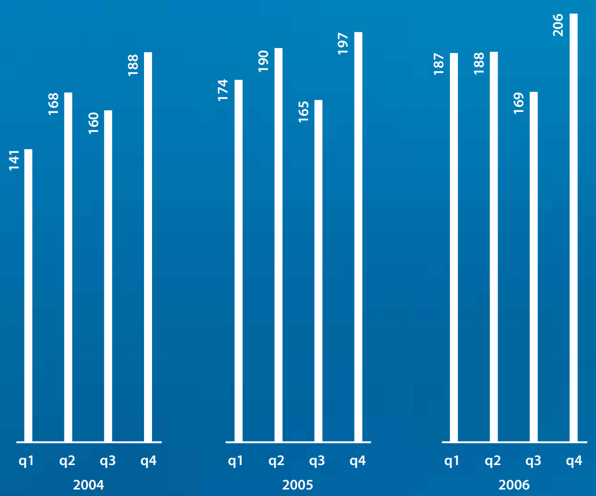
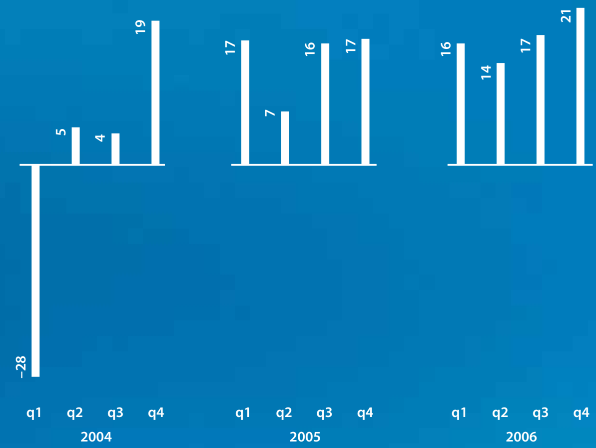
Annual Report 2006

ENEA

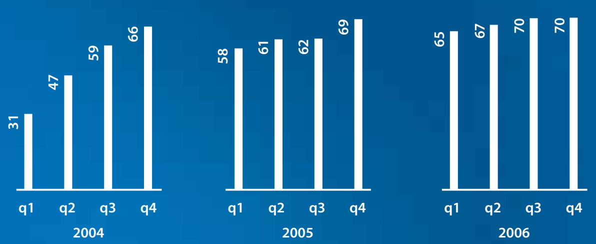
Net Sales, SEK million



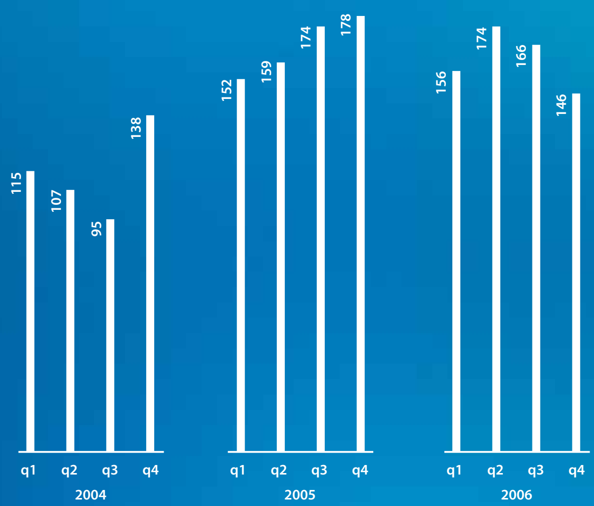
Operating Profit/Loss, SEK million



Software Revenues, SEK million



Cash and Cash equivalents, SEK million



Contents

Enea in Brief

- Enea is a world leader in network and embedded device software. The company's OSE™ product family was introduced in 1984 and has secured a position as one of the world s most trusted and widely used real time operating systems. The company's high performance database, Polyhedra™, is a fault tolerant and small foot print, real time database that is ideal for both embedded and servers systems. Element is a middleware solution that has been optimized for distributed embedded systems requiring high or constant availability.

- With the launch of its new Enea Accelerator Platform™ for next generation networks, the company is emerging as a leader in providing software and services that accelerate network convergence. The Enea Accelerator Platform enables the rapid development of the infrastructure required to meet consumers' rising demands for media convergence, the ability to access voice, video and data any time on any of their devices.
  The Accelerator Platform consists of an integrated set of reusable, standards based software components. Enea's proprietary software is included along with an ecosystem of partner products. In addition, Enea's Professional Services teams with their deep networking experience, provide critical expertise to round out the solution.

- Enea has a broad and experienced professional services team with over 300 consultants in North America and Sweden. The offerings include outsourced undertakings including system development, integration, implementation and maintenance of embedded systems. Enea's consultants also offer project management, analysis and design, test and training. Professional Services is an important complement to Enea's software.

- Enea's customers include world-leading technology vendors such as Agere, Alcatel-Lucent, Autoliv, Boeing, Bombardier, Ericsson, Fujitsu, General Dynamics, Infineon, Motorola, Nokia, Saab, Samsung, SonyEricsson, Tellabs, Yamaha and ZTE.

- Enea was established in 1968 and is today an international company with more than 500 employees in North America, Sweden, France, Germany, the UK, China and Japan. Enea is listed on the OMX Nordic Stock Exchange.

Highlights of 2006

- Net sales increased by 3 percent to SEK 750 (726) million.

- Software revenues were up by 9 percent to SEK 271 (250) million.

- Operating profit improved by 20 percent to SEK 68 (56) million and operating margin rose to 9 (8) percent.

- Operating profit was affected by foreign exchange losses of SEK 4.4 (3.0) million.

- Profit after tax was SEK 48 (69) million, where the 2005 figure was positively affected by capitalization of SEK 24 million in tax assets.

- Earnings per share were SEK 0.13 (0.19).

- Significant expansion of the product portfolio – capitalized product development costs of SEK 33.1 (3.7) million.

Letter from the President

During 2006, Enea made steady progress in the transformation into a leading network software, services and solutions company. While we achieved good growth and sustained profitability in our traditional markets, we also took steps to invest in our future; to expand our product portfolio, increase our strategic partnerships and widen the list of world class customers we serve. The results of the year position us well in order to benefit from the global trends in the telecom industry.

Enea's journey during the last couple of years can be divided in three basic phases. In the first, and now completed phase, we focused on our business fundamentals to achieve stable profitability and to widen Enea's freedom of action. In the current and nearly completed phase, we are evaluating and expanding our market offering, while at the same time gearing up our marketing and sales efforts. The third and final phase will be focused on streamlining our distribution channels, leveraging our strengths and scale to position the company for sustainable long term growth and profitability.

Trends benefiting Enea

Enea brings nearly forty years of experience to the telecom and datacom industries. The telecom market is undergoing radical changes from multiple drivers pulling in different directions. One such driver is the expansion of the global market for mobile phones. In the developing world alone, one billion new cell phone users are expected in the next few years. These customers' requirements for low-cost, easy to use phones and calling services is creating new economic challenges for our customers, the telecom equipment manufacturers. Enea's commercial off-the-shelf software offering and consulting expertise enable these customers to significantly reduce their bills of material and project development costs.

On the other side of the mobile telecom market spectrum, we see the established base of several billion mobile phone users demanding more functionality and expanded service options from their phones. As the mobile phone and handheld device emerge as the "third screen" in our lives, after the television and personal computer, we are seeing the rapid convergence of media platforms to give consumers access to the Internet, video, TV and voice calls all over a computer, television or cell phone via fixed or wireless broadband, Wimax or GSM/3G. Those suppliers and providers who are able to readily and easily deliver multimedia services at reasonable prices will be the winners in this exciting market. It is impossible to predict how these services will evolve over time, but competition between both operators and system suppliers is certain to remain aggressive.

The telecom market represents a significant opportunity for Enea as we position our product portfolio towards those submarkets with the highest growth where we can help solve the bigger problems these companies face. Today's system suppliers are increasingly seeking pre-integrated solutions to build the equipment needed by operators for delivery of multimedia services. The IP Multimedia Subsystem, or IMS, architectural framework is the technological enabler for convergence and this is where we see significant potential. Enea believes that in order to win significant share in this market requires the ability to deliver pre-integrated solutions or strategic software products such as middleware. This is what Enea does best.

Infrastructure and wireless telecom abilities

In close collaboration with our customers, Enea provides technical solutions to concrete problems, such as real-time technology for multiprocessors systems, high availability and high integrity quality of service. Our software platform spans both infrastructure and wireless telecom. The practical implications of this in the form of software and service areas are described on the following pages.

In 2006 we made significant advances in implementing our corporate strategy, including investments in new software for a more complete offer, and a closer integration of consulting operations with our software business. A stronger marketing department was created and experienced new staff was hired, primarily in North America.

In the past year Enea won a number of strategic customer orders and contracts, while others were extended and expanded. Among the more interesting are joint ventures with some of our largest customers in which we together develop software for which Enea will retain the intellectual property rights. Our Chinese operations gained momentum and we were pleased to see that ZTE has chosen to use our operating system in its 3G telephones.

Leveraging Enea's impressive customer portfolio
Today the most demanding manufacturers of network and telecom equipment use software from Enea, and we are proud to name Alcatel-Lucent, Ericsson and Nokia among our customers. Our software solutions are at the leading edge of technology and our innovations enable customers to make many of the new multimedia services possible. We have reached this position by having some of the market's foremost experts and engineers. Last year we hired more than 20 new engineers in Boston and Stockholm and we have approximately 100 people working in R&D.

With a stronger product offering we are shifting the focus to sales and marketing which will be visible in 2007. We see favorable prospects for continued growth going forward.

"In the past year, some 200 million mobile phones containing software from Enea were sold globally. Around half of all mobile calls worldwide pass through a cell phone or base station containing software from Enea."

Even with sizeable investments in 2006, Enea achieved sustained growth and margins that compares well in the industry. After a very good year, I want to take the opportunity to thank all of our customers and shareholders for their support, and I especially want to acknowledge all of Enea's dedicated and ambitious employees, who are and will continue to be, the company's most valuable asset in a market characterized by fierce competition for talent.

Enea operates in an exciting and fast-growing global industry. Fortunately, Enea benefits from the major industry trends unfolding, from network convergence and mobile television, to the low-cost entry-level phone. By adhering to our market focus and further strengthening our position, I believe Enea's future outlook is bright.

Johan Wall, President and CEO

Strategic focus, mission and financial targets

Enea draws from its extensive telecom expertise in developing innovative solutions for the complex challenges faced by mobile device and telecommunications infrastructure companies. The focus is on serving industry-leading customers, companies that present the toughest challenges but also offer the greatest opportunities.

Enea ensures the success of its customers by helping them to meet their targets fast and cost-effectively.

Enea aspires to be the employer of choice for top professionals in the industry.

Mission

- To ensure the success of our customers through complete embedded solutions.

Enea offers software and consulting services to companies developing complex applications requiring high or always-on reliability. These customers are selective in seeking suppliers who can provide world-class solutions to simplify and accelerate their product development processes. To satisfy these demands, Enea offers a complete embedded network solution: real-time operating systems, a high availability middleware framework, tools, a high performance database system and professional services. Enea ensures the success of its customers by going the extra mile to help them get where they want to go. Enea is committed to delivering results for its customers and measures its success by the success of its customers.

Vision

- To be the first choice for innovative embedded solutions.

Enea aspires to be more than a vendor to its customers; The company continually strives to be a trusted, reliable, strategic partner that consistently delivers value that exceeds its customers expectations. Enea's believes that doing business in this way will fulfill its vision to be the first choice for innovative embedded solutions.

Strategy

- Enea's strategy for growth is to leverage and build upon its core strengths and substantial history in telecommunications.

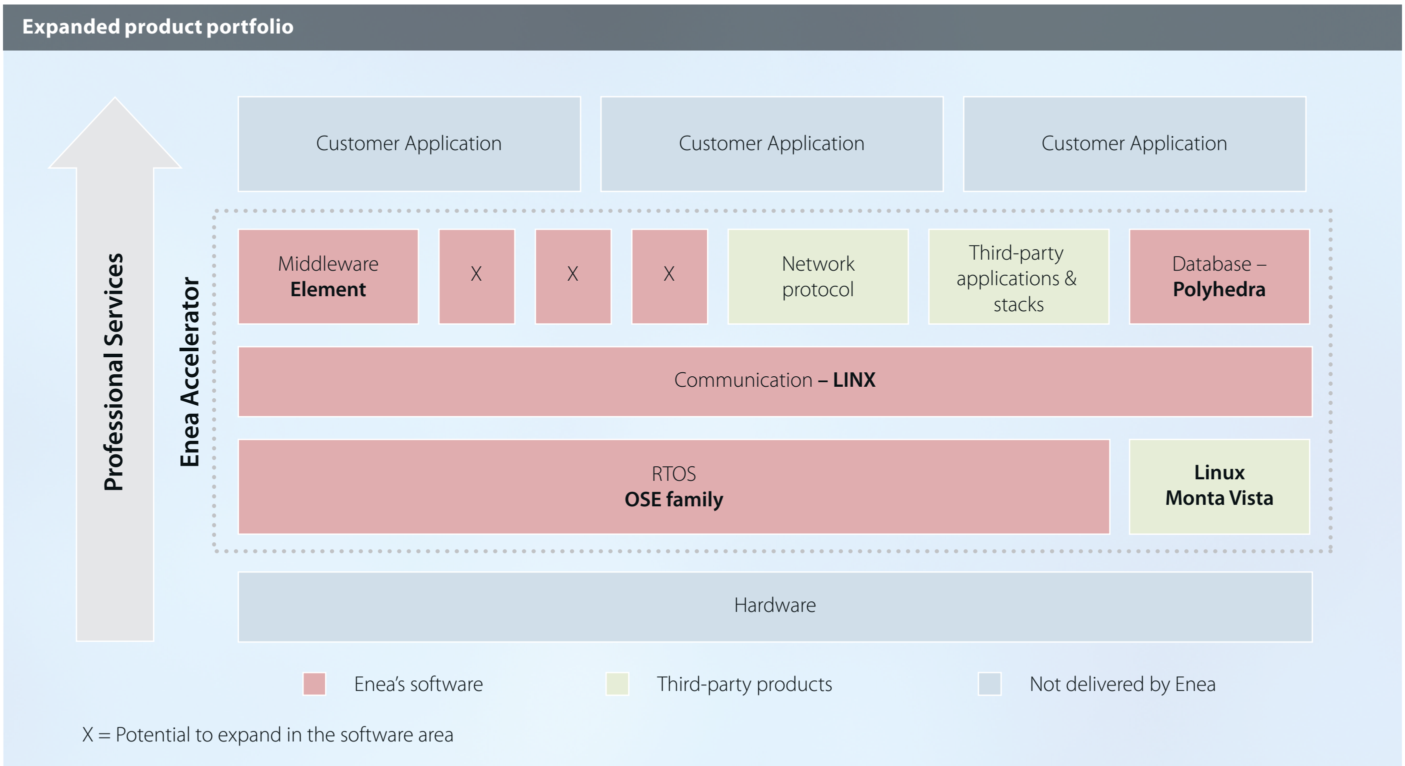
Enea has secured its strong position in telecommunicatons by forging partnerships with the top-tier companies in this market. According to many industry analysts, the telecommunications industry is the largest consumer of software-intensive applications for embedded systems. Enea has consolidated its strengths in telecommunications focusing on the fastest growing segments of this market. Enea's service offerings give the company a unique competitive edge. Enea must therefore be able so attract, reward, retain and develop the best professionals in the industry.

By continuing to expand its solution portfolio, the company believes it can further strengthen its position and achieve substantial growth.

