

## Interim Report January – March, 2006

### Continued Broadening of the Product Portfolio

#### First Quarter

- Net sales increased by 7 percent to SEK 187 (174) million
- Software sales increased by 12 percent to SEK 64 (58) million
- Consulting and other income increased by 5 percent to SEK 123 (117) million
- Profit after tax was SEK 12 (17) million
- Earnings per share were SEK 0.03 (0.05)
- Operating profit totaled SEK 16 (16) million and operating margin 9 (10) percent
- Software products NASP and LINX and an alliance with MontaVista concerning Linux was launched

Results in Brief	Jan-Mar		12 months	
	2006	2005	2005	Apr-Mar
Net Sales, SEK million	187	174	726	739
Growth, %	7.4	23.7	10.6	7.1
Operating Profit, SEK million	16.1	16.5	56.4	56.0
Operating margin, %	8.6	9.5	7.8	7.6
Earnings per share, SEK	0.03	0.05	0.19	0.17

#### About Enea

Enea is the leading supplier of real-time operating systems, middleware, development tools, database technology and professional services for high-availability applications such as telecommunications infrastructure, mobile devices, medical instrumentation, and automobile control/infotainment. Enea's flagship operating system, OSE is deployed in approximately half of the worlds 3G mobile phones and base stations. Enea has over 500 employees and is listed on the Stockholm Stock Exchange.

For further information on Enea, please visit [www.enea.com](http://www.enea.com).

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**A Word from the CEO**

Enea's momentum continued during the first quarter. We have now shown underlying growth over the past eight quarters.

Sales showed positive growth during the quarter and increased by 7 percent. Software sales increased by 12 percent, and it is particularly encouraging to note that Enea is growing once again in the North American market.

The improvements are the result of measures taken to strengthen the organization, the expanded product portfolio, and the intensified focus on initiatives promoting market communications and sales. Sales of third-party products, where our margins are lower, increased during the period, though from a relatively low level.

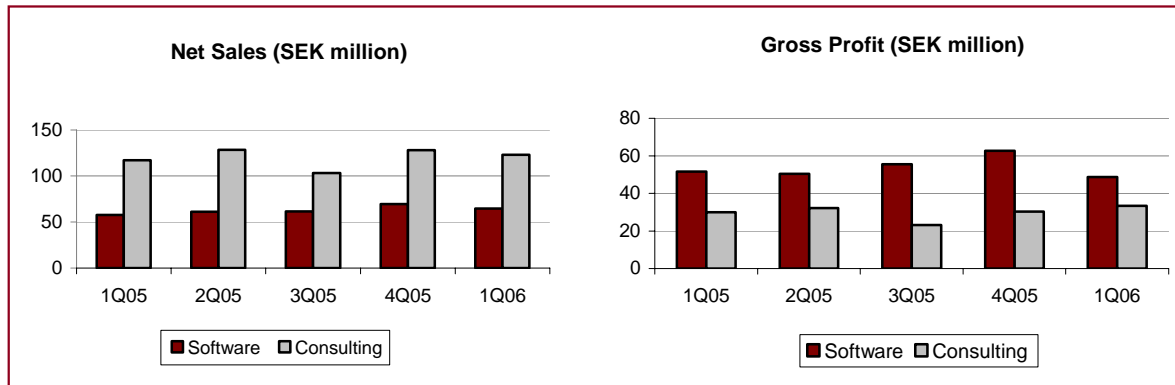
Enea's consulting operations demonstrated good growth with continued strong demand in the Swedish and North American markets, which is encouraging. Our highly competent consultants possess considerable technical expertise and we expect continued good demand during the year.

Enea is a leader in an important industry characterized by tough competition with accompanying price pressures. There are structural changes underway as many of the players demonstrate weak profitability, which will probably result in continued consolidation. At the same time, customers tend to demand more complete solutions with integrated software. For Enea this trend means that we must continue to invest in product development to be able to develop and expand our products and services in order to increase the software content in our customers' solutions. As always, increasing the added value of our product and service offerings and expanding our customer base continue to be high priorities, as market growth in volume is offset by steady price pressures.

