

# Full-Year Report for 2006

## New Generation of Products Launched

### Fourth Quarter

- Net sales increased by 5 percent to SEK 206 (197) million.
- Software sales increased by 1 percent to SEK 70 (69) million, accounting for 34 percent of sales.
- Operating profit increased by 24 percent to SEK 21 (17) million and operating margin was 10 (8) percent.
- Profit after tax was SEK 14 (11) million.
- Earnings per share amounted to SEK 0.04 (0.03).

### Full Year

- Net sales increased by 3 percent to SEK 750 (726) million.
- Software sales increased by 9 percent to SEK 271 (250) million.
- Operating profit increased by 20 percent to SEK 68 (56) million and operating margin strengthened to 9 (8) percent.
- Negative currency effects on operating profit totaled SEK -4.4 (3.0) million.
- Profit after tax was SEK 48 (69) million at which capitalization of deferred tax had a positive effect of SEK 24 million in 2005
- Earnings per share amounted to SEK 0.13 (0.19).
- Significant expansion of product portfolio – capitalized development costs totaled SEK 33.1 (3.7) million.

Results in Brief	Oct-Dec		Full Year	
	2006	2005	2006	2005
Net Sales, SEK million	206.3	197.4	750.1	726.2
Growth, %	4.5	5.2	3.3	10.6
Operating Profit, SEK million	20.8	16.7	67.6	56.4
Operating margin, %	10.1	8.5	9.0	7.8
Earnings per share, SEK	0.04	0.03	0.13	0.19

### About Enea

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

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

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**A Word from the CEO**

Enea is in an exciting phase. In 2006 we carried out a strong campaign to broaden our offering with new products and services, especially in the growth area middleware. In addition, we have adapted our traditional product offering to the market's changed focus on integrated total solutions.

The result is a broad selection of products and consulting services that make it possible for our customers to achieve results faster, to accelerate the development of products such as advanced mobile phones or infrastructure for 3G telephony with voice, video and data. With Enea's offering we can ensure that our customers achieve their goals with the highest technical performance while reducing development and production costs.

The market has shown great interest in Enea's new offering and during the year we have received several important customer orders as support for our efforts. For example, Enea has begun promising partnerships and initiated common product development projects together with some of the biggest telecom firms.

In addition, during 2006 Enea focused on strengthening its marketing, with several newly recruited top talents from the industry. We now look forward to clearly and even more actively conveying our expanded offering to the market, such as at the upcoming telecom trade show 3GSM in Barcelona.

Although if our profitability is doing well--despite negative currency effect--compared with the industry, we are not completely satisfied with fourth quarter sales growth. Sales in North America have not met expectations. Moreover, a few expected orders, including one large middleware order, were not signed until this year. Nevertheless, the important thing is that underlying demand develops well and that our market continues to perform well in general. Increased demand for 3G components and more data-intensive mobile services are contributing factors to this success.

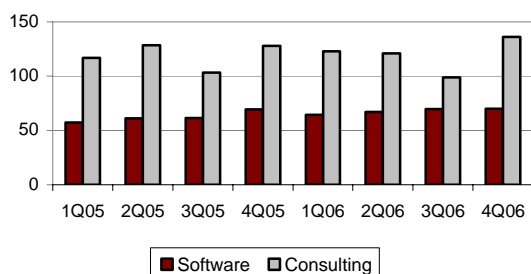
Looking forward to the next quarters, I conclude that with our expanded product offering, conditions are good for continued profitable growth. A broader offering is accompanied by somewhat higher costs for continued development and product maintenance. In this context it can be mentioned that Enea has begun to outsource parts of the R&D to low-cost countries. Moreover, I am convinced that our operation in North America can perform better than in the past quarters. I expect marketing investments to remain high during 2007.

In order to ensure Enea's competitive position in the long-term, we have formulated a three-phase comprehensive strategy. The first was to improve our profitability. The second is to broaden the product portfolio and increase marketing efforts, the phase which we are in right now. The third is to strengthen Enea's distribution channels and ensure that in the long-term, we have a competitive size and position in the market. I would like to return to these strategically important issues during 2007.

