2019

ANNUAL REPORT

ENEA

Enea in Brief

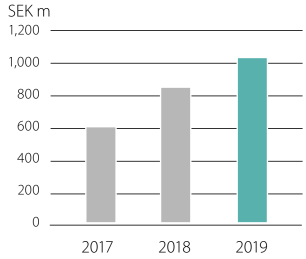
SEK 1,012 MILLION
Revenue

25.5 PERCENT
Operating margin excl. non-recurring items

24.3 PERCENT
Research and development

Enea is one of the world's leading providers of software products for telecommunication and cybersecurity. It focuses on products created for cloud platforms and 5G in core networks, virtualization, and traffic intelligence. Over three billion people rely on Enea's technology every day when using their mobile phones or connecting to the Internet.

REVENUE



Organization and Offering

Enea has development centers and sales offices in Europe, North America, and Asia. The company's portfolio has the following product segments:

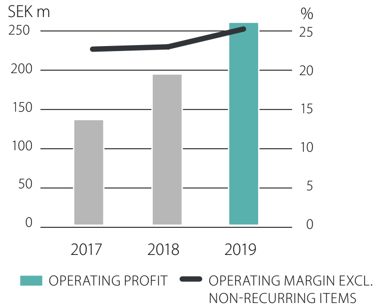
- Cloud data management
- Mobile traffic management
- Policy and access control
- Embedded traffic intelligence
- Virtualization platforms
- Real-time operating systems

Enea also has a global services organization developing software on assignment from customers in different sectors subject to stringent performance and reliability standards. Engineers in this part of Enea's organization have executed development projects for customers that work on solutions for medical devices, the aviation industry, and aerospace technology.

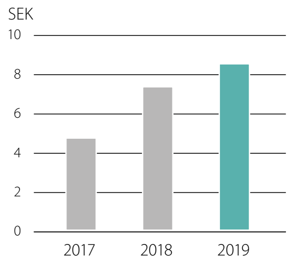
Historically, data communication solutions have been Enea's core business since the company was founded over 50 years ago. Enea was the first company in the Nordic region to connect to the Internet, and received the first email in Sweden. The company also registered Sweden's first Internet domain, and at an early stage, was the hub of all Internet traffic in Sweden.

Enea was one of the pioneers behind the emergence of the Internet and mobile data communication, and continues to drive technological evolution by delivering market-leading products and solutions.

OPERATING PROFIT AND OPERATING MARGIN EXCL. NON-RECURRING ITEMS



EARNINGS PER SHARE



HEADQUARTERS: Stockholm, Sweden

NUMBER OF EMPLOYEES: 661

STOCK EXCHANGE: Nasdaq Stockholm

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Strong Position on an Uncertain Market

2019 was another strong year for Enea, with increased sales, many new customers and more competitive offerings. Increased traffic and demand for new services in telecom and enterprise networks continue to drive market development towards 5G.

In 2019, Enea continued the positive progress the company has featured in recent years. From being a leader in one segment (operating systems for mobile networks), we have developed Enea into a company with global leadership in several different market segments, and initiatives in growth segments like 5G and cybersecurity.

For the first time in the company's history, we could report revenue of over SEK 1 billion, and our highest yearly earnings ever, with an operating margin of 25.5 percent excluding non-recurring items. Our financial position is strong, with low borrowing in relation to operating profit. Much of this success is due to Enea's business model, which is based on software sales with good margins, a high share of recurring revenue and strong cash flow.

A growing revenue share is sourced from the Network Solutions segment, now clearly our largest product group. A number of successful acquisitions have made us stronger as a company, and more attractive to partners and customers. Based on these experiences, we're continuing to screen strategic acquisitions that can extend our offering and increase our earnings capacity.

"For the first time in the company's history, we could report revenue of over SEK 1 billion."

Focusing on the Customer

Enea has two long-term key accounts in the Operating System segment, and most of the revenue for this product group is still from these accounts. Accordingly, I'm pleased that in recent years, we've built a broader base of strategic relationships in other segments. Our customer base includes several major system vendors that embed our products into larger systems. For example, we've been entrusted to supply traffic intelligence products for two of the largest vendors of enterprise networks in the US. In this context, our software is used to improve cybersecurity, which is becoming increasingly important for many businesses.

We also sell products directly to some of the world's largest and most prominent telecom operators. New technology for cloud solutions creates business opportunities for software providers like Enea. With standard platforms, customers can select suppliers of different software components more easily.

We've already signed this type of contract with operators in the US and Germany, and our ambition is to move into more countries.

Another Successful Acquisition

Our latest acquisition – a policy and access control business unit – has performed above plan, and rapidly become an integrated and important part of Enea. Policy and access control is used in all the world's 3G and 4G networks. This functionality will also be required in 5G networks to manage subscriptions, as well as traffic from subscribers and the Internet of Things. An increasing number and greater variety of connected devices will create a demand for more network capacity and new functionality.

We anticipate the market for 5G core networks to grow in the coming years, starting in 2020. Enea is currently a challenger in this segment, and to increase our market share, we've prioritized interoperability with existing networks and software from other vendors.

Mobile operators welcome the opportunity to build 5G networks in a flexible and cost-efficient way, by combining software from specialized providers that are market leaders in their individual product segments.

Strong Finances

The investments and acquisitions we've made in recent years required capital injections. We satisfied this capital need mainly with a bond loan and credit facilities from banks. The bond loan has served us well, but to reduce interest expenses, and certain constraints on corporate governance, we decided to execute a directed share issue and repay the bond loan in advance. This action will have a positive impact on earnings per share as early as from 2020.

Core Values

As a company, we've undergone fundamental change. Our operations are largely new, and we have colleagues in many locations around the world. That's why shared core values are an important tool for creating a positive spirit and common corporate culture.

> **“The introduction of 5G technology will create more opportunities in the telecom sector.”**

Together with the management team, all staff have selected five values to permeate their day-to-day work – customer focus, accountability, innovation, agility, and teamwork. We’ll be making sure that these values direct how we work internally, and also how we help our customers.

Summary

We can look back on a year with a lot of positive changes and good outcomes. At the same time, we’re now witnessing the corona pandemic causing huge uncertainty, even if we believe the drivers of increased traffic and new services in telecom and enterprise networks will be sustained.

Enea is an innovation business that creates the communication solutions of the future in close partnership with its customers. We are continuing to work towards our ambition of increasing the company’s revenue with good profitability.

Finally, I’d like to thank all our customers, colleagues and shareholders for their support. Together we will build the future Enea!

Jan Häglund
President and CEO

March 2020

Telecommunication and Cyber-security – Enea's Key Segments

Enea's business concept is to sell software as a product and service. Its product portfolio includes software components and complete solutions. The company operates several parallel business models involving direct and indirect sales.

Market Strategy

Being selective and focusing on market segments offering good profitability and growth potential is an important part of Enea's strategy. The company has purposefully developed specialist skills to become the market leader in these segments. At present, Enea is a leader in segments such as embedded traffic intelligence, mobile video traffic management, and real-time operating systems for radio base stations in mobile networks.

Investment Segments

In addition to those segments where Enea is a leader, the company is making significant investments in other strategic segments. Based on global technology trends and the business opportunities they create, Enea is investing in core networks for the next generation of mobile systems (5G) where acquisitions in recent years have added key competences, products, and customer relationships in traffic and data management. Enea also invests in the development of platforms for the network edge, where applications for connecting SD-WANs are an expansive market segment. These platforms can be considered the natural evolution of Enea's business in embedded operating systems.

Cybersecurity is another such segment. Enea is enhancing traffic intelligence products, enabling the creation of new applications for capturing and analyzing traffic in data networks.

Acquisition Strategy

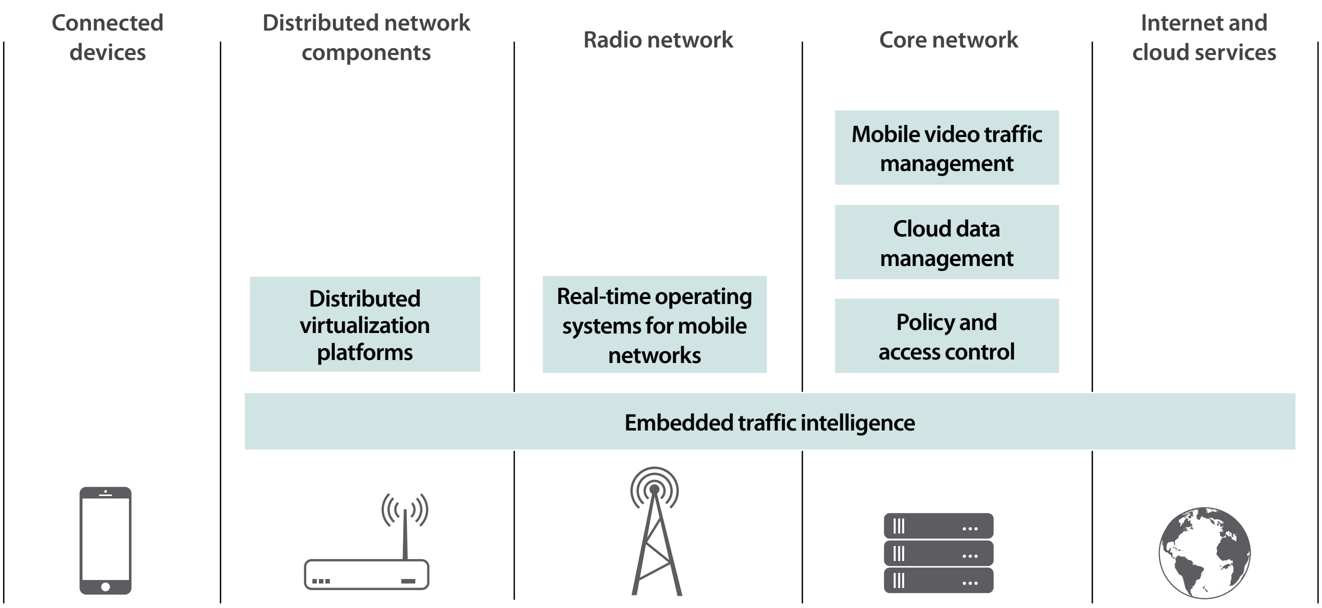
Enea continuously screens acquisition candidates that could complement its product portfolio and increase its growth rate. In the past four years, Enea has successfully executed three major acquisitions, rapidly integrating them into its operations. The most recent example is a business unit focusing on policy and access control, which Enea acquired in the first quarter of 2019.

By combining investments in organic growth and acquisitions, Enea has successfully addressed the forecast downturn in its Operating Systems segment, creating completely new business opportunities in the Network Solutions segment.

Components and Complete Solutions

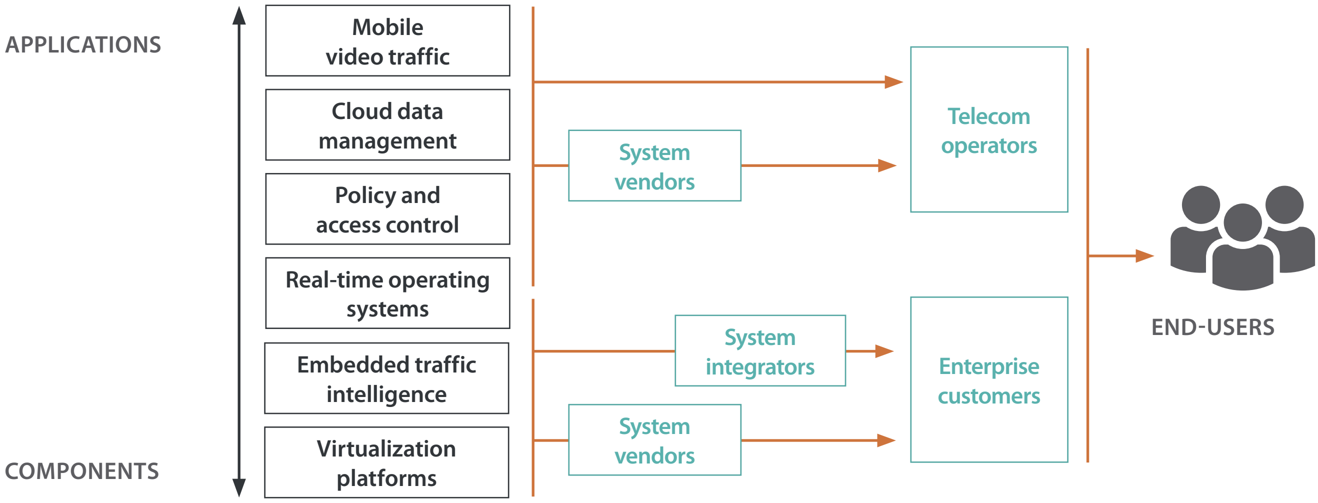
Enea has extensive experience of selling components that can be integrated with various systems and solutions. Most of these contracts are signed with major system vendors, which means that when these customers are successful, Enea is successful too.

Sales of embedded components remain an important part of Enea's business, but the company has expanded its product portfolio and kept developing its business models.



Enea focuses on a cluster of selected key segments, where it pursues leadership.

PRODUCT PORTFOLIO AND SALES MODELS



Thanks to a broader-based offering and larger product portfolio in Network Solutions, the company now has significant direct sales to end-customers like telecom operators.

Business and Sales Models

Enea has two main sales models, direct sales to end-customers and indirect sales through partnerships. Direct sales of turnkey solutions to operators are mainly in mobile video traffic management, cloud data management, and policy and access control.

Indirect sales involve component sales to system vendors or system integrators, who in turn, deliver and implement complete solutions. This sales model is mainly in real-time operating systems, embedded traffic intelligence, and virtualization platforms.

The capability of operating several different business and sales models in parallel enables Enea to reach customers worldwide and across multiple market segments in telecom and enterprise networks.

Strategy

Enea focuses on a cluster of selected key market segments and pursues leadership in them. The company invests in organic growth based on global technology trends, while retaining profitability and financial strength to enable complementary acquisitions.

5G – Shorter Response Times, Higher Data Volumes, and More Connected Devices

There is growing interest in the next generation of mobile systems (5G). The rollout of this type of network will accelerate over the coming years, enabling new applications and driving development of the Internet of Things. This implies greater demand for secure and reliable systems to manage traffic and data.

Global Trends

Enea continuously monitors external factors and global technology trends to adapt its strategy and business operations, which is imperative to ensure the company's growth and success.

Virtualization and cloud solutions represent one of the main global trends. Software is becoming increasingly independent of equipment, offering competitive advantages to independent and pure-play software providers like Enea.

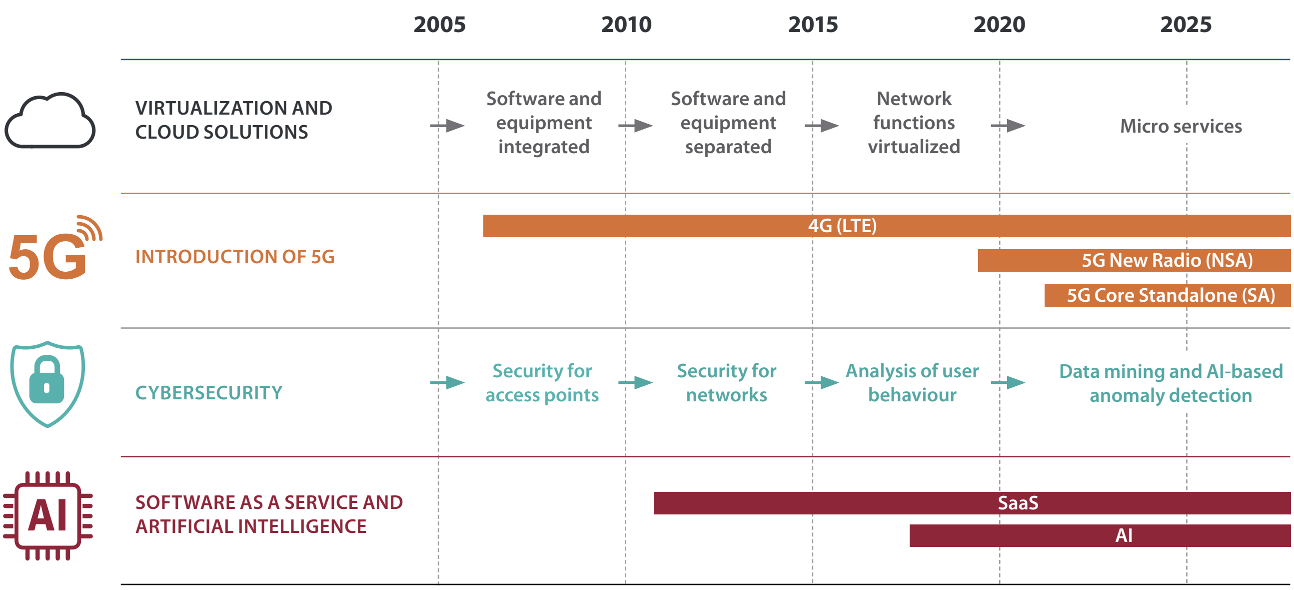
This trend also means that software is becoming more frequently divided into well-defined and interchangeable components and function blocks – another advantage for specialized companies aiming for market leadership in selected segments.

The whole telecom industry is now discussing 5G, the fifth generation of mobile networks. This standard brings an all-new architecture for core networks, with well-defined function blocks, which are natively designed for cloud solutions. This creates opportunities for Enea to assume leadership in key segments like data management

Increasing volumes of data traffic and a complex mix of cyber threats are accentuating the demand for cybersecurity. Advanced technology and specialized products are necessary to classify network traffic and prevent breaches, sabotage and theft of intellectual property. Enea's software in this segment is a market-leading product and an integrated part of the solutions offered by many security vendors.

The usage of open source is another trend, and the first choice for many system developers. Enea uses open source in some form in most of its products. This has enabled the rapid development of its product portfolio in the Network Solutions segment for example. At the same time, the usage of open source has clearly reduced the demand for Enea's proprietary real-time operating system products.

GLOBAL TECHNOLOGY TRENDS



Software as a Service (SaaS) is enjoying growing market acceptance, as are solutions based on artificial intelligence. Enea has already launched offerings where these new business models and technologies are important components.

Managing Mobile Video Traffic

Video is the fastest growing type of traffic in mobile networks, and operators need to be able to manage and optimize encrypted video traffic. Research conducted by Cisco (Visual Networking Index, 2019) indicates that video traffic will constitute nearly 80 percent of all mobile traffic within two years. To retain subscriber loyalty, while simultaneously limiting investment in infrastructure, operators have to optimize video traffic and ensure a good user experience without delays and distortion effects. They will also need to consider implementing new business models centered on video traffic to boost their revenue and maintain profitability.

Cloud Data Management

The rollout of 5G will enable new types of solution where the actual application software and associated data are managed separately. Research conducted by IDC also indicates that there will be 41.6 billion connected devices by 2025. This implies completely new requirements on data management systems for 5G services and the Internet of Things. High availability, reliability, as well as extremely short response times, are fundamental criteria for various types of real-time functionality. Scalability and flexibility are two other key aspects and cloud systems will be part of the solution in these cases.

Core Networks for 5G

The critical functions of well-designed 5G networks are not only on the radio network side, but also in the core network. This includes policy and access control. By planning for various scenarios, operators can define rules that automatically manage high traffic load and prioritize traffic that cannot be delayed, for example. Access control is a related function that verifies user subscriptions and opens access to services.

Cybersecurity

Different types of traffic can be classified and measured using a technology called Deep Packet Inspection, enabling traffic optimization and a good user experience. This technology is also the foundation of cybersecurity solutions, and can prevent unauthorized access, while facilitating the identification of malicious traffic. Traffic intelligence is embedded into solutions for telecom and enterprise networks such as components in firewalls and various cybersecurity services.

Virtualization

For several years, telecom operators have been virtualizing core network functionality. There is a wealth of advantages – more flexible solutions, better utilization of available resources and a wider selection of software providers. At the same time, new cloud technology has created new requirements on skills, working methods, operation and maintenance systems and business relationships. This process has now reached the network edge, where similar concepts can offer many benefits. Enea was one of the first suppliers to offer SD-WAN solutions that can replace traditional enterprise networks, cutting costs for a raft of operations.

Summary

The market for telecommunication and cybersecurity is continuing to evolve rapidly, due to the innovation of technology and business models. Enea is well positioned to exploit the business opportunities created by this progress, and maintains business relationships and active dialogue with most of the customers driving this market forward.

Enea – A Software Company

Enea delivers products and solutions for telecom and enterprise networks, and provides product-related services such as training, integration, and technical support. The company also offers operating systems for various types of application, and does some specific software development work on assignment from customers.

Market Segments

Enea's product and service portfolio can be divided into three market segments:

- Network Solutions – software to optimize database communication and platforms for network function virtualization (NFV).
- Operating Systems – software that serves as the link between computer equipment and the applications that customers use.
- Software Development Services – software development on assignment from customers.

The product portfolio for the Network Solutions market segment was supplemented at the beginning of the year by the acquisition of a business unit focused on developing software for policy and access control.

Products

The following section reviews Enea's main products and services in each market segment.

Network Solutions

In the Network Solutions market segment, Enea delivers products for cloud solutions that satisfy the telecom and IT sectors' stringent reliability and security standards. This part of Enea's portfolio includes the following products and solutions:

Enea Access Manager – a product enabling mobile operators to authenticate user subscriptions and control access to services based on subscriber permissions.

Enea Policy Manager – a product enabling mobile operators to automatically control the usage of network resources, thus enhancing the user experience of different services.

Enea Unified Data Manager – a product enabling mobile operators to manage data related to subscriptions and services for any underlying database.

Enea Stratum Cloud Data Layer – a product enabling mobile operators to build databases that store information related to subscriptions and services securely.

Enea Encrypted Video Manager – a product enabling mobile operators to optimize video and data traffic for a superior user experience and cost-effective network solutions.

"Enea's engineers and project managers have extensive experience of software development, and take overall responsibility for everything from design and coding to project management, quality assurance, and training."

Enea Qosmos ixEngine – a product enabling the classification of data traffic in telecom or enterprise networks, improving cybersecurity and simplifying network planning.

Enea Qosmos Probe – a product that builds on Enea Qosmos ixEngine, providing similar functionality, but delivered in the form of a software probe for customers that want to simplify the integration process.

Enea NFV Access – an NFV platform distributed to the edges of various networks, for example in software-defined wide area networks (SD-WANs).

Operating Systems

In its operating systems market segment, Enea delivers real-time operating systems that provide support and are primarily intended for applications with extreme performance and predictability standards. This part of Enea's portfolio includes the following products and solutions:

Enea OSE – a real-time operating system that supports the communication interface between applications, primarily optimizing processor capacity and usage.