Enea has a solid product portfolio, but to strengthen our position in the market we must further expand our product line. During the quarter we initiated an alliance with MontaVista, the industry leader in Linux for embedded systems. This alliance means that we together will launch an integrated platform solution for telecom equipment manufacturers. The platform is based on the combined product portfolios of Enea and MontaVista and is named Network Application Services Platform (NASP). One of the most important components within the framework of this alliance is Enea's recently launched LINX software.

As of January 1, 2006, we have implemented a new, more integrated organization. Nevertheless, we still have some work ahead of us to strengthen operations in North America and in Germany. Our sales and market communications initiatives will remain a high priority. All in all the first quarter of the year was satisfactory, although profits have been adversely affected by currency fluctuations and changes in the product mix. However, the underlying growth shows that Enea can continue to demonstrate good profitability. While we must be ever mindful of changing dynamics in our markets, we believe our focus on a stronger product portfolio will help Enea continue to lead the device software industry.

***Johan Wall, President and CEO***



**The Market**

Today, software for embedded systems is a strategic decision. And, more than ever, time is money when it comes to launching new products. The ability to reuse software components from earlier systems and technical platforms in new projects is increasing in importance. As part of this trend, software-related decisions are being made at higher levels in our customers' organizations. Customers increasingly base their decisions not only on technical considerations, but also on financial arguments, such as total cost of ownership.

Additionally, the trend toward open source code continues in embedded systems. Enea has taken a leadership position in this move to open source options with its recently announced partnership with MontaVista.

This important alliance means that we together will launch an integrated platform solution for telecom equipment manufacturers. The platform will be based on both Enea's and MontaVista's product portfolios and is named Network Application Services Platform (NASP). One of the most important components within the framework of this alliance is Enea's recently launched LINX software.

Increasingly, our market is demanding integrated solutions, consisting of software, third-party products, and consulting services. Enea is well prepared to meet this demand with its large and highly skilled consulting organizations in North America and the Nordic countries.

Another important trend is the drive to achieve improved performance in embedded systems not only by increasing processor speed but by building multi-core processors. This trend increases system complexity and poses entirely new challenges for operating system providers. Because of its differentiated design, OSE is well positioned to handle Multicore environment.

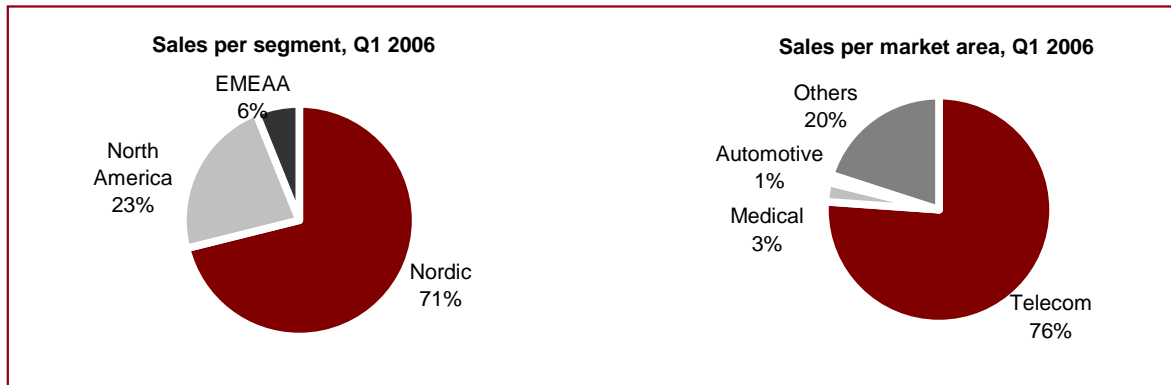
DSO (Device Software Optimization) is an industry initiative aimed at making it easier to develop software for embedded systems. The concept behind DSO is to emulate the productivity gains achieved within the IT industry through standardization and harmonization of technology. Enea is actively promoting DSO..

**First Quarter**

Net sales increased by 7.4 percent to SEK 187.3 (174.4) million, compared with the same quarter in 2005. Software sales increased by 12.2 percent to SEK 64.5 (57.5) million and accounted for 34.4 (33.0) percent of net sales.

