Teleca divests remaining product business & adjusts guidance

Malmö, Sweden – October 13, 2008 – Teleca, a world-leading supplier of software services to the mobile industry (Nordic Exchange, Small cap: TELC B), today announces the divestment of its product business.

o Teleca divests 95% of its shares in its product business with a related services business in Korea for about SEK 56 million in cash. The transaction is conditioned by fulfillment of some customary conditions. The transaction is expected to close before year-end.
o The net result including transaction cost and provisions is estimated at SEK 25 million. In connection with this transaction combined with the focusing of the company we expect restructuring charges of up to SEK 25 million in Q4 2008 which will offset the net result of SEK 25 million. The restructuring will mainly be related to the discontinued operations. The transaction and the results of the product business will be reported as discontinued operations in Teleca's Q3 report.
o In total the divestment of the product business will result in an addition of SEK 42 million in cash into Teleca before restructuring charges.
o The market for Teleca's continuing business is negatively affected by the current trends in global economy. As a consequence Teleca has lowered its expectations for revenues and profit in 2nd half of 2008. Teleca has lowered its guidance for the second half of 2008 from slight negative growth and margin of 5-8% to a new guidance: Teleca expects sales in H2 2008 for continuing business in the range of SEK 470 million to SEK 480 million equal to a decline of 7-9% compared to H1 2008 and an EBIT result between SEK 5 million and a loss of SEK 5 million.
o The sudden dramatic negative change in market sentiment with a very short visibility in combination with the accelerated change in business model to off-shore deliveries have given reason for Teleca to perform an impairment test on goodwill assets. Updated sales numbers for the continuing business as well as cautious underlying assumptions on the growth and the profitability going forward will result in a write-down of the total goodwill with approximately SEK 350 million.

René Svendsen-Tune, President & CEO of Teleca says:
"We have now found an excellent way forward that will create value for our customers, Teleca and the employees in the product business. We can now focus all our efforts on developing our core business of bringing the highest quality of engineering services in wireless technology to our customers around the world.
In our continuing services business we have to accept that the turmoil driven by the financial industry has not left the wireless industry and Teleca unaffected. We experience a weaker market especially in Europe and like in many other industries the visibility to the coming quarters is very limited just

now. Our customers are trying to reduce cost and this speaks for increased off-shoring where we are very well positioned. It does however at the same time put pressure on our high-cost sites where we are – partly proactively - losing revenues. Our strategy has been to continually reduce cost for our customers by driving an increasing part of work to off-shore sites. We remain confident and committed to this strategy, but in current environment we have been forced to reduce scale in higher cost countries faster than we can offset it in our off-shore operations and therefore we face a current decline in revenues.
In this environment we expect the demand for off-shore services and outsourcing in general to prevail or increase and we expect our customers to turn to the strongest suppliers who can deliver from a global platform at competitive prices.

We target to increase our investments into building off-shore capability and strengthen our sales and marketing efforts. At the same time we seek to limit the risk in our high cost countries. We have already taken significant steps in this direction including the opening of our first Indian office and the sale of our French subsidiary which was announced at September, 19.
The negative development on the market and the accelerated shift to off-shore supplies force us to lower our guidance for the second half 2008. Further we have revised our assumptions regarding the goodwill recorded in our balance sheet. We are confident however that changes being implemented will pay off in the long-term."

Background on the Products transaction
Since 2007 Teleca has driven the business from Korea increasingly in a services and maintenance mode. This approach has worked very well for Teleca. We have been able to focus on our core business – the consulting business and at the same time we have extracted significant value from the Products. In contrast with last year, the product business has been a solid profit contributor in 2008.
Teleca is not however prepared to invest in the roadmap of the Products going forward, and we therefore feel that a divestment to a company with a product strategy is the best option for Teleca, the employees and the future of the product business.
The product business is being sold off for the estimated sum of SEK 56 million in cash. The transaction is conditioned by fulfillment of some customary conditions. The transaction is expected to close within the next couple of months. The final purchase price will be based on the net assets in the product business as per closing. The buyer is a private company where two Korean wireless industry related private equity funds are majority owners and members of the former management of Teleca Korea have a minority share. Teleca will form a tight partnership with the new company and keep a 5% equity stake at least for one year.
Also included in the transaction is the Korean services business which was tightly linked to the Products. In total 100 employees are effected by the transaction. The transaction will add SEK 42 million in cash including transaction costs but excluding restructuring charges of up to SEK 25 million. The PC Connectivity product suite is not included in the divestment and will

