Press Release 21 October 2005

Interim Report January–September 2005

Obigo’s new release receives positive response

Key figures	2005 Jan-Sept	2004 Jan-Sept	Change	2005 July-Sept	2004 July-Sept	Change
Net sales, SEK M	2,204	1,945	13%	662	625	6%
Operating earnings (EBIT), SEK M	61	60	2%	-1	12	–
Earnings for the period, SEK M	45	35	28%	3	5	-30%
Earnings per share, SEK	0,73	0.57	28%	0.05	0.07	-29%

- Net sales increased 13% to SEK 2,204 million (1,945)
- Operating margin of consulting activities was 7% (4) for the period January–September and 5% (3) for the third quarter; operating earnings (EBIT) were SEK 149 million (82) for the period January–September and SEK 30 million (21) for the third quarter
- Continued investment in Products as well as delayed sales for Popwire and the financial difficulties of an Obigo customer adversely affected earnings for the first 9 months of the year, resulting in operating earnings (EBIT) of –SEK 66 million (–1) for the period January–September and –SEK 27 million (–2) for the third quarter
- In October Obigo launched a new version of its world-leading software suite for mobile phones, which among other things includes a substantially upgraded Obigo Browser. The new software is expected to strengthen Obigo’s position during 2006
- Cash flow from current operations was SEK 133 million (40)

The board of directors’ forecast for 2005

For the group: Continued increased sales and significantly higher operating earnings (EBIT). For the Products division: Significantly increased sales compared with last year. Operating earnings (EBIT) lower than last year.

THE TELECA GROUP

Business activities

The market is developing positively. Utilisation has increased to 76%, compared with 73% in the second quarter and 74% in the first quarter.

The increased demand has still not resulted in increased average prices. Local competition continues to be fierce at the same time as competition from low-cost countries is becoming increasingly noticeable in various parts of the business. Teleca's expansion into low-cost countries is progressing according to plan. At the end of the period Teleca had 56 employees in Poland.

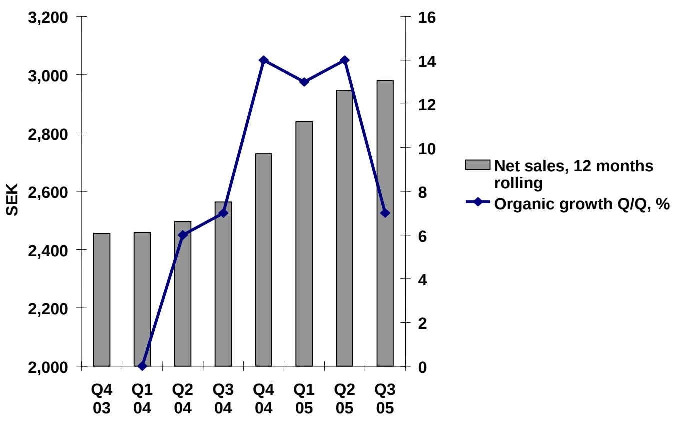
The measures taken to improve profitability in the United Kingdom have resulted in greater-than-expected reductions in running costs. Utilisation is gradually being improved by increasingly focusing on the local market and favourable growth areas, such as projects based on Microsoft's mobile platform Windows Mobile. Increased resource collaboration has also contributed to the improvements.

In the Products division the development of the next release of Obigo, Teleca's world-leading software suite for mobile phones, is progressing according to plan and was launched on 19 October. The software will be ready for delivery to customers at the end of November. The initial reaction from customers has been very positive. The new release has already helped to increase sales of existing products and is expected to increase the rate of growth in 2006. Third-quarter earnings from licences have been limited during the wait for the new release to be ready for delivery. Operating earnings for the Products division are expected to be positive during the fourth quarter.

Teleca's focus on sales and general cost-effectiveness is continuing to contribute towards the gradual improvement of the operating margins of the business.

Sales

Net sales during the period were SEK 2,204 million (1,945). Organic growth was 11%, and total growth was 13%. Growth in Asia was 30% and totalled 20% of group sales. Net sales outside Sweden accounted for 56% (55).