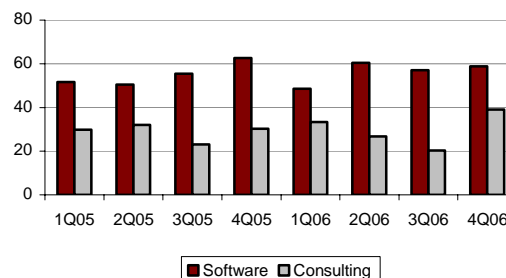
I would like to close by thanking Enea's customers for a positive and productive year and, of course, our employees for their valuable contributions during 2006.

Johan Wall  
President and CEO

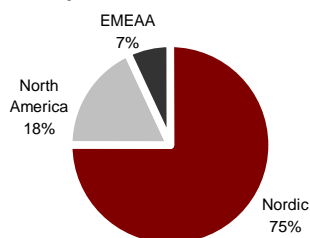
**Net Sales (SEK million)**



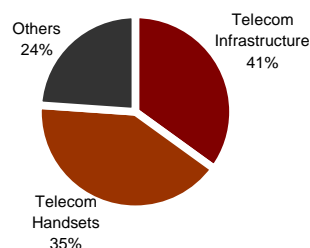
**Gross Profit (SEK million)**



**Sales per Market Area Q4 2006**



**Sales per Segment, Q4 2006**



## **The Market**

The market for the telecom industry continued to develop favorably during the year.

Convergence is the strongest trend in telecom at this time. With convergence, consumers gain access to an extensive offering of integrated telecom and media services in mobile phones, computers, and TV.

Because equipment manufacturers, often called Network Equipment Providers (NEP) can now link together the different technologies and offer their customers a technical platform for all services, operators save both time and money. At the same time major initiatives are underway in various areas of 3G applications, such as Voice Over IP (VOIP), IP Multimedia subsystem (IMS), High Speed Downlink Packet Access (HSDPA), Wimax, and others. It is within these areas of applications that NEP competes to offer technically advanced and cost-effective solutions to operators. Thus NEP demand more and more preintegrated technology solutions, which benefits subcontractors such as Enea.

Consolidation is continuing in the telecom industry. For example, during the fourth quarter Ericsson made an offer for US telecom company Redback Networks Inc. to strengthen its IP portfolio. At the same time Motorola acquired Symbol Technologies Inc. during the quarter.

## **Fourth Quarter**

Net sales increased by 4.6 percent to SEK 206.3 (197.4) million compared with the same quarter in 2005. Software sales increased by 1 percent to SEK 70.0 (69.4) million and accounted for 33.9 (35.2) percent of net sales.

Software operations in North America showed weaker development with respect to both sales and earnings during the quarter, compared with the previous year. The decline is primarily due to longer lead times than expected. The software business in the Nordic segment showed continued good profitability.

Software operations in EMEA (Europe excluding the Nordic countries, Middle East, Africa, and Asia) showed a stronger quarter than last year, with continued strengthening profitability.

Consulting and other revenues increased by 6 percent to SEK 136.3 (128.0) million. The Nordic consulting market showed continued strong demand with a high utilization rate during the quarter. The operation with own consultants has shown continued solid growth. Still, the number of subcontracting consultants has decreased by 10 people during the quarter compared with last year.

Consulting operations in North America showed lower net sales and a weaker performance compared with the same period in 2005, which can be attributed to the low utilization rate during the quarter.

Consolidated gross profit was SEK 97.8 (92.9) million. Gross margin in the Software business fell to 84.0 (90.2) percent due to a higher percentage of third-party products as well as negative currency effects. Gross margin in the consulting business rose to 28.6 (23.7) percent.

Consolidated operating income increased by 24 percent to SEK 20.8 (16.7) million due to effective cost control and previously implemented streamlining measures.

