

Interim report January - March 2019

New year, new records

First quarter 2019

- Revenue in the first quarter was SEK 240.9 (170.3) million, equivalent to a 41 percent increase.
- Operating profit excluding non-recurring items for the first quarter increased to SEK 65.7 (35.1) million, corresponding to an operating margin excluding non-recurring items of 27.3 (20.6) percent.
- Operating profit for the first quarter increased to SEK 62.2 (27.0) million, equivalent to an operating margin of 25.8 (15.9) percent.
- Earnings per share increased to SEK 2.14 (0.94) for the first quarter.
- Cash flow from operating activities was SEK 93.3 (8.0) million for the quarter.
- Cash and cash equivalents and financial investments amounted to SEK 142.7 (140.6) million at the end of the quarter.
- During the quarter, Enea came to a settlement agreement with the large customer regarding historic royalty payments which generated SEK 20 million in revenue.
- Enea acquired a business unit from Atos Convergence Creators in the quarter through an asset acquisition. This business unit was consolidated into Enea effective 1 March, with operations then integrated into the Network Solutions product group.
- On 8 January, Enea announced the appointment of Jan Häglund as its new CEO. Jan will take up his position at Enea's AGM on 6 May 2019.

Key figures	Jan-Mar		Full year
	2019	2018	2018
Revenue, SEK million	240.9	170.3	830.3
Revenue growth, %	41	19	41
Revenue growth currency adjusted, %	34	21	38
Operating profit excluding non-recurring items, MSEK	65.7	35.1	192.5
Operating profit, SEK million	62.2	27.0	188.9
Operating margin excluding non-recurring items, %	27.3	20.6	23.2
Operating margin, %	25.8	15.9	22.7
Net profit after tax, SEK million	41.4	18.2	141.7
Earnings per share, SEK	2.14	0.94	7.33
Cash flow from operating activities, SEK million	93.3	8.0	168.6
Cash, cash equivalents and financial investments, SEK million	142.7	140.6	74.7

CEO letter

"I now see a company with every prospect of continuing to develop its market positioning and set new records in terms of revenue, profitability and cash flow."

New year, new records

The first quarter was a strong start to 2019. Revenue was up by as much as 41 percent on the first quarter 2018, with operating profit up by a fantastic 130 percent on the first quarter one year previously. Operating profit before non-recurring items increased by all of 87 percent year over year. To bring some perspective to these numbers, it's worth remembering that when we presented our operating profit before non-recurring items a year ago, this was the best first-quarter operating profit in Enea's history. Earnings per share set another new record for a first quarter, and we were able to report EPS of over SEK 2 for the second consecutive quarter. But we should note that in the quarter, we reached a settlement that provided us with SEK 20 m of revenue. We were in a long-term dispute with one of our major customers on historical royalty payments. As previously reported, most of this dispute was settled by in an arbitration procedure in January 2018. The arbitration agreement concluded all outstanding issues in this protracted dispute. This enables us to look forward, and focus on rebuilding trust and endeavoring to create new partnerships in attractive segments with this customer.

In the first quarter, we were also able to complete the acquisition of a business unit from Atos Convergence Creators, as we announced late last year. This operation was integrated as a new business unit in the quarter, focusing on policy management, authentication and access management within Enea's organization, and we've added new sales and development offices in Austria, Germany and Croatia. This new acquisition offers Enea new potential to address fourth and fifth-generation mobile core networks. These operations were consolidated into Enea's accounts effective March of the past quarter, and are already making a positive contribution to our EPS.

Our global software business grew very robustly overall in the first quarter of the year, increasing by 75 percent year over year. Sales in the segment we designate Network Solutions, which will also include the recently acquired operation, grew by a total of 95 percent overall on the corresponding quarter of the previous year. Our Operating System Solutions business also grew by 15 percent on the corresponding quarter of the previous year. In this latter case, growth was driven by the above conciliation settlement. It bears repeating that we should be aware that our traditional business on Key Accounts is contracting with more widespread use of open source. This underlying trend is unchanged.

The first quarter of the year is usually eventful, and the past quarter was no exception. The Mobile World Congress was held in Barcelona at the end of February, and as usual, was the largest convention for the whole industry we operate in. As previously, Enea was an exhibitor, with a larger stand and greater presence than ever before. This year, we were able to present the 'new' Enea including Openwave Mobility, and our recently acquired business unit in policy and access management



also participated under Enea's banner and branding. We also started the year by announcing some of the largest single deals we have made for some time, including major new deals in traffic management and the DPI segment. We also received several new awards in this latter segment, with our new Qosmos Probe product winning the gold medal in ISPG's Excellence Awards, and Cyber Defense magazine's InfoSec Awards, as winner of the Most Innovative Product in the cyber forensics category, as well as winner of Most Cutting Edge Product in the threat hunting category. We are continuing our work on developing our positioning in cyber security, and in the past quarter, also participated as an exhibitor at RSA—the largest conference and trade fair in the security segment.

New times and a new Enea

The Enea that's now taking shape is a completely different company to the Enea I took over as CEO of in 2011. Over the past eight years, we have evolved from being a player in services and embedded operating systems with a major regional focus on the Nordics, to becoming a global player in software for telecommunication and software components for cyber security. We've created unprecedented profitability within the company and embarked on a journey of growth that has taken us from the stock market's Small Cap to Mid Cap list, to now converging on yearly revenue of SEK 1 billion. I now see a company with every prospect of continuing to develop its market positioning and set new records in terms of revenue, profitability and cash flow. Obviously, our 600-plus professionals worldwide, who work every day to build a bigger, stronger and more successful Enea, are the foundation of this fantastic progress. It's been a privilege to serve as CEO of these outstanding people, and I offer you my humble thanks for your trust in me. When I depart as CEO in a few weeks' time, I do so with the confident conviction that Enea has a bright future ahead, with Jan Häglund as its new CEO, leading Enea to new successes.

Future prospects

It's also worth repeating that while shareholders should be pleased about another very strong quarter, we also need to be aware that our business does vary between quarters, that these variations increase with the acquisitions we have executed in recent years. Acquisitions that strengthen our market position and long-term earnings capacity are an important part of our strategy. It is also this strategy that enables us, despite decreasing revenues from Key Accounts, to maintain our ambition to keep growing the company with good profitability and healthy cash flows.

Our objective for the full year 2019 is to achieve revenue growth over 2018 and an operating margin exceeding 20 percent.

Anders Lidbeck
CEO & President

Revenue

Enea's revenue in the first quarter amounted to SEK 240.9 (170.3) million, a 41 percent increase on the first quarter 2018. Currency adjusted, revenue was up 34 percent in the first quarter, year over year.

Revenue by business unit

Enea's business units are Key Accounts, Worldwide Software Sales and Global Services. Key Accounts include software sales and product-related services for Enea's two largest customers, Worldwide Software Sales include software sales and product-related services for other customers.

Key Accounts and Worldwide Software Sales jointly make up Enea's software business, which generated 86 percent of total revenue in the quarter, divided between Key Accounts at 32 percent and Worldwide Software Sales at 54 percent. Revenues from Worldwide Software Sales were up by 75 percent year over year. This increase was mainly due to the acquisition of Openwave Mobility being consolidated for the full quarter in 2019, against one month in the first quarter of 2018. Revenues from Key Accounts were SEK 20 million in the quarter, relating to a conciliation with a major customer on historical royalties.

