Teleca on plan; restores growth in services & achieves 10% operating margin in 2H 2007

Fourth quarter highlights

- Revenues of SEK 366 million (356). Consulting reported revenues of SEK 311 million (300). The consulting business showed 5% growth in the second half of 2007 compared to the first half.
- Product revenues amounted to SEK 55 million (56), which were higher than expected.
- Teleca reports operating earnings (EBIT) of SEK 42 million (-57) and a 12% operating margin (-16%). Consulting contributed with SEK 26 million (36) to the operating earnings and Products with SEK 16 million (-93). The result in Consulting includes redundancy charges of SEK 4 million in Asia.
- Net earnings for the quarter amounted to SEK 25 million (-64).
- Earnings per share for the quarter amounted to SEK 0.41 (-1.03).
- Cash flow from operating activities of SEK -32 million (6), negatively impacted by temporary increase in working capital at year end due to delayed payments from larger customers as well as restructuring earlier accounted for of SEK 23 million.

Key figures, SEK million	2007 Q4	2006 Q4	%	2007 FY	2006 FY	%
Net sales	366	356	3	1,311	1,490	-12
Operating earnings (EBIT)	42	-57	174	-533	-277	-92
Earnings for the period from continuing operations	32	-61	152	-663	-296	-124
Earnings for the period from discontinuing operations	-6	-4	-50	337	298	13
Net earnings for the period	25	-64	140	-327	2	n.a.
Earnings per share, SEK	0.41	-1.03	140	-4.88	0.02	n.a.
Cash flow current operations	-32	6	-608	-243	-70	-247
Cash flow after investments	-39	-41	4	514	2	n.a.
Net sales Consulting	311	300	4	1,133	1,263	-10
Net Sales Products	55	56	-2	178	227	-21
EBIT Consulting	26	36	-28	70	84	-17
EBIT Products	16	-93	118	-101	-220	54

Press and analyst conference

Teleca will present the earnings figures at 09.00 (CET) on 7 February 2007, at Grand Hotel in Stockholm (room Carl Larsson). Call SWE +46 (0)8 505 59853, UK +44 (0)20 3043 2436 or US +1 866 458 40 87, or view live via the internet at www.teleca.com.

For more information contact

- René Svendsen-Tune, President and CEO, Teleca AB, mobile +45-40540068
- Christian Luiga, CFO, Teleca AB, mobile +46-703751604
- Mattias Stenberg, Investor Relations Manager, Teleca AB, mobile +46-706119616

CEO Comments

René Svendsen-Tune, President and CEO of Teleca, says:

"I am very pleased with the strong result in the fourth quarter. We have restored growth in our services business, with a modest growth in consulting revenue of 4% in fourth quarter y-o-y and a 5% growth from the first half to the second half of 2007. Year over year our net sales per employee increased 13% in the quarter. Our margins exceeded the 10% threshold and the order intake was good in the quarter. All in all execution was just in line with our plans and I want to congratulate our staff; they can be really proud of their achievements. The collaboration with our key clients is developing really well, and we continue to see very interesting and demanding tasks coming our way. We are confident that we are on a very good track forward with our focused approach to the mobile device industry and mobile Internet sector. A challenge for us is to secure enough scale to respond to the increasing demand from our key clients. In the beginning of 2008 we will focus on increasing our capacity and flexibility by accelerating recruitment and retraining some staff. While this enables organic growth during 2008 and into 2009, it is expected to put some pressure on our margins in the beginning of the year".

Market Outlook & Teleca

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 the technology will be leveraged into new industry segments.

Teleca expect 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 in 2007 has focused on stabilizing profitability, 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 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.

Financial Outlook for 2008

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.

Sales

Fourth quarter

Net sales for the fourth quarter were SEK 366 million (356), organic growth was 3% and total growth 3% compared to the corresponding period 2006. Changes in currency exchange rates had a negative impact on net sales of 2.9% compared to Q4 last year.

