at a simultaneous point in time. The set-off sums are as follows:

SEK million	DEC 31, 2007	DEC 31, 2006
Deferred tax receivables		
– deferred tax assets that can be utilised after more than 12 months	39.1	93.9
– deferred tax assets that can be utilised within a period of 12 months	9.2	28.5
	48.3	122.4
Deferred tax liabilities		
– deferred tax liabilities to be paid after more than 12 months	–10.8	–10.8
– deferred tax liabilities that can be used within a period of 12 months	–	–2.5
	–10.8	–13.3

Teleca has a total of MSEK 785 (722) million in accumulated loss carry forwards which can be utilized against future taxable profits.

Losses of MSEK 143 (395) million is estimated to be able to be utilized against an offset of future profits. Disclosed deferred tax assets pertaining to these losses amount to SEK 35 (111) million. Deferred tax assets have not been stated in the accounts for residual losses, which amount to SEK 642 (327) million, due to uncertainty about the availability of future taxable profits.

When estimating which losses can be utilized, profits for the nearest five years are calculated on the basis of budgeted profit for 2008 and a profitability growth of 10% per annum for the four consecutive years. For companies who are calculated to negatively affect the net profit during the coming year, an even break has been admitted for years 2 to 5. The calculated taxable profit has been discounted with a discount rate of 10%. Only operations that generated profits during 2007 are calculated with a positive profit for the coming five-year period. Losses exist mostly in Sweden and England. Only taxable losses pertaining to these countries are calculated to be utilizable.

Changes in deferred tax assets and liabilities during the year, not including offsetting described above, follow below.

Deferred tax assets:	Taxable losses	Non current assets	Untaxed reserves	Other	Total
As at January 1 2006	53.7	11.9	4.0	2.4	72.0
Reported in the income statement	57.2	–10.9	3.8	0.7	50.8
Outgoing at sale of subsidiaries	–	–	–0.1	–0.2	–0.3
Currency exchange differences	–0.1	0.1	0.0	–0.1	–0.1
As at December 31 2006	110.8	1.1	7.7	2.8	122.4
Reported in the income statement	–74.8	–0.4	4.8	2.6	–67.8
Outgoing at sale of subsidiaries	–1.0	–0.4	–	–4.9	–6.3
Currency exchange differences	–	–	–	0.0	0.0
As at December 31 2007	35.0	0.3	12.5	0.5	48.3

Deferred tax liabilities:	Untaxed reserves	Other	Total
As at January 1 2006	–9.3	–7.6	–16.9
Reported in the income statement	7.8	1.0	8.8
Acquisition of subsidiaries	–	–5.2	–5.2
Currency exchange differences	–	0.0	0.0
As at December 31 2006	–1.5	–11.8	–13.3
Reported in the income statement	–	1.1	1.1
Acquisition of subsidiaries	1.5	–0.1	1.4
Currency exchange differences	–	0.0	0.0
As at December 31 2007	0.0	–10.8	–10.8

Deferred tax assets in the parent company attributed to:

SEK million	DEC 31, 2007	DEC 31, 2006
Taxable losses	0.0	52.2
Non-current assets	0.0	0.2
Other	1.5	–
	1.5	52.4

Note 21: Trade receivables

Trade receivables	Group DEC 31, 2007	DEC 31, 2006
Trade receivables	392.8	698.2
Provision for bad debts	−6.0	−29.3
Total trade receivables	386.8	668.9

Provision for bad debts	Group DEC 31, 2007	DEC 31, 2006
Provision for bad debts at beginning of year	−29.3	−18.3
Net increase in provision	−11.3	−24.2
Recovered amounts previously written off	27.1	11.2
Disposals through sale	7.5	2.2
Translation differences	0.0	−0.2
Provision for bad debts at end of year	−6.0	−29.3

On December 31 trade receivables amounting to SEK 92.7 Million (116.9) were overdue without any write-down requirement. The age distribution for these receiviabels is disclosed in the table below:

	DEC 31, 2007	DEC 31, 2006
1-30 days	51.9	66.5
31-90 days	16.6	21.9
>90 days	24.2	28.5
Total	92.7	116.9

Note 22: Prepaid expenses and accrued income

	Group		Parent Company	
SEK million	DEC 31, 2007	DEC 31, 2006	DEC 31, 2007	DEC 31, 2006
Prepaid rents	27.0	19.7	10.1	0.2
Accrued income from consulting	36.9	120.4	–	0.0
Other	19.6	30.0	5.6	3.5
Total	83.5	170.1	15.7	3.7

Note 23: Fair value of financial instruments

In the course of its operations, the group is exposed to various types of financial risk, including currency risk, interest rate risk, credit risk and liquidity risk. Management of this type of risk is dealt with in the group's financial policy, which is defined by the Board. The aim to obtain protection against financial risk associated with loans, transactions and translation by using forward currency contracts, swaps and spots.

A more detailed description of Teleca's financial risk management can be found in Note 40, Operational and financial risk management.