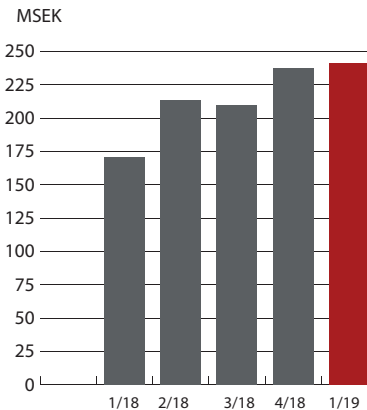
Global Services include service sales not directly related to software sales. Global Services' revenue was 14 percent of total in the quarter, and was down by 8 percent year over year.

Revenue by market segment

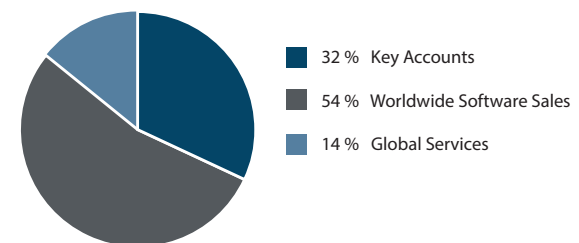
Enea has the following market segments: Telecom/OEMs, Telecom/Operators, Security, Aerospace/Defense and Other.

Revenue in the quarter was divided as follows: Telecom/OEMs 49 percent, Telecom/Operators 32 percent, Security 5 percent, Aerospace/Defense 4 percent and Other 10 percent. The "Other" market segment includes customers in system integration and manufacturing, for example.

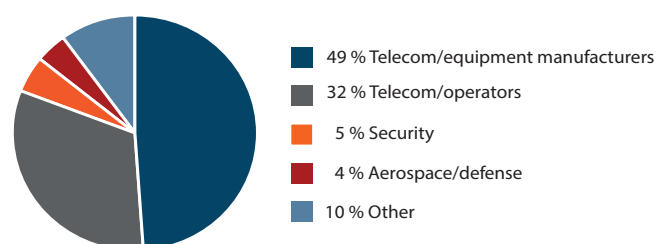
Revenue



Revenue per business unit (Jan-Mar)



Revenue per market segment (Jan-Mar)



Revenue per region

Enea has sales offices in Sweden, Germany, France, Romania, the US, China, Japan, India, Austria and the UK, which have their customer base in the EMEA, America and Asia regions.

The acquisitions Enea made in recent years have a higher share of new business, where individual contracts may be substantial, with varying levels of repeat revenues. This means that variations between individual quarters in regions may increase.

EMEA

The EMEA region includes customers like Ericsson and Nokia. Sales are from our offices in Sweden, Germany, Romania, France and the US, and consist of Key Accounts, Worldwide Software Sales and Global Services. Revenue in EMEA increased by 22 percent in the quarter year over year. The increase is sourced from Worldwide Software Sales.

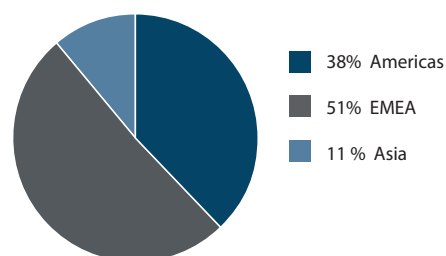
Americas

The America region includes software and services sales. Software sales are within Worldwide Software Sales to customers such as Motorola. Service sales are mainly in global services to customers like Boeing. Revenue increased by 64 percent in the quarter, year over year. The increase relates to Openwave Mobility.

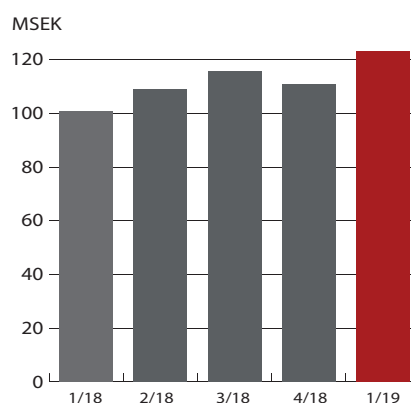
Asia

The Asia region includes customers such as Fujitsu and Hytera, and is managed from offices in China, Japan and Singapore. Sales consist of Worldwide Software Sales, and to a lesser extent, Key Accounts. Revenue increased by 95 percent year over year in the quarter.

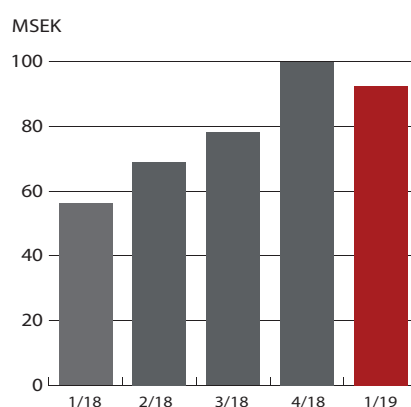
Revenue per region (Jan-Mar)



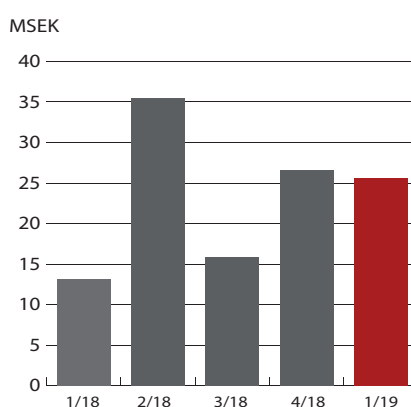
Revenue EMEA



Revenue Americas



Revenue Asia



Revenue per product group

Enea's products and services are divided into three major groups: Network Solutions, Operating System Solutions and Global Services.

Network Solutions

Network solutions includes all products focused on mobile and fixed networks, and help operators and OEMs to manage, analyze, optimize and monetize traffic in these networks. These include network intelligence, deep packet inspection, and traffic management solutions, as well as control plane applications and data management for mobile core networks.

- **Qosmos ixEngine** – traffic classification software which is an important building block in solutions for cyber security and traffic optimization
- **Traffic Management** – mobile traffic management solutions that help operators optimize and monetize network traffic
- **Cloud Data Management** – consolidated data management for the control plane of mobile networks
- **Policy and Access Control** – control plane applications for mobile core networks

Network Solutions' sales increased significantly in the quarter, partly driven by recent acquisitions. This product group represented 54 percent of Enea's total sales in the quarter, and has growing strategic significance to Enea.

Operating System Solutions

Operating systems are the software that forms the link between hardware and the programs that it runs. Enea's operating system is used in embedded systems that are components of telecom equipment, for example. Development tools are used to develop software that runs on Enea's operating systems and are usually sold bundled with the operating system. Operating systems and tools are reported jointly.

- **Enea OSE, Enea Linux, Enea OSEck** – embedded operating systems focused on performance and scalability
- **Enea NFV Access** – network virtualization platform focusing on devices at the network edge

Operating System Solutions accounted for 31 percent of revenues in the quarter. Sales increased in the quarter compared to the corresponding quarter of the previous year, driven to some extent by a conciliation settlement with a major customer as reported this quarter.