The consulting business reported organic growth of 4% and revenues of SEK 311 million (300). In Q1 2007 consulting had revenues of SEK 275 million, in Q2 2007 SEK 277 million, and in Q3 2007 SEK 270 million. Consulting revenue grew 5% in the second half over the first half 2007.

Products reported revenues of SEK 55 million (56), which were higher than expected.

	Group	Europe	Asia	North America
Product revenue	54.9 (56.0)	20.1 (12.8)	26.9 (44.0)	7.9 (-0.8)
Services and other	311.3 (299.6)	224.6 (179.8)	13.6 (34.0)	73.1 (85.8)
Total revenue	**366.2 (355.6)**	**244.7 (192.6)**	**40.5 (78.0)**	**81.0 (85.0)**

Order intake in the quarter has been good. In the fourth quarter 55% (56) of total revenue was derived from the top 5 OEM's and 87% (90) of revenue came from the top 5 OEMs and their key technology suppliers. The top 10 customers of the group made up for 88% (89) of the revenue. Of total revenue 15% (15) came from off-shoring in Russia.

Utilization, %	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Jan-Dec 2007
Teleca excluding Russia	71 (76)	70 (78)	68 (79)	70 (76)	70 (77)
Russia	81 (-)	82 (-)	81 (-)	78 (-)	81 (-)
Teleca, including Russia	**76 (83)**	**77 (84)**	**75 (85)**	**74 (-)**	**76 (83)**

In Europe (excl Russia) total utilization improved to 76% (74 in Q3, 74 in Q2) for the fourth quarter. In Russia utilization decreased slightly compared to Q3 but is still at a high level (81%). Asia reported utilization of 56% (56 in Q3, 50 in Q2) and in North America it was 62% (75 in Q3, 72 in Q2). Utilization in North America has been negatively impacted during October and November by transitions between projects. During December utilization has improved and is expected to increase into the first quarter 2008.

January–December

Net sales during the period 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%.

	Group	Europe	Asia	North America
Product revenue	178.2 (226.9)	49.9 (61.7)	113.3 (163.2)	15.0 (2.0)
Services and other	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)**

Earnings

Fourth quarter
Operating earnings (EBIT) for the fourth quarter amounted to SEK 42 million (-57). The result includes redundancy charges of about SEK 4 million in Asia which has had a negative effect on the consulting margin.

The Consulting business reported an EBIT of SEK 26 million (16 in Q3 and 11 in Q2 and 17 in Q1). While Europe and Russia reported performance above average, EBIT was dampened by low utilization in Asia and North America. The ramp up in the low cost sites in China and Poland are still in investment phases and the number of employees increased in the quarter from 66 to 98.

Products reported an EBIT of SEK 16 million (-93). The strong result in Products is explained by higher than expected revenue in the quarter.

	Products	Consulting*	One-time	Total Group
Revenue	55 (56)	311(300)	- (-)	366 (356)
EBIT	16 (-93)	26 (36)	- (-)	42 (-57)
EBIT Margin	30 (-165)	8 (12)	- (-)	12 (-16)
Avg. employees	47 (219)	1,961 (1,989)	- (-)	2,008 (2,208)

*Includes head office staff

Depreciation was SEK 11 million (38), of which tangible fixed assets accounted for SEK 5 million (12), capitalized product development costs for SEK 4 million (20), and other intangible fixed assets for SEK 2 million (6). Investments in product development totaled SEK 0 million (33).

Earnings after financial items were SEK 44 million (-61). Net banking costs and net interest were SEK -2 million (-1). Net exchange rate gains from inter-company financial assets and debts were SEK 2 million (-7). Other financial items were SEK 2 million (4).

Tax was SEK -12 million in the quarter. Earnings after tax for continuing operations were SEK 32 million (-61). Earnings from discontinued operations of SEK -6 million mainly referred to revaluation of gain from the divestment of auSystems and costs related to leasehold commitments of the discontinuing operations.
Earnings for the period were SEK 25 (-64) million.

