



Interim Report for the Period 1 January – 31 March 2004

Enea is streamlining its operations and strengthening the focus on the OSE product family, product-oriented consulting and related qualified services. Costs connected to the streamlining process are estimated to approximately SEK 40 million whereof SEK 19 million has been charged to first quarter earnings.

- **Net sales reached SEK 137 (129) million, an increase of 6% year-on-year.**
- **Loss after tax was SEK -26 (-14) million.**
- **Earnings per share amounted to SEK -0.07 (-0.08).**
- **Operating costs excluding items affecting comparability decreased to SEK 150 (156) million, down 4% from the same period of last year.**
- **Operating loss excluding items affecting comparability was SEK -9 (-14) million.**
- **Positive cash flow from operations.**

The Market

The global market for real-time operating systems is showing signs of recovery after the weak development of recent years. Business activity picked up during first quarter of 2004, mainly in North America but also in the Asian and the Nordic markets. This growth in demand is primarily attributable to the telecom industry.

An upturn in demand in the Swedish consulting market was noted by Enea at the end of last year and continued into the first quarter, although a certain degree of price pressure remains.

The favorable demand that characterized the North American market in the fourth quarter of 2003 continued throughout the past quarter.

First Quarter Analysis

Net sales reached SEK 137 (129) million, corresponding to an increase of 6 percent year-on-year. At the same time, operating activities generated a positive cash flow of SEK 9 (-12) million for the first time since the second quarter of 2000.

The earlier restructuring programs have been completed and the Group's cost mass was reduced by more than a third during 2003. In the first quarter, operating expenses excluding items affecting comparability decreased by a further 4 percent to SEK 150 (156) million. The operating loss excluding items affecting comparability narrowed by SEK 5 million to SEK -9 (-14) million, a level that is still unsatisfactory.

Enea Embedded Technology has capitalized development costs equivalent to SEK 6 million during the quarter. This capitalization pertains to the new OSE 5 product family to be launched in 2004.

A cost provision of SEK 19 million, of which SEK 15 million had a cash effect, was charged against first quarter earnings and is reported among items affecting comparability. This amount includes unused premises, staff reductions and compensation pursuant to a non-competition agreement with the former CEO.

The operating loss for the period is reported at SEK – 28.0 (-13.5) million.

The quarter in summary (all amounts in SEK M)

	Enea Systems	Enea Embedded Technology	Parent Company other	Group
Net sales	72.4	66.9	-2.0	137.3
Adjusted operating profit/loss	4.0	-6.8	-6.5	-9.3
Adjusted operating margin	5.5%	-10.2%	-	-6.8%
Items affecting comparability	-	-	-18.7	-18.7
Reported profit/loss	4.0	-6.8	-25.2	-28.0
Reported operating margin	5.5%	-10.2%	-	-20.4%

The number of employees in the Group at the end of the period was 567 (601).

Streamlining of Operations and Stronger Focus on OSE

Enea's Board of Directors has decided to focus on the Company's core business related to the real-time operating system OSE, product-oriented consulting and related qualified services.

The ambition is to strengthen and advance Enea's world-leading position in embedded real-time technology.

Three units in Enea Systems will be divested – Enea Redina, Enea Software Solutions and Enea Industry. Efforts to sell these to owners with greater opportunity to fully develop their potential have been started. The ambition is to complete the sale during 2004. In 2003, the units to be sold had aggregate sales of around SEK 103 million and a combined operating profit of just over SEK 1 million. The number of employees at the end of the period was 117.

As a consequence of the streamlining process, some 20 employees mainly in the Group's support functions will be given notice. Union negotiations have been initiated and a review of the Group's cost mass is underway.

The intention is to finalize the streamlining process this year. Total costs connected to the streamlining of operations are estimated to SEK 40 million, whereof 19 million has been charged to first quarter earnings.