All financial instuments are reported at fair value. Teleca has no fixed interest liabilities

Note 24: Derivatives

	DEC 31, 2007		DEC 31, 2006	
SEK million	Assets	Liabilities	Assets	Liabilities
Forward exchange contracts, cash flow hedges	0.1	0.1	0.8	4.6
Total	0.1	0.1	0.8	4.6
Less long-term portion:				
Forward exchange contracts, cash flow hedges	–	–	–	–
Short-term portion	0.1	0.1	0.8	4.6

Profit and loss in equity on forward exchange contracts at 31 December 2007 will be transferred from equity to the income statement on different dates between 0 and 6 months after the balance sheet date.

Note 25: Share capital

Teleca AB's share capital is divided into two classes – A shares and B shares. The number of A shares is 655,000 and the number of B shares is 61,722,477. Both A and B shares have a par value of SEK 1.80 and carry the same entitlement to a share in the company's net assets and profit. However, A shares carry an entitlement to ten votes at general meetings of shareholders, and Series B shares one vote.

	DEC 31, 2007		DEC 31, 2006	
	No. of shares	SEK million	No. of shares	SEK million
Registered share capital, January 1	62,377,477	112.3	62,377,477	112.3
Registered share capital, December 31	62,377,477	112.3	62,377,477	112.3

Note 26: Amounts due to credit institutions

SEK million	DEC 31, 2007	DEC 31, 2006
Liabilities to credit institutions due for payment		
– within 1 year	5.5	18.1
– 1 - 5 years	1.3	4.5
– after 5 years	–	–
Total liabilities to credit institutions	6.8	22.6

Amounts due to credit institutions per 2007-12-31 refers in whole to liabilities under finance leases (see note 4).

Note 27: Provisions for pensions and similar commitments

PROVISIONS FOR PENSIONS

Post employment remuneration, such as pensions and other remuneration, is usually paid through continuous payments to independent authorities or bodies which take over obligations to the employee, i.e. through defined contribution plans. The remainder is paid through defined benefit plans, where the obligation stays with Teleca. Defined benefit plans mainly occur in Teleca in Sweden through the ITP plan in accordance with the PRI system (pension). This plan is unfunded.

Commitments for pensions in accordance with ITP/ITPK in Sweden are secured through premium payments to Alecta. According to a statement from the Swedish Financial Accounting standards Council's Emerging Issues Task Force, URA 42, this shall be defined as a defined benefit plan covering several employers. Teleca has not had access to information for the 2007 financial year from Alecta which would make it possible to recognize this plan as a defined benefit plan. The plan has therefore been recognized as a defined contribution plan. The premiums paid to Alecta for 2007 amount to SEK 20.5 Million (40,2 for comparable units). Alecta's surplus may be distributed to the policyholders and/or the persons insured. At the end of 2007 Alecta's surplus expressed as the collective consolidation level amounted to 152 % (143 %). Collective consolidation consists of the market value of Alecta's assets as a percentage of its insurance commitments calculated according to Alecta's actuarial calculation assumptions, which do not comply with IAS 19.

For defined benefit plans the company's costs and the value of outstanding obligations on the reporting date are based on actuarial calculations.

Assumptions in actuarial calculations %	Group Total 2007	2006
Discount rate	4.35	4.00
Rate of inflation	2.10	1.75
Anticipated rate of pension increase	2.10	1.75
Anticipated rate of pay increase	2.60	2.25

In addition to actuarial assumptions disclosed above, actuarial gains and loss can originate from adjustments in assumptions based on experience. It can be high or low figures for staff turnover and longevity rates, etc.

Actuarial gains and losses, SEK million	Group Total 2007	2006
Experince based gains and losses	0.1	−0.1
Other actuarial gains and losses	0.1	0.1
Total actuarial gains and losses	0.2	0.0

The following costs, related to defined benefit obligations, are recognised in the income statement.

Continuation note 27.

Costs, SEK million	Group 2007	Group 2006
Interest expenses	0.1	0.1
Total costs	**0.1**	**0.1**

Defined benefit obligation. change during the year, SEK million	Group 2007	Group 2006
Defined benefit obligation beginning of year	2.7	2.9
Interest expenses	0.1	0.1
Benefits paid	−0.3	−0.3
Actuarila gains and losses	0.2	0.0
Defined benefit obligation end of year	**2.7**	**2.7**

Plans for pensions are recognised as Provisions for pensions in the balance sheet.

SEK million	Group DEC 31. 2007	Group DEC 31. 2006
Present value of funded defined benefit obligation	–	–
Fair value of plan assets	–	–
Present value of unfunded defined benefit obligation	2.7	2.7
Unrecognised net gain/loss	−0.2	0.0
Provision for pensions	**2.5**	**2.7**
Discontinued operations 2007	–	10.6
Provision for pensions according to balance sheet	**2.5**	**13.3**

OTHER PROVISIONS

SEK million	Group 2007	Group 2006
Provison beginning of year	117.7	17.8
Change in additional purchase price	−18.2	90.1
Provisions during the year	7.5	11.0
Utilised during the period	−7.7	−3.2
Additions through purchase of subsidaries	–	5.2
Deductions through sale of subsidaries	−5.1	−0.8
Translation difference	−0.6	−2.4
Provision end of year	93.6	117.7

The additional purchase price for the 2006 acquisition of Telma Soft Ltd and TLM Communications Ltd in Russia is included in other provisions. At closing date the additional purchas price has been calculated to SEK 71.9 Million (90.1).