#### **Full Year**

Net sales increased by 3 percent to SEK 750.1 (726.2) million compared with the same quarter in 2005. Software sales increased by 9 percent to 271.4 (249.7) million and accounted for 36 (34) percent of net sales. Consulting and other revenues increased to SEK 478.7 (476.5) million. Enea's consulting operations showed robust growth at the same time that there were about 20 fewer subcontracting consultants than last year. Weaker sales in North America resulted in decreased profits. Adjusted for the number of subcontracting consultants, the Group's consulting operations grew by 5 percent.

Consolidated gross profit was SEK 344.2 (335.5) million. Gross margin in the Software business fell to 82.9 (88.2) percent as a result of a higher percentage of third-party products as well as negative currency effects. The gross margin for consulting operations increased to 24.9 (24.2) percent. Consolidated operating income rose with 20 percent to 67.6 (56.4) million.

Profit before tax increased by 14 percent to SEK 69.3 (60.8) million and was negatively affected by currency effects amounting to SEK -5.8 (3.9) million.

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

The Group's other customers include companies such as Agere, Alcatel-Lucent, Autoliv, Boeing, Bombardier, Fujitsu, General Dynamics, Infineon, Motorola, Nokia, Saab, Samsung, Tellabs, Yamaha and ZTE.

#### **Employees**

At the end of the period the Group had 513 (508) employees. The average number of employees in the Group during the period was 501 (509).

#### **Investments**

The Group's investments during the year totaled SEK 6.0 (11.9) million excluding capitalized development costs of SEK 33.1 (3.7) million as a consequence of expanding the product portfolio. The majority of capitalized development costs are attributable to Enea's middleware products.

#### **Cash Flow and Financial Position**

Cash flow from operating activities amounted to SEK 5.6 (51.5) million, which can be attributed to increased accounts receivables and increased investments in the product portfolio. Cash and cash equivalents at the end of the period were SEK 146.4 million, compared with SEK 178.1 million at the beginning of the year.

The Group's lack of interest-bearing liabilities has resulted in a positive net cash position.

#### **Earnings per Share**

Earnings per share for the period were SEK 0.13 (0.19). The comparative figure includes capitalization of a deferred tax asset in the third quarter of 2005 which had a positive effect on earnings of SEK 24 million.

#### **Parent Company Enea AB**

The parent company's net sales for the full year amounted to SEK 0.5 (0.0) and profit after net financial income was SEK -15.0 (-24.0) million. The parent company's net financial income amounted to SEK 2.1 (1.7) million. Cash and cash equivalents amounted to SEK 116.9 (145.5) million at the end of the period. The parent company's investments were SEK 1.2 (8.5) million.

The number of employees in the parent company was 19 (22) at the end of the period.

#### **Accounting Principles**

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

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

#### **Annual General Meeting 2007**

The Annual General Meeting will be held at Enea AB headquarters, Skalholtsgatan 9, Kista, on Tuesday, May 15, 2007, at 6pm.

### Annual Report

The complete annual report will be published in April and will then be available at corporate headquarters and at [www.enea.com](http://www.enea.com).

The annual report will also be distributed at that time to those who have registered at [www.enea.com](http://www.enea.com)

### Capital Market Day

Enea will hold a capital market day on Thursday, March 8. The program and invitation will be published at a later date.

### Financial Information

Interim Report Jan-Mar 2007	April 25, 2007
Annual General Meeting 2007	May 15, 2007
Interim Report Jan-Jun 2007	July 25, 2007
Interim Report Jan-Sep 2007	October 24, 2007

Stockholm, February 6, 2007

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This full-year report has been audited by Per Bergman, authorized public accountant, KPMG.