Efforts to recruit a new President for Enea Embedded Technology have been started. In the mean time, Peter Johansson, currently President of Enea Systems, will serve as Acting President for the business and Patrik Holm from the subsidiary Enea Epact in Linköping will take over as President of Enea Systems.

Enea Embedded Technology

Enea Embedded Technology offers product licenses for use of the OSE real-time operating system together with product-oriented consulting services. The Company primarily targets customers who develop high-tech products with rigorous demands on performance and accessibility. Operations are conducted through subsidiaries in Sweden, Germany, France, England, the United States and Japan.

The telecom industry is the most important customer segment. Enea estimates that over 15 percent of the world's mobile phones and more than 50 percent of all radio base stations use Enea's OSE real-time operating system. Furthermore, in a longer perspective it is anticipated that more than half of all mobile phones and radio base stations worldwide will be based on OSE for 3G networks.

The customers include Abbott Labs, Agere, Alcatel, Boeing, Ericsson, Fujitsu, Infineon, Motorola, Nokia and Samsung.

The Company's net sales fell by 2 percent to SEK 67 (68) million, while the operating loss improved to SEK -6.8 (-10.1) million. License revenue increased by 7 percent compared with the preceding year and accounted for 46 (42) percent of the quarter's sales.

Demand has risen steadily during the quarter and orders received for product licenses were up by 15 percent compared with the previous year. The largest customer segment was the telecom industry, accounting for 74 percent of orders received.

At the end of April, Enea launched a supplement to the OSE product offering that includes the OSE and Linux operating systems and development tools in a fully integrated high performance communication platform. The product was launched in response to growing customer demand for well functioning integration between the traditional real-time systems in an OSE and Linux environment.

In 2003 Enea started renegotiation of several older and unfavorable agreements. The new agreements are expected to gradually generate significant growth in license revenue. During the quarter, an agreement was announced with Nokia Networks regarding OSE licenses for infrastructure equipment.

The number of employees at the end of the period was 250.

Enea Systems

Enea Systems offers product-independent solutions, consulting services and training to customers with high demands on usability and reliability. Enea Systems is primarily active in Sweden. Customers are found in the engineering, telecommunications, automotive and defense industries, as well as the energy, healthcare, energy and public sectors.

Thanks to a gradual rise in demand during the quarter, net sales for Enea Systems were up by 11 percent to SEK 72 (66) million compared with the same period of last year. Operations in Enea Epact and Enea Öresund showed excellent development. Enea Test has also achieved positive development and the potential is considered good. These three operations cater mainly to the telecom sector. Operating profit improved to SEK 4.0 (-2.1) million, partly due to better capacity utilization than in the previous year.

A few examples of deals closed during the first quarter:

- Several extended and new contracts with Ericsson, within both mobile phone and infrastructure operations.
- Contract to further develop Vattenfall's power trading.
- Contracts for Enea Test from Ericsson and Bombardier.
- Extended assignments and new contracts in the defense industry with customers such as Saab Bofors Underwater Systems and Saab Bofors Dynamics.
- Extended assignments with Autoliv, the Pharmaceutical Benefits Board and the Medical Products Agency.

After the end of the period, the general agreement with Atlas Copco Tools was renewed.

The number of employees at the end of the period was 290.

Investments

The Group's investments during the first quarter of 2004 amounted to SEK 1.2 (1.5) million.

Cash flow, Liquidity and Equity

The quarter's cash flow was SEK 2.4 (-13.1) million. Cash flow from operating activities amounted to SEK 9.4 (-11.6) million. Liquid assets and liquid investments at the end of the quarter were reported at SEK 114.7 million, compared with SEK 112.0 million at the beginning of the year. Because the Group has no interest-bearing liabilities, the cash balance is positive. The equity/assets ratio was 56 (50) percent and the liquidity ratio was 169 (117)

percent at the end of the period. The liquidity ratio is calculated as liquid assets, short-term investments and current receivables divided by current liabilities.