Pensions and Other provisions

SEK million	Group Total DEC 31. 2007	Group Total DEC 31. 2006
Long term provisions	95.5	128.1
Short term provisions	0.6	2.9
Total provisions	**96.1**	**131.0**

Note 28: Bank overdrafts

SEK million	Group DEC 31. 2007	Group DEC 31. 2006	Parent Company DEC 31. 2007	Parent Company DEC 31. 2006
Amounts utilised	214.4	228.9	227.1	206.2
Amounts granted	243.1	425.8	240.0	395.4

Note 29: Accrued expenses and deferred income

SEK million	Group DEC 31, 2007	Group DEC 31, 2006	Parent Company DEC 31, 2007	Parent Company DEC 31, 2006
Accrued salaries	46.6	78.3	1.3	6.1
Holiday pay liability	28.2	100.5	2.2	2.5
Social security costs	11.4	79.8	2.0	2.9
Other accrued expenses	75.0	21.5	–	0.0
Prepaid income for consulting	11.7	41.7	–	–
Prepaid rents	4.7	2.6	4.7	–
Other prepaid income	17.4	144.5	31.8	37.3
Total	**195.0**	**468.9**	**42.0**	**48.8**

Note 30: Pledged assets and contingent liabilities

SEK million	Group DEC 31, 2007	Group DEC 31, 2006	Parent Company DEC 31, 2007	Parent Company DEC 31, 2006
Pledged assets				
Cash & cash equivalents	–	6.8	–	5.0
Leased property	–	2.5	–	–
Other collateral	–	37.6	–	–
Total	**–**	**46.9**	**–**	**5.0**
Contingent liabilities				
Capital cover guarantees	–	–	79.3	–
Guarantees	21.0	21.1	21.0	0.1
Sureties[1]	32.9	50.9	32.9	50.9
Total	**53.9**	**72.0**	**133.2**	**51.0**

1) Consists mainly of customer commitments

Note 31: Shares in group companies

SEK million	Corp. reg. no.	Reg'd office	No. of shares	%	Carrying amount
Teleca System Design AB	556285-6269	Solna	500	100	0.4
Teleca Mobile Technologies Holdings AB	556630-1841	Stockholm	1,000	100	40.0
Obigo AB	556613-7872	Lund	1,000	100	
Gamla AU-System AB	556186-7309	Stockholm	102,349,125	100	394.5
Teleca Sweden AB	556277-2490	Lund	10,000	100	
Popwire Stockholm AB	556549-6196	Stockholm	47,338,082	98	1.9
Teleca Ltd undergoing name change to Teleca UK Ltd	2773878	UK	392,000	100	70.7
Teleca USA Inc (a California Corp.)	33-090521	California	1,000	100	47.1
Teleca Dissolution Oy	0649616-6	Finland	150	100	0.4
Teleca Finland Holding Oy	1482492-4	Finland	50,636	100	101.3
Teleca Finland Oy	0519697-0	Finland	512,440	100	
Teleca France Holding SAS	429 631 328	France	9,272	100	65.1
Teleca France SAS	418 414 710	France	600	100	
Teleca Korea Inc	110111-2739998	Korea	10,000	100	30.4
Teleca Taiwan Inc	27762683	Taiwan	750,000	100	15.8
Teleca Holding GmbH undergoing name change to Teleca Germany Holding GmbH	HRB160151	Germany		100	382.2
Teleca Systems GmbH undergoing name change to Teleca Germany GmbH	HRB20108	Germany	1	100	
Telma Soft Ltd	1025203734841	Russia		100	
TLM Communication Ltd	1045207810218	Russia		100	
Teleca Beijing Solutions Ltd undergoing name change to Teleca Beijing Ltd	110000450004131	China		100	17.5
Teleca Poland sp.z.o.o	283968	Poland		100	0.1
Teleca Chengdu Solutions Ltd undergoing name change to Teleca Chengdu Ltd	004386	China		100	3.7
Ferator Engineering AB	556083-4011	Solna	5,783,071	100	17.3
auSystems AB	556260-0915	Stockholm	300,000	100	3.6
auSystems Sweden North AB	556599-9579	Östersund	1,000	100	
auSystems Mobile Solutions SA[1]	A82654666	Spain	9,625	96.25	
Other dormant companies in Netherlands, Thailand, Finland, UK, USA and Singapore.					0.4
					1,192.4

1) Teleca AB has entered an agreement to divest auSystems Mobile Solutions SA.

Note 32: Untaxed reserves

	Parent Company	
SEK million	DEC 31, 2007	DEC 31, 2006
Tax allocation reserve 2001	–	–
Untaxed reserves	–	–

	Parent Company	
SEK million	DEC 31, 2007	DEC 31, 2006
Change in tax allocation reserve	–	27.4
Appropriations	–	**27.4**

Note 33: Cash flow statements

	Group	
Profit/loss after financial items, SEK million	2007	2006
Loss in continuing operations	–539.7	–292.2
Loss in discontinued operations	–34.7	14.2
Profit from disposal of operations	370.3	279.6
Total profit/loss after financial items	**–204.1**	**1.6**

Continuation note 33

Adjustment for non-cash items,	Group		Parent Company	
SEK million	2007	2006	2007	2006
Depreciation/amortisation	59.8	151.1	0.3	1.5
Impairment losses	461.1	95.3	1,088.9	2.0
Provisions for pensions	0.0	2.3	0.0	–0.1
Other provisions	1.8	–0.4	–	–
Profit from sale of group companies	–370.3	–279.6	1.0	–773.2
Other non-cash items	24.9	36.7	1.9	–
Translation differences	–11.6	6.8	–	–
	165.7	**12.2**	**1,092.1**	**–769.8**

Note 34: Business combinations

No acquisitions during the year. For acqusitions during 2006 please se the Annual Report for 2006.