Growth, %	Q3 2005	Q2 2005	Q1 2005	Q4 2004	Q3 2004
Organic growth	7	14	13	18 (14)*	7
Total growth	6	16	17	27 (22)*	12

**A provision of SEK 45 million made in Q4 2003 has been excluded in the figures presented in brackets for Q4, 2004.*

Earnings

Operating earnings (EBIT) during the period were SEK 61 million (60). Operating earnings (EBIT) in the third quarter was –SEK 1 million (12).

Depreciations during the period amounted to –SEK 97 million (–54) of which tangible fixed assets accounted for –SEK 29 million (–24), capitalised software development accounted for –SEK 64 million (–28) and other intangible assets accounted for –SEK 4 million (–2). During the period SEK 136 million (69) of investments in software development have been capitalised in the balance sheet.

Earnings after financial items were SEK 64 million (50). Bank and interest expenses were –SEK 7 million (–8) and net exchange effects from financial receivables and liabilities were SEK 2 million (–2). Financial items include a capital gain of SEK 8 million as a result of the divestment of the shares in Teleca OSS AB. Earnings after tax were SEK 45 million (35).

Cash flow and financial position

Cash flow from current operations was SEK 133 million (40) during the period, with SEK 23 million during the first quarter, SEK 86 million during the second quarter, and SEK 24 million during the third quarter. Working capital has decreased by SEK 18 million. Excluding exchange rate effects working capital increased by SEK 2 million. At the end of the period working capital was SEK 220 million (184).

The Group's net investments during the period were SEK 180 million (186), of which net of acquisitions and divestments accounted for SEK 14 million (105) and current operations accounted for SEK 166 million (81). Regarding investments in current operations other fixed assets accounted for SEK 30 million (7) and intangible fixed assets accounted for SEK 136 million (74). Business acquisitions and sales during the period have had a net effect on liquidity of SEK 9 million.

At the end of the period interest bearing net debt was SEK 249 million (189) and the equity/assets ratio was 65% (66). During the third quarter, that has many vacation days, the net debt has increased by SEK 12 million. During the previous year the equivalent increase was SEK 55 million.

Staff

The average number of staff during the period was 3,110 (2,732). Organic growth was 10% and total growth 14%. The total number of staff, measured as the equivalent number of full-time staff, was 3,102 (3,000) at the end of the period, compared with 3,034 on 31 December 2004.

Forecast

The board of directors' forecast for 2005. For the group: Continued increased sales and significantly higher operating earnings (EBIT). For the Products division: Significantly increased sales compared with last year. Operating earnings (EBIT) lower than last year.

In 2004 the group EBIT was SEK 109 million, and the Products division EBIT was SEK 14 million.

DIVISIONS

Key figures by segment*

January–September 2005	Products	Mobile Devices	Network Equipment Providers	Enterprises & Operators	Benima	Consulting total	Joint Group and eliminations	Total
Sales SEK M	154 (125)	872 (797)	343 (295)	606 (480)	376 (334)	2,197 (1,905)	–148 (–84)	2,204 (1,945)
Growth, %	24	9	16	26	13	15	–	13
Operating earnings (EBIT), SEK M	–66 (–1)	66 (45)	22 (17)	30 (–1)	31 (21)	149 (82)	–23 (–21)	61 (60)
Margin (EBIT), %	–42 (–1)	8 (6)	6 (6)	5 (0)	8 (6)	7 (4)	–	3 (3)
Average number of employees	264 (201)	1,192 (1,032)	483 (450)	647 (571)	504 (462)	2,826 (2,515)	20 (16)	3,110 (2,732)

*The Division figures for 2004 are pro forma according to the new classification of segments.

Products

Obigo

The development of Obigo's new release is progressing according to plan and it was launched on 19 October. The software will be ready for delivery to customers at the end of November. The new release includes among other things a substantially updated mobile web browser, full 3G compatibility, a fully developed integrated interface, and support to reduce both development times and manufacturers' costs. Third-quarter licence sales have been weak during the wait for the new release to be ready for delivery. The initial reaction from customers has been very positive and is one of the reasons why growth is expected to increase in 2006. The positive outlook for Obigo in North America has continued since the sales breakthrough in the second quarter, and several new phones with Obigo's software from several leading phone manufacturers will be launched in this market. Currently there are more than 50 projects in which Obigo is being integrated into new phone models.