Earnings per Share

Earnings per share amounted to SEK -0.07 (-0.08).

Parent Company Enea Data AB

The parent company's net sales during the quarter amounted to SEK 0.0 (0.0) million, with a loss after net financial items of SEK -3.9 (-0.4) million.

Net financial items in the parent company totaled SEK 1.3 (4.9) million. Liquid assets and liquid investments at the end of the first quarter amounted to SEK 92.4 (21.3) million. The parent company's investments reached SEK 0.0 (0.0) million.

The number of employees at the end of the period was 23 in the parent company, 2 in Enea Service Enabling Technology and 2 in Enea Business Software.

New CEO and Information about Remuneration

As previously announced, Ola Berglund has resigned as CEO and the board has appointed Johan Wall as the new President and CEO of Enea with effect from 29 March 2004. Johan Wall has a basic monthly salary of SEK 140,000 and a performance-based compensation. Premiums for pension and health insurance are paid regularly in an amount corresponding to 42 percent of basic salary. Upon notice of termination from the Company the notice period is 12 months.

Accounting Principles

This interim report has been prepared in accordance with the Annual Accounts Act and the Swedish Financial Accounting Standards Council's recommendation for interim reports (RR20). The accounting principles and methods of calculation are the same as those applied in the annual report for 2003. The following new recommendations from the Swedish Financial Accounting Standards Council's are applied as of 2004:

RR29 Employee benefits

RR29 has no significant effect on reporting other than increased disclosure requirements.

All pension plans in the Group are classified as either defined contribution or defined benefit. Defined contribution plans are those plans where the Company has no further obligation aside from the premiums due for payment during the period. All other plans are of the defined benefit type. For defined contribution plans, the cost to be recognized is the contribution payable in exchange for service rendered by employees during the period. Correspondingly, for defined benefit plans the amount recognized is the present value of the defined benefit obligation to the employees. In the balance sheet, a provision is reported for defined benefit pensions equivalent to the present value of future pension obligations. The majority of salaried employees in Sweden are covered by the ITP plan, which is classified as a defined benefit pension plan. However, the portion of the ITP plan financed through premiums to Alecta is reported as a defined contribution plan, since Alecta is unable to provide the information required for reporting as a defined benefit plan at this time.

Financial Calendar

The Annual General Meeting for 2004 will be held at 6:00 p.m. on 18 May at Täby Park Hotel

Second quarter report: July 30, 2004

Third quarter report: October 27, 2004

Preliminary report for 2004: February 8, 2005

Please note that certain reporting dates have been changed compared with those previously announced.

Johan Wall
President and CEO

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This interim report has not been reviewed by the Company's auditors.

Income Statement (SEK million)

Group

	Jan-Mar 2004	Jan-Mar 2003	Jan-Dec 2003
License revenues	30.8	28.9	148.9
Consulting revenues	<u>106.5</u>	<u>99.8</u>	<u>400.0</u>
Net sales	137.3	128.7	548.9
Other operating income	<u>3.7</u>	<u>14.1</u>	<u>23.0</u>
Operating income	141.0	142.8	571.9
Raw materials and consumables	-17.2	-15.6	-49.7
Other external costs	-23.6	-30.1	-106.1
Personnel costs	-100.2	-99.9	-395.5
Depreciation and amortization	-8.5	-10.1	-39.3
Items affecting comparability	-18.7*	-0.0	3.9**
Other operating costs	-0.8	-0.6	-13.1
Operating profit/loss	-28.0	-13.5	-27.9
<i>Financial income and expense</i>			
Financial income	2.2	0.5	2.3
Financial expense	<u>-0.0</u>	<u>-0.1</u>	<u>-8.5***</u>
Profit/loss before tax	-25.8	-13.1	-34.1
Tax	-0.1	-1.4	-7.7
Minority share in profit/loss	-	<u>0.1</u>	-
Profit/loss after tax	-25.9	-14.4	-41.8
Earnings per share (SEK)	-0.07	-0.08	-0.16
Earnings per share after full dilution (SEK)	-0.07	-0.08	-0.16

* A provision of SEK 18.7 million for costs arising in connection with the streamlining of operations. This amount includes unused premises, staff reductions and compensation pursuant to a non-competition agreement with the former CEO.