Financial targets

Enea's long-term financial target is to achieve annual growth of at least 15 percent and an operating margin of more than 10 percent over a business cycle.

Enea can accelerate its customer's software integration



To meet the increased customer demand for pre-integrated software, Enea's strategy is to continue diversifying its product portfolio. Enea's expanded offering consists of well integrated software components such as real-time operating systems, databases, communication software and middleware for telecom applications. One example of this is the package solution Enea Accelerator. This is a fast-growing market where customer needs for quality, faster development times, high flexibility and lower cost are generating new business opportunities. The rising share of solutions that require integration with the customer's own software has the potential to further drive demand, since Enea can deliver software together with qualified consulting services. (Read more about Enea's product portfolio on page 10.)

Market overview

Consolidation of the telecom market is opening opportunities for Enea to boost sales to major customers. This trend is also creating incentives for Enea to further broaden its product portfolio while at the same time offering new scope to help its customers cut costs.

There are nearly one billion mobile phone users in India, Africa and parts of Asia, where affordability for the end-users is a decisive factor. These users have capacity to pay the equivalent of perhaps USD 5 per month for a subscription and calling charges.

Development in the telecom market remained vigorous in 2006, with robust demand in all market areas served by Enea. The most powerful growth was seen in the North American and Asian markets, but development in the Nordics was also strong. Many telecom operators continued to invest in 3G networks, partly for capacity reasons and partly to support a wider range of advanced services. At the same time, new technologies are emerging that can be seen as both competitors and complements to 3G, such as WLAN and Wimax-based solutions. IP Multimedia Subsystem, IMS, has been launched to enable coexistence of standard 3G, other radio access technologies, traditional telephony and Internet.

Continued price pressure was offset by volume growth. With falling traffic costs and a rising degree of differentiation in mobile services, price competition for both cell phones and network equipment has escalated.

Market consolidation

A series of major consolidations took place on the systems side as Alcatel joined forces with Lucent, Ericsson acquired Marconi and Redback, Nokia and Siemens merged their network divisions in a 50–50 joint venture and Motorola forged an alliance with Huawei in UMTS. These moves have been driven by a need for scale economies to fend of intensifying competition, not least from Asian vendors.

On the mobile side, Siemens Mobile was acquired by Taiwan's BenQ and wound up its operations in Europe. In the fiercely competitive mobile market, manufacturers need sufficient scale to finance costly R&D while at the same time retaining flexibility for fast response to shifting end-user requirements. It is reasonable to assume that platform vendors like Ericsson Mobile Platforms and Qualcomm will advance their positions, since they enable customers to focus investments on satisfying market demands.

This development will most likely spur further consolidation of the mobile market. For the same reason, a similar trend is anticipated among subcontractors to the mobile telecom industry in the years ahead.

Intensifying competition

Asian telecom suppliers are widening their global presence, as in the examples of Chinese Huawei and ZTE, both of which have established extensive operations in Europe and the USA. Their activities are not limited to sales and marketing, but also include R&D. Most likely, this is only the beginning of a trend in which previously local Asian players are extending their reach into the global arena. Their advance is contributing to an industry-wide cost-cutting drive, since these players have a whole different cost scenario than their Western counterparts. On the service side there is a tendency to contract out maintenance projects to low-cost countries, while corporate research departments in the West are concentrating their R&D investments more on future technologies.

All in all, this trend is giving Enea access to major customers who will hopefully buy larger volumes. It is also creating incentives for Enea to further broaden its product portfolio, while at the same time offering new scope to help customers cut costs.

Growth in emerging markets

In simple terms you could say that there are nearly one billion mobile telephone users in India, Africa and parts of Asia, where affordability is a decisive factor. These users have the capacity to pay the equivalent of perhaps USD 5 per month for a subscription and calling charges.

So clearly, there is a need for cell phones and network services consistent with the level of buying power in these markets. And because the African continent is too large to achieve coverage with traditional base station equipment, low-cost platforms may come to play a more prominent role. To keep costs down the customers will therefore need to standardize on fewer platforms, a development that Enea is well poised to benefit from.

Strong demand in telecom

The telecommunications industry is the biggest consumer of software-intensive applications for embedded systems. Fixed-mobile convergence, migration to 3G and 4G and growth in IP Multimedia Subsystems, IMS, and Ethernet are key drivers that are fuelling high activity in the telecom market.

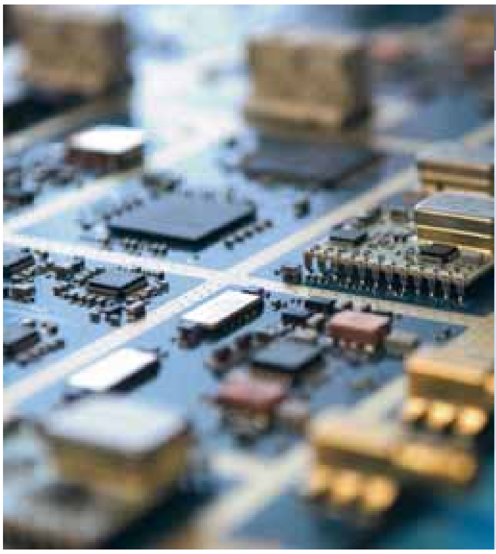
The industry research group VDC estimates that the total market for Enea Accelerator, real-time operating systems, middleware and database software is worth approximately USD 400 million.

To maximize growth and leverage its core strengths, Enea is targeting subsegments of the telecom market such as IMS, fixed-mobile convergence, VoIP and Triple Play. Technological advances are shaping the design of both networks and telephones, and by entering the customer's development process at an early stage Enea has the chance to claim a bigger piece of the pie further down the line.

Enea has won a number of interesting new customers in the automotive market, perhaps not surprisingly since software controls many vital systems in today's modern vehicles. The automotive industry is looking closely at how telecom manufacturers have built and developed their solutions, and Enea has the advantage of being able to copy telecom specifications and transfer them for use in the automotive industry.

Sharper focus on total customer needs

At the beginning of 2006 the software and consulting organizations were merged into a single unit after having operated as separate entities for many years. By bringing together its offering, Enea can strengthen the focus on meeting total customer needs instead of selling products and services separately. The reorganization has been successful and the number of offers spanning Enea's entire value proposition has increased.



Solutions

DSP platform – a ready made solution

Enea has been designing platforms for the telecom industry for many years and in 2006 we developed a standardized software platform for digital signal processing, DSP, on behalf of a customer. The platform is built on Enea's existing OSEck and LINX products and together with our customer we have developed a set of requirements addressing the huge integration challenge a customer faces in this area. The DSP software platform consists of a stand-alone version, managing so called DSP-farms and a version offering a middleware-integration with Element giving the customer one intuitive programming model for the entire system.

One of the biggest challenges our customers face is the increasing program complexities while simultaneously supporting shorter time-to-market demands. At the same time performance improvements and enhanced quality are required in order to lower the product life cycle costs. All in all these requirements is fueling a strong demand for commercial off-the-shelf platforms and solutions at the expense of customers purchasing proprietary products where they shoulder the burden of integration themselves.

One important success factor will be our ability to deliver pre-integrated solutions that combine Enea's software, partner products and professional services. The DSP Platform is an example of a stand-alone, pre-integrated platform that has merits in itself but is also a part of the complete Enea Accelerator offering. With this offering, Enea helps its customers to improve their time-to-market, reduce costs and free up resources so that they can focus on higher value adding application development.

The customers seek not only software, but increasingly also total solutions that combine software and consulting services to solve challenges in development, system architecture, network support, integration and manufacturing.

Fixed-mobile convergence, migration to 3G and even 4G and growth in IP Multimedia Subsystems, IMS and Ethernet are key drivers that are fuelling high activity in the telecom market.

As part of Enea's transformation, more resources have been dedicated to cultivating the Asian and North American markets and market activities are now steered from the USA. Despite long lead times for sales, above all in major projects, this reinforcement has injected the organization with greater confidence and optimism, particularly in the USA.

A cornerstone of Enea's strategy is to continue growing, not only in the USA and Asia but also at the global level. To achieve this, Enea must put its customers first and demonstrate a real commitment to solving their problems. Enea must be able to offer products and expertise that effectively address customer needs. That is value added.

Focus on telecom

Sustained growth requires focus, and Enea is concentrating its resources in the global telecommunications market where the company has its greatest comparative strengths. The expertise at Enea's command is a strategic weapon and its knowledge and experience in the telecom industry provide a solid foundation from which to take on bigger challenges and create more quantifiable value for the customers.

But there are other reasons as well. Market surveys show that the worldwide market for telecom and datacom equipment is expected to grow by 33 percent, from USD 108 billion in 2005 to USD 144 billion in 2009. And sometimes telecom vendors simply don't have enough qualified personnel to quickly develop systems capable of meeting today's rigorous requirements, which is creating openings for Enea.

Close to 40 years of experience

The customers are looking to work with a few tried and trusted partners, and Enea is well positioned to draw on nearly 40 years of experience in the telecom industry. But this doesn't mean that Enea will abandon its other segments and customers. Enea will continue working with customers in a range of different areas. The telecom focus is simply a way to utilize resources effectively so that Enea can grow in size and strength, which will ultimately benefit all customer segments.

Total solutions

The customers seek not only software, but increasingly also total solutions that combine software and consulting services to solve challenges in development, system architecture, network support, integration and manufacturing. By offering combined service and product packages, Enea is maximizing its strength an increasingly competitive market.

Enea will continue to sell software separately and offer its customers consulting services on a project or hourly basis. The past year saw rising demand for consulting services in several segments, particularly telecom. Because the success of Enea's consulting business relies on access to expertise in a wide range of areas, in the past year the company increased its focus on markets outside the telecom sector. With a wider spread of markets and customers, it is possible to reduce the level of risk in consulting operations. Around year-end, the fruits of these efforts began to emerge in the addition of new customers.

Earnings improved during the year thanks to the consolidation of all consulting activities in the Stockholm area into a single unit, continued restraint on the cost side and stronger demand. Consulting operations also benefited from a more positive price scenario, and was able to raise its prices in certain projects for customer prioritizing fast turnaround time over cost savings.

Enea's consulting services include total solutions that can cover everything from development, customization and delivery to deployment and maintenance of RTOS and embedded systems. The consultants are specialized in embedded systems but can also handle project management, analysis and design, system testing and training. In the telecommunications area, Enea's offering includes simulator systems, tools and methods for testing new protocols in GSM/GPRS, UMTS and WCDMA.

Enea Accelerator

One prime example of these total solutions is Enea Accelerator, which combines Linux and/or Enea's OSE real-time operating systems with Element middleware and Polyhedra databases. Instead of dealing with multiple suppliers, Enea provides the customer with everything, including integration services. All-in-one, or Enea Accelerator, as Enea calls the solution, is a powerful competitive tool.

More off-the-shelf software

Enea strives to understand and overcome customer problems and challenges. Only the customer can define what the right solution is. It can be a commercial off-the-shelf (COTS) software product, a service package, or both. The strategy is to enter the development process at an early stage, when the important decisions are made. The customer's challenges are Enea's opportunities, and that realization should shape the company's value proposition. Enea will continue to build long-term strategic partnerships as a means for winning competitive advantages. Enea's vast experience and global consulting organization are two vital factors behind Enea's success in delivering more COTS software solutions.

Optimized database

Polyhedra, Enea's relational database management system, was launched in a faster and more compact version. Based on an already optimized product, the new version is designed with a smaller footprint and is superbly suited to real-time critical and resource-limited environments. The new version is ideal for use in base station equipment with strict resource limitations and in cellular devices.

Interprocess communications

LINX is Enea's technology for communication between the different processors in a system. To meet escalating performance requirements, for example in a base station, it is no longer possible to rely on a single processor. With millions of subscribers in a mobile network, base stations must employ multiple processors in so-called distributed systems. LINX is a scalable technology for interprocess communications, IPC, in distributed systems that utilize one or more operating systems. LINX is unique in its class and has been very well received since its launch in the spring of 2006. The product is being used in several customer projects and 15–20 ongoing evaluations. LINX is available for evaluation on OSE and Linux and can also be implemented for operating systems.

Enea Accelerator platform

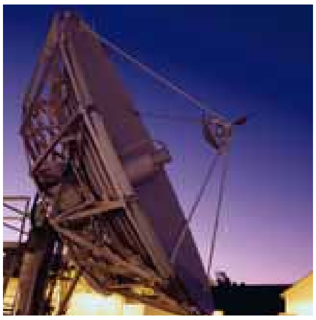
Enea Accelerator is a generic solution offered by Enea to address needs in the telecom industry. In recent years, the telecom giants are increasingly buying ICs, PCBs and RTOS from other suppliers, rather than continuing to develop these in-house. The next step is to buy even more from subcontractors, even middleware, which can be delivered pre-integrerad with the underlying operating systems and hardware for smoother integration with the customers' own applications. Due to its simplicity and defined usability in telecom applications, Enea has chosen to call this solution Enea Accelerator.

In time, it will be possible to adapt Enea Accelerator to meet other industry-specific requirements. One such example is IMS with typical nodes as media gateways, for example to enable wireless internet in cell phones. Unlike a generic version, a customer-specific Enea Accelerator, containing more pre-integrated software and functionality, creates additional value for the customer by accelerating the development process and reducing costs.

Mission-critical middleware

Element is Enea's middleware solution which, as the name implies, forms a connecting layer between the operating system and user applications. Middleware is mission-critical due to the amount of program code and software that must be integrated in the product, particularly when used for telecom applications. Designing a generic middleware of the caliber traditionally produced by the major telecom vendors requires hundreds of man years and is both a tremendous challenge and a huge investment. Enea made a major breakthrough in this area during 2006 and now offers a highly compe-

Enea's knowledge and experience in the telecom industry provide a solid foundation from which to take on bigger challenges and create more quantifiable value for the customers.



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titive product. Element was relaunched in connection with the release of version 2.0, providing customers with a tool than can cut their development time by up to a year. Saving time is critical, since this allows OEMs to get their products to market faster. With Element in its portfolio, Enea enables customers to lower their cost of development, accelerate time to market and reduce project risk.

More and more telecom manufacturers are expected to leverage commercial off-the-shelf (COTS) platforms, like Element, so that they can shift resources to development of their core applications. In 2006 a major customer began implementing Element in its systems. With a platform life expectancy of 10–15 years, Element is a long-term investment that Enea will continue developing in future years.

R&D

In 2006 Enea's R&D activities were targeted at development of multicore support. To meet continuously rising capacity requirements it is no longer possible to improve performance by increasing processor frequency (frequency scaling), and the development trend instead moving towards the use of multiple processor cores in a single package. Enea expects to launch a multicore support offering in 2007. Initiatives have also been taken in development of platform applications that can be adapted for selected segments.

Broad product portfolio

Real-time operating systems (RTOS) can be used for a range of different purposes, and must therefore meet varying requirements. Critical specifications include scalability, reliability and support for multi-processor systems. Aside from the commercial and technical aspects, considerations like source code, engineering support, configurability and development environment are decisive in the choice of real-time operating system.

OSE is the collecting name for Enea's fleet of real-time operating systems. The operating system supports control processors as well as digital signal processors, DSPs, offers excellent real-time performance, a small footprint and a simple programming model. OSE supports complex software design better than any other platform on the market, partly because most systems have been developed for other purposes. OSE can be complimented by related development tools and a wide array of networking, security and database components to manage all aspects of embedded software development, deployment and maintenance. The OSE technology enables our customers to dramatically shorten their development time.

Polyhedra is a relational database management system for high-speed applications in demanding environments. It is ideal for high performance data management at the server level, particularly where the design can take advantage of Polyhedra's advanced features.