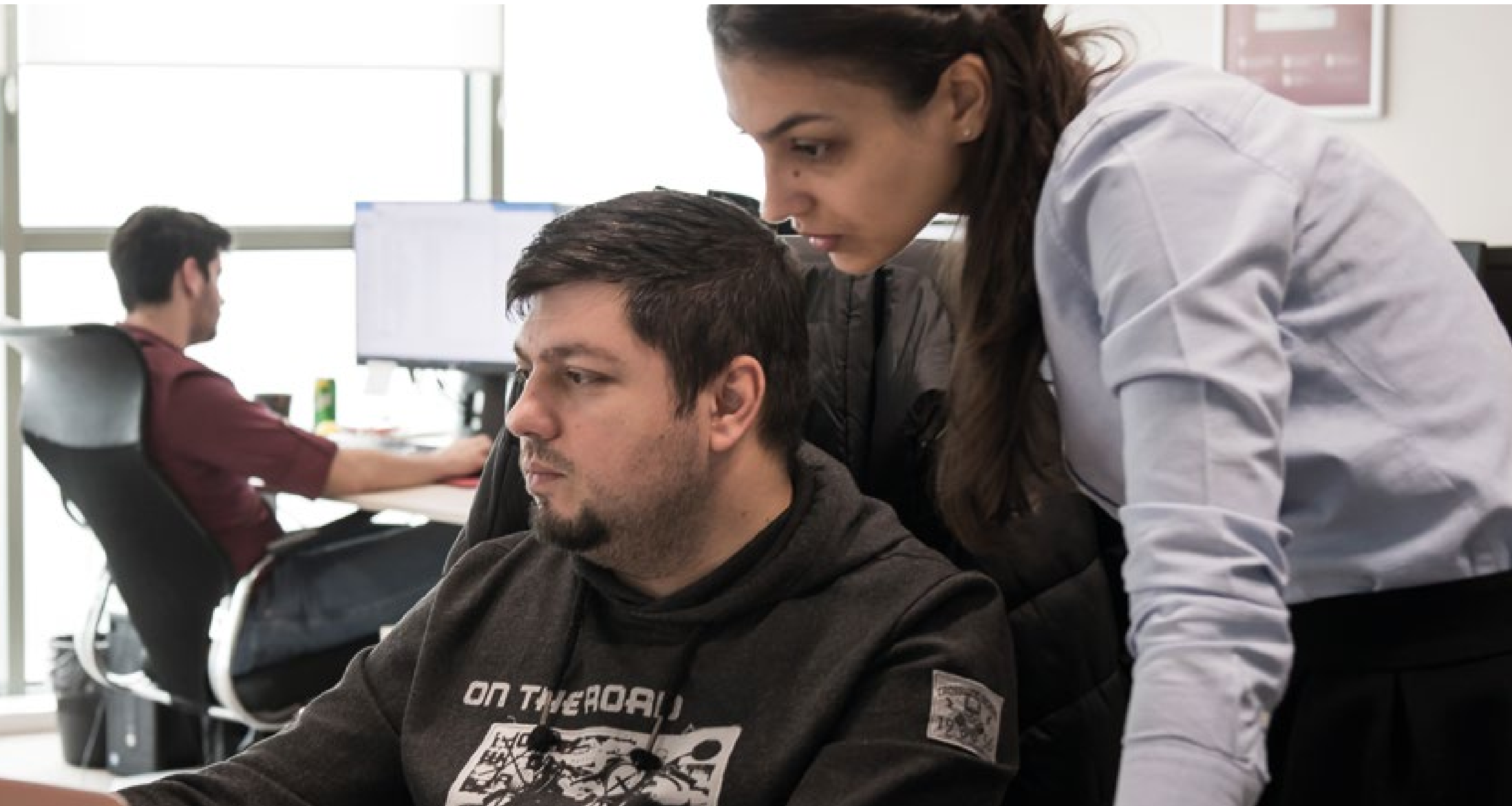
Enea Linux – an open source operating system (the Yocto Project, part of the Linux Foundation), which has been specifically developed for telecom and enterprise networks.

Software Development Services

In its Software Development Services market segment, Enea helps customers in different sectors around the world to execute complex development projects, often developing software for high-technology solutions with demanding reliability and availability standards. Clients are in sectors including medical devices and aerospace technology, as well as the aviation industry.

Enea's engineers and project managers have extensive experience of software development, and take overall responsibility for everything from design and coding to project management, quality assurance, and training.

"Enea's market-leading products are natively designed for cloud solutions and satisfy the telecom and IT sectors' challenging reliability and security standards."



Enea's Employees

It is important for Enea that all staff feel a sense of community and contribute to the company's success. The single most important factors to acheive the company's ambitious goals are the skills and capabilities of its employees.

"Diversity is an essential factor for Enea's creativity and innovative capability."

Core Values

Enea's corporate culture and ways of working are permeated by five shared core values, which have been formulated in dialogue with employees in a series of workshops at Enea's local companies. These core values form a platform for how all staff conduct themselves in work situations, towards customers and colleagues, making Enea a successful and attractive employer.

Enea should operate with *agility* and adapt its business to new market trends, while encouraging *innovation* to exploit new business opportunities. *Customer focus* is a key element for the company, which always puts the needs and requirements of customers first. Enea's staff satisfy customer expectations by demonstrating *accountability*, which ultimately, means greater customer satisfaction.

All our work should also be permeated by *teamwork*. This means that all employees help each other face challenges and share positive feedback and successes.

Human Resources Policy

Enea aspires to be an attractive employer with highly committed people. In line with this, the company works actively on individual competence development, promoting a healthy working environment and a good work-life balance. These initiatives are based on the understanding that colleagues who are happy and feel well also perform better.

Enea is a company with headquarters in Sweden, an international business and global presence. It currently has 661 employees, the large majority being technology graduates.

It is critical that the company is at the leading edge of research and development. To utilize local skills, a number of development centers have been established in Europe and Asia (India), and Enea's global presence also facilitates recruitment. Most Enea employees are stationed in Romania, where the Software Development Services business operates, and where part of the organization also works on developing Enea's proprietary products.

Enea – A Learning Organization

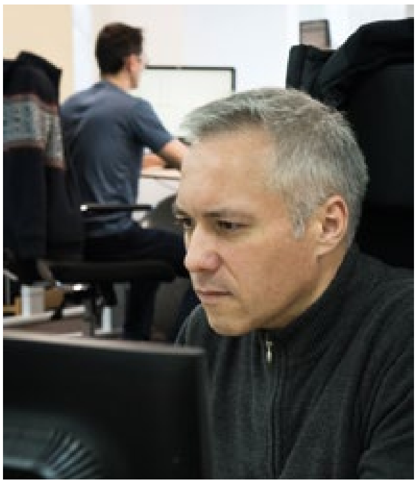
The business environment and market segments like telecommunication and cybersecurity are evolving at an accelerating rate. This is why it is important for Enea to give current and future employees the opportunity to develop new skills. Primarily, this is achieved by means of continuous learning at work. Enea currently consists of five business units, all of which have professionals with unique specialist skills in each market segment. This means that collaboration and exchange of best practice across organizational borders

also represent an opportunity to develop new skills. Enea's employees have individual development plans based on the company's needs, and their individual interests.

Diversity in an International Environment

Diversity is an essential factor for Enea to enable the creativity and innovative capability necessary to remain a successful company, and widen its perspective on the challenges the company faces. Given that Enea is a global corporation, it is important that the organization reflects the customer's organization, and that employees possess knowledge of local markets, as well as an understanding of different cultures.

Enea aspires to achieve a more even gender division, and has an objective to hire more women, as the majority of employees are currently men (79 percent). Accordingly, Enea is working actively to create an attractive workplace for both genders, and is facilitating this recruitment process, especially in functions that work on product development.

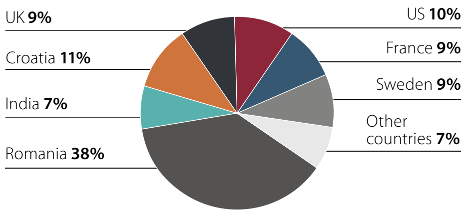


Leadership

Good and effective leaders are characterized by trust in their own leadership and the skills of the employees. Good leadership is also about understanding people and why they act differently in similar situations.

Enea uses various initiatives to give its staff and managers an opportunity to evaluate their efforts and gain valuable insights. For example, many managers received "360 Feedback" during the year, and there is also a well-functioning process for staff appraisal interviews.

EMPLOYEES BY COUNTRY



CORE VALUES

Customer Focus – we spend time on understanding customer requirements, to ensure mutual success

Accountability – we honor commitments and deliver on promises, to customers and to each other

Innovation – we promote trying new concepts, business models and ways of working

Agility – we move quickly, adapt to change and embrace new opportunities

Teamwork – we compete and win as one team and one company, not as individuals

Shareholder Information

Enea AB had its initial public offering in 1989 and has been quoted on Nasdaq Stockholm Mid Cap (ENEA) since July 1, 2007.

Share Price Performance

In the year, Enea's share price varied between a low of SEK 102.50 on January 2, and a high of SEK 198.50 on December 9.

The closing price at year-end was SEK 181.00, which means that Enea's share price increased by 78.3 percent in the year. This can be compared to the OMX Stockholm All-Share Gross Index (OMXSGI) and OMX Stockholm Technology Gross Index (SX9000GI), which rose by 34.6 and 19.1 percent respectively in the same period.

Trading Volume

A total of approximately 4 million shares were traded in the year, with total value of SEK 330 million, equating to an average of 15,047 shares per trading day.

Ownership

Enea had 8,265 shareholders as of December 31. On this date, the largest shareholders were Per Lindberg (direct and via endowment insurance) and Robur's Småbolagsfond (small cap fund). The ten largest shareholders held 60.1 (69.3) percent of the capital and votes, and foreign shareholdings were 17.9 (21.1) percent.

Source: Euroclear

Number of Shares

There were 21,615,231 Enea shares as of December 31. At the same date, Enea AB held 314,760 treasury shares, or 1.5 percent of all shares. Each share has a quotient value of SEK 1.13 and carries one vote at the AGM. The provisions of the Articles of Association mean that there is no limitation to transferability or each shareholder's voting rights at shareholders' meetings.

Capital Structure

In a company of Enea's nature, where the development and sale of software is a significant part of operations, maintaining a strong financial position is important. For Enea to also continue growing through acquisitions, the company may be net leveraged over time. The Board of Directors continuously monitors the company's long-term financing need.

Dividend Policy

Enea's long-term dividend policy is to transfer at least 30 percent of profit after tax to shareholders. However, the financial position, cash flow, acquisition opportunities and future prospects should also be considered. Given the acquisition opportunities and future prospects Enea's Board of Directors foresees for the coming years, no dividend is being proposed for 2019.

Authorization – Purchase of Treasury Shares

The AGM 2019 resolved to authorize the Board of Directors to decide on the purchase and transfer of treasury shares. The purchase of treasury shares is only permitted via Nasdaq Stockholm, or in a takeover bid to all the company's shareholders. The maximum permitted purchase is such that the holding of treasury shares at no time exceeds 10 percent of all the shares of the company. Transfer of treasury shares is also permitted by means other than via the stock exchange, including the right of transfer waiving shareholders' preferential rights, and with payment by means other than cash. A maximum of 10 percent of the total number of the shares of the company may be transferred. The above authorization may be utilized on one or more occasions and by no later than the AGM 2020. The purchase of shares on the stock exchanges only permitted within the price range quoted on the stock exchange on each occasion. Transfer coincident with business combinations is permitted at the market value determined by the Board of Directors.

The purpose of the purchase and transfer of treasury shares is to continuously adapt the company's capital structure to its capital requirements, to enable full or part-funding of business combinations, and to ensure available shares in approved Share Savings Programs.

New Share Issue

The AGM 2019 authorized the Board to decide on new share issues on one or more occasions in the period until the AGM 2020, to finance continued growth and expansion, e.g. in connection with company acquisitions.

This authorization meant that the Board is authorized to issue shares corresponding to a maximum of 1,965,023 shares, i.e. a maximum of 10 percent of the number of outstanding shares as of the date of notice to the AGM 2019.

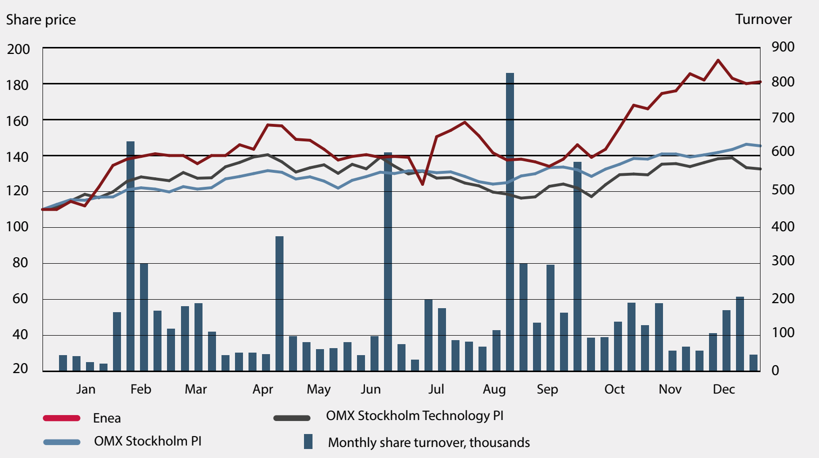
The share issue may take place with or without waiving shareholders' preferential rights. The share price of the new issue should be on market terms. Payment for new shares shall be made in cash, via offset or contribution in kind or other terms stated in chap. 13 § 5. 1 point 6 of the Swedish Companies Act, and that the Board may otherwise determine the terms and conditions of the new share issue.

Enea executed a directed share issue of 1,965,000 shares in August 2019 for consideration of SEK 271 million, implying dilution of 10 percent of the number of shares. For more information, see www.enea.com

Investor Relations

Enea's IR work features transparency, as well as relevant and accurate information. The company provides this information in the form of press releases, Interim Reports and Annual Reports, and on Enea's website. Stakeholders can subscribe to press releases and financial reports via e-mail.

THE SHARE 2019



SHARE-RELATED KEY FIGURES, SEK

	2019	2018	2017	2016	2015
Net asset value per share	69.54	50.99	39.3	26.61	25.06
Earnings per share	8.47	7.33	4.73	5.95	5.49
Earnings per share after full dilution	8.47	7.33	4.73	5.95	5.49
Cash flow from operating activities per share	12.24	8.72	6.63	8.06	6.53
Dividend per share*	0	0	0	2	4.20

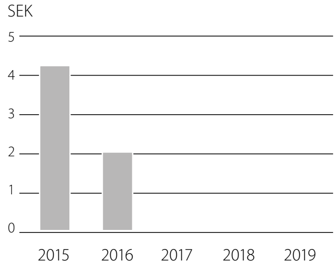
*Board of Directors' proposal to AGM 2020

DIVISION BY SIZE OF SHAREHOLDING

DECEMBER 31, 2019

Holding	No. of shareholders	No. of shares	% of votes and capital
1–500	7,101	774,371	3.6
501–1000	485	382,586	1.8
1 001–5 000	501	1,077,791	5.0
5 001–10 000	74	526,954	2.4
10 001–15 000	24	302,379	1.4
15 001–20 000	12	210,166	1.0
20 001–	68	18,340,984	84.9
Total	**8,265**	**21,615,231**	**100.0**

DIVIDEND PER SHARE



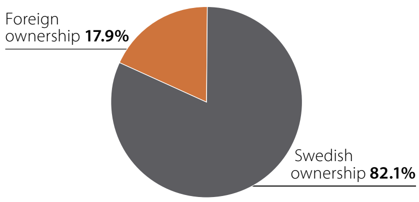
TEN LARGEST SHAREHOLDERS, BY OWNERSHIP GROUP

DECEMBER 31, 2019

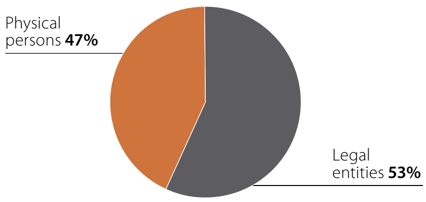
Shareholder	No. of shares	% of votes and capital
Per Lindberg	5,110,810	23.6
Försäkringsaktiebolaget, Avanza pension [1]	2,521,267	11.7
Swedbank Robur Småbolagsfond, Sweden	1,284,531	5.9
JP Morgan bank Luxembourg S.A.	1,059,146	4.9
Handelsbanken Svenska Småbolag	800,000	3.7
Swedbank Robur Småbolagsfond, Nordics	550,000	2.5
HSBC Bank PLC, W8IMY	527,367	2.4
Handelsbanken Microcap Sweden	500,000	2.3
Core Ny Teknik	337,661	1.6
Handelsbankens Nordiska Småbolag	317,898	1.5
Total, ten largest shareholders	**13,008,680**	**60.1**
Enea AB	314,760	1.5
Other shareholders	8,291,791	38.4
Total	**21,615,231**	**100.0**

[1] Per Lindberg's endowment insurance is 2,264,858 shares of this holding.

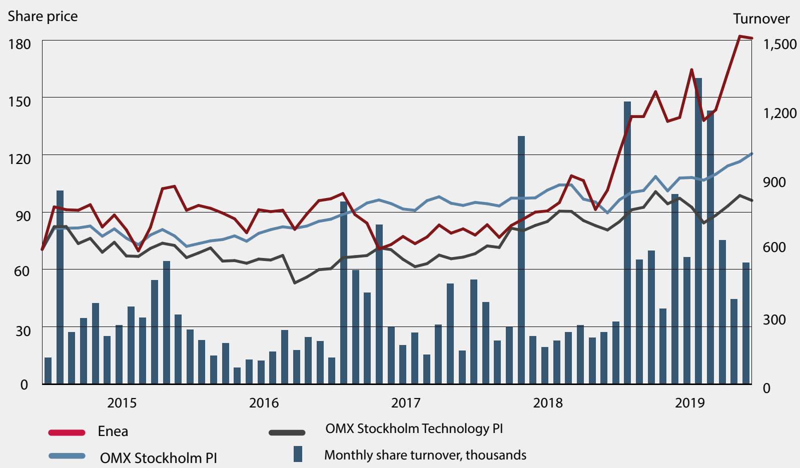
SWEDISH AND FOREIGN OWNERSHIP, BASED ON HOLDING, NO. OF SHARES



LEGAL ENTITIES AND PHYSICAL PERSONS, BASED ON HOLDING, NO. OF SHARES



THE SHARE, 2015–2019



OWNERSHIP BY GEOGRAPHICAL REGION

REGION	Share-holders, %	% of votes and capital
Domiciled in Sweden	96.3	82.1
Rest of Nordics	1.2	3.6
Rest of Europe (excl. Sweden and Nordics)	1.7	11.1
US	0.6	3.2
Rest of world	0.3	0.1
Total	**100.0**	**100.0**

Directors' Report

The Board of Directors and Chief Executive Officer of Enea AB (publ), corp. ID no. 556209-7146, with registered office in Stockholm, Sweden, hereby present the accounts for the financial year January 1–December 31, 2019 for the parent company and the group.

Enea is a global provider of software for telecommunication and cybersecurity. The company offers products in the following segments:

- Cloud data management
- Mobile video traffic management
- Policy and access control
- Embedded traffic intelligence
- Virtualization platforms
- Real-time operating systems

Software Development Services is part of this offering, and means that Enea also develops software on assignment from customers.

Network operators, system vendors and system integrators use Enea's products to create attractive and user-friendly solutions and services. Today, over 3 billion people use these solutions and services to communicate using mobile phones and the Internet. Enea is also a leading provider of software for products used in sectors with extreme availability and performance standards.

Revenue

Enea's revenue increased by 22 (41) percent in 2019 to SEK 1,012.0 (830.3) million. Currency adjusted, revenue increased by 17 (38) percent. Revenue in the Network Solutions product group was SEK 607.4 (417.2) million, an increase of 46 (132) percent, mainly due to the acquisition of a policy and access control business unit at the beginning of the year. Revenue in the Operating Systems product group was SEK 249.6 (258.7) million, a 5 (4) percent decrease, which is a consequence of Key Accounts in this market segment increasingly using open source solutions for product launches. Sales in the Software Development Services product group increased somewhat on 2018.

Profit/loss

Enea's operating profit excluding non-recurring items was SEK 258.4 (192.5) million, equivalent to an operating margin excluding non-recurring items of 25.5 (23.2) percent. Operating profit increased to SEK 254.7 (188.9) million, equivalent to an operating margin of 25.2 (22.7) percent.

The profit increase is largely related to the acquired policy and access control operation. Currency effects on the group's earnings were SEK 6.0 million. Gross margin for the full year was 73.0 (73.2) percent. The financial net for the full year was SEK -51.7 (-27.7) million. Profit after tax was SEK 169.7 (141.7) million for the full year. Earnings per share for the full year were SEK 8.47 (7.33). Without adjusting for holdings of treasury shares, and based on the total number of shares at year-end, earnings per share were SEK 7.85(7.21).

Cash Flow and Financial Position

Cash flow from operating activities was SEK 245.1 (168.6) million and total cash flow was SEK 71.2 (-241.1) million. Cash flow was mainly impacted positively by increased operating profit. Cash flow from changes in working capital varies between quarters, depending on factors including the timing of revenue receipts from major licensing deals.

Cash and cash equivalents and financial investments were SEK 146.1 (74.7) million at year-end. At the same date, total interest-bearing liabilities were SEK 362.1 (634.2) million, divided between SEK 99.1 (94.3) million of current interest-bearing liabilities and SEK 263.0 (539.8) million of long-term interest-bearing liabilities.

At the beginning of the year, Enea arranged a new SEK 80 million bank loan, which replaced a previous loan of the same amount. In August 2019, Enea executed a directed share issue raising SEK 271 million before deducting transaction costs (6 million). In October, Enea redeemed a SEK 500 million bond loan from 2018 in advance, simultaneously arranging a new, SEK 250 million bank loan.

Total assets at year-end were SEK 2,213.8 (1,919.7) million, when net debt was SEK 215.9 (559.5) million. Enea has retained a strong financial position with an equity ratio of 66.9 (51.4) percent.

Investments, Depreciation and Amortization

The group's investments were SEK 279.0 (816.3) million for the full year. Depreciation and amortization for the full year was SEK 65.3 (40.5) million. The increase mainly relates to the aforementioned acquisition of a policy and access control business unit. SEK 79.7 (60.3) million of product development expenses were capitalized for the full year, and amortization of capitalized development expenses for the year was SEK 30.0 (19.7) million.

Research and Development

Enea conducts research and development to secure its positioning as a leading technological innovator. Expenditure for research and development before capitalization increased by 23 percent to SEK 246.7 (136.3) million, or 16.5 (16.4) percent of revenue. This increase mainly relates to the new policy and access control business unit.

Parent Company

The parent company's operations mainly focus on central functions and administration in terms of business control, accounting, finance, IT, and administration. The parent company's revenue for the full year was SEK 77.6 (53.1) million, and the loss before appropriations and tax was SEK -1.3 (-1.1) million. The parent company's financial net was SEK -1.3 (-1.1) million, and its cash and cash equivalents and financial investments at year-end were SEK 1.7 (17.7) million. The parent company's investments were SEK 1.6 (1.9) million. The parent company had 13 (11) employees at year-end. The parent company does not conduct any operating activities, and its risks primarily relate to the operations of subsidiaries.

Acquisitions

On March 1, Enea acquired a policy and access control business unit, an operation that develops market-leading products in its segment. The acquisition means Enea expanding its product portfolio and potential market, simultaneous with the company migrating up in the value chain, with greater influence over relationships with end-customers.

Enea has integrated the acquisition into the Network Solutions product group. The acquired operation reported revenue of SEK 128.8 million and an operating margin above the group average for the period March-December. The acquisition was financed with cash and bank loans. The goodwill item is tax deductible, and relates to expected profitability, complementing the product portfolio and anticipated synergy effects. Acquisition related expenditure for 2019 was SEK 2.7 million, recognized in comprehensive income as consulting expenses.

Guidelines for Remuneration of Senior Executives

The guidelines for remuneration of senior executives are stated in note 4. No significant amendments are being proposed at the AGM 2020. However, the proposed guidelines are more detailed due to amendments of the Swedish Companies Act and the Swedish Code of Corporate Governance.

Other Significant Events

Jan Häglund became CEO at Enea's AGM on May 6, replacing Anders Lidbeck, who became Chairman of the Board.

Events after the End of the Reporting Period

The coronavirus (Covid-19) may affect Enea's customers, with potentially, some investment decisions being deferred. There is also a greater need for communication, creating underlying demand for telecom and enterprise network services and capacity.

First and foremost, the impact on Enea's operating activities relate to limited mobility to our offices, and in contact with customers. However, most of Enea's development and delivery can be done from home, because our products are software.

Sustainability Report

A Sustainability Report has been prepared see pages 18-19) and has been reviewed by the company's Auditors.

Dividend Policy

Enea's objective is to build a larger and stronger company that provides increasing value for customers, employees and shareholders. Acquisitions that consolidate the company's market positioning and long-term earnings capacity, and continued investments in its product portfolio are important parts of this endeavor.

To enable, and be well prepared for, this type of acquisition, Enea needs a strong and flexible capital structure. On occasion, this may mean the company is net leveraged. Accordingly, the Board of Directors needs to consider the company's long-term investment need and financial position when considering dividends.

