

Accounting Principles

Concurrence with standards and laws

The consolidated accounts have been prepared according to the International Financial Reporting Standards (IFRS) and the interpretation issued by the International Financial Reporting Interpretations Committee (IFRIC) which is approved by the EU Commission for application within the EU. These annual report and consolidated accounts contain the first complete financial reports prepared in accordance with IFRS. In conjunction with the transition from previously applied accounting principles to accounting in line with IFRS, the Group followed IFRS 1, which is the standard that describes how transitions to IFRS are to be reported. Furthermore, the company has followed the Swedish Financial Accounting Standards Council's recommendation RR 30 (Supplementary Accounting Regulations for Groups).

The parent company applies the same accounting principles as the Group except in the cases described below under Parent Company's Accounting Principles. Deviations between the parent company's and the Group's principles are the result of restrictions on options to apply IFRS in the parent company due to the Annual Accounts Act and the Act on Safeguarding Pension Obligations as well as, in some cases, tax reasons.

Note 23 contains a list of explanations on how the transition to IFRS has affected the Group's financial results and position.

New IFRS and interpretations that will be applied during the coming period

IFRS 7 Financial instruments deals with information pertaining to financial assets and financial liabilities and replaces the disclosure requirements in IAS 32. The effect of IFRS 7 on Enea's financial reports is increased disclosure requirements. The standard, which is approved by the EU, will be applied as of January 1, 2007.

Conditions for preparing the financial reports for the parent company and the Group

The parent company's functional currency is the Swedish krona, which is also the reporting currency for the parent company and the Group. This means that the financial reports are presented in the Swedish krona. Assets and liabilities are reported at historical cost.

Preparing the financial reports in accordance with IFRS requires that corporate management makes judgments and estimates as well as assumptions that have an effect on the application of the accounting principles and the reported amounts of assets, liabilities, revenues and expenses. Estimates and assumptions are based on historical experience and on various other factors that appear reasonable under the current circumstances. The result of these approximations and assumptions are then used to assess the reported values of the assets and liabilities, which are not otherwise readily apparent from other sources. The actual results may vary from these estimates and judgments.

Enea evaluates its estimates and assumptions on an ongoing basis. Changes to the approximations are reported in the period the change is made, if the change only affects that period, or in the period the change is made and in future periods, if the change affects both the current and future periods.

Assessments made by corporate management in applying IFRS that significantly influence the financial reports and approximations, and which might result in significant adjustments in coming years' financial reports, are described in detail in Note 22.

The accounting principles stipulated below for the Group have been consistently applied to all periods presented in the Group's financial reports, unless otherwise stated, and in preparing the consolidated opening balance sheet in accordance with IFRS at January 1, 2004, which explains the transition from previously applied accounting principles to IFRS accounting principles. The Group's accounting principles have been consistently applied for reporting and consolidation of subsidiaries, associated companies and joint-venture companies.

Modified accounting principles

The transition to accounting in accordance with IFRS for the Group has been reported in line with IFRS 1 and described in Note 23.

In accordance with the voluntary exceptions included in IFRS 1, Enea does not apply IAS 39 and IFRS 5 on comparable figures for 2004 but instead begins on January 1, 2005. Application of IAS 39 means that stockholders' equity was not affected at January 1, 2005.

Segment reporting

A segment is in terms of accounting an identifiable part of the Group that either supplies products or services (business segments), or goods or services within a certain economic situation (geographical area), that is exposed to risks and opportunities that differ from other segments. Segment information is reported in accordance with IAS 14 only for the Group.

Classification, etc.

Fixed assets and long-term liabilities in the parent company and Group basically consist only of the amount expected to be recovered or paid after more than twelve months calculated from the closing date. Current assets and current liabilities in the parent company and Group basically consist only of the amount expected to be recovered or paid after more than twelve months calculated from the closing date.

Consolidation principles

Subsidiary

A subsidiary is a company that is under the controlling influence of Parent Company AB. A controlling influence entails the direct or indirect right to determine a company's financial and operative strategies in order to realize financial benefits. In

assessing if a controlling influence exists, potential shares with voting rights that can be used or converted without delay are considered. Subsidiaries are reported in accordance with the purchase method. This means that acquisition of a subsidiary is considered a transaction whereby the Group indirectly acquires the subsidiary's assets and assumes its liabilities and contingent liabilities. The consolidated acquisition value is determined through an acquisition analysis when the operations are acquired. The analysis determines in part the acquisition value for the shares or business operations, and in part the actual value of the acquired identifiable assets as well as assumed and contingent liabilities. The difference between the acquisition value for the subsidiary's shares and the actual value of acquired assets as well as assumed and contingent liabilities constitutes the Group's goodwill, or negative goodwill.

