PRESS RELEASE

January 2, 2002

Merger between Teleca and AU-System – Prospectus made public

- **The prospectus for the merger between Teleca and AU-System has been made public**
- **The acceptance period for the AU-System shareholders is during the period January 3-24**

The Boards of Directors of Teleca and AU-System have resolved to recommend a merger between the two companies. The merger will be implemented through a public offer from Teleca to the shareholders of AU-System. It is the opinion of the Boards that the merger is industrially sound, and the Board of Directors of AU-System recommends the shareholders to accept the Offer.

Prospectus made public
A prospectus regarding the merger and the offer to the AU-System shareholders have been made public. Attached to this press release, selected information from the prospectus has been included. The prospectus will be distributed to the AU-System shareholders and is available in Swedish on the Teleca and AU-System homepages (www.teleca.com and www.ausystem.com).

Timetable
The acceptance period for the offer to the AU-System shareholders is during the period January 3-24, 2002. Provided that Teleca has decided to implement the offer by January 28, 2002, settlement will begin on or about February 6, 2002.

Malmö, January 2, 2002

Teleca AB (publ)

Stockholm, January 2, 2002

AU-System AB (publ)

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About Teleca

Teleca is a leading supplier of software engineering services for advanced systems, electronic equipment and applications. Our business concept is to strengthen our customer's market position and time-to-market. This is achieved by providing professional teams with specialist technical expertise, working in partnership with development-intensive companies worldwide. Teleca is listed on the Attract 40 list of the Stockholm Exchange. We have more than 1,200 employees and development offices throughout Europe (www.teleca.com).

About AU-System

AU-System is a leading mobile Internet consultancy. The company also provides integrated marketing communications services through its subsidiary SandbergTrygg. Large customers include Ericsson, Telia, Volvo, Nordea Nordbanken and Motorola. AU-System was founded in 1974 and employs about 1,000 people located in Sweden, United Kingdom, Italy, United States, Thailand and Singapore. AU-System is quoted on the Attract 40 list of Stockholmsbörsen under the symbol AUS. For more information, please visit www.ausystem.com.

Appendix A. Rationale for the merger

The global market for advanced software development in consumer products and telecom infrastructure is characterised by substantial investments in new technologies and R&D. Increasingly, companies in the above segments seek partners who are able to assume responsibility for large development projects in-house. Outsourcing of R&D is also expected to be of increasing importance in the future.

The merger of Teleca and AU-System should be evaluated in this context. The competence, size, customer structure and geographical reach of the Group will make it a supplier-independent partner that can leverage the full potential of the two companies and create greater dynamism than if they were to remain stand alone. On the customer side, the industry is characterised by very large corporations such as Ericsson, Mitsubishi, Motorola, Nokia, Telia, and Vodafone. In a rapidly changing market, the importance of partners that can contribute with undertakings that directly affect the competitiveness of these companies is increasing.

The merger of Teleca and AU-System creates one of Europe's leading consulting firms focusing on new technology and R&D, with a strong position in the Nordic region, the United Kingdom and France. Teleca and AU-System complement each other well with regard to services on offer, customer base and geographical coverage.

The factors underlying the industrial logic of the merger are summarised below:

The Group will have a very strong position in the advanced IT and communications services vertical, with a portfolio of well-reputed international blue-chip clients. The merger will enable the Group to bring a more complete service offering to its customers' entire value chains and to cross-sell the skills of both companies to their combined customer base. The group will benefit from Teleca's focus on sales and efficiency as well as from AU-System's developed components and concept selling ability. It will also be a stronger partner in outsourcing contracts, which are expected to have an increasing impact on the market over the coming years. In addition, AU-System brings valuable experience from its technology spin-offs and Teleca brings important experience from establishing new subsidiaries through its Entrepreneur-package.

The companies complement each other geographically in Sweden and abroad; AU-System has a strong presence in the Stockholm area. Teleca has approximately 40 percent of its staff outside Sweden with a stronger presence in the UK and France. By providing critical mass in operations, the merger will create a better platform for a continued cost-efficient expansion in Europe. This will shorten the time needed to establish stronger positions in important European markets, such as the UK, Germany and France.

With about 2,200 highly skilled employees and a large portfolio of leading international blue-chip clients, the Group is well equipped to play a key role in the European consolidation of the sector.