remain within Teleca.
During the first half of 2008 the Product business and the related Korean services business has contributed with SEK 74 million in revenue and earnings before interest and tax (EBIT) of SEK 18 million. During 2007 the same units contributed with SEK 233 million in revenue and made a loss of SEK 82 million excluding write-down of intangible assets.

Financial implications on continuing operation
The product business and the result of the transaction will be reported as discontinued operations in Telecas remaining financial reports for 2008. On a pro-forma basis excluding discontinued operations, first half 2008 has a result of SEK 515 million in revenue and SEK 12 million in EBIT excluding one time charges of SEK 22 million. In the 515 million revenue of SEK 15 million has also been removed as a result of the sale of the French subsidiary.
Telecas pro-forma account, including the sale of Products, will be included in the report for the third quarter which is to be released on October 21, 2008. The pro-forma account will also include the effects of the sale of the French subsidiary which was announced at September 19, 2008.

Write-down of goodwill
Teleca has revised its underlying assumptions regarding the goodwill. Telecas Board of Directors has after an impairment test found it necessary to write-down the goodwill with approximately SEK 350 million. The write-down is related to Telecas consulting business excluding the Russian operations. The remaining goodwill is based on sales numbers for the continuing business as well as cautious underlying growth and profitability assumptions. This write-down of goodwill is in addition to the goodwill write-down on discontinued business of SEK 42 million which was announced on September 19, 2008 as a result of the sale of the French subsidiary.

Previous financial outlook for 2008 announced in Q2 2008
As a consequence of the changes being implemented in H1 2008 Teleca expects a small decline in service revenue in second half 2008 over H2 2007. Product revenues will continue to decline in H2 2008 compared to the same period 2007. Investments into off-shore capacity and increased marketing spend will have a negative impact on the EBIT margin. Teleca targets an EBIT margin for the second half 2008 at a level of 5-8%.

New financial outlook for 2008
Teleca expects revenues (excluding discontinued operations) in the second half of 2008 to be in the range of SEK 470 million to SEK 480 million equal to a decline of 7 – 9% compared to H1 2008. Teleca expects EBIT for the second half of 2008 to be at the range of SEK 5 million to a loss of SEK 5 million excluding potential one-time charges and approximately SEK 350 million related to write-down of goodwill for continuing business.
For the full year 2008 revenue is expected to be around SEK 990 million for continuing business. This implies a negative growth of 5% compared to 2007. EBIT is expected to be in the range of SEK 7-17 million excluding one-time charges of SEK 22 million taken in H1 2008 and approximately SEK 350 million related to write-down of goodwill for continuing business.

EBIT from discontinued business is expected to be approximately SEK 25-30 million excluding write-down of goodwill of SEK 42 million related to the divested French subsidiary. Profit from sales of shares in Products and the French subsidiary is expected to be zero after restructuring of up to SEK 25 million.

For more information, please contact:
René Svendsen-Tune, CEO, Teleca AB,
rene.svendsen-tune@teleca.com, +45-40540068
Leif Nørgaard, CFO, Teleca AB,
leif.norgaard@teleca.com, +46 738 393040
Mattias Stenberg, Investor Relations Manager, Teleca AB,
mattias.stenberg@teleca.com, +46-706119616

Teleca is a world-leading supplier of software services to major players of the mobile device industry. The company offers tailored solutions, systems design and the integration of software and hardware for mobile phones. Teleca has about 2,000 employees in 9 countries in Asia, Europe and North America and is quoted on the small cap list of the Nordic Exchange.