Press Release 9 February 2006

Year-end Report January–December 2005

Organic growth, investments in Products, results in line with previous year

Key figures	2005 Jan-Dec	2004 Jan-Dec	Change	2005 Oct-Dec	2004 Oct-Dec	Change
Net sales, SEK M	3,035	2,728	11%	832	783	6%
Operating earnings (EBIT), SEK M	102	109	-7%	41	49	-16%
Earnings for the period, SEK M	47	42	13%	2	6	-72%
Earnings per share, SEK	0.75	0.67	12%	0.03	0.10	-72%

- Net sales increased 11% to SEK 3,035 million (2,728). Organic growth for the full year 2005 was 11%
- Operating margin of consulting activities was 7% (5) for the period January–December and 7% (6) for the forth quarter; operating earnings (EBIT) were SEK 205 million (130) for the period January–December and SEK 56 million (48) for the forth quarter
- Continued investment in Products as well as delayed sales and the financial difficulties of an Obigo customer adversely affected earnings, resulting in operating earnings (EBIT) of –SEK 75 million (14) for the period January–December and –SEK 10 million (15) for the forth quarter
- In October Obigo launched a new version of its world-leading software suite for mobile phones. The new software is expected to strengthen Obigo's position during 2006
- Cash flow from current operations was SEK 203 million (75)

The board of directors' forecast for 2006

Obigo's new product release has been positively received and is expected to lead to an increased order intake in the next quarters, later followed by a positive effect on profits. The product development investments are expected to decrease. The continuing efficiency drive in the consulting business is also expected have a positive effect.

Forecast for the Teleca group: increased net sales and operating profits.

THE TELECA GROUP

Business activities

The demand for Teleca's services continues to increase. Utilisation increased by 2 percentage points to 74% (72) during the year. The positive market outlook means there is good reason to expect utilisation to increase during 2006. Group-wide projects to increase utilisation and lower costs are continuing.

Utilisation, %	Q4	Q3	Q2	Q1	Full year
2005	74	76	73	74	74
2004	73	72	72	71	72

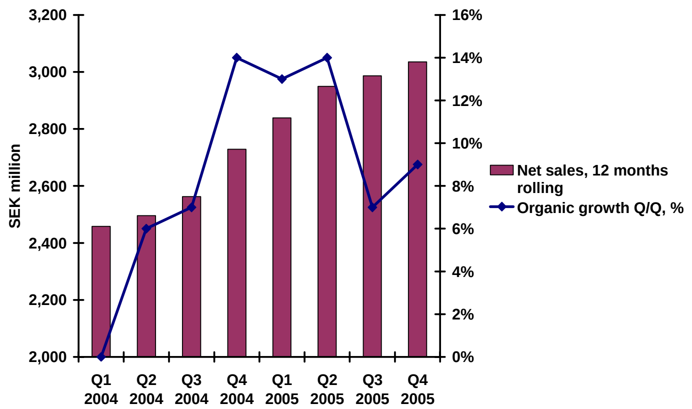
Prices stabilised during 2005 and conditions in some markets are now ripe for slight price increases. However, the downward pressure on prices continues in the internationally competitive area of development, integration, support and testing services. As far as Teleca is concerned this mainly affects the Network Equipment Providers and Mobile Devices divisions.

Increased low-cost production is strategically essential for Teleca. During 2006 Teleca plans to intensify its efforts to establish low-cost centres, partly through expansion in Poland and partly through acquisitions and business partners.

Organic sales growth was 9% for the fourth quarter of 2005 and 11% for the whole year. Total growth was 6% for the fourth quarter and 11% for the whole year.

Sales

Net sales during the period were SEK 3,035 million (2,728). Organic growth was 11%, and total growth was 11%. Growth in Asia was 12% and totalled 19% of group sales. Net sales outside Sweden accounted for 55% (56).



Growth, %	Q4 2005	Q3 2005	Q2 2005	Q1 2005	Q4 2004
Organic growth	9	7	14	13	18 (14)*
Total growth	6	6	16	17	27 (22)*

**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 102 million (109). Operating earnings (EBIT) in the fourth quarter was SEK 41 million (48).