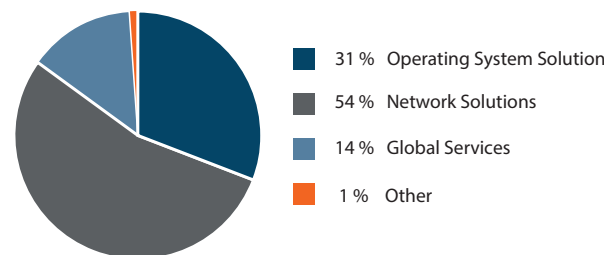
Global Services

Expert services focused on embedded systems. Enea's Global Services sales were down on the corresponding quarter of the previous year, accounting for 14 percent of Enea's total sales.

Other

The Other group, which mainly consists of third-party products, and currency effects, increased in the quarter, representing 1 percent of total quarterly sales.

Revenue per product group (Jan-Mar)



Costs

Costs of goods and services sold

Cost of goods and services sold comprise costs that relate directly to delivery of the company's production licenses, development licenses including support and maintenance, product-related services and Global Services. These costs include expenses relating to generating licenses, support costs, costs associated with any third-party products and direct personnel costs related to the delivery of consulting services. Enea also reports amortization of intellectual property rights including acquired product rights and customer contracts, as well as capitalized product development expenses as cost of goods and services sold.

Amortization was SEK 10.8 (5.7) million in the first quarter. Direct costs attributable to license sales normally comprise less than 10 percent of the sales price, while costs for product-related and Global Services normally amount to between 60 and 80 percent of the sales price.

In the first quarter 2019, the cost of goods and services sold was SEK 58.4 (47.3) million. Costs increased, mainly due to Openwave being consolidated for the full quarter in 2019, compare to one month in 2018, and because the operation acquired from Atos is also included for one month in the first quarter 2019.

Operating costs

Operating costs are sales and marketing costs, product development costs and administration costs. The increase of sales, marketing and product development costs in the quarter is mainly sourced from acquisitions, with Openwave Mobility consolidated for the full quarter of 2019 compared to one month in the first quarter of 2018, and the operation acquired from Atos is included for one month in the first quarter of 2019.

Sales and marketing costs

Sales and marketing costs include fixed and performance-related salary for the company's sales staff and costs associated with the company's marketing activities, such as participation at trade fairs, seminars, advertising and Internet. Sales and marketing costs were SEK 50.6 (37.3) million in the first quarter, or 21.0 (21.9) percent of revenue in the quarter.

Product development costs

Product development costs consist of direct and indirect costs associated with management, development and testing of the company's software products, such as personnel costs and costs for development tools and IT environments. A proportion of the company's product development costs for new software product development is capitalized in the Balance Sheet, and is normally amortized over 60 months.

Total R&D investments in the first quarter 2019 were SEK 57.1 (39.4) million, of which product development costs recognized in the Income Statement were SEK 38.1 (27.6) million, corresponding to 15.8 (16.2) percent of revenue in the quarter. SEK 19.0 (11.8) million of product development costs were capitalized in the first quarter

Administration costs

Administration costs comprise costs of management, the Board of Directors and Accounting function, including internal and external legal expenses and audit fees. In the first quarter, administration costs were SEK 31.6 million, compared to SEK 31.1 million for the corresponding quarter of the previous year, or 13.1 (18.3) percent of revenue in the quarter. Costs for legal consulting relating to a major dispute amounted to SEK 0 (0.1) million for the first quarter. Transaction and integration costs relating to acquisitions amounted to SEK 3.5 (8.0) million in the quarter.



Profit & Loss, Cash Flow, Investments & Financial Position

Profit & loss

The group's operating profit excluding non-recurring items amounted to SEK 65.7 (35.1) million in the first quarter, which corresponds to an operating margin excluding non-recurring items of 27.3 (20.6) percent.

The group's operating profit was SEK 62.2 (27.0) million in the first quarter, which corresponds to an operating margin of 25.8 (15.9) percent. Currency effects exerted a marginal impact on profit. The gross margin for the first quarter was 75.8 (72.2) percent.

The financial net for the first quarter amounted to SEK -7.4 (-7.3) million. Profit after tax increased to SEK 41.4 (18.2) million for the quarter. Earnings per share were SEK 2.14 (0.94) for the first quarter. Without restating for holdings of treasury shares, earnings per share were SEK 2.11 (0.93) for the quarter.

Cash Flow

Cash flow from operating activities was SEK 93.3 (8.0) million for the first quarter. Total cash flow amounted to SEK 65.8 (-174.3) million for the first quarter. Cash flow from changes in working capital varies between quarters, for reasons including the timing of major payments.

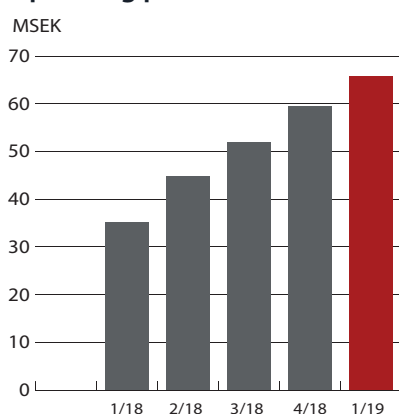
Investments

The group's investments amounted to SEK 212.6 (733.4) million in the first quarter. Depreciation and amortization amounted to SEK 6.9 (7.2) million for the quarter. Enea capitalized SEK 19.0 (11.8) million of product development expenses for the first quarter. Amortization of capitalized product development expenses in the first quarter amounted to SEK 6.0 (3.8) million.

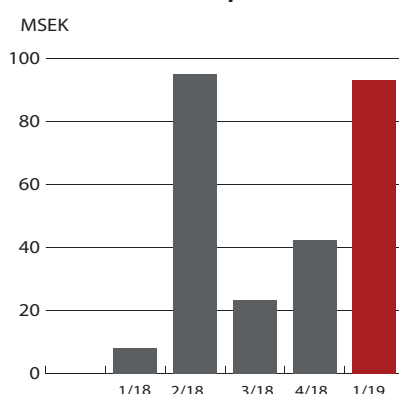
Financial position

Cash and cash equivalents and financial investments were SEK 142.7 (140.6) million at the end of the quarter. Total interest-bearing liabilities were SEK 686.2 (588.9) million at the end of the quarter, allocated between long-term interest-bearing liabilities of SEK 603.8 (554.2) million, and current interest-bearing liabilities of SEK 82.3 (34.7) million. Enea's equity ratio was 48.7 (43.7) percent. Total assets amounted to SEK 2,197.9 (1,833.6) million at the end of the quarter. Enea's net debt was SEK 554 million at the end of the quarter, and at the end of the quarter 2018, net debt was SEK 558.4 million.

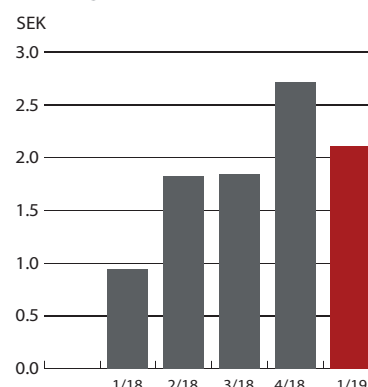
Operating profit excl. non-recurring items



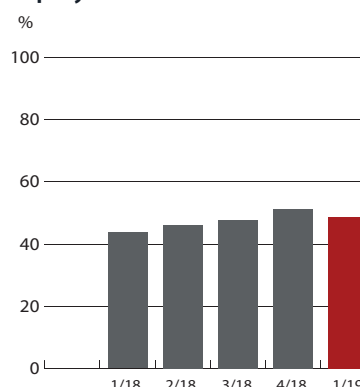
Cash flow from operations



Earnings per share



Equity ratio



Employees, Repurchasing of Treasury Shares, Parent Company and Annual General Meeting

Employees

At the end of the quarter, the group had 640 (597) employees, an increase of 43 on the corresponding quarter of the previous year. The increase is sourced from the acquisition of a business unit from Atos.