The Nordic software business showed continued strong growth and good profitability. Enea during the quarter made a number of new design wins. Product sales in North America were stronger during the first quarter compared with the previous year. Enea continues to pursue long-term initiative to strengthen North American operations. During the period the Company entered into an agreement with a leading American telecom provider, in which Enea supplies software as well as third-party products.

EMEA (Europe excluding the Nordic countries, Middle East, Africa, and Asia) showed somewhat lower sales compared with last year, though profitability strengthened significantly. Business activities in China are growing faster than planned, though from a relatively low level. Major software deals in Asia during the period include agreements with leading telecom providers in Japan and China.



Consulting and other income increased by 5.0 percent to SEK 122.8 (116.9) million. Enea's business activities in North America show solid growth compared with the same period in 2005.

Enea has a strong position as a service provider to the US aerospace and defense industries. During the period Enea extended several major contracts, which should result in continued high capacity utilization in 2006.

Demand in the Nordic consulting market continues to be strong and capacity utilization during the period was very high. The number of subcontracting consultants was reduced substantially during the quarter, which had a negative impact on sales but increased margins. During the quarter Enea entered into a one-year agreement with a leading telecom provider for outsourcing, maintenance, and continued development of a testing system.

The Company continues to be highly dependent on Ericsson in both software and consulting. The Ericsson companies and Sony Ericsson accounted for slightly more than half of consolidated revenues during the first quarter. Enea strives to increase revenues from other customers, while business with the Ericsson companies continues to grow.

The Group's other customers include companies such as Agere, Autoliv, Boeing, Bombardier, Fujitsu, General Dynamics, Infineon, Nokia, Motorola, Saab, Samsung, VISTA Controls, and Yamaha.

Consolidated gross profit was SEK 81.9 (81.5) million. Gross margin in the software business fell to 75.3 (89.7) percent. The decrease is mainly attributable to negative currency effects and increased costs for third-party products.

The share of third-party products within the total product mix was higher during this quarter compared to previous periods. Gross margin in the consulting business increased to 27.1 (25.6) percent.

Consolidated operating income was SEK 16.1m (16.5m).

**Employees**

At the end of the period the Group had 497 (501) employees. The average number of employees in the Group during the period was 496 (499).

**Investments**

The Group's investments during the year totaled SEK 0.9 (1.4) million, excluding capitalized development costs of SEK 4.1 (0.0) million as a consequence of broadening the product portfolio.

**Cash flow and financial position**

Cash flow from operating activities amounted to SEK -16.7 (14.5) million. Cash and cash equivalents at the end of the period were SEK 155.6 million, compared with SEK 178.1 million at the beginning of the year. The Group's lack of interest-bearing liabilities has resulted in a positive net cash position.

**Earnings per share**

Earnings per share for the period were SEK 0.03 (0.05).

**Parent company Enea AB**

The Parent Company's net sales for the period were SEK 0.5 (0.0) million and the loss after net financial income was SEK -4.3 (-6.3) million. The Parent Company's net financial income was SEK 0.0 (0.7) million. Cash and cash equivalents at the end of the period were SEK 121.3 (118.3) million. The Parent Company's investments were SEK 0.0 (0.6) million.

The Parent Company had 19 (26) employees at the end of the period.

**New Functional Accounting System**

Enea introduced a new organization as of January 1, 2006, focusing on one integrated operations in three geographic regions. The company is now organized in following units:

- Market Operations, including sales and consulting units
- R&D, including product development
- Marketing, including product management and market communications
- Finance and Administration, including finance, HR, IT and administration

Beginning with this interim report, Enea therefore no longer reports on the units Enea Embedded Technology or Enea Systems. Instead, the Company reports on three geographic regions as primary segments: the Nordic countries, North America, and EMEAA.

Comparative figures for previous quarters based on the new functional accounting system were distributed in a separate press release on Tuesday, April 18, 2006. This material is also available at [www.enea.com](http://www.enea.com).

**Accounting Principles**

Starting with the first quarter of 2006 Enea's income statement is now classified based on function, rather than cost. This change will facilitate interpretation of Enea's performance compared with other global software companies.