Note 35: Discontinued operations

The 1st of April 2007 Teleca sold the companies in the auSystems division, except for Teleca Spain, to Cybercom and Devoteam. The purchase consideration was SEK 812.0 million and the gain from the transaction was recorded to SEK 370.3 million. The results from Teleca Spain in the former auSystems division and Teleca Japan in the Mobile division are also reported as discontinued operations. Teleca Japan was closed during the fourth quarter of 2007.

Discontinued operations for 2006 also includes the Benima operations which were sold on May 8th 2006.

Profit/loss from discontinued operations, SEK million	2007	2006
Profit/loss from Benima operations	−0.9	10.2
Profit from disposal of Benima	–	279.6
Profit/loss from auSystems operations	−13.8	9.8
Profit from disposal of auSystems	370.3	–
Loss from Teleca Japan operations	−19.1	−1.7
Profit/loss from discontinued operations	336.5	297.9

Profit/loss from discontinued operations, SEK million	2007	2006
Operating income	395.1	1,457.0
Operating expenses		
Goods for resale/subcontractors	−63.7	−184.8
Other external expenses	−59.7	−250.4
Personnel expenses	−298.6	−971.5
Depreciation of property, plant and equipment	−5.9	−13.7
Total operating expenses	−427.9	−1,420.4
Operating profit	−32.8	36.6
Other interest and similar income	1.8	4.1
Interest and similar expense	−3.7	−6.9
Total profit/loss from financial investments	−1.9	−2.8
Profit/loss after financial items	−34.7	33.8
Tax on profit/loss for the year	0.9	−15.5
Profit/loss from discontinued operations	−33.8	18.3

Effect on consolidated balance sheet, SEK million		
Intangible assets	13.2	1.7
Property, plant and equipment	19.9	1.6
Financial assets	4.5	5.5
Current assets	436.8	144.9
Cash & cash equivalents	27.6	23.2
Non–current liabilities	−22.7	−3.3
Current liabilities	−384.3	−130.4
Total net assets disposed of	95.0	43.2
Goodwill attributable to disposal	304.6	176.8
Carrying amount of discontinued operations	399.6	220.0
Costs and allowances arising from the transaction	42.1	17.5
Profit from disposal	370.3	279.6
Total purchase consideration	812.0	517.1
Portion paid in cash	812.0	404.8
Portion paid by means of issued shares in Ångpanneföreningen	–	112.3
	812.0	517.1

In addition to the disclosed discontinued operations above the assets and liabilities of Life Science was sold to Softronic. The purchase consideration was SEK 24.0 million and the gain from the transaction was recorded to SEK 3.8 million.

Continuation note 35

Cash flow from sale of subsidiaries, SEK million	2007	2006
Purchase consideration paid in cash	836.0	404.8
Cash & cash equivalents in sold subsidiaries	−27.6	−23.2
Transaction costs paid in cash	−9.7	−13.6
Cash flow from sale of subsidiaries	798.7	368.0

Net cash flow in discontinued operations:
The cash flow in in discontinued operations prior to its disposal is included in the consolidated cash flow statement. Cash flow from operating activities was SEK −13.6 million (17.8), investing activities SEK −5.3 million (−23.1) and SEK −15.9 million (43,7) in financing activities..

Note 36: Dividend per share

No dividend was declared at the 2007 annual general meeting of shareholders The Board will propose a dividend of SEK 0 per share to the annual general meeting of shareholders on 22 April 2008.

Note 37: Net currency gains and losses

The following exchange differences have been recognised in the income statement:

Continuing operations SEK million	2007	2006
Operating income	9.0	−4.9
Operating expenses	−2.3	−1.9
Financial items (notes 17–18)	1.9	−7.9
	8.6	−14.7
Discontinued operations SEK million	**2007**	**2006**
Operating income	0.8	1.1
Operating expenses	−0.6	−3.3
Financial items (notes 17–18)	0.2	−0.1
	0.4	−2.3
Net currency gains and losses	9.0	−17.0

Note 38: Earnings per share

	2007	2006
Net earnings, SEK million	−326.9	1.6
Net earnings from continuing operations, SEK million	−663.4	−296.3
Average number of shares	66,991,701	62,377,477
– after dilution	66,991,701	62,377,477
Earnings per share, SEK	−4.88	0.02
Earnings per share from continuing operations, SEK	−9.90	−4.75

Note 39: Financial Instruments and Capital Structure

FINANCIAL INSTRUMENTS

In the table below the financial assets and liabilites per category in Teleca are presented. For these assets and liabilites the book value equals the fair value.