The subsidiary's financial reports are incorporated in the consolidated accounts as of the time of acquisition up to the date when the controlling influence ceases.

Elimination of transactions upon consolidation

Group internal receivables, payables, income and expenses, along with unrealized gains/losses which arise from internal transactions between Group companies, are eliminated entirely when preparing the consolidated accounts.

Unrealized gains that arise from transactions with associated companies and jointly controlled companies are eliminated in proportion to the Group's ownership in the company. Unrealized losses are treated in the same manner as unrealized gains, however, only to the extent there is no indication that a write-down is needed.

Foreign currency

Transactions in foreign currency

Transactions in foreign currency are converted to the functional currency using the exchange rate valid on the transaction date. Monetary assets and liabilities in foreign currency are converted to the functional currency using the exchange rate valid on the closing date. Exchange rate differences that arise during conversion are reported in the income statement. Non-monetary assets and liabilities reported at historical cost are converted at the exchange rate valid at the time of the transaction. Non-monetary assets and liabilities reported at the actual value are converted to the functional currency at the rate valid at the time of evaluation of actual value. The exchange rate difference is then reported in the same manner other changes in value are reported for the asset or liability.

Functional currency is the currency in the primary financial environments where the companies included in the Group conduct their business activities. The companies included in the Group are the parent company and subsidiaries. The parent company's functional currency, as well as reporting currency, is the Swedish krona. The Group's reporting currency is SEK.

Financial reports for foreign operations

Assets and liabilities in foreign operations, including goodwill and other Group-related surplus and deficit valuation, are converted to Swedish krona using the exchange rate valid on closing date. Revenues and expenses in a foreign operation are converted to Swedish krona using an average exchange rate, which constitutes an approximation of the exchange rates at the time of the respective transactions. The translation differences realized in connection with converting currency in foreign operations are posted directly to equity as translation reserve.

Net investments in a foreign operation

The translation differences realized in connection with conversion of a foreign net investment are posted directly in equity as translation reserve. When a foreign business is sold, the business-related accumulated translation differences are realized. Accumulated translation differences are presented as a separate category under stockholders' equity ("Reserves"), entitled "Translation reserves," and include translation differences accumulated as of January 1, 2004. Accumulated translation differences prior to January 1, 2004, are distributed among other stockholders' equity categories and are not separately reported.

Revenues

Rendering of accounts for work in progress in service companies

Accounting for work in progress in the income statement in relation to the assignment's degree of completion, which is determined on the basis of accrued assignment expenses in relation to estimated assignment expenses for the complete assignment. Anticipated losses are charged to expenses immediately.

Recognition of revenue

Services are mainly provided on account and recognized as revenue as the work is completed. Services based on a financial undertaking are recognized as revenue evenly over the stipulated period as the services are provided. Projects performed at a fixed price are recognized as revenue as the work is completed in accordance with the percentage of completion method. If a risk of loss is deemed to exist, individual provisions are implemented on an ongoing basis. The operation also has revenue from software sales based on license fees as well as support agreements. License fees are recognized as revenue upon full delivery of the software according to contract when no essential obligations remain after the date of delivery. Support agreements usually cover a twelve-month period and revenues accrue during the term of the agreement.

Criteria for recognizing license fees as revenue:

- written agreement signed by both parties
- delivery has occurred
- license fees are a fixed amount or calculated in line with a reliable method and offer no option to cancel, or have a credit period of less than 12 months
- a check has been made to ensure that payment will be received

Hardware and other are sales recognized as revenue upon delivery, when control over the item is transferred to the buyer and revenue can be reliably calculated.

Operating expenses and financial income and expense

Payments for operational leases

Payments for operational leasing agreements are reported in the income statement evenly over the duration of the leasing period. Benefits received in conjunction with the signing of an agreement are reported as part of the total leasing charge in the income statement.

Financial income and expense

Financial income and expense consists of interest income on bank deposits and receivables and interest-bearing securities, interest charges on loans, dividend earnings, exchange rate differences, unrealized and realized gains on financial investments and derivative instruments used in financial activities.

Interest income on receivables and interest expenses on liabilities are calculated using the effective interest method. Effective interest is the interest that makes the present value of all future cash receipts and disbursements during the fixed-interest term equal to the reported value of the receivable or liability. Interest income includes accrued sums of transaction costs and any discounts, premiums and other differences between the original value of the receivable and the sum received when it falls due. The Group does not capitalize interest in the acquisition value of assets.