** Including goodwill write-down of SEK 15 million., reversal of reserve of SEK 26 million pertaining to leases in the USA and restructuring charges of SEK 7 million.

*** Including adjusted supplementary purchase price during 2003 related to Combitech sale in 2002, amounting to SEK -7.2 million.

Balance Sheet (SEK million)
Assets
Fixed assets

Intangible assets

Tangible assets

Financial assets

Current assets

Current receivables

Short-term investments

Cash and bank balances

TOTAL ASSETS
**SHAREHOLDERS' EQUITY &
LIABILITIES**

Shareholders' equity

Provisions

Long-term liabilities *)

Current liabilities *)

**TOTAL SHAREHOLDERS' EQUITY &
LIABILITIES**

*) Non interest-bearing

Group

31 Mar 2004	31 Mar 2003	31 Dec 2003
108.3	140.6	106.8
20.0	31.2	22.2
<u>0.5</u>	<u>2.9</u>	<u>0.4</u>
128.8	174.7	129.4
159.4	155.7	162.1
50.7	0.0	30.4
<u>64.0</u>	<u>60.3</u>	<u>81.6</u>
274.1	216.0	274.1
402.9	390.7	403.5
227.3	194.3	253.4
3.3	-0.1	4.1
10.0	11.2	9.6
<u>162.3</u>	<u>185.3</u>	<u>136.4</u>
402.9	390.7	403.5

Change in Shareholders' Equity (SEK million)

Group

	Jan-Mar 2004	Jan-Mar 2003	Jan-Dec 2003
At beginning of period	253.4	221.3	221.3
New share issue	0.0	0.0	9.1
New share issue at premium	0.0	0.0	71.9
Non-cash issue	0.0	0.0	0.2
Change in group structure and other changes	0.0	0.0	0.8
Translation difference for the period	-0.2	-12.6	-8.1
Profit/loss for the period	-25.9	-14.4	-41.8
At end of period	227.3	194.3	253.4

Cash Flow Statement (SEK million)

Group

	Jan-Mar 2004	Jan-Mar 2003	Jan-Dec 2003
Cash flow from operating activities before change in working capital	-21.3	-5.2	11.7
Cash flow from change in working capital	<u>30.7</u>	<u>-6.4</u>	<u>-45.5</u>
Cash flow from operating activities	9.4	-11.6	-33.8
Cash flow from investing activities	-7.0	-1.5	-5.0
Cash flow from financing activities	<u>0.0</u>	<u>0.0</u>	<u>78.9</u>
Cash flow for the period	2.4	-13.1	40.1
Liquid assets at beginning of period	112.0	73.3	73.3
Exchange rate difference in liquid assets	<u>0.3</u>	<u>0.1</u>	<u>-1.4</u>
Liquid assets at end of period	114.7	60.3	112.0

Reporting by Business Segment

Primary segments (SEK million)	Net sales			Operating profit/loss			Profit/loss after net financial items		
	Jan-Mar 2004	Jan-Mar 2003	Jan-Dec 2003	Jan-Mar 2004	Jan-Mar 2003	Jan-Dec 2003	Jan-Mar 2004	Jan-Mar 2003	Jan-Dec 2003
Enea Systems	72.4	65.5	267.5	4.0	-2.1	-14.4	3.5	-4.0	-19.1
Enea Embedded Technology	66.9	68.0	294.5	-6.8	-10.1	-20.9	-5.7	-12.5	-27.0
Parent company, other*	-2.0	-4.8	-13.1	-25.2	-1.3	7.4	-23.6	3.4	12.0
Enea Group	137.3	128.7	548.9	-28.0	-13.5	-27.9	-25.8	-13.1	-34.1