Enea's long-term dividend policy is to transfer at least 30 percent of profit after tax to shareholders. However, this should consider the company's financial position, cash flow, acquisition opportunities and future prospects.

Given the acquisition opportunities and future prospects Enea's Board of Directors foresees for the coming years, no dividend is being proposed for 2019.

Proposed Appropriation of Profits

The following funds are at the disposal of the parent company, SEK:

Share premium reserve	562,748,745
Retained earnings	249,910,653
Profit for the year	3,227,300
Total	**815,886,698**

The Board of Directors proposes that these funds are appropriated so that SEK 815,886,698 is carried forward.

BUSINESS HIGHLIGHTS IN 2019

JANUARY

- Traffic intelligence contract worth USD 4.2 million signed with a customer in the US.
- Mobile traffic management contract worth USD 3.2 million signed with a customer in the US.

FEBRUARY

- Publication of Annual Statement for 2018.
- Åsa Sundberg voluntarily leaves the Board of Directors.
- Market-leading products and solutions showcased at the Mobile World Congress in Barcelona.
- Enea Qosmos Probe wins Product Excellence of the Year award from Info Security Products Guide at the Global Excellence Awards®.

MARCH

- Completion of acquisition of a policy and access control business unit for purchase consideration of EUR 18 million.
- Enea Qosmos Probe recognized as the Most Innovative Product in Forensics, and Most Cutting Edge Product in Threat Hunting, by Cyber Defense Magazine at the 2019 InfoSec Awards.

APRIL

- Publication of Annual Report for 2018.
- Publication of First-quarter Interim Report.
- SEK 20 million mediation settlement reached with major customer.
- Announcement of collaborative agreement on SD-WAN solutions with Fortinet.

MAY

- Annual General Meeting in Stockholm.
- Jan Häglund becomes CEO.
- Announcement of collaborative agreement on SD-WAN solutions with Lanner.
- Announcement of collaborative agreement on SD-WAN solutions with Advantech.
- Enea RAN Congestion Manager and Enea Stratum Cloud Data Manager recognized as the Most Innovative NFV and SDN Solution and Cutting-Edge Virtualization Proof of Concept respectively by Informa at Network Virtualization and SDN Europe.

JUNE

- Traffic intelligence contract worth USD 2.8 million signed with a customer in the US.

JULY

- Publication of Second-quarter Interim Report.
- Three contracts for Enea's new NFV Access product signed with customers in the Netherlands, South Africa and Saudi Arabia.
- EUR 21.2 million framework agreement on Operating Systems signed with global telecom equipment vendor.

AUGUST

- SEK 271 million directed share issue executed, number of shares and votes increases from 19,650,231 to 21,615,231.
- EUR 1.5 million access control contract signed with a customer in Germany.
- USD 2.3 million video traffic management contract signed with a customer in South-east Asia.

SEPTEMBER

- Launch of a new version of Enea Qosmos Probe.

OCTOBER

- Publication of Third-quarter Interim Report.
- Bond loan 2018/2021 of SEK 500 million redeemed in advance.
- New SEK 250 million bank loan arranged.
- Announcement of collaborative agreements on SD-WAN solutions with flexiWAN and Intel.

NOVEMBER

- Capital markets day in Stockholm.
- Apple TV+ traffic optimized using Enea's solution based on machine learning, on the same day the new streaming service was launched.

DECEMBER

- Launch of a complete solution for data management in 5G networks.

Sustainability Report

The Board of Directors and Chief Executive Officer of Enea AB (the parent company and the group) hereby present the Sustainability Report for 2019. The Report is based on Swedish law and the Swedish Annual Accounts Act.

Minimal Environmental Impact

Today's customer expects suppliers to reorient their operations and make an active contribution to a sustainable society. The objective is to reduce the consumption of the world's finite resources, and create stable energy conversion.

Many of Enea's customers develop solutions that help reduce environmental impact. In the telecom sector, Enea's products facilitate and improve remote communication, alleviating the need for physical meetings, and enabling workers to avoid travelling as much. Additionally, Enea helps its customers create products that use less energy and use resources more efficiently.

Creating innovative solutions that support sustainable development is a key component of the company's product plans. Enea's software products are mainly delivered by means of download. This implies minimal environmental impact for distribution, and obviously, invoicing and payment is electronic.

The main environmental impact of Enea's business is staff commuting to work. Accordingly, Enea always tries to find office premises with good public transport links. The company also continuously evaluates new working methods to identify alternatives that can reduce its environmental impact.

Since Enea is a global corporation with operations in many countries, tools for communication and cross-border collaboration are critical and must be reliable. To reduce internal business travel, Enea uses various types of conference call and video conferencing tool. This helps increase a sense of community, enables regular meetings, regardless of geographical distance, and avoids the negative environmental impact.

Enea complies with relevant environmental legislation and satisfies the environmental standards on the markets where the group operates. Additionally, the company avoids wasting resources by recycling materials and waste generated in office environments.

Enea and the UN's Sustainable Development Goals

Agenda 2030 and the UN's 17 Global Sustainable Development Goals offer support to the many people that work on fighting poverty, arresting climate change and achieving equality. Enea can make a direct contribution to a number of these global goals, and considers them in its strategy work and daily business. This includes the company working continuously to improve working conditions, promote human rights and protect the environment end-to-end in the value chain.

Enea makes direct and indirect contributions to social progress. The company is also responsible for generating growth and profitability for its stakeholders. Its objective over time is to increase the value of the company, and thus ensure sustainable development.

This enables Enea to contribute to stable economic progress across society through usage of the company's products and by creating new jobs.

Code of Conduct against Corruption

The risk of corruption can occur in business relationships with customers and in procurement of equipment and services. Enea's Code of Conduct summarizes the group's ethical guidelines. It ensures that the company's employees comply with laws and ordinances, and that they respect anti-corruption regulations, which involve ethical business rules and dealing with gifts.

The purpose of the Code of Conduct is to emphasize the fundamental principles that govern the way Enea conducts operations and manages relationships with its employees, business partners and other stakeholders. All major transactions or transactions with non-standard discounting are reviewed by the Executive Management Team.

Human Rights

Enea supports and respects the UN Declaration on Human Rights. The Code of Conduct the company has developed is based on the UN Global Compact, and no infringement of human rights is tolerated. It is extremely important to the company that its staff conduct themselves in a socially and ethically responsible manner.

The main risks are associated with the usage of Enea's products. Technological solutions in the communication segment can be used for good and evil, with the latter involving illegal monitoring or data collection that infringes on personal

THE UN'S SUSTAINABLE DEVELOPMENT GOALS

integrity and individual rights. To ensure that Enea'semployees comply with the company's Code of Conduct, there are detailed processes and guidelines regulating the approval and granting of individual transactions.

All major deals are reviewed by an internal committee that includes the whole Executive Management Team, and sensitive transactions involving technology subject to export controls are reviewed correspondingly, regardless of the size of deal.

In the year, Enea refrained from doing business with countries and companies that are unsuitable users of the company's products for various reasons.

Respect for Colleagues and Customers

Enea is a company where the shared core values of customer focus, accountability, innovation, agility, and teamwork, permeate operations. These values serve as an inner compass for how employees conduct themselves internally and towards customers. They also provide guidance when taking ethical standpoints, and contribute to reaching wise, long-term decisions.

Every employee should be recognized and feel that they are contributing to the success of Enea. In the long term, this helps enhance employee motivation and performance.

One precondition for Enea to stay at the cutting edge of technological evolution is the company succeeding in creating an open corporate culture with active learning and continuous skills development. The rapid transition to a digital society also means working methods must be adapted.

Gender equality and diversity are two other areas that Enea is prioritizing. They help improve decision-making, occupational health and safety and an inclusive corporate culture. Management is convinced that diversity also creates business opportunities through larger contact networks and a better understanding of individual needs.

Enea aspires to achieve a higher share of female employees (currently 21 percent) in all parts of its business operations and in management positions. Gender equality is evaluated regularly based on criteria in four segments: salary and benefits, recruitment, health and safety, and skills development.

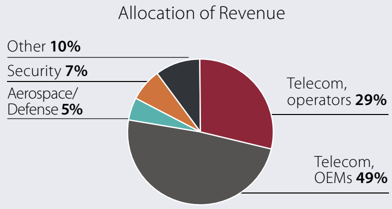
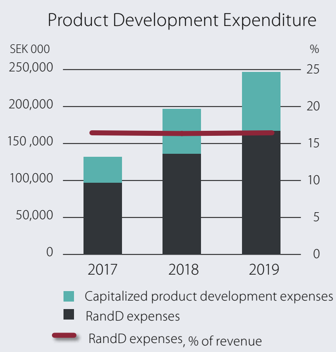
Discrimination and prejudicial treatment are two risks in the human resources area. Enea manages these risks through the company's Code of Conduct and Equal Opportunities Policy. The Code of Conduct states guidelines on individual rights and obligations, while the Equal Opportunities Policy states that no one may be subject to prejudicial treatment based on their gender, religion, age, disability, sexual orientation, nationality, political opinion, or social and ethnic origin.

Enea's open corporate culture encourages its staff to think in new ways, which has resulted in innovative products and leadership in several key market segments. Accordingly, employees having diverse backgrounds and experiences is something Enea values in recruitment. It is also a strength and competitive advantage when communicating with customers and stakeholders in different countries.

Risks and Risk Management

Enea is exposed to a number of risks that could affect the group's earnings. The company continuously identifies and manages these risks. Those judged to have the greatest significance are reviewed below, divided into the categories of business-related, market-related and financial risks.

Business-related Risks	Comment	Exposure
Customer Structure Enea is dependent on a small number of Key Accounts .	Enea Is dependent on the long-term investment and product development plans of its Key Accounts. When developing new product generations, their decisions can impact which of Enea's products and services will be used.	Total revenue from Key Accounts is some 28 percent of the company's total, significantly lower than a few years ago. The risk of rapid negative changes is limited through long-term contracts that prevent customers from terminating usage of Enea's products and services at short notice.
Contract Structure Enea's revenue consists of repeat revenue and non-recurring revenue, the latter meaning that new contracts need to be signed to enable good revenue generation.	Enea cannot influence the progress of future royalty income. Customers' production volumes are critical for the scale of these revenues. Meanwhile, the expenses for this revenue stream are limited.	Repeat revenues represent the majority of Enea's yearly software revenues.
Skills Management Enea's success is highly dependent on the company's capability to hire, develop, and retain qualified staff.	There is intense competition over qualified staff in the IT sector. However, Enea's operations, with their combination of a strong product offering and software development services, gives the company an advantage by offering more career opportunities.	Enea's staff turnover is higher in services than in product development. However, it regards staff turnover in each segment as consistent with sector averages. The fact that the company has development centers in several different countries reduces its dependency on individual key staff in each country. The group's overall staff turnover was 11.4 percent in the year.
Product Liability, Intellectual Property, and Legal Disputes Enea's products are important components in customers' solutions and faults could damage customer relations and cause damages claims. There is a risk that Enea's intellectual property is exposed to infringement. There is also risk that Enea's products infringe on other company's companies' intellectual property.	Enea is insured against damages claims and considers that the company has sufficient cover for the risk of claims to be limited. Enea also has insurance cover against the company's products infringing on other parties' patents or copyright. Enea continuously appoints legal expertise to protect its intellectual property and reduce the risks of intellectual property infringement.	Regarding legal disputes, court proceedings or arbitration procedures, Enea AB or its subsidiaries are currently involved in a small number of minor disputes. It does not consider that any of these disputes will have any material negative impact on its financial position. Disagreement over the application of contracts could result in disputes.

Market-related Risks	Comment	Exposure
Macroeconomic Progress Enea is dependent on economic progress and the growth of its major customers. Most revenues are sourced from customers in the telecom sector, which means that macroeconomic risks are not only associated with the business cycle generally, but also to progress of the telecom sector.	Poor economic conditions mainly have an impact by reducing customers' willingness to invest, leading to fewer purchases of Enea's products and services. Poorer economic conditions can also impact customers' sales, which in turn will have a negative impact on Enea's royalty revenues. Structural change can have a greater impact than cyclicality because it determines how widely embedded systems are used in different contexts. In 2020, the coronavirus (Covid-19) impacted the global economy (see page 17, comments in the Directors' Report in the section "Events after the end of the reporting period").	
Products and Technology Enea's competitiveness and market positioning is largely dependent on the company's capability of delivering innovative products, often in close partnership with customers and system vendors. The company also needs to be able to deliver products consistently with the evolution of customer needs in order to be able to grow with the market.	Close partnerships with major customers are highly significant to Enea's product development. Enea partners with a number of OEMs so it can adapt product plans to future solutions and be able to integrate products into these solutions at an early stage. Enea's product development process is well structured, but simultaneously flexible and adaptable to enable rapid realignment when customer demand and needs change.	
Competitors In the telecom sector, Enea competes with a number of independent, specialist vendors of software, but also major system providers on direct sales to operators. In other sectors, Enea competes with software vendors of about the same size that also have a global presence. There are also specialist enterprises that compete with Enea in specific niches.	Apart from competition from businesses with a similar profile and type of operations as Enea, and major system vendors, customers' proprietary software can represent a type of competition. However, this is relatively rare as software products have become more complex, often requiring specialist knowledge. For Enea's open source products, competition may also be sourced from non-commercial developers.	Enea is strongly positioned in the telecom sector, and one of the leading vendors in selected market segments, such as products for mobile video traffic management, embedded traffic intelligence, and real-time operating systems. .

Financial Risks	Comment	Exposure
Currency Currency risk means the value of financial assets may vary due to fluctuations in exchange rates.	Enea is a multinational company, the majority of whose sails are in Swedish kronor, euro, and US dollars. Currency exposure is reduced by operations being conducted through foreign subsidiaries, where most of revenue and expenditure are denominated in local currency. An account structure at group level with several different currencies minimizes the impact of exchange rate fluctuations. This account structure also confers more flexibility in terms of the timing of currency exchange. Major foreign currency contracts are hedged using currency forwards, in accordance with Enea's Finance Policy. Foreign subsidiaries are translated to Swedish kronor using the current method, which means statements of comprehensive income are translated at average rates of exchange for the period, and balance sheets are translated at closing day rates. Translation exposure is not hedged.	A total of EUR 25 (11) million was currency hedged in the year. There were 14 outstanding derivatives with total value of EUR 17 million, at a rate of 10.58 at year-end 2019. If the Swedish krona had appreciated/depreciated by an average of 5 percent against the euro with all other variables constant, revenue would have been SEK 22 million lower/higher. The corresponding figure for the US dollar is SEK 24 million.
Pricing Price risk relates to changes in value of saleable financial instruments held by the group.	Surpluses from Enea's operations may only be invested in certificates of deposit, bonds or unit trusts, as stipulated in the company's Finance Policy. Those unit trusts selected should have a mandate only permitting investment in fixed-income securities or corporate bonds with minimum ratings of BB- from Standard and Poor's or equivalent. Any investments in unclassified companies must have quantitative credit ratings at least on a par with what applies to the above fixed-income securities or corporate bonds.	Enea's price risk was previously related to holdings of corporate bonds with high credit ratings, i.e. very limited risk. At year-end, Enea had no investments in financial instruments.
Liquidity Risk Liquidity risk is the risk of not being able to fulfil payment obligations or difficulties in arranging external loans.	The operational subsidiaries prepare regular cash flow forecasts consolidated at group level. Reporting and monitoring the group's liquidity is monthly. Enea's cash and cash equivalents, mainly in the Swedish companies, and financial investments, are administered by the parent company. Surplus liquidity is invested in fixed-income securities with maturities of less than one year (in certain cases up to a maximum of two years) with reputable financial institutions. Enea is able to terminate these investments during their term. The investments have limited risk level compliant with Enea's Finance Policy.	Enea's liquidity risk is low because the company has stable cash flow and low net debt in relation to EBITDA. Net debt at year-end was SEK 215.9 (559.5) million, with SEK 146.1 (74.7) million cash and interest-bearing bank liabilities of SEK 362.1 (634.2) million. Enea has two bank loans, one of SEK 330 million, and an SEK 70 million overdraft facility, of which SEK 32 million had been utilized at year-end. The bank loans are being repaid at a yearly rate of SEK 67 million. These loans are unsecured. The loans have covenants relating to the group's debt service ratio and net debt/EBITDA. The covenants were satisfied at year-end.
Capital Management The objective of the group's capital management is to maintain a stable financial position that safeguards the group's capability to continue operations and generate returns for shareholders. This objective also benefits others stakeholders and engenders trust for creating close and long-term customer relations.	In order to maintain or alter its capital structure, the group can pay dividends or return capital to shareholders, issue new shares or sell assets to reduce its liabilities.	Enea executed a directed share issue that generated SEK 265 million net in the year. It also redeemed a SEK 500 million bond loan in advance with the aim of reducing its financing costs. A new, SEK 250 million bank loan was arranged in tandem with the repayment. Overall, this also increased financial flexibility because the new structure has fewer limiting terms. An additional purpose was to create a stronger Balance Sheet to enable investments for organic growth and potential future acquisitions.
Share Dividend Dividends mean dividend transfers to Enea's shareholders.	Enea's long-term dividend policy is to transfer at least 30 percent of profit after tax to shareholders. However, dividends should consider financial position, cash flow, acquisition potential, and future prospects.	With the acquisition potential and future prospects Enea's Board of Directors sees for the coming years, no dividend is proposed for 2019.
Interest Interest risk means the value of financial instruments varying due to variations in market interest rates.	After repaying a bond loan in the year, Enea has significantly lower interest expenses. Interest on the group's loans is mainly dependent on progress on the Swedish bond market.	At year-end, the group had an external bank loan of SEK 330 million, and a SEK 70 million overdraft facility, of which SEK 32 million had been used. Enea's interest risk is moderate. A 1 percent increase/decrease in its debt interest would have an impact of approx. SEK 4 million on financial net.
Credit Credit risk means a party in a financial transaction being unable to fulfil an obligation. The primary credit risk for Enea is outstanding accounts receivable.	Most of the group's customers are large, well-established corporations with good solvency, located in many countries. To limit these risks, the company's Credit Policy states guidelines and provisions for credit checks on new customers as well as regulation and procedures governing payment terms and managing accounts receivable.	A SEK 1.3 (2.3) million allowance was created for doubtful debt in the year, which changed as follows in the period. Opening balance, Jan. 1, 2019: 2.9 Repayment of doubtful debt: –1.3 Write-off of doubtful debt: – Allowance for doubtful debt: 1.3 Closing balance, Dec. 31, 2019: 2.9

Corporate Governance Report 2019

Enea is a Swedish limited company with its headquarters in Stockholm, Sweden. The company is listed on Nasdaq Stockholm and the group's corporate governance is based on Swedish legislation, as well as the rules and recommendations issued by organizations such as the Swedish Corporate Governance Board and Swedish Securities Council.

Governance Model

Enea's governance, management, and control are divided between the shareholders at the Annual General Meeting, the Board of Directors and the CEO in compliance with the Swedish Companies Act and the Board of Directors' Rules of Procedure.

During the financial year, Enea complied with the Swedish Code of Corporate Governance issued by the Swedish Corporate Governance Board, and this Corporate Governance Report has been prepared accordingly.
The company's Auditor has completed a statutory review of this report.

1 Shareholders

Enea's ordinary share is quoted on Nasdaq Stockholm's Mid Cap list. According to the share register maintained by Euroclear Sweden, there were 21,615,231 shares as of December 31, 2019. At the same date, share capital was SEK 24,430,872, and Enea held 314,760 treasury shares, or 1.5 percent of all shares. As of December 31, 2019, the largest shareholder was Per Lindberg, with 35.3 percent of the shares through direct ownership and endowment insurance.

AGM

The Annual General Meeting, or where applicable, Extraordinary General Meetings, is Enea's chief decision-making body. All shareholders are entitled to participate in the Annual General Meeting (either in person by proxy through power of attorney) and have a matter considered. The AGM resolves on issues including:

- any amendment of the Articles of Association
- election of the Board of Directors, Chairman of the Board and Auditor
- adoption of Income Statements and Balance Sheets, appropriation of the company's profit or loss and discharging Board members and the Chief Executive Officer from liability
- principles for appointing a nomination committee
- the Board of Directors' proposed guidelines for remuneration of senior executives

A two-thirds voting majority is required for resolutions to amend the Articles of Association.

The AGM was held on May 6, 2019 in Kista, and its resolutions included:

- adoption of Income Statement and Balance Sheet of the parent company and group
- discharging the Board members and Chief Executive Officer from liability
- that no dividend would be payable for the financial year 2018
- approving fees for Directors and Auditors
- approving the Board of Directors' proposed guidelines for remuneration of senior executives
- authorizing the Board of Directors to decide on the purchase and transfer of treasury shares in accordance with the Board's proposal
- authorizing the Board of Directors to decide on new share issues to finance continued growth and expansion
- approving the Board of Directors' proposals on:

i) adoption of a long-term share-based incentive program for 2019

ii) transfer of repurchased shares to participants in this program

- appointment of the following Directors:

i) re-election: Anders Skarin, Kjell Duveblad, Mats Lindoff, and Gunilla Fransson

ii) election: Birgitta Stymne Göransson and Anders Lidbeck.

Anders Lidbeck was elected Chairman of the Board. Former Director Åsa Sundberg voluntarily left the Board in February, and Director Torbjörn Nilsson declined re-election.

Öhrlings PricewaterhouseCoopers was re-elected Auditor.

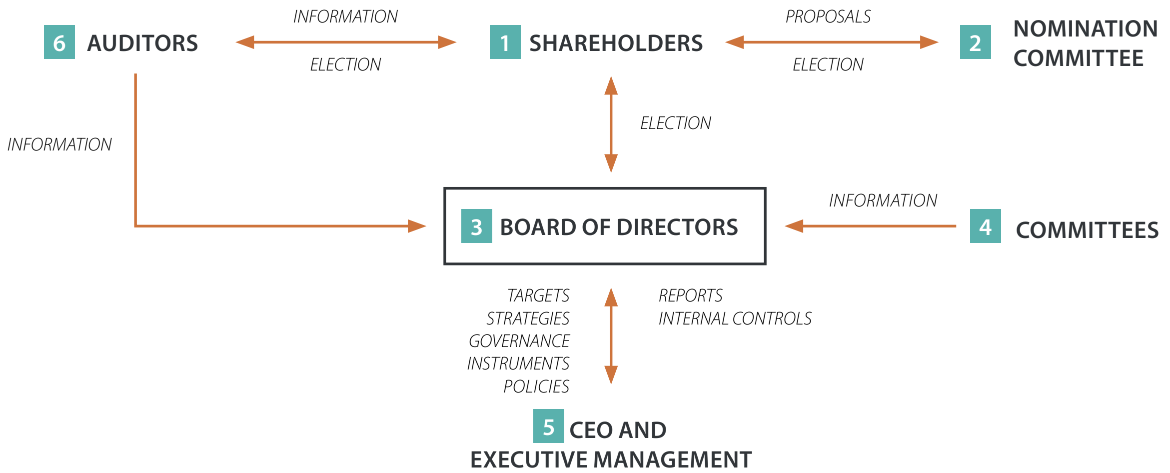
The minutes from the AGM including decision-support documentation has been published at the company's website (www.enea.com) In the Investors section.

2 Nomination Committee

The AGM resolves on principles for appointing a new Nomination Committee. The Nomination Committee should consist of representatives of two major shareholders, and the Chairman of the Board. However, it may have representatives of three or four major shareholders and the Chairman of the Board, if when forming the Nomination Committee, the Chairman considers that the major shareholders have such an interest.

It is the Chairman's duty to contact the four largest registered shareholders in terms of votes at the end of September each year, requesting that each appoints a member of the Nomination Committee. If more than two of the shareholders do not wish to appoint a member, shareholders in order of size should then be requested to appoint a member of the Nomination Committee. The names of the Nomination Committee members should be published in the company's Interim Report for the first three quarters of the year.
The term of office for the appointed Nomination Committee should be until a new Nomination Committee has been appointed. A shareholders' representative should be appointed as Chairman of the Nomination Committee. If material changes of control occur after the Nomination Committee has been constituted, its composition should be altered in accordance with the above principles.