Element is a software, or so-called middleware, solution that manages the software layers between the operating system and the customer application. Element is optimized for distributed embedded systems requiring high or constant availability, such as base stations, switches and routers.

LINX is an efficient and scalable interprocess communications technology for distributed systems utilizing multiple operating systems. LINX supports OSE and Linux today, is open source and can be ported to other operating systems. LINX is transparent, enabling application processes running on multiple CPUs and operating systems to communicate with each other as if they were running on the same CPU under the same operating system. This transparency makes it easy to distribute LINX-based applications across multiple processors and operating systems.

Enea Accelerator, is a package solution for distributed telecom applications that combines OSE and/or Linux, LINX, Element and Polyhedra or other databases. An integrated offering that includes relevant partner products such as stacks, network protocols, Linux and other tools.

Professional services

Our specialists help developers to customize their components and develop systems or entire architecture interfaces. The available services range from project management to software development and are offered in everything from individual consulting services to fully integrated solutions for development projects, outsourcing of development projects to subcontractors or the provision of complete platforms.

These are a few of the technical areas where Enea is active:

- RTOS – real-time operating systems
- Embedded systems
- Communication
- Electronics design
- Open solutions
- Test & quality assurance
- Certification of aviation electronics

Enea's knowledge resources

Competition for qualified manpower intensified further in 2006 and led to a slight increase in employee turnover for the group as a whole. In competing for the top talent, Enea has the advantage of offering its employees exciting new technology and challenging assignments.

Many of Enea's customers grapple with some of the world's most advanced and mission-critical needs, an environment that offers ample scope for professional development and greater responsibility. A continued strong labor market added to already fierce competition for qualified manpower in 2006 and led to a slight increase in employee turnover for the group as a whole. In competing for the top talent, Enea has the advantage of offering its personnel exciting new technology and challenging assignments.

According to customer surveys, Enea's consultants deliver high quality and expertise and are particularly knowledgeable in the areas of telecommunications and embedded systems. Customers also describe them as motivated, dedicated and well respected in the market.

In the past year Enea took active measures to highlight female role models and promote interest among women in seeking employment with the company.

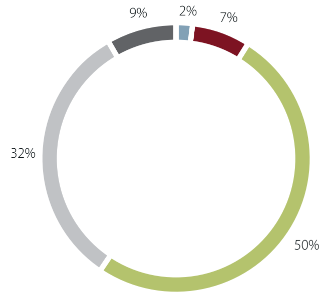
Enea's employees are expected to:

- Be familiar with Enea's strategic platform, vision, mission, strategies and core values for the business.
- Be familiar with the company's goals and how they can personally contribute to their attainment.
- Take responsibility for their own training and development with the support of the company.
- Actively seek information on their own initiative.

Enea's employees are expected to share a number of core values:

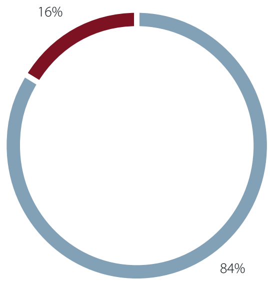
- We are committed to the success of our customers, because their success determines our own.
- We provide trusted leadership and seek the role of leader in everything we do, from our product performance to our professional development and the way we deliver on our promises.
- Our innovations are driven by real customer needs, which is reflected in the technology we develop and bring to market.
- Enea's employees are team players who rely on each other to develop and deliver the best products and services.

A new organization designed to further focus Enea's business activities and division of responsibilities was implemented on January 1, 2006.



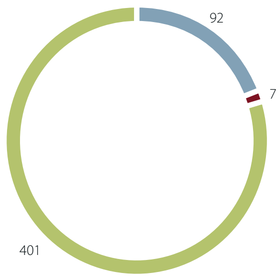
Education

- Ph. D. Engineering 2% (2%)
- Lic. Engineering 7%
- M. Sc. Engineering 50% (54%)
- B. Sc. or similar 32% (31%)
- Other 9% (13%)



Gender distribution

- 420 men, or 84% (83%)
- 80 women, or 16% (17%)



No. of employees by region

- USA, 92
- Asia, 7
- Europe, 401

The Enea share

Ownership structure

	2006	2005
Total number of shareholders	19,991	22,178

Shareholder categories, %	**2006**	**2005**
Foreign investors	40.9	37.8
Swedish investors	59.1	62.2
Of which,		
Institutions	13.1	4.0
Mutual funds	3.1	8.4
Private investors including small businesses	42.9	49.8

Owner categories Dec 31, 2006	**Number of shares**	**% of share capital and votes**
10 largest individual shareholders		
Sis Sega Intersettle Ag	49,385,050	13.52
Lindberg, Per	34,785,700	9.53
Lgt Bank In Liechtenstein Ltd	21,454,759	5.87
JP Morgan bank	8,510,814	2.33
Electro Medicinska AB	7,075,000	1.94
Swedbank Robur incl. Church of Sweden	5,783,000	1.59
Handelsbanken Funds incl. XACT	5,440,120	1.48
SOFA	4,980,000	1.36
Fourth National Pension Fund	3,783,500	1.04
Second National Pension Fund	3,450,660	0.94
Total, 10 largest shareholders	**144,648,603**	**39.60**
Others	220,653,313	60.40
Total	**365,301,916**	**100.0**
Dilution from option programs in Enea TekSci, Inc.,		
maturity December 31, 2006[1], strike price SEK 0.54	1,812,348	0.5
maturity December 31, 2009, strike price SEK 3.50	2,000,000	0.5
Total	**369,114,264**	

[1] At December 31, 2006, the option program had led to the issue of 988,192 new shares.

Changes in share capital since 1998

Year	Share capital	Newly issued shares	Number of shares	Event
	7,680,900	–	1,536,180	
1998	7,680,900	4,608,540	6,144,720	4-for-1 split
1998	–	–	–	Conversion to one class of stock
1999	7,845,284	131,507	6,276,227	Non-cash issue
2000	7,920,214	59,944	6,336,171	Non-cash issue
2000	8,712,235	633,618	6,969,788	New share issue
2000	8,712,235	167,274,912	174,244,700	25-for-1 split
2001	8,877,235	3,300,000	177,544,700	New share issue
2002	8,923,181	918,919	178,463,619	Non-cash issue
2003	9,107,843	3,693,243	182,156,862	Non-cash issue
2003	18,215,686	182,156,862	364,313,724	New share issue
2004	18,215,686	–	364,313,724	–
2005	18,215,686	–	364,313,724	–
2006	18,265,096	988,192	365,301,916	New share issue

Enea is covered by the following analysts:
Karl Berglund – ABG Sundal Collier
Jonas Elofsson – Kaupthing
Greger Johansson – Redeye
Lars Sveder – Enskilda Securities

The Enea share (Ticker ID ENEA)

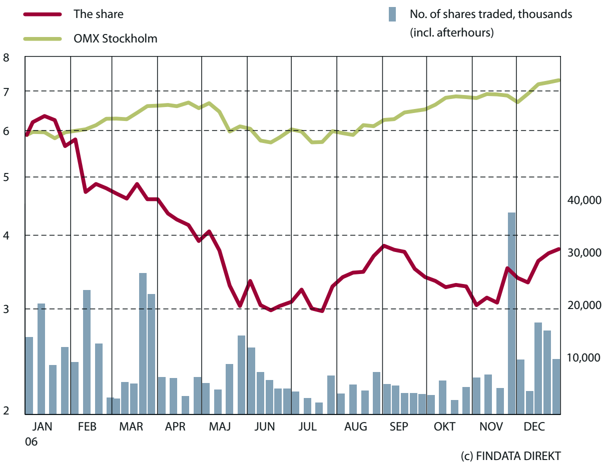
	2006	**2005**	**2004**	**2003***	**2002***
Earnings per share, SEK	0.13	0.19	-0.04	-0.16	-1.75
Earnings per share after dilution, SEK	0.13	0.19	-0.04	-0.16	-1.75
Cash flow per share, SEK	-0.08	0.11	0.07	0.16	-0.15
Cash flow per share after dilution, SEK	-0.08	0.10	0.07	0.15	-0.15
Equity per share, SEK	1.04	0.93	0.73	0.70	1.24
Equity per share after dilution, SEK	1.03	0.92	0.72	0.69	1.24
Dividend per share, SEK	0.00	0.00	0.00	0.00	0.00
Share price at December 31, SEK	3.79	5.90	4.64	2.30	1.53
P/E ratio	29	31	117	neg.	neg.
Price/equity ratio, %	364	634	640	331	123

Source: VPC, the Nordic Central Securities Depository

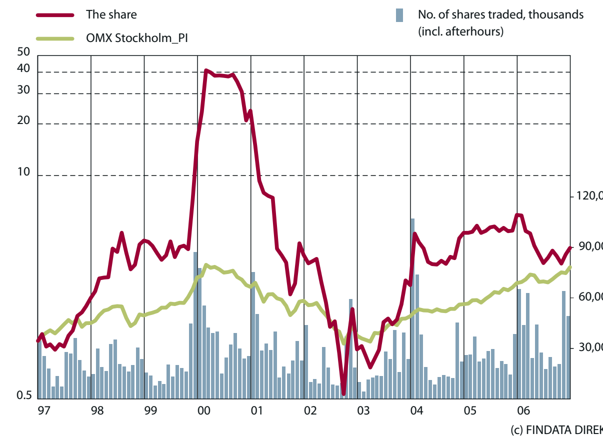
* The figures for 2002–2003 have not been restated to IFRS.

Share price trend

2006



1997–2006



Five-year review

Income statement, SEK million	2006	2005	2004	2003*	2002*
Net sales	750.1	726.2	656.7	571.9	715.7
Operating expenses	-682.5	-669.8	-635.5	-599.8	-1,103.5
Operating profit/loss	**67.6**	**56.4**	**21.2**	**-27.9**	**-387.8**
Net financial items	1.7	4.4	2.2	-6.2	95.5
Profit/loss before tax	**69.3**	**60.8**	**23.4**	**-34.1**	**-292.3**
Tax**	-20.9	8.5	-8.9	-7.7	-19.7
Profit/loss for the year	**48.4**	**69.3**	**14.5**	**-41.8**	**-312.0**

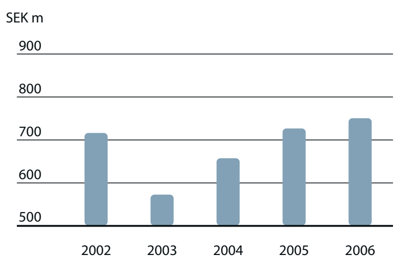
Balance sheet, SEK million	2006	2005	2004	2003*	2002*
Intangible assets	132.6	108.5	106.2	106.7	148.8
Other fixed assets	15.5	30.8	11.4	22.7	37.3
Accounts receivable and other current assets	265.5	185.6	231.0	162.0	172.2
Cash and cash equivalents	146.4	178.4	137.5	112.0	73.3
Total assets	**560.0**	**503.0**	**486.1**	**403.4**	**431.6**
Shareholders' Equity	379.4	339.2	264.2	253.4	221.3
Provisions, long-term liabilities and minority interests	0.2	0.8	7.4	13.6	11.7
Current liabilities	180.4	163.0	214.5	136.4	198.6
Total shareholders' equity and liabilities	**560.0**	**503.0**	**486.1**	**403.4**	**431.6**

Cash flow statement (SEK million)	2006	2005	2004	2003*	2002*
Cash flow from operating activities before change in working capital	77.7	63.2	17.8	9.7	-201.8
Cash flow from change in working capital	-72.1	-11.7	7.9	-45.5	87.8
Cash flow from operating activities	**5.6**	**51.5**	**25.7**	**-35.8**	**-114.0**
Cash flow from investing activities	-34.6	-13.0	0.6	-5.0	81.9
Cash flow from financing activities	0.5	–	–	80.9	5.0
Cash flow for the year	**-28.5**	**38.5**	**26.3**	**40.1**	**-27.1**

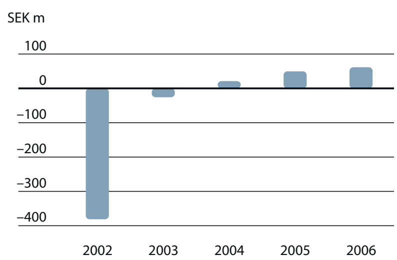
Key ratios	2006	2005	2004	2003*	2002*
Operating margin (%)	9.0	7.8	3.2	-4.9	-54.2
Profit margin (%)	9.2	8.4	3.6	-6.0	-40.8
Return on capital employed (%)	20.0	20.7	10.0	-10.4	73.0
Return on equity (%)	13.5	23.0	5.6	-17.6	-79.7
Capital employed (SEK million)	379.5	340.0	264.2	257.4	221.3
Interest coverage ratio (times)	29.2	37.9	10.5	neg.	neg.
Equity/assets ratio (%)	68	67	54	63	51
Liquidity ratio (%)	228	223	172	199	123
Risk-weighted capital ratio (%)	68	67	54	63	51
Average number of employees	501	509	544	599	848
Net sales per employee (SEK thousand)	1,497	1,427	1,207	955	844
Value added per employee (SEK thousand)	882	852	783	607	462

* The figures for 2002–2003 have not been restated to IFRS.
Goodwill amortization amounted to SEK 37.2 million in 2002 and SEK 25.2 million in 2003.
** Including minority share before 2006.

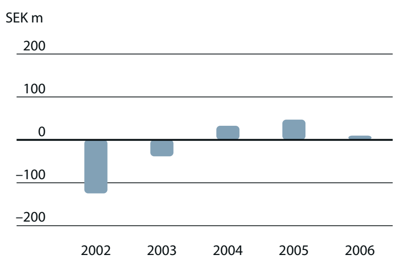
Net sales



Operating profit



Cash flow from operating activities



The Board of Directors and the President of Enea AB (publ), 556209-7146, hereby submit this annual report and consolidated financial statements for the 2006 fiscal year, the company's thirty-eighth year in business.

Operations

Enea is active in embedded real-time operating systems (RTOS) and advanced systems development, and provides both software and consulting services. Software and services are offered separately, but are increasingly demanded in integrated package solutions.

Enea Embedded Technology is a global provider of device software in real-time technology, embedded systems, middleware, development tools and database technology primarily for telecom applications. Product development is conducted in the USA, Sweden, the UK and Romania.

Consulting operations focus on advanced systems development, particularly in the fields of real-time systems and telecom/data communications in the US and Nordic markets. Enea has offices at several locations in North America and Sweden.

The Group's operations are divided into three geographical regions: Nordic region, North America and EMEAA (Europe, the Middle East, Asia and Africa). Operations are organized in the following units:

- Market Operations, including all sales and all consulting units.
- R&D, including all product development.
- Marketing, including product management and marketing communication.
- Finance and Administration, including finance and accounting, IT, HR and administration.

The total number of employees in the Group is approximately 500.

Significant events during the financial year

Operations showed positive development during the year, with robust demand for Enea's products and consulting services. In 2006 Enea took action to diversify its business with new products and services, for example in the middleware segment. At the same time, the product range is being adjusted to market demand for complete integrated solutions. Enea's expanded offering consists of well integrated software such as real-time operating systems (RTOS), databases, communication software and middleware for telecom applications. As a result, Enea succeeded in winning a number of major customer contracts during the year. Enea's consulting expertise, which enables integration of solutions with the customers' own software, has the potential to further drive demand.

In the past year, Enea continued its efforts to reinforce the marketing unit by recruiting several new employees. In addition, intensified R&D activities led to a large number of new product releases, including Network Application Services Platform featuring integration of MontaVista's Linux operating systems with Enea's OSE, Polyhedra, Element and LINX product families.

As part of the company's ongoing quality management initiative, Enea was certified according to ISO 9001 in 2006.