Enea followed the same accounting policies and methods as those used in the most recent Annual Report when preparing this interim report.

This interim report was prepared according to IAS 34, interim financial reporting, and RR 31, Interim Reporting for Groups.

Kista, April 26, 2006  
Johan Wall, President Enea AB

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The Company's auditor did not examine this interim report.

**Financial information**

Annual General Meeting 2006	May 18 2006
Interim Report Jan-Jun 2006	July 26, 2006
Interim Report Jan-Sep 2006	October 25, 2006
Full-Year Report 2006	February 6, 2007

**Teleconference and Presentation Materials**

Enea would like to invite interested parties to a teleconference to be held in English, where the results of this interim report will be presented by CEO Johan Wall and CFO Håkan Gustavson. The teleconference will take place at 3 pm on Wednesday, April 26. The dial-in telephone number is +46 (0)8-506 269 04.

A presentation of the Group's interim report will be available on the Company's website [www.enea.com](http://www.enea.com) shortly before the teleconference.

GROUP INCOME STATEMENT (SEK million)	Jan-Mar		12 months	
	2006	2005	2005	Apr-Mar
Software revenues	64.5	57.5	249.7	256.6
Consulting-and other revenues	122.8	116.9	476.5	482.5
<b>Net sales</b>	<b>187.3</b>	<b>174.4</b>	<b>726.2</b>	<b>739.1</b>
Cost for sold products and services				
- of which software costs	-15.9	-5.9	-29.5	-39.5
- of which consulting and other costs	-89.5	-87.0	-361.2	-363.7
<b>Gross profit</b>	<b>81.9</b>	<b>81.5</b>	<b>335.5</b>	<b>335.9</b>
Expenses for sales and marketing	-30.8	-32.6	-148.8	-147.0
Expenses for product development	-14.9	-13.2	-58.9	-60.6
Expenses for administration	-20.1	-19.2	-71.4	-72.3
Other expenses	-	-	-	-
<b>Operating profit/loss</b>	<b>16.1</b>	<b>16.5</b>	<b>56.4</b>	<b>56.0</b>
Net financial income/expenses	-0.1	1.2	4.4	3.2
<b>Profit/ before tax</b>	<b>16.0</b>	<b>17.7</b>	<b>60.8</b>	<b>59.2</b>
Tax	-4.5	-0.9	8.5	-4.8
<b>Profit/loss after tax</b>	<b>11.5</b>	<b>16.8</b>	<b>69.3</b>	<b>64.0</b>
Earnings per share (SEK)	0.03	0.05	0.19	0.18
Earnings per share after full dilution (SEK)	0.03	0.05	0.19	0.17