GOVERNANCE MODEL – OVERVIEW



Pursuant to the above, at the end of September, the Chairman of the Board contacted the four largest shareholders to request them to each appoint a member of the Nomination Committee.

The Nomination Committee should consult on, and submit proposals to the AGM regarding, the following:

- Chairman of the forthcoming AGM
- election of the Chairman of the Board and other Board members
- Directors' fees divided between the Chairman and other Directors, and principles for any compensation for committee work
- election and fees for the company's Auditors, and where applicable, Deputy Auditor
- decisions on principles for appointing a nomination comittee

The Nomination Committee for the AGM 2020 has the following members: Per Lindberg, Jan Dworsky (appointed by Swedbank Robur Fonder), Niklas Johansson (appointed by Handelsbanken Fonder), Henrik Söderberg (appointed by C WorldWide Asset Management) and Anders Lidbeck (Chairman of the Board of Enea AB).

The Nomination Committee has appointed Per Lindberg as its Chairman, and the Nomination Committee's complete proposals for the AGM 2020, with their reasoning, will be published in the invitation to the AGM. The invitation is published on the company's website (www.enea.com) in the Investors section.

3 Board of Directors

Pursuant to its Articles of Association, Enea's Board of Directors should be elected by the AGM and consist of five to seven members, and a maximum of seven deputies.

Enea's Board of Directors has been appointed in accordance with the Swedish Code of Corporate Governance and the company's diversity policy. Consideration has been given to the need for versatility, skills, and experience, which in different ways, contribute to Enea's progress, and for the requirement to endeavor for even gender division. Consideration has also been given to Directors being able to reserve the necessary time for their service with the company. The composition of the Board of Directors reflects this, and most Directors have knowledge and long-term experience of the sectors that Enea operates in.

In the year, Enea's Board of Directors had six members elected by the AGM. The CEO and CFO participate at every Board meeting and report on the company's business situation, prospects, financial position and events of material significance. Other company executives also present reports at Board meetings when necessary. The CEO does not participate in the parts of Board meetings that discuss the relationship between the CEO and the company. The work of the CEO and other senior executives is appraised at least yearly.

Board of Directors' Independence

According to the Swedish Code of Corporate Governance, a majority of Board members elected by the AGM should be independent of the company and Management. A minimum of two of these should also be independent of the company's major shareholders.

All Board members were judged to be independent in respect of the company and Executive Management Team and major shareholders. For information on Board members and their shareholdings, see page 24.

The Work of the Board of Directors

The Board of Directors' Rules of Procedure are adopted each year at the Board meeting following election in conjunction with the AGM and are only revised subsequently when specifically required. In addition to the Board of Directors' duties, the Rules of Procedure also state the Board's responsibilities and segregation of duties. The Board also issues instructions for the CEO.

The members of the Board's Audit and Nomination Committees are also determined at the Board meeting following election.

Apart from the Board meeting following election, the Board will hold at least five meetings each year. The Board will manage affairs in the interests of the company and all shareholders.

BOARD OF DIRECTORS 2019

Name	Anders Lidbeck	Anders Skarin	Birgitta Stymne Göransson	Gunilla Fransson	Kjell Duveblad	Mats Lindoff	Jenny Andersson
Born in	1962	1948	1957	1960	1954	1961	1973
Elected	2019	2005	2019	2016	2008	2010	2019
Board position	Chairman of the Board	Board member (Chairman 2011–2019)	Board member	Board member	Board member	Board member	Employee representative, SI
Education	B.Sc. (Econ.), Lund University	B.Sc. (Econ. and IT)	M.Sc. (Eng.) Royal Institute of Technology, Stockholm, MBA, Harvard Business School	M.Sc. (Eng.) Chemical Engineering (Royal Institute of Technology, Stockholm), Licentiate of Nuclear Chemistry (Royal Institute of Technology, Stockholm)	MBA, Stockholm School of Economics	M.Sc. (Eng.) EE	Computer technology graduate
Previous positions	President and CEO of Enea, President and CEO of Telelogic, sales and marketing positions at Nokia, ICL and Telia Megacom, including President of ICL Direct in Benelux and Vice President of Sales and Marketing for ICL Industry systems Europe.	President of Programator (listed) and Nordic Manager of Cap Gemini, directorships and management consulting.	Strategy consultant, McKinsey and Co, COO of Telefosgruppen, President of Semantix AB and Memira AB.	Business Area Manager, Security and Defense Solutions at Saab AB. Prior to that, various executive positions with Ericsson.	Sales Director of IBM Svenska AB and President of Oracle Sweden, Nordics and Baltics.	Chief Technology Officer, Sony-Ericsson, President of C-Technologies AB.	Enea employee since 2010 (test and project manager).
Other directorships	Chairman of Creandum Advisor AB.	Chairman of Multisoft Consulting and Data Ductus.	Chairman of MAG Interactive AB, BCB Medical Oy and the National Swedish Industrial Development Fund. Director of Elekta AB and Pandora A/S.	Chairman of NetInsight AB. Director of Trelleborg AB, Nederman AB, Eltel AB and several unlisted companies.	Director of several unlisted companies.	Director of Precise Biometrics AB, IMINT AB and several unlisted companies.	
Main employment	Directorships	Management consulting and directorships	Industry advisor and directorships	Directorships	Management consulting and directorship	Strategy consultant	Group Quality Manager
Personal and related party shareholdings 2019	14,000	15,000	2,000	1,000	10,000	990	0
Committee service	Chairman of Remuneration Committee	Audit Committee	Audit Committee	Remuneration Committee	Chairman of Audit Committee	Not a Committee member	Not a Committee member

The duties of the Board include:

- formulating business targets and strategy
- appointing, appraising, and where necessary, dismissing, the CEO
- implementing effective systems for monitoring and controlling the company's operations
- ensuring satisfactory control over the company's compliance with laws and other regulations that apply to the company's operations
- formulating the necessary ethical guidelines for the company's conduct
- continuously evaluating strategic and complementary acquisitions
- ensuring corporate communication features openness, is relevant, and reliable

In the year, the Board dealt with the company's strategy and its business operations, rules of procedure for the Audit Committee and remuneration of senior executives. The CEO's status report, which includes ongoing monitoring of operations and forecasts, is provided to the Board each month, apart from January and July. In the year, the Board also considered these matters and Interim Reports, budgets and the business plan for 2020, as well as acquisition plans and initiated acquisition projects. Additionally, the Board discussed staff and management issues, as well as exogenous factors such as competition and technological progress. The Board's' work was evaluated at the end of the year.

The Board held ten meetings where minutes were taken, and one Board meeting following election in 2019. Apart from regular service on the Board, certain Directors are also members of the company's Audit and Remuneration Committees. Attendance at Board meetings in the year is on page 26.

4 Audit Committee

The overall responsibilities of the Board cannot be delegated, but the Board has constituted an Audit Committee to go to greater depth and consult on the following critical issues. At the Board meeting following election after the AGM, Kjell Duveblad (Chairman), Anders Skarin, and Birgitta Stymne Göransson were appointed members of the Audit Committee. Åsa Sundberg and Torbjörn Nilsson were members until February and May respectively. Enea's CEO, CFO and Auditor are co-opted to Audit Committee meetings, which are normally held once per quarter.

EXECUTIVE MANAGEMENT TEAM 2019

Name	Jan Häglund	Björn Westberg	Adrian Leufvén	Jean-Philippe Lion	Bogdan Putinica	Erik Larsson	Daniel Forsgren	John Giere	Roland Steiner
Born in	1966	1962	1972	1966	1977	1960	1973	1963	1974
Employee since	2019	2018	1998	2017, Enea 2007, Qosmos	2007	2016	2006	2018, Enea 2012, Openwave Mobility	2019
Member of management since	2019	2018	2008	2018	2011	2016	2014	2018	2019
Position	President and CEO	CFO	Senior Vice President OS Business Unit	Senior Vice President DPI Business Unit	Senior Vice President Global Services	Senior Vice President Marketing	Senior Vice President Corporate Development	CEO Openwave Mobility	Senior Vice President Policy and Access Control
Education	Ph.D. in Physics, Royal Institute of Technology, Stockholm, DEA in Physics, Grenoble University of Technology, M.Sc. (Eng.) in Engineering Physics, Royal Institute of Technology, Stockholm.	M.Sc. (Eng.), Industrial Engineering and Management, Linköping University.	M.Sc. (Eng.) Mechatronics, Royal Institute of Technology, Stockholm.	M.Sc. in Telecommunication Engineering, Telecom ParisTech, MBA INSEAD (France).	International Finance and Banking, Academy of Economic Studies, Bucharest, Romania.	M.Sc. (Eng.) in Engineering Physics, Royal Institute of Technology, Stockholm. MBA IU Kelley School of Business, US.	M.Sc. (Eng.) in Applied Physics and Electrical Engineering, Linköping Institute of Technology.	MBA University of Maryland, BSBA Georgetown University.	M.Sc. Electrical Engineering, Vienna University of Technology.
Previous positions	Ericsson – product portfolio and development manager, Digital Services product area, Product area VP for Network Analysis and Control, Product area VP for IP and Broadband.	CFO of Bonesupport AB, CFO and COO of Recipharm AB and CFO of Jeeves.	SVP Operations and Quality at Enea, SVP Software Sales at Enea, SVP Global Delivery at Enea, VP Strategic Outsourcing at Enea, VP Support at Enea, VP Marketing at Enea, Director of Asian Sales at Enea.	VP Sales Engineer and Apac at Qosmos, Local Loop BU General Manager and Business Development Director at SFR, Senior Associate at Booz Allen and Hamilton.	CEO of Enea Romania, Global Sales Director Product Services at Enea Romania and President of IP Devel.	VP of Marketing at Netcenterx (now part of Mavenir), VP of Marketing at Integra (now Level 3), Marketing Director at Nortel, Consultant at Business Sweden.	SVP Product Management at Enea, Principal Engineer at Enea's CTO office, System Architect at Enea. Software Engineer at Virtutech.	Alcatel-Lucent, Lucent Technologies, Ericsson.	VP Global Head of Telco Solutions at Atos, VP Business Unit LTE at Siemens Convergence Creators.
Personal and related party shareholdings 2019	0	0	10 000	0	872	0	12,395	0	0
Max. no. of shares from incentive programs	42,000 LTIP 2019	36,000 LTIP 2018, LTIP 2019	41,544 LTIP 2017, LTIP 2019	30,579 LTIP 2017, LTIP 2019	41,544 LTIP 2017, LTIP 2019	41,544 LTIP 2017, LTIP 2019	41,544 LTIP 2017, LTIP 2019	48,000 LTIP 2018 LTIP 2019	24,000 LTIP 2019

Minutes are taken at Audit Committee meetings, which are reported to the Board. The Committee is responsible for consulting on the Board's work in terms of:

- quality-assuring the company's financial reporting
- staying informed on the orientation and scope of the audit
- discussing coordination between the external audit and the company's internal control functions, and view of the company's risks
- setting guidelines for services other than auditing that the company may purchase from its Auditors
- appraising the Auditor's work and informing the company's Nomination Committee about this appraisal
- assisting the Nomination Committee on consulting on proposals for the company's Auditors and audit fees

The Audit Committee held four meetings relating to quarterly financial statements in the year. Primarily, the Committee discussed the presentation of the company's interim reports, product profitability, goodwill and other intangible assets, accounts receivable, risk management, finance-related issues, and internal controls.

The company's Auditors report their observations from the audit to the whole Board each year in tandem with the annual financial statement. Additionally, the Board meets the company's Auditor at least once per year, without Management being in attendance, to receive information on the audit's orientation and scope. The coordination between the external audit and internal controls, and view of the company's risks as above, is also discussed at these meetings.

4 Remuneration Committee

As stated above, the Board's overall responsibilities cannot be delegated, but the Board has also constituted a Remuneration Committee, whose duty is to consult on issues relating to salary, other benefits, and other employment terms of the CEO, and where appropriate, other members of the Executive Management Team. The Remuneration Committee is convened as required, and reports on its work to the Board. The Remuneration Committee held four meetings where minutes were taken in the year. At the Board meeting following election after the AGM, Anders Lidbeck (Chairman) and Gunilla Fransson were appointed members. Anders Skarin was a member of the Remuneration Committee until May.

Evaluation of the Work of the Board of Directors

The Chairman of the Board is responsible for evaluating the work of the Board. This evaluation is in two phases, the first being an open discussion within the Board, with each Director given the opportunity and time to reflect and discuss their view of the Board's work. This discussion is then the foundation of the second phase, which consists of the Nomination Committee excluding the Chairman, individually interviewing one or two Directors each. The Nomination Committee receives written reports used as a basis for evaluating the work of the Board.

5 Chief Executive Officer and Executive Management Team

Jan Häglund was appointed Chief Executive Officer on May 6, 2019. His previous assignments and experience are in the presentation of the Executive Management Team on page 25. Mr. Häglund has no significant holdings of shares in companies that Enea has business relationships with. Anders Lidbeck served as CEO until May 6, 2019.

In the year, the members of Enea's Executive Management Team were the CEO, CFO, as well as seven managers of central and line functions representing organizational functions and business areas. For more information on the members of the Executive Management Team, see page 25. The Executive Management Team meets twice per month to analyze the business position of all business units, and to discuss other regular and relevant issues. The Executive Management Team also meets several times per year to discuss the company's strategy and report its proposal for a strategy for the coming years to the Board. Based on the approved strategy, the CEO and CFO produce a business plan for the coming year. This business plan is submitted for approval at a Board meeting in December.

6 Auditors

The AGM 2019 elected Öhrlings PricewaterhouseCoopers as Auditor, with Nicklas Kullberg (Authorized Public Accountant) as Auditor in Charge. The company's Auditor conducts a review of the company's internal controls each year, reporting observations and evaluation to the whole Board. The guidelines for the work of the Board are based on the rules of procedure that formalize issues including the segregation of duties within the Board and between the Board and Management.

In the year, the Auditor also conducted a review of the annual financial statement, and the Audit Report is included in this Annual Report (page 73). A summary review of the third quarterly financial statement was also conducted, and the company's Auditor presented his Audit Report in the Interim Report for the period January-September. Enea's internal controls were one of the focuses of the Auditor's review of the Third-quarter Interim Report.

REMUNERATION

Remuneration of the Board of Directors.

A total of SEK 1,915,000 of Directors' fees are payable, divided between SEK 500,000 to the Chairman, and SEK 235,000 to each of the other Directors appointed by the AGM. Fees for committee work are payable as follows, a total of SEK 240,000 for the Audit Committee, divided between SEK 80,000 for the Chairman and SEK 40,000 to each of the two members, and for the Remuneration Committee, SEK 50,000 for the Chairman and SEK 30,000 to one member. The Board's employee representatives do not receive Directors' fees.

ATTENDANCE AT BOARD MEETINGS, 2019

Board Member	Board Meetings (of 11)	Audit Committee (of 4)	Remuneration Committee (of 4)
Anders Lidbeck [1]	8		2
Anders Skarin [2]	11	2	2
Birgitta Stymne Göransson [3]	8	2	
Gunilla Fransson	11		4
Kjell Duveblad	11	4	
Mats Lindoff	11		
Åsa Sundberg [4]	1	1	
Torbjörn Nilsson [5]	3	2	
Johan Carlsson [6]	11		
Jenny Andersson [7]	–		

[1] Elected at the AGM 2019. Member of the Remuneration Committee from May 2019.

[2] Member of the Remuneration Committee until May 2019 and the Audit Committee from May 2019.

[3] Elected at the AGM in May 2019 Member of the Audit Committee from May 2019.

[4] Left the Board of Directors in February 2019.

[5] Resigned at AGM in May 2019.

[6] Employee representative until December 2019 inclusive.

[7] Employee representative from December 2019.

Remuneration to Senior Executives

In order to hire and retain senior executives, the company offers competitive terms and conditions with remuneration at market levels. Overall remuneration to senior executives comprises basic and variable salary, pension provisions, and share-based payment. Basic and variable salary are set yearly at individual level.

The variable portion of senior executive remuneration has a predetermined ceiling, and may never exceed the basic salary portion. The model for senior executives' variable salary, and determining its outcome, are subject to decision by the Board after proposal from the Remuneration Committee.

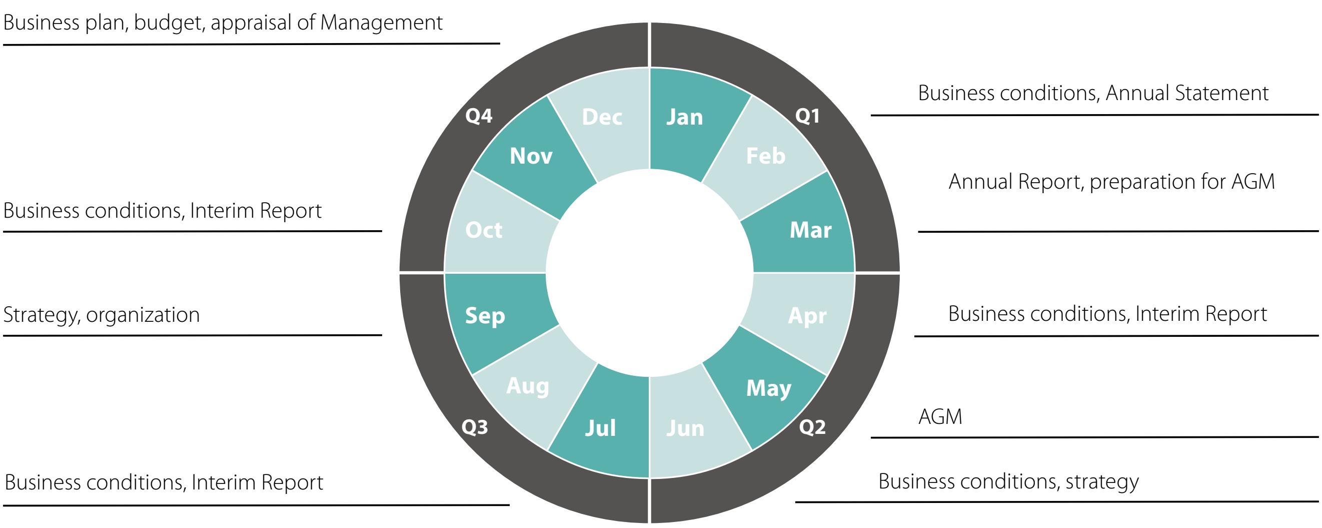
Additionally, variable salary is based on performance in relation to targets set yearly, primarily relating to the company's sales and EBIT, as well as individual targets adapted to the individual executive's responsibilities. If these targets are achieved, 50 percent of maximum variable salary is payable, and if targets are exceeded, up to 100 percent of variable salary may be payable.

Senior executives may be offered the opportunity to participate in share-based incentive programs, subject to AGM resolution. This means that compensation may also be payable in the form of share-based payment, providing that the targets and other conditions of such share-based incentive program are satisfied. Remuneration to the Chief Executive Officer is subject to decision by the Board, after proposal from the Remuneration Committee.

Pension Arrangements

The pension arrangements of the Chief Executive Officer are decided by the Board after proposal from the Remuneration Committee, and make up 30 percent of basic salary. Other senior executives in Sweden have pension arrangements lying within the framework set by the ITP (Supplementary Pensions for Salaried Employees) plan, with retirement ages of 65, and pension provisions related to employee salary. Pension premiums are paid continuously.

THE WORK OF THE BOARD OF DIRECTORS IN 2019



Severance Pay
On termination of the Chief Executive Officer's employment, the company will observe a notice period of six months, and the Chief Executive Officer has a notice period of six months to the company. In addition, severance pay corresponding to six months' basic salary is payable for employment terminated by the company.

If a change of control results in a new majority shareholder, the CEO is entitled to severance pay of six months' salary. All dismissal and severance pay are deducted from any other income. For other senior executives, notice periods of three to twelve months apply. The Board reserves the right to depart from the proposed guidelines if there are special circumstances in an individual case.

Internal Controls and Risk Management

The Board is responsible for internal controls and risk management in accordance with the Swedish Companies Act, the Swedish Annual Accounts Act, and the Swedish Code of Corporate Governance. The Audit Committee monitors Enea's internal control, which does not affect the Board's responsibilities and work otherwise. The purpose is for operations to be pursued expediently and efficiently, and that external reporting complies with legislation and internal regulations governing the company. For this work to be successful, the Board works on a structured basis, delegating specific duties to the Executive Management Team, the Audit Committee, and other staff. Enea states how this work is to be conducted and delegated in policies, such as the Finance Policy and Authorization Policy.

Internal Controls over Financial Reporting

Enea's control environment forms the basis of the company's internal controls over financial reporting. Clear communication of decision paths, authorization, and responsibilities throughout the organization is a key component of Enea's control environment. Enea's objective is to fulfil the requirements for ongoing work on internal controls and risk management as part of the company's compliance with the Swedish Code of Corporate Governance.

For Enea, internal controls over financial reporting are an integrated part of the company's corporate governance. This involves procedures and methods to safeguard the company's assets and the accuracy of financial reporting, which in turn, is designed to protect shareholders' investments in the company. The Board monitors the quality of financial reporting in a number of ways.

Each year, the Board adopts rules of procedure, which regulate activities including the Chairman's and CEO's duties. According to these rules, the CEO is responsible for the control environment, and reviews and quality-assures all financial reporting, as well as ensuring that the Board receives all other reports necessary for evaluation of the group's financial position on an ongoing basis.

The instructions for the CEO state the matters that require authorization or approval from the Board. The Board approves rules

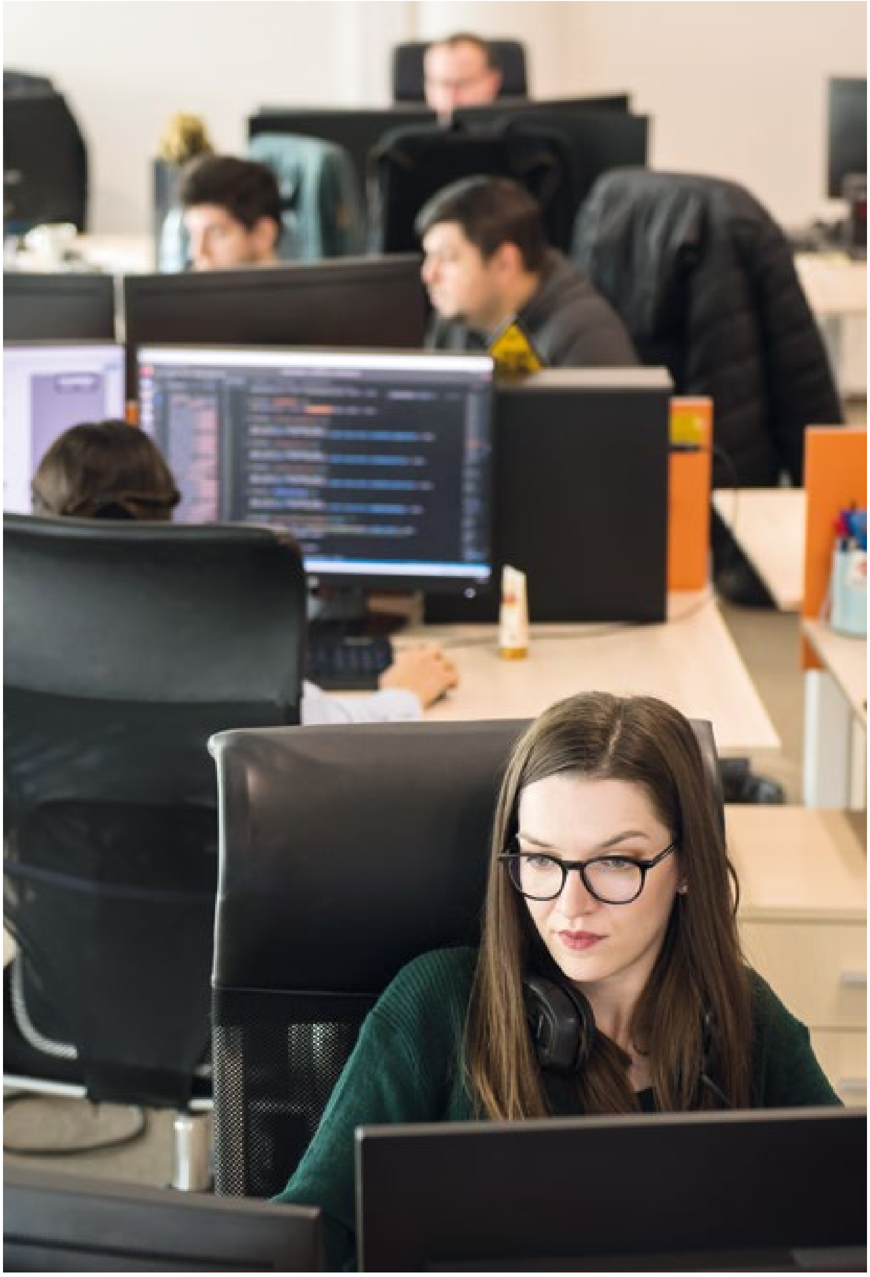
of procedure for the Board, Audit Committee and Remuneration Committee at the Board meeting following election after the AGM. Additionally, the Board adopts instructions for the CEO, an approvals list, Finance Policy and instructions for trading in the company's shares.