<b>GROUP INCOME STATEMENT</b>				
	<b>Oct-Dec</b>		<b>Full Year</b>	
(SEK million)	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
Software revenues	70.0	69.4	271.4	249.7
Consulting and other revenues	136.3	128.0	478.7	476.5
<b>Net sales</b>	<b>206.3</b>	<b>197.4</b>	<b>750.1</b>	<b>726.2</b>
Cost for sold products and services				
- of which software costs	-11.2	-6.8	-46.5	-29.5
- of which consulting and other costs	-97.3	-97.7	-359.4	-361.2
<b>Gross profit</b>	<b>97.8</b>	<b>92.9</b>	<b>344.2</b>	<b>335.5</b>
Expenses for sales and marketing	-46.0	-42.2	-146.7	-148.8
Expenses for product development	-18.8	-16.5	-65.4	-58.9
Expenses for administration	-12.2	-17.4	-64.5	-71.4
<b>Operating profit/loss</b>	<b>20.8</b>	<b>16.7</b>	<b>67.6</b>	<b>56.4</b>
Net financial income/expenses	0.3	0.3	1.7	4.4
<b>Profit before tax</b>	<b>21.1</b>	<b>17.0</b>	<b>69.3</b>	<b>60.8</b>
Tax	-7.4	-6.3	-20.9	8.5
<b>Profit/loss after tax</b>	<b>13.7</b>	<b>10.7</b>	<b>48.4</b>	<b>69.3</b>
Earnings per share (SEK)	0.04	0.03	0.13	0.19
Earnings per share after full dilution (SEK)	0.04	0.03	0.13	0.19

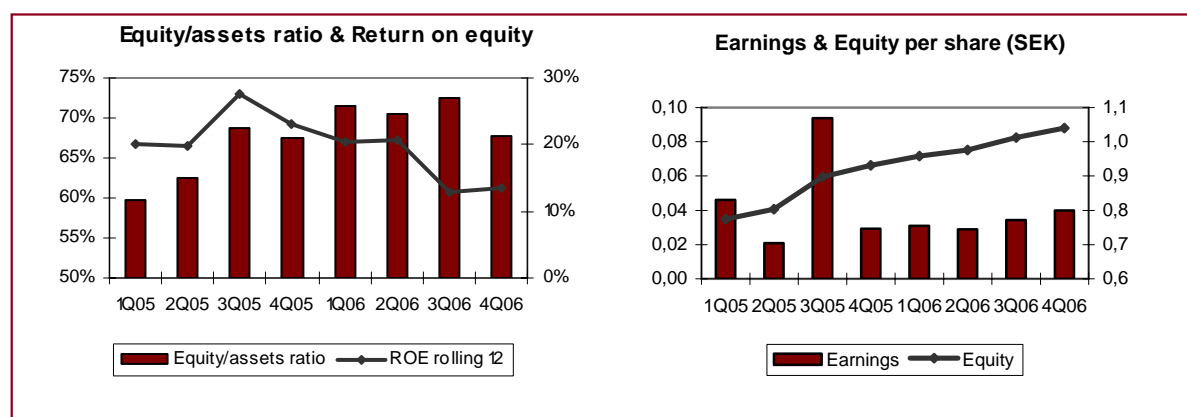
<b>KEY FIGURES</b>				
	<b>Oct-Dec</b>		<b>Full Year</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
<b>Revenue growth (%)</b>				
- software revenues	0.9	1.5	8.7	23.2
- consulting and other revenues	6.5	7.3	0.5	4.4
<b>Gross margin (%)</b>				
- software revenues	84.0	90.2	82.9	88.2
- consulting and other revenues	28.6	23.7	24.9	24.2
<b>Operating expenses in % of revenues</b>				
Expenses for sales and marketing	22.3	21.4	19.6	20.5
Expenses for product development	9.1	8.4	8.7	8.1
Expenses for administration	5.9	8.9	8.6	9.8
<b>Operating margin (%)</b>	<b>10.1</b>	<b>8.5</b>	<b>9.0</b>	<b>7.8</b>
<b>Cash and cash equivalent (SEK million)</b>	<b>146.4</b>	<b>178.1</b>	<b>146.4</b>	<b>178.1</b>
Equity/assets ratio (%)	67.8	67.4	67.8	67.4
Return on equity (%)	3.7	3.2	13.5	23.0
Return on capital employed(%)	5.6	5.3	19.3	20.7
Cash flow from operating activities per share (SEK)	-0.01	0.02	0.02	0.14
Equity per share (SEK)	1.04	0.93	1.04	0.93
Number of shares before dilution (million)	364.4	364.3	364.4	364.3
Number of shares after dilution (million)	367.2	367.3	367.2	367.3
Number of employees at the end of the period	<b>513</b>	<b>508</b>	<b>513</b>	<b>508</b>