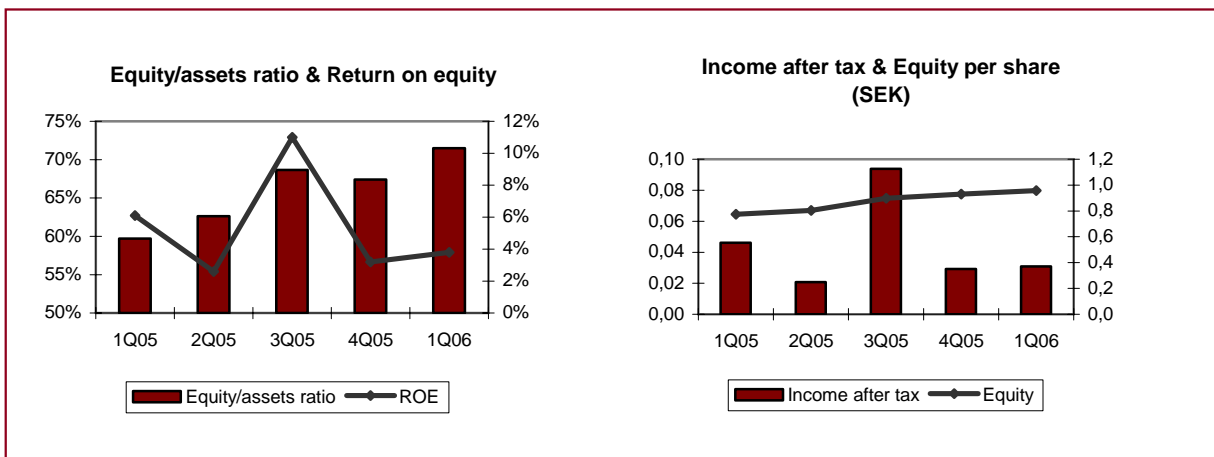
KEY FIGURES	Jan-Mar		12 months	
	2006	2005	2005	Apr-Mar
<b>Revenue growth (%)</b>				
- software revenues	12.2	66.7	23.2	13.1
- consulting-and other revenues	5.0	9.8	4.4	4.2
<b>Gross margin (%)</b>				
- software revenues	75.3	89.7	88.2	84.6
- consulting-and other revenues	27.1	25.6	24.2	24.6
<b>Operating expenses in % of revenues</b>				
Expenses for sales and marketing	16.4	18.7	20.5	19.9
Expenses for product development	8.0	7.6	8.1	8.2
Expenses for administration	10.7	11.0	9.8	9.8
Other expenses	-	-	-	-
Operating margin (%)	8.6	9.5	7.8	7.6
Cash and cash equivalent (SEK million)	155.6	152.3	178.1	155.6
Equity/assets ration (%)	71.5	59.7	67.4	71.5
Return on equity (%)	3.8	6.1	23.0	19.9
Return on capital employed(%)	4.6	6.6	20.7	18.9
Cash flow from operating activities per share (SEK)	-0.05	0.04	0.14	0.06
Equity per share (SEK)	0.96	0.78	0.93	0.96
Number of shares before dilution (million)	364.3	364.3	364.3	364.3
Number of shares after dilution (million)	367.3	367.3	367.3	367.3
<b>Number of employees in the end of the period</b>	<b>497</b>	<b>501</b>	<b>508</b>	<b>497</b>

SEGMENT- INFORMATION	Nordic			North America			EMEA			Group		
	2006	2005	2005	2006	2005	2005	2006	2005	2005	2006	2005	2005
	Jan-Mar		Full Year	Jan-Mar		Full Year	Jan-Mar		Full Year	Jan-Mar		Full Year
Net sales	131.6	131.4	524.8	43.9	31.8	156.2	11.8	11.2	45.2	187.3	174.4	726.2
Operating profit	14.1	13.5	39.7	1.2	2.7	16.6	0.9	0.4	0.9	16.1	16.5	56.4
Profit/loss before tax	14.5	15.2	46.0	0.8	2.3	15.7	0.7	0.2	-0.9	16.0	17.7	60.8
Operating margin. %	10.7	10.3	7.6	2.7	8.5	10.8	7.6	3.6	0.2	8.6	9.5	7.8
Net margin. %	11.0	11.6	8.8	1.8	7.2	10.1	5.9	1.8	-2.0	8.5	10.1	8.4

<b>GROUP BALANCE SHEET</b>	<b>Mar 31</b>	<b>Mar 31</b>	<b>Mar 31</b>
(SEK million)	<b>2006</b>	<b>2005</b>	<b>2005</b>
<b>ASSETS</b>			
Intangible assets	110.7	106.4	108.5
Tangible assets	14.1	9.8	15.1
Other assets	11.8	0.3	15.7
Current receivables	195.9	204.1	185.6
Cash and cash equivalents	155.6	152.3	178.1
<b>Total assets</b>	<b>488.1</b>	<b>472.9</b>	<b>503.0</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
Shareholders' equity	349.0	282.3	339.2
Long-term liabilities, non-interest bearing	-	5.0	-
Short-term liabilities, non-interest bearing	139.1	185.6	163.8
<b>Total shareholders' equity and liabilities</b>	<b>488.1</b>	<b>472.9</b>	<b>503.0</b>

<b>SHAREHOLDERS' EQUITY</b>	<b>Jan-Mar</b>	<b>Full-year</b>
(SEK million)	<b>2006</b>	<b>2005</b>
At beginning of period	339.2	264.2
Translation difference for the period	-1.7	1.3
Profit/loss for the period	11.5	69.3
<b>At end of period</b>	<b>349.0</b>	<b>339.2</b>