Financial instruments

IAS 39 classifies financial instruments in categories. The classification depends on the purpose of acquiring the financial instrument. Senior management determines classification at the original time of acquisition. Enea has classified its financial instruments in the following categories:

Loans receivable and accounts receivable

Loans receivable and accounts receivable are financial assets which are not derivatives with fixed payments or payments which can be determined, and which are not quoted on an active market. The receivables are realized when companies deliver cash, goods and services directly to the borrower with no intent of trading in receivables' rights. This category also includes acquired receivables. Assets in this category are valued at the accrued acquisition value. Accrued acquisition value is determined based on the effective interest calculated at the time of acquisition.

Other financial liabilities

Financial liabilities that are not owned for trading are valued at the accrued acquisition value. Accrued acquisition value is determined based on the effective interest calculated at the time the liability was entered into. This means that surplus and deficit values, as well as direct issue expenses, accrue during the term of the liability.

Financial instruments reported in the balance sheet include cash and cash equivalents, accounts receivable (for assets) and trade accounts payable (for liabilities and stockholders' equity). A financial asset or financial liability is recorded in the balance sheet when the company becomes party to the contract terms. Accounts receivable are recorded in the balance sheet when the invoice is sent. Accounts payable are recorded in the balance sheet when the invoice is received. A financial asset is removed from the balance sheet when the rights in the agreement are realized, mature or the company loses control over them. The same applies for part of a financial asset. A financial liability is removed from the balance sheet when the obligation in the agreement is fulfilled or eliminated. The same applies for part of a financial liability.

Accounts receivable

Accounts receivable are reported at the amount expected to be paid after a deduction for bad debts, which are assessed individually. The expected settlement period for accounts receivable is short, which is why the value is reported at a nominal amount without discounting.

Cash and cash equivalents

This includes cash, bank balances available immediately upon demand and special deposits with a maturity period of less than three months. These items are reported at their acquisition value.

Accounts payable

The expected payment period for accounts payable is short. These items are valued at a nominal amount without discounting.

Fixed assets

Owned assets

Fixed assets are reported as assets in the balance sheet if it is probable that the company will realize future economic gains and the acquisition value of the asset can be reliably calculated. Fixed assets are reported in the Group at the acquisition value less accumulated depreciation and any write-downs. The acquisition value includes the purchase price and costs directly related to the acquisition in order to place it in service so that it can be used for the purpose intended when purchased. Examples of directly related costs included in the acquisition value include costs for delivery and handling, installation as well as consulting and legal services.

Leased assets

IAS 17 is applied to leased assets. In the consolidated accounts, leasing is classified as either financial or operating leasing. All leasing agreements are classified as operating. Operating leasing means that the leasing charge is written off over the period starting from the point at which utilization began, which may differ from what has in fact been paid as a leasing charge during the year.

Depreciation principles

Depreciation occurs evenly (SLM) over the calculated service life of the asset. The Group applies component depreciation, which means depreciation is based on the components, estimated service life. The estimated service life of fixed assets such as equipment, tools and installations is five years. The residual value and service life of an asset is assessed annually.

Intangible assets

Goodwill

Goodwill represents the difference between the acquisition value of a business and the actual value of the acquired assets as well as assumed and contingent liabilities. With respect to goodwill for acquisitions prior to January 1, 2004, during the transition to IFRS the Group has not applied IFRS retroactively, but rather on the day the reported value

constitutes the Group's acquisition value (after write-down evaluation) – see note 10. Goodwill is the value at acquisition less any accumulated write-downs. Goodwill is allocated to cash-generating units and is no longer written off but instead tested annually for write-downs.

Research and development

Research expenses aimed at achieving a new scientific or engineering skill are reported as expenses as they arise. Development costs, the result of the research or other skill is applied to produce new or improved products or processes, are reported as an asset in the balance sheet if the product or process is technically and commercially viable, and the company has sufficient resources to finish the development and then use or sell the intangible asset. The reported value includes costs for materials, direct costs for salaries and indirect costs which can be reasonably and consistently associated with the asset. Other development expenses are reported in the income statement as costs as they arise. Development expenses are reported in the balance sheet at the acquisition value less accumulated amortization and any write-downs.

Depreciation principles

Depreciation is reported in the income statement evenly (SLM) during the estimated service life of the asset, unless the service life is indefinite. Goodwill and intangible assets with an indefinite service life are assessed for write-down on a quarterly basis or as soon as indications arise that suggest the asset in question has decreased in value. Amortizable intangible assets are written off from the date they are available for use. The estimated service life of capitalized development expenses is five years.