The Board of Directors and management of both companies foresee a substantial increase in earnings for the Group during the coming years. This will be achieved by a combination of the effects of the merger and the effects of already implemented and defined efficiency measures in existing operations.

Appendix B. Statement by the Board of Directors of AU-System

The Board of Directors believes that a merger of Teleca and AU-System is beneficial from an industrial and strategic perspective. The merger will create one of Europe's leading consulting companies that focuses on new technology and R&D, and which has a strong presence in the Nordic countries, UK and France. AU-System holds a strong market position, especially in the Stockholm region. In the new group, AU-System will have a solid platform for a continuing development of its international business, as well as for sales of consulting services to companies in Teleca's customer base.

Teleca is offering AU-System shareholders 0.2093 newly issued Teleca Series B share for each AU-System share. The Offer represents a premium of approximately 30 percent compared to the final prices paid for AU-System and Teleca Series B shares on the Stockholm Exchange on Friday, 7 December 2001. Compared to the average prices paid for AU-System and Teleca Series B shares during the last 10 trading days prior to announcement of the Offer, the Offer represents a premium of approximately 31 percent.

Holders of warrants issued by AU-System may choose between receiving payment for their warrants in cash or, for the majority of the warrants, in the form of new warrants issued by Teleca.

Against the background of the exchange ratio, the Board of Directors believes that the Offer is attractive for the AU-System shareholders and holders of AU-System warrants.

D. Carnegie AB, who on behalf of the AU-System Board of Directors has reviewed the Offer to the shareholders and warrant holders of AU-System, has, in its fairness opinion to the Board of Directors of AU-System, stated that the Offer is fair from a financial point of view.

The Board of Directors [1] unanimously recommends the shareholders and holders of warrants issued by AU-System to accept the Offer.

Stockholm, December 10, 2001

AU-System Aktiebolag (publ)

The Board of Directors

[1] Board member Peter Sandberg has, in order to avoid any conflict of interest, not participated in the decision to recommend the Offer.

Appendix C. Financial information

The potential for increased earnings of the new Group is described below. The description gives the management and the Board of Directors of Teleca and AU-System's best estimate for potential increases in the operating earnings going forward based on information available at the time of the printing of the prospectus. The description does not consider general changes in the market, by which both companies are affected irrespective of the merger. The potential should not be viewed as profit forecasts, as the current turbulence in the market makes profit forecasts uncertain.

The long-term value of the merger is significant from the perspectives of both companies. The industrial logic is clear, see "Rationale for the merger" above.

As a result of the merger, the new group's shareholders will benefit from the long-term industrial dynamics as well as the development in profits over the next quarters. In this context, these two perspectives are commented on in the below. On a stand-alone basis, both Teleca and AU-System are expected to develop well in the coming years.

To provide a description of the full potential from the merger, the description below includes short-term as well as long-term effects. The expected short-term effects are described in the table below.

The combined earnings impact of the first three measures in the table below is estimated at SEK 135 million. These measures are identified and actions to implement these cost savings have been taken or are defined by the two companies. The fourth effect is dependent on the ability to achieve improvements in the utilisation rate. The estimate of SEK 40 million in annual improvement implies an increase in the utilisation rate of 2 percentage points for AU-System and 1 percentage point for Teleca.

Short-term measures	Annual P&L effect compared to 2001	Cumulative annual effect
1. In the autumn 2001 AU-System implemented two restructuring programmes, reducing the number of employees by 90 individuals and cutting costs by SEK 60 million. The costs for the programmes will be fully accounted for in 2001. However, the full effects on earnings will not be visible until 2002	SEK 60 million	SEK 60 million
2. New foreign subsidiaries, primarily within AU-System, have contributed negatively to earnings during the start-up phase. Through the measures already taken earnings improve quarter by quarter, and the merger creates opportunities for further improvement. There are good reasons to expect modest but positive earnings in these entities in 2002.	SEK 55 million	SEK 115 million
3. Through the merger, costs for market quotation, internal support systems, auditing, marketing and offices are reduced. The total effect is estimated at SEK 20 m.	SEK 20 million	SEK 135 million
4. The Group's utilisation rate will improve through an increased focus on sales and efficiency, cross-selling to complementary customer bases and through leveraging AU-system's components towards Teleca's existing customer base. These effects are estimated to be achieved gradually over the coming 18 months SEK	SEK 40 million	SEK 175 million

In addition to the short term effects described above, the management and Board of Directors of Teleca and AU-System expect further profit improvements for the new Group in the long run, i.e. 18–36 months. The main effects are described below.