DEC 31, 2007	Loans, Trade receivables and Other assets	Other liabilites	Derivatives used for hedging	Total
	Amortised cost	Amortised cost	Fair value	
Assets				
Current assets				
Trade receivables	386.8	–	–	386.8
Bank	36.5	–	–	36.5
Short-term investments	–	–	0.1	0.1
Current financial assets	423.3	–	0.1	423.4
Liabilities				
Non-current liabilities				
Due to credit institutions	–	1.3	–	1.3
Current liabilites				
Due to credit institutions	–	5.5	–	5.5
Bank overdrafts	–	214.4	–	214.4
Trade payables	–	81.4	–	81.4
Other liabilites	–	–	0.1	0.1
Non current financial liabilites	–	302.6	0.1	302.7

DEC 31, 2006	Loans, Trade receivables and Other assets	Other liabilites	Derivatives used for hedging	Total
	Amortised cost	Amortised cost	Fair value	
Assets				
Current assets				
Trade receivables	668.9	–	–	668.9
Bank	59.0	–	–	59.0
Short-term investments	–	–	0.8	0.8
Current financial assets	727.9	–	0.8	728.7
Liabilities				
Non-current liabilities				
Due to credit institutions	–	4.5	–	4.5
Current liabilites				
Due to credit institutions	–	18.1	–	18.1
Bank overdrafts	–	228.9	–	228.9
Trade payables	–	181.7	–	181.7
Other liabilites	–	–	4.6	4.6
Non current financial liabilites	–	433.2	4.6	437.8

NET GAIN/ LOSSES FOR EACH CATEGORY OF FINANCIAL ASSETS AND LIABILITIES

The net losses disclosed in the table below refers to bad debt loss. The major part of the bad debt loss 2006.

Net gain/losses for continuing operations	2007	2006
Loans and Trade receivables	–10.1	–71.8

Net gain/losses for discontinuing operations	2007	2006
Loans and Trade receivables	–5.0	–22.8
Total net gain/losses	–15.1	–94.6

CAPITAL STRUCTURE

The group's long-term goal regarding capital tie-up is 0 % of equity. During certain periods this goal can be abandoned for reasons such as strategic acquisitions, growth or other changes that debit operational capital. This is under the condition that the company assesses it to be possible to redress the capital structure within a 12-24 month period. The board establishes the goals for capital structure and makes the decisions regarding major changes. Changes in capital structure can be made through dividends, repurchase or redemption of shares, new share issues sale or divestment of important assets or operations and raising and/or repayment of loans. Teleca assesses the capital on the basis of the debt/equity ratio, taking into account the additional purchase price of acquisitions and equity ratio. During 2007, Teleca's goal, as in 2006, was to strive for an debt/equity ratio of 0 % and equity ratio of at least 40 %. The key ratios as of 31 December 2007 and 2006 were as follows:

SEK million	2007	2006
Total debt	293.1	357.0
Additional purchase price	–71.9	–90.7
Cash & cash equivalents	–36.6	–59.8
Net debt	184.6	206.5
Equity	1,046.2	1,948.0
Debt/equity ratio (%)	21.1	13.7
Net debt/equity ratio (%)	17.6	10.6
Equity ratio (%)	59.9	62.8

Note 40: Operational and financial risk management

OPERATIONAL RISKS

Teleca aims to minimise all risks, even though some of these may be difficult to foresee or influence. Below is a summary of risks directly associated with operations.

GENERAL MARKET DEVELOPMENT

Teleca is not able to influence the general situation in the consulting services market. The demand for Teleca's services depends largely on the extent to which customers invest in R&D. A weak market can have an adverse impact on Teleca in the form of reduced demand, lower prices and higher selling costs.

PROJECT RISKS

Teleca works with two main types of customer projects, namely cost-plus and fixed-price. Cost-plus projects may be terminated at very short notice or the customer may decide not to start an agreed project. In such cases, Teleca's costs are not always fully covered, especially the cost of employees who are not immediately able to start work on other projects. Fixed-price projects can involve risk in terms of the ability to complete them within the agreed cost and time framework, and operations are therefore exposed to risks associated with time over-runs. Certain projects also involve risks linked to delivery liabilities.

RISKS ASSOCIATED WITH MULTINATIONAL OPERATIONS

The expansion of Teleca's operations into new geographical markets is associated with cultural differences, which can make group coordination more difficult. Other possible problems include changes in exchange rates, double taxation, unexpected changes in official requirements, foreign laws and regulations, labor legislation, and, in some countries, lengthy delays before payment of invoices.

CUSTOMER CONCENTRATION

The five largest customers account for approx. 73 percent of Teleca's total net sales. The ten largest customers account for approx. 85 percent of Teleca's total net sales. Teleca is to a certain extent dependent on a relatively small number of global companies with major purchasing power regarding products and services for mobile phones. Even though sales to each major customer are distributed among a number of agreements, the loss of one key customer can have a significant effect on Teleca's net sales and earnings. A fall in demand or a reduction of prices for the company's services would also have a major impact on the company's earnings.

PATENTS AND PROTECTED TECHNOLOGY

Teleca's strategy is, to protect the patents, trademarks and knowledge which arise in the course of its operations wherever possible. In the industries in which the company operates, and in the services sector in particular, it can be difficult to obtain patents for the development in which the company has invested, which also affects the company's ability to protect these rights. The company does not consider that the expiry of any of its protected patents would have a material effect on its results. Although Teleca does not believe that its products, services and deliveries infringe the protected rights of other companies, there is no guarantee that a third party will not bring action against the company for infringement of protected rights in the future. There are also no guarantees that the company will be able to protect its present patents in a cost effective way against competitors developing similar technologies.