Popwire

The development of connectivity products, which among other things enable calendar synchronisation and communication between mobile phones and PCs, has been stable. In the area of media, TV companies, telecom operators and phone and consumer electronics manufacturers continue to show interest and several pilot installations are in progress. An expected sales breakthrough has been delayed, which has affected the results. A breakthrough order for a mobile media SDK for PlaysForSure has been signed with a mobile virtual network operator (MVNO) in the United States.

Mobile Devices

The market has developed well in the third quarter and utilisation has also increased. The continuing work of developing the global sales collaboration is starting to produce results and leading to new possibilities in the international marketplace. During the year new relationships with some of the world's leading phone manufacturers in North America and Asia have been created, which in turn has created a firm base for next year. The losses in the United Kingdom have been substantially reduced following the introduction of a comprehensive cost-savings programme. The improvement in the results has been slow, but new sales efforts and improved internal resource collaboration have speeded up the process in the third quarter. The new office in Bochum, which was opened during the second quarter, is developing well and contributing to strong business activities in Germany.

Network Equipment Providers

The utilisation rate continued to be high during the third quarter but continuing price pressure has had an adverse affect on margins. During the third quarter Teleca renewed its global general agreement with Ericsson, which runs up to an including December 2006. The expansion in Poland is progressing according to plan and there were 56 employees at the end of the third quarter.

Enterprises & Operators

The effects of the reorganisation that took place primarily in Sweden at the start of the year are beginning to give results. Teleca OSS, which has a staff of 40 and had a turnover of SEK 28 million in the first half-year, was sold to Ericsson at the beginning of the third quarter. Teleca has signed a 2-year agreement with Siemens Medical Solutions regarding software development for medical equipment. The agreement also involves Teleca taking on 16 new members of staff from Siemens. Teleca's two companies in Italy have been merged to form an operating company. The merger brings with it lower fixed costs and a better focus on sales in the Italian market.

Benima

The market prospects continue to be good. Futec, which was acquired in June, has progressed well. The company has changed its name to Benima Finland and merged with a smaller unit in Finland that also works with industrial IT and automation. The market conditions remain good, especially in the nuclear power area.

OTHER INFORMATION

Parent company

Sales during the period were SEK 65 million (71). Earnings after net financial items were –SEK 12 million (–16). Liquid funds were SEK 4 million (10 at 31 December 2004). During the period, the parent company invested SEK 32 million (64) in shares in subsidiaries. SEK 0 million (3) was invested in equipment.

Warrants

During the third quarter 700,000 warrants (TO 5B, 02/05), which carry the right to subscribe for an equivalent number of shares, have matured without any subscriptions for shares taking place. During the second 53,807 warrants ("warrants issued to IBM AB"), which carry the right to subscribe for an equivalent number of shares, matured without any subscriptions for shares taking place. At the end of the period there were 79,532 outstanding options that carried the right to subscribe for an equivalent number of shares.

Condensed consolidated income statement, SEK million

	2005 Jan-Sept	2004 Jan-Sept	2005 July-Sept	2004 July-Sept	2004 Full year
Net sales	2,203.6	1,945.3	662.4	625.2	2,728.3
Personnel expenses	-1,502.7	-1,311.9	-455.3	-420.5	-1,809.3
Other operating expenses *	-543.0	-519.6	-171.7	-172.2	-726.7
Depreciation	-97.1	-54.0	-36.4	-20.6	-83.4
Operating earnings (EBIT)	**60.8**	**59.8**	**-1.0**	**11.9**	**108.9**
Earnings from financial items **	3.6	-10.0	1.9	-4.1	-14.0
Earnings after financial items	**64.4**	**49.8**	**0.9**	**7.8**	**94.9**
Taxes	-19.2	-14.6	2.3	-3.3	-53.3
Earnings for the period	**45.2**	**35.3**	**3.2**	**4.5**	**41.6**
Of which attributable to:					
shareholders in Teleca AB	45.2	35.5	3.2	4.7	41.4
minority interest	0.0	-0.2	0.0	-0.2	0.2