Sales and earnings

Consolidated net sales increased by 3 percent to SEK 750 (726) million. Software revenue was up by 9 percent, while consulting revenue was on par with the previous year. Inhouse consulting showed favorable growth despite a decrease of around 20 in the number of subconsultants compared with the year before. Operating profit for the year was SEK 68 (56) million. Net sales outside the Nordic region accounted for 21 (20) percent of total Group sales.

Financial position

Cash flow from operating activities amounted to SEK 6 (52) million. Cash and cash equivalents at December 31, 2006, totaled SEK 146 (178) million. The Group has no interest-bearing liabilities, for which reason cash and cash equivalents correspond to a net cash surplus.

Research and development

The Group's Enea Software business segment conducts ongoing development of software for embedded systems. During the year, software development expenses were capitalized at an amount of SEK 33 (4) million. These costs were primarily related to development of new middleware products, such as Element, LINX, etc. Research and development account for 10 (11) percent of total operating costs.

Financial risks and finance policies and other risks and uncertain factors

For more information on financial risks and finance policies and other risks and uncertain factors, see Note 20.

Personnel

Many of Enea's customers have some of the world's most complex and mission-critical applications, a challenge that offers ample scope for development and personal responsibility. Enea works continuously with employee recruitment and skills development.

Enea's terms of employment and working conditions are consistent with local practice. For more detailed information, see page 11.

Environmental impact

Enea sells software and consulting services. The products themselves have no direct impact on the environment.

Corporate Governance

Enea's corporate governance is based on Swedish legislation, the listing agreement with the Stockholm Stock Exchange (OMX) and the directives and recommendations issued by relevant organizations.

The Stockholm Stock Exchange has implemented the Swedish Code of Corporate Governance in its regulatory framework and the Code now applies to all listed Swedish companies and foreign companies with a market capitalization of more than SEK 3 billion. Although Enea is not subject to mandatory compliance, the Board has decided that the company will gradually adapt to the Code. Enea already meets most of the Code's main requirements. Among other things, the Board has set up audit and remuneration committees, a nomination committee is been formed, the Board members elected by the Annual General Meeting have completed OMX training for board members, the Board carries out regular self-assessment of its performance, an Executive Session is held at every board meeting (i.e. the Board meets without the President or executive management present), and the structure of the annual general meeting complies with the Code's recommendations.

Additional information concerning Enea's corporate governance is available on the company's website, www.enea.com.

The work of the Board

Enea AB's Board of Directors consists of six members elected by the Annual General Meeting as well as two members and one alternate elected by the employee organizations.

The President, who is not a board member, participates in all board meetings. Other company employees participate in Board meetings on an as-needed basis. Each year, the company auditor reports his observations from the audit and his assessment of the company's internal control to the Board of Directors.

The guidelines for the work of the Board are laid out in its formal work plan, which also specifies the division of duties between the Board, the Chairman and the President. The formal work plan also contains guidelines regarding the number of regular Board meetings and agenda items to be discussed at regular Board meetings.

Board activities during 2006 included monitoring and reporting of ongoing business operations, potential acquisitions, strategy, organization, investments in research and development and matters of a financial nature.

The Board held 8 (9) minuted meetings in 2006, of which one was a two-day workshop that focused on the Group's strategy.

Future development

The market for Enea's products is subject to rapid changes and many market analysts project future market growth of up to 15 percent annually. Enea's long-term financial ambition over a full business cycle is to achieve annual revenue growth of 15 percent with an average operating margin of more than 10 percent.

Proposed allocation of Enea AB's accumulated profit

Funds at the disposal of the Annual General Meeting:

Share premium reserve	486,865
Retained earnings	49,618,656
Profit for the year	4,034,593
Total	**54,140,114**

The Board of Directors and President propose that Enea AB's accumulated result be carried forward to new account.

For further information about the company's financial position and performance, see the following income statement and balance sheets with related notes. The Parent Company's Board of Directors approved the financial reports for publication on March 30, 2007.

Consolidated income statement

SEK thousands (January 1 – December 31)	Note	2006	2005
Software revenues		271,445	249,744
Consulting revenues		478,633	476,481
Net sales	*2*	**750,078**	**726,225**
OPERATING EXPENSES			
Cost for sold products and services			
- of which, software costs		-46,486	-29,514
- of which, consulting and other costs		-359,404	-361,199
Gross profit		**344,188**	**335,512**
Expenses for selling and marketing		-146,665	-148,834
Expenses for product development		-65,463	-58,890
Expenses for administration		-64,492	-71,365
Operating profit	*3, 4, 5, 6, 7, 10, 11*	**67,568**	**56,423**
Financial income		4,151	6,062
Financial expense		-2,454	-1,650
Net financial income and expense	*8*	**1,697**	**4,412**
Profit before tax		**69,266**	**60,835**
Tax	*9*	-20,881	8,476
Profit for the year		**48,385**	**69,311**
Earnings per share (SEK)	*14*	0.13	0.19
Earnings per share after dilution (SEK)		0.13	0.19

Consolidated balance sheet

SEK thousands (December 31)	Note	2006	2005
ASSETS			
Intangible assets	*10*	132,584	108,510
Equipment, tools, fixtures and fittings	*11*	14,942	15,120
Financial investments		554	427
Deferred tax assets	*9*	0	15,233
Total fixed assets		**148,080**	**139,290**
Inventories		1,902	1,969
Prepaid taxes	*9*	9,147	7,086
Accounts receivable		218,684	154,635
Prepaid expenses and accrued income	*12*	33,600	18,242
Other receivables		2,182	3,653
Cash and cash equivalents		146,402	178,080
Total current assets		**411,917**	**363,665**
Total assets		**559,997**	**502,955**
SHAREHOLDERS' EQUITY	*13*		
Share capital		18,265	18,216
Other paid-in capital		712,396	711,909
Reserves		-7,230	1,448
Retained earnings including profit for the year		-343,959	-392,344
Total shareholders' equity		**379,472**	**339,229**
LIABILITIES			
Accounts payable		56,707	48,126
Income tax liability	*9*	3,446	3,121
Other liabilities		23,898	21,386
Accrued expenses and deferred income	*15*	96,474	91,093
Total current liabilities		**180,525**	**163,726**
Total shareholders' equity and liabilities		**559,997**	**502,955**

The Group has no pledged assets or contingent liabilities.

Summary of changes in the group's shareholders' equity

2005 SEK thousands (December 31)	Share capital	Other paid-in capital	Legal reserve	Retained earnings - including profit for the year	Total shareholders' equity
Opening equity January 1, 2005	18,216	711,909	-4,276	-461,655	264,194
Translation difference for the year			5,724		
Profit for the year				69,311	69,311
Total changes reported directly against shareholders' equity, excluding transactions with shareholders			5,724	69,311	75,035
Closing equity December 31, 2005	**18,216**	**711,909**	**1,448**	**-392,344**	**339,229**

2006 SEK thousands (December 31)	Share capital	Other paid-in capital	Legal reserve	Retained earnings - including profit for the year	Total shareholders' equity
Opening equity January 1, 2006	18,216	711,909	1,448	-392,344	339,229
Translation difference for the year			-8,678		
Profit for the year				48,385	48,385
Total changes reported directly against shareholders' equity, excluding transactions with shareholders			-8,678	48,385	39,707
New share issue	49	487			536
Closing equity December 31, 2006	**18,265**	**712,396**	**-7,230**	**-343,959**	**379,472**

Consolidated cash flow statement

SEK thousands (December 31)	Note 17	2006	2005
OPERATING ACTIVITIES			
Profit before tax		69,266	60,835
Adjustment for non-cash items		15,107	4,214
		84,373	65,049
Tax paid		-6,657	-1,795
Cash flow from operating activities before change in working capital		**77,716**	**63,254**
Cash flow from change in working capital			
Change in operating receivables		-90,062	46,323
Change in operating liabilities		17,895	-58,015
Cash flow from change in working capital		-72,167	-11,692
Cash flow from operating activities		**5,549**	**51,562**
INVESTING ACTIVITIES			
Acquisition of intangible assets		-28,342	-2,142
Acquisition of fixed assets		-6,158	-11,616
Acquisition of financial assets		-127	–
Sale of fixed assets		–	713
Cash flow from investing activities		**-34,627**	**-13,045**
FINANCING ACTIVITIES			
New share issue		536	–
Cash flow from financing activities		**536**	**–**
Cash flow for the year		**-28,542**	**38,517**
Cash and cash equivalents at beginning of year		178,080	137,461
Exchange rate difference in cash and cash equivalents		-3,136	2,102
Cash and cash equivalents at end of year		**146,402**	**178,080**

Parent Company Income Statement

SEK thousands (January 1 – December 31)	Note	2006	2005
Net sales		28,585	34,412
		28,585	34,412
OPERATING EXPENSES			
Expenses for administration		-45,976	-60,137
Operating loss	*3, 4, 5, 6, 7, 11*	**-17,391**	**-25,725**
Other interest income and similar profit/loss items	*8*	4,639	3,758
Interest expense and similar profit/loss items	*8*	-2,510	-2,026
Net financial income and expense		**2,129**	**1,732**
Loss before tax		**-15,262**	**-23,993**
Tax	*9*	19,296	3,849
Profit/loss for the year		**4,034**	**-20,144**

Parent Company Balance Sheet

SEK thousands (December 31)	Note	2006	2005
ASSSETS			
Equipment, tools, fixtures and fittings	*11*	7,487	8,756
Participations in group companies	*16*	345,847	345,847
Total fixed assets		**353,334**	**354,603**
Prepaid taxes	*9*	490	384
Accounts receivable		162	–
Receivables from group companies	*18*	139,575	60,734
Prepaid expenses and accrued income	*12*	5,515	3,743
Other receivables		1,239	314
Cash and cash equivalents		116,913	145,491
Total current assets		**263,894**	**210,666**
Total assets		**617,228**	**565,269**
SHAREHOLDERS' EQUITY	*13*		
Restricted equity			
Share capital (365,301,916 shares)		18,265	18,216
Legal reserve		299,668	310,002
Unrestricted equity			
Share premium reserve		487	–
Retained earnings		49,619	9,810
Profit/loss for the year		4,034	-20,144
Total shareholders' equity		**372,073**	**317,884**
LIABILITIES			
Accounts payable		7,064	4,312
Liabilities to group companies	*18*	229,748	234,675
Other liabilities		692	766
Accrued expenses and deferred income	*15*	7,651	7,632
Total current liabilities		**245,155**	**247,385**
Total shareholders' equity and liabilities		**617,228**	**565,269**

The Parent Company has no pledged assets.

Contingent liabilities
The Parent Company has issued guarantees to secure coverage of shareholders' equity in group companies.

Summary of changes in the Parent Company's shareholders' equity

2005 SEK thousands (December 31)	Restricted equity Share capital	 Legal reserve	 Share premium reserve	Unrestricted equity Accumulated deficit	 Profit/loss for the year	Total equity
Opening equity January 1, 2005	18,216	1,600	355,872	-47,835		327,853
Group contributions received				9,899		
Total changes reported directly against shareholders' equity, excluding transactions with shareholders				9,899		9,899
Profit/loss for the year					-20,144	-20,144
Total changes excluding transactions with shareholders				9,899	-20,144	-10,245
Sale of Enea shares				276		276
Utilization of share premium reserve to cover losses			-47,470	47,470		
Transfer of share premium reserve to legal reserve		308,402	-308,402			
Closing equity December 31, 2005	**18,216**	**310,002**	**–**	**9,810**	**-20,144**	**317,884**

2006 SEK thousands (December 31)	Restricted equity Share capital	 Legal reserve	Unrestricted equity Share premium reserve	 Accumulated deficit	 Profit/loss for the year	Total equity
Opening equity January 1, 2006	18,216	310,002	–	-10,334		317,884
Group contributions received				49,619		
Total changes reported directly against shareholders' equity, excluding transactions with shareholders				49,619		49,619
Profit/loss for the year					4,034	4,034
Total changes excluding transactions with shareholders				49,619	4,034	53,653
New share issue	49		487			536
Transfer of share premium reserve to legal reserve		-10,334		10,334		
Closing equity December 31, 2006	**18,265**	**299,668**	**487**	**49,619**	**4,034**	**372,073**

Parent Company Cash Flow Statement

SEK thousands (December 31)	Note 17	2006	2005
OPERATING ACTIVITIES			
Profit/loss before tax		-15,262	-23,993
Adjustment for non-cash items		2,424	3,491
		-12,838	-20,502
Tax paid		-106	4,828
Cash flow from operating activities before change in working capital		**-12,944**	**-15,674**
Cash flow from change in working capital			
Change in operating receivables		-12,786	66,521
Change in operating liabilities		-2,229	2,381
Cash flow from change in working capital		**-15,015**	**68,902**
Cash flow from operating activities		**-27,959**	**53,228**
INVESTING ACTIVITIES			
Acquisition of fixed assets		-1,155	-8,523
Divestment of financial assets		–	276
Cash flow from investing activities		**-1,155**	**-8,247**
FINANCING ACTIVITIES			
New share issue		536	–
Cash flow from financing activities		**536**	**–**
Cash flow for the year		**-28,578**	**44,981**
Cash and cash equivalents and short-term investments at beginning of year		145,491	100,510
Exchange rate difference in cash and cash		–	–
Cash and cash equivalents at end of year		**116,913**	**145,491**

Notes

Note 1 Accounting principles

Compliance with norms and laws
The consolidated financial statements are presented in accordance with the International Financial Reporting Standards (IFRS) established by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) which have been endorsed by the European Commission for application in the EU. Furthermore, the Swedish Financial Accounting Standards Council's recommendation RR 30:05, Supplementary Rules for Consolidated Financial Statements, has been applied.

The Parent Company applies the same accounting policies as the Group, except for in those cases described under "Parent Company accounting policies". Any deviations between the polices applied by the Parent Company and the Group are a result of limitations in the scope for IFRS conformity in the Parent Company due to its application of the Swedish Annual Accounts Act and the Pension Protection Act, etc., and in certain cases tax considerations.

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 earlier disclosure requirements in IAS 32. The effect of IFRS 7 on Enea's financial statements is an increase in disclosure requirements. The standard, which has been approved by the EU, is applied as of January 1, 2007. IFRIC 10 Interim Financial Reporting and Impairment prohibits the reversal of impairment losses recognized in a prior interim period for goodwill, investments in equity instruments or financial assets recognized at cost. IFRIC 10 is applied in the consolidated financial reports as of 2007. The statement shall be applied prospectively from the adoption date for the Group's application of the impairment rules in IAS 36 and the valuation rules in IAS 39, i.e. with respect to goodwill at January 1, 2004 and with respect to financial instruments at January 1, 2005. Since no such reversals have taken place, the statement will have no effect on the consolidated financial statements.

Presentation of the financial statements of the Parent Company and the Group
The functional currency of the Parent Company is Swedish kronor (SEK), which is also the presentation currency of the Parent Company and the Group. The consolidated financial statements are thus presented in SEK. Assets and liabilities are recognized at cost.

When preparing the financial reports in accordance with IFRS, requires the company's management is required to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. The estimates and assumptions are based on historical experience and a number of other factors which are deemed reasonable under the prevailing circumstances. The results of these estimates and assumptions are then used as a basis for decisions concerning the reported values of assets and liabilities unless such can be determined through information from other sources. Actual outcomes may differ from these estimates and assumptions.

The estimates and assumptions are evaluated on a regular basis. Changes in estimates are reported in the period of the change, if the change affects that period only; or in the period of the change and future periods, if the change affects both.

Note 22 provides a description of inputs and assessments which have been used by the company's management in the application of IFRS and which have a significant impact on the financial reports, and estimates which can lead to significant adjustments in the financial statements of later years.