Repurchase of treasury shares

Enea repurchased 0 shares in the first quarter. Enea's holding of treasury shares at the end of the quarter amounted to 314,760 shares, corresponding to 1.6 percent of the total number of shares.

Parent Company

The parent company's revenue for the first three months amounted to SEK 16.6 (11.8) million and profit before appropriations and tax amounted to SEK -0.7 (-0.3) million. The financial net of the parent company was SEK -0.7 (-0.3) million, and at the end of the quarter, cash and cash equivalents and financial investments amounted to SEK 7.4 (65.0) million. The parent company's investments in the quarter amounted to SEK 0.4 (0.2) million. The parent company had 12 (11) employees at the end of the quarter. The parent company does not conduct its own operations and its risks primarily relate to the operations of subsidiaries.

Annual General Meeting

Enea's Annual General Meeting (AGM) 2019 will be held at 4:30 p.m. on Monday 6 May at Kista Science Tower, Färögatan 33, Kista, Sweden.

Nomination Committee

In consultation with the largest shareholders, the Chairman of the Board of Enea AB has established a Nomination Committee for the AGM 2019.

The members of the Nomination Committee are: Per Lindberg, Karl G Høgtun (DNB Asset Management AS), Annika Andersson (Swedbank Robur Fonder) and Anders Skarin (Chairman of Enea AB). The Nomination Committee has appointed Per Lindberg as Chairman.

The duty of the Nomination Committee is to submit proposals for the Chairman and other members of the Board, and fees and other compensation for work on the Board to each of the Board members, to the AGM. The Nomination Committee should also submit proposals on the election and remuneration of auditors. The Nomination Committee should also submit proposals on the process for appointing a nomination committee for the AGM 2020.

The Annual Report and other documentation is available at Enea's website, www.enea.com



Other

Financial assets and liabilities

The group applies IFRS 13. This standard requires disclosures regarding uncertainty in valuations on the basis of the three levels used for financial instruments.

Level 1: fair value of financial instruments traded on an active market is based on listed market prices on the reporting date. A market is regarded as active if listed prices from a stock exchange, broker, industry group, pricing service or regulatory agency are readily and regularly available and if these prices represent actual and regularly occurring arm's length market transactions. The listed market price used for the group's financial assets is the current purchase price for corporate bonds. These are level 1 instruments.

Level 2: fair value of financial instruments not traded on an active market (e.g. OTC derivatives are measured with the aid of valuation techniques). The group has currency derivatives, which are used for hedging purposes. Currency hedges are measured at market value by conducting an early allocation of the currency hedge in order to determine what the forward price would be if the maturity were at the reporting date. The group has currency hedging of EUR to SEK, so the difference in interest rate between Sweden and Europe for the remaining original maturity provides the number of points to be deducted from the original forward price. The difference between the new forward price and the original forward price gives the market value of the currency hedge. Market information is used here as far as possible as this is available, while company-specific information is used as little as possible. The group has a liability relating to currency hedges that is recognized at a value of SEK 1.2 million as of 31 March 2019, which is also the total for level 2.

Allocation by level in valuation at fair value, 2019-03-31, SEK million	Level 1	Level 2	Level 3	Total
Derivative instruments used for hedging purposes				
Currency derivatives	-	1 234	-	1 234
Total	0	1 234	0	1 234

There were no transfers between levels in the period. The carrying amount of other financial assets and liabilities is consistent with fair value.

Accounting policies

This Interim Report has been prepared in accordance with IAS 34 Interim Financial Reporting, which is consistent with Swedish legislation by applying RFR's (the Swedish Financial Reporting Board) recommendation RFR 1, Supplementary Accounting Rules for Groups, and RFR 2, Accounting for Legal Entities, for the parent company. The same accounting policies, definitions of key figures and computation methods have been applied as in the most recent annual accounts of the group and the parent company, unless otherwise stated below.

New accounting policies for 2019

IFRS 16 Leases comes into effect on 1 January 2019. This standard is applied prospectively and replaces IAS 17 Leases and IFRIC 4 Determining Whether an Arrangement Contains a Lease and the related rules. This new Standard implies that the lessee should recognize all arrangements that satisfy the Standard's definition of a lease arrangement (apart from contracts of a maximum term of 12 months and contracts with low individual value) as an asset and liability in the Balance Sheet, with amortization and interest expenses recognized in the Income Statement. Accordingly, expenses are reclassified from rental charges according to the above. When they satisfy the Standard's definition, arrangements currently classified as operating leases are capitalized in the Balance Sheet. Enea has reviewed all operating leases, and based on their terms and conditions, computed a right-of-use asset and lease liability for each contract. This change means that total assets and operating profit increase, which has a marginal impact Enea's key indicators EBIT, EBITDA, net debt, equity ratio and cash flow from operating activities.

The restatement effect on the year-2018 Balance Sheet to the new Standard implies assets increasing by SEK 44 million, liabilities increasing by SEK 45 million, and a reduction of equity of SEK 1 million. The transition effect on the Consolidated Balance Sheet is quantified in the following statements:

SEK million	Assets	Equity	Liabilities
Amounts pursuant to earlier accounting policies 1 January 2019	1 920	986	934
Restatement resulting from IFRS 16	44	-1	45
Amounts according to new accounting policies 1 January 2019	1 964	985	979

IFRS 9 Financial Instruments: the primary impact of this standard is an altered process dealing with credit losses, which is based on expected instead of actual credit losses. Enea has applied the transition prospectively and has considered historical customer losses over a business cycle, and is thus able to conclude that this new Standard does not have any material effect on the consolidated accounts.

Other

Acquisition of global software business

Enea Software AB acquired a business unit from Atos Convergence Creators on 1 March through an asset acquisition. The total preliminary purchase consideration is SEK 152 million, which has been financed through cash and bank borrowings. Enea paid SEK 105 million in December 2018, with the remaining preliminary SEK 47 million to be paid at the end of November 2019. Enea will also take over assets and liabilities, primarily relating to deferred expenses and accrued income of SEK 37 million. The business unit is a leader in policy management, authentication and managing subscriber information. This acquisition means that Enea is expanding its offering and addressable market, as well as moving upward in the value chain. The business unit was consolidated into Enea effective 1 March, with operations integrated into the Network Solutions product group. The unit reported sales of SEK 17.6 million and an operating margin above the group average for March 2019. The goodwill arising in the acquisition of the net assets of the unit is tax deductible and expected to relate to estimated profitability, additions to the product portfolio and expected synergy effects. The financial impact of this transaction is illustrated below. The acquisition analysis of fair value adjustment of product rights, customer contracts, current receivables and current liabilities is preliminary until twelve months after the acquisition date. Deferred consideration is unconditional future results.