* *Capitalised development expenses are included in other operating expenses.*
** *Financial items Jan.-Sept. 2005 consists of net interest of –SEK 6.5 million (-6.3), net exchange effects of SEK 2.5 million (-1.5) and earnings from other securities of SEK 7.6 million (-2.2).*

	2005 Jan-Sept	2004 Jan-Sept	2005 July-Sept	2004 July-Sept	2004 Full year
Operating margin, %	2.8	3.1	-0.2	1.9	4.0
Profit margin, %	2.1	1.8	0.5	0.7	1.5

Depreciation, SEK million

	2005 Jan-Sept	2004 Jan-Sept	2005 July-Sept	2004 July-Sept	2004 Full year
Tangible fixed assets	-29.4	-23.8	-10.1	-8.2	-37.8
Capitalised software development	-63.5	-28.5	-25.0	-11.3	-42.4
Other intangible assets	-4.2	-1.7	-1.4	-1.2	-3.2
Total depreciations for the period	**-97.1**	**-54.0**	**-36.5**	**-20.7**	**-83.4**

Share data

	2005 Jan-Sept	2004 Jan-Sept	2005 July-Sept	2004 July-Sept	2004 Full year
Earnings per share, SEK	0.73	0.57	0.05	0.07	0.67
Ditto diluted, SEK	0.73	0.57	0.05	0.07	0.67
Shareholders' equity per share, SEK	31.67	30.04	31.67	30.04	30.22
Ditto diluted, SEK	31.67	30.04	31.67	30.04	30.22
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	62,377,477	61,512,170	62,377,477	62,377,477	61,728,497
Ditto diluted	62,377,477	61,512,170	62,377,477	62,377,477	61,728,497
No of warrants with subscription price below current share price, period end	0	0	0	0	0
No of warrants with subscription price over current share price, period end	79,532	850,076	79,532	850,076	833,339
No of own shares, period end	0	0	0	0	0
Share price, period end	39.0	31.0	39.0	31.0	36.5

Condensed consolidated balance sheet, SEK million

	2005 30 Sept	2004 30 Sept	2004 31 Dec
Assets			
Goodwill	1,687.8	1,649.0	1,636.4
Capitalised development expenses	197.8	101.0	125.5
Other intangible assets	34.7	33.1	37.5
Other fixed assets	170.6	177.8	159.5
Current assets	888.7	816.3	886.7
Other interest bearing assets	0.1	1.8	1.3
Liquid funds	38.7	88.7	96.5
Total assets	**3,018.4**	**2,867.7**	**2,943.4**
Shareholders' equity and liabilities			
Shareholders' equity	1,975.6	1,897.8	1,885.1
Provisions *	26.6	25.5	21.4
Long-term liabilities, interest bearing	20.2	5.9	7.4
Long-term liabilities, non-interest bearing	63.0	60.4	59.9
Current liabilities, interest bearing	264.6	270.1	305.0
Current liabilities, non-interest bearing	668.4	608.0	664.6
Total shareholders' equity and liabilities	**3,018.4**	**2,867.7**	**2,943.4**
* *Incl. interest bearing*	*2.7*	*3.2*	*3.0*

Changes in shareholders' equity, SEK million

	2005 Jan-Sept	2004 Jan-Sept	2005 July-Sept	2004 July-Sept	2004 Full year
Amount at the beginning of the period, Swedish GAAP	**1,785.9**	**1,799.0**	**–**	**1,856.2**	**1,799.0**
Amendment of accounting principles	99.2	–	–	50.5	0,0
Amount at the beginning of the year, IFRS	**1,885.1**	**1,799.0**	**1,984.7**	**1,906.7**	**1,799.0**
New share issue for acquisitions *	–	52.6	–	–	52.6
Translation differences	46.1	10.2	-12.4	-13.5	-9.1
Minority share	-0.8	0.7	0.1	0.0	1.0
Dividend	–	–	–	–	–
Earnings for the period	45.2	35.3	3.2	4.6	41.6
Amount at the end of the period	**1,975.6**	**1,897.8**	**1,975.6**	**1,897.8**	**1,885.1**
Of which attributable to:					
shareholders in Teleca AB	1,975.5	1,897.0	1,975.5	1,897.0	1,884.3
minority interest	0.1	0.8	0.1	0.8	0.8