Enea's CEO and Executive Management Team bear operational responsibility for internal controls. Based on the Board's guidelines, as well as legislation and regulation of financial reporting, such as the Swedish Companies Act, the Swedish Annual Accounts Act, and the Swedish Code of Corporate Governance, the Executive Management Team has adopted the segregation of roles and duties for employees that work on financial reporting within the group.

The group is divided into units, whose managers are responsible for performance against target and budget, as well as governance issues for their operations. Enea's organizational structure is communicated on the group's intranet, to clarify areas of responsibility and roles for everyone working on financial information. Enea has instructions for the group's staff, stating the authorization of each employee to take certain actions, such as approval and authorization policies. Enea also has a number of policies governing day-to-day work, laying a foundation of internal controls, such as its Finance Policy, Insider Policy (pursuant to the EU MAR), Authorization Policy, IT Policy, Sustainability Policy, and Corporate Communication Policy. The group also has an Accounting and Financial Reporting Manual, stating the group's accounting policies, and providing reporting instructions. It also includes a schedule for ensuring the availability of consistent and accurate account information at the appropriate times.

The guidelines are updated regularly and communicated to those employees that work directly or indirectly on financial reporting. To safeguard internal controls, all critical governance documents are kept available on Enea's intranet, and in the company's document management system. Accordingly, all staff always have access to the relevant documents and policies. These documents are also classified by authorization level, depending on the roles of individual staff members.

The Board receives monthly business reports. The Board analyzes these reports and potential actions are discussed at the following Board meeting. For urgent actions, the Chairman convenes additional Board meetings to consult on the relevant issue. Internal controls are monitored through a number of channels including the Accounting and QA function, Enea's General Counsel, the Delivery function, internal quality meetings, and at quarterly Audit Committee meetings.



These functions work on the basis of various targets and control documents to assure the quality of the company's procedures and decision-making.

Risk Assessment

The objective of Enea's risk assessment is to safeguard the group's earnings performance and financial position. The Board approves the principles and guidelines governing the company's risk management, while the CEO and Executive Management Team bear operational responsibility. Regular risk assessments of the Executive Management Team and each business unit manager are conducted within Enea's monthly financial follow-ups, with actions taken as necessary. As stated above, Enea's organization is structured to manage, review, and evaluate internal controls. Internal controls are also covered in the company's planning and budgeting process, which involves a yearly review of the risks of operations. The Audit Committee and Board are responsible for analyzing and assessing these risks.

Control Activities

Enea's control environment is structured to manage the risks that the Board considers material to internal controls over financial reporting. The control environment is based on the company's organization having clear roles that enable effective segregation of duties, and control activities being capable of discovering and preventing risks of misstatements in financial reporting early. Examples of activities and documentation for this purpose include:

- reviews conducted by registered Auditors in addition to statutory audit
- governance and regular monitoring of the company's accounting
- financial and legal policies
- quarterly updates of the company's forecast
- regular monitoring and review of special segments
- The Board's quarterly review of business conditions, in terms of plans and budgets
- monitoring financial performance of the company's business units and products
- analysis of major transactions, cash flow, balance sheet, and future prospects
- The finance function reviews development projects with the development function, usually each month. Commercial viability and other criteria that new projects need to satisfy are discussed

Enea has had ISO certification since 2006. The company's product activities comply with the principles defined by ISO 9001:2015.Enea recertifies every third year, and follow-up audits are conducted in intervening years.

Information and Communication

The governance documents (such as policies, guidelines and manuals) relating to financial reporting are communicated on Enea's intranet and document management system. Each governance document is owned by the department responsible for its content and any revisions.

Most communication is digital, and when necessary, departmental managers meet staff to inform, follow up, and evaluate. The Board's and Executive Management Team's corporate communication rules are stated on pages 23–26.

Governance documents for internal and external corporate communication have been prepared to ensure compliance with disclosure liabilities, and to manage communication with internal and external stakeholders.

Follow-up

Enea's Finance functions within the group are integrated by a single, collective financial control system, and have shared accounting instructions. The company's marketing and sales function deals with current and potential customers in its customer relationship management system, which ensures that Enea's sales staff have access to the necessary information. The company reports regularly to the Board and Audit Committee on compliance with the Code of Conduct and the export legislation that Enea is liable for compliance with, on a regular basis.

Against the background of the size and nature of operations, and the current reporting procedures to the Board and Audit Committee, the Board does not consider that constituting a dedicated internal audit function would be justifiable. The internal controls reviewed above are considered sufficient to assure the quality of financial reporting.

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK 000 (January 1–December 31)	Note	2019	2018
Revenue	2,17	1,012,044	830,329
Reversed additional purchase price		–	11,662
Total revenue		**1,012,044**	**841,991**
Operating expenses			
Cost of sold products and services		–273,659	–222,627
Gross profit		**738,385**	**619,364**
Sales and marketing expenses		–204,276	–182,697
Product development expenses		–166,967	–136,272
Administrative expenses		–112,416	–111,539
Operating profit *	3, 4, 5, 6, 7, 10, 11, 21	**254,726**	**188,855**
Financial income		19,978	24,866
Financial expenses		–71,661	–52,574
Financial net	8	**–51,683**	**–27,708**
Profit before tax		**203,043**	**161,147**
Tax	9	–33,381	–19,497
Profit after tax		**169,661**	**141,650**
Other comprehensive income reclassifiable to profit or loss			
Exchange differences		41,262	84,095
Cash flow hedges, profit before tax		2,238	–391
Cash flow hedges, tax effect		–479	86
Other comprehensive income not reclassifiable to profit or loss			
Pension obligations		487	185
Total comprehensive income for the year, net of tax		**213,170**	**225,625**
Net profit attributable to equity holders of the parent		**169,661**	**141,650**
Comprehensive income for the period attributable to equity holders of the parent		**213,170**	**225,625**
*** Non-recurring items included in operating profit**			
Operating profit, including non-recurring items		254,726	188,855
Reversed additional purchase price		–	–11,662
Restructuring costs		–	5,302
Expenses for integrating new operation		992	–
Transaction costs for major acquisition		2,721	9,633
Costs for legal consulting		–	406
Operating profit, excluding non-recurring items		**258,439**	**192,534**
Earnings per share, SEK	16	8.47	7.33

The company has no potentially dilutive instruments outstanding.

CONSOLIDATED BALANCE SHEET

SEK 000 (December 31)	Note	2019	2018
Assets			
Intangible assets	10	1,634,951	1,381,382
Rights of use	7	37,391	–
Equipment, tools, fixtures and fittings	11	17,417	16,194
Derivative instruments	15	55	–
Deferred tax assets	9	10,188	17,485
Other long-term receivables		3,368	3,134
Total fixed assets		**1,703,370**	**1,418,195**
Accounts receivable	12	208,493	174,671
Tax receivables		53,339	41,100
Prepaid expenses and accrued income	13	87,961	101,570
Other receivables		13,891	109,484
Derivative instruments	15	569	–
Cash and cash equivalents	19	146,147	74,673
Total current assets		**510,400**	**501,498**
Total assets		**2,213,770**	**1,919,693**
Equity	15, 26		
Share capital		24,431	22,210
Other paid-up capital		992,529	727,939
Reserves		116,284	73,275
Retained earnings including profit for the year		348,023	162,411
Total equity		**1,481,267**	**985,835**
Provisions			
Other provisions		6,569	10,870
Total provisions		**6,569**	**10,870**
Long-term liabilities			
Deferred tax liabilities	9	79,974	68,417
Long-term liabilities, interest-bearing	24	263,000	539,822
Obligation for employee benefits	25	12,433	7,501
Long-term liabilities, lease obligations	7	20,633	–
Total long-term liabilities		**376,040**	**615,740**
Current liabilities			
Current liabilities, interest-bearing	24	99,066	93,342
Current liabilities, lease obligations	7	17,956	–
Accounts payable		18,119	21,441
Tax liabilities		2,431	1,098
Other liabilities	24	17,067	16,080
Derivative instruments	14	–	1,937
Accrued expenses and deferred income	17	195,255	173,350
Total current liabilities		**349,894**	**307,248**
Total equity and liabilities		**2,213,770**	**1,919,693**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK 000 (January 1–December 31)	Share Capital	Other Paid-up Capital	Reserves: Cash Flow Hedges	Reserves: Translation Reserve	Retained Earnings Incl. Profit for the Year	Total Equity
Opening equity, Jan. 1, 2018	**22,210**	**727,939**	**–421**	**–10,094**	**14,533**	**754,167**
Comprehensive income						
Profit for the year					141,650	141,650
Other comprehensive income						
Cash flow hedges, profit before tax			–391			–391
Cash flow hedges, tax effect			86			86
Translation difference				84,095		84,095
Pension obligations					185	185
Total other comprehensive income			**–305**	**84,095**	**185**	**83,975**
Total comprehensive income			**–305**	**84,095**	**141,835**	**225,625**
Transactions with equity holders						
Share saving program					6,043	6,043
Total transactions with equity holders	**–**	**–**	**–**	**–**	**6,043**	**6,043**
Closing equity, Dec. 31, 2018	**22,210**	**727,939**	**–726**	**74,001**	**162,411**	**985,835**
Opening equity, Jan. 1, 2019	**22,210**	**727,939**	**–726**	**74,001**	**162,411**	**,985,835**
Restatement of opening balance, changed accounting policy					-1,214	-1,214
Comprehensive income						
Profit for the year					169,661	169,661
Other comprehensive income						
Cash flow hedges, profit before tax			2,238			2,238
Cash flow hedges, tax effect			–479			–479
Translation difference				41,250		41,250
Pension obligations					487	487
Total other comprehensive income			**1,759**	**41,250**	**487**	**43,496**
Total comprehensive income			**1,759**	**41,250**	**170,148**	**213,157**
Transactions with equity holders						
New share issue*	2,221	264,590				266,811
Share saving program					16,678	16,678
Total transactions with equity holders	**2,221**	**264,590**			**16,678**	**283,489**
Closing equity, Dec. 31, 2019	**24,431**	**992,529**	**1,033**	**115,251**	**348,023**	**1,481,267**

*** New share issue**	
New share issue, cash	271,170
Transaction costs, new share issue	–5,546
Tax on transaction costs accounted directly in equity	1,187
Net, new share issue	**266,811**

CONSOLIDATED CASH FLOW STATEMENT

SEK 000 (January 1–December 31)	Note 19	2019	2018
Operating activities			
Profit before tax		203,043	161,147
Adjustment for non-cash items		108,891	54,506
		311,934	215,653
Tax paid		–23,645	–17,639
Cash flow from operating activities before change in working capital		**288,289**	**198,014**
Cash flow from change in working capital			
Change in operating receivables		–10,464	–24,583
Change in operating liabilities		–32,719	–4,789
Cash flow from change in working capital		**–43,183**	**–29,372**
Cash flow from operating activities		**245,106**	**168,642**
Investing activities			
Purchase of intangible assets	10	–81,531	–64,748
Purchase of property, plant and equipment	11	–8,655	–7,046
Purchase/sale of financial assets		–745	102,273
Acquisition of operation, after deducting for acquired cash and cash equivalents*		–47,143	–954,399
Cash flow from investing activities		**–138,074**	**–923,920**
Financing activities **			
Borrowings		362,066	548,690
Amortization of loans		–642,363	–34,510
Amortization of lease liability		–21,180	–
New share issue		265,624	–
Cash flow from financing activities		**–35,853**	**514,180**
Cash flow for the year		**71,179**	**–241,098**
Cash and cash equivalents at beginning of year		74,673	312,028
Exchange difference in cash and cash equivalents		295	3,743
Cash and cash equivalents at end of year		**146,147**	**74,673**

* Payment for acquisition of operation consisted of consideration from Atos Convergence Creators
**Financing activities do not include any translation effects impacting cash flow

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

SEK 000 (January 1–December 31)	Note	2019	2018
Net sales		**77,556**	**53,113**
Operating expenses			
Administrative expenses		–77,556	–53,113
Operating profit	3, 4, 5, 6, 7, 10, 11, 21	–	–
Interest income and similar profit (loss) items		46,107	27,962
Interest expenses and similar profit (loss) items		–47,380	–29,094
Financial net	8	**–1,273**	**–1,132**
Profit (loss) after financial net		**–1,273**	**–1,132**
Appropriations		5,972	1,216
Profit before tax		**4,699**	**84**
Tax	9	–1,472	–384
Profit for the year		**3,227**	**–300**

PARENT COMPANY BALANCE SHEET

SEK 000 (December 31)	Note	2019	2018
Assets			
Intangible assets	10	909	870
Equipment, tools, fixtures and fittings	11	2,480	1,966
Participations in group companies	18	172,034	172,034
Total fixed assets		**175,423**	**174,870**
Receivables hos group companies	20	1,058,435	1,021,527
Tax receivables		1,202	1,202
Prepaid expenses and accrued income	13	6,123	5,481
Other receivables		75	75
Cash and cash equivalents	19	1,749	17,712
Total current assets		**1,067,584**	**1,045,997**
Total assets		**1,243,007**	**1,220,867**
Equity	15		
Restricted equity			
Share capital		24,431	22,210
Non-restricted equity			
Share premium reserve		562,749	298,159
Accumulated profit or loss		249,911	233,533
Profit for the year		3,227	–300
Total equity		**840,318**	**553,602**
Provisions			
Untaxed reserves		4,089	4,529
Total provisions		**4,089**	**4,529**
Long-term liabilities			
Long-term liabilities, interest-bearing	24	263,000	539,822
Total long-term liabilities		**263,000**	**539,822**
Current liabilities			
Current liabilities, interest-bearing	24	99,066	94,013
Accounts payable		5,282	5,411
Tax liability		285	384
Liabilities to group companies	20	3,247	3,247
Other liabilities		1,435	2,158
Accrued expenses and deferred income	17	26,285	17,701
Total current liabilities		**135,600**	**122,914**
Total equity and liabilities		**1,243,007**	**1,220,867**

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

	Restricted Equity		Non-restricted Equity			
SEK 000 (January 1–December 31)	**Share Capital**	**Statutory Reserve**	**Share Premium Reserve**	**Accumulated Profit or Loss**	**Profit for the Year**	**Total Equity**
Opening equity ,Jan. 1, 2018	**22,210**	**–**	**298,159**	**227,490**		**547,859**
Share saving program				6,043		6,043
Profit for the year					–300	–300
Closing equity, Dec. 31, 2018	**22,210**	**–**	**298,159**	**233,533**	**–300**	**553,602**
Opening equity, Jan. 1, 2019	**22,210**	**–**	**298,159**	**233,233**		**553,602**
New share issue*	2,221		264,590			266,811
Share saving program				16,678		16,678
Profit for the year					3,227	3,227
Closing equity, Dec. 31, 2019	**24,431**	**–**	**562,749**	**249,911**	**3,227**	**840,318**

*** New share issue**

New share issue, cash	271,170
Transaction costs, new share issue	–5,546
Tax on transaction costs accounted directly in equity	1,187
Net, new share issue	**266,811**

PARENT COMPANY CASH FLOW STATEMENT

SEK 000 (January 1-December 31)	Note 20	2019	2018
Operating activities			
Profit before tax		4,699	84
Adjustment for non-cash items		19,924	8,842
		24,623	8,926
Tax paid		–384	–
Cash flow from operating activities before change in working capital		**24,239**	**8,926**
Cash flow from change in working capital			
Change in operating receivables		–37,552	–865,305
Change in operating liabilities		7,734	12,345
Cash flow from change in working capital		**–29,818**	**–852,960**
Cash flow from operating activities		**–5,579**	**–844,034**
Investing activities			
Purchase of intangible assets	11	–339	–779
Purchase of property, plant and equipment	11	–1,254	–1,161
Purchase/sale of financial assets		–	102,268
Cash flow from investing activities		**–1,593**	**100,328**
Financing activities			
Borrowings		362,066	548,690
Amortization of loans		–642,013	–34,000
New share issue		265,624	–
Group contribution received/paid		5,532	–
Cash flow from financing activities		**–8,791**	**514,690**
Cash flow for the year		**–15,963**	**–229,016**
Cash and cash equivalents at beginning of year		17,712	246,728
Cash and cash equivalents at end of year		**1,749**	**17,712**

NOTE 1 – Accounting Policies

Amounts in SEK 000 unless otherwise stated.

Consistency with Standards and Legislation

The consolidated accounts have been prepared in accordance with the Swedish Annual Accounts Act, International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB), and interpretations from the International Financial Reporting Interpretations Committee (IFRIC) as endorsed by the EU. The Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups has also been applied.

The parent company applies the same accounting policies as the group except in the cases stated below in the section on "parent company accounting policies". The inconsistencies between the parent company's and the group's policies stem from the limited potential for applying IFRS to the parent company as a consequence of the Swedish Annual Accounts Act, and in some instances, for tax reasons.

Basis of Preparation of Parent Company's and the Group's Financial Statements

The parent company's functional currency is Swedish kronor (SEK) which is also the presentation currency of the parent company and the group. This means that the financial statements are presented in SEK. Assets and liabilities are recognized at historical cost, except certain financial assets and liabilities, which are measured at fair value.

In order to prepare financial statements in accordance with IFRS, Management is required to make accounting judgements and estimates as well as assumptions that affect the application of the accounting policies and the carrying amounts of assets, liabilities, revenue and expenses. These estimates and assumptions are based on historical experience and other factors that are deemed reasonable in prevailing circumstances. The result of these estimates and assumptions are then used to assess the carrying amounts of assets and liabilities that are not otherwise clear from other sources. Actual outcomes may differ from these estimates and judgements.

The estimates and assumptions are reviewed regularly. Changes to estimates are recognized in the period in which the change is made if the change has only affected that period, or in the period in which the change is made and future periods if the change affects both the current period and future periods. When applying IFRS, assessments made by the Executive Management Team that have a significant impact on the financial statements and the estimates and which could result in material restatements of the financial statements of subsequent years are described in more detail in Note 24.

The accounting policies stated below for the group have been applied consistently to all periods presented in the consolidated accounts unless otherwise stated. The group's accounting policies have been applied consistently for the recognition and consolidation of subsidiaries.

Changes in Accounting Policies and Disclosures

New and Revised Standards and Interpretations of Existing Standards Applied by the Group

The following standards have been applied by the group for the first time for the financial year beginning January 1, 2019:

IFRS 16 Leases

The standard replaces IAS 17 Leases and IFRIC 4 Determining whether an Arrangement Contains a Lease and related regulations. The new standard implies that lessees must recognize all arrangements that satisfy the Standard's definition of a leasing arrangement (with the exception of arrangements of a maximum duration of 12 months and individual arrangements of low value) as an asset and liability in the Balance Sheet, with recognition of amortization and interest expenses in the Income Statement. Accordingly, as stated above, expenses are reclassified from lease expenses. Where they satisfy the Standard's definition, arrangements that were previously classified as operating leases are capitalized in the Balance Sheet. IFRS 16 became effective on January 1, 2019, and is applied prospectively. Enea has reviewed all operating lease arrangements, and computed a right-of-lease asset and lease liability for each arrangement, based on their terms and conditions. This change means that total assets and operating profit will increase, which will impact various key indicators. The transition effect on the year-2018 Balance Sheet to the new standard means assets increasing by SEK 45 million, liabilities increasing by SEK 46 million, and equity decreasing by SEK 1 million. The transition effect on the Consolidated Balance Sheet is quantified in the following summary:

SEK m	Assets	Equity	Liabilities
Amount in accordance with current accounting policy, Jan. 1, 2019	1,920	986	934
Restatement resulting from IFRS 16	45	–1	46
Amount according to new accounting policy, Jan. 1, 2019	1,965	985	980

New Standards, Amendments and Interpretations of Existing Standards that Have Not Been Applied Prospectively by the Group

A number of new standards and amendments to existing standards and interpretations come into effect for financial years beginning after January 1, 2019. These standards are not mandatory, have no material effect on the group, and accordingly and have not been applied.

Segment Reporting

The operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision maker (CODM). The CODM is that function responsible for allocating resources and evaluating the performance of segments. For the group, this function has been identified as the CEO.

The group has applied IFRS 8 Operating segments effective January 1, 2009.

Classification, etc.

Non-current assets and non-current liabilities in the parent company and group essentially consist only of amounts expected to be recovered or paid after more than 12 months of the reporting date. Current assets and current liabilities in the parent company and group essentially consist only of amounts expected to be recovered or paid within 12 months of the reporting date.

Consolidation Policies

Subsidiaries

Subsidiaries are companies that Enea AB exercises a controlling influence over. Controlling influence entails a direct or indirect right to determine a company's financial and operational strategies with the purpose of generating economic benefits. When assessing whether controlling influence exists, shares conferring entitlement to vote that can be exercised or converted without delay are taken into account. The financial statements of subsidiaries are included in the consolidated accounts effective the date the controlling influence transfers to the group until the time the controlling influence ceases.

The purchase method is used to recognize the group's business combinations. The purchase consideration for the acquisition of a subsidiary comprises the fair value of transferred assets, liabilities and the shares issued by the group. The consideration also includes the fair value of all assets or liabilities resulting from an agreement concerning a contingent consideration. Acquisition-related costs are expensed as they arise. Identifiable acquired assets and assumed liabilities in a business acquisition are initially measured at fair value on the date of acquisition. For each acquisition, the group determines whether all non-controlling interests in the acquired entity are recognized at fair value or at the proportionate share of net assets of the acquired entity.

The amount by which the transferred consideration, any non-controlling interests and the fair value of previous shareholdings on the date of transfer exceeds the fair value of the group's share of identifiable acquired net assets, is recognized as goodwill.

When the difference is negative, it is recognized directly in profit or loss. Intra-group receivables, liabilities, income or expenses and unrealized gains or losses attributable to intra-group transactions are eliminated when the consolidated accounts are prepared.

Unrealized losses are eliminated in the same way as unrealized gains.

Foreign Currency

Transactions in Foreign Currency

Transactions in foreign currency are translated to the functional currency at the rate of exchange ruling on the transaction date. Monetary assets and liabilities in foreign currency are translated to the functional currency at closing day rates. Exchange differences occurring in translations are recognized in profit or loss. Exchange differences on non-monetary assets and liabilities are recognized in operating profit or loss, and exchange differences on monetary assets and liabilities are recognized in financial net. Non-monetary assets and liabilities recognized at historical cost are translated at the rate of exchange ruling on the transaction date. Non-monetary assets and liabilities recognized at fair value are translated to the functional currency at the rate of exchange ruling at the time of fair value measurement, the change in exchange rate is then recognized in the same way as other value changes relating to the asset or liability.