Inventories

Inventory is valued at the lower of cost or market (LCM) value. Market value is realizable value which is the estimated sales price in operating activities after deductions for estimated completion and selling costs.

Write-downs

The reported value of the Group's assets, with the exception of inventories and deferred tax, is continuously tested on every closing day to ascertain if the need for a write-down is indicated. If such an indication exists, the recovery value of the assets is calculated. The value of assets exempt from the above is tested in accordance with the respective standards. The recovery value is calculated annually for goodwill and intangible assets not yet ready for use.

When testing the need for write-downs, if it is not possible to establish considerable independent cash flows for an individual asset, the assets should be grouped at the lowest level where considerable independent cash flows (denominated a "cash-generating unit") can be identified. A write-down is reported when an asset's or cash-generating unit's book value exceeds the recovery value. A write-down is charged to the income statement.

Write-down of assets related to a cash-generating unit (or group of units) is first distributed to goodwill. A proportional write-down of other assets included in the unit (or group of units) is then performed.

Goodwill write-down was tested on January 1, 2004 (date of transition to IFRS), although there was no indication of a need for a write-down.

Calculating the recovery value

The recovery value is the higher of the actual value less selling expenses and utilization value. In computing the utilization value, future cash flows are discounted with a discounting factor that considers risk-free interest and the risk associated with the specific asset. For an asset that does not generate cash flows and is significantly dependent upon other assets, the recovery value is calculated for the cash-generating unit that owns the asset.

Reversal of write-downs

Goodwill write-downs are not reversed. Write-downs of other assets are reversed if there has been a change in the assumptions used to calculate the recovery value.

A write-down is reversed only to the extent the asset's book value after reversal does not exceed the book value the asset would have had if the write-down had not been made (with regard to amortization which would have been applied instead).

Employee remuneration

Defined-contribution plans

Commitments concerning fees to defined-contribution plans are booked as an expense in the income statement as they occur. Methods for calculating pension costs and pension liabilities differ from one country to another. The companies report according to local regulations and the reported figures are consolidated in the consolidated accounts. All pension plans in foreign subsidiaries are classified and reported as defined-contribution plans. Thus, pension expenses will be deducted from the Group's earnings as the benefits are earned.

Salaried employees working for Enea in Sweden are covered by the ITP plan, which is classified as a defined-contribution pension plan. Commitments for retirement and family pension plans for salaried employees in Sweden are guaranteed through insurance coverage with Alecta. According to a notification from the Emerging Issues Task Force of the Swedish Financial Accounting Standards Council, this is a defined-benefit plan that includes several employers. The company did not have access to the information which would make it possible to report this plan as a defined-benefit pension plan. Thus, it has been reported as a defined-contribution plan for fiscal year 2005. The plan is financed continually through pension insurance policies. Alecta's surplus funds can be distributed to the policyholders and/or the insured. The collective consolidation level consists of the market value of Alecta's assets, expressed as a percentage of the insurance commitments, as calculated in accordance with Alecta's actuarial computation assumptions, which do not comply with IAS 19.

Severance pay

An allocation is reported when employees are given notice of termination only if the company is demonstrably obligated to terminate employment before the normal date, or when remuneration is made as an offer to promote voluntary resignation. In such cases when the company gives notice to its employees, a detailed plan is prepared containing information about

the workplace, positions and approximate number of individuals implicated as well as remuneration for each personnel category or position and the time frame for completion.

Stock-related compensation

An outstanding option plan enables employees to acquire stock in the company. The actual value of the allocated options is booked as a personnel expense with an equivalent increase in stockholders' equity. The actual value is calculated at the time of allocation and distributed over the qualification period. Black-Scholes model is used to calculate the actual value of the allocated options, and consideration is given to the terms and conditions that applied at the time of allocation. The amount booked as a cost is adjusted to reflect the actual number of qualified options.

Provisions

Provisions are reported in the balance sheet when the Group has an existing legal or informal obligation subsequent to an event, and it is probable that financial resources will be required to settle the obligation and a reliable assessment of the amount is possible. When the effect of payment due date is significant, provisions are calculated by discounting the expected future cash flows at an interest rate before tax that reflects the current market assessments of the money's value over time and, if relevant, the risks associated with the liability.

Restructuring

A provision for restructuring is reported when the Group has confirmed a detailed and formal restructuring plan and the restructuring efforts have either commenced or been publicly announced. No provisions are made for future operating expenses.

Contract loss

A provision for a contract loss is reported when the anticipated benefits the Group expects to receive from a contract are lower than the inevitable expenses of fulfilling the contractual obligations.