Purchase price (preliminary)	SEK thousand
Summary of purchase price:	
Cash and cash equivalents	105 213
Deferred consideration	46 946
Total purchase price	152 159

The carrying amounts (fair values) of identifiable assets and liabilities taken over as of the acquisition date:

	Fair value reported in the Group SEK thousand
Product Rights	21 368
Customer agreement	68 821
Tangible fixed assets	711
Current receivables	320
Current liabilities, non-interest bearing	-39 772
Net identifiable assets and liabilities	51 448
Goodwill	100 711
Acquisition cost for the group	152 159

Acquisition-related expenses

Acquisition-related expenses of SEK 2,721,000 are included in administrative costs in the Consolidated Income Statement for 2019.



Risks, Target Compliance & Outlook

Material risks and uncertainty factors

Dependency on Key Accounts is decreasing, but remains high. These customers represented approximately 32 percent of the group's revenues in the quarter and the trend for these revenues is declining.

Enea arranged a SEK 70 million overdraft facility in the fourth quarter 2018, of which SEK 63 million had been utilized at the end of the quarter. The terms and conditions of the overdraft facility include covenants regarding net debt/EBITDA, all of which were satisfied as of 31 March 2019.

In the first quarter 2018, Enea issued a senior bond of SEK 500 million with yield of Stibor 3M + a market yield, maturing in March 2021. The bond includes covenants regarding net debt/EBITDA, all of which were satisfied as of 31 March 2019.

In the first quarter 2019, Enea redeemed a bank loan with a remaining liability of SEK 82 million. A new SEK 80 million bank loan was arranged. This loan is to be repaid after 2 years, with a 1-year extension option. Interest accrues at Stibor 3M (with a floor) + a market interest rate. The loan agreement stipulates covenants regarding the group's net debt/EBITDA and EBITDA/financial expenses. These covenants were satisfied as of 31 March 2019. The remaining liability as of 31 March 2019 amounted to SEK 80 million.

Because there were no other significant changes to material risks and uncertainties in the quarter, the reader is referred to the review on pages 18-19 of the most recent Annual Report.

Long-term ambition

Enea's ambition is to be a global software company with a strong and leading position in the markets where we operate, with annual revenue growth, high profitability and good cash flows. Organic growth will be the base of its operations and Enea will work continuously to develop, streamline and optimize these operations. Strategic and complementary acquisitions will be screened regularly, and if they are considered to add value for customers and shareholders within a well-balanced risk level, Enea will attempt to execute such acquisitions.

Enea's objective is to maintain an operating margin of over 20 percent annually. The operating margin will vary between years and quarters, tracking growth. Growth and earnings performance will vary during years and between quarters, primarily due to how individual transactions occur, and the progress of royalty streams.

In 2019, we will continue our endeavor to build a larger and stronger company that delivers growing values for customers, employees and shareholders. Acquisitions that strengthen our market position and long-term earnings ability are a key part of the transformation that Enea has been undergoing for several years, a process that is fundamentally positive and critical to the company. This is also the strategy which despite reducing revenues from Key Accounts, is creating the potential for us to retain our ambition to keep growing the company with good profitability and healthy cash flows.

Outlook for 2019

Our objective for the full year 2019 is to achieve revenue growth over 2018 and an operating margin exceeding 20 percent.

Kista, Sweden, April 24 2019
Board of Directors

*This interim report has not been subject to review
by the company's auditor*

Consolidated statement of comprehensive income

MSEK	Jan - Mar		12 months	Full year
	2019	2018	Apr-Mar	2018
Revenue	240.9	170.3	900.9	830.3
Reversed additional purchase price	-	-	11.7	11.7
Total income	240.9	170.3	912.6	842.0
Cost of sold products and services	-58.4	-47.3	-233.7	-222.6
Gross profit	182.5	122.9	678.9	619.4
Sales and marketing costs	-50.6	-37.3	-196.0	-182.7
R&D costs	-38.1	-27.6	-146.8	-136.3
General and administration costs	-31.6	-31.1	-112.1	-111.5
Operating profit ^{1) 2) 3) 4)}	62.2	27.0	224.0	188.9
Financial net	-7.4	-7.3	-27.8	-27.7
Profit before tax	54.8	19.7	196.2	161.1
Tax	-13.4	-1.5	-31.4	-19.5
Net profit for the period	41.4	18.2	164.8	141.7
OTHER COMPREHENSIVE INCOME				
<i>Items that may be reclassified to profit or loss</i>				
Change in hedging reserve, after tax	0.7	-2.6	3.0	-0.3
Currency translation differences	39.8	30.7	93.2	84.1
<i>Items that will not be reclassified to profit or loss</i>				
Pension obligations	2.3	0.1	2.3	0.2
Total comprehensive income for the period, net of tax	84.2	46.5	263.3	225.6
Profit for the period attributable to the shareholders of the Parent Company	41.4	18.2	164.8	141.7
Comprehensive income for the period attributable to the shareholders of the Parent Company	84.2	46.5	263.3	225.6
1) incl. depreciation of tangible assets	2.0	1.4	7.8	7.2
2) incl. amortization of intangible assets	10.7	5.8	38.1	33.3
3 of which amortization of lease assets	4.6	-	4.6	-
4) Non-recurring expenses included in operating profit				
Operating profit, including non-recurring items	62.2	27.0	224.0	188.9
Reversed additional purchase	-	-	-11.7	-11.7
Restructuring costs	-	-	5.3	5.3
Legal costs	-	0.1	0.3	0.4
Costs for integrating new business	0.8	-	0.8	-
Transaction costs related to larger acquisitions	2.7	8.0	4.3	9.6
Operating profit, excluding non-recurring items	65.7	35.1	223.1	192.5

Key figures related to the income statement

	Jan - Mar		12 months	Full year
	2019	2018	Apr-Mar	2018
Earnings per share (SEK) ¹	2.14	0.94	8.52	7.33
Earnings per share after full dilution (SEK)	2.14	0.94	8.52	7.33
Number of shares before dilution (million)	19.3	19.3	19.3	19.3
Number of shares after dilution (million)	19.3	19.3	19.3	19.3
Revenue growth (%)	41	19	46	41
Gross margin (%)	75.8	72.2	75.4	73.2
Operating costs in % of revenue				
- Sales and marketing costs	21.0	21.9	21.8	22.0
- R&D costs	15.8	16.2	16.3	16.4
- General and administration costs	13.1	18.3	12.4	13.4
Operating margin excluding non-recurring items (%)	27.3	20.6	24.8	23.2
Operating margin (%)	25.8	15.9	24.9	22.7