<b>SEGMENT- INFORMATION</b>	<b>Nordic</b>		<b>North America</b>		<b>EMEA</b>		<b>Group</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>Full Year</b>		<b>Full Year</b>		<b>Full Year</b>		<b>Full Year</b>	
Net sales	540.0	524.8	158.2	156.2	51.9	45.2	750.1	726.2
Operating profit	59.4	39.7	4.2	16.6	4.0	0.1	67.6	56.4
Operating margin. %	11.0	7.6	2.7	10.8	7.7	0.2	9.0	7.8

<b>GROUP BALANCE SHEET</b>	<b>Dec 31</b>	<b>Dec 31</b>
(SEK million)	<b>2006</b>	<b>2005</b>
<b>ASSETS</b>		
Intangible assets	132.6	108.5
Tangible assets	14.9	15.1
Other assets	0.6	15.7
Current receivables	265.5	185.6
Cash and cash equivalents	146.4	178.1
<b>Total assets</b>	<b>560.0</b>	<b>503.0</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
Shareholders' equity	379.4	339.2
Long-term liabilities, non-interest bearing	0.0	0.0
Short-term liabilities, non-interest bearing	180.6	163.8
<b>Total shareholders' equity and liabilities</b>	<b>560.0</b>	<b>503.0</b>

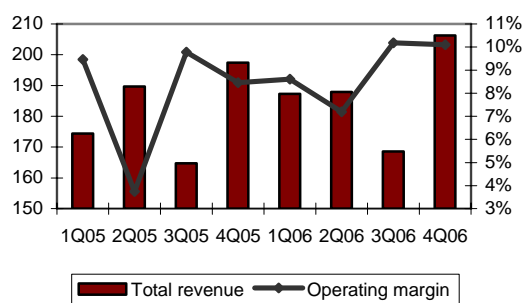
<b>SHAREHOLDERS' EQUITY</b>	<b>Full Year</b>	
(SEK million)	<b>2006</b>	<b>2005</b>
At beginning of period	339.2	264.2
New share issue	0.5	0.0
Translation difference for the period	-8.7	5.7
Profit/loss for the period	48.4	69.3
<b>At end of period</b>	<b>379.4</b>	<b>339.2</b>

<b>CASH FLOW ANALYSIS</b>	<b>Oct-Dec</b>		<b>Full Year</b>	
(SEK million)	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
Cash flow from operating activities before change in working capital	28.9	22.6	77.7	63.2
Cash flow from change in working capital	-32.7	-13.7	-72.1	-11.7
Cash flow from operating activities	-3.8	8.9	5.6	51.5
Cash flow from investing activities	-15.0	-4.2	-34.6	-13.0
Cash flow from financing activities	0.5	0.0	0.5	0.0
Cash flow for the period	-18.3	4.7	-28.5	38.5
Cash and cash equivalents at beginning of period	166.3	173.8	178.1	137.5
Exchange rate differences	-1.6	-0.4	-3.1	2.1
<b>Cash and cash equivalent at end of period</b>	<b>146.4</b>	<b>178.1</b>	<b>146.4</b>	<b>178.1</b>