FINANCIAL RISK MANAGEMENT

Teleca's operations are exposed to the following types of financial risk: interest rate, funding, liquidity, currency, credit and counterparty risk. The importance of managing these risks has increased following the rapid growth of Teleca's international business. The group's financial activities and financial risk management are largely centralized. Management of this type of risk is dealt with in the group's financial policy, which is defined by the Board. The aim is to manage and control the group's financial risks effectively.

INTEREST RATE RISK

Interest rate risk refers to the risk of a change in market rates having a negative effect on the group's financial results. The duration of fixed interest rate periods of loans and financial investments is a key factor in determining how a permanent change in market rates affects the company's earnings. The duration of the interest periods of Teleca's assets and liabilities is mostly short-term and does not normally exceed 12 months.

FUNDING AND LIQUIDITY RISK

Funding and liquidity risk refers to the risk of costs increasing and funding potential becoming limited when loans are due for refinancing, and the risk of payment obligations not being fulfilled due to insufficient liquidity or difficulty in obtaining financing. Most of the group's external funding takes the form of overdraft facilities arranged by the parent company. The existing overdraft facilities contain covenants which require the company to fulfill a number of financial key figures.

CURRENCY RISK

Currency risk refers to the risk of changes in foreign exchange rates having a negative effect on Teleca's future cash flows and financial results. Currency exposure arises in connection with payments in foreign currencies (transaction exposure) and the translation of foreign subsidiaries' balance sheets and income statements to SEK (translation exposure). During the year, Teleca's earnings were affected by fluctuations in the USD, EUR and GBP.

TRANSACTION RISK

The main transactional risks pertain to the payment flow in the group's international operations. International operations increased in 2007 and are significant. Transactional risks are limited to where Teleca's subsidiaries predominantly invoice their customers in the local currency. As a result of these increasing foreign operations invoicing in another currency besides the local one has increased which has resulted in a rise in hedging of future payment flow during the year.

TRANSLATION EXPOSURE

Teleca's financial results are also affected by group consolidation, when the subsidiaries' results and net assets are translated to SEK. At the end of the financial year, the most significant translation exposure of net investments in foreign subsidiaries was related to GBP, EUR and RUB.

SENSITIVITY ANALYSIS

SEK million	Change	Income effect	Profit/loss effect
Interest rates	+/- 1%	–	1
EUR/SEK	+/- 5%	36	11
USD/SEK	+/- 5%	18	13
GBP/SEK	+/- 5%	5	0
RUB/SEK	+/- 5%	1	8
KRW[1)]/SEK	+/- 5%	0	5

1) KRW = Korean Won

DERIVATIVE FINANCIAL INSTRUMENTS

Teleca uses financial derivatives to hedge the Group's currency exposure relating to future cash flows in foreign currency. All outstanding currency derivatives have a maturity of less than 12 months. The Group has a number of forward exchange contracts at 31 December 2007, with nominal amounts of EUR 0.1 million, GBP 0.1 million, SEK 0.9 million and USD 0.0 million. See also note 24.

CREDIT AND COUNTERPARTY RISK

Credit and counterparty risk refers to the risk of Teleca's counterparties financial (banks etc.) and commercial (customers) – being unable to meet their commitments in the form of interest payments, delivery of financial instruments or other payments. Teleca's subsidiaries are responsible for the credit risk associated with trade receivables. Most of the group's customers are large, blue chip companies for which credit risk is deemed to be low, as confirmed by the group's historically low credit losses. Teleca's policy is to obtain a credit rating whenever it starts doing business with a new customer.

The group regularly evaluates its credit risk with regard to trade receivables. Counterparty risk is minimized by placement of the group's cash & cash equivalents in Swedish banks, via the parent company. Maximum credit exposure corresponds to the carrying amount of Teleca's financial assets.

Note 41: Events after the balance sheet date

During the first quarter of 2008 Teleca will adjust its way of operating to secure better scalability, further increase customer focus and improve operational efficiency. The company will leave its country based site-structure and organize its delivery in larger units and with a global perspective. This will improve flexibility, secure better leverage of skills and resources and improve efficiency. In connection with this Teleca will have redundancy costs at the level of SEK 14 million in Q1 2008. Redundancies are related to management, sales & administrative overhead only. Related annual savings will be at the level of SEK 20 million effective as of 1 March 2008. Thus the redundancy program is not expected to have any negative impact on the operating earnings for the full year 2008. At the extraordinary meeting on March 7th 2008, it was decided that Teleca would make a rights issue to raise SEK 152 million to support its ongoing transformation into a pure play provider of software development services to the world's leading wireless communications companies. The rights issue is expected to support both organic growth and selected strategic acquisitions. The rights issue will be fully guaranteed by Symphony Technology Group. Conditions include, that nine existing shares will entitle the shareholders to subscribe for two new Teleca shares of the same class at SEK 11 per share. The rights issue will be fully subscribed, meaning that approximately 13.9 million new shares will be issued. The Subscription period is 1-18 April 2008. At an extraordinary general meeting on 7 March 2008, Dan Olofsson, Chairman, Konstantin Caliacmanis and Göran Larsson, resigned as board of directors. At the same meeting Chet Kamat was elected Chairman and John Tristan Treadwell was elected board of director.

