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 operations 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 has 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:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share premium reserve</td>
<td>486,865</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>49,618,656</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>4,034,593</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>54,140,114</strong></td>
</tr>
</tbody>
</table>

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.