<b>CASH FLOW STATEMENT</b>	<b>Jan-Mar</b>	<b>Full-year</b>
(SEK million)	<b>2006</b>	<b>2005</b>
Cash flow from operating activities before change in working capital	12.0	14.1
Cash flow from change in working capital	-28.7	0.4
<b>Cash flow from operating activities</b>	<b>-16.7</b>	<b>14.5</b>
<b>Cash flow from investing activities</b>	<b>-5.2</b>	<b>-0.4</b>
<b>Cash flow from financing activities</b>	<b>-</b>	<b>0.0</b>
<b>Cash flow for the period</b>	<b>-21.9</b>	<b>14.1</b>
Cash and cash equivalents at beginning of period	178.1	137.5
Exchange rate differences	-0.5	0.8
<b>Cash and cash equivalent at end of period</b>	<b>155.6</b>	<b>152.3</b>



QUARTERLY DATA	2006		2005		
	Q1	Q1	Q2	Q3	Q4
(SEK million)					
<b>INCOME STATEMENT</b>					
Software revenue	64.5	57.5	61.2	61.5	69.4
Consulting and other revenue	122.8	116.9	128.5	103.2	128.0
<b>Total revenue</b>	<b>187.3</b>	<b>174.4</b>	<b>189.7</b>	<b>164.7</b>	<b>197.4</b>
Cost for sold products and services					
- of which software costs	-15.9	-5.9	-10.8	-6.0	-6.8
- of which consulting and other costs	-89.5	-87.0	-96.4	-80.1	-97.7
<b>Gross profit</b>	<b>81.8</b>	<b>81.5</b>	<b>82.5</b>	<b>78.5</b>	<b>92.9</b>
Expenses for sales and marketing	-30.8	-32.6	-38.6	-35.4	-42.2
Expenses for product development	-14.9	-13.2	-17.9	-11.3	-16.5
Expenses for administration	-20.1	-19.2	-18.9	-15.8	-17.4
Other expenses	-	-	-	-	-
<b>Operating profit</b>	<b>16.1</b>	<b>16.5</b>	<b>7.1</b>	<b>16.1</b>	<b>16.7</b>
Net financial income/expenses	-0.1	1.2	2.5	0.5	0.3
<b>Profit/ before tax</b>	<b>16.0</b>	<b>17.7</b>	<b>9.6</b>	<b>16.6</b>	<b>17.0</b>
Tax	-4.5	-0.9	-2.0	17.6	-6.3
<b>Profit after tax</b>	<b>11.5</b>	<b>16.8</b>	<b>7.6</b>	<b>34.2</b>	<b>10.7</b>
<b>BALANCE SHEET</b>					
Intangible assets	110.7	106.4	106.9	105.9	108.5
Other assets	25.9	10.1	16.7	35.2	30.8
Current receivables	195.9	204.1	184.9	161.5	185.6
Cash and cash equivalents	155.6	152.3	159.1	173.8	178.1
<b>Total assets</b>	<b>488.1</b>	<b>472.9</b>	<b>467.6</b>	<b>476.4</b>	<b>503.0</b>
Shareholders' equity	349.0	282.3	292.8	327.1	339.2
Long-term liabilities, non-interest bearing	-	5.0	5.1	4.0	-
Short-term liabilities, non-interest bearing	139.1	185.6	169.7	145.3	163.8
<b>Total shareholders' equity and liabilities</b>	<b>488.1</b>	<b>472.9</b>	<b>467.6</b>	<b>476.4</b>	<b>503.0</b>
<b>CASH FLOW</b>					
Cash flow from operating activities	-16.7	14.5	12.2	15.9	8.9
Cash flow from investing activities	-5.2	-0.4	-7.4	-1.0	-4.2
Cash flow from financing activities	-	-	--	-	-
<b>Cash flow for the period</b>	<b>-21.9</b>	<b>14.1</b>	<b>4.8</b>	<b>14.9</b>	<b>4.7</b>

