

## Interim Report January–September 2007

### Positive result in Q3 after successful restructuring

#### Third quarter highlights

- Revenues of SEK 302 million (390). The consulting business reported revenues of SEK 270 million (344) and product revenues amounted to SEK 32 million (46).
- Teleca reports operating earnings (EBIT) of SEK 22 million (-113) and a 7% operating margin (-29%). Consulting contributed with SEK 16 million (-9) to the operating earnings and Products with SEK 6 million (-36).
- Net profit/loss for the quarter amounted to SEK 2 million (-123).
- Earnings per share for the quarter amounted to SEK 0.02 (-1.97).
- Cash flow from operating activities of SEK -8 million (-56), from which SEK 21 million from current operations and SEK -29 million related to payments of earlier restructuring.
- Teleca made several new entries to leading players in the mobile device eco-system and has won its first customer in the Internet segment.
- Utilization continues to increase quarter over quarter to 77% in Q3 compared to 75% in Q2 and 74% in Q1.

Key figures, SEK million	2007 Q3	2006 Q3	%	2007 9 months	2006 9 months	%
Net sales	302	390	-23	945	1,134	-17
Operating earnings (EBIT)	22	-113	119	-576	-220	-162
Earnings for the period from continuing operations	9	-107	109	-695	-235	-196
Earnings for the period from discontinuing operations*	-7	-15	51	343	301	14
Net earnings for the period	2	-123	102	-352	66	-634
Earnings per share, SEK	0.02	-1.97	101	-5.14	1.06	-585
Cash flow current operations	-8	-56	86	-211	-77	-174
Cash flow after investments	-24	-172	86	552	43	1184
Net sales Consulting	270	344	-22	821	963	-15
Net Sales Products	32	46	-30	123	171	-28
EBIT Consulting	16	-9	278	44	48	-8
EBIT Products	6	-36	117	-118	-127	7

\*See appendix 1 for further information

#### Press and analyst conference

Teleca will present the earnings figures at 09.00 (CET) on 18 October 2007, at Grand Hotel in Stockholm (room Mårten Winge). Call UK +44 (0)20 3043 2436 or SWE +46 (0)8 505 598 53, or view live via the internet at [www.teleca.com](http://www.teleca.com).

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### CEO Comments

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

I am very pleased with the result of the third quarter. We have stabilized the revenue in line with our plans, and the company is again profitable with a respectable margin. Our people around the world have done an outstanding job staying focused on delivering to our customers, while the company has gone through a difficult time. This outcome is very rewarding for them and all of us. We have seen continued strong performance in our larger operations in Germany, Finland and Russia, and we

have been able to secure good improvements in most of the areas where we have faced challenges. Given some imbalance in resources we have seen an increased subcontracting in some sites and a certain pressure on margins.

On the products the result is better than we expected. We have engaged in a close and pragmatic collaboration with our customers, and we have continued to deliver good solutions based on our software. Given the much lowered cost base we now have, we have been able to extend somewhat the lifetime of our products, while at the same time secure good profitability.

Looking forward we are confident that our strategy works; we are targeting an expansive market, we have a very strong customer base with leading OEM's and their key suppliers, and we are determined to increase market share in the quarters to come. While we have come a long way improving the performance, we still have significant opportunity for improved profitability, especially by continuing to improve our utilization. We will continue to address weak spots and combined with increased scale this will allow for better margins.

### Financial Outlook for Q4 2007

Teleca maintains its target of 10% in operating profit margin in 2<sup>nd</sup> half of 2007.

Teleca expects services volume in 2H 2007 to grow moderately from 1H 2007. However, due to continued transition of work to low cost countries this is expected to only translate into very slight revenue growth from 1<sup>st</sup> half 2007.

Teleca will continue to manage its cost to match declining product revenue to keep the product business profitable.

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

### Sales - third quarter

Net sales for the third quarter were SEK 302 million (390), total growth -23% compared to the corresponding period 2006. Changes in currency exchange rates had a negative impact of 2.9% compared to Q3 last year.