Consolidated statement of financial position

MSEK	31 Mar 2019	31 Mar 2018	31 Dec 2018
ASSETS			
Intangible assets	1 664.7	1 290.7	1 381.4
- of which goodwill	1 282.1	1 103.1	1 151.2
- of which capitalized development	115.3	67.7	100.9
- of which product rights	66.1	34.5	45.3
- of which customer contracts	128.3	63.2	60.5
- of which trademarks	22.7	21.3	22.1
- of which right-to-use assets	49.0	-	-
- of which other intangible assets	1.2	0.9	1.3
Inventories, tools and installations	18.0	16.3	16.2
Deferred tax assets	15.9	22.5	17.5
Other fixed assets	2.7	2.9	3.1
Total fixed assets	1 701.3	1 332.5	1 418.2
Current receivables	353.9	360.6	426.8
Cash and cash equivalents	142.7	140.6	74.7
Total current assets	496.6	501.2	501.5
Total assets	2 197.9	1 833.6	1 919.7
EQUITY and LIABILITIES			
Equity	1 070.9	801.8	985.8
Provisions	6.6	7.3	10.9
Long-term liabilities			
Deferred tax liabilities	70.3	60.9	68.4
Long-term liabilities, interest-bearing	572.8	554.2	539.8
Long-term liabilities, non-interest-bearing	10.5	7.1	7.5
Long-term liabilities, leasing	31.1	-	-
Total long-term liabilities	684.7	622.3	615.7
Current liabilities			
Current liabilities, interest-bearing	62.7	34.7	94.3
Current liabilities, non-interest-bearing	353.4	367.5	212.9
Current liabilities, leasing	19.6	-	-
Total current liabilities	435.7	402.2	307.2
Total equity and liabilities	2 197.9	1 833.6	1 919.7

Consolidated statement of changes in equity

MSEK	31 Mar 2019	31 Mar 2018	31 Dec 2018
At beginning of period	985.8	754.2	754.2
Restatement of opening balance for changed accounting policies	-1.2	-	-
Total comprehensive income for the period	84.2	46.5	225.6
Share saving program	2.1	1.2	6.0
At the end of the period	1 070.9	801.8	985.8

Consolidated statement of cash flows

MSEK	Jan-Mar		Full year
	2019	2018	2018
Cash flow from operating activities before change in working capital	66.9	21.1	198.0
Cash flow from change in working capital	26.4	-13.1	-29.4
Cash flow from operating activities	93.3	8.0	168.6
Cash flow from investing activities	-23.0	85.3	30.5
Cash flow from investing activities - from acquisition of business, net	-	-739.3	-954.4
Cash flow from financing activities, raising of loans	82.5	500.0	560.0
Cash flow from financing activities, expense for bond issuance	0.0	-11.2	-11.3
Cash flow from financing activities, amortization of loans	-82.2	-17.0	-34.5
Cash flow from financing activity, amortization of lease liability	-4.8	-	-
Cash flow for the period	65.8	-174.3	-241.1
Cash and cash equivalents at the beginning of period	74.7	312.0	312.0
Exchange rate differences in cash and cash equivalents	2.2	2.8	3.7
Cash and cash equivalents at end of period	142.7	140.6	74.7

Key Figures related to the balance sheet and cash flow

MSEK	Jan-Mar		12 months	Full year
	2019	2018	Apr-Mar	2018
Cash and cash equivalents and financial investments (SEK million)	142.7	140.6	142.7	74.7
Equity ratio (%)	48.7	43.7	48.7	51.4
Equity per share (SEK)	55.39	41.47	55.39	50.99
Cash flow from operating activities per share (SEK)	4.83	0.41	13.14	8.72
Number of employees at end of period	640	597	640	571
Return on equity (%)			17.6	16.3
Return on capital employed (%)			13.1	17.0
Return on assets (%)			10.3	13.8

Parent Company Income Statement

MSEK	Jan - Mar		Full year
	2019	2018	2018
Revenue	16.6	11.8	53.1
Operating costs	-16.6	-11.8	-53.1
Operating profit	-	-	-
Net financial income	-0.7	-0.3	-1.1
Profit after financial net	-0.7	-0.3	-1.1
Appropriations	-	-	1.2
Profit before tax	-0.7	-0.3	0.1
Tax	0.1	-	-0.4
Net profit for the period	-0.6	-0.3	-0.3

Parent Company Balance Sheet

MSEK	31 Mar		31 Dec
	2019	2018	2018
ASSETS			
Fixed assets	175.0	173.8	174.9
Current assets	1 049.1	985.4	1 046.0
Total assets	1 224.2	1 159.2	1 220.9
EQUITY AND LIABILITIES			
Equity	555.1	548.7	553.6
Untaxed reserves	4.5	5.7	4.5
Long-term liabilities, interest-bearing	572.8	554.1	539.8
Current liabilities, interest-bearing	62.5	34.0	94.0
Current liabilities, other	29.2	16.7	28.9
Total equity and liabilities	1 224.2	1 159.2	1 220.9

Quarterly data*

MSEK	2019 q 1	2018 q 4	q 3	q 2	q 1	2017 q 4	q 3	q 2	q 1	2016 q 4
INCOME STATEMENT										
Revenue	240.9	237.1	209.6	213.4	170.3	152.0	145.2	148.5	142.7	135.7
Reversed additional purchase price	-	11.7	-	-	-	-	-	-	-	-
Costs of sold prod. and services	-58.4	-62.1	-54.6	-58.5	-47.3	-41.9	-42.7	-42.0	-39.7	-35.6
Gross profit	182.5	186.7	154.9	154.8	122.9	110.0	102.5	106.5	103.0	100.1
Sales and marketing costs	-50.6	-51.4	-46.6	-47.4	-37.3	-27.4	-27.4	-35.2	-35.7	-24.5
R&D costs	-38.1	-38.8	-33.2	-36.7	-27.6	-24.1	-23.5	-26.2	-23.3	-25.4
General and administration costs	-31.6	-29.8	-23.9	-26.7	-31.1	-35.8	-19.4	-22.6	-18.8	-16.8
Operating profit	62.2	66.7	51.2	44.0	27.0	22.8	32.2	22.6	25.2	33.5
Net financial income/expense	-7.4	-7.1	-6.8	-6.6	-7.3	-3.5	1.1	-2.8	-0.1	2.7
Profit before tax	54.8	59.6	44.4	37.4	19.7	19.3	33.3	19.8	25.1	36.2
Tax	-13.4	-7.1	-8.9	-2.0	-1.5	-1.9	-6.2	-3.0	-4.1	-9.6
Net profit for the period	41.4	52.5	35.5	35.4	18.2	17.5	27.1	16.9	21.1	26.6
Other comprehensive income	42.8	9.1	-16.0	62.1	28.3	12.3	-7.9	3.6	-1.8	-12.1
Total comprehensive income	84.2	61.7	19.5	97.6	46.5	29.7	19.2	20.4	19.3	14.5
BALANCE SHEET										
Intangible assets	1 664.7	1 381.4	1 357.9	1 364.2	1 290.7	522.2	507.4	511.4	505.3	499.2
Other fixed assets	33.9	33.7	33.5	38.2	38.8	31.0	33.2	36.0	33.9	34.4
Other financial fixed assets	2.7	3.1	2.6	2.4	2.9	2.7	2.6	2.7	3.3	6.5
Financial assets held for sale, non-current	-	-	-	-	-	62.1	41.2	40.8	-	-
Current receivables	353.9	426.8	330.6	322.2	360.6	203.6	184.5	211.9	215.8	219.4
Financial assets held for sale, current	-	-	-	-	-	40.2	30.1	20.0	-	-
Cash and cash equivalents	142.7	74.7	206.2	220.6	140.6	312.0	194.2	199.4	285.1	223.5
Total assets	2 197.9	1 919.7	1 930.7	1 947.7	1 833.6	1 173.8	993.3	1 022.2	1 043.3	983.0
Shareholders' equity	1 070.9	985.8	922.3	900.8	801.8	754.2	584.0	563.1	598.1	422.9
Long-term liab., interest bearing	603.8	539.8	538.9	554.9	554.2	82.0	82.0	99.0	99.0	116.0
Long-term liab., non-interest bearing	87.4	86.8	83.1	79.4	75.3	161.8	155.9	159.0	156.4	161.9
Current liab., interest bearing	82.3	94.3	34.5	34.7	34.7	34.0	34.0	34.0	34.0	34.0
Current liab., non-interest bearing	353.4	212.9	352.0	377.9	367.5	141.8	137.5	167.1	155.8	248.2
Total equity and liabilities	2 197.9	1 919.7	1 930.7	1 947.7	1 833.6	1 173.8	993.3	1 022.2	1 043.3	983.0
CASH FLOW										
Cash flow from operating activities	93.3	42.3	23.2	95.2	8.0	17.9	30.3	38.1	30.4	27.5
Cash flow from investing activities	-23.0	-18.1	-18.9	-17.8	85.3	-40.2	-17.6	-68.3	-13.6	35.3
Cash flow from financial activities	-4.4	59.8	-17.2	-0.1	471.8	138.2	-17.0	-56.5	142.0	125.0
Cash flow for the period	65.8	84.1	-12.9	77.2	565.1	115.8	-4.3	-86.8	158.8	187.8
Cash flow from acquisition of business	-	-215.1			-739.3			-	-96.3	-139.6
Total cash flow from the period	65.8	-131.0	-12.9	77.2	-174.3	115.8	-4.3	-86.8	62.5	48.2