Depreciations during the period amounted to –SEK 125 million (–83) of which tangible fixed assets accounted for –SEK 40 million (–38), capitalised software development accounted for –SEK 79 million (–42) and other intangible assets accounted for –SEK 6 million (–3). During the period SEK 168 million (107) of investments in software development have been capitalised in the balance sheet. A final investigation of the accounting of revenues and costs was made in November in accordance with IFRS. The investigation resulted in a one-off effect in the fourth quarter on operating earnings in the Products division of –SEK 1 million. The effect is related to SEK 5 million lower revenues, SEK 9 million lower capitalisation of product development and SEK 13 million lower depreciation.

Earnings after financial items were SEK 102 million (95). Earnings after tax were SEK 47 million (42). Tax for the fourth quarter includes one-off charges of –SEK 19 million, of which –SEK 10 million refers to revaluation of deferred tax assets and –SEK 9 million to tax that should have been charged to prior periods during the year. These tax charges have not affected the cash flow for the period.

Cash flow and financial position

Cash flow from current operations was SEK 203 million (75) during the period, with SEK 23 million during the first quarter, SEK 86 million during the second quarter, SEK 24 million during the third quarter, and SEK 70 million during the fourth quarter. Working capital has decreased by SEK 44 million. Excluding exchange rate effects working capital decreased by SEK 20 million. At the end of the period working capital was SEK 178 million (222).

The Group's net investments during the period were SEK 222 million (258), of which net of acquisitions and divestments accounted for SEK 14 million (115) and current operations accounted for SEK 208 million (143). Regarding investments in current operations other fixed assets accounted for SEK 40 million (35) and intangible fixed assets accounted for SEK 168 million (108). Business acquisitions and sales during the period have had a net effect on liquidity of SEK 8 million.

At the end of the period interest bearing net debt was SEK 238 million (218) and the equity/assets ratio was 64% (64). During the fourth quarter, the net debt has decreased by SEK 11 million. During the same period in 2004 the net debt increased by SEK 29 million.

Staff

The average number of employees (full time equivalents) during the period was 3,104 (2,810). Organic growth was 9% and total growth 10%. The total number of employees (full time equivalents) at the end of the period was 3,133 on 31 December 2005, compared with 3,034 on 31 December 2004.

The board of directors' forecast for 2006

Obigo's new product release has been positively received and is expected to lead to an increased order intake in the next quarters, later followed by a positive effect on profits. The product development investments are expected to decrease. The continuing efficiency drive in the consulting business is also expected have a positive effect.

Forecast for the Teleca group: increased net sales and operating profits.

DIVISIONS

Key figures by segment*

January–December 2005	Products	Mobile Devices	Network Equipment Providers	Enterprises & Operators	Benima	Consulting total	Joint Group and eliminations	Total
Sales SEK M	254 (205)	1,185 (1,125)	471 (403)	839 (671)	506 (466)	3,001 (2,666)	-219 (-142)	3,035 (2,728)
Growth, %	24	5	17	25	9	13	–	11
Operating earnings (EBIT), SEK M	-75 (14)	82 (73)	30 (22)	53 (3)	41 (32)	205 (130)	-29 (-35)	102 (109)
Margin (EBIT), %	-30 (7)	7 (7)	6 (5)	6 (0)	8 (7)	7 (5)	–	3 (4)
Average number of employees	276 (211)	1,127 (1,092)	486 (453)	694 (568)	499 (469)	2,806 (2,582)	22 (17)	3,104 (2,810)

October–December 2005	Products	Mobile Devices	Network Equipment Providers	Enterprises & Operators	Benima	Consulting total	Joint Group and eliminations	Total
Sales SEK M	99 (80)	313 (328)	128 (109)	233 (192)	130 (132)	804 (761)	-72 (-58)	832 (783)
Growth, %	23	-4	17	22	-1	6	–	6
Operating earnings (EBIT), SEK M	-10 (15)	16 (28)	8 (4)	23 (4)	10 (11)	56 (48)	-6 (-14)	41 (49)
Margin (EBIT), %	-10 (19)	5 (9)	6 (4)	10 (2)	7 (8)	7 (6)	–	5 (6)
Average number of employees	287 (241)	1,123 (1,269)	499 (463)	698 (559)	498 (493)	2,818 (2,784)	21 (20)	3,126 (3.044)

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

Products

The large investment in product development during 2005 has ensured that Obigo and Popwire products are fully competitive and in many respects global market-leading products. The investment, which has been financed by the healthy cash flow generated by Teleca's businesses, has put Teleca in a strong position for the next few years. During 2005 Teleca invested SEK 161 million in product development, compared with SEK 101 million in 2004. A lower level of investment in product development is expected in 2006 compared with 2005.

