The Board of Directors and the President of Enea AB (publ), 556209-7146, hereby submit this annual report and consolidated financial statements for the 2007 fiscal year, the company’s thirty-ninth year in business.

Operations
Enea is active in embedded systems and advanced system development and offers both software and consulting services in an international market.

Enea is a global provider of software in real-time technology, embedded systems, middleware, development tools, and database technology, mainly for telecom applications. Product development is carried out in USA, Sweden, the UK, and Romania. Enea mainly sells its software through its own subsidiaries in Sweden, USA, France, Germany, the UK, and Japan.

Consulting operations focus on complex technical system development, specializing in realtime systems and data/telecommunications in USA and Nordic markets. Enea has offices in several locations in North America and Sweden.

The Group’s clients are active in fields such as telecommunication equipment, mobile phones, avionics, medtech and automotive engineering/infotainment. These clients include Alcatel-Lucent, Autotiv, Boeing, Bombardier, Ericsson, Fujitsu, General Dynamics, Honeywell, Hughes, Infineon, LSI (Agere), Lockheed Martin, MobiTV, Motorola, Nokia, Nokia Siemens Networks, Saab, Samsung, Sony Ericsson, Yamaha, and ZTE.

A growing portion of Enea’s offering involves providing software integrated with consulting services as complete solutions to customers’ problems and challenges.

The Group’s activities are divided into three geographic regions: the Nordic region, North America, and EMEA (Europe, Middle East, Asia, and Africa). Operations are organized in the following units:

- Market Operations, including all sales consulting units and market communications.
- R&D, including all product development.
- Product Management, including product management.
- Finance and Administration, including finance, IT, human resources, and office services.

Significant events during the financial year
Business has developed favorably during the year with steady demand for Enea’s products and consulting services, as well as several new clients. In 2007 Enea continued to expand operations with new products and services, including platform solutions such as Enea Accelerator and Enea dSPEED Platform and new product releases, such as our OSE operating system and our middleware product Enea Element. At the same time, Enea broadened its offering of products to meet market demand for integrated total solutions. Enea’s traditional software portfolio – over 70 percent of which is generated by recurring revenues – has shown robust growth and profitability, particularly in the Nordic market. Interest in the new middleware and platforms segment is growing and Enea now has ten reference customers for Enea Element.

The utilization rate for the Nordic consulting business continues to be high. The operation has new leadership and the focus is on growth and improving operating margins. Consulting services in USA have developed according to plan, resulting in several key orders during the year.

Enea acquired QiValue Technologies AB during the year, a Swedish company that specializes in consulting services and training in Linux. For more information, please see note 24.

Sales and earnings
Consolidated net sales increased by 9 percent to SEK 821 (750) million. Currency-adjusted growth was 11 percent. Software revenues increased by 15 percent to SEK 312 (271) million, mainly attributable to the Nordic region. Currency-adjusted growth was 17 percent. Consulting and other revenues increased by 6 percent to SEK 509 (479) million, mainly attributable to the Nordic region. Currency-adjusted growth was 8 percent. Operating profit for the year rose to SEK 72 (68) million. Net sales outside the Nordic countries accounted for 24 (26) percent of the Group’s total sales.

Profit after tax increased to SEK 71 (48) million. Loss carryforwards had a positive effect on tax expense of SEK 13 million.

Financial position
Cash flow from operating activities increased to SEK 66 (6) million. At year-end cash and cash equivalents amounted to SEK 156 (146) million. The Group has no interest-bearing liabilities and therefore has a positive net cash position. The Group does not need additional capital at this time.

Research and development
The Group’s division Enea Software develops software for embedded systems. Enea capitalized software development costs amounting to SEK 26 (33) million for the year. Research and development account for 12 (10) percent of the Group’s total operating expenses.

Financial risks and policies as well as other risks and uncertain factors
In light of factors such as the Group’s high percentage of cash and cash equivalents and long-term customer relationships, the Group’s financial risks are limited. Just over half of consolidated revenues are attributable to Ericsson including Sony/Ericsson. Enea strives to increase revenues from other customers, while further developing business with the Ericsson companies.

For more information on financial risks and policies, as well as other risks and uncertain factors, please see note 21. For important estimates and assumptions, please see note 22.

Parent Company Enea AB
The Parent Company’s net sales for 2007 amounted to SEK 29 (29) million and profit and after net financial items increased to SEK 95 (–15) million. Net financial items were SEK 118 (2) million including income from holdings in Group companies for SEK 113 (0) million.

Cash and cash equivalents on December 31 were SEK 120 (117) million. The Parent Company’s investment were SEK 6 (1) million and the average number of employees was 20 (19).

The Enea share
As at December 31, the registered share capital consisted of 367,114,264 common shares with a par value of SEK 0.05 each. Holders of common shares are entitled to dividends (to be specified at a later date) and each share grants the right to one vote at the Annual General Meeting.