* The numbers for 2016 have not been recalculated according to IFRS 15.

The numbers for 2016-2018 have not been recalculated according to IFRS 16.

5 Years in Summary*

MSEK	2018	2017	2016	2015	2014
INCOME STATEMENT					
Revenue	830.3	588.4	501.3	481.5	429.3
Reversed additional purchase price	11.7	-	-	-	-
Operating expenses	-653.1	-485.6	-382.5	-371.4	-335.5
Operating profit	188.9	102.8	118.8	110.0	93.8
Net financial items	-27.7	-5.2	5.2	2.5	1.5
Earnings before tax	161.1	97.6	124.0	112.5	95.3
Profit for the period	141.7	82.5	94.6	88.0	74.5
Net profit	141.7	82.5	94.6	88.0	74.5
BALANCE SHEET					
Intangible assets	1 381.4	522.2	499.2	128.4	128.1
Other fixed assets	33.7	31.0	34.4	8.5	9.5
Other financial fixed assets	3.1	2.7	6.5	2.0	0.5
Financial assets held for sale, non-current	-	62.1	-	70.7	14.3
Current receivables	426.8	203.6	219.4	196.2	150.6
Financial assets held for sale, current	-	40.2	-	-	20.6
Cash and cash equivalents	74.7	312.0	223.5	132.8	180.4
Total assets	1 919.7	1 173.8	983.0	538.6	504.0
Shareholders' equity	985.8	754.2	422.9	398.9	400.3
Long-term liabilities, interest-bearing	539.8	82.0	116.0	-	-
Long-term liabilities, not interest-bearing	86.8	161.8	161.9	21.5	16.2
Current liabilities, interest-bearing	94.3	34.0	34.0	-	-
Current liabilities, not interest-bearing	212.9	141.8	248.2	118.2	87.5
Total equity and liabilities	1 919.7	1 173.8	983.0	538.6	504.0
CASH FLOW					
Cash flow from operating activities	168.6	116.6	128.1	104.6	116.2
Cash flow from investing activities	30.5	-139.7	49.6	-52.8	-48.9
Cash flow from investing activities - divested business	-	-	-	-	10.4
Cash flow from investing activities - acquisition of business	-954.4	-96.3	-139.6	-	-
Cash flow from financing activities	514.2	206.6	56.2	-100.1	-64.6
Cash flow for the period	-241.1	87.2	94.3	-48.3	13.1
KEY FIGURES					
Revenue growth, %	41	17	4	12	5
Operating margin, %	22.7	17.5	23.7	22.9	21.9
Profit margin, %	19.4	16.6	24.7	23.4	22.2
Return on capital employed, %	17.0	16.3	27.8	29.7	25.7
Return on equity, %	16.3	14.0	23.0	22.0	19.3
Return on total capital, %	13.8	11.1	18.1	22.9	21.1
Interest coverage ratio, times	4.1	5.4	10.2	16.2	24.5
Equity ratio, %	51.4	64.3	43.0	74.1	79.4
Liquidity, %	163.2	316.1	156.9	278.3	401.8
Average number of employees	563	467	410	400	392
Net sales per employee, MSEK	1.47	1.26	1.22	1.20	1.10
Net asset value per share, SEK	50.99	39.00	26.61	25.06	24.81
Earnings per share, SEK	7.33	4.69	5.95	5.49	4.58
Transfer to shareholders per share, SEK ¹	-	-	2.00	4.20	3.60

*The numbers for 2014-2016 have not been recalculated according to IFRS 15.

The numbers for 2014-2018 have not been recalculated according to IFRS 16.

¹ Transfer to shareholders proposed to the 2019 Annual General Meeting.

Financial Definitions and Alternative Performance Measures

Cash flow from operating activities per share: Cash flow from operating activities in relation to the average number of shares.

Capital employed: Total assets less non-interest-bearing liabilities including deferred tax liabilities. Average capital employed is computed as opening plus closing capital employed divided by two.

Debt service ratio: Cash flow from operating activities - ongoing investment + total financial expenses) in relation to the principal and total financial costs over a reference period of twelve (12) months.

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

EBITDA: Earnings before financial items plus depreciation.

Equity per share: Equity in relation to the total number of shares outstanding.

Equity ratio: Equity including minority interests in relation to total assets. Interest coverage ratio: Profit after financial net plus financial costs in relation to financial costs.²

Gross margin: Gross profit less reversed additional purchase price in relation to turnover.

Interest coverage ratio: Profit/loss after financial items plus financial expenses in relation to financial expenses.²

Liquidity: Cash and cash equivalents, including current investments and receivables, in relation to current liabilities.

Net asset value per share: Net asset value, equivalent to equity, in relation to the total number of shares outstanding.

Net cash position: Cash and cash equivalents and financial investments less interest-bearing liabilities and unconditional acquisition-related liabilities.

Net debt: Interest-bearing liabilities and unconditional acquisition-related liabilities less cash and cash equivalents and financial investments, i.e. negative net cash.

Non-recurring items: Items of a non-repeat nature in normal operating activities. Non-recurring items include restructuring expenses, expenses for legal consulting relating to major disputes and transaction and integration expenses for major acquisitions. Transaction expenses include costs for legal and financial consulting, but exclude financing expenses. Reversed additional purchase price are also included in non-recurring items. The purpose of specifying these items is to clarify the progress of underlying operations

Operating margin: Operating profit in relation to revenue.

Operating profit excl. non-recurring items: Profit from operations before financial items and tax, adjusted for non-recurring items.

Profit margin: Profit/loss after financial items in relation to revenue.

Return on capital employed: Operating profit plus financial income related to average capital employed.

Return on equity: Profit (loss) after tax in relation to average equity.

Return on total capital: Profit after financial items plus financial costs² in relation to average total assets.

Revenue growth¹: Revenue in the period in relation to the previous period's revenue.

Revenue per employee: Revenue in relation to the average number of employees.

Transfer to shareholders per share: Dividend for the current financial year divided by the number of shares on the reporting date.