QUARTERLY DATA	2006				2005			
(SEK million)	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
<b>INCOME STATEMENT</b>								
Software revenue	70.0	69.8	67.1	64.5	69.4	61.5	61.2	57.5
Consulting and other revenue	136.3	98.8	120.8	122.8	128.0	103.2	128.5	116.9
<b>Net sales</b>	<b>206.3</b>	<b>168.6</b>	<b>187.9</b>	<b>187.3</b>	<b>197.4</b>	<b>164.7</b>	<b>189.7</b>	<b>174.4</b>
Cost for sold products and services								
- of which software costs	-11.2	-12.7	-6.7	-15.9	-6.8	-6.0	-10.8	-5.9
- of which consulting and other costs	-97.3	-78.5	-94.1	-89.5	-97.7	-80.1	-96.4	-87.0
<b>Gross profit</b>	<b>97.8</b>	<b>77.4</b>	<b>87.1</b>	<b>81.8</b>	<b>92.9</b>	<b>78.5</b>	<b>82.5</b>	<b>81.5</b>
Expenses for sales and marketing	-46.0	-32.5	-37.4	-30.8	-42.2	-35.4	-38.6	-32.6
Expenses for product development	-18.8	-12.7	-19.0	-14.9	-16.5	-11.3	-17.9	-13.2
Expenses for administration	-12.2	-15.0	-17.2	-20.1	-17.4	-15.8	-18.9	-19.2
<b>Operating profit</b>	<b>20.8</b>	<b>17.2</b>	<b>13.5</b>	<b>16.1</b>	<b>16.7</b>	<b>16.1</b>	<b>7.1</b>	<b>16.5</b>
Net financial income/expenses	0.3	1.1	0.4	-0.1	0.3	0.5	2.5	1.2
<b>Profit before tax</b>	<b>21.1</b>	<b>18.3</b>	<b>13.9</b>	<b>16.0</b>	<b>17.0</b>	<b>16.6</b>	<b>9.6</b>	<b>17.7</b>
Tax	-7.4	-5.8	-3.2	-4.5	-6.3	17.6	-2.0	-0.9
<b>Profit after tax</b>	<b>13.7</b>	<b>12.5</b>	<b>10.7</b>	<b>11.5</b>	<b>10.7</b>	<b>34.2</b>	<b>7.6</b>	<b>16.8</b>
<b>BALANCE SHEET</b>								
Intangible assets	132.6	122.0	113.5	110.7	108.5	105.9	106.9	106.4
Other assets	15.5	18.3	22.4	25.9	30.8	35.2	16.7	10.1
Current receivables	265.5	202.8	195.0	195.9	185.6	161.5	184.9	204.1
Cash and cash equivalents	146.4	166.3	173.8	155.6	178.1	173.8	159.1	152.3
<b>Total assets</b>	<b>560.0</b>	<b>509.4</b>	<b>504.7</b>	<b>488.1</b>	<b>503.0</b>	<b>476.4</b>	<b>467.6</b>	<b>472.9</b>
Shareholders' equity	379.4	368.9	355.4	349.0	339.2	327.1	292.8	282.3
Long-term liabilities, non-interest bearing	-	-	-	-	-	4.0	5.1	5.0
Short-term liabilities, non-interest bearing	180.6	140.5	149.3	139.1	163.8	145.3	169.7	185.6
<b>Total shareholders' equity and liabilities</b>	<b>560.0</b>	<b>509.4</b>	<b>504.7</b>	<b>488.1</b>	<b>503.0</b>	<b>476.4</b>	<b>467.6</b>	<b>472.9</b>
<b>CASH FLOW</b>								
Cash flow from operating activities	-3.8	-0.8	26.9	-16.7	8.9	15.9	12.2	14.5
Cash flow from investing activities	-15.0	-7.0	-7.4	-5.2	-4.2	-1.0	-7.4	-0.4
Cash flow from financing activities	0.5	-	-	-	-	-	-	-
<b>Cash flow for the period</b>	<b>-18.3</b>	<b>-7.8</b>	<b>19.5</b>	<b>-21.9</b>	<b>4.7</b>	<b>14.9</b>	<b>4.8</b>	<b>14.1</b>

Net sales and operating margin



Net sales per employee kSEK