The provisions of the articles of association do not impose any restrictions on the transferability of shares or on each shareholder’s right to vote at the Annual General Meeting. Shareholders representing at least one tenth of voting rights for all shares in the company are Per Lindberg, in part through Electro Medicinska AB (total of 14.9 percent of share capital and votes) and SIS SegalinterSettle AG (13.5 percent of share capital and votes).
The Annual General Meeting resolved in May 2007 to authorize the Board of Directors to resolve on the acquisition of own shares up to a maximum of ten percent of all shares in Enea AB at the current share price until the 2008 Annual General Meeting. The purpose of the acquisition of own shares is to be able to continuously adapt Enea's capital structure to its capital requirements and to facilitate financing, completely or in part, in conjunction with corporate acquisitions.

During 2007 Enea AB repurchased 5,941,000 (0) of its own shares on the OMX Nordic Exchange in Stockholm at an average share price of SEK 2.32 for a total of SEK 13,770,000. Each share has a par value of SEK 0.05. Total holdings of own shares correspond with 1.6 percent of share capital.

The Annual General Meeting in May 2007 also resolved, for the purpose of facilitating acquisitions, to grant the Board of Directors the authority to issue new shares in the company equivalent to an increase of a maximum of five percent of share capital with potential for deviation from shareholders’ pre-emption rights and with provisions for non-cash consideration or set-off or other terms and conditions pursuant to Chapter 13, section 5, first paragraph, point 6 of the Swedish Companies Act. The company is not a party to agreements on changing control over the company.

For more information please see The Enea Share on page 11 and note 14 Shareholders’ equity.

Personnel
In 2007 the Enea Group had an average of about 550 employees, including 74 percent in Sweden, 21 percent in North America, and 5 percent in the EMEA.

Enea Group employees include 50 percent with an M.Sc. in engineering or equivalent, 39 percent with a B.A. or equivalent, 1 percent with a Tech. Lic. degree, 2 percent with a PhD in engineering, and 8 percent in the category other education Employees include 61 percent men and 39 percent women. Enea works continually with recruitment and skills enhancement. Enea follows local practices with respect to employment and working conditions.

Environmental impact
Enea sells software and consulting services. The products themselves have no environmental impact. In 2007 Enea initiated an analysis to find ways to reduce its environmental impact.

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

The OMX Nordic Exchange in Stockholm has implemented the Swedish Code of Corporate Governance in its regulatory framework and the Code now applies to all listed Swedish companies and other listed companies with a market capitalization that exceeds 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, remuneration, and nomination committees, 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, and the Annual General Meeting agenda complies with Code recommendations.

Additional information about corporate governance at Enea can be found on the company's website at www.enea.com.

The work of the Board
Enea AB’s Board of Directors consists of six directors elected by the Annual General Meeting, as well as two directors and a deputy elected by the employee organizations. All directors elected by the AGM are independent in the code for purposes of corporate governance.

The President, who is not a Board member, participates at all Board meetings. Other employees participate at Board meetings on an as-needed basis. Each board meeting includes an executive session during which the Board of Directors meet without the presence of the President or executive management. Each year the Group's auditor reports on observations from the audit and an analysis of the company's internal controls to the Board of Directors.

The guidelines for the work of the Board are laid out in the rules of procedure, which also specify the division of duties among the Board, the Chairman, and the President. The rules of procedure also contain guidelines regarding the number of regular Board meetings and agenda items to be discussed at regular Board meetings.

Board activities during 2007 included follow up of and reporting on current business operations, as well as questions about acquisitions, strategy, organization, and financial matters.

The Board held 9 (8) minutes meetings in 2007, one of which was a two-day workshop that focused on the Group’s strategy. All directors attended all meetings with a few exceptions.

Remuneration guidelines for senior executives
The following remuneration guidelines for senior executives were in effect for 2007. No changes are expected to be proposed for 2008.

Remuneration to the president was decided by the Chairman of the Board and directors chosen by the AGM, based on a recommendation from the compensation committee, which consists of Staffan Ahlberg (chairman) and Jan Rynning (board member). The remuneration guidelines for senior executives adopted by the Annual General Meeting were followed during 2007. Senior executives include the President and five additional individuals. Salaries and other terms of employment for executive management are set at market rates. In addition to a fixed base salary, senior executives also receive a limited variable salary based on financial performance in relation to a set target. Variable remuneration to the President and senior executives in 2007 was SEK 4 (4) million and pensions were SEK 2 (2) million.

Remuneration to certain senior executives in the Enea Group may also be paid in the form of share-based compensation. In the event of dismissal by the company, the President receives termination benefits equal to twelve months' salary and benefits. The term of notice for other senior executives is three to twelve months. For more information, please see note 4 Employees and personnel expenses and note 20 Pensions, share-based compensation, and benefits of senior executives.

Future developments
In 2008 we expect the market for embedded systems to continue to grow for both software and consultancy services. Substantially higher growth is expected in niches such as middleware. Enea’s long-term objective, over one business cycle is to achieve 15 percent annual growth with an average operating margin over 10 percent.

Proposed allocation of Enea AB’s profit
Funds at the disposal of the AGM:
Share premium reserve 1,379,822
Retained earnings 91,659,432
Profit for the year 111,376,694
Total 204,415,948

The Board of Directors and President recommend that Enea AB’s profit be carried forward to new account.

For further information about the company's financial position and performance, please 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 18, 2008.