Obigo

Obigo is the Teleca operating company that develops and sells mobile phone software application such as mobile browsing, multimedia messaging and media players. In October Obigo launched a new release called Q05A, which went on sale in the last week of November. Its reception by customers and business partners has been positive. The high level of interest in the product, strong market growth, world-leading position and broader offering backed by a strong organisation all mean that Teleca predicts substantially increased sales for Obigo in 2006.

Popwire

The market for Popwire's products developed more slowly than expected in 2005. A new release of this connectivity offering will be ready during the first quarter of 2006. This is expected to lead to an increased level of interest from several of the world's leading mobile phone manufacturers.

Mobile Devices

Both growth and profitability were below managements expectations in the fourth quarter. Utilisation was low following the end of a large project in November. However, the demand for Mobile Devices products and services is good, and several large business opportunities have presented themselves at the beginning of 2006. The UK has gradually lowered its operating loss, which amounted to SEK 35 million in 2005. The lower costs at the start of 2006 and the increased sales are expected to lead to substantially improved results.

Price competition, primarily from Asian companies, has accelerated Teleca's efforts to expand in low-cost areas. Efforts to find business partners or acquire companies with engineering expertise in low-cost countries are expected to produce results during the first half of 2006.

During 2005 efforts were also made to combine, coordinate and offer Teleca's full range of skills and expertise to its most important customers. These efforts are now bringing results and will continue to do so during 2006.

Network Equipment Providers

The general upswing in the telecommunications industry increased demand throughout 2005. The strong downward pressure on prices is continuing as customers' purchasing routines have become more professional and the competition from low-cost companies has increased. As part of its efforts to offset its relatively high cost structure, Teleca is increasing its rate of expansion in Poland, where the costs levels are more competitive. Efforts to widen the customer base are also continuing. Wide-ranging training initiatives aimed at further improving the way Teleca meets customer needs will also begin in the first quarter.

Enterprises & Operators

The last quarter of 2005 saw a high level of utilisation and several fixed-price projects were completed with better margins than expected,, which contributed to unexpectedly strong profits for the quarter. Business activities in the public sector have also shown a positive trend in 2005. In January 2006 a new general agreement concerning information provision was signed with the Swedish Agency for Public Management (Statskontoret). Following a tough 2004 the Life Science unit's business activities gradually improved during the year. Business with the automotive industry was brisk throughout the year, with good growth, whereas the operators sector was continually subjected to downward pressure on prices. Despite this, however, business activities in this sector in Italy have experienced good levels of growth, and the merger of Teleca's two Italian companies has resulted in lower costs. The start of 2006 saw large changeovers take place between projects in Italy, which is having a temporary effect on utilisation.

Benima

The outlook for Benima's markets continues to look good, with several interesting opportunities for large new projects in the energy and infrastructures sectors. Utilisation continued to be stable in the fourth quarter, and a good order intake has formed a firm basis for the first quarter of 2006. Efforts were made throughout 2005 to improve the least well performing parts of Benima. The work has taken a considerable amount of time but improvements are now beginning to show. Benima's international acquisition strategy has been successful in 2005 and the work of expanding business activities in northern Europe continues.

OTHER INFORMATION

Parent company

Sales during the period were SEK 119 million (95). Earnings after net financial items were SEK 43 million (–147). Liquid funds were SEK 7 million (10 at 31 December 2004). During the period, the parent company invested SEK 21 million (69) in shares in subsidiaries. SEK 0 million (3) was invested in equipment.

Warrants

During 2005 the maximum number of newly subscribed shares from Teleca's employee stock option program was reduced from 79,532 to 40,812 due to employees leaving the company. The subscription price is SEK 158 a share. No holder of employee stock options used the right to subscribe for new shares during 2005.

During the second quarter 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.

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.

At the end of the year Teleca had in total one warrant program carrying the right to subscribe for a total of 40,812 series B shares. The subscription price is SEK 158 a share, which is higher than the share price on 31 December 2005.

Acquisitions and divestments

Teleca completed the following acquisitions and divestments in 2005:
In April the whole of Futec OY in Finland was acquired together with its staff of 21. Futec has since changed its name to Benima Finland and become part of Benima's business expansion strategy in northern Europe. Also in April the sawmill-based business of Benima Mellan AB was sold to Line-S AB, which also took on the workforce of 21. In June Teleca Sweden acquired the whole of Stockholm-based Dotify AB East, thereby strengthening Teleca's expertise in .NET technology. In July the whole of Teleca OSS AB was sold to Ericsson, which also took on the staff of 40. Teleca OSS's offerings were increasingly becoming part of complete undertakings in the telecom management area, an area that lies outside Teleca's strategic focus on development and consulting. In September the management consulting business CCC was sold to Real Consulting in Gothenburg, which also took on the staff of 5.