Teleca has earlier stated that due to the vast changes in the organization, a more relevant comparison period than the respective quarters in 2006 is looking at the previous quarters in 2007. The consulting business reported revenues of SEK 270 million (344). In Q1 2007 consulting had revenues of SEK 275 million and in Q2 2007 SEK 277 million. Q3 was positively affected by 2.5 more available working days than Q2 and 1.5 more than Q1, however the vacation periods in Q3 had a much greater negative impact on the revenue in the quarter. Products reported revenues of SEK 32 million, an expected decline compared to both Q1 (44 MSEK) and Q2 (47 MSEK), and a natural development from the decision to ramp down the Products division.

	Group	Europe	Asia	North America
Product revenue	32.6 (45.8)	0.9 (21.4)	26.7 (22.6)	5.0 (1.8)
Services and other	269.6 (344.3)	205.8 (199.1)	12.8 (36.6)	51.0 (108.6)
<b>Total revenue</b>	<b>302.2 (390.1)</b>	<b>206.7 (220.5)</b>	<b>39.5 (59.2)</b>	<b>56.0 (110.4)</b>

Order intake in the quarter has been good and Teleca's strategy of creating tight links with the global leaders of the mobile device industry continues to show results. In the third quarter 45% (39) of total revenue derived from the top 5 OEM's and 84% (70) of revenue came from the top 5 OEMs and their key technology suppliers. The top 10 customers of the group made up for 85% (85) of the revenue. Of total revenue 19% (16) came from off-shoring in Russia.

### January–September

Net sales during the period were SEK 945 million (1,134), organic growth -19%, and total growth -17%. Changes in currency exchange rates had a negative impact of 2.6%.

	Group	Europe	Asia	North America
Product revenue	123.4 (170.9)	29.8 (48.9)	86.5 (119.2)	7.1 (2.8)
Services and other	821.2 (963.0)	583.9 (594.7)	49.1 (115.1)	188.2 (253.2)
<b>Total revenue</b>	<b>944.6 (1,133.9)</b>	<b>613.7 (643.6)</b>	<b>135.6 (234.3)</b>	<b>195.3 (256.0)</b>

Utilization, %	Q3 2007	Q2 2007	Q1 2007	Jan-Sept 2007
Teleca excluding Russia	70 (78)	68 (79)	70 (76)	69 (78)
Russia	82 (-)	81 (-)	78 (-)	81 (-)
<b>Teleca, including Russia</b>	<b>77 (84)</b>	<b>75 (85)</b>	<b>74 (-)</b>	<b>75 (83)</b>

Utilization continued to improve in Russia and North America whilst Asia continued to suffer from the changes in the product business. In Europe (excl Russia) total utilization was 74% (74 in Q2) for the third quarter. The reported utilization rate in Asia was 56% (50 in Q2) and in North America it was 75% (72 in Q2).

### Earnings - third quarter

Operating earnings (EBIT) for the third quarter amounted to SEK 22 million (-113). Teleca is a Global company where central costs of e.g. marketing communication, finance, legal etc, are part of the operation. Thus no central overhead is reported any longer and all central cost is allocated to the operation. The operational set-up has changed significantly and consequently previous year is not similar to current set-up. However, financial figures for previous years have been restated, whereby central overhead have been allocated on a revenue basis between Products and Consulting.

The Consulting business reported an EBIT of SEK 16 million (11 in Q2). While Germany, Finland and Russia reported continued strong performance, EBIT was dampened by seasonal vacation effects and low utilization in Asia, UK & Sweden.

Products reported an EBIT of SEK 6 million. As of the third quarter, costs in Products have been lowered by approximately SEK 70 million compared to the second quarter. Seasonal vacation effects had a positive impact on the costs in the quarter.

	Products	Consulting	One-time	Total Group
Revenue	32 (46)	270 (344)	- (-)	302 (390)
EBIT	6 (-36)	16 (-9)	- (-67)	22 (-113)
EBIT Margin	18 (-80)	6 (-3)	- (-)	7 (-29)
Avg. employees	81 (235)	1,912 (1,937)	- (-)	2,024 (2,191)*

\*Of which 31 (19) Group staff

Depreciation was SEK 11 million (29), of which tangible fixed assets accounted for SEK 5 million (4), capitalized product development costs for SEK 4 million (24), and other intangible fixed assets for SEK 2 million (1). Investments in product development totaled SEK 0 million (14). Write-down of intangible assets amounted to SEK 0 million (67).