The functional currency is the currency in the primary economic environments where companies conduct operations. The group's constituent companies are the parent company and subsidiaries. The parent company's functional currency, and presentation currency, is Swedish kronor. The group's presentation currency Swedish kronor.

Financial Statements of Foreign Operations

Assets and liabilities in foreign operations including goodwill and other consolidated surplus values and deficits, are translated to Swedish kronor at closing day rates. The revenues and expenses of a foreign operation are translated to Swedish kronor at an average rate of exchange that is an approximation of the rates at each transaction date. Translation differences arising on currency conversion of foreign operations are recognized in other comprehensive income. When selling a foreign operation, the accumulated translation differences attributable to the operation are realized. Accumulated translation differences are presented as a separate category and the 'reserves' item and contain translation differences accumulated from January 1, 2004 onwards. Accumulated translation differences prior to January 1, 2004 are allocated between other equity categories and are not disclosed separately.

Revenue

The group generates revenue from sales of software and services, and applies IFRS 15 Revenue from Contracts with Customers effective January 1, 2018.

The following are the criteria for recognizing the revenue from licenses and, wherever appropriate, the revenue from services:

- A written contract signed by both parties,
- Delivery has occurred,
- The license fee must be a fixed amount or calculated using a reliable method, and no withdrawal options are available, or the credit period is less than 12 months,
- It is probable that payment will be received.

Software Sales

Sales of software generate revenue in the form of license fees, buyouts (the customer purchases the product for an unlimited time), royalties and revenue for support and maintenance.

When Enea is entitled to recognize revenue, a contract asset/accrued income arises. The contract assets transfer to a receivable from a customer when all the criteria regarding the rights to invoice the customer are satisfied.

Developer Licenses and Buyouts

A license is a performance obligation. When the customer develops a product, a developer license is paid to Enea. Developer licenses are normally priced per development engineer. The customer can decide to purchase a time-based or perpetual license.

For both developer licenses and buyouts, income is recognized when delivery of the software has been completed, and the customer has control over the good. Income from time-based license fees is accrued over the contract period on a straight-line basis, because during the contract term, the customer is dependent on continuous upgrades and modifications in order to use the license, while the revenue from perpetual license fees and buyouts is recognized at delivery when no performance obligations remain.

Support and maintenance are sold in part separately from, and in part together with, the licenses. Separate maintenance contracts normally have a term of 12 months and the income is allocated on a straight-line basis over the contract term.

In the sale of perpetual developer licenses, support and maintenance is included in the license fee, as is entitlement to continuous upgrades. In respect of such multi-component contracts, revenue from license sales is recognized in the amount representing the independent sales price of the license in relation to the total sales price pursuant to the contract on delivery of the license. Revenue from the service component, which corresponds to the independent sales price of the service component in relation to the total contracted sales price, is allocated over the service period. The independent sales price of each component is measured on the basis of current market prices of these components when sold separately. Discounts are allocated proportionally to each separate performance obligation (license and support/maintenance).

Production Licenses (Royalties)

In order to deliver a finished product containing Enea's technology, the customer signs a production license. This may be time-based or perpetual and often consists of royalties, i.e. a revenue item per sold unit. In turn, royalties may consist either of fixed or variable compensation. Royalty revenues are recognized in accordance with the economic substance of the relevant agreement when delivery is complete, and all performance obligations are satisfied. Revenues from customers with sales-based royalties are always recognized quarterly in arrears.

Services

The revenue from service assignments rendered on open account is recognized as work is completed. The revenue from services that are based on a functional undertaking are recognized on a straight-line basis over the contract term during which the services are rendered. A functional undertaking involves a service function with an indefinite number of services that are to be maintained over a specific period. Revenue from projects that are executed on a fixed-fee basis is recognized by degree of completion, which is determined based on contract costs incurred in relation to estimated contract costs for the whole contract in accordance with the percentage of completion method. If a loss risk is deemed to exist, individual allowances are posted continuously.

Government Grant

A SEK 9.6 million government grant for research and development (2018:0) is included in the revenue item "revenue from software sales." There are no unsatisfied terms and conditions or contingent liabilities associated with this grant. The group has not received any other form of government grant.

Operating Expenses and Financial Income and Expenses

Expenses for Leases

The group leases offices, office equipment and vehicles. Usually, leases have fixed periods of between six months and five years, although there may also be extension options.

Effective January 1, leases are recognized as rights of use with the corresponding liability. Assets and liabilities from leases are initially recognized at present value, with payments discounted with the lessee's incremental borrowing rate.The incremental borrowing rate is the interest rate that the individual lessee would pay to borrow the necessary funds to purchase an asset of similar value as the right of use in a similar economic environment, with similar terms and conditions and security. Lease payments are allocated between amortization of the liability and interest. Interest is recognized in profit or loss over the lease period in a way that implies a fixed rate of interest for the lease liability being recognized in the period.

Assets with right of use are measured at cost and include the following:

- The amount the lease liability was originally measured at
- Lease payments made at or before the commencement date, after deducting for any benefits received in tandem with entering the lease
- Initial direct expenditure
- Expenditure to maintain the asset in the condition stipulated by the terms and conditions of the lease

Expenses for operating leases of low individual value and with periods of less than 12 months are recognized in profit or loss on a straight-line basis over the lease period.

A number of the group's arrangements include options to extend and cancel leases. Most of these extension options have not been included in the lease liability because the group can replace these assets without incurring material expenses or disrupting operations.

Financial Income and Expenses

Financial income and expenses may consist of interest income on bank balances and receivables, and fixed-income securities, interest expenses on loans, dividend income, exchange differences, unrealized and realized gains on financial investments and derivative instruments used in financing activities. Interest income on receivables and interest expenses on liabilities is computed by applying the effective interest method. Effective interest is the rate that makes the present value of all future payments received and made during the fixed-interest period equal to the carrying amount of the receivable or liability. Interest income includes allocated amounts of transaction costs and any discounts, premiums and other differences between the original value of the receivable and the amount received when due. The group does not capitalize interest in the cost of assets because the group's development projects do not have a period of longer than one year.

Financial Instruments

Financial instruments recognized in the Balance Sheet include, on the assets side, financial assets held for sale, other long-term receivables, cash and cash equivalents and accounts receivable, and, on the liabilities and equity side, accounts payable and other current and non-current liabilities. A financial asset or financial liability is recognized in the Balance Sheet when the company becomes a party to the contractual terms of the instrument. Accounts receivable are recognized in the Balance Sheet when the invoice has been sent. Accounts payable are recognized in the Balance Sheet when the invoice has been received. A financial asset is derecognized from the Balance Sheet when the contractual rights have been realized, expire or the company loses control over them. Spot purchases and sales of financial assets are recognized on the transaction date, which is the date on which the company delivers the asset. A financial liability is derecognized from the Balance Sheet when the contractual obligation has been fulfilled or is in some other way extinguished.

The fair value of quoted financial assets corresponds to the highest price paid quoted for the asset on the reporting date. Should no such price be available, valuation takes place through generally acceptable methods, such as discounting of future cash flows to the market interest rate for the relevant maturity.

For short-term loans and investments, the fair value is assumed to cor-res-pond to book value since a change in market interest rates would not have a material effect on market value.

Financial assets and liabilities are offset and recognized in a net amount in the Balance Sheet only when a legal right exists to offset the items and there is an intention to settle the amount net, or to simultaneously realize the asset and settle the liability. Financial assets and liabilities are divided into the following categories according to IAS 39.

Loans and Accounts Receivable

This category includes financial assets that are not derivative instruments, with fixed or determinable payments, and that are not listed on an active market. These receivables arise when money, goods or services are provided directly to another party without an intention to trade in the receivables. The assets in this category are measured at amortized cost, less any provision for value depletion. The category includes accounts receivable and cash and cash equivalents.

Accounts Receivable

When the estimated maturity of accounts receivable is short, recognition occurs in the amount expected to flow in based on an individual assessment of doubtful receivables and without discounting, according to the method for recognizing amortized cost. Any impairment losses on accounts receivable are recognized in operating profit. According to IFRS 9, a credit loss reserve based on expected credit losses should be recognized. The group has recognized the transition prospectively, considering historical credit losses over a business cycle, and concludes that there is no reason to create an impairment allowance.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash at financial institutions and short-term investments with an original maturity of less than three months. Cash and cash equivalents are recognized at nominal amount.

Financial Assets Held for Sale

Financial assets held for sale are assets that are not derivatives and where the assets have been identified as being held for sale or have not been classified in any other category. The assets form part of non-current assets unless management intends to sell the asset within 12 months of the end of the reporting period.

Financial Assets Measured at Fair Value through Profit or Loss

This category includes assets intended for sale in the short term. Derivatives with positive market value are included in this category if not used for hedge accounting. Investments in corporate bonds and unit trusts are also included in this category. Assets in this category are recognized continuously at fair value and value changes are recognized in profit or loss. No financial derivative instruments were classified in this category in the year.

Financial Liabilities Measured at Fair Value through Profit or Loss

This category includes derivative instruments with a negative market value if they are not subject to hedge accounting. Similarly, it includes financial liabilities held for sale. The liabilities in this category are measured continuously at fair value and the changes in value are recognized in profit or loss. During the year, no financial derivatives were classified in this category.

Recognition of Derivatives Used in Hedge Accounting

All derivatives are measured initially and then continuously at fair value in the Balance Sheet. Gains or losses arising from the re-measurement of derivatives are used for hedging purposes as follows. Changes in value pertaining to cash flow hedges are recognized in other comprehensive income and entered in profit or loss at the pace at which the hedged cash flow impacts profit or loss. Any ineffective component is recognized directly in profit or loss. Gains losses arising from the re-measurement of derivatives intended as fair value hedges are recognized in profit or loss together with changes in the fair value of the receivable or liability that is exposed to the hedged risk. To qualify for hedge accounting, certain documentation is required concerning the hedging instrument and its relationship to the hedged item. The group also documents objectives and strategies for risk management and hedging measures together with an assessment of how effective the hedging relationship is in terms of evening out changes in fair value or cash flow for hedged items, both when the hedge is initiated and in continuous recognition.

Financial Liabilities Measured at Amortized Cost

This category includes financial liabilities that are not held for trading, such as accounts payable and loan liabilities. These are initially recognized at fair value, net, after transaction costs and subsequently at amortized cost, applying the effective interest rate method.

Loans and Accounts Payable

The measurement policy used for loans and accounts payable is amortized cost. Since the expected maturity of loans and accounts payable is short, such liabilities are recognized at a nominal amount without discounting. Liabilities that fall due within 12 months are classified as current liabilities.

FINANCIAL INSTRUMENTS BY CATEGORY

	Loan Receivables and Accounts Receivable	Financial Assets Measured at fair Value through Profit or Loss	Derivative Instruments Used for Hedging Purposes	Financial Assets Held for Sale	Total
December 31, 2019					
Assets in the Balance Sheet					
Derivative instruments	–	–	624	–	624
Accounts receivable and other receivables, excluding interim receivables	235,519	–	–	–	235,519
Cash and cash equivalents	146,147	–	–	–	146,147
	381,666	**–**	**624**	**–**	**382,290**
December 31, 2018					
Assets in the Balance Sheet					
Accounts receivable and other receivables, excluding interim receivables	335,815	–	–	–	335,815
Cash and cash equivalents	74,673	–	–	–	74,673
	410,488	**–**	**–**	**–**	**410,488**

		Financial Assets Measured at fair Value through Profit or Loss	Derivative Instruments Used for Hedging Purposes	Liabilities Measured at Amortized Cost	Total
December 31, 2019					
Liabilities in the Balance Sheet					
Liabilities to credit institutions	–	–	–	362,066	362,066
Liabilities lease obligations	–	–	–	38,589	38,589
Accounts payable and other liabilities, excluding financial liabilities	–	–	–	35,186	35,186
	–	**–**	**–**	**435,841**	**435,841**
December 31, 2018					
Liabilities in the Balance Sheet					
Liabilities to credit institutions	–	–	–	633,164	633,164
Purchase consideration posted to liabilities, short term	–	1,346	–	–	1,346
Derivative instruments	–	–	1,937	–	1,937
Accounts payable and other liabilities, excluding financial liabilities	–	–	–	36,175	36,175
	–	**1,346**	**1,937**	**669,340**	**672,622**

ALLOCATION BY LEVEL IN FAIR VALUE MEASUREMENT AS OF 31 DECEMBER 2019

SEK 000	Level 1	Level 2	Level 3	Total
Derivative instruments used for hedging purposes				
Receivable currency derivatives	–	624	–	624
Total 2019	**–**	**624**	**–**	**624**

The carrying amounts of all liabilities are judged to correspond to fair value.

FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

The subcomponents included in financial assets measured at fair value through profit or loss are listed corporate bonds and a corporate bond fund.

CASH AND CASH EQUIVALENTS

The subcomponents included in cash and cash equivalents are cash, bank and special deposits or commercial paper with an insignificant risk of fluctuations in value and that can easily be converted into cash and cash equivalents, and which have a maturity of no more than three months from acquisition date.

Cash and Cash Equivalents	2019	2018
Cash and bank balances	146,147	74,673
Total	**146,147**	**74,673**

ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable are unsecured and normally paid within 30 days. The fair value of Accounts Payable and other liabilities is considered equal to their carrying amounts, because they are inherently short term.

Current Liabilities	2019	2018
Accounts payable	18,119	21,441
Other liabilities	17,067	14,734
Total	**35,186**	**36,175**

BORROWING

	2019		
Unsecured Loans	**Short-term**	**Long-term**	**Total**
Overdraft facility	32,066		32,066
Bank loans	67,000	263,000	330,000
Total	**99,066**	**263,000**	**362,066**

	2018		
Unsecured Loans	**Short-term**	**Long-term**	**Total**
Overdraft facility	60,013	–	60,013
Bond loans	–	491,822	491,822
Bank loans	33,329	48,000	81,329
Total	**93,342**	**539,822**	**633,164**

Intangible Assets

Goodwill

Goodwill represents the difference between the cost of a business combination and the fair value of the acquired assets, assumed liabilities and conting-ent liabilities. Goodwill is measured at cost less any accumulated impairment. Goodwill is divided between cash-generating units and is impairment tested at least yearly.

Research and Development

Research expenses aimed at obtaining new scientific or technical knowledge are recognized as an expense when they arise.

Development expenditure, where the research results are aimed at achieving new or improved products or processes, is recognized as an asset in the Balance Sheet when the following criteria have been fulfilled:

- it is technically feasible to complete the asset,
- the company intends to complete the asset and use or sell it,
- the company has sufficient resources to complete development,
- the asset is expected to generate future economic benefits,
- it is possible to measure the expenditure required to complete the asset reliably

The carrying amount includes expenditure for materials, direct expenditure for salaries and indirect expenditure attributable to the asset in a reasonable and consistent manner. Other development costs are recognized as expense in profit or loss when they arise. The development expenditure recognized in the Balance Sheet is booked at cost, less accumulated amortization and impairment losses.

Other Intangible Assets

These consist mainly of trademarks and brands, licenses and contractual customer relations arising through business combinations. The assets are recognized at fair value on the acquisition date less accumulated amortization.

Amortization Policies

Amortization is recognized on a straight-line basis in profit or loss over the estimated useful life of the intangible assets, assuming that useful life is not indeterminable. Goodwill is impairment tested on a quarterly basis or as soon as there are indications that the asset in question has declined in value. Amortizable intangible assets are amortized as of the date on which they become available for use. The estimated useful life of capitalized development expenditure is between 3 and 5 years. Acquired product rights are amortized over 5-10 years, while acquired contractual customer relations are amortized over 7-10 years.

Property, Plant and Equipment

Owned Assets

Property, plant and equipment are recognized as assets in the Balance Sheet when it is probable that the future economic benefits associated with the holding will flow to the company and that the cost of the asset can be measured reliably. Property, plant and equipment are recognized at cost in the group less accumulated depreciation and any impairment losses. Cost includes the purchase price and expenses directly attributable to bringing the asset to the site and condition required for it to be used in accordance with the aim of the purchase. Examples of directly attributable expenses included in cost are expenses for delivery and handling, installation, consultancy services and legal services.

Leased Assets

IAS 17 is applied in respect of leased assets. In the consolidated accounts, leases are classified either as finance or operating leases. With no significant exceptions, all leases are operating and relate mainly to cars and rent for premises. For operating leases, the lease fee is expensed over the duration of the lease based on useful life, which can differ from the actual payment made to cover lease payments during the year. The cost of leasing is recognized on a straight-line basis over the useful life.

Depreciation Policies

Depreciation is on a straight-line basis over the asset's estimated useful life. The estimated useful life of property, plant and equipment such as equipment, tools, fixtures and fittings is 5 years. The useful life and residual value of assets are tested yearly.

Impairment

The carrying amounts of the group's assets, with the exception of deferred tax assets and financial assets, are impairment tested at each reporting date. If there is any indication of impairment, the recoverable amount of the asset is calculated. For the exempted assets as stated above, the carrying amounts are tested in accordance with the relevant standard. For goodwill and intangible assets, which are not yet ready for use, the recoverable amount is measured yearly.

If it is not possible to determine essentially independent cash flows for an individual asset, the assets are grouped at the lowest level at which it is possible to identify essentially independent cash flows (known as a cash-generating unit). An impairment loss is recognized when the carrying amount of an asset or cash-generating unit exceeds the recoverable amount. Impairment is recognized as an expense in profit or loss.

Impairment of assets identified for a cash-generating unit (group of units) is allocated initially to goodwill. Subsequently, proportional impairment of other assets included in the unit (group of units) is conducted.

Measurement of Recoverable Amount

The recoverable amount is the greater of the fair value less selling expenses and value in use. When measuring value in use, future cash flow is measured using a discount rate that takes into account risk-free interest and the risk associated with the specific asset. For an asset that does not generate cash flows that are essentially independent of other assets, the recoverable amount is measured for the cash-generating unit to which the asset belongs.

Reversal of Impairment

Impairment of goodwill is not reversed. Impairment of other assets is reversed if a change to the underlying assumptions for measuring the recoverable amount have occurred. Impairment is only reversed to the extent the asset's carrying amount after the reversal does not exceed the carrying amount the asset would have had if no impairment have been taken, considering the depreciation and amortization that would then have been taken.

Employee Benefits

Pensions

Obligations regarding fees for defined-contribution plans are recognized as expenses in profit or loss when they arise. All pension solutions in foreign subsidiaries, with the exception of Qosmos in France and Enea Germany, are classified and recognized as defined-contribution plans, which means that the group's profit (loss) is charged with pension expenses in pace with vesting benefits.

Salaried employees in Sweden are covered by the ITP plan, which is recognized as a defined-contribution pension plan. Obligations for retirement pensions and survivors' pensions for salaried employees in Sweden are covered by an insurance policy with Alecta. According to a statement from the Swedish Financial Reporting Board, UFR 10, this is a multi-employer, defined-benefit plan. Alecta is unable to provide Enea or other Swedish companies with sufficient information to determine an individual company's share of the total commitment and its plan assets. Accordingly, ITP pension plans covered by insurance with Alecta are recognized as defined-contribution. This plan is being financed on an ongoing basis through pension insurance policies. Alecta's surplus can be distributed to the policyholders and/or the insured. The collective consolidation ratio consists of the market value of Alecta's assets as a percentage of its insurance obligations, calculated in accordance with Alecta's actuarial assumptions, which do not comply with IAS 19. Salaried employees in Qosmos France and Enea Germany are covered by a defined-benefit pension plan. The group's net obligation for defined-benefit plans is calculated by estimating future compensation accrued by employees in the current and earlier periods. This remuneration is discounted to present value. The liability for defined-benefit pension plans posted to the Balance Sheet corresponds to the present value of the defined-benefit obligation. Revaluation gains (losses) resulting from experience-based restatements and changes in actuarial assumptions are reported in other comprehensive income in the period in which they arise. Costs relating to employment in earlier periods are recognized directly in profit or loss.

Remuneration on Termination
In conjunction with notice of employment termination, a provision is recognized only if the company is contractually obligated to terminate an employment position before the normal time, or when payments are made as an offering to encourage voluntary termination. For cases in which the company implements personnel cutbacks, a detailed plan is prepared that covers at least the workplace concerned, positions, and the approximate number of affected employees and disbursements for every personnel category or position, as well as a time schedule for the plan's implementation.

Remuneration of Senior Executives
The guidelines for remuneration of senior executives are adopted by the Annual General Meeting. For the Executive Management Team, salaries and other employment conditions are applied based on market conditions. In addition to basic annual salaries, members of the group's Executive Management Team receive variable remuneration based on earnings performance in relation to predetermined targets. Remuneration of certain senior executives within the Enea group can also be paid in the form of share-based payment.

Share-based Payment
The group has three outstanding incentive programs from which payments are made in the form of shares, with the company receiving services from employees as payment for the group's equity instruments (shares). The fair value of the service that provides the employees with entitlement to granting of equity instruments is expensed over the vesting period. The Share Savings Program is measured using conventional models. For more information on the incentive program, also refer to Note 21.

Provisions
A provision is recognized in the Balance Sheet when the group has an existing legally enforceable or constructive obligation resulting from an event that has occurred, and it is probable that an outflow of economic resources will be required to fulfil the obligation and the amount concerned can be reliably estimated. If the effect of when payment is made is significant, the provision is measured by means of discounting of the anticipated future cash flow at a pre-tax interest rate that reflects current market assessments of the time value of money and, where applicable, the risks associated with the liability.

Restructuring
A provision for restructuring is recognized when the group has established a detailed and formal restructuring plan, and restructuring has either been commenced or announced publicly. No provisions are made for future operating expenses.

Onerous Contracts
A provision for onerous contracts is recognized when the anticipated rewards the group expected to receive from a contract are less than the unavoidable expenses to satisfy obligations pursuant to contract.

Taxes
Income taxes comprise current tax and deferred tax. Income tax is recognized in profit or loss, except when the underlying transaction is recognized directly against equity, in which case the related tax effect is recognized in equity. Current tax is tax to be paid or recovered for the current year using the tax rates already enacted or substantively enacted at the reporting date, including restatements of current tax attributable to earlier periods.

Deferred tax is computed in accordance with the balance sheet method, based on temporary differences between carrying amounts and tax bases of assets and liabilities. The following temporary differences are not taken into account: temporary differences arising upon initial recognition of goodwill; initial recognition of assets and liabilities that are not business combinations and which at the time of the transaction did not affect either recognized or taxable gains. Temporary differences attributable to participations in subsidiaries that are not expected to be reversed in the foreseeable future are not taken into account. Measurement of deferred tax is based on how the carrying amount of underlying assets or liabilities is expected to be recovered or settled. Deferred tax is measured using the tax rates and regulations enacted or substantively enacted at the reporting date.

Deferred tax assets pertaining to deductible temporary differences and tax loss carry-forwards are only recognized insofar as they are likely to be utilized in the future. The value of deferred tax assets is reduced when it is no longer probable that the assets can be utilized. Any additional income tax relating to dividends is recognized at the same date as the dividend is recognized as a liability.

Financial Risks
The greatest financial risks are liquidity risk, currency risk and interest rate risk. Enea has a Finance Policy established by the Board of Directors, which sets a framework of guidelines for managing financial risks. A detailed description of the financial risks is presented in the Directors' Report.

Earnings per Share
The measurement of earnings per share is based on consolidated profit for the year attributable to equity holders of the parent and on the weighted average number of shares outstanding during the year. When measuring earnings per share after dilution, earnings and the average number of shares is restated to take into account the dilutive effects of potential ordinary shares, which arise during reported periods from convertible debentures and warrants issued to employees. Dilution occurs only when the exercise price is lower than the share price. The exercise price is adjusted by means of a supplement for the value of future services linked to the equity-settled stock option programs recognized as share-based payments pursuant to IFRS 2.

Contingent Liabilities
A contingent liability is recognized when there is a possible obligation deriving from events that have occurred whose existence can only be confirmed if one or more uncertain future events occur or when there is a commitment that has not been recognized as a liability or entered as a provision because it is not likely that an outflow of resources will be required.