The Interim Report for the first quarter 2019 uses non-IFRS measures that Enea and other parties use to evaluate Enea's results of operations. These measures provide management and investors with significant information to analyze trends in the company's business operations. These non-IFRS measures are intended to complement, but not replace, financial measures presented in accordance with IFRS.

1. Reconciliation of revenue growth

	Jan-Mar		Full year
	2019	2018	2018
Revenue, SEK million	240.9	170.3	830.3
Revenue growth, %	41	19	41
Revenue growth currency adjusted, %	34	21	38
SEK million			
Revenue growth based on unchanged exchange rates compared with the previous year	58.0	30.4	222.7
Currency adjustment revenue growth	12.6	-2.8	19.2
Reported revenue growth	70.6	27.6	242.0
%			
Revenue growth based on unchanged exchange rates compared with the previous year	34	21	38
Currency adjustment revenue	7	-2	3
Reported revenue growth	41	19	41

2. Reconciliation of financial net

	Jan-Mar		Full year
	2019	2018	2018
Financial income, SEK million	4.9	6.1	24.9
Financial expenses, SEK million	-12.3	-13.4	-52.6
Reported financial net, SEK million	-7.4	-7.3	-27.7

Technology Insight

Enea's technology for SD-WAN

What is SD-WAN?

Software-defined wide area networking (SD-WAN) is a technology that utilizes virtualization in the form of software-defined networking (SDN) to connect branches to each other, and to head office. The purpose of SD-WAN is to provide secure, high-quality connections, and to simplify links to various cloud services using a regular Internet connection, at a lower cost than previous methods. All communication between head office and local offices is secure, as is communication to and from cloud services.

Why businesses choose SD-WAN

Businesses are upgrading to SD-WAN to achieve superior performance for applications, simplify their networks and reduce the cost of managing the technology platforms at local offices. The underlying technology trend for this involves digital transformation (network virtualization, big data and mobility), and the continued usage of cloud-based services like SaaS applications (MS Office 365, Salesforce.com etc.)

SD-WAN also brings better flexibility and finances than traditional connections, generating cost savings of up to 50 percent. One way to cut costs is to employ universal customer premises equipment (uCPE) which enables businesses to consolidate network functionality like reporting, security and routing on software-independent, standard hardware (white boxes).

The SD-WAN market

There is a burgeoning market for hardware, software and services associated with SD-WAN.

In a report, sector analyst Gartner predicts cost savings and performance gains of over 30 percent for all businesses that use SD-WAN by year-end 2019. IDC, another sector analyst, describes SD-WAN as "the backbone of the enterprise," with this market segment growing by 40.4 percent yearly, to hit USD 4.5 billion by 2022.

A new report from IHS Markit, which focuses on hardware and software (Enea addresses the software segment), estimated that in the fourth quarter 2018, the SD-WAN market grew by 26 percent on the previous quarter, to USD 359 million.

Enea's SD-WAN products

Enea offers two products for the SD-WAN market: Qosmos ixEngine and Enea NFV Access

Qosmos ixEngine

SD-WAN solutions need detailed information on network traffic, delivered in real time. Qosmos ixEngine generates information on traffic from multiple applications, insights that can then be used in other functionality such as traffic routing, QoS, cyber security and reporting.

To date, more than half a dozen SD-WAN specialists have embedded Qosmos ixEngine in their products, including two of the three largest vendors. Enea is also in discussion with several other players.

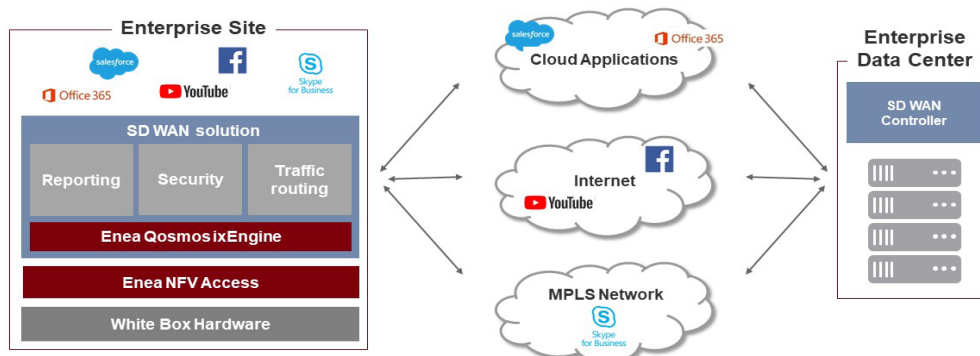
Enea NFV Access

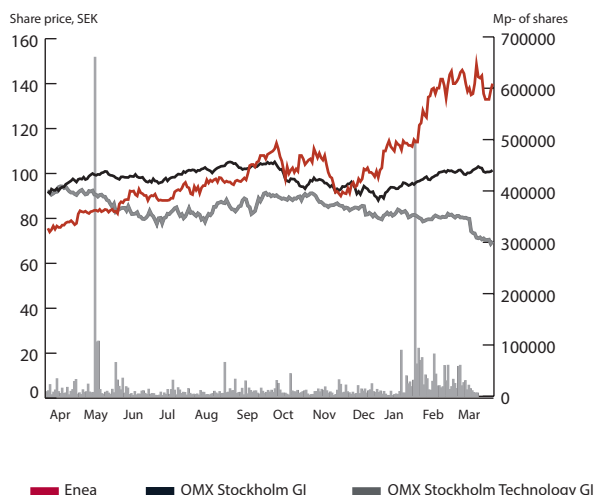
Enea's experience as a developer of operating systems for real-time critical environments enables us to also deliver solutions at the network edge, close to consumers and enterprises. We developed Enea NFV Access as a high-performance virtualization platform for uCPE with associated application software management support. These applications can, for example, be security functions to protect enterprise networks from intrusion. The combination of SD-WAN technology and uCPE can be used for simpler and more efficient handling of enterprise networks. We are now in active discussions with potential partners that want to benefit from this new technology.

For more information:

<https://www.enea.com/products/nfv-virtualization-platforms/enea-nfv-access/>

and <https://www.qosmos.com/telecoms/sd-wan/>





The share

January - March 2019

Share price development:	37.93 %
No. of traded shares:	2 048 251
Highest closing price:	148.50 SEK
Lowest closing price:	102.50 SEK
Dividend 2019*:	00.00 SEK
Market Cap (31 Mar):	2 751 SEK million
Total No. of shares (31 Mar):	19 650 231

* Proposal for the Annual General Meeting 2019

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Financial Information

Annual General Meeting	6 May, 2019
Interim report Apr-Jun	18 July, 2019
Interim report Jul-Sep	23 October, 2019
Annual statement	30 January, 2020

All financial information is published on Enea's website
www.enea.se

Financial reports can also be ordered from
Enea AB, P.O. Box 1033, SE-164 21 Kista, Sweden
or by email: ir@enea.com

This report contains forward-looking statements that are based on the current expectations of the management of Enea. Although management believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove correct. Accordingly, results could differ materially from those implied in the forward-looking statements as a result of, among other factors, changes in economic, market and competitive conditions, changes in the regulatory environment and other government actions, fluctuations in exchange rates and other factors. This document is essentially a translation of Swedish language original thereof. In the event of any discrepancies between this translation and the original Swedish document the latter shall be deemed correct.