The following accounting standards for the Group have been consistently applied in periods presented in the consolidated financial statements, unless otherwise stated below. The Group's accounting principles have been consistently applied for reporting and consolidation of subsidiaries.

Changed accounting principles
The accounting principles applied in the 2006 annual report are the same as those applied in the 2005 annual report.

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

Classification, etc.
Fixed assets and long-term liabilities in the Parent Company and the Group essentially consist of amounts that are expected to be recovered or settled more than twelve months after the closing date. Current assets and current liabilities essentially consist of amounts that are expected to be recovered or settled within twelve months from the closing date.

Principles of consolidation
Subsidiary
A subsidiary is a company that is under the controlling influence of Enea AB. A controlling influence is the ability, directly or indirectly, to govern the operating and financial and policies in order to realize financial benefits. Potential shares and potential voting rights are factors to be considered in deciding whether significant influence exists.

Subsidiaries are reported in accordance with the purchase method, whereby the acquisition of a subsidiary is regarded as a transaction in which the Group indirectly acquires the subsidiary's assets and assumes its liabilities and contingent liabilities. When the operations are acquired, the Group's cost of acquisition and the fair value of identifiable net assets is determined through an acquisition analysis. The difference between the fair value of consideration given and the fair value of net assets acquired is goodwill or negative goodwill. The analysis determines cost of acquisition for the shares or operations, and the fair value of assets acquired and liabilities and contingent liabilities assumed on the acquisition date. The cost of the investment in the subsidiary shares or operations is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

Subsidiaries are included in the consolidated financial statements from the date of acquisition until the date on which the controlling influence ceases.

Eliminations on consolidation
All intra-group transactions, balances and unrealized gains/losses between group companies are eliminated on consolidation.

Unrealized gains arising on transactions with associated companies are eliminated to the extent of the Group's interest in the company. Unrealized losses are treated in the same manner as unrealized gains, but only to the extent there is no indication of impairment.

Foreign currency
Transactions in foreign currency
Transactions in foreign currencies are translated to the functional currency at the rate of exchange ruling on the transaction date. Monetary assets and liabilities in foreign currency are translated to the functional currency at the closing day rate. Foreign exchange gains/losses arising on translation are recognized in the income statement. Non-monetary assets and liabilities carried at cost are translated at the rate of exchange ruling on the transaction date. Non-monetary assets and liabilities carried at fair value are translated to the functional currency at the rate ruling when the fair values were determined, after which all resulting exchange differences are recognized in the same manner as other fair value adjustments for the asset or liability.

The functional currency is the currency of the primary economic environment in which the Group companies operate. The companies included in the Group are the Parent Companies and the subsidiaries. The functional and presentation currency of the Parent Company is Swedish kronor (SEK). The presentation currency of the Group is Swedish kronor (SEK).

Financial statements of foreign operations
Assets and liabilities in foreign operations, including goodwill and other fair value adjustments, are translated, to SEK at the closing day rate of exchange. Income and expenses in foreign operations are translated to SEK at an average rate that is a reasonable approximation of actual rates on the respective transaction dates. Translation differences arising on translation of foreign operations are recognized directly in consolidated equity as a translation reserve. When a foreign operation is disposed of, the cumulative amount of exchange differences attributable to the operation is realized in consolidated profit or loss. Accumulated translation differences are presented as a separate component "Translation reserves," within the equity item "Reserves", and include cumulative translation differences since January 1, 2004. Cumulative translation differences prior to January 1, 2004, are allocated to other categories of equity and are not recognized separately.

Revenue
Valuation of work in progress in service companies
Work in progress is recognized in the income statement in relation to the percentage of completion, which is determined by comparing the proportion of contract costs incurred on the balance sheet date with the estimated total contract costs. Anticipated losses are expensed immediately.

Revenue recognition
Revenue relating to the sale of services is invoiced on running account and is recognized upon performance of the service. Revenue relating to services based on a functional commitment is recognized progressively over the term of the agreement. Revenue from projects performed at a fixed price is recognized 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 made on an ongoing basis. The company also has revenue from software sales arising from license fees as well as service contracts. Revenue relating to license fees is recognized upon full delivery of the software in accordance with the agreed conditions of sale, when no significant obligations remain after the date of delivery. Support contracts usually run for a period of twelve months and revenues accrue over the term of the contract.

Criteria for recognition of license fees:
- Written agreement signed by both parties
- Delivery has occurred
- License fees consist of a fixed amount or are calculated according to a reliable method and offer no option to cancel, or have a credit period of less than 12 months
- Assurance of payment has been received

Revenue arising from the sale of hardware and other goods is recognized upon delivery, when the significant risks and rewards of ownership have been transferred to the buyer and the amount can be measured reliably.

Operating expenses and financial income and expense
Payments under operating leases
Payments under operating leases are recognized as an expense in the income statement over the lease term on a straight-line basis. Incentives for signing of a lease agreement are recognized as part of the total lease expense in the income statement.

Financial income and expense
Financial income and expense consist of interest income on bank balances, receivables and fixed-income securities, interest expense on borrowings, dividend income, exchange differences, unrealized and realized gains on financial investments and derivative instruments used in financing activities. Interest income on receivables and interest expense on liabilities is calculated using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or liability. Interest income includes accrued transaction costs and any discounts, premiums and other differences between the original value of the receivable and the amount received upon maturity. The Group does not capitalize interest in the historical cost of assets.

Financial instruments

IAS 39 establishes a classification of financial investments based on categories. The classification is determined by the intent for acquisition of the financial instrument. The classification is determined by management on the original acquisition date. Enea has classified its financial instruments in the following categories:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. Such receivables arise when an entity provides cash, goods or services directly to a customer with no intent of trading the resulting receivable. This category also includes acquired receivables. Assets in this category are recognized at amortized cost. Amortized cost is calculated using the effective interest rate on the acquisition date.

Other financial liabilities

Financial liabilities not held for trading are measured at amortized cost. Amortized cost is calculated using the effective interest rate on the transaction date. This means that fair value changes and direct transaction costs are accrued over the duration of the instrument.

Financial instruments recognized in the balance sheet include cash and cash equivalents, accounts receivable (for assets) and accounts payable (for liabilities and equity). A financial asset or liability is recognized in the balance sheet when the company initially becomes party to the contractual provisions of the instrument. Accounts receivable are recorded in the balance sheet when an invoice has been sent. Accounts payable are recorded when an invoice has been received. A financial asset is derecognized from the balance sheet when the company's rights under the agreement are realized, expire or the company has relinquished control of the asset. The same applies to a part of a financial asset. A financial liability is derecognized from the balance sheet when the obligation specified in the agreement is discharged or otherwise extinguished. The same applies to a part of a financial liability.

Accounts receivable

Accounts receivable are reported in the amount in which they are expected to be received after deduction of doubtful debts, which are assessed on a case-by-case basis. Accounts receivable have a short expected maturity, and are therefore stated in the nominal amount without discounting.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at bank (or equivalent institutions) and other highly liquid short-term investments with original maturities of less than three months. These items are reported at cost.

Accounts payable

Accounts payable have a short expected maturity, and are therefore stated in the nominal amount without discounting.

Tangible assets

Owned assets

A tangible asset is recognized as an asset in the balance sheet when it is probable that the economic benefits attributable to the asset will flow to the company and the cost of the asset can be measured reliably. Tangible assets in the Group are recognized at historical cost less accumulated depreciation and any impairment losses. Historical cost includes the costs of purchase and all directly attributable costs necessary to bring the asset to its required working condition. Examples of directly attributable costs include delivery and handling, installation, consulting services and legal services.

Leased assets

Leased assets are reported in accordance with IAS 17. In the consolidated financial statements, leases are classified as either finance or operating leases. All leases are classified as operating leases. For operating leases, the lease payments are recognized in the income statement over the lease term according to the pattern of benefit, which may differ from the de facto amount of lease payments 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 fair value of purchase consideration given in connection with a business combination and the fair value of net assets acquired. Goodwill is measured at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is no longer amortized but is instead tested for impairment at least annually.

Research and development

Research expenses aimed at achieving a new scientific or engineering skill are reported as expenses as they arise.

Development projects where knowledge gained from research and practical experience are directed towards producing new or improved products or processes, are recognized as assets in the balance sheet if and only if company can demonstrate the technical and feasibility of completing the asset, the intention and ability to complete the asset and use or sell it, the probability that the asset will generate future economic benefits, the availability of adequate resources to complete the development and to use or sell the asset and the ability to reliably measure the costs attributable to the asset during its development. 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 recognized in the profit and loss account for the period in which they arise. Development expenses reported in the balance sheet are recognized at cost less accumulated amortization and impairment.

Amortization/depreciation

Amortization/depreciation is reported in the income statement on a straight-line basis (SLM) over the estimated useful life of the asset, unless the useful life is indefinite. Goodwill and intangible assets with indefinite useful lives are tested for impairment at least quarterly, or more frequently if circumstances indicate a possible impairment. Amortizable intangible assets are written off from the date they are available for use. The estimated useful life of capitalized development expenses is five years.

Inventories

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price less the estimated cost of completion and the estimated costs necessary to make the sale.

Impairment

The carrying amounts of the Group's assets, with the exception of inventories and deferred tax, are reviewed at each balance sheet date to look for any indication that an asset may be impaired. If there is an indication of impairment, the asset's recoverable amount is calculated. For the excepted assets listed above, the carrying amount is reviewed according to the applicable standards. The recoverable amounts of goodwill and intangible assets not yet ready for use is calculated annually.

For an asset that does not generate any cash flow independently from other assets, recoverable value is calculated for the smallest identifiable cash-generating unit to which the asset belongs. Where impairment is identified, a write-down of the carrying value to the recoverable amount should be charged as an immediate expense in the income statement.

In the event of impairment, the carrying amount of any goodwill allocated to the cash-generating unit (group of units) is first reduced, and then the carrying amounts of the other assets of the unit (group of units) on a pro rata basis.

Determining recovery amount

The recoverable amount is the higher of fair value less costs to sell and value in use. In measuring value in use, the discount rate used should be the pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset. If it is not possible to determine the recoverable amount for the individual asset, the recoverable amount is calculated for the smallest identifiable cash-generating unit to which the asset belongs.

Reversal of impairment

Reversal of impairment losses on goodwill is prohibited. For other assets, write-downs are reversed only if there has been a change in the estimates used to determine the asset's recoverable amount.

A write-down is reversed only when the increased carrying amount due to reversal is not more than what the depreciated historical cost would have been if the impairment had not been recognized, with an adjustment of amortization for future periods.

Employee benefits

Defined contribution plans

Contributions payable under defined contribution plans are recognized as an expense in the period in which they arise. The 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 Group accounts. All pension plans in foreign subsidiaries are classified and reported as defined contribution plans. Thus, pension expenses are charged to the consolidated income statement for the period in which the employees render the related service.

Salaried employees working for Enea in Sweden are covered by the ITP plan, which is classified as a defined contribution pension plan. Old-age and family pension obligations for salaried employees in Sweden are secured through insurance with Alecta. In accordance with a statement (URA 42) from the Emerging Issues Task Force of the Swedish Financial Accounting Standards Council, this constitutes a multi-employer defined benefit plan. For 2006, sufficient information was not available from Alecta to enable this plan to be reported as a defined benefit plan. Consequently, pensions secured through insurance with Alecta are reported as a defined contribution plan for the fiscal year 2006. The plan is financed continually through pension insurance policies. Alecta's surplus can be distributed to the policyholders (the employers) and/or the insureds. The collective funding ratio is defined as the market value of Alecta's assets as a percentage of insurance obligations calculated in accordance with Alecta's assumptions, which do not comply with IAS 19.

Termination payment
A provision is recognized on the termination of employees only if the company is demonstrably committed to terminate an employee or group of employees before the normal retirement date, or provide termination benefits as a result of an offer made to encourage voluntary redundancy. In the event of termination, the company draws up a detailed plan including at least the place of work, positions and approximate number of persons affected, as well as the amount of compensation for each employee category or position and the time of the plan's implementation.

Share-based compensation
A stock option program is a share-based incentive scheme that enables the employees to acquire shares in the company. The fair value of granted share options is recognized as a personnel expense with a corresponding increase in equity. Fair value is measured at the date of grant and is recognized over the remaining vesting period. The fair value of the stock options has been determined according to the Black & Scholes method, with consideration to the terms and conditions that applied on the date of grant. The amount recognized as an expense is adjusted to reflect the current number of vested options.

Social security expenses attributable to share-based instruments granted to employees as compensation for purchased services are recognized over the periods during which the services are rendered. Provisions for social security expenses are based on the fair value of the options on the reporting date. Fair value is measured according to the same valuation method used when the options were issued.

Provisions
A provision is recognized in the balance sheet when the Group has a present obligation (legal or constructive) that has arisen as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount can be estimated reliably. When the timing effect of payment is significant, provisions are measured at discounted present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Restructurings
Restructuring provisions are recognized when the Group has adopted a detailed and formal restructuring plan and the restructuring process has either been started or publicly announced. No provisions are made for future operating expenses.

Onerous contracts
Provisions for onerous contracts are recognized when the unavoidable costs under a contract exceed the expected benefits the Group expects to receive under the contract.

Taxes
Taxes consist of current tax and deferred tax. Taxes are included in the profit and loss accounts except when the underlying transaction is recognized directly in equity, in which case the resulting tax effect is also recognized in equity. Current tax refers to the tax payable or receivable with respect to the year's profit or loss. This also includes adjustments in current tax from earlier periods.

Deferred tax is calculated according to the balance sheet method on the basis of temporary differences between the carrying amounts and tax values of assets and liabilities. The following temporary differences are not taken into consideration: the taxable temporary difference arising from the initial recognition of goodwill; differences relating to the initial recognition of assets and liabilities other than in a business combination, which, at the time of the transaction, do not affect either accounting or taxable income; and differences attributable to investments in subsidiaries and associates that are not expected to be reversed in the foreseeable future. Measurement of deferred tax is based on how the carrying amount of assets or liabilities is expected to be recovered or settled and with application of the tax rate and regulations in effect or in practice adopted as of the balance sheet date.

Deferred tax assets for deductible temporary differences and unused tax loss carryforwards are recognized to the extent that it is probable that these can be utilized. The value of deferred tax assets is reduced when it is no longer considered probable that they can be utilized. Any additional income tax arising connection with dividends is expensed at the same time the dividends are recognized as a liability.

Earnings per share
Earnings per share are calculated by dividing the profit or loss in the Group attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share are calculated by adjusting the earnings and average number of shares for the effects of dilutive ordinary shares which during the reported periods arise from convertible notes and options issued to employees. Dilution arises only when the exercise price is lower than the market price. The exercise price is adjusted through an addition for the value of future services related to the equity-settled employee stock options that are recognized as share-based payment according to IFRS 2.

Contingent liabilities (written guarantees)
A contingent liability is recognized where there is a possible obligation depending on the occurrence of some uncertain future event, or whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events, or when an obligation is not recognized as a liability or provision because the possibility of an outflow of economic resources is remote.

Accounting principles of the Parent Company
The annual financial statements of the Parent Company are presented in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Accounting Standards Council's recommendation RR32, Accounting for Legal Entities. RR 32 states that in the report for the legal entity, the Parent Company shall apply all EU-endorsed IFRS and statements as far as possible within the framework of the Annual Accounts Act and with respect to the connection between accounting and taxation. This recommendation defines the exceptions and additional disclosures compared with IFRS. The differences between the accounting standards applied by the Group and the Parent Company are described below.

Changed accounting principles
The Parent Company's changed accounting policies have been reported in accordance with IAS 8 but with consideration to the transition rules in RR 32:05, whereby the accounting changes are applied retrospectively, with the exception of the rules in Chapter 4, paragraph 14, §a-e, of the Swedish Companies Act, on valuation of certain financial instruments at fair value and hedge accounting, which is applied on in the calendar year 2006.