Condensed consolidated income statement, SEK million

	2005 Jan-Dec	2004 Jan-Dec	2005 Oct-Dec	2004 Oct-Dec
Net sales	3,035.2	2,728.3	831.6	783.1
Personnel expenses	-2,033.2	-1,809.3	-530.4	-497.5
Other operating expenses *	-775.1	-726.7	-232.1	-207.1
Depreciation	-125.2	-83.4	-28.1	-29.4
Operating earnings (EBIT)	**101.8**	**108.9**	**41.0**	**49.1**
Earnings from financial items **	-0.2	-14.0	-3.8	-4.0
Earnings after financial items	**101.6**	**94.9**	**37.2**	**45.1**
Taxes	-54.7	-53.3	-35.6	-39.1
Earnings for the period	**46.9**	**41.6**	**1.7**	**6.0**
Of which attributable to:				
shareholders in Teleca AB	46.9	41.4	1.7	5.6
minority interest	0.0	0.2	0.0	0.4

* *Capitalised development expenses are included in other operating expenses.*

** *Financial items Jan.-Dec. 2005 consists of net interest of –SEK 10.4 million (-9.9), net exchange effects of SEK 2.6 million (-3.3) and earnings from selling a business of SEK 7.6 million (-0.8).*

	2005 Jan-Dec	2004 Jan-Dec	2005 Oct-Dec	2004 Oct-Dec
Operating margin, %	3.4	4.0	4.9	6.3
Profit margin, %	1.5	1.5	0.2	0.8

Depreciation, SEK million

	2005 Jan-Dec	2004 Jan-Dec	2005 Oct-Dec	2004 Oct-Dec
Tangible fixed assets	-40.4	-37.8	-11.0	-14.0
Capitalised software development	-79.1	-42.4	-15.6	-13.9
Other intangible assets	-5.7	-3.2	-1.5	-1.5
Total depreciations for the period	**-125.2**	**-83.4**	**-28.1**	**-29.4**

A final investigation of the accounting of revenues and costs was made in November in accordance with IFRS. The investigation resulted in a one-off effect in the fourth quarter on operating earnings in the Products division of –SEK 1 million. The effect is related to SEK 5 million lower revenues, SEK 9 million lower capitalisation of product development and SEK 13 million lower depreciation.

Share data

	2005 Jan-Dec	2004 Jan-Dec	2005 Oct-Dec	2004 Oct-Dec
Earnings per share, SEK	0.75	0.67	0.03	0.10
Ditto diluted, SEK	0.75	0.67	0.03	0.10
Shareholders' equity per share, SEK	31.71	30.22	31.71	30.22
Ditto diluted, SEK	31.71	30.22	31.71	30.22
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	62,377,477	61,728,497	62,377,477	62,377,477
Ditto diluted	62,377,477	61,728,497	62,377,477	62,377,477
No of warrants with subscription price below current share price, period end	0	0	0	0
No of warrants with subscription price over current share price, period end	40,812	833,339	40,812	833,339
No of own shares, period end	0	0	0	0
Share price, period end	35.7	36.5	35.7	36.5

Condensed consolidated balance sheet, SEK million

	2005 31 Dec	2004 31 Dec
Assets		
Goodwill	1,690.5	1,636.4
Capitalised development expenses	214.1	125.5
Other intangible assets	34.0	37.6
Tangible assets	90,2	85,5
Financial fixed assets	19,4	10,8
Other fixed assets	62,6	63,9
Current assets	932.0	886.7
Other interest bearing assets	2.1	1.3
Liquid funds	47.2	96.5
Total assets	**3,092.1**	**2,943.1**
Shareholders' equity and liabilities		
Shareholders' equity	1,978.2	1,884.8
Long-term liabilities, interest bearing	23.0	10.4
Long-term liabilities, non-interest bearing	71.4	78.3
Current liabilities, interest bearing	263.9	305.0
Current liabilities, non-interest bearing	755.6	664.6
Total shareholders' equity and liabilities	**3,092.1**	**2,943.1**