January–December
Operating earnings (EBIT) for the period amounted to SEK -533 million (-277). Excluding one time charges operating earnings for the period were SEK -31 million. One time charges related to Products accounted for in first half of 2007 were SEK -502 million 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.

	Products	Consulting*	One-time	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)	1,934 (1,798)	- (-)	2,085 (2,053)

* Includes head office staff

Depreciation 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).

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 was SEK -124 million (16) including a write down of deferred tax assets of SEK -95 million which has been made as a result of the decision to divest auSystems. Teleca had about SEK 755 million in loss carry forwards at the end of the period.
Earnings for the period from discontinued operations were SEK 337 million (298). Earnings for the period were SEK -327 million (2).

Region update

Fourth quarter

Europe
Teleca's business in Europe developed well in the quarter with 22% revenue growth y-o-y, (excluding Products) and good improvement in utilization from the third quarter. Order intake developed satisfactory towards the end of the year.

Ties to leading customers continue to strengthen, and the business volume is currently constrained by Teleca's capacity. The company has not fully succeeded to recruit with the targeted speed and consequently the use of sub-contractors remains at a high level in several countries.

The measures taken in the units in Sweden and UK have improved the performance compared to previous quarters however both units are still somewhat behind the targeted performance levels.

Teleca's operation in Poland is now growing in line with plans in headcount and revenue. At December 31 the unit employed 26 staff. The Polish unit further employs a significant number of local subcontractors. Due to the limited scale and the rapid ramp-up, margins in Poland are behind company targets.

North America
Teleca's business in North America developed well in the fourth quarter. Several new off-shore opportunities opened, and among those the company secured a significant increase in scope from a large software platform company. This work will be delivered from Teleca's off-shore site in Chengdu China.

Further, a strong combination of Windows Mobile, Adobe Flash and Symbian competences enabled Teleca US to win two very important OEM contracts in the quarter. Further the company has won additional business in the CDMA space with one of the leading ODMs.

Teleca US' local consultancy units experienced some staff turn-over in second half 2007, but is again growing. Among other initiatives the unit has been strengthened by transfer of a number of senior engineers from Teleca Korea.

APAC
Execution in the product domain has been strong in the fourth quarter leading to revenues and profit above expectations. Teleca has managed to extend several contracts – one with a top tier mobile OEM who will use Teleca's Browser extensively in their 2008 product line and enter new contracts with primarily OEM and ODM companies in the region. The support and maintenance teams in Korea and Russia have been effective in supporting existing and new customers in the quarter.

Teleca has reduced staff in both Korea and Taiwan in the quarter. With this initiative Teleca targets to increase utilization across the APAC region in the coming quarters.

Off-shore centers in Russia and China
The Russian operation continued its strong performance into the fourth quarter with growth in revenue and profit y-o-y and high quality in supply. The unit reported a small decline in profit margin mainly due to currency effects. Currency had a negative revenue impact of 8% in the quarter.

Upon uncertainty around a large North American customer Teleca has taken a cautious view to recruitment in Russia recently. The same situation created some negative impact on staff retention and leading to a short period of staff decline. The situation has stabilized in the quarter and recruiting is back at a high pace.

The Russian operation has started supplying two new customers during Q4. The contracts are initially at low volume levels. The Russian operation has won supply to 10 new customers in 2007.

The ramp-up of Teleca's off-shore centre in Chengdu China has progressed in line with plan. Teleca now employs about 75 consultants in China, the majority in Chengdu. The site is currently supporting two major clients, one North American and one European. The demand for China services across Teleca's international client base is strong and the centre is part of Teleca's bidding for several projects around the world.

Other important activities

Investments for growth and improved efficiency
During the first quarter of 2008 Teleca will adjust its way of operating to secure better scalability, further increase the 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 cost 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.

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.

In January, three new members were added to the Management Group; Tomi Rantakari and Dan Westin, both Regional sales executives, and Kristian Jönsson, General Counsel.