The implementation of Chapter 4, paragraph 14, §a-e, of the Swedish Companies Act on valuation of certain financial instruments at fair value and hedge accounting has entailed a change of accounting principle. As a result, the Parent Company essentially applies the accounting principles for financial instruments as the Group. The effect of the changed accounting principle in the Parent Company has not been significant.

Differences between the accounting principles of the Group and the Parent Company
The areas where the accounting policies of the Parent Company differ from of the Group are described below. The accounting principles described below have been applied consistently to all periods presented in the Parent Company's financial reports.

Subsidiaries
The Parent Company reports shares in subsidiaries according to the cost method. Dividends received are recorded as revenue only on the condition that these derive from profits arising after the acquisition date. Dividends in excess of these profits are regarded as a repayment of the investment and reduce the carrying amount of the company's interest.

Dividends
Anticipated dividends from subsidiaries are recognized in cases where the Parent Company has full control over the size of the dividend and has decided on the size of the dividend before the Parent Company publishes its financial reports.

Taxes
In the Parent Company, untaxed reserves are reported including deferred tax liabilities. In the consolidated financial statements, however, untaxed reserves are divided between a deferred tax liability and equity.

Group contribution and Shareholder contributions for legal entities
The Parent Company reports group and Stockholder contributions in accordance with a statement from the Swedish Financial Accounting Standards Council's Emerging Issues Task Force. Stockholder contributions are recognized directly in equity by the recipient and are capitalized in shares and participations by the giver, to the extent that impairment is not indicated. Group contributions are reported in accordance with their financial significance. This means that Group contributions paid to minimize the Group's overall tax burden are reported directly in retained earnings less the current tax effect.

Group contributions equated with dividends are reported as dividends, whereby Group contributions received and their current tax effects are recognized through the income statement. Group contributions paid and their current tax effects are recognized directly in retained earnings.

Group contributions equated with Stockholder contributions to subsidiaries are reported by the recipient, with consideration to their current tax effects, directly against retained earnings. The giver recognizes the group contribution and its current tax effect as an investment in participations in group companies, to the extent that impairment is not indicated.

Changed presentation of the income statement
As of 2006, Enea has changed the structure of the income statement from classification by cost type to a classification by function.

All amounts are stated in SEK thousands unless otherwise specified.

Note 2 Business segment reporting

Primary segment 2005	Nordic region	North America	EMEAA [6]	Other [7]	Total
External net sales[1]	542,009	151,890	32,326	–	726,225
Internal net sales[2]	37,983	18,162	18,749	-74,894	–
Operating profit	39,688	16,576	159	–	56,423
Net financial items	–	–	–	–	4,412
Profit before tax	–	–	–	–	**60,835**
Tax	–	–	–	–	8,476
Profit for the year	–	–	–	–	**69,311**
Assets[3]	329,269	93,506	30,252	49,928	502,955
Liabilities[4]	163,719	64,703	76,562	-141,258	163,726
Investments[5]	13,452	938	1,241	–	15,631
Depreciation/amortization	9,571	553	659	–	10,783

Primary segment 2006	Nordic region	North America	EMEAA [6]	Other [7]	Total
External net sales[1]	565,591	150,143	34,344	–	750,078
Internal net sales[2]	17,074	8,115	16,696	-41,885	–
Operating profit	59,382	4,175	4011	–	67,568
Net financial items	–	–	–	–	1,697
Profit before tax	–	–	–	–	**69,266**
Tax	–	–	–	–	-20,881
Profit for the year	–	–	–	–	**48,385**
Assets[3]	385,014	81,185	27,537	66,261	559,997
Liabilities[4]	177,318	61,543	58,540	-116,876	180,525
Investments[5]	35,403	2,405	1,297	–	39,105
Depreciation/amortization	7,858	1,011	882	–	9,751

Secondary segment 2005 (SEK million)	Software	Consulting and other services	Other	Total
External net sales	246.6	479.9	–	726.5
Assets	121.6	146.4	235.0	503.0
Investments	5.7	1.4	8.5	15.6

Secondary segment 2006 (SEK million)	Software	Consulting and other services	Other	Total
External net sales	271.4	478.7	–	750.1
Assets	214.2	159.0	186.8	560.0
Investments	36.0	1.9	1.2	39.1

[1] Based on where the customers are located.
[2] Market-based prices.
[3] Based on where the assets are located. Other assets consist mainly of cash and cash equivalents, deferred tax assets, financial investments and group eliminations.
[4] Other liabilities consist mainly of deferred tax liabilities and group eliminations.
[5] Intangible and tangible assets.
[6] Europe, Middle East, Africa and Asia.
[7] Including unallocated items and group eliminations.

Note 3 Exchange gains / losses

	2006	2005
GROUP		
Exchange gains on operating receivables/liabilities	7,918	12,156
Exchange losses on operating receivables/liabilities	-12,286	-9,117
PARENT COMPANY		
Exchange gains on operating receivables/liabilities	0	633
Exchange losses on operating receivables/liabilities	0	-484

Note 4 Employees and personnel costs

Average number of employees	2006 Total	2006 of whom, men %	2005 Total	2005 of whom, women %
PARENT COMPANY				
Sweden	19	58	24	65
Total Parent Company	**19**	**58**	**24**	**65**
SUBSIDIARIES				
Enea Systems, Sweden[1]	253	84	196	84
Enea Software AB, Sweden	103	88	169	84
Enea Embedded Technology Inc., USA	102	86	94	86
Enea Embedded Technology GmbH, Germany	6	67	8	88
Enea Embedded Technology S.A.R.L., France	5	60	5	60
Enea Embedded Technology K.K., Japan	4	60	4	75
Enea Embedded Technology Ltd., UK	2	100	2	100
Polyhedra Ltd., UK	7	100	7	100
Total in subsidiaries	**482**	**85**	**485**	**84**
Total Group	**501**	**84**	**509**	**83**

[1] Including Enea Systems AB, Enea Epact AB and Enea Services Stockholm AB.

Gender distribution in management	Total	of whom, men %	Total	of whom, women %
Board of Directors	8	88	8	88
Other senior executives	6	92	7	79

Salaries, other remuneration and social security expenses	Salaries, remuneration	Social security expenses	Salaries, remuneration	Social security expenses
PARENT COMPANY	11,900	7,245	18,013	8,787
Of which, pension costs[1]	–	3,403	–	3,164
SUBSIDIARIES	264,339	90,604	259,441	88,977
Of which, pension costs	–	28,746	–	30,430
Total Group	**276,239**	**97,849**	**277,454**	**97,764**
Of which, pension costs[2]	–	32,149	–	33,594

[1] Of the Parent Company's pension costs, SEK 1,831 (988) thousand is attributable to the Group Board of Directors and President.

[2] Of the Group's pension costs, SEK 2,845 (2,055) thousand is attributable to the Group Board of Directors and President.

Salaries and other remuneration distributed by country and among Board members, the President and other employees.	Board and President	Other Employees	Board and President	Other Employees
PARENT COMPANY				
Sweden	3,063	8,837	3,496	14,517
Total Parent Company	**3,063**	**8,837**	**3,496**	**14,517**
SUBSIDIARIES				
Sweden	4,669	164,077	3,778	164,339
Germany	2,823	2,073	1,783	3,603
Japan	971	1,240	918	1,097
France	–	4,202	–	4,234
UK	1,833	4,561	1,752	4,440
USA	3,526	74,364	1,496	72,001
Total subsidiaries	**13,822**	**250,517**	**9,727**	**249,714**
Total Group	**16,885**	**259,354**	**13,223**	**264,231**

Principles

Fees to the Board of Directors are paid in accordance with the decision of the Annual General Meeting. Remuneration to the President is determined by the Chairman and independent Board members based on the recommendations of the remuneration committee. For senior executives, the principle is to pay a market-based level of remuneration.

Variable remuneration is performance-based and may not exceed a maximum level.

Pension plans

The President's pension agreement states that pension premiums are distributed over the term of the pension plan according to his instructions. The pension agreements for other senior executives and other salaried employees in Sweden conform to the framework of the ITP plan, with a contractual retirement age of 65 years. The amount of pension benefits payable is related to the employee's final salary and total years of service under the plan. Pension premiums are paid continuously through pension insurance policies. The pension plan is a defined benefit plan and is secured through insurance in Alecta. For more information see Note 19.

Termination payment

In the event of dismissal by the company, the President receives termination benefits equal to 12 months' salary and benefits. The term of notice for other senior executives is 3 to 12 months.

Note 4 Cont.

	2006	2005
Directors' fees paid to		
Chairman of the Board	320	330
Other Board members	730	560
	1,050	**890**

No consulting fees have been paid.

Jan Rynning is an attorney and was previously partner at Ahlford Advokatbyrå. Enea has used the services of this law firm, resulting in invoiced fees of SEK 516 (960) thousand.

	2006	2005
Salary and other remuneration paid to		
President	2,819	2,606
variable portion	788	740
of which, expensed during the year	788	740
The variable portion is based on the attainment of pre-determined performance targets		
Pension agreements		
Pension costs for the President	1,043	988
Salary and other remuneration paid to other senior executives: in Sweden, 5 (5)	8,619	5,788
variable portion totaling	3,035	929

	2006	2005
ABSENCE DUE TO ILLNESS, %		
Parent Company	6.0	6.6
Men	2.6	2.8
Women	11.8	10.5
29 years old or younger	–	–
30–49 years old	6.9	7.9
50 years or older	–	–
Absence of at least 60 days as % of total absence	75.4	91.1

Note 5 Fees for audit and other assignments

Audit assignment refers to auditing of the annual report, the consolidated accounts, the accounting records and the administration of the Board of Directors and the President and other tasks other tasks incumbent on the company's independent auditor, and advice or other assistance prompted by observations from such audits or the performance of other such tasks. All other work constitutes other assignments.

	2006	2005
GROUP		
KPMG		
Audit assignments	833	692
Other assignments	221	146
Other auditors		
Audit assignments	361	320
Other assignments	434	87
	1,692	**1,245**
PARENT COMPANY		
KPMG		
Audit assignments	800	692
Other assignments	221	146
	1,021	**838**

Note 6 Operating expenses by cost type

	2006	2005
Raw materials, consumables and subconsultants	158,735	163,774
Other external expenses	107,657	118,114
Personnel costs	406,367	377,131
Amortization/depreciation	9,751	10,783
	682,510	**669,802**

Note 7 Operating leases

	2006	2005
GROUP		
Lease charges for the year	18,454	18,757
Future minimum lease charges falling due within 1 year	15,821	14,954
Future minimum lease charges falling due within 2–5 years	49,350	46,478
PARENT COMPANY		
Lease charges for the year	8,012	7,289
Future minimum lease charges falling due within 1 year	8,029	6,921
Future minimum lease charges falling due within 2–5 years	30,586	26,707

Note 8 Financial income and expense

	2006	2005
GROUP		
Interest income	3,146	4,218
Exchange gains	1,005	1,844
	4,151	**6,062**
Interest expense	28	1,021
Exchange losses	2,426	629
	2,454	**1,650**
Net financial income and expense	**1,697**	**4,412**
PARENT COMPANY		
Interest income, other	2,741	1,974
Interest income, group companies	1,880	1,784
Exchange gains	18	–
	4,639	**3,758**
Interest expense, other	19	571
Interest expense, group companies	2,469	1,455
Exchange losses	22	–
	2,510	**2,026**
Net financial income and expense	**2,129**	**1,732**

Note 9 Taxes

	2006	2005
GROUP		
Current tax		
Tax expense for the period	-5,065	-6,757
	-5,065	**-6,757**
Deferred tax		
- on tax benefit arising from capitalization of previously uncapitalized tax loss carryforward	–	23,097
- tax expense arising from utilization of loss carryforward	-15,816	-7,864
	-15,816	**15,233**
Total recognized tax expense in the Group	**-20,881**	**8,476**
RECONCILIATION OF EFFECTIVE TAX		
Group		
Profit before tax	69,266	60,835
Standard tax rate 28%	-19,394	-17,034
Tax effect of		
- other tax rates in foreign subsidiaries	-1,015	223
- utilization of previously uncapitalized loss carryforward	1,323	7,864
- capitalization of previously uncapitalized loss carryforward	–	15,233
- transferred to future loss carryforwards in foreign companies	-722	-985
- non-deductible costs	-1,092	-1,985
- non-taxable income	52	5,795
Additional assessment and reallocations	-33	-635
Total recorded tax income/expense in the Group	**-20,881**	**8,476**
	30%	**-14%**

Note 9 Cont.

	2006	2005
PARENT COMPANY		
Current tax		
Tax received for the year	19,296	3,849
	19,296	**3,849**
PARENT COMPANY		
Profit/loss before tax	-15,262	-23,993
Standard tax rate 28%	4,273	6,718
Tax effect of		
- utilization of previously uncapitalized loss carryforwards	15,183	-4,428
- non-deductible costs	-161	-1,123
- non-taxable income	1	2,682
Total recorded tax income/expense in the Parent Company	**19,296**	**3,849**
	126%	16%

A deferred tax asset has been capitalized in the consolidated balance sheet in 2005 and 2006.

	2006	2005
GROUP		
Deferred tax asset in loss carryforwards	15,233	23,097
Adjustment	583	–
Deferred tax on utilized loss carryforwards	-15,816	-7,864
Deferred tax asset recognized in the balance sheet	**0**	**15,233**

Loss carryforwards have been capitalized in the consolidated balance sheet in 2005 and 2006. At December 31, 2006, the deferred tax asset in loss carryforwards with respect to companies domiciled in Sweden amounted to SEK 0 (15,233) thousand.

Note 10 Intangible assets

2005	Goodwill	Capitalized development expenses	Total
GROUP			
Accumulated acquisition value			
Opening balance January 1, 2005	89,506	18,549	108,055
Acquisitions for the year	–	3,734	3,734
Translation difference for the year	2,396	–	2,396
Closing balance December 31, 2005	**91,902**	**22,283**	**114,185**
Accumulated amortization and impairment losses			
Opening balance January 1, 2005	–	-1,855	-1,855
Amortization for the year	–	-3,820	-3,820
Closing balance December 31, 2005	**–**	**-5,675**	**-5,675**
Carrying amount at December 31, 2005	**91,902**	**16,608**	**108,510**

2006	Goodwill	Capitalized development expenses	Total
GROUP			
Accumulated acquisition value			
Opening balance January 1, 2006	91,902	22,283	114,185
Acquisitions for the year	–	33,065	33,065
Translation difference for the year	-4,796	-14	-4,810
Closing balance December 31, 2006	**87,106**	**55,334**	**142,440**
Accumulated amortization and impairment losses			
Opening balance January 1, 2006	–	-5,675	-5,675
Amortization for the year	–	-4,181	-4,181
Closing balance December 31, 2006	**–**	**-9,856**	**-9,856**
Carrying amount at December 31, 2006	**87,106**	**45,478**	**132,584**

Goodwill is attributable to the following cash-generating units.

	2006	2005
Enea Software – software operations	58,593	63,389
Enea Systems – consulting operations	28,513	28,513
	87,106	**91,902**

Capitalized development expenses refer primarily to internal development of middleware products such as Element, LINX, etc. The majority is intended to begin amortizing in 2007 over a period of five years.