Changes in shareholders' equity, SEK million

	2005 Jan-Dec	2004 Jan-Dec
Amount at the beginning of the period, Swedish GAAP	**1,785.9**	**1,799.0**
Amendment of accounting principles	98.9	0,1
Amount at the beginning of the period, IFRS	**1,884.8**	**1,799.1**
New share issue for acquisitions *	–	52.6
Translation differences	47.1	-8.9
Cash flow hedges	0,1	–
Minority share	-0.7	0.7
Dividend	–	–
Earnings for the period	46.9	41.3
Amount at the end of the period	**1,978.2**	**1,884.8**
Of which attributable to:		
shareholders in Teleca AB	1,978.1	1,884.0
minority interest	0.1	0.8

** After deduction for issue costs*

Condensed consolidated cash flow analysis, SEK million

	2005 Jan-Dec	2004 Jan-Dec	2005 Oct-Dec	2004 Oct-Dec
Cash flow from operations	**183.5**	**159.2**	**51.7**	**70.3**
Change in working capital	19.9	-84.6	18.4	-35.7
Cash flow from current operations	**203.4**	**74.6**	**70.1**	**34.6**
Investment operations	-217.7	-131.7	-56.5	54.1
Cash flow after investment operations	**-14,3**	**-57.1**	**13.6**	**88.7**
Financial operations	-41.0	-4.3	-4.6	-78.9
Cash flow for the period	**-55.3**	**-61.4**	**9.0**	**9.8**
Exchange differences in liquid funds	7.5	-0.5	1.4	-2.0
Changes in liquid funds	**-47.8**	**-61.9**	**10.4**	**7.8**

Net sales by division, SEK million*

	2005 Jan-Dec	2004 Jan-Dec	2005 Oct-Dec	2004 Oct-Dec
Mobile Devices	1,185.0	1,124.7	313.3	328.0
Network Equipment Providers	470.8	403.4	127.7	108.8
Enterprises & Operators	838.9	671.2	233.0	191.5
Benima	506.3	466.2	130.4	132.3
Consulting total	**3,001.0**	**2,665.5**	**804.4**	**760.6**
Products	253.5	205.0	99.1	80.2
Joint Group and elimination	-219.3	-142.2	-71.8	-57.7
Total	**3,035.2**	**2,728.3**	**831.6**	**783.1**

Operating earnings by division, SEK million*

	2005 Jan-Dec	2004 Jan-Dec	2005 Oct-Dec	2004 Oct-Dec
Mobile Devices	81.6	73.3	15.6	28.4
Network Equipment Providers	30.2	21.7	8.0	4.4
Enterprises & Operators	52.6	2.8	22.9	3.7
Benima	40.9	31.9	9.5	11.1
Consulting total	**205.3**	**129.7**	**56.0**	**47.6**
Products**	-75.0	14.0	-9.5	15.0
Joint Group and elimination	-28.6	-34.8	-5.5	-13.5
Operating earnings (EBIT)	**101.8**	**108.9**	**41.0**	**49.1**

Operating margin by division *

	2005 Jan-Dec	2004 Jan-Dec	2005 Oct-Dec	2004 Oct-Dec
Mobile Devices	6.9	6.5	5.0	8.6
Network Equipment Providers	6.4	5.4	6.3	4.0
Enterprises & Operators	6.3	0.4	9.8	1.9
Benima	8.1	6.8	7.3	8.4
Consulting total	**6.8**	**4.9**	**7.0**	**6.3**
Products	-29.6	6.8	-9.6	18.7
Group total	**3.4**	**4.0**	**4.9**	**6.3**

*The Division figures for 2004 are according to the new classification of segments.
**Jan-Dec 2005 depreciation and amortisation in Products amounted to –SEK 78.1 million (–41,7).

Net sales by geographical area, SEK million

	2005 Jan-Dec	2004 Jan-Dec	2005 Oct-Dec	2004 Oct-Dec
Sweden	1,364.1	1,205.8	393.2	332.7
Europe, excl. Sweden	998.4	900.3	263.4	251.5
Asia	569.8	506.6	139.2	174.3
North America	99.0	111.1	31.9	23.8
Rest of World	3.9	4.5	3.8	0.7
Total	**3,035.2**	**2,728.3**	**831.6**	**783.0**

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	831.6
Operating earnings (EBIT), SEK million	32.9	15.0	11.9	49.1	38.2	23.7	-1.1	41.0
Operating margin, %	5.1	2.2	2.0	6.4	5.0	3.0	-0.2	4.9
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	3,135