Cash flow and financial position

Fourth quarter
Cash flow from current operations was SEK -32 million (6). Excluding changes in provisions for one time costs of SEK 23 million, cash flow from current operations was SEK -9 million. Change in working capital amounted to SEK -61 million (-4). At the end of the quarter working capital was SEK 147 million (160). Working capital includes liabilities related to provisions for restructuring costs and acquisitions of total SEK 74 million, of which future earn out 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 receivables in relation to last quarter revenue were 106% compared to 95% at the end of September. The difference represents approximately SEK 38 million in cash.

Excluding additional purchase price for acquisitions of SEK 72 million, interest-bearing net debt was SEK 185 million (206).

The group's net investment for the period was SEK 7 million (47), of which SEK 9 million (-45) relates to current operations. Of the net investment in current operations SEK 6 million (17) was related to tangible fixed assets, SEK 2 million (29) to intangible fixed assets and SEK 1 million (-91) to other fixed assets.

January–December
Cash flow from current operations was SEK -243 million (-70). Change in working capital amounted to SEK -158 million (-1).

During the period a redemption share program was completed whereby SEK 561 million, equal to 9 SEK per share, was distributed to the shareholders.

The group's net investment for the period was SEK -756 million (-73), of which SEK -807 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.

Staff

The average number of staff for the fourth quarter was 2,008 (2,208), divided as follows:

Employees (full-time equivalent)	Q4 2007 average	Jan-Dec avg.	Total on 31 Dec. 2007
Teleca Consulting	1,961 (1,989)	1,934 (1,798)	1,930 (1,994)
o w Russia	1,036 (895)	999 (724)	1,010 (905)
Teleca Products	47 (219)	151 (255)	45 (214)
Total	**2,008 (2,208)**	**2,085 (2,053)**	**1,975 (2,208)**

Organic staff growth for the quarter was -9% and total staff growth -9%, which includes Russia. For the twelve month period organic growth was -5% and 2% for total staff growth. Average number of employees per region were in the fourth quarter divided as follows in Consulting: Europe 1,731 (of which Russia 1,036), Asia 178 and North America 52. At the end of the period, Teleca had 61% of its staff in low cost countries, mainly in Russia.

OTHER INFORMATION

Forthcoming report dates

Interim report Q1, January - March 2008:	April 22, 2008
Interim report Q2, January - June 2008:	July 18, 2008
Interim report Q3, January - September 2008:	October 21, 2008

Annual general meeting of shareholders

The 2007 regular shareholders meeting will be held at the Hilton hotel in Malmö on April 22, 2008.

Dividend

The Board proposes that no dividend be paid for the financial year 2007.

Annual Report

The 2007 Annual Report is expected to be available at Telecas website www.teleca.com and at Telecas head office as of March 25, 2008.

Nominee Committee

In accordance with the annual shareholders meetings decision the nomination committee has constituted. The nomination committee includes the following members:

Danir AB, represented by Teleca's Chairman Dan Olofsson
Adelphi Capital, represented by Magnus Högström
Konstantin Caliacmanis
Pictet & Cie, represented by Oliver Knobloch
Didner & Gerge Aktiefond, represented by Henrik Didner

For more information contact
Dan Olofsson, Chairman of the Nominee Committee, dan.olofsson@teleca.com.

Risks and uncertainties

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. In general, Teleca 's view on risks that may affect the business in the future has not changed compared to the latest annual report. A more comprehensive overview of the risks associated with Teleca's operations can be found in the Annual Report 2006 on pages 62-63.

Parent company

Summary of income statement, SEK million

	2007 Jan-Dec	2006 Jan-Dec
Net sales	115.9	85.5
Staff expenses	-38.7	-57.4
Other expenses	-191.6	-121.6
Depreciation	-0.3	-1.5
Operating earnings (EBIT)	**-114.7**	**-95.0**
Financial items	-641.8	758.7
Earnings after financial items	**-756.5**	**663.7**
Appropriations	-	27.4
Taxes	-178.5	-
Earnings for the period	**-935.0**	**691.1**

The earnings for the period include a write-down of shares in subsidiary of SEK 1.089 million. This is an effect of the phase out of Products and the divesture of auSystems.