Earnings after financial items were SEK 13 million (-117). Net banking costs and net interest were SEK -2 million (-3). Net exchange rate losses from inter-company financial assets and debts were SEK -6 million (5). Other financial items were SEK 0 million (-6).

Tax was SEK -4 million in the quarter. Teleca has about SEK 520 million in loss carry forwards. SEK 24 million in related deferred tax assets is capitalized in the balance sheet. Earnings after tax for continuing operations were SEK 9 million (-107). Earnings from discontinued operations were SEK -7 (-15) million, in large a result of caution related to IT and housing separation cost related to the auSystems divestment. Earnings for the period were SEK 2 (-123) million.

### January–September

Operating earnings (EBIT) for the period amounted to SEK -576 million (-220). Excluding one time charges operating earnings for the period were SEK -74 million. One time charges related to Products 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	123 (171)	821 (963)	- (-)	945 (1,134)
EBIT	-118 (-127)	44 (48)	-502 (-141)	-576 (-220)
EBIT Margin	-96 (-75)	5 (5)	- (-)	-61 (-19)
Avg. employees	186 (266)	1,890 (1,713)	- (-)	2,108 (1,999)*

\* Of which 32 (20) Group staff

Depreciation was SEK 43 million (100), of which tangible fixed assets accounted for SEK 20 million (19), capitalized product development costs for SEK 16 million (76), and other intangible fixed assets for SEK 7 million (4). Investments in product development totaling SEK 9 million (70) were capitalized in the balance sheet. Write-down of intangible assets amounted to SEK 461 million (95).

Earnings after financial items were SEK -584 million (-251). Net banking costs and net interest were SEK -8 million (-10), net exchange rate gains from financial assets and debts were SEK 0 million (-1) and other financial items were SEK 0 million (-20).

Tax was SEK -16 million (16) and in addition a write down of deferred tax assets of SEK -95 million has been made as a result of the decision to divest auSystems. Earnings for the period from discontinued operations were SEK 343 million (301). Earnings for the period were SEK -352 million (66).

## Region update - third quarter

### Europe

Europe had yet another successful quarter with good growth in revenue and improved market position.

The units in Germany, France and Finland showed revenue growth and improved margins in the quarter compared to last year. Teleca's business with industry leaders developed particularly well. From a technology perspective Teleca's business made very good progress in the Symbian, S60, UIQ and reference design areas.

The units in Sweden and UK are recovering from a difficult situation in the first half of 2007, however both units are still behind the targeted performance levels. Measures are taken in both countries to recover from the situation and to secure better results in Q4 2007.

Given some imbalance in resources we have seen an increased subcontracting in some sites and a certain pressure on margins.

Off-shore and near-shore business are growing in Europe although starting from a low level. Teleca has acquired 2 new customers in Q3 for off-shore services. Teleca continues to build up the near-shore centre in Poland.

Teleca has appointed new country managers in France, Sweden, Finland and Poland in the quarter.

### North America

Teleca's business in North America is targeted to be largely supplied from the company's off-shore centers in Russia and China. A small local service business secures a strong and capable customer interface.

Teleca's local services business in North America has stabilized in the third quarter and utilization has recovered to Teleca average level.

Teleca continues to see strong demand for its services within the Adobe Flash, Windows Mobile and Symbian/S60 domains. During the third quarter the company has taken significant initiatives to strengthen the organization and intensify marketing efforts in the region.

In the quarter Teleca has won its first customer among the North American Internet service providers. Further Teleca has engaged into new business with the North America branches of two large OEMs in the quarter. Finally, the company has won a new important off-shore customer in the chipset segment.

A large North American customer has signaled a decline in off-shore demand at the end of the year. The actual outcome of this situation in combination with successful replacement of this potential decline will impact the growth in North America in the coming quarters.