New outsourcing contracts
Teleca and AU-System are experiencing a growing interest for outsourcing from existing and potential customers. The demand is driven by a growing interest from R&D intensive companies to be able to control costs and increase efficiency in the operations.

Both Teleca and AU-System have ongoing discussions regarding outsourcing contracts concerning a few hundred people each. It is the view of Teleca and AU-System that being a larger group, the attractiveness as an outsourcing partner increases and thus that income from these operations is expected to grow more rapidly in comparison to what would have been possible as stand alone entities. In addition, the increased size of the new Group will make it possible to take on larger outsourcing projects. It is not unlikely that over a three-year period, the Group will contract projects involving an additional 300–700 people, in excess of what the two companies can achieve on a stand-alone basis. This should generate an annual increase in operating profit of SEK 20–80 million.

Increased utilisation – including short-term effects
As indicated in the companies' latest interim reports, Teleca currently has a higher profitability than AU-System, which is primarily explained by AU-System's lower utilisation rate. One reason for the difference in utilisation is the downsizings implemented by Ericsson during 2001. The utilisation rate of AU-System can be increased by implementing Teleca's focus on sales and utilisation; by AU-System benefiting from the broader international customer base of Teleca to win new contracts, as well as through AU-System's current action programme which involves reducing the number of employees by 90 (which will increase utilisation by 5 to 6 percentage points). In the long run, an increase in utilisation of 8–10 percentage points from the current level should be feasible, which would increase margins by 11–14 percentage points. Such an increase represents an improvement of the operating result by SEK 110–140 million. Teleca's utilisation can be improved by continued rationalisation in subsidiaries with lower margins and by benefiting from the components, systems and experience from fixed-price projects of AU-System, and by leveraging the complementary customer base of AU-System. An increase in utilisation by 2 percentage points would increase profits by approximately SEK 30 million.

Additional acquisitions
Over the years, Teleca has carried out and integrated a number of acquisitions with good results in terms of competence development and geographical reach. The acquisitions have also contributed positively to earnings and consequently positive effects for the shareholders. Through the merger, both due to AU-System and Teleca, the attractiveness of the Group to potential partners increases, which creates interesting opportunities for future acquisitions in order to complement the current operations and provide positive effects on earnings per share.

Conclusion
Adding the long-term effects described above, the new Group has a potential to increase operating earnings by over SEK 200 million. Of this SEK 135 million are accounted for by improvements from short-term, well-defined measures. It is estimated that on a stand-alone basis, Teleca and AU-System could achieve approximately half of this long-term potential. The remaining half is created through the merger. This should be compared to the operating profit (EBITA) of SEK 198 million the latest 12 months for the new Group.

It should be noted that the above short- and long-term effects does not include the improvements in operating earnings from underlying organic growth or acquisitions.

In a comparison of Teleca and AU-System, the split of combined sales the first 9 months of 2001 between the two companies was 54 percent for Teleca and 46 percent for AU-System. During Q3 2001 the corresponding split was 59 percent for Teleca and 41 percent for AU-System. The significant difference in profitability implies that an adjustment of the ownership structures relative to the sales split is justified. Since the merger is implemented through an exchange of shares, the shareholders of both companies will benefit from the future potential. The aim has been to arrive at an exchange ratio which is fair and balanced. The Board of Directors of AU-System has found that the Offer is attractive and recommend its shareholders to accept the Offer. The Board of Directors of Teleca have also concluded that the merger is attractive to Teleca's shareholders.

This split of ownership of 64 percent for the Teleca shareholders and 36 percent for the AU-System shareholders initially implies an increase in earnings per share for AU-System's shareholders and a dilution for Teleca shareholders. The Teleca shareholders will be compensated for the initial dilution of earnings through the combination of increasing earnings in AU-System and effects of the merger that further increase the earnings.

The table below has been prepared for illustrative purposes to show the required increase in earnings for the new Group in order to reach unchanged earnings per share in Teleca[1)]. The table has been based on operating earnings before goodwill amortisation, EBITA[2)].

The table indicates that with an increase in EBITA in 2000 of SEK 30 million due to increased profit in AU-System and effects of the merger, the earnings per share for Teleca would have been unchanged. The corresponding calculation for 2001 indicates that EBITA for AU-System would have had to be SEK 98 million higher. The difference is mainly due to the significant impact on AU-System of Ericsson downsizings in 2001 and to losses in foreign start-ups.