Summary of balance sheet, SEK million

	2007 31 Dec	2006 31 Dec
Assets		
Tangible assets	1.4	3.4
Financial fixed assets	1,408.1	2,352.8
Current assets	480.2	826.2
Liquid funds	12.6	9.7
Total assets	**1,902.3**	**3,192.1**
Shareholders’ equity and liabilities		
Shareholders’ equity	824.6	2,474.1
Long-term liabilities	2.8	2.8
Current liabilities	1,074.9	715.2
Total shareholders’ equity and liabilities	**1,902.3**	**3,192.1**

Summary of consolidated income statement, SEK million

	2007 Jan-Dec	2006 Jan-Dec	2007 Oct-Dec	2006 Oct-Dec
Net sales	1,310.8	1,489.5	366.2	355.6
Staff expenses	-829.5	-1,000.7	-184.3	-249.0
Other expenses	-499.7	-533.4	-128.7	-125.7
Depreciation	-53.9	-137.4	-10.8	-37.7
Write-down of fixed assets	-461.1	-95.3	-	-
Operating earnings (EBIT)	**-533.4**	**-277.3**	**42.4**	**-56.8**
Financial items	-6.3	-34.6	1.5	-4.0
Earnings after financial items	**-539.7**	**-311.9**	**43.9**	**-60.8**
Taxes	-123.7*	15.6	-12.2	-0.1
Earnings from continuing operations	**-663.4**	**-296.3**	**31.7**	**-60.9**
Earnings from discontinuing operations	336.5	297.9	-6.2	-3.6
Earnings for the period	**-326.9**	**1.6**	**25.5**	**-64.4**
Of which attributable to shareholders in Teleca AB	**-326.9**	**1.6**	**25.5**	**-64.4**

* Includes a write down of deferred tax assets of SEK -95 million which has been made as a result of the decision to divest auSystems.

Share data	2007 Jan-Dec	2006 Jan-Dec	2007 Oct-Dec	2006 Oct-Dec
Earnings per share, SEK	-4.88	0.02	0.41	-1.03
Ditto diluted, SEK	-4.88	0.02	0.41	-1.03
Earnings per share continuing operations, SEK	-9.90	-4.75	0.51	-0.98
Ditto diluted, SEK	-9.90	-4.75	0.51	-0.98
Shareholders' equity per share, SEK	16.77	31.23	16.77	31.23
Ditto diluted, SEK	16.77	31.23	16.77	31.23
Number of shares, period-end	62 377 477	62 377 477	62 377 477	62 377 477
Ditto diluted	62 377 477	62 377 477	62 377 477	62 377 477
Number of shares, average*	66 991 701	62 377 477	62 377 477	62 377 477
Ditto diluted*	66 991 701	62 377 477	62 377 477	62 377 477
Number of warrants with subscription price below share price at end of period	-	-	-	-
Number of warrants with subscription price above share price at end of period	-	-	-	-
Number of own shares at end of period	-	-	-	-
Share price at end of period	**13.65**	**19.27**	**13.65**	**19.27**

*The share redemption program doubled the number of shares during 27 days in quarter 3, 2007.

Margin data	2007 Jan-Dec	2006 Jan-Dec	2007 Oct-Dec	2006 Oct-Dec
Operating margin, %	-40.7	-18.6	11.6	-16.0
Profit margin, %	-24.9	0.1	7.0	-18.1

Depreciation, SEK million	2007 Jan-Dec	2006 Jan-Dec	2007 Oct-Dec	2006 Oct-Dec
Tangible fixed assets	-24.6	-31.0	-4.9	-11.7
Capitalized product development expenses	-19.4	-96.4	-3.5	-20.0
Other intangible assets	-9.9	-10.0	-2.4	-6.0
Total depreciation for the period	**-53.9**	**-137.4**	**-10.8**	**-37.7**

Capitalized development expenses of SEK 10.5 million are charged to the balance sheet and will be depreciated until Q3 2008.