Teleca has appointed a new Area Head for North America in the quarter.

### APAC

In the third quarter Teleca has focused its efforts in Asia on adjusting the business model towards Teleca's global model, while at the same time maximizing both for customers and Teleca the opportunity that lies in extending the lifetime of Teleca's products.

Execution in the product domain has been strong leading to revenues and profit above expectations. Teleca now takes a very pragmatic approach to the product business, combining products and services. Teleca has managed to extend several contracts and enter new contracts with primarily ODMs and chipset companies in the region.

While the operation in Korea has supported very effectively the product business across the region, and the performance in general has improved, the unit still suffers from a weak utilization. All recruitment in Asia is currently focused to the off-shore centre in China.

#### **Off-shore centers in Russia and China**

The Russian operation continued its strong performance into the third quarter with growth in revenue and profit compared to the year before and high quality in supply. The unit reported a small decline in profit margin due to currency effects, which had a negative impact of 8.7% on revenue in the quarter.

The above mentioned uncertainty around the demand from a large customer in North America leads to caution and may put a certain cap on the growth and recruitment in the coming quarter.

The Russian operation has started supplying to one new strategic customer during Q3. The contract is initially at a low volume level. The Russian operation has won supply to 8 new customers in 2007.

The ramp-up of the off-shore centre in Chengdu China has progressed in line with plan. In addition to our 1,061 employees in Russia we have close to 50 employees in China. The centre is currently supporting one North American customer, and is part of Teleca's bidding for several businesses around the world. The centre has also been audited by its second very large potential client and the centre is now cleared to deliver off-shore services on two major technology platforms.

#### **Other important activities**

##### **New Brand**

Teleca is a global company in an arena where customers and competitors are global as well, and the company has today 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, the visual identity of the brand reflects on the corporate strategy, identity and values. The brand and its visual identity are visible to the public at the new corporate Web site, [www.teleca.com](http://www.teleca.com).

### Cash flow and financial position - third quarter

Cash flow from current operations was SEK –8 million (-56). Excluding changes in provisions for one time costs of SEK 29 million, cash flow from current operations was SEK 21 million. Change in working capital amounted to SEK –33 million (20). At the end of the quarter working capital was SEK 95 million (139). Working capital includes liabilities related to provisions for restructuring and transactions related costs of total SEK 61 million. Customer receivables in relation to last quarter revenue were 106%.

The group's net investment for the period was SEK 15 million (116), of which SEK 22 million (17) relates to current operations. Of the net investment in current operations SEK 11 million (2) was related to tangible fixed assets, SEK 2 million (17) to intangible fixed assets and SEK 9 million (-2) to other fixed assets, primarily related to IT and leasehold improvements in new offices in Russia and China.

During the quarter a redemption share program was completed whereby SEK 561 million, equal to 9 SEK per share, was distributed to the shareholders. Excluding additional purchase price for acquisitions interest-bearing net debt was SEK 162 million (183) at the end of September, compared to SEK 206 million at the end of 2006.

### January–September

Cash flow from current operations was SEK -211 million (-77). Change in working capital amounted to SEK -98 million (3).

The group's net investment for the period was SEK -763 million (-120), of which SEK -806 million (-195) was related to the acquisition and sale of operations and SEK 43 million (75) to current operations. Of the net investment in current operations SEK 18 million (3) was related to tangible fixed assets, SEK 11 million (77) to intangible fixed assets and SEK 14 million (-5) to other fixed assets.

### Staff

The average number of staff for the third quarter was 2,024 (2,191), divided as follows:

Employees (full-time equivalent)	Q3 2007 average	Jan-Sept avg.	Total on 30 Sept. 2007
Teleca Consulting	1,912 (1,937)	1,890 (1,713)	1,947 (1,904)
o w Russia	1,036 (873)	991 (667)	1,061 (831)
Teleca Products	81 (235)	186 (266)	51 (213)
Group staff	31 (19)	32 (20)	31 (21)
<b>Total</b>	<b>2,024 (2,191)</b>	<b>2,108 (1,999)</b>	<b>2,029 (2,138)</b>

Organic staff growth for the quarter was -8% and total staff growth -8%, which includes Russia. For the nine month period organic growth was -3% and 5% for total staff growth. Average number of employees per region were in the third quarter divided as follows in Consulting: Europe 1,701 (of which Russia 1036), Asia 159 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

Year-end report 2007: February 7, 2008

### Capital markets day

On November 29, Teleca's President and Chief Executive Officer René Svendsen-Tune will host a Capital Markets Day. Members of the management team will present Teleca's view on the business landscape, strategy, and targets.