On March 20, 2008 Teleca announced that the figures for the first quarter will be weaker than previously anticipated and the company adjusted its guidance for 2008.

The background was that Teleca had experienced delays or cancellations of previously agreed and expected contracts from key clients. This has led to a decline in the utilization rate in the first quarter of 2008 and is expected to also have a negative effect on the second quarter of 2008. While Teleca expects the situation to be of short term nature, the company will take all relevant measures to protect profitability until better visibility of demand returns. In a medium- to long-term perspective, Teleca expects that the demand for mobile device software as well as the demand for outsourced software services will increase and the company's growth strategy lies intact.

CURRENT OUTLOOK:

Revenues and margins are expected to show increasing growth in 2008. Teleca expects slight to moderate growth in services revenue whilst a decline in product revenue is expected. The company targets EBIT margins at 10% for the year 2008. Margins are expected to be higher in second half of the year than in the first half.

NEW OUTLOOK:

While Teleca expects flat organic growth in 2008 compared to 2007, the Company intends to seek growth through industry consolidation. The operating earnings (EBIT) in the first quarter is expected to show a small surplus (excluding earlier announced restructuring costs of around SEK 14 million). The EBIT margin for the second quarter is expected to be between 4% and 8%. Given the limited visibility, Teleca has taken a cautious view with regard to the second half of 2008. However, the Company remains committed to its ambition to deliver a double-digit EBIT margin for the second half of 2008.

Signing of the Annual Accounts

The board of directors and the managing director hereby certify that the annual accounts have been prepared in compliance with the Swedish Annual Accounts Act and Recommendation RR32, give a true and fair view of the company's financial position and results of operations and that the administration report gives a true and fair summary of the development of the company's activities, financial position and results of operations, and that it describes such substantial risks and uncertain factors that the company is to confront.

The board of directors and the managing director hereby certify that the consolidated accounts have been prepared in compliance with International Financial Reporting Standards (IFRS) as adopted by the EU, give a true and fair view of the group's financial position and results of operations and that the administration report of the group gives a true and fair summary of the development of the group's activities, financial position and results of operations, and that it describes such substantial risks and uncertain factors that the companies within the group are to confront.

The annual accounts and the consolidated accounts have been approved for publishing by the board of directors on March 25, 2008. The income statements and the balance sheets of the group and the parent company respectively will be subject of adoption at the annual general meeting on April 22, 2008.

MALMÖ MARCH 25, 2008

Chet Kamat
Board of Director

René Svendsen-Tune
President and CEO

John Tristan Treadwell

Juha Christensen

Johan Vunderink

Tomas Isaksson

Lars Andersson

Anders Torstensson

Hasse Olsson

THIS AUDIT REPORT WAS SUBMITTED
ON MARCH 25 2008

Peter Gustafsson
Authorised public accountant

Auditors' Report

TO THE ANNUAL MEETING OF THE SHAREHOLDERS OF TELECA AB (PUBL)

Corporate identity number 556250-3515

I have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of Teleca AB (publ) for the financial year 2007. The company's annual accounts are included in the printed version of this document in pages 44-76. The board of directors and the managing director are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRS as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. and the managing director. My responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on my audit.

I conducted my audit in accordance with generally accepted auditing standards in Sweden. Those standards require that I plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director and significant estimates made by the board of directors and the managing director when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for my opinion concerning discharge from liability, I examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. I also examined whether any board member or the managing director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. I believe that my audit provides a reasonable basis for my opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with international financial reporting standards IFRS as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. The administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

I recommend to the annual meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Stockholm, March 25 2008

Peter Gustafsson
Authorized Public Accountant

Supplementary three-year overview

The information below is a summary of Teleca's financial result and position. The years 2006 and 2007 are presented in accordance with the 2007 annual report. The Consolidated balance sheet and cash flow statements for 2005 are presented in accordance with the 2006 annual report. The Consolidated income statement for 2005 has been recalculated in order to increase the comparability with the Consolidated income statements for 2006 and 2007 (see below for a detailed description). Teleca has carried out substantial restructurings during the last three years. Furthermore, Teleca has discontinued parts of its operations during 2006 and 2007. The current financial information regarding the discontinued operations has, in accordance with IFRS, been accounted for separately from the continuing operations. Net profit/loss from the discontinued operations, and the results from sales or liquidations, have been accounted for in a single number in the income statement. The below summary of the Group's accounts should be read together with Teleca's annual reports for 2007 and 2006, and their accompanying notes.