** After deduction for issue costs*

Condensed consolidated cash flow analysis, SEK million

	2005 Jan-Sept	2004 Jan-Sept	2005 July-Sept	2004 July-Sept	2004 Full year
Cash flow from operations	**131.8**	**88.9**	**33.8**	**22.0**	**159.2**
Change in working capital	1.5	-48.9	-9.6	-49.4	-84.6
Cash flow from current operations	**133.3**	**40.0**	**24.2**	**-27.4**	**74.6**
Investment operations	-161.2	-185.8	-42.7	-28.8	-131.7
Financial operations	-36.4	74.6	-34.7	52.9	-4.3
Cash flow for the period	**-64.3**	**-71.2**	**-53.2**	**-3.3**	**-61.4**
Exchange differences in liquid funds	6.1	1.5	-0.4	-1.4	-0.5
Changes in liquid funds	**-58.2**	**-69.7**	**-53.5**	**-4.7**	**-61.9**

Net sales by division, SEK million*

	2005 Jan-Sept	2004 Jan-Sept	2005 July-Sept	2004 July-Sept	2004 Full year
Mobile Devices	871.8	796.7	291.1	268.0	1,124.7
Network Equipment Providers	343.1	294.6	104.6	90.3	403.4
Enterprises & Operators	605.9	479.7	166.5	141.9	671.2
Benima	375.9	333.9	101.9	104.1	466.2
Consulting total	**2,196.6**	**1,904.9**	**664.0**	**604.3**	**2,665.5**
Products	154.5	124.8	44.9	40.9	205.0
Joint Group and elimination	-147.5	-84.4	-46.5	-19.8	-142.2
Total	**2,203.6**	**1,945.3**	**662.4**	**625.2**	**2,728.3**

Operating earnings by division, SEK million*

	2005 Jan-Sept	2004 Jan-Sept	2005 July-Sept	2004 July-Sept	2004 Full year
Mobile Devices	66.0	44.9	15.4	7.6	73.3
Network Equipment Providers	22.2	17.3	1.4	2.6	21.7
Enterprises & Operators	29.7	-0.9	7.3	2.2	2.8
Benima	31.4	20.8	6.3	8.3	31.9
Consulting total	**149.3**	**82.1**	**30.4**	**20.7**	**129.7**
Products**	-65.5	-1.0	-27.1	-1.5	14.0
Joint Group and elimination	-23.0	-21.3	-4.4	-7.3	-34.8
Operating earnings (EBIT)	**60.8**	**59.8**	**-1.1**	**11.9**	**108.9**

Operating margin by division *

	2005 Jan-Sept	2004 Jan-Sept	2005 July-Sept	2004 July-Sept	2004 Full year
Mobile Devices	7.6	5.6	5.3	2.8	6.5
Network Equipment Providers	6.5	5.9	1.4	2.9	5.4
Enterprises & Operators	4.9	-0.2	4.4	1.6	0.4
Benima	8.4	6.2	6.2	8.0	6.8
Consulting total	**6.8**	**4.3**	**4.6**	**3.4**	**4.9**
Products	-42.4	-0.8	-60.3	-3.7	6.8
Group total	**2.8**	**3.1**	**-0.2**	**2.0**	**4.0**

*The Division figures for 2004 are pro forma according to the new classification of segments.
**Jan-Sep 2005 depreciation and amortisation in Products amounted to –SEK 74.3 million (–50.9).