Summary of consolidated balance sheet, SEK million

	2007 31 Dec	2006 31 Dec
Assets		
Goodwill	1,041.3	1,747.6
Capitalized product development expenses	10.5	123.7
Other intangible assets	35.4	44.4
Tangible assets	46.1	86.6
Financial fixed assets	22.6	11.5
Other fixed assets	26.1	122.4
Current assets	527.9	907.6
Other interest bearing assets	-	0.9
Liquid funds	36.6	58.9
Total assets	**1,746.5**	**3,103.6**
Shareholders' equity and liabilities		
Shareholders' equity	1,046.2	1,948.0
Long-term liabilities, interest bearing	73.2	105.5
Long-term liabilities, non-interest bearing	26.6	50.8
Current liabilities, interest bearing	219.9	251.5
Current liabilities, non-interest bearing	380.6	747.8
Total shareholders' equity and liabilities	**1,746.5**	**3,103.6**

Changes to shareholders' equity, SEK million

	2007 Jan-Dec	2006 Jan-Dec
Amount at start of period	**1,948.0**	**1,978.2**
Profit/loss related to cash flow hedging	0.1	-0.2
Exchange rate differences	-13.6	-31.6
Share redemption program	-561.4	-
Earnings for the period	-326.9	1.6
Amount at end of period	**1,046.2**	**1,948.0**
Of which attributable to shareholders in Teleca AB	1,046.2	1,948.0

Summary of consolidated cash flow analysis, SEK million

	2007 Jan-Dec	2006 Jan-Dec	2007 Oct-Dec	2006 Oct-Dec
Cash flow from operations	**-84.4**	**-69.2**	**28.8**	**10.4**
Change in working capital	-158.2	-1.2	-60.5*	-4.1
Cash flow from current operations	**-242.6**	**-70.4**	**-31.7**	**6.3**
Investment operations	756.3	72.6	-6.8	-46.9
Cash flow after investment operations	**513.7**	**2.2**	**-38.5**	**-40.6**
Financial operations	-543.0	17.9	26.1	46.9
Cash flow for the period	**-29.3**	**20.1**	**-12.4**	**6.3**
Exchange rate differences in liquid funds	6.2	-8.3	6.0	-5.7
Changes in liquid funds	**-23.1**	**11.8**	**-6.4**	**0.6**

*The company experienced an increase in working capital at the end of the year, whereas delayed payments from some larger customers had the greatest impact Restructuring that was accounted for earlier, impacted with SEK 23 million.

Net sales by geographical area, SEK million

	2007 Jan-Dec	2006 Jan-Dec	2007 Oct-Dec	2006 Oct-Dec
Sweden	337.9	338.8	99.1	88.8
Europe, excluding Sweden	520.5	497.4	145.6	103.8
Asia	176.1	312.3	40.5	78.0
North America	276.3	341.0	81.0	85.0
Total	**1,310.8**	**1,489.5**	**366.2**	**355.6**

Quarterly trend		**2006**				**2007**		
	Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**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	2,208	2,189	2,038	2,029	1,975

Teleca Group key data	2007 Jan-Dec	2006 Jan-Dec	2007 Oct-Dec	2006 Oct-Dec
Number of employees, period-end (full time equivalent)	1,975	2,208	1,975	2,208
Average number of employees	2,085	2,053	2,008	2,208
Net sales per employee, SEK thousands	629	726	182	161
Value added per employee, SEK thousands	154	352	113	87
Working capital, SEK million	147	160	147	160
Working capital percentage of last quarter sales	39.8	22.1	40.2	44.9
Capital employed, SEK million	1,339	2,305	1,339	2,305
Tax losses carry forward, SEK million	755	722	755	722
Return on capital employed, %	-7.9	2.3	2.5	2.3
Return on equity, %	-22.3	0.1	1.7	-3.2
Equity/assets ratio, %	59.9	62.8	59.9	62.8
Net debt/equity, %	24.5	15.3	24.5	15.3
Current ratio	0.9	0.9	0.9	0.9
Interest bearing net debt, SEK million	257	298	257	298