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

Key data Teleca Group

	2005 Jan-Dec	2004 Jan-Dec	2005 Oct-Dec	2004 Oct-Dec
Number of employees, period-end (full time equivalents)	3,133	3,034	3,133	3,034
Average number of employees	3,104	2,810	3,126	3,043
Net sales per employee, SEK thousands	978	971	266	257
Value added per employee, SEK thousands	688	683	183	180
Working capital, SEK million	178	222	178	222
Working capital percentage of last quarter sales	21.4	28.4	21.4	28.4
Capital employed, SEK million	2,265	2,200	2,265	2,200
Tax losses carry forward, SEK million	312	311	312	311
Return on capital employed, %	5.4	5.4	2.0	2.4
Return on equity, %	2.4	2.2	0.1	0.3
Equity/assets ratio, %	64.0	64.0	64.0	64.0
Net debt/equity, %	12.0	11.5	12.0	11.5
Current ratio	1.0	1.0	1.0	1.0
Interest bearing net debt, SEK million	238	218	238	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. The transition to the IFRS is reported in accordance with IFRS 1, First-time Adoption of IFRS. The Year-end have in all other aspects been prepared in accordance with the same accounting principles and calculation methods as applied in the Annual Report of 2004.

Transactions with related parties, as defined in the Annual Report of 2004 represents less than 1% of total revenue and total cost.

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 8 below.

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 Year-end Report has not been examined by the company's auditors.

Stockholm, 9 February 2006
Teleca AB (publ.)

The Board of Directors

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Forthcoming report dates

Interim Report January–March 2006:	24 April 2006
Interim Report January–June 2005:	20 July 2006
Interim Report January–September 2005:	19 October 2006

Annual general meeting

The annual general meeting 2006 will be held on 24 April 2006 in Malmö, Sweden. Notice of the Meeting will be made through press advertisements and a press release. The Board has proposes that no dividend shall be paid for the 2005 fiscal year. Teleca's Annual Report, is expected to be completed at the beginning of April 2006 and will than be held available at the company's web site and head office.

Press and analyst conferences

Teleca will present the year-end report at 09.00 (CET) on 9 February 2006, 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.com.

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 year-end 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.

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS, IFRS

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-December 2004 amounted to SEK 101.4 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 1.7 million for January-December 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 December 2004 included a liability to minority shareholders of SEK 0.8 million, which has been transferred to equity. Minority shareholders received SEK 0.2 million of the profits for the period, which affected the profit for the period negatively.

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 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 had an effect on equity at the start of 2005 was SEK 33,000. The difference between book value and market value on 31 December 2005 is SEK 429 thousands, which has been adjusted. 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	According to old principles	Amendment IFRS	According to IFRS
	Full-year 2004		
Net sales	2,728.3	-	2,728.3
Personnel expenses	-1,809.3	-	-1,809.3
Other operating expenses	-726.6	-	-726.7
Depreciation	-81.7	-1.7	-83.4
Goodwill amortization	-101.4	101.4	0.0
Operating earnings (EBIT)	**9.2**	**99.7**	**108.9**
Earnings from financial items	-14.0	-	-14.0
Earnings after financial net	**-4.8**	**99.7**	**94.9**
Minority and Taxes	-53.7	0.4	-53.7
Earnings for the period	**-58.5**	**99.7**	**41.3**

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	According to old principles	Amendment IFRS	According to IFRS
	31 December 2004		
Assets			
Goodwill	1,559.0	77.4	1,636.4
Capitalised development costs	125.5	-	125.5
Other intangible asstes	8.4	29.2	37.6
Other fixed assets	159.5	-0.3	159.2
Current assets	886.6	-	886.6
Other interest bearing assets	1.3	-	1.3
Liquid funds	96.5	-	96.5
Total assets	**2,836.8**	**106.3**	**2,943.1**
Shareholders' equity and liabilities			
Shareholders' equity	1,785.8	98.3	1,883.9
Minority interest in equity	0.0	0.8	0.8
Total Shareholders' equity	**1,785.8**	**98.9**	**1,884.7**
Minority interest	0.8	-0.8	0.0
Deferred tax	0.0	8.2	8.2
Other provisions	13.2	-	13.2
Other interest bearing liabilities	312.4	-	312.4
Other non-interest bearing liabilities	724.5	-	724.6
Total shareholders' equity and liabilities	**2,836.8**	**106.3**	**2,943.1**