Net sales by geographical area, SEK million

	2005 Jan-July	2004 Jan-July	2005 July-Sept	2004 July-Sept	2004 Full year
Sweden	970.9	873.1	279.6	260.9	1,205.8
Europe, excl. Sweden	735.0	648.8	239.0	225.1	900.3
Asia	430.6	332.3	120.9	112.0	506.6
North America	67.1	87.3	23.0	26.6	111.1
Rest of World	0.1	3.8	0.0	0.6	4.5
Total	**2,203.6**	**1,945.3**	**662.4**	**625.2**	**2,728.3**

Quarterly trend

	2002				2003			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales, SEK million	430.9	526.1	500.7	632.3	645.2	634.9	557.9	617.6
Operating earnings (EBIT), SEK million	43.7	52.4	45.1	56.6	43.6	37.2	26.0	-54.7
Operating margin, %*	10.1	10.0	9.0	9.0	6.8	5.9	4.7	-8.9
Number of working days, approx.	62	60	66	62	62	59	66	63
Number of employees end of period	2,188	2,234	2,352	2,374	2,456	2,490	2,536	2,583

	2004				2005			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net sales, SEK million	647.6	672.5	625.2	783.1	758.1	783.2	662.4	
Operating earnings (EBIT), SEK million	32.9	15.0	12.8	49.9	38.2	23.7	-1.0	
Operating margin, %	5.1	2.2	2.0	6.4	5.0	3.0	-0.2	
Number of working days, approx.	63	60	66	64	61	62	66	63
Number of employees end of period	2,635	2,858	3,000	3,034	3,156	3,109	3,102	

** For 2002 and 2003 amortization of goodwill has been excluded.*

Key data Teleca Group

	2005 Jan-Sept	2004 Jan-Sept	2005 July-Sept	2004 July-Sept	2004 Full year
Number of employees, period-end (full time equivalents)	3,102	3,000	3,102	3,000	3,034
Average number of employees	3,110	2,732	3,098	2,920	2,810
Net sales per employee, SEK thousands	709	712	212	214	971
Value added per employee, SEK thousands	503	502	145	148	683
Working capital, SEK million	220	184	205	184	222
Working capital percentage of last quarter sales	33.2	29.5	31.1	29,5	28.4
Capital employed, SEK million	2,263	2,177	2,249	2,153	2,201
Tax losses carry forward, SEK million	–	–	–	–	311
Return on capital employed, %	3.3	3.0	0.2	0.5	5.4
Return on equity, %	2.3	1.9	0.2	0.2	2.3
Equity/assets ratio, %	65.5	66.2	65.5	66.2	64.0
Net debt/equity, %	12.6	9.9	12.6	9.9	11.5
Current ratio	1.0	1.0	1.0	1.0	1.0
Interest bearing net debt, SEK million	249	189	249	189	218

Accounting principles

From and including 1 January 2005 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. Up to and including 2004 Teleca applied the Swedish Financial Accounting Standards Council's recommendations and pronouncements. The transition to the IFRS is reported in accordance with IFRS 1, First-time Adoption of IFRS.

Most of the recommendations implemented during the transition to the IFRS will have little or no effect on the company's accounting practices. The only areas of the IFRS that are significantly different from Teleca's current accounting practices are the valuation of goodwill and other intangible assets (IFRS 1, IFRS 3, IAS 36 and IAS 38), the accounting of company acquisitions (IFRS 3) and financial instruments (IAS 39).

The changes to the accounting principles brought about by the transition and other transitional effects on the group's results and balance sheets are recorded in notes 1 to 7 below. The recorded effects are preliminary and subject to change because certain IAS/IFRS standards are still under review and additional IFRIC pronouncements are expected in 2005. In addition new standards applicable from 1 January 2006 may also be applied prematurely.

More information about the transition to the International Financial Reporting Standards is available at Teleca's web site www.teleca.se or from Teleca's annual report for 2004.

This Interim Report has not been examined by the company's auditors.

Stockholm, 21 October 2005
Teleca AB (publ.)