Impairment testing for cash-generating units containing goodwill.
Impairment tests are based on calculations of value in use, and these calculations are based on the same assumptions for all units. Value in use is determined on the basis of 5-year cash flow forecasts, which are in turn based on the 5-year business plan established by the company's management. The forecasted cash flows are based on an assumed annual revenue growth rate of 2 percent and an annual cost increase of 1 percent. The present value of the forecasted cash flows has been computed using a 12 percent discount rate before tax. Cash flow for the last forecasted year has been extrapolated by a growth rate assumption of 2 percent. The critical assumptions in the 5-year business plan are shown in the following table:

Variable	***Assumed value***
Revenue growth	2%
Cost increase	1%
Long-term growth	2%
Discount rate	12%

As of December 31, 2006, there are no write-down requirements. The management's analysis is that any adverse changes in assumptions would not reduce the recoverable amount below carrying amount in any cash-generating unit.

Note 11 Equipment, tools, fixtures and fittings

	Group		Parent Company	
	2006	**2005**	**2006**	**2005**
ACCUMULATED ACQUISITION VALUE				
At January 1	71,412	89,704	17,757	28,119
Acquisitions for the year	6,040	11,897	1,155	8,523
Divestitures/disposals	-4,979	-32,906	–	-18,885
Translation difference for the year	-2,341	2,717	–	–
	70,133	**71,412**	**18,912**	**17,757**
ACCUMULATED DEPRECIATION ACCORDING TO PLAN				
At January 1	-56,292	-78,749	-9,001	-24,972
Divestments/disposals	4,510	31,924	53	18,885
Depreciation for the year according to plan	-5,570	-6,963	-2,477	-2,914
Translation difference for the year	2,161	-2,504	–	–
	-55,191	**-56,292**	**11,425**	**-9,001**
Carrying amount at year-end	**14,942**	**15,120**	**7,487**	**8,756**

Note 12 Prepaid expenses and accrued income

	2006	2005
GROUP		
Prepaid expenses	13,073	10,525
Accrued income	20,527	7,717
	33,600	**18,242**
PARENT COMPANY		
Prepaid insurance	424	485
Prepaid rents	1,945	1,920
Other	3,146	1,338
	5,515	**3,743**

Note 13 Shareholders' equity

Group
Share capital
At December 31, the registered share capital consisted of 365,301,916 common shares with a par value of SEK 0.05 each. Holders of common shares are entitled to dividends (TBA) and each share grants the right to one vote at an Annual General Meeting. During the year, the company sold 0 (59,880) own shares which were acquired through an equity issue. A stock option program in Enea TecSci, Inc., expiring on 31 December 2006 led to the issue of 988,192 new shares in 2006 and will lead to the issue of an additional maximum number of 1,812,348 shares in 2007.

Year	Event	Newly issued share	Number of shares
2005	–	–	364,313,724
2006	Stock option program	988,192	365,301,916

Other paid-in capital
This refers to equity contributed by the owners, which includes share premium reserves transferred to the legal reserve at December 31, 2005. Provisions to the share premium reserve on or after January 1, 2006, are also recognized as paid-in capital.

Legal reserves

Translation reserve

The translation reserve consist of all exchange differences arising on translation of the financial statements of foreign operations which present their financial statements in a currency other than that used by the Group. The presentation of currency of the Parent Company and the Group is Swedish kronor (SEK).

	2006	2005
Opening translation reserve	1,448	-4,276
Translation difference for the year	-8,678	5,724
Closing translation reserve	-7,230	1,448

Retained earnings including profit/loss for the year

Retained earnings including profit/loss for the year include profits earned in the parent company and its subsidiaries. Previous provisions to reserves, excluding transferred share premium reserves, are included in this equity component.

Dividends

The Board intends to propose to the Annual General Meeting that no dividend be paid (previous year, SEK 0).

Parent company

Restricted equity

Restricted reserves may not be reduced through dividends.

Legal reserve

The purpose of the legal reserve is to set aside part of net profit which may not be used to cover accumulated deficits.

Unrestricted equity'

Share premium reserve

When new shares are issued at a premium, meaning that the price to be paid for a share is higher than the previous quota value of the share, an amount corresponding to the amount received in excess of the share's quota value is transferred to the share premium reserve.

Retained earnings

Consists of retained profit from previous years after any provisions to reserves and after payment of any dividends. Consists of profit/loss for the year and total unrestricted equity, which is the amount available for distribution to the shareholders.

See also Summary of changes in the Group's shareholders' equity on page 17 and the Summary of changes in the Parent Company's shareholders' equity on page 19.

Note 14 Earnings per share

	2006	2005
EARNINGS PER SHARE BEFORE DILUTION		
Profit for the year after tax	48,385	69,311
Average number of shares (thousands)	364,354	364,314
Earnings per share before dilution (SEK)	0.13	0.19
EARNINGS PER SHARE AFTER DILUTION		
Profit for the year after tax	48,385	69,311
Average number of shares (thousands)	367,248	367,266
Earnings per share after dilution (SEK)	0.13	0.19

By decision of the 2003 Annual General Meeting, an option program was adopted for the employees in TekSci, Inc., equivalent to 1,800,000 stock options. Each option entitles the holder to subscribe for 1.64 shares in Enea AB at a price of SEK 0.89 each. The program expired on December 31, 2006, and during 2006 led to the issue of 988,192 new shares. In 2007, the program is expected to lead to the issue of a maximum of 1,812,348 new shares.

By decision of the 2006 Annual General Meeting, an option program was adopted for the employees in TekSci, Inc., equivalent to 2,000,000 stock options. Each option entitles the holder to subscribe for one share in Enea AB at a price of SEK 3.50 each. The program runs during the period 2006 to 2009. The average number of shares has been weighted in relation to the length of time they have been outstanding.

Note 15 Accrued expenses and deferred income

	2006	2005
GROUP		
Accrued rents	81	–
Support revenue	35,635	29,292
Accrued personnel costs	47,367	47,827
Other	13,391	13,974
	96,474	**91,093**
PARENT COMPANY		
Accrued personnel costs	5,117	5,575
Other	2,533	2,057
	7,650	**7,632**

Note 16 Group companies

Holdings in subsidiaries

	Country	Holding %
Enea Systems AB	Sweden	100
Enea Services Stockholm AB	Sweden	100
Enea Epact AB	Sweden	100
Epact Technology Holding AB	Sweden	100
Enea Software AB	Sweden	100
Enea TekSci Inc	USA	100
Enea Embedded Technology Inc	USA	100
OSE Systems Inc	USA	97,5
Enea Embedded Technology GmbH	Germany	100
Enea Embedded Technology S.A.R.L	France	100
Enea Embedded Technology K.K	Japan	100
Enea Embedded Technology Ltd	UK	100
Polyhedra Ltd	UK	100

Parent Company

	2006	2005
ACCUMULATED ACQUISITION VALUE		
At January 1	391,130	391,708
Liquidation of subsidiary	–	-578
Closing balance December 31	391,130	391,130
ACCUMULATED IMPAIRMENT LOSSES		
At January 1	-45,283	-45,283
Closing balance December 31	-45,283	-45,283
Carrying amount at year-end	**345,847**	**345,847**

Specification of Parent Company holdings of shares and participations

	Number of shares	Holding %	Carrying amount 2006	Carrying amount 2005
SUBSIDIARY/CORPORATE ID/ DOMICILE				
Enea Software AB, 556183-3012, Kista, Sweden	5,900	100	172,034	172,034
Enea Systems AB, 556586-3494, Kista, Sweden	5,000	100	60,500	60,500
Epact Technology Holding AB, 556545-4161, Linköping, Sweden	1,000	100	113,313	113,313
OSE Systems Inc, USA	55,657,944	97.5	–	–
			345,847	**345,847**

Note 17 Cash flow statement

Cash and cash equivalents

The subcomponents included in cash and cash equivalents are cash, bank balances and special deposits or commercial paper that are exposed to insignificant risk for value fluctuations, are highly liquid and have a maturity less than three months from the date of acquisition.

Interest paid and received

	Group		Parent Company	
	2006	2005	2006	2005
Interest received during the period	3,146	4,218	2,741	3,758
Interest paid during the period	-28	1,021	-19	1,448

Adjustment for non-cash items

	Group		Parent Company	
	2006	2005	2006	2005
Depreciation/amortization	9,738	10,783	2,477	2,914
Capital gain/loss	400	578	-53	578
Other	4,969	-7,147	0	-1
Total	**15,107**	**4,214**	**2,424**	**3,491**

Note 18 Related party transactions

Closely-related interests

The Parent Company has a related party relationship with its subsidiaries (see Note 16).

Specification of related party transactions
Group

Related party	Year	Sales of goods and services to related parties	Purchase of goods and services from relatied parties	Liabilities to related parties at Dec. 31	Receivables from related parties at Dec. 31
Key persons in executive positions	2006	–	–	–	–
Key persons in executive positions	2005	–	–	–	–
Other related parties	2006	–	516	–	–
Other related parties	2005	–	960	–	–

Specification of related party transactions
Parent Company

Related party	Year	Sales of goods and services to related parties	Purchase of goods and services from relatied parties	Liabilities to related parties at Dec. 31	Receivables from related parties at Dec. 31
Subsidiaries	2006	27,967	1,190	229,748	139,575
Subsidiaries	2005	33,602	342	234,675	60,734
Key persons in executive positions	2006	–	–	–	–
Key persons in executive positions	2005	–	–	–	–
Other related parties	2006	–	137	–	–
Other related parties	2005	–	960	–	–

Transactions with related parties are priced on market-based terms.

For information about remuneration to key persons in executive positions, see Note 5 Employees and personnel costs.

Note 19 Pensions, share-based compensation, benefits of senior executives

Defined contribution plans

The 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 Group accounts. All pension plans in foreign subsidiaries are classified and reported as defined contribution plans. Thus, pension expenses are charged to the consolidated income statement for the period in which the employees render the related service. Salaried employees working for Enea in Sweden are covered by the ITP plan, which is classified as a defined contribution pension plan. Old-age and family pension obligations for salaried employees in Sweden are secured through insurance with Alecta. In accordance with a statement (URA 42) from the Emerging Issues Task Force of the Swedish Financial Accounting Standards Council, this constitutes a multi-employer defined benefit plan. For 2006, sufficient information was not available from Alecta to enable this plan to be reported as a defined benefit plan. Consequently, pensions secured through insurance with Alecta are reported as a defined contribution plan for the fiscal year 2006. The plan is financed continually through pension insurance policies. Fees for pension insurance coverage with Alecta amounted to SEK 8,955 (9,774) thousand for the year. The plan is financed continually through pension insurance policies. Alecta's surplus can be distributed to the policyholders (the employers) and/or the insureds. At the end of 2005, Alecta's collective funding ratio was 143.1 (128.5) percent. The collective funding ratio is defined as the market value of Alecta's assets as a percentage of insurance obligations calculated in accordance with Alecta's assumptions, which do not comply with IAS 19.

	Group		Parent Company	
	2006	2005	2006	2005
Costs for defined contribution plans	31,959	33,594	3,403	3,164

Share-based compensation

By decision of the 2003 Annual General Meeting, an option program was adopted for the employees in TekSci, Inc., equivalent to 1,800,000 stock options. Each option entitles the holder to subscribe for 1.64 shares in Enea AB at a price of SEK 0.89 each. In 2006, 77,090 stock options were granted free of charge. The program expired on December 31, 2006, and during 2006 led to the issue of 988,192 new shares. In 2007, the program is expected to lead to the issue of a maximum of 1,812,348 new shares. The weighted average share price during the exercise period was SEK 3.40.

By decision of the 2006 Annual General Meeting, an option program was adopted for the employees in TekSci, Inc., equivalent to 2,000,000 stock options. Each option entitles the holder to subscribe for one share in Enea AB at a price of SEK 3.50 each. The options were granted free of charge.

Date of grant/employee category	Number of instru-ments	Qualification terms	Contractual maturity
Subsidiaries			
Stock options granted to employees in Enea TekSci, Inc., in 2006	1,850,000	Employment during exercise period	3.3 years
Total number of stock options	1,850,000		

Fair value and assumptions regarding stock options granted during the period

Group	Other employees
Fair value on valuation date	0.77
Share price, SEK	3.02
Strike price, SEK	3.47
Volatility, %	38
Maturity, years	3.29
Risk-free interest, %	2.98

The fair value of the stock option program has been calculated according to the Black-Scholes model with inputs shown above. The expected volatility is based on historical volatility on the valuation date.

Personnel expenses for stock-based compensation

Group	2006	2005
Stock option program in Enea TekSci, Inc.	378	342

Remuneration to senior management

Principles

Fees to the Board of Directors are paid in accordance with the decision of the Annual General Meeting. No Board fees are paid to the employee representatives. Remuneration to the President is determined by the Chairman and independent Board members based on the recommendations of the remuneration committee. For senior executives, the principle is to pay a market-based level of remuneration.

Pension agreements

The President's pension agreement states that pension premiums are distributed over the term of the pension plan according to his instructions. The pension agreements for other senior executives and other salaried employees in Sweden conform to the framework of the ITP plan, with a contractual retirement age of 65 years. The amount of pension benefits payable is related to the employee's final salary and total years of service under the plan. Pension premiums are paid continuously.

Termination benefits

Upon notice of termination by the company, the President is paid severance pay equivalent to 12 months' salary and benefits. The term of notice for other senior executives is 3 to 12 months.

Remuneration and other benefits during the year

	Basic salary/ board fees	Variable remune-ration	Other benefits	Pension costs	Total
Chairman of the Board	320				320
Board member Åsa Landén	200				200
Board member Gösta Lemne	125				125
Board member Jon Risfelt	135				135
Board member Jan Rynning	125				125
Board member Anders Skarin	145				145
President	2,013	788	18	1,043	3,862
Other senior executives (5)	5,584	3,035	19	903	9,541
Total	**8,647**	**3,823**	**37**	**1,946**	**14,453**

Note 20 Financial risks and finance policy and other risks and uncertain factors

The Group is exposed to various types of financial risks through its business activities. Financial risks refer to fluctuations in the company's results and cash flow due to changes in exchange rates, interest levels, refinancing and credit risks. The Group's finance policy for management of financial risk has been prepared by the Board of Directors and is a framework of guidelines and regulations in the form of risk mandates and limits for financial activities. The Parent Company's finance department is responsible for central management of the Group's financial transactions and risks. The overall objective of the finance function is to provide cost-effective financing and minimize the negative effects of market fluctuations on the Group's results.

Interest risks

Interest risks are limited in that the Group has no interest-bearing liabilities. Excess liquidity in Sweden is handled by the Parent Company, and is invested in special deposits or commercial paper with a maturity of between one and three months. The purpose of these investments is to minimize risk in order to maintain a low risk profile.

Credit risks
Credit risk is defined as the risk that the Group's customers will be unable to fulfill their obligations, i.e., non-payment of accounts receivable. The Group's customers are subject to credit assessments in which information about the customers' financial situation is gathered from credit agencies. The Group has established a credit policy for handling and assessment of customer credits. Enea's customer credits are limited.

Foreign exchange risk
The Group has limited foreign exchange risk in the form of transaction exposure or exports and imports of goods. All business operations are conducted through subsidiaries, which almost exclusively invoice in the same currency in which their costs are denominated. The currencies of foreign subsidiaries are translated to Swedish kronor according to the current rate method. This means that all items in the balance sheet are translated at the closing day rate while all items in the income statement are translated at the average rate during the period. The rates used for the Group's most significant currencies are shown in the table below.