Date: November 29, 2007

Time: 14:00 – 18:00

Location: Konferens Spårvagnshallarna, Stockholm

More information will be available at the investor relations section of Telecas website.

Please register by e-mail to [mattias.stenberg@teleca.com](mailto:mattias.stenberg@teleca.com)

**NOTE:** The Teleca Capital Markets Day is an event solely for media, analysts and investors. It is not open to participants from other companies. Thank you for your understanding.

### 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-Sept	2006 Jan-Sept	2006 Jan-Dec
Net sales	45.3	68.0	85.5
Staff expenses	-37.9	-48.2	-57.4
Other expenses	-107.4	-75.8	-121.6
Depreciation	-0.5	-1.2	-1.5
<b>Operating earnings (EBIT)</b>	<b>-100.5</b>	<b>-57.2</b>	<b>-95.0</b>
Financial items	-951.7	406.9	758.7
<b>Earnings after financial items</b>	<b>-1,052.2</b>	<b>349.7</b>	<b>663.7</b>
Appropriations	-	-	27.4
Taxes	-52.4	-	-
<b>Earnings for the period</b>	<b>-1,104.6</b>	<b>349.7</b>	<b>691.1</b>

The earnings for the period include a write-down of shares in subsidiary of SEK 908 million. This is an effect of the phase out of Products and the divestiture of auSystems.

### Summary of balance sheet, SEK million

	2007 30 Sept	2006 30 Sept	2006 31 Dec
<b>Assets</b>			
Tangible assets	5.6	5.1	3.4
Financial fixed assets	1,589.7	2,088.4	2,352.8
Current assets	643.8	808.6	826.2
Liquid funds	34.2	0.9	9.7
<b>Total assets</b>	<b>2,273.3</b>	<b>2,903.0</b>	<b>3,192.1</b>
<b>Shareholders' equity and liabilities</b>			
Shareholders' equity	808.2	2,133.0	2,474.1
Long-term liabilities	2.6	10.5	2.8
Current liabilities	1,462.5	759.5	715.2
<b>Total shareholders' equity and liabilities</b>	<b>2,273.3</b>	<b>2,903.0</b>	<b>3,192.1</b>

### Summary of consolidated income statement, SEK million

	2007 Jan-Sept	2006 Jan-Sept	2007 July-Sept	2006 July-Sept	2006 Jan-Dec
Net sales	944.6	1,133.9	302.2	390.1	1,489.5
Staff expenses	-670.1	-751.7	-169.2	-226.1	-1,000.7
Other expenses	-346.1	-407.7	-100.2	-180.9	-533.4
Depreciation	-43.1	-99.7	-11.0	-28.6	-137.4
Write-down of fixed assets	-461.1	-95.3	-	-67.4	-95.3
<b>Operating earnings (EBIT)</b>	<b>-575.8</b>	<b>-220.5</b>	<b>21.8</b>	<b>-112.8</b>	<b>-277.3</b>
Financial items	-7.8	-30.6	-8.4	-4.5	-34.6
<b>Earnings after financial items</b>	<b>-583.6</b>	<b>-251.1</b>	<b>13.4</b>	<b>-117.3</b>	<b>-311.9</b>
Taxes	-111.5	15.7	-4.1	10.1	15.6
<b>Earnings from continuing operations</b>	<b>-695.1</b>	<b>-235.4</b>	<b>9.3</b>	<b>-107.2</b>	<b>-296.3</b>
Earnings from discontinuing operations	342.7	301.4	-7.3	-15.4	297.9
<b>Earnings for the period</b>	<b>-352.4</b>	<b>66.0</b>	<b>2.0</b>	<b>-122.6</b>	<b>1.6</b>
<b>Of which attributable to shareholders in Teleca AB</b>	<b>-352.4</b>	<b>66.0</b>	<b>2.0</b>	<b>-122.6</b>	<b>1.6</b>