Primary segments (%)	Operating margin			Net margin		
	Jan-Mar 2004	Jan-Mar 2003	Jan-Dec 2003	Jan-Mar 2004	Jan-Mar 2003	Jan-Dec 2003
Enea Systems	6	-3	-5	5	-6	-7
Enea Embedded Technology	-10	-15	-7	-9	-15	-9
Parent company, other*	-1260	-28	56	-1180	71	92
Enea Group	-20	-10	-5	-19	-10	-6

Secondary segments (SEK million)	Net sales			Operating profit/loss			Profit/loss after net financial items		
	Jan-Mar 2004	Jan-Mar 2003	Jan-Dec 2003	Jan-Mar 2004	Jan-Mar 2003	Jan-Dec 2003	Jan-Mar 2004	Jan-Mar 2003	Jan-Dec 2003
Nordic countries	101.5	88.5	384.1	-25.1	-20.6	-72.0	-22.4	-19.0	-72.9
Europe	4.7	6.3	24.1	-2.8	-1.9	-8.1	-3.2	-2.2	-9.8
North America	29.8	32.6	130.2	-0.1	9.1	51.6	-0.4	8.4	48.2
Asia	1.3	1.2	10.5	0.0	-0.2	0.6	0.2	-0.3	0.4
Enea Group	137.3	128.7	548.9	-28.0	-13.5	-27.9	-25.8	-13.1	-34.1

Secondary segments (%)	Operating margin			Net margin		
	Jan-Mar 2004	Jan-Mar 2003	Jan-Dec 2003	Jan-Mar 2004	Jan-Mar 2003	Jan-Dec 2003
Nordic countries	-25	-23	-19	-22	-21	-19
Europe	-60	-30	-34	-68	-35	-41
North America	0	28	40	-1	26	37
Asia	0	-17	6	15	-25	4
Enea Group	-20	-10	-5	-19	-10	-6

* Includes the parent company Enea Data, Epact Technology Holding, Enea Business Software, Enea OSE Participation, Enea Service Enabling Technology and Group eliminations.

CONSOLIDATED KEY RATIOS

	Jan-Mar 2004	Jan-Mar 2003	Jan-Dec 2003
Net sales, (SEK million)	137.3	128.7	548.9
Operating income (SEK million)	141.0	142.8	571.9
Operating income excluding items affecting comparability (SEK million)	-9.3	-13.5	-31.8
Operating profit/loss (SEK million)	-28.0	-13.5	-27.9
Profit/loss after financial items (SEK million)	-25.8	-13.1	-34.1
Operating margin, %	-20.4	-10.5	-5.1
Net margin, %	-18.8	-10.2	-6.2
Shareholders' equity (SEK million)	227.3	194.3	253.4
Balance sheet total (SEK million)	402.9	390.7	403.5
Capital employed (SEK million)	227.3	193.2	253.4
Equity/assets ratio %	56	50	63
Liquidity ratio %	169	117	201
Earnings per share before dilution (SEK)	-0.07	-0.08	-0.16
Earnings per share after full dilution (SEK)	-0.07	-0.08	-0.16
Equity per share (SEK)	0.62	1.09	0.70
Number of outstanding shares at end of period (000s)	364,314	178,404	364,314
Number of outstanding shares after full dilution (000s) *	367,266	178,404	367,266
Average number of outstanding shares (000s)	364,314	178,289	256,824
Average number of outstanding shares after full dilution (000s) *	367,266	178,289	259,776
Share price as per balance sheet date (SEK)	3.83	1.16	2.30

For definitions, see Enea's annual report for 2003.

* In accordance with the decision of the Annual General Meeting for 2003, a warrant scheme for Enea TekSci Inc employees was adopted, equivalent to 1,800,000 warrants. Each warrant entitles the holder to subscribe for 1.64 shares at a price of SEK 0.89 each.