As discussed above with regard to positive earnings effects in the short run, actions to improve earnings have already been taken or are well defined. The positive effects from these actions should exceed the earnings increase required to keep the earnings unchanged. Thus, even if AU-Systems shareholders initially get an earnings increase, the Teleca shareholders are expected to be compensated in the near future for this initial earnings dilution. Both companies' shareholders are in the longer term expected to gain from the merger, due to the significant potential for earnings improvement.

Pro forma	2000 Teleca	2000 AU-System	Jan–Sept 2001 Teleca	Jan–Sept 2001 AU-System
EBITA, excl. items affecting comparability 3)	SEK 123 m	SEK 39 m	SEK 136 m 12 m annualised SEK 181 m 4)	SEK 3 m12 m annualised SEK 4 m 4)
Earnings contribution of merger and increase of earnings in AU-System to achieve an earnings distribution of 64/36		+SEK 30 m		+SEK 98 m
Earnings neutral	SEK 123 m	SEK 69 m	SEK 181 m	SEK 102 m
Proportion	64%	36%	64%	36%

1) The description below refers to earnings per share excluding goodwill amortisation. Since financial items and taxes do not affect the analysis, they are disregarded in the following.

2) New accounting rules have been introduced in US GAAP, whereby the value of reported goodwill is calculated each year and for case in which the market value is higher than nominal value, no amortisation is applied.

3) Items affecting comp arability pertain to SPP funds and cost for the demerger of the Sigma group.

4) This should not be considered as an earnings forecast for 2001.

Pro forma accounting, general

The following pro forma consolidated accounts have been prepared to illustrate how a combined Group could have looked if the merger had been effected on earlier dates.

The pro forma accounts have only been prepared for illustrative purposes and are not intended to present the actual financial position or operating earnings that would have been achieved if the merger had been implemented at the stated times, nor are they intended to show the financial position or operating results for any future time or period. The pro forma financial statements are based on Teleca's and AU-System's annual reports for 2000 and interim reports for the first nine months of 2001. These accounts have been adjusted in accordance with the following principles and assumptions.

Provided that the Offer is implemented, Teleca's preliminary plans are to consolidate AU-System as of 1 February 2002.

Principles and assumptions
The pro forma balance sheets have been prepared as if the merger with AU-System had been effected on 30 September 2001, while the pro forma Income Statements have been prepared as if the merger was effected on 1 January 2001, 1 January 2000 and 1 October 2000, respectively.

Pro forma accounts for Teleca including AU-System have been prepared from a preliminary acquisition calculation as of 30 September 2001, based on the following assumptions:

- that the Offer is fully accepted resulting in the new issue of 21,421,672 Series B Teleca shares
- that no consideration has been given to co-ordination gains in the pro forma accounts
- that no consideration has been given to .Teleca's deferred tax receivable of SEK 88 M in the pro forma accounts, see the press release dated November 19, 2001

When preparing the pro forma accounts, the recommendations of the Swedish Financial Accounting Standards Council (SFASC) have been followed in the same way as in the interim reports prepared during 2001. The SFASC's recommendation 1:96 has been applied when consolidating AU-System in the Group accounts. The agreed purchase price, in the form of newly issued shares in Teleca AB, was based on the average market price for the ten days prior to the acquisition.

Teleca started to apply the SFASC's recommendation number 9, Income taxes, as of 1 January 2001. Implementation did not result in any adjustment in shareholders' equity at that date.

Consideration has been given in the pro forma accounts to anticipated restructuring costs of SEK 30 M in connection with the acquisition, and subsequent deferred tax receivable. Expected acquisition costs in Teleca of SEK 15 million are also taken into account, which is included in the acquisition costs for the shares. This does not include AU-System's expenses related to the merger (primarily financial advisor's fees), which are estimated to SEK 25–30 M.

In the calculation, it has been assumed that all warrants in the AU-System TO 3 programme will be used to subscribe for new shares in AU-System AB prior to the acquisition date (3,335,150 shares). It is expected that holders of other out-standing warrants in AU-System will accept Teleca's offer to subscribe for new warrants in Teleca as compensation for the existing warrants in AU-System (with the exception of TO 5 and TO 7, which will be redeemed for cash under the terms of the Offer and TO 9 which is a hedge for stock options).