Share data	2007 Jan-Sept	2006 Jan-Sept	2007 July-Sept	2006 July-Sept	2006 Jan-Dec
Earnings per share, SEK	-5.14	1.06	0.02	-1.97	0.02
Ditto diluted, SEK	-5.14	1.06	0.02	-1.97	0.02
Earnings per share continuing operations, SEK	-10.14	-3.77	0.12	-1.72	-4.75
Ditto diluted, SEK	-10.14	-3.77	0.12	-1.72	-4.75
Shareholders' equity per share, SEK	16.42	32.67	16.42	32.67	31.23
Ditto diluted, SEK	16.42	32.67	16.42	32.67	31.23
Number of shares, period-end	62 377 477	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	62 377 477
Number of shares, average*	68 546 678	62 377 477	80 683 910	62 377 477	62 377 477
Ditto diluted*	68 546 678	62 377 477	80 683 910	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	-	-	-	-	-
<b>Share price at end of period</b>	<b>15.5</b>	<b>18.8</b>	<b>15.5</b>	<b>18.8</b>	<b>18.9</b>

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

Margin data	2007 Jan-Sept	2006 Jan-Sept	2007 July-Sept	2006 July-Sept	2006 Jan-Dec
Operating margin, %	-61.0	-19.4	7.2	-28.9	-18.6
Profit margin, %	-37.3	5.8	0.7	-31.4	0.1

<b>Depreciation, SEK million</b>	<b>2007 Jan-Sept</b>	<b>2006 Jan-Sept</b>	<b>2007 July-Sept</b>	<b>2006 July-Sept</b>	<b>2006 Jan-Dec</b>
Tangible fixed assets	-19.6	-19.2	-5.1	-3.6	-31.0
Capitalized product development expenses	-16.0	-76.4	-3.5	-23.7	-96.4
Other intangible assets	-7.5	-4.1	-2.4	-1.3	-10.0
<b>Total depreciation for the period</b>	<b>-43.1</b>	<b>-99.7</b>	<b>-11.0</b>	<b>-28.6</b>	<b>-137.4</b>

\* Capitalized development expenses of SEK 14 million are charged to the balance sheet and will be depreciated until Q3 2008.

#### Summary of consolidated balance sheet, SEK million

	<b>2007 30 Sept</b>	<b>2006 30 Sept</b>	<b>2006 31 Dec</b>
<b>Assets</b>			
Goodwill	1,043.4	1,785.0	1,747.6
Capitalized product development expenses	14.0	110.7	123.7
Other intangible assets	36.7	29.7	44.4
Tangible assets	46.4	86.3	86.6
Financial fixed assets	20.6	99.4	11.5
Other fixed assets	24.0	112.1	122.4
Current assets	459.0	865.7	907.6
Other interest bearing assets	-	0.4	0.9
Liquid funds	43.0	58.4	58.9
<b>Total assets</b>	<b>1,687.1</b>	<b>3,147.7</b>	<b>3,103.6</b>
<b>Shareholders' equity and liabilities</b>			
Shareholders' equity	1,024.2	2,037.8	1,948.0
Long-term liabilities, interest bearing	70.9	114.8	105.5
Long-term liabilities, non-interest bearing	24.9	49.4	50.8
Current liabilities, interest bearing	203.1	219.4	251.5
Current liabilities, non-interest bearing	364.0	726.3	747.8
<b>Total shareholders' equity and liabilities</b>	<b>1,687.1</b>	<b>3,147.7</b>	<b>3,103.6</b>