For the Board of Directors
Dag Sundström, President and CEO

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Forthcoming report dates

Year-end Report 2005:	09 February 2006
Interim Report January–March 2006:	25 April 2006
Interim Report January–June 2005:	20 July 2006
Interim Report January–September 2005:	19 October 2006

Press and analyst conferences

Teleca will present the interim report at 09.00 (CET) on 21 October 2005, at Operaterassen in Stockholm. The presentation will be in English.
The presentation can also be heard via telephone, +46-858769445, or via the internet, www.teleca.se.

Teleca is an international telecom and IT services company focused on R&D that develops and integrates advanced software and information technology solutions. With in-depth expertise in the latest technology and profound industrial knowledge, Teleca helps technology- and software-intensive customers worldwide to strengthen their market positions and shorten their times to market. The company has more than 3,000 employees and operations in 16 countries in Asia, Europe and North America. Teleca is quoted on the Attract40 list of the Stockholm Stock Exchange. www.teleca.com

The interim report may be ordered from the Company or downloaded from Teleca's website. **www.teleca.com**

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This information is also available in Swedish.

NOTES

Note 1: Amortisation of goodwill

According to IFRS 3 goodwill must be recorded as an asset with an undefinable period of usefulness and therefore not amortised. Instead an amortisation test must be performed once a year or when there is an indication that a fall in value has occurred. Goodwill amortisation for January-September 2004 amounted to SEK 76.3 million and for the whole of 2004 to SEK 101.4 million. Both these amounts have been cancelled in full in accordance with the IFRS. The review shows that the amortisation of intangible assets will affect earnings by SEK 0.9 million for tJanuary-September 2004 and SEK 1.7 million for the whole of 2004. There are no outstanding amortisation requirements. IFRS 3 Business Combination applies from the transitional date of 1 January 2004.

Note 2: Accounting of company acquisitions

Teleca applies the IFRS 3 transitional rules for acquisitions completed after and including 1 January 2004. The IFRS involve relatively large changes to the way company acquisitions are accounted for. To a greater extent than before, various identifiable assets that are acquired, such as customer relations, patents, licences, trade marks , know-how, processes, and so on, must be given a market price at the time of their acquisition and recorded as intangible assets in the accounts. For acquisitions completed in 2004 a redistribution has been made regarding the allocation of the purchase price to identifiable assets and liabilities, as stipulated in IFRS 3. SEK 31.3 million out of a total of SEK 104.0 million for goodwill acquired in 2004 has been reclassified as customer relations and patents.

Note 3: Minority equity shares

The period ending 30 September 2004 included a liability to minority shareholders of SEK 0.8 million, which has been transferred to equity. Minority shareholders received no part of the profits for the period and therefore had no effect on the balance sheet.

Note 4: Financial instruments

Regarding financial instruments, Teleca will not recalculate the comparative figures for 2004, in accordance with the transitional rules for IAS 39 Financial Instruments. According to IAS 39 financial instruments must initially be valued at their real values and thereafter at their real values or accrued acquisition values according to their categorisation. Following the introduction of the IFRS all financial instruments will be perpetually recorded at their market values.

According to previous accounting principles derivatives adopted for hedging purposes are not subject to market valuation. Under IAS 39 Teleca also intends to use hedge accounting for these derivative instruments, so changes in market value will be accounted for as equity or in the income statement.

Consequently financial instruments are recorded as comparative figures for 2004 in accordance with previously applied principles. The difference that existed between the market values of currency futures contracts on 1 January 2005 that was assessed as having an effect on equity at the start of 2005 was SEK 33,000. The difference between book value and market value on 30 September 2005 is less than SEK 250,000, for which no adjustment is made. So-called embedded derivatives are not expected to occur and will therefore not have any significant effect on the group's results and financial position. Even if IAS 39 can lead to increased volatility in both the income statement and the balance sheet, it is important to note that this will have no effect on Teleca's cash flow or choice of financial and hedging strategies.

Note 5: Disposal of fixed assets

In accordance with IFRS 5 fixed assets or disposal groups that fulfil the criteria for classification as possessions for sale shall be valued to the lowest recorded value, and the real value reduced by the sales costs. Such assets shall not be depreciated during the period between being classified as possessions for sale and being sold. The company has chosen to apply this recommendation from 1 January 2005.