Assets and liabilities in AU-System's balance sheet are valued according to actual values. Thereafter, the acquisition value of the shares is distributed over the actual values. The portion of the acquisition value not distributed constitutes group goodwill, which is estimated to SEK 1,191.7 M.

Considering the size and stability of AU-System, the positive synergy effects and the long-term strategic value in terms of market positioning, the depreciation period of the goodwill has been estimated to 20 years, resulting in an annual goodwill amortisation of approximately 5 percent.

Profit and loss accounts

January–September 2001, SEK m	Teleca	AU-System	Eliminations	Teleca post merger
Net sales	890,6	761,8		1.652,4
Operating costs	–742,7	–745,0		-1.487,7
Depreciation	–11,5	–13,4		–24,9
Amortisation	–32,2	–17,6	–27,1	–76,9
Items affecting comparability 1)	–15,1			–15,1
Operating profit	89,1	–14,2	–27,1	47,8
Financial items	5,9	7,1		13,0
Profit after financial items	95,0	–7,1	–27,1	60,8
Taxes	–38,2	–3,2		–41,4
Net profit	56,8	–10,3	–27,1	19,4
Key ratios				
Profit before goodwill amortisation 2)	136,4	3,4		139,8
Margin excl. goodwill amortisation, % 2)	15,3	0,4		8,5
Operating margin, %	10,0	–1,9		2,9
Margin after financial items, %	10,7	–0,9		3,7

2000	Teleca	AU-System	Eliminations	Teleca post merger
Net sales	932,4	866,1		1.798,5
Operating costs	–800,6	–805,8		-1.606,4
Depreciation	–9,0	–12,8		–21,8
Amortisation	–26,5	–16,6	–43,0	–86,1
Items affecting comparability 1)	0,0	0,0		0,0
Operating profit	96,3	30,9	–43,0	84,2
Financial items	–0,7	–5,1		–5,8
Profit after financial items	95,6	25,8	–43,0	78,4
Taxes	–35,6	–13,4		–49,0
Net profit	60,0	12,4	–43,0	29,4
Key ratios				
Profit before goodwill amortisation 2)	122,8	47,5		170,3
Margin excl goodwill amortisation, % 2)	13,2	5,5		9,5

Operating margin, %	10,3	3,6		4,8
Margin after financial items, %	10,3	3,0		4,4

1) Costs related to the demerger of Sigma.
2) Excluding items affecting comparability.

Twelve months ending September, 2001	Teleca	AU-System	Eliminations	Teleca post merger
Net sales	1 189,7	1 043,2		2.232,9
Operating costs	–994,3	–1 006,7		–2 001,0
Depreciation	–14,6	–18,8		–33,4
Amortisation	–39,3	–22,9	–36,7	–98,9
Items affecting comparability	–15,1	0,0		–15,1
Operating profit	126,4	–5,2	–36,7	84,5
Financial items	6,1	5,0		11,1
Profit after financial items	132,5	–0,2	–36,7	95,6
Minority interest	0,0	0,0		0,0
Taxes	–52,1	–7,1		–59,2
Net profit	80,4	–7,3	–36,7	36,4
Key ratios				
Profit before goodwill amortisation 1)	180,8	17,7		198,5
Margin excl. goodwill, % 1)	15,2	1,7		8,9
Operating margin, %	10,6	–0,5		3,8
Margin after financial items, %	11,1	0,0		4,3

Balance sheets

September 30, 2001	Teleca	AU-System	Acquisition and new share issue	Eliminations	Teleca post merger
Assets					
Fixed assets excl. goodwill	54,7	47,1	1 408,6	–1 408,6	101,8
Goodwill	783,4	197,2		994,5	1 975,1
Short term assets	335,0	288,8			623,8
Liquid assets	242,0	189,6	–15,9		415,7
Total assets	1415,1	722,7	1 392,7	–414,1	3 116,4
Shareholders' equity and liabilities					
Shareholders' equity	775,0	435,7	1 392,7	–435,7	2 167,7
Provisions	27,8	7,0		21,6	56,4
Long term liabilities	371,2	91,6			462,8
Short term	241,1	188,4			429,5

liabilities					
Total shareholders' equity and liabilities	1 415,1	722,7	1 392,7	–414,1	3 116,4
Equity/Asset ratio	54,8%	60,3%			69,6%
Net cash	–163,1	100,1	–15,9		–78,9

1) Excluding items affecting comparability.