Parent Company's Accounting Policies
The parent company has prepared its annual accounts in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Accounting Standards Council's recommendation RFR 2 Accounting for Legal Entities. According to RFR 2, the parent company, as the legal entity, must apply all of the EU-endorsed IFRS and statements insofar as possible within the framework of the Swedish Annual Accounts Act and taking into account the relationship between accounting and taxation. The recommendation indicates the exemptions and supplements that are to be made compared with IFRS. The differences between the group's and parent company's accounting policies are described below.

Differences between the Group's and Parent Company's Accounting Policies
The differences between the group's and parent company's accounting policies are reviewed below. The accounting policies stated below for the parent company were applied consistently in all periods presented in the parent company's financial statements.

Subsidiaries
Participations in subsidiaries are recognized in the parent company in accordance with the cost method. Dividends received are only recognized as revenue if they are derived from profits earned after acquisition. Dividends in excess of such earnings are regarded as repayment of the investment and reduce the carrying amount of the participating interest.

Dividends
Dividends to the parent company's shareholders are recognized as liabilities in the consolidated financial statements for the period in which the dividend is approved by the parent company's shareholders. Anticipated dividends from subsidiaries are recognized if the parent company has sole entitlement to decide on the size of the dividend and the parent company has made a decision on the size of the dividend before the parent company has published its financial statements.

Taxes
The parent company recognizes untaxed reserves including deferred tax liabilities. In the consolidated financial statements, however, untaxed reserves are divided into deferred tax liabilities and equity.

Group Contributions and Shareholder Contributions for Legal Entities
Shareholder contributions are entered directly in the equity of the recipient and are capitalized in shares and participations by the donor, to the extent that impairment is not required.

Due to the correlation between recognition and taxation, group contributions paid by the parent company to subsidiaries are recognized as a financial cost in profit or loss. Group contributions received are recognized as appropriations. The tax effect is recognized in accordance with IAS 12.

NOTE 2 – Nature of Income and Operating Segment Reporting

Operating segments are reported consistent with internal reporting to the chief operating decision maker (CODM). The CODM is the function responsible for allocating resources and evaluating the performance of segments. In the group, this function has been identified as the CEO, and Enea reports the whole operation as a single segment.

Revenue by Business Unit	2019	2018
Key Accounts	283,764	226,331
Software sales [1]	581,326	458,784
Software Development Services	146,954	145,214
	1,012,044	**830,329**

Revenue by Market Segment	2019	2018
Telecom/OEMs	494,136	359,446
Telecom/operators	296,868	259,532
Security	69,483	66,234
Aerospace/defense	47,154	41,123
Other [2]	104,403	103,994
	1,012,044	**830,329**

Revenue by Product Group	2019	2018
Operating Systems	249,561	258,714
Network Solutions	607,431	417,156
Software Development Services	145,845	145,212
Other	9,207	9,247
	1,012,044	**830,329**

Revenue by Geographical Market	2019	2018
Sweden	145,192	174,255
Americas	399,394	302,997
EMEA excluding Sweden	353,796	262,068
Asia	113,662	91,009
	1,012,044	**830,329**

Fixed Assets by Geographical Market	2019	2018
Sweden	306,426	107,977
Americas	911,850	867,732
France	393,878	382,971
Rest of Europe and Asia	40,214	38,896
	1,652,368	**1,397,576**

Enea has a few major customers that account for a significant share of the company's sales. Two of the company's customers each account for 10 percent or more of the company's sales, with a share of 11 (16) percent and 17 (11) percent respectively of the company's sales.

Sales by geographical market are based on customers' geographical domicile.

1 Software sales include a government grant of SEK 9.6 million for the company's RandD activities in Northern Ireland.
2 Most of Enea's revenue in the Aerospace/Defense market segment is for civil applications in the aerospace industry.

NOTE 3 – Exchange Gains and Exchange Losses

	2019	2018
GROUP		
Exchange gains on operating receivables/liabilities	7,842	5,274
Exchange losses on operating receivables/liabilities	–5,415	–4,025

	2019	2018
PARENT COMPANY		
Exchange gains on operating receivables/liabilities	–	–
Exchange losses on operating receivables/liabilities	–	–

NOTE 4 – Employees and Other Senior Executives

The Board of Directors' Proposal on Guidelines for Remuneration of Senior Executives

The Board of Directors proposes that the Annual General Meeting (AGM) approves the following guidelines for remuneration of senior executives.

Who the Guidelines Cover, and their Applicability

These guidelines for remuneration of senior executives cover the Chief Executive Officer and other members of group management. The guidelines should be applied to compensation agreed, and amendments to compensation previously agreed, after the guidelines have been adopted by the AGM 2020. Regarding employment terms in other legislatures than Sweden, the relevant adaptations should be made to comply with mandatory local regulation or practice, in order for the overall purpose of these guidelines to be met. These guidelines do not cover compensation resolved by the AGM.

The Board of Directors is entitled to temporarily depart from these guidelines wholly or partly if there are special reasons for this in an individual case, and a departure is necessary to serve the company's long-term interests and sustainability, or to ensure the company's profitability. If such departure occurs, this should be stated in the Remuneration Report at the following AGM. These guidelines apply to the period from the AGM 2020 onwards. Matters regarding departure from the guidelines should be subject to consultation by the Remuneration Committee, and decision by the Board of Directors.

The Guidelines' Promotion of the Company's Business Strategy, Long-term Interests and Sustainability

Enea's ambition is to be a global software company, with a strong and leading position in those markets that it addresses, with yearly sales growth, high profitability and healthy cash flows. Organic growth is the foundation of operations, and work is ongoing to develop, rationalize and optimize it. Strategic and complementary acquisitions will be continuously screened, and if considered to add value for customers and shareholders within a well-considered risk level, Enea will attempt to execute such acquisitions. Enea's target is to maintain an EBIT margin of over 20 percent per year. EBIT margin will vary during quarters, keeping pace with growth. Growth and earnings will vary between years and quarters, mainly depending on how individual deals occur, and the progress of royalty streams. For more information on Enea's strategy, see www.enea.com

The Board of Directors' opinion is that the company's ability to attract, motivate and retain high-performing staff and managers is critical for successful implementation of the company's business strategy and protection of the company's long-term interests, including sustainability. This entails the company being able to offer competitive benefits packages. Total compensation should contain a variable component linked to the individual performance of staff and managers, but that is also synchronized with the company's profitability and long-term sustainability.

Forms of Compensation, etc.

Remuneration and other employment terms of senior executives should be at market levels. Remuneration consists of basic salary, variable remuneration and pensions. Additionally – and independent of these guidelines – the AGM is entitled to resolve on share or share price-based payments.

Fixed Basic Salary

The basic salary of the CEO and other senior executives is subject to yearly review. For the CEO, fixed basic salary may represent a maximum of 60 percent of total compensation excluding the LTIP (long-term incentive program) and assuming a 50 percent outcome of the STIP (short-term incentive program). For other senior executives, fixed basic salary may represent a maximum of 90 percent of total compensation excluding LTI, and assuming a 50 percent outcome of the STIP.

Enea's STIP has three parts. Two of these parts relate to the company achieving specific targets, while one is determined by the achievement of individual targets. The majority of compensation is linked to the company's financial targets, while the individual part of compensation corresponds to a lesser proportion of them.

The criteria applied relate to the company's targets for sales and EBIT, pursuant to the adopted annual financial statement. The criteria applying to the individual targets should be formulated prior to the end of the first quarter of the financial year the compensation relates to, and should be as specific as the criteria relating to the company's targets. The criteria are designed to promote the company's business strategy, long-term interests, as well as sustainability, and accordingly, the company's long-term value creation.

The outcome of compensation is subject to consultation by the Remuneration Committee, and decided by the Board of Directors for the CEO. For other senior executives, the outcome of compensation is consulted and decided by the Remuneration Committee. Payment of compensation is as soon as possible after the Board meeting where the company's annual financial statement is adopted for the vesting year. Variable remuneration is not pensionable, nor used to calculate vacation pay. The company is not entitled to reclaim this compensation.

For the CEO, the STIP may be a maximum of 100 percent of fixed basic salary, and may be a maximum of 50 percent of total compensation excluding the LTIP. For other senior executives, the STIP may be a maximum of 120 percent of fixed basic salary, and may be a maximum of 60 percent of total compensation excluding the LTIP.

Senior executives are eligible for incentive programs that are basically share, or share price, related. An incentive program should be designed to increase participants' commitment to the company's progress, and be implemented on market terms. Share and share price-related incentive programs are subject to AGM resolution, and accordingly, are not covered by these guidelines.

Pension

The CEO's agreed retirement age is 67, and other senior executives do not have any specifically agreed retirement ages. All pension benefits of senior executives are defined contribution. This means that for senior executives, the company pays individually agreed defined contribution pension premiums. Apart from these pension benefits, the company has no pension obligations to senior executives.

For the CEO, pension will be a maximum of 20 percent of total compensation excluding LTIP, assuming a 50 percent outcome from the STIP. For other senior executives, pension will be a maximum of 20 percent of total compensation excluding the LTIP, and assuming a 50 percent outcome from the STIP.

Senior executives employed in countries other than Sweden are subject to local pension plans in their respective home countries. Such plans are consistent with those offered to other employees in the same countries. Accordingly, in terms of retirement age and any additional pension obligations, there may be some variation in employment terms in other legislatures than Sweden where mandatory local regulation or practice requires, and accordingly, the overall purpose of these guidelines should still be met.

Notice Period and Severance Pay

The employment or service contracts of senior executives should apply until further notice, or for a specific period. For the CEO, a six-month notice period applies for termination by the company. In addition to dismissal pay, the CEO is entitled to severance pay of six times fixed monthly salary. During the notice period, the employment contract and associated benefits apply. For other senior executives, maximum notice periods of six months apply to termination by the company. Apart from dismissal pay, other senior executives are not entitled to severance pay. Applicable employment contracts and associated benefits apply during notice periods. Where severance pay is due, no other benefits are payable after the end of the notice period.

Salary and Employment Terms of Employees

Consultation on the Board of Directors' proposal on guidelines for remuneration of senior executives considers salary and employment terms of the company's employees. Information on employees' total compensation, the components of such compensation, as well as increases and rates of increase of compensation over time, have been collated and served as part of the decision-support data for the Remuneration Committee and the Board of Directors when appraising the reasonableness of the guidelines and their ensuing limitations.

Average Number of Employees	2019 Total	2019 Of Which Men, %	2018 Total	2018 Of Which Men, %
Parent company	12	66	10	48
Subsidiaries	617	79	553	76
Group total	**629**	**79**	**563**	**76**
of which:				
Sweden	55	78	61	76
US	71	80	76	78
Romania	241	68	265	68
China	4	75	5	79
Japan	4	100	4	100
France	61	86	63	85
Germany	16	89	2	50
UK	60	92	46	91
Singapore	1	100	2	100
Croatia	55	87	–	–
Austria	7	87	–	–
Spain	5	81	5	83
Canada	3	100	2	79
India	46	87	31	86
Group total	**629**	**79**	**563**	**76**

Gender Division in Executive Management Team	2019 Total	2019 Of Which Men, %	2018 Total	2018 Of Which Men, %
Board of Directors	7	57	7	71
Other senior executives	8	100	9	100

Salaries, Other Benefits and Social Security Expenses	2019	2018
GROUP		
Salaries and benefits*	391,747	358,005
Share-based payments *	28,661	8,715
* of which Board of Directors, CEO and other senior executives [1]	41,336	39,941
Pension expenses [2]	24,582	18,182
of which defined-benefit pension plans	731	287
of which defined-contribution pension plans	23,851	17,895
Other social security expenses	67,759	61,496
Total	**512,749**	**446,398**

Salaries, Other Benefits and Social Security Expenses	2019	2018
PARENT COMPANY		
Salaries and benefits *	17,013	14,710
Share-based payments *	5,852	776
* of which Board of Directors, CEO and other senior executives [3)]	13,434	11,483
Pension expenses [4)]	5,388	5,079
of which defined-contribution pension plans	5,388	5,079
Other social security expenses	5,364	5,250
Total	**33,617**	**25,815**

[1] Of the group's salaries and benefits, SEK 2,342,000 (4,661,00) is variable remuneration for the group comprising the Board of Directors and CEO (including the Presidents and Boards of subsidiaries).

[2] Of the group's pension expenses, SEK 3,083,000 (3,614,000) is for the group comprising the Board of Directors and CEO.

[3] Of the parent company's salary and benefits, SEK 2,342,000 (4,000,000) is variable remuneration for the group comprising the Board of Directors and CEO.

[4] Of the parent company's pension expenses, SEK 3,083,000 (3,559,000) is for the group comprising the Board of Directors and CEO.

In accordance with the resolution of the Annual General Meeting, Board members appointed by the AGM who are not employed by the company received the following remuneration in 2019

	Directors' Fee	Audit Committee Fee	Remuneration Committee Fee	Total
Anders Lidbeck (Chairman)	500	–	50	550
Kjell Duveblad	235	80	–	315
Anders Skarin	235	40	–	275
Gunilla Fransson	235	–	30	265
Mats Lindoff	235	–	–	235
Birgitta Stymne Göransson	235	40	–	275
Total 2019	**1 675**	**160**	**80**	**1 915**

In accordance with the resolution of the Annual General Meeting, Board members appointed by the AGM who are not employed by the company received the following remuneration in 2018

	Directors' Fee	Audit Committee Fee	Remuneration Committee Fee	Total
Anders Skarin (Chairman)	480	–	40	520
Kjell Duveblad	225	60	–	285
Åsa Sundberg	225	30	–	255
Gunilla Fransson	225	–	20	245
Mats Lindoff	225	–	–	225
Torbjörn Nilsson	225	30	–	255
Total 2018	**1 605**	**120**	**60**	**1 785**

Summary of remuneration and other benefits in 2019

	Basic Salary	Variable Remuneration	Other Benefits	Share-based Payments	Total	Pension Expense
CEO Jan Häglund (from April 2019)	2,105	1,342	–	673	4,120	837
former CEO Anders Lidbeck (until April 2019 inclusive)	1,918	1,000	–	924	3,842	2,245
Other senior executives (8)	14,599	6,573	73	6,827	28,072	1,559
Total 2019	**18,622**	**8,915**	**73**	**8,424**	**36,034**	**4,641**

Summary of remuneration and other benefits in 2018

	Basic Salary	Variable Remuneration	Other Benefits	Share–based Payments	Total	Pension Expense
CEO Anders Lidbeck	3,519	4,000	–	1,051	8,570	3,559
Other senior executives (11)*	15,664	6,240	1,333	3,104	26,341	1,164
Total 2018	**19,183**	**10,240**	**1,333**	**4,155**	**34,911**	**4,723**

* The number of senior executives varied in the year.

NOTE 5 – Fees and Reimbursement of Auditors

Auditing assignments are defined as examinations of the Annual Report and financial statements, as well as of the administration of the Board of Directors and CEO, other duties that the company's Auditors are obliged to conduct and advice or other assistance required due to observations made during such reviews or during the performance of such other duties. All other work is defined as other assignments. Of Audit assignments, SEK 1,258,000 (1,124,000) relates to PwC Sweden, of tax consulting, SEK 25,000 (0) relates to PwC Sweden, and of other assignments, SEK 441,000 (52,000) relates to PwC Sweden.

	2019	2018
GROUP		
PricewaterhouseCoopers		
Auditing	1,393	1,124
Other statutory assignments	–	–
Tax consultancy	25	–
Other	441	52
Ernst and Young		
Auditing	667	584
Other statutory assignments	–	–
Tax consultancy	–	–
Other	–	–
	2,526	**1,760**

	2019	2018
PARENT COMPANY		
PricewaterhouseCoopers		
Auditing	812	1,004
Other statutory assignments	–	–
Tax consultancy	25	–
Other	116	52
	953	**1,056**

NOTE 6 – Operating Expenses by Type

	2019	2018
Consumables and subcontracting consultants	33,613	18,786
Other external expenses	119,934	127,357
Personnel costs	517,676	466,528
Depreciation/amortization and impairment	86,094	40,465
	757,317	**653,136**

Depreciation/amortization and impairment losses for the year are allocated between cost of sold products and services totaling SEK 58.6 (34.0) million, sales and marketing expenses totaling SEK 4.0 (0.5) million, product development costs totaling SEK 3.2 (0.6) million and administrative costs totaling SEK 20.2 (5.4) million. SEK 20.7 million of amortization and impairment of the year is for rights of use pursuant to IFRS 16.

NOTE 7 – Leases

Lease Arrangements

The following amounts related to leases are recognized in the Balance Sheet:

Assets with Right of Use	**2019**	**2018**
Real estate	36,200	–
Vehicles	1,191	–
	37,391	**–**

Additional right-of-use assets in 2019 were SEK 13.1 million, of which SEK 6.5 million was additional from acquisitions.

Lease Liabilities	**2019**	**2018**
Long-term	20,633	–
Short-term	17,956	–
	38,589	**–**

Maturity Analysis of Lease Liabilities	**2019**	**2018**
Within 1 yr. of reporting date	17,956	–
More than 1 yr. but within 2 yrs. of reporting date	10,925	–
More than 2 yrs. but within 5 yrs. of reporting date	8,223	–
More than 5 yrs. after reporting date	1,485	–
	38,589	

The following amounts related to leases are recognized in the Income Statement:

Amortization of Rights of Use	**2019**	**2018**
Real estate	20,179	–
Vehicles	587	–
	20,766	**–**

Interest expenses (included in financial expenses)	1,434	–
Expenses related to short-term leases	862	–
Expenses related to leases where the underlying asset is of low value	277	–

The group has no variable lease payments

Measurement of lease liability	
Operating lease obligations as of December 31, 2018	55,026
Discounted by lessee's incremental borrowing rate	–1,865
Less: short-term leases not recognized as a liability	–1,150
Less: leases where the underlying asset is of low value, not recognized as a liability	–3,854
Less: adjustments due to different treatment of options to extend or cancel arrangements	–2,094
Reported lease liability as of January 1, 2019	**46,063**

Of which:	
Short-term lease liabilities	17,221
Long-term lease liabilities	28,842
Weighted incremental borrowing rate:	3,2%

Operating Lease Obligations	2019	2018
GROUP		
Lease payments in current year	–	20,401
Contracted future minimum lease payments within 1 yr.	–	19,641
Contracted future minimum lease payments within 2–5 yrs.	–	35,385

	2019	2018
PARENT COMPANY		
Lease payments in current year	4,302	4,676
Contracted future minimum lease payments within 1 yr.	4,166	4,302
Contracted future minimum lease payments within 2–5 yrs.	8,192	12,537

Effective January 1, 2019, the group recognized rights of use for of these leases (mainly premises), apart from short-term leases and leases where the underlying asset has low value.

NOTE 8 – Financial Net

	2019	2018
GROUP		
Profit (loss) on liquidation of subsidiary	–	236
Interest income	585	337
Exchange gains	19,393	24,293
Financial income	**19,978**	**24,866**
Interest expenses	–25,631	–23,504
Other financial expenses	–21,303	–3,947
Exchange losses	–24,727	–25,123
Financial expenses	**–71,661**	**–52,574**
Financial net	**–51,683**	**–27,708**

	2019	2018
PARENT COMPANY		
Interest income, other	35	210
Interest income, group companies	44,849	26,346
Exchange gains	1,223	1,406
Interest income and similar profit (loss) items	**46,107**	**27,962**
Interest expenses, other	–24,363	–23,221
Interest expenses, group companies	–36	–
Other financial expenses	–21,303	–3,145
Exchange losses	–1,678	–2,728
Interest expenses and similar profit (loss) items	**–47,380**	**–29,094**
Financial net	**–1,273**	**–1,132**

NOTE 9 – Tax

	2019	2018
GROUP		
Current tax expense		
Tax expense for the period	–15,371	–11,731
	–15,371	**–11,731**
Deferred tax		
–tax expense in loss carry-forwards used in the year	–7,737	–5,559
– tax expense/income related to temporary differences	–10,273	–2,975
– change deferred tax due to changed tax rate	–	768
	–18,010	**–7,766**
Adjustment of tax for previous years	**–33,381**	**–19,497**

Reconciliation of Effective Tax	2019	2018
GROUP		
Profit before tax	203,043	161,147
Standard rate tax 21.4% (22%)	–43,451	–35,452
Tax effect of		
– other tax rates in foreign subsidiaries	–3,511	–1,803
– use of previously capitalized loss carry-forwards	–	–123
– use of previously non-capitalized loss carry-forwards	6,124	9,790
– non-deductible expenses	–3,274	–3,011
– non-taxable revenue	4,611	3,517
– changed future tax rate	–	791
– research and development	13,805	11,647
Other tax	–7,685	–4,315
Adjustment of tax for previous years	–	–538
Adjustment of tax for previous years	**–33,381**	**–19,497**
	16%	**12%**

	2019	2018
PARENT COMPANY		
Current tax		
Tax for the period	-1,472	-384
	-1,472	**-384**

Reconciliation of Effective Tax	2019	2018
PARENT COMPANY		
Profit before tax	4,699	84
Tax 21.4% (22%)	–1,006	–18
Tax effect of		
– non-deductible expenses	–456	–361
– non-taxable revenue	–	–
Other taxes	–10	–5
Total tax recognized, parent company	**–1,472**	**–384**
	31%	**458%**

Deferred Tax Assets and Tax Liabilities	2019	2018
GROUP		
The following components are included in deferred tax assets and tax liabilities		
Deferred tax assets:		
– loss carry-forwards	2,494	10,532
– other temporary differences	7,694	6,953
Total deferred tax assets	**10,188**	**17,485**
Deferred tax liabilities:		
– temporary differences	79,974	68,418
Total deferred tax liabilities	**79,974**	**68,418**

Change in Deferred Tax **2019**	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Acquisitions of Subsidiaries	Closing Balance
GROUP						
Deferred tax assets						
Loss carry-forwards	10,532	–8,323	–	285	–	2,494
Other temporary differences	6,953	1,386	–357	–288	–	7,694
Total deferred tax assets	**17,485**	**–6,937**	**–357**	**–3**	**0**	**10,188**
Deferred tax liabilities						
Appropriations	27,417	7,220	–	–	–	34,637
Intangible assets	27,887	–4,145	–	972	–	24,714
Other temporary differences	13,113	7,997	–	–487	–	20,623
Total deferred tax liabilities	**68,417**	**11,072**	**0**	**485**	**0**	**79,974**

Change in Deferred Tax **2018**	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Acquisitions of Subsidiaries	Closing Balance
GROUP						
Deferred tax assets						
Loss carry-forwards	15,513	–5,559	–	578	–	10,532
Other temporary differences	5,855	681	86	331	–	6,953
Total deferred tax assets	**21,368**	**–4,878**	**86**	**909**	**0**	**17,485**
Deferred tax liabilities						
Appropriations	28,992	–1,575	–	–	–	27,417
Intangible assets	7,811	–3,384	–	261	23,199	27,887
Other temporary differences	4,976	7,847	–	290	–	13,113
Total deferred tax liabilities	**41,779**	**2,888**	**0**	**551**	**23,199**	**68,417**

Deferred tax assets for loss carry-forwards pertain to subsidiaries in Germany and France. Management's opinion is that the capitalized loss carry-forwards will be utilized in the coming years based on profit forecasts and that the loss carry-forwards have indefinite useful lives. Non-capitalized deferred tax assets for unutilized deficits total SEK 84.8 (101.5) million and relate to the US and UK.