Taxes

Income taxes include current tax and deferred tax. Income taxes are reported in the income statement except when the underlying transaction is booked directly in equity, at which time the corresponding tax effect is reported in stockholders' equity. The current tax is tax to be paid or received for the current year, applying the tax rates that have been decided or are in practice decided on the closing date. This also includes adjustment of current tax attributable to previous periods. Deferred tax is calculated according to the balance sheet method based on temporary differences between reported and taxable values of assets and liabilities. The following temporary differences are not considered: temporary differences that occur when first reporting goodwill; first reporting assets and liabilities which are not business acquisitions and at the time of the transaction do not affect either the reported or taxable results. Furthermore, the temporary differences attributable to shares in subsidiaries and associated companies that are not expected to be reversed within the foreseeable future are not considered. The value of deferred tax is based on how the reported value of assets and liabilities is expected to be realized or regulated. Deferred tax is calculated by applying the tax rates and tax regulations that are decided or in practice decided on the closing date.

Deferred tax receivables for the loss carried forward and deductible temporary differences are recorded only to the degree that it is probable these will be used in the future. The value of deferred tax receivables is reduced when it is no longer deemed probable they can be used. Any additional income tax that arises in connection with dividends is reported at the same time the dividends are reported as a liability.

Contingent liabilities (written guarantees)

A contingent liability is reported when there is a possible obligation stemming from events, the occurrence of which is confirmed only by one or more uncertain future events, or when there is an obligation not reported as a liability or provision, due to the fact that it is not likely financial resources will be required.

Parent company's accounting principles

The parent company has prepared its annual accounts in accordance with the Annual Accounts Act (1995:1554) and the Swedish Financial Accounting Standards Council's recommendation RR 32, Accounting for Legal Entities. RR 32 means that the parent company in its annual accounts for the legal entity is to apply all of the EU-approved IFRS standards and statements as far as is possible within the framework of the Annual Accounts Act, and with consideration of the correlation between accounting and taxation. The recommendation stipulates which IFRS exceptions and additions apply. The differences between the Group's and the parent company's accounting principles are described below.

Modified accounting principles

The parent company's modified accounting principles have been reported in accordance with the IAS 8 regulations but with consideration to the particular transition regulations in RR 32. This means that the modified accounting principles are reported retroactively, with the following exceptions:

In accordance with the transition regulations in RR 32, the company has elected not to apply ÅRL 4, chapter 14 §a-e, that allow valuation of certain financial instruments at the actual value. As of January 1, 2006, the regulations in ÅRL 4, chapter 14 §a-e, will be applied. This will entail a change in the accounting principles. The effect of the change in accounting principles is expected to be insignificant.

Differences between the Group's and the parent company's accounting principles

The differences between the Group's and the parent company's accounting principles are described below. The accounting principles described below for the parent company have been applied consistently to all periods presented in the parent company's financial reports.

Subsidiary

The parent company reports participation in subsidiaries according to the acquisition value method. Only dividends received are reported as income on the condition that these stem from profits earned after the acquisition. Dividends that exceed profits earned are considered a repayment of the investment and reduce the reported value of the participation.

Financial instruments

The parent company does not apply the valuation regulations in IAS 39. All other information provided concerning financial instruments applies however also to the parent company. In the parent company, financial fixed assets are valued at acquisition value minus any write-downs and financial current assets in line with the lower value principle.

Dividends

Dividend income is taken up as revenue when the right to obtain such income is certain.

Taxes

In the parent company, untaxed reserves including deferred tax liability are reported. In the consolidated financial statements, however, untaxed reserves are divided between deferred tax liability and shareholders' equity.

Group contribution and shareholders' contribution for legal entities

The company reports group contribution and shareholders' contribution in accordance with the statement issued by the Emerging Issues Task Force of the Swedish Financial Accounting Standards Council. The shareholders' contribution is booked directly to equity at the recipient and capitalized in stocks and shares at the giver, to the extent write-down are not required. Group contribution is reported in accordance with its financial significance. This means that the group contribution made with the purpose of minimising the Group's total taxes is reported directly against profit carried forward after deduction for its actual tax effect.

Group contribution is the equivalent of a dividend reported as a dividend. This means that a received group contribution and its current tax effect is reported in the income statement. Group contributions paid and their current tax effect are reported directly against profit carried forward.

Group contribution is the equivalent of shareholders' contribution reported, with consideration to the current effect, at the recipient directly against profit carried forward. The giver reports the group contribution and its current tax effect as an investment in participations in Group companies, to the extent that write-downs are not required.