Note 6: Cash flow

The group's cash flow estimations and format have not changed in conjunction with the transition to the IFRS.

Note 7: Tax

Several of the above IFRS effects give rise to differences between book values and written-down values. Deferred tax is recorded for these differences.

Note 8 Estimate of effect of implementation of IFRS on consolidated income statement and balance sheet.

Effect on consolidated income statement

SEK Million	Full-year 2004 According to old principles	Full-year 2004 Amendment IFRS	Full-year 2004 According to IFRS	Jan-Sept 2004 According to old principles	Jan-Sept 2004 Amendment IFRS	Jan-Sept 2004 According to IFRS
Net sales	2,728.3	-	2,728.3	1,945.3	-	1,945.3
Personnel expenses	-1,809.3	-	-1,809.3	-1,311.9	-	-1311.9
Other operating expenses	-726.6	-	-726.7	-519.6	-	-519.6
Depreciation	-81.7	-1.7	-83.4	-53.1	-0.9	-54.0
Goodwill amortization	-101.4	101.4	0.0	-76.3	76.3	0.0
Operating earnings (EBIT)	**9.2**	**99.7**	**108.9**	**-15.6**	**75.4**	**59.8**
Earnings from financial items	-14.0	-	-14.0	-10.0	-	-10.0
Earnings after financial net	**-4.8**	**99.7**	**94.9**	**-25.6**	**75.4**	**49.8**
Minority and Taxes	-53.7	0.4	-53.3	-14.7	0.2	-14.5
Earnings for the period	**-58.5**	**100.1**	**41.6**	**-40.3**	**75.6**	**35.3**

Effect on consolidated equity per 1 January 2004

SEK Million	
Total shareholders' equity per 1 January 2004 according to previous accounting principles	1,799.0
Minority share	0.0
Total effects from IFRS *	0.0
Total shareholders' equity per 1 January 2004 according to IFRS *	**1,799.0**

* Currency exchange differences on equity has been re-set per 1 January 2004, with –SEK 57.6 million in Restricted equity and SEK 5,0 million in non-restricted equity.

Effect on consolidated balance sheet

SEK Million	31 December 2004 According to old principles	31 December 2004 Amendment IFRS	31 December 2004 According to IFRS	30 September 2004 According to old principles	30 September 2004 Amendment IFRS	30 September 2004 According to IFRS
Assets						
Goodwill	1,559.0	77.4	1,636.4	1,595.8	53.2	1,649.0
Capitalised development costs	125.5	-	125.5	101,0	0.0	101.0
Other intangible asstes	8.4	29.2	37.6	3.0	30.1	33.1
Other fixed assets	159.5	-	159.5	203.3	-25.5	177.8
Current assets	886.6	-	886.6	816.3	-	816.3
Other interest bearing assets	1.3	-	1.3	1.8	-	1.8
Liquid funds	96.5	-	96.5	88.7	-	88.7
Total assets	**2,836.8**	**106.6**	**2,943.4**	**2809.9**	**57.8**	**2,867.7**
Shareholders' equity and liabilities						
Shareholders' equity	1,785.8	98.3	2,884.1	1,822.1	74.9	1,897.0
Minority interest in equity	0.0	1.0	1.0	0.0	0.8	0.8
Total Shareholders' equity	**1,785.8**	**99.3**	**1,885.1**	**1,822.1**	**75.7**	**1,897.8**
Minority interest	0.8	-0.8	0.0	0.8	-0.8	0.0
Deferred tax	0.0	8.2	8.2	25.6	-17.1	8.5
Other provisions	13.2	-	13.2	17.0	-	17.0
Other interest bearing liabilities	312.4	-	312.4	276.0	-	276.0
Other non-interest bearing liabilities	724.5	-	724.5	668.4	-	668.4
Total shareholders' equity and liabilities	**2,836.8**	**106.6**	**2,943.4**	**2 ,809.9**	**57.8**	**2,867.7**