### Changes to shareholders' equity, SEK million

	2007 Jan-Sept	2006 Jan-Sept	2006 Full year
<b>Amount at start of period</b>	<b>1,948.0</b>	<b>1,978.1</b>	<b>1,978.1</b>
Profit/loss related to cash flow hedging	0.1	0.2	-0.1
Exchange rate differences	-10.1	-6.5	-31.6
Share redemption program	-561.4	-	-
Earnings for the period	-352.4	66.0	1.6
<b>Amount at end of period</b>	<b>1,024.2</b>	<b>2,037.8</b>	<b>1,948.0</b>
Of which attributable to shareholders in Teleca AB	1,024.2	2,037.8	1,948.0

### Summary of consolidated cash flow analysis, SEK million

	2007 Jan-Sept	2006 Jan-Sept	2007 July-Sept	2006 July-Sept	2006 Jan-Dec
<b>Cash flow from operations</b>	<b>-113.2</b>	<b>-79.6</b>	<b>24.6</b>	<b>-76.1</b>	<b>-69.2</b>
Change in working capital	-97.7	2.9	-33.0	19.7	-1.2
<b>Cash flow from current operations</b>	<b>-210.9</b>	<b>-76.7</b>	<b>-8.4</b>	<b>-56.4</b>	<b>-70.4</b>
Investment operations	763.1	119.5	-15.2	-115.7	72.6
<b>Cash flow after investment operations</b>	<b>552.2</b>	<b>42.8</b>	<b>-23.6</b>	<b>-172.1</b>	<b>2.2</b>
Financial operations	-569.1	-29.0	-383.0	167.5	17.9
<b>Cash flow for the period</b>	<b>-16.9</b>	<b>13.8</b>	<b>-406.6</b>	<b>-4.6</b>	<b>20.1</b>
Exchange rate differences in liquid funds	0.2	-2.6	-2.5	1.0	-8.3
<b>Changes in liquid funds</b>	<b>-16.7</b>	<b>11.2</b>	<b>-409.1</b>	<b>-3.6</b>	<b>11.8</b>

### Net sales by geographical area, SEK million

	2007 Jan-Sept	2006 Jan-Sept	2007 July-Sept	2006 July-Sept	2006 Jan-Dec
Sweden	238.8	250.0	72.1	86.4	338.8
Europe, excluding Sweden	374.9	393.6	134.6	134.1	497.4
Asia	135.6	234.3	39.5	59.2	312.3
North America	195.3	256.0	56.0	110.4	341.0
<b>Total</b>	<b>944.6</b>	<b>1,133.9</b>	<b>302.2</b>	<b>390.1</b>	<b>1,489.5</b>

### Quarterly trend

	2006				2007		
	Q1 -06	Q2	Q3	Q4	Q1 -07	Q2	Q3
Net sales, SEK million	350	394	390	356	318	324	302
Operating earnings (EBIT), SEK million	-20	-87	-113	-57	-542	-55	22
Operating margin, %	-6	-22	-29	-16	-170	-17	7
Approximate number of working days	64	59	65	63	62	61	64
Number of employees at end of period	2,129	2,173	2,138	2,208	2,189	2,038	2,029

Teleca Group key data	2007 Jan-Sept	2006 Jan-Sept	2007 July-Sept	2006 July-Sept	2006 Jan-Dec
Number of employees, period-end (full time equivalent)	2,029	2,138	2,029	2,138	2,208
Average number of employees	2,108	1,999	2,024	2,191	2,053
Net sales per employee, SEK thousands	448	567	149	178	726
Value added per employee, SEK thousands	45	266	94	52	352
Working capital, SEK million	95	139	95	139	160
Working capital percentage of last quarter sales	30.8	21.3	30.8	21.3	22.1
Capital employed, SEK million	1,298	2,372	1,298	2,372	2,305
Tax losses carry forward, SEK million	520	480	520	480	722
Return on capital employed, %	-9.8	3.3	1.4	3.3	2.3
Return on equity, %	-22.4	3.2	0.1	-6.0	0.1
Equity/assets ratio, %	60.7	64.7	60.7	64.7	62.8
Net debt/equity, %	22.6	13.5	22.6	13.5	15.3
Current ratio	0.8	0.9	0.8	0.9	0.9
Interest bearing net debt, SEK million	231	276	231	276	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 interim 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](http://www.teleca.com) or distributed by post upon request from Teleca's head office.