Accounting principles

The group accounts are prepared in accordance with the International Financial Reporting Standards, IFRS, and interim reports are prepared in accordance with IAS 34, Interim Financial Reporting. This year-end report has in all other aspects been prepared in accordance with the same accounting principles and calculation methods as applied in the annual report for 2006. More information about the accounting principles is available in Teleca's annual report for 2006 which can be downloaded at Teleca's web site www.teleca.com or distributed by post upon request from Teleca's head office.

The company's auditors have not reviewed this report.

The Board of Directors and the Chief Executive Officer affirm that this year-end report gives a true and fair view of the company and the group's operations, position and the financial results and describes any significant risks and uncertainties that the company and its subsidiaries currently face.

MALMÖ, February 7, 2008

Dan Olofsson Chairman of the Board	Konstantin Caliacmanis	Juha Christensen
Tomas Isaksson	Göran Larsson	Anders Torstensson
Johan Anton Vunderink	Lars Andersson Personnel representative	Hasse Olsson Personnel representative

René Svendsen-Tune

President and CEO

Appendix 1 to year-end report January-December 2007

Discontinued operations

During the second quarter 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 transactions 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 down during the fourth quarter of 2007.

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

Earnings from discontinued operations

	2007 Jan-Dec	2006 Jan-Dec	2007 Oct-Dec	2006 Oct-Dec
Earnings from Benima operations	-	10.2	-	-
Earnings from Benima divestment	-0.9	279.6	-1.3	-2.0
Earnings from auSystems operations	-7.2	9.8	-2.0	-1.2
Earnings from auSystems divestment	363.7	-	-4.7	-
Earning from Teleca Japan operations	-19.1	-1.7	1.8	-0.3
Earnings from discontinued operations	**336.5**	**297.9**	**-6.2**	**-3.5**

Summary of income statements in companies in discontinued operations

	2007 Jan-Dec	2006 Jan-Dec	2007 Oct-Dec	2006 Oct-Dec
Operating income	395.1	1,457.0	3.7	367.6
Operating expenses	-420.4	-1,420.4	-7.1	-354.7
Financial items	-1.9	-2.8	-0.1	-0.9
Earnings before tax	-27.2	33.8	-3.5	12.0
Taxes	0.9	-15.5	-3.3	-13.5
Earnings in companies in discontinued operations	**-26.3**	**18.3**	**-0.2**	**-1.5**

Purchase consideration and profit from transactions

	2007 Jan-Dec	2006 Jan-Dec
Net assets in divested companies	95.0	43.2
Goodwill related to divested operations	304.5	176.8
Total net assets sold	**399.5**	**220.0**
Costs and allowances arising from the transactions	42.2	15.5
Profit from divestment	370.3	281.6
Total purchase consideration	**812.0**	**517.1**

Net cash flow in discontinued operations

During the first three quarters the cash flow was SEK -13.6 million (17.8) from current operations for the companies in discontinued operations. The cash flow from investment operations was SEK -5.3 million (-23.1), and SEK -15.9 million (43.7) from financing operations.

Our vision:

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

The interim report can be ordered from the company or downloaded via www.teleca.com.
Teleca AB (corp. reg. no. 556250-3515), Dockplatsen 12, SE-211 19 Malmö, Sweden
+46-40 25 30 00, fax +46-40-25 30 01. This information is also available in Swedish.

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 more than 2,000 employees in 11 countries in Asia, Europe and North America and is quoted on the small cap list of the Nordic Exchange.