	Closing day rate		Average rate	
Currency	**2006**	**2005**	**2006**	**2005**
EUR	9,05	9,43	9,25	9,28
USD	6,87	7,95	7,38	7,48
GBP	13,49	13,73	13,58	13,58
JPY	0,058	0,068	0,063	0,068

Translation exposure
When translating the balance sheets of its foreign subsidiaries into SEK, the Group is exposed to exchange rate fluctuations. The effect on equity in 2006 arising from translating the financial statements of foreign subsidiaries to Swedish kronor and reversal of previous impairment losses on assets was SEK -8,678 (5,724) thousand. The Group's policy has been not to hedge translation exposure in foreign currencies. At the closing date, the Group's equity exposure to exchange rate fluctuations was:

Currency	Amount	Translated to SEK at closing rate day
USD	2,789	19,167
EUR	1,485	13,439
GBP	33	445
JPY	61,589	3,560

Customer structure
More than half of Enea's revenues in 2006 were attributable to the Ericsson companies and SonyEricsson. Enea's expressed ambition is to increase revenues from other customers while at the same time expanding its business with Ericsson.

Insurance coverage
Through insurance coverage and indemnification, the Group minimizes the risk of significant claims arising from global liability including professional liability (consulting), president's liability, officers and directors' liability and criminal liability. The Group has not used this insurance coverage in 2005 and 2006.

Note 21 Critical estimates and assumptions

Critical accounting estimates and assumptions
The company's management and audit committee have discussed the development, selection and disclosures regarding the Group's critical accounting principles and estimates, as well as the application of these principles and estimates.

Significant estimates and assumptions in application of the Group's accounting policies
Some of the significant accounting estimates and assumptions used in application of the Group's accounting policies are described below.

Key sources of uncertainty in the estimates
Impairment of goodwill
In calculating the recoverable amount of cash-generating units when testing for impairment of goodwill, several assumptions about future conditions and estimates of parameters have been made. A description of these factors is provided in Note 10. As shown in the description in Note 10, changes in the conditions for these assumptions and estimates during 2007 could have a considerable effect on the value of goodwill.

Foreign currency exposure
The Group has limited currency risk in the form of transaction exposure or exports and imports of goods. All operating activities are conducted through subsidiaries, which almost exclusively invoice in the same currency in which their costs are denominated.

Note 22 Information about the Parent Company

Enea AB is a Sweden-registered stock corporation headquartered in Kista, Sweden. The stock of the Parent Company is registered on the Stockholm Stock Exchange. The visiting address to the head office is Skalholtsgatan 9, in Kista, Sweden. The consolidated financial statements for 2006 include the Parent Company and its subsidiaries, together comprising the Group.

Stockholm March 30, 2007

Johan Wall
President

Staffan Ahlberg
Chairman

Åsa Landén Ericsson

Gösta Lemne

Anders Dahlenborg

Jon Risfelt

Jan Rynning

Anders Skarin

Mattias Östholm

The annual report and consolidated annual report, as indicated above, have been approved by the Board for publication on March 30, 2007.

The income statements and balance sheet of the Parent Company and the Group will be submitted to the Annual General Meeting for adoption on May 15, 2007.

Audit report

To the annual meeting of the shareholders of Enea AB
Corporate identity number 556209-7146

I have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of Enea AB for the year 2006. The annual accounts and the consolidated accounts are presented in the printed version of this document on pages 14–29. The board of directors and the managing director are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of International Financial Reporting Standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. My responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on my audit.

I conducted my audit in accordance with generally accepted auditing standards in Sweden. Those standards require that I plan and perform the audit to obtain high but not absolute assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director and significant estimates made by the board of directors and the managing director when preparing the annual accounts and the consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for my opinion concerning discharge from liability, I examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. I also examined whether any board member or the managing director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. I believe that my audit provides a reasonable basis for my opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with International Financial Reporting Standards IFRSs as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

I recommend to the annual meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the profit of the parent company be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Stockholm March 30, 2007

Per Bergman
Authorized Public Accountant

Definitions

MARGINS

Operating margin Operating profit/loss in relation to net sales.

Profit margin Profit/loss after financial items in relation to net sales.

RETURN

Return on equity Profit/loss after tax in relation to average stockholders' equity.

Return on capital employed Operating profit/loss plus financial items in relation to average capital employed.

CAPITAL STRUCTURE

Capital employed Balance sheet total less non-interest bearing liabilities including deferred tax liabilities. Average capital employed has been calculated as opening and closing capital employed divided by two.

Equity Stockholders' equity at year-end. Average equity has been calculated as opening and closing equity divided by two.

Interest coverage ratio Income after financial items plus financial expenses in relation to financial expenses.

Equity/assets ratio Equity including minority interests in relation to balance sheet total.

Liquidity ratio Cash and cash equivalents, short-term, investments and current receivables in relation to current liabilities.

Risk-weighted capital ratio Sum of equity (including minority holdings) and deferred taxes as a percentage of the balance sheet total.

DATA PER SHARE

Earnings per share Profit after tax in relation to the average number of shares.

Dividend per share Actual dividend for the current fiscal year divided by the number of shares at the end of the calendar year.

Equity per share Equity divided by the number of shares on the balance sheet date.

P/E ratio Share price at year-end divided by earnings per share.

Price/equity ratio Share price at year-end as a percentage of equity per share.

OTHER

Net sales per employee Reported net sales divided by the average number of employees.

Value added per employee Operating profit/loss excluding items affecting comparability, plus payroll expenses including payroll overheads, divided by the average number of employees.

Board of Directors

Jan Rynning (1951)

Attorney at Lawyer's office Jan Rynning
Member of the Board since 2001

Education: Master of Laws

Other board assignments:
Chairman of Mandator AB, BioPhausia AB, Malå GeoScience Förvaltnings AB and Teligent AB. Board member of Technology Nexus AB, Ticket AB, AB C A Östberg and Remium AB.

Stockholding: 20,000

Staffan Ahlberg (1944)

Chairman, member of the Board since 2002

Education: M. Sc. Engineering and M. Sc. Business Administration and Economics

Other board assignments:
Chairman of ProAct AB. Board member of Technology Nexus AB, APIS AB and Catella Holding AB.

Stockholding: 1,000,000

Mattias Östholm (1970)

Consultant at Enea Nordic Services Stockholm
Employee representative for SIF since 2005

Education: High school degree in engineering

Stockholding: 0

Jon Risfelt (1961)

Senior Advisor Gambro AB
Member of the Board since 2003

Education: M. Sc. Engineering

Other board assignments:
Board member of Bilia AB, Svensk Fastighets-förmedling AB and TeliaSonera AB.

Stockholding: 51,000

Anders Dahlenborg (1967)

Project Leader, Enea Research & Development
Employee representative for CF
Member of the Board since 2006

Education: M. Sc. Engineering

Stockholding: 54,000

Åsa Landén Ericsson (1965)

Acting CEO Scanpix AB
Member of the Board since 2003

Education: M. Sc. Engineering and MBA, Insead

Other board assignments:
Board member of Malå GeoScience Förvaltnings AB and Rejlerkoncernen AB.

Stockholding: 20,000

Anders Skarin (1948)

Member of the Board since 2005

Education: Bachelor of Arts

Other board assignments:
Chairman of Arkitektkopia AB, BTJ Group AB and Bluegarden AS. Board member of Aaro Systems AB, Acando Frontec AB, Technology Nexus AB and WSP Europe.

Stockholding: 150,000

Gösta Lemne (1956)

VP Technology Management, Ericsson
Member of the Board since 2003

Education: M. Sc. Engineering

Stockholding: 40,000

Fredrik Gustafsson (1975)

(Not pictured)

Key Account Manager Enea Software Sales Nordic
Employee representative, deputy , for CF since 2005

Education: M. Sc. Engineering

Stockholding: 0

Share holdings as of March 1, 2007.

Nominations to the Board ahead of the 2007 Annual General Meeting
The Chairman of the Board contacted some of the company's major stockholders (as recorded in the register of stockholders on September 29, 2006) to form a nominating committee. Enea also consulted Sveriges Aktiesparares Riksförbund (the Swedish Stockholders' Association) for their recommendations on this year's board of directors. The committee's proposal for the new board of directors will be presented in the notice of Annual General Meeting.

Nominating committee 2007
Staffan Ahlberg, Chairman of the Board, Enea AB
Per Lindberg, stockholder
Torsten Johansson, Handelsbanken Fonder
Thomas Ehlin, Nordea Fonder
Håkan Strömbom, representing stockholder Eskil Johannesson

Senior Executives

W. Virginia Walker
Senior Vice President Corporate Strategy & Marketing

Employed since: 2001

Education: Bachelor of Science, Business Administration San Jose State University, San Jose, California

Stockholding: 485,440

Option holdings: 250,000

Previous positions: Executive VP, CFO OSE Systems, Executive VP, CFO Sagent Technology

Patrik Holm
Senior Vice President Nordic Services

Employed since: 2000

Education: M. Sc. Industrial Engineering and management, Linköping Institute of Technology

Stockholding: 180,000

Previous positions: President of Enea Epact AB, VP of Epact Technology AB

Martin Sandström
Senior Vice President Research & Development

Employed since: 2005

Education: M.Sc. Computer Science, Royal Institute of Technology, Stockholm

Stockholding: 10,000

Previous positions: VP of System Solutions at Anoto, VP of System Technology at Anoto, PSO of Industri-Matematik Abalon

Per Åkerberg
Chief Operating Officer

Employed since: 2004

Education: M. Sc. Business Administration and Economics, University of Sundsvall

Stockholding: 50,000

Previous positions: Senior Vice President of Telelogic Central Europa and Nordic Region, Vice President of Telelogic North America, Head of Sales at Telia Megacom AB

Håkan Gustavson
Chief Financial Officer

Employed since: 2005

Education: M. Sc. Business Administration and Economics, Stockholm School of Economics

Stockholding: 100,000

Previous positions: CFO of MediaEdgecia Europe, Middle East & Africa, CFO of TME Europe, Director of Mergers & Acquisitions at Young&Rubicam Europe

Johan Wall
President and Chief Executive Officer

Employed since: 2004

Education: M.Sc., Electrical Engineering, Royal Institute of Technology, Stockholm, Visiting Scholar, Stanford University, Palo Alto, USA

Stockholding: 392,000

Previous positions: President of Framfab AB, VP Consulting at Framfab AB, President of Netsolutions AB, Product Developer at Verizon Laboratories, Boston, USA

Share holdings as of March 1, 2007.

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Information about the Annual General Meeting

Annual General Meeting

The Annual General Meeting of Stockholders will be held at 6pm on May 15, 2007, at Enea's offices, Skalholtsgatan 9, in Kista, Sweden.

Stockholders who wish to attend the meeting must be registered in the Stockholders' register maintained by the Nordic Central Securities Depository Värdepapperscentralen AB (VPC) no later than May 9, 2007.

To participate in the Meeting, Stockholders must notify Enea AB no later than 5pm on May 9, 2007. Notification can be given in writing to Enea AB, Box 1033, SE-164 21 Kista, by telephone at +46 8 507 140 00 or by e-mail to arsstamma@enea.com. The notification should include the Stockholder's name, social security number (for individuals) or corporate identity number (for companies), stockholding, address, phone number and information about proxies, if applicable.

Dividend

Because Enea is in an expansion phase, the Board intends to propose to the Annual General Meeting that no dividend be paid (previous year SEK 0). The Board also intends to submit a proposal for renewed authorization to carry out preferential rights issues as a means for financing acquisitions.

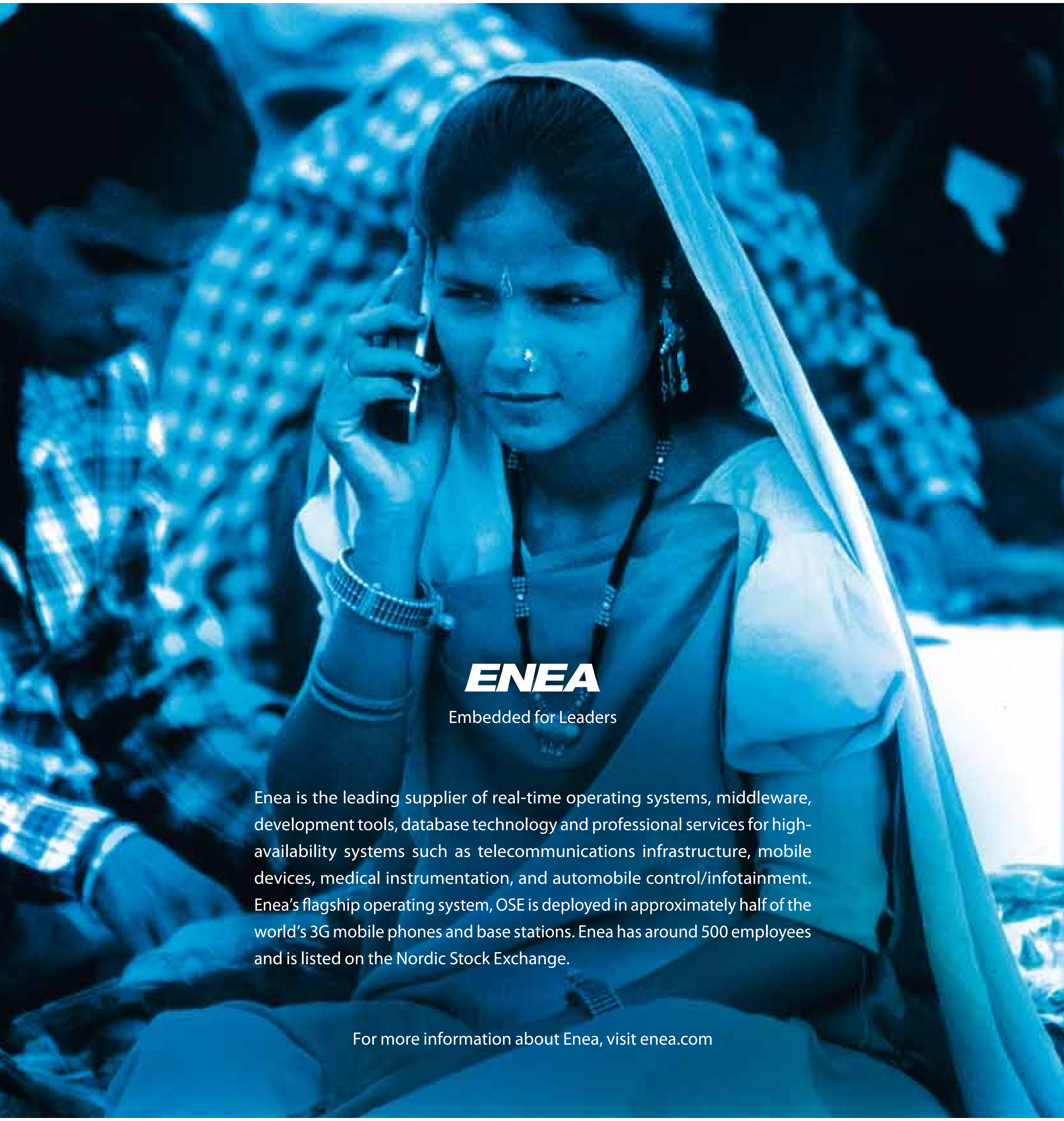
Financial calendar

First quarter report	April 25, 2007
2006 Annual General Meeting	May 15, 2007
Semi-annual report	July 25, 2007
Third quarter report	October 24, 2007
Full-year report for 2007	February 6, 2008

All financial information is published on Enea's websites www.enea.se and www.enea.com

Financial reports can also be ordered from Enea AB, Box 1033, SE-164 21, Kista, Sweden, or by e-mail to info@enea.com

CITIGATESTOCKHOLM.COM PHOTOS: HÅKAN FLANK REPRO/PRINTING: WIKSTRÖMS


ENEA
Embedded for Leaders
Enea is the leading supplier of real-time operating systems, middleware, development tools, database technology and professional services for high-availability systems 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 world's 3G mobile phones and base stations. Enea has around 500 employees and is listed on the Nordic Stock Exchange.
For more information about Enea, visit enea.com