The Board of Directors and the Chief Executive Officer affirm that this interim 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, October 18, 2007

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

My review report has been submitted on October 18, 2007.

Peter Gustafsson  
**Authorized Public Accountant**

## AUDITORS' REVIEW REPORT

### Introduction

I have conducted a review of the interim report for Teleca AB (publ.) as of September 30, 2007 and for the nine-month period then ended. The Board of Directors and the Chief Executive Officer are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. My responsibility is to express a conclusion on this interim report based on my review.

### Focus and scope of the review

I conducted my review in accordance with the Standard on Review Engagements SÖG 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and significantly less scope than an audit in accordance with Auditing Standards in Sweden, RS, and other generally accepted auditing practices. The procedures performed in a review do not enable me to obtain a level of assurance that would make me aware of all significant matters that would have been identified if an audit had been conducted. Accordingly, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

### Conclusion

Based on my review, nothing has come to my attention that causes me to believe that the interim report has not, in all material respects, been prepared in accordance with IAS 34 and the Annual Accounts Act.

Stockholm, October 18, 2007

Peter Gustafsson  
Authorized Public Accountant



<b>Appendix 1 to interim report January-September 2007</b>					
<b>Discontinued operations</b>					
<p>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 368.4 million. Teleca Spain in the former auSystems division and Teleca Japan in the Mobile division are planned to be closed down during the second half of 2007. The results from these companies are also reported as discontinued operations.</p> <p>Discontinued operations for 2006 also includes the Benima operations which were sold on May 8th 2006.</p>					
<b>Earnings from discontinued operations</b>					
	2007 Jan-Sep	2006 Jan-Sep	2007 Jul-Sep	2006 Jul-Sep	2006 Jan-Dec
Earnings from Benima operations	-	10.2	-	-	10.2
Earnings from Benima divestment	0.4	281.6	0.4	-	279.6
Earnings from auSystems operations	-5.2	11.0	0.4	-15.4	9.8
Earnings from auSystems divestment	368.4	-	-8.3	-	-
Earning from Teleca Japan operations	-20.9	-1.4	0.2	-0.1	-1.7
<b>Earnings from discontinued operations</b>	<b>342.7</b>	<b>301.4</b>	<b>-7.3</b>	<b>-15.5</b>	<b>297.9</b>
<b>Summary of income statements in companies in discontinued operations</b>					
	2007 Jan-Sep	2006 Jan-Sep	2007 Jul-Sep	2006 Jul-Sep	2006 Jan-Dec
Operating income	391.4	1,089.4	6.2	264.2	1,457.0
Operating expenses	-413.3	-1,065.7	-4.0	-281.8	-1,420.4
Financial items	-1.8	-1.9	-0.6	-1.2	-2.8
Earnings before tax	-23.7	21.8	1.6	-18.8	33.8
Taxes	-2.4	-2.0	-1.0	3.3	-15.5
<b>Earnings in companies in discontinued operations</b>	<b>-26.1</b>	<b>19.8</b>	<b>0.6</b>	<b>-15.5</b>	<b>18.3</b>
<b>Purchase consideration and profit from transactions</b>					
	2007 Jan-Sep	2006 Jan-Sep			
Net assets in divested companies	95.0	43.2			
Goodwill related to divested operations	304.5	176.8			
<b>Total net assets sold</b>	<b>399.5</b>	<b>220.0</b>			
Costs and allowances arising from the transactions	43.7	15.5			
Profit from divestment	368.8	281.6			
<b>Total purchase consideration</b>	<b>812.0</b>	<b>517.1</b>			
<b>Net cash flow in discontinued operations</b>					
<p>During the first three quarters the cash flow was SEK -16.7 million (24.7) from current operations for the companies in discontinued operations. The cash flow from investment operations was SEK -0.2 million (-21.6), and SEK -15.8 million (21.2) from financing operations.</p>					

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](http://www.teleca.com).

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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 Mid cap list of the Nordic Exchange.