CONSOLIDATED INCOME STATEMENT

SEK MILLION	2007	2006	2005
Operating income	1,310.8	1,489.5	1,275.7
Operating expenses	–1,844.2	–1,766.8	–1,298.7
Operating profit/loss	**–533.4**	**–277.3**	**–23.0**
Profit/loss from financial investments	–6.3	–34.6	4.8
Profit/loss after financial items	**–539.7**	**–311.9**	**–18.2**
Tax on profit/loss for the year	–123.7	15.6	–21.3
Profit/loss from continuing operations	**–663.4**	**–296.3**	**–39.5**
Profit/loss from discontinued operations	336.5	297.9	86.4
Profit/loss for the year	**–326.9**	**1.6**	**46.9**

Explanations to the consolidated income statement:

A one time charge of SEK –502 million that affected the operating result in 2007 was related to the close down of Products consisting of write-down of goodwill of SEK –357 million, write-down of capitalized R&D of SEK –104 million and provisions for restructuring of SEK –41 million. Furthermore, the year's tax expense includes a write-down of deferred tax receivables of SEK –95 million, which was done as a consequence of a decision to discontinue operations. The operating result in 2006 included a one time charge of SEK –198 million, consisting of write-down of capitalized R&D of SEK –95 million and reserves for restructuring costs of SEK –103 million.

Discontinued operation

MKR	2007	2006	2005
Profit/loss from Benima operations	–0.9	10.2	34.4
Profit from the sale of Benima	–	279.6	–
Profit/loss from auSystem operations	–13.8	9.8	57.3
Profit from the sale of auSystem	370.3	–	–
Loss from Teleca Japan operations	–19.1	–1.7	–5.3
Profit/loss from discontinued operations	**336.5**	**297.9**	**86.4**

On 1 April, 2007 Teleca sold to Cybercom and Devoteam the companies within the asuSystem division, apart from Teleca Spain. The purchase price amounted to SEK 812 million and the profit from the transactions amounted to SEK 370 million. The result from Teleca Spain in the former auSystem division and Teleca Japan in Mobile division is also included in the discontinued operations. Teleca Japan was discontinued during the fourth quarter of 2007.

The discontinued operations for 2006 also include the results for Benima that was sold on 8 May, 2006.

CONSOLIDATED BALANCE SHEET

SEK MILLION	31 DEC 2007	31 DEC 2006	31 DEC 2005
Non-current assets	1,204.2	2,136.1	2,110.7
Current assets	542.3	967.5	981.4
Total assets	1,746.5	3,103.6	3,092.1
Equity	1,046.2	1,948.0	1,978.1
Current liabilities	99.8	156.2	94.5
Non-current liabilities	600.5	999.4	1,019.5
Total equity and liabilities	1,746.5	3,103.6	3,092.1

CONSOLIDATED CASH FLOW STATEMENT

SEK MILLION	2007	2006	2005
Cash flow from operating activities	–233.6	–70.4	203.3
Cash flow from investing activities	747.3	73.0	–198.3
Cash flow from financing activities	–543.0	17.9	–61.5
Change in cash and cash equivalent	–29.3	20.5	–56.5
Cash and cash equivalent beginning of period	59.7	47.5	96.5
Exchange differences	6.2	–8.3	7.5
Change in cash and cash equivalent	–29.3	20.5	–56.5
Cash and cash equivalents at end of year	36.6	59.7	47.5

PHOTO: JÜRI SOOMÄGI, RICKARD ERIKSSON. ARTWOK: PRINFO I&N.

Notice of the Annual General Meeting of Teleca AB (publ)

The shareholders of Teleca AB (publ) are hereby invited to attend the annual general meeting at Hotel Hilton, Triangeln 2, Malmö, on Tuesday 22 April 2008 at 4 p.m. From 3 p.m. a light meal will be served.

Your Right to Attend

To have the right to participate in the general meeting, shareholders must no later than on Wednesday 16 April 2008 be recorded as a shareholder in the shareholders' register maintained by VPC AB (the Swedish Central Securities Depository), and no later than 4 p.m. on Wednesday 16 April 2008 inform the company of their intention to participate in the general meeting. Shareholders who wish to participate in the general meeting and whose shares are registered in the name of a nominee must arrange for the shares to be temporarily re-registered in their own name at VPC. Such registration must be made no later than on Wednesday 16 April 2008, and such shareholders are therefore advised to inform their nominees in due time before this date.

Notice of participation

Notice of participation in the general meeting is made in writing to Teleca AB (publ), att: Eva Borgström, Dockplatsen 12, SE-211 19, Malmö, Sweden, by telephone +46 40-25 30 04, by fax +46 40-25 30 01 or by e-mail to eva.borgstrom@teleca.com. The notification shall include name, civic registration number or corporate registration number, the number of shares held, daytime telephone number and, where applicable, the number of any accompanying assistants (maximum two) at the general meeting. If a shareholder intends to be represented by a proxy, the power of attorney as well as other authorisation documents should be included in the notification. A proxy form is held available upon request.

Investor requests

Teleca AB (headquarters)
Dockplatsen 12, SE- 211 19 Malmö, Sweden
Phone +46 (0) 40-25 36 16
Fax +46 (0) 40-25 30 01
E-Mail mattias.stenberg@teleca.com

Teleca is a world-leading supplier of software services to major players of the mobile device industry. The company offers tailored solutions, systems design and the integration of software and hardware for mobile phones. Teleca has about 2,000 employees in 11 countries in Asia, Europe and North America and is quoted on the Small cap list of the Nordic Exchange.

TELECA AB
Dockplatsen 12
SE-211 19 Malmö
Sweden
Tel +46 (0) 40-25 30 00
Fax +46 (0) 40-25 30 01
info@teleca.com
www.teleca.com