NOTE 10 – Intangible Assets

2019	Goodwill	Capitalized Development Expenses	Product Rights	Customer Contracts	Brands	Other Intangible Assets	Total
GROUP							
Accumulated cost							
Opening balance, Jan. 1, 2019	1,151,182	299,326	53,953	70,155	22,126	12,316	1,609,058
Purchased in the year	81,299	79,690	24,732	84,126	–	455	270,302
Sales/retirements in the year	–	–	–	–400	–	–	–400
Translation difference for the year	33,467	855	1,509	2,444	626	30	38,930
Closing balance, Dec. 31, 2019	**1,265,948**	**379,871**	**80,194**	**156,325**	**22,752**	**12,801**	**1,917,890**
Accumulated amortization and impairment							
Opening balance, Jan. 1, 2019	–	–198,389	–8,626	–9,657	–	–11,004	–227,676
Sales/retirements in the year	–	–	–	400	–	–512	–112
Amortization and impairment for the year	–	–30,012	–8,620	–16,341	–	–	–54,973
Translation difference for the year	–	87	–100	–144	–	–20	–178
Closing balance, Dec. 31, 2019	**–**	**–228,314**	**–17,346**	**–25,742**	**–**	**–11,537**	**–282,939**
Carrying amount, Dec. 31, 2019	**1,265,948**	**151,557**	**62,848**	**130,583**	**22,752**	**1,264**	**1,634,951**

2018	Goodwill	Capitalized Development Expenses	Product Rights	Customer Contracts	Brands	Other Intangible Assets	Total
GROUP							
Accumulated cost							
Opening balance, Jan. 1, 2018	424,246	237,442	22,897	10,604	9,446	12,947	717,582
Purchased in the year	654,674	60,254	27,774	54,499	11,315	779	809,295
Sales/retirements in the year	–	–	–	–	–	–1,651	–1,651
Translation difference for the year	72,261	1,631	3,282	5,052	1,365	241	83,832
Closing balance, Dec. 31, 2018	**1,151,182**	**299,326**	**53,953**	**70,155**	**22,126**	**12,316**	**1,609,058**
Accumulated amortization and impairment							
Opening balance, Jan. 1, 2018	–	–178,587	–2,868	–1,946	–	–11,960	–195,361
Sales/retirements in the year	–	–	–	–	–	1,733	1,733
Amortization and impairment for the year	–	–19,717	–5,555	–7,450	–	–563	–33,285
Translation difference for the year	–	–85	–203	–261	–	–215	–764
Closing balance, Dec. 31, 2018	**–**	**–198,389**	**–8,626**	**–9,657**	**–**	**–11,004**	**–227,676**
Carrying amount, Dec. 31, 2018	**1,151,182**	**100,937**	**45,327**	**60,498**	**22,126**	**1,312**	**1,381,382**

Other Intangible Assets	2019	2018
PARENT COMPANY		
Accumulated cost		
Opening balance, Jan. 1	8,135	7,356
Purchased in the year	339	779
Closing balance, Dec. 31	**8,474**	**8,135**
Opening balance, Jan. 1	–7,265	–6,979
Amortization for the year	–300	–286
Closing balance, Dec. 31	**–7,565**	**–7,265**
Carrying amount, Dec. 31	**909**	**870**

Capitalized development expenses within Enea relate mainly to internal work on the development of new products. The amortization term for capitalized development expenditure is five years, ten years for product rights, seven to ten years for customer contracts and three to five years for other intangible assets. The remaining amortization term for intangible assets amounts to one to nine years.

Impairment Testing of Capitalized Development Expenses

Enea routinely conducts impairment tests on significant assets regardless of whether there is any indication of impairment. The measurement is reviewed quarterly. Impairment tests of capitalized development expenses have the same assumptions as for goodwill. Management's opinion is that there is no impairment in 2019.

Impairment Testing of Goodwill

Goodwill as of December 31, 2019 amounted to a book value of SEK 1,265.9 (1,151.2) million. Assets with indefinite useful lives are tested yearly for impairment. Individual assets may be subject to more frequent testing if there are indications of impairment. The group's measurement is based on three cash-generating units, Enea group excluding Qosmos and Openwave Mobility, and Qosmos and the Openwave Mobility groups. The impairment tests are based on measurement of value in use. Value in use is measured on the basis of discounted cash flows and are based on group management's financial forecasts over a five-year period. The Gordon model has been used for computing the terminal value of cash flows. Cash flows beyond the five-year period have been forecast using a 3 (2) percent growth rate. Forecast cash flows are based on annual earnings growth for the group excluding Qosmos and Openwave of 4 (4) percent, for Qosmos an average of 5 (5) percent, and for Openwave Mobility, an average of 12 (8) percent based on estimated growth of existing customers and underlying markets. The cost trend for the group excluding Qosmos and Openwave is forecast at 3 (4) percent, 3 (3) percent for Qosmos, and 8 (3) percent for Openwave. The present value of forecast cash flows was measured by applying a discount rate of 9 (9) percent before tax. The discount rate is judged as consistent with market required returns. Sensitivity analyzes have been conducted that consider the discount rate (risk) and long-term growth rate, implying a general reduction in the growth rate after 5 years by 1.5 percentage points and a general increase in the weighted cost of capital by 1 percentage point. The sensitivity analyzes did not indicate any impairment. Accordingly, management's opinion is that a reasonable potential change in assumptions would not reduce the recoverable amount below book value. Important assumptions for impairment testing are outlined below:

	Assumptions, Enea		Assumptions, Qosmos		Assumptions, Openwave	
Variable	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Revenue growth	4%	(4%)	5%	(5%)	12%	(8%)
Cost trend	3%	(4%)	3%	(3%)	8%	(3%)
Discount rate	9%	(9%)	9%	(9%)	9%	(9%)
Long-term stable growth	3%	(2%)	3%	(2%)	3%	(2%)

NOTE 11 – Equipment, Tools, Fixtures and Fittings

	Group		Parent Company	
	2019	2018	2019	2018
Accumulated cost				
At beginning of year	108,350	58,245	11,801	10,981
Purchased in the year	8,655	7,046	1,254	1,161
Purchased in the year via acquisition of operation	3,634	44,728	–	–
Sales/retirements	–1,000	–2,612	–	–341
Translation differences for the year	3,845	942	–	–
	123,484	**108,350**	**13,055**	**11,801**
Accumulated depreciation and impairment				
At beginning of year	–92,156	–48,653	–9,835	–9,592
Sales/retirements	1,000	2,375	–	341
Depreciation and impairment for the year	–9,842	–7,190	–740	–584
Depreciation for the year via acquisition of operation	–1,769	–38,024	–	–
Translation differences for the year	–3,300	–664	–	–
	–106,067	**–92,156**	**–10,575**	**–9,835**
Carrying amount at end of year	**17,417**	**16,194**	**2,480**	**1,966**

Depreciation relates to cost of sold products and services, sales and marketing expenses, product development expenses and administrative expenses.

NOTE 12 – Accounts Receivable

Non-overdue accounts receivable are from customers with good solvency and payment history. Accounts receivable usually become due for payment within 30-90 days. Accounts receivable that are impaired are consistent with the provision for doubtful debt. A reserve is made when the company has taken measures to collect the receivable without success, and judges that the likelihood of the customer paying is low. The reserve for doubtful debt amounts to SEK 2.9 (2.9) million. The allowance for doubtful debt is recognized as a selling expense in the Income Statement. The fair value of accounts receivable corresponds to the carrying amount. Accounts receivable are predominantly denominated in SEK, EUR and USD. The age analysis of accounts receivable follows:

Age Analysis of Accounts Receivable	**2019**	**2018**
GROUP		
Not overdue	174,816	143,953
Overdue 1–60 days	27,163	23,801
Overdue 61–90 days	5,962	629
Overdue 90 days	552	6,288
Total	**208,493**	**174,671**

Change in Doubtful Debt	**2019**	**2018**
GROUP		
Opening balance	2,890	1,038
Repayment	–1,262	–765
Written off	–	–
Allowance for the year	1,262	2,617
Total	**2,890**	**2,890**

NOTE 13 – Prepaid Expenses, Contract Assets and Accrued Income

	2019	2018
GROUP		
Prepaid insurance	912	573
Prepaid rents	2,809	2,399
Accrued income	68,717	77,726
Other prepaid expenses	15,523	20,872
	87,961	**101,570**

	2019	2018
PARENT COMPANY		
Prepaid insurance	–	501
Prepaid rents	1,092	1,037
Accrued income	–	–
Other prepaid expenses	5,031	3,943
	6,123	**5,481**

Contract Assets

The Group is Reporting the Following Revenue-related Contract Assets	2019	2018
Contract assets relating to fulfilled performance obligations, where entitlement to payment is conditional on factors other than time	60,550	30,474

Contract assets have not been subject to impairment, and accordingly, carrying amounts are recognized net.

Material Changes to Contract Assets
The group's contract assets increased in 2019, due to the type of contracts signed in the year, mainly by Openwave Mobility.

NOTE 14 – Derivative Instruments

	2019		2018	
	Assets	Liabilities	Assets	Liabilities
Long-term				
Currency forwards – cash flow hedges	55	–	–	–
Short-term				
Currency forwards – cash flow hedges	569	–	–	1,937

NOTE 15 – Equity

Group

Share Capital

As of December 31, 2018, the registered share capital comprised 21,615,231 ordinary shares with a quotient value of SEK 1.13 per share. Holders of ordinary shares are entitled to dividends at amounts specified in arrears, and shareholdings carry voting rights at Annual General Meetings of one vote per share. In the year, the company purchased 0 (0) treasury shares and sold 0 (0) treasury shares.

Other Paid-up Capital

Equity contributed by owners. This includes share premium reserves transferred to the statutory reserve as at December 31, 2005. Provisions to the share premium reserve from January 1, 2006 onwards are also recognized as paid-up capital.

Number of Shares

	2019	2018
Opening number of shares	19,650,231	19,650,231
New share issue	1,965,000	–
Closing number of shares	**21,615,231**	**19,650,231**

Reserves

Hedging Reserve	**2019**	**2018**
Opening hedging reserve	–726	–421
Cash flow hedges:		
- fair value-gains/losses in the year	2,555	–1,096
- tax on fair value-gains/losses	–547	241
- transfers to profit or loss	–316	705
- tax on transfers to profit or loss	67	–155
Closing hedging reserve	**1,033**	**–726**

Translation Reserve

The translation reserve includes all exchange rate differences that arise when translating net assets from foreign operations that have prepared their financial statements in currencies other than the currency in which the group's financial reports are presented. The parent company and group present their financial reports in Swedish kronor.

	2019	2018
Opening translation reserve	74,001	–10,094
Translation differences for the year	41,250	84,095
Closing translation reserve	**115,251**	**74,001**

Retained Earnings Including Profit for the Year

Profit brought forward, including profit (loss) for the year, includes earned profits in the parent company and its subsidiaries. Earlier provisions to the statutory reserve, excluding transferred share premium reserves, are included in this equity item.

The total holding of treasury shares as at December 31, 2019 was 314,760. The shares are held as treasury shares and were fully paid up on December 31, 2019.

Non-restricted equity

Share Premium Reserve

When shares are issued at a premium, so the price paid for the shares is higher than their quotient value, an amount corresponding to the amount received over and above the quotient value of the share is transferred to the share premium reserve.

Retained Earnings

This consists of the preceding year's non-restricted equity following any statutory reserve provision and dividends paid. With the profit (loss) for the year, this is total non-restricted equity, i.e. the amount available as dividends to shareholders.

See also the Consolidated Statement of Change in Equity and Parent Company Statement of Change in Equity.

NOTE 16 – Earnings per Share

	2019	2018
Earnings per share before dilution		
Profit for the year after tax	169,661	141,650
Average number of shares, 000	20,035	19,335
Earnings per share before dilution, SEK	8,47	7,33
Earnings per share after dilution		
Profit for the year after tax	169,661	141,650
Average number of shares, 000	20,035	19,335
Earnings per share before dilution, SEK	8,47	7,33

Earnings per share is measured by dividing earnings for the period attributable to equity holders of the parent by the average number of shares.

NOTE 17 – Accrued Expenses, Contract Liabilities, Deferred Income and Performance Obligations

	2019	2018
GROUP		
Deferred support income*	98,030	41,609
Accrued personnel costs	69,761	71,514
Other deferred income*	11,862	34,516
Other	15,602	25,711
	195,255	**173,350**

	2019	2018
PARENT COMPANY		
Accrued personnel costs	24,324	14,039
Other	1,961	3,662
	26,285	**17,701**

Contract Liabilities
* When Enea receives a payment but has not fulfilled a performance obligation, a contract liability arises, which consist of the deferred income relating to support contracts and licenses. A contract liability is recognized until the performance obligations is fulfilled, or become due for the customer to utilize, when it is recognized as revenue.

The Group Recognizes the Following Revenue-related Contract Liabilities	**2019**	**2018**
Contract liabilities relating to unfulfilled performance obligations	109,941	76,125

Opening Contract Liabilities Recognized as Revenue in the Year	**2019**	**2018**
GROUP	59,380	44,340

Material Changes to Contract Liabilities:
The group's contract liabilities increased in 2019 due to the acquisition of a business unit from Atos Convergence Creators.

Performance Obligations

Revenue from Performance Obligations Satisfied in Previous Periods	**2019**	**2018**
GROUP	76,504	52,988

Unfulfilled Long-term Performance Obligations*	**2019**	**2018**
GROUP	241,791	153,197

* Revenue from performance obligations for long-term, irrevocable contracts that will be recognized as revenue in future periods.

Management expects that 59 percent of the transaction price that has been allocated to unfulfilled agreements as of December 31, 2019 will be recognized as revenue in the following financial year (SEK 143,232,000). The remaining 41 percent will be recognized in the years 2021-2025.

NOTE 18 – Parent Company Holdings in Group Companies

Parent Company Holdings in Group Companies	Country	Participating Interest, %
Enea Software AB	Sweden	100
Enea Zealcore AB	Sweden	100
Enea Software and Services, Inc	US	100
Enea GmbH	Germany	100
Enea KK	Japan	100
Enea Polyhedra Ltd	UK	100
Enea Romania SRL	Romania	100
Qosmos SA	France	100
Openwave Mobility Inc	US	100
Enea Software GmbH	Austria	100
Enea Software d.o.o.	Croatia	100

	2019	2018
Accumulated cost		
At beginning of year	330,630	330,630
Closing balance, December 31	330,630	330,630
Accumulated impairment		
At beginning of year	–158,596	–158,596
Closing balance, December 31	–158,596	–158,596
Carrying amount at end of year	**172,034**	**172,034**

Specification of Parent Company's Holdings of Participations in Subsidiaries	No. of Shares	Prop., %	Carrying Amount 2019	Carrying Amount 2018
Subsidiary/corp ID no./Reg. office				
Enea Software AB, 556183-3012, Kista	5,900	100	172,034	172,034
			172,034	**172,034**

NOTE 19 – Cash Flow Statement

Cash and Cash Equivalents

The subcomponents included in cash and cash equivalents are cash at bank and special deposits or commercial paper with an insignificant risk of fluctuations in value and that can readily be converted into cash and cash equivalents, and which have a maturity of no more than three months from the time of acquisition.

	Group		Parent Company	
Cash and Cash Equivalents	**2019**	**2018**	**2019**	**2018**
Cash and bank balances	146,147	74,673	1,749	17,712
Total	**146,147**	**74,673**	**1,749**	**17,712**

	Group		Parent Company	
Disclosures on Interest Rates	**2019**	**2018**	**2019**	**2018**
Interest received in the period amounted to	585	236	44,884	26,287
Interest paid in the period amounted to	–46,935	–27,176	–45,914	–26,366

Adjustment for Non-cash Items	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
Depreciation/amortization and impairment	86,092	40,475	1,040	870
Gain (loss) on retirement of fixed assets	–	111	–	–
Share saving program	16,678	6,043	16,678	6,043
Appropriations	–	–	–5,972	–1,216
Actuarial changes in pension liability	678	185	–	–
Provisions	–971	4,033	–	–
Transaction costs, loans	8,178	3,145	8,178	3,145
Exchange differences net	–1,764	514	–	–
Total	**108,891**	**54,506**	**19,924**	**8,842**

NOTE 20 – Related Parties

Summary of Transactions with Related Parties

GROUP

There were no transactions with related parties

PARENT COMPANY Related Party Relationship	Year	Sale of Goods and Services to Related Party	Purchase of Goods and Services from Related Party	Liability to Related Party as of Dec. 31	Receivable from Related Party as of Dec. 31
Subsidiaries	2019	77,757	281	3,246	1,058,435
Subsidiaries	2018	53,113	–	3,247	1,021,527

Transactions with related parties are on arm's length basis.

For information on remuneration of key personnel in executive positions, see Note 4 Employees and personnel expenses, and Note 21 Pensions, share-based payment, benefits to senior executives.

The parent company has a close relationship with its subsidiaries (see Note 18).

NOTE 21 – Pensions and Share-based Payments

Defined-contribution Plans

The methods for measuring pension expenses and pension liabilities differ from country to country. Companies report according to local regulations and the reported figures are consolidated in the consolidated financial statements. All pension solutions in foreign subsidiaries, with the exception of Qosmos in France and Enea GmbH in Germany, are defined-contribution plans, which means that the group's profit (loss) is charged with pension expenses as benefits are vested. Salaried employees in Sweden are covered by the ITP plan, which is reported as a defined-contribution pension plan. Obligations for retirement pension and survivors' pension for salaried employees in Sweden are secured through an insurance policy with Alecta. According to a statement from the Swedish Financial Reporting Board, UFR 10, this is a multi-employer defined-benefit plan. Alecta, which is a mutual insurance company that also administers benefits under the pension plan, is unable to provide Enea or other Swedish companies with sufficient information to determine an individual company's share of the total obligation and its assets. Accordingly, ITP pension plans that are vested through an insurance policy with Alecta are reported as defined-contribution. The cost for 2019 amounts to SEK 4,556,000 (4,453,000). The cost for 2020 is estimated to amount to an equivalent figure. Alecta's surplus can be distributed to policyholders and/or the insured.

At the end of 2019, Alecta's surplus in the form of its collective consolidation ratio amounted to 148 (142) percent. The collective consolidation ratio consists of the market value of Alecta's assets as a percentage of its insurance obligations, calculated in accordance with Alecta's actuarial accounting assumptions, which do not comply with IAS 19.

Defined-benefit Plans

A number of salaried employees of France and Germany are covered by a defined-benefit pension plan. The group's net obligation for defined-benefit plans is measured by estimating future benefits accrued from employment in current and previous periods. These benefits are discounted to present value and recognized as a liability in the Balance Sheet.

	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
Cost of defined-contribution plans	19,005	17,895	5,388	5,079
Cost of defined-benefit plans	837	287	–	–

Share-based Payments

LTIP 2017

In May 2017, the AGM resolved to offer key employees the opportunity to participate in a Long Term Incentive Program (LTIP). The principal objective of the program is to align the interests of shareholders, management and other key individuals in order to maximize long-term value creation. LTIP 2017 is also expected to facilitate the recruitment and retention of management and other key individuals.

The program involves 32 senior executives, key individuals and certain other employees.

Participants are allocated performance-based warrants that entitle the holder the right to subscribe for shares. After the end of the fixed vesting period, on condition that specific performance requirements are met, participants are entitled to receive shares in the company free of charge. The allocation of shares requires continued employment with the Enea group during the vesting period. The granting of shares is conditional on specific performance requirements linked to Enea's sales growth, operating profit and earnings per share for the financial years 2017–2019. Threshold values for accumulated sales in 2017-2019 are SEK 1,890 million, accumulated operating profit for 2017-2019 of SEK 425 million, and average earnings per share of SEK 6.89. The maximum value participants receive per warrant (including any compensation for extraordinary dividends) has been capped at SEK 415. In the event that the value of the Enea share exceeds the maximum value at the time of allocation, the number of shares each warrant entitles the holder to reduces proportionally.

The fair value of services rendered is based on the share price of the shares expected to be granted.

The incentive program entails financial exposure for the company as a result of fluctuations in Enea's share price and the anticipated allocation of shares. To secure the Program, a decision was made to transfer already acquired treasury shares under the Program. The number of shares that can be transferred to participants under the Program, free of charge, has been capped at 441,000, including compensation relating to extraordinary dividends.

LTIP 2018

In May 2018, the AGM resolved to offer key employees the opportunity to participate in a Long Term Incentive Program (LTIP). The principal objective of the program is to align the interests of shareholders, management and other key individuals in order to maximize long-term value creation. LTIP 2018 is also expected to facilitate the recruitment and retention of management and other key individuals. The specific purpose of LTIP 2018 is to offer the management of Openwave Mobility and selected members of management that did not participate in LTIP 2017, a long-term incentive. LTIP 2018 involves a total of seven employees, consis-ting of senior executives and other key individuals.

Participants are allocated performance-based warrants that entitle the holder the right to subscribe for shares. After the end of the fixed vesting period, on condition that specific performance requirements are met, participants are entitled to receive shares in the company free of charge. The allocation of shares requires continued employment with the Enea group during the vesting period. The granting of shares is conditional on specific performance requirements linked to Enea's yearly growth of earnings per share for the financial years 2018-2020. The maximum value conferring full entitlement is Enea's accumulated earnings per share in 2018-2020 being a minimum of SEK 18.89. The minimum level for granting is that accumulated earnings per share are a minimum of SEK 15.66 in 2018-2020. The maximum value participants can receive per warrant (including any compensation for extraordinary dividends) has been capped at SEK 312. In the event that the value of the Enea share exceeds the maximum value at the time of allocation, the number of shares each warrant entitles the holder to reduces proportionally.

The fair value of services rendered is based on the share price of the shares expected to be granted.

The share price is determined at the time of the participants' investment, adjusted for the dividends that do not accrue to the employee during the vesting period.

The incentive program entails financial exposure for the company as a result of fluctuations in Enea's share price and the anticipated allocation of shares. To secure the Program, a decision was made to transfer already acquired treasury shares under the Program. The number of shares that can be transferred to participants under the Program, free of charge, has been capped at 180,000, including compensation relating to extraordinary dividends.

LTIP 2019

In May 2019, the AGM resolved to offer key employees the opportunity to participate in a Long Term Incentive Program (LTIP). The principal objective of the program is to align the interests of shareholders, management and other key individuals in order to maximize long-term value creation. LTIP 2019 is also expected to facilitate the recruitment and retention of management and other key individuals. LTIP 2019 involves some 25 employees, consisting of senior executives and other key individuals.

Participants are allocated performance-based warrants that entitle the holder the right to subscribe for shares. After the end of the fixed vesting period, on condition that specific performance requirements are met, participants are entitled to receive shares in the company free of charge. The allocation of shares requires continued employment with the Enea group during the vesting period. The granting of shares is conditional on specific performance requirements linked to Enea's yearly growth of earnings per share for the financial years 2019-2021. The maximum value conferring full entitlement is Enea's accumulated earnings per share in 2019-2021 being a minimum of SEK 29.27. The minimum level for granting is that accumulated earnings per share are a minimum of SEK 24.26 in 2019-2021. In addition to the main principle, there is an alternative rule that comes into effect if outcomes per year generate better earnings than the main principle. In the alternative rule, the years 2019, 2020 and 2021 are computed separately, with a maximum of 1/4 of full granting available based on growth of earnings per share for each year. Participants will receive allocation according to the most advantageous alternative for them. The maximum value participants can receive per warrant (including any compensation for extraordinary dividends) has been capped at SEK 551. In the event that the value of the Enea share exceeds the maximum value at the time of allocation, the number of shares each warrant entitles the holder to reduces proportionally.

The fair value of services rendered is based on the share price of the shares expected to be granted.

The incentive program entails financial exposure for the company as a result of fluctuations in Enea's share price and the anticipated allocation of shares. To secure the Program, a decision was made to transfer already acquired treasury shares under the Program. The number of shares that can be transferred to participants under the Program, free of charge, has been capped at 438,000, including compensation relating to extraordinary dividends.

LTIP 2017	2019	2018
No. of warrants allocated	357,000	450,000
Forfeited in the period	–27,000	–93,000
Expired in the period	–	–
Outstanding at end of period	330,000	357,000
Number of participants, Dec. 31	23	26

LTIP 2018	2019	2018
No. of warrants allocated	156,000	156,000
Forfeited in the period	–48,000	–
Expired in the period	–	–
Outstanding at end of period	108,000	156,000
Number of participants, Dec. 31	4	6

LTIP 2019	2019	2018
No. of warrants allocated	438,000	–
Forfeited in the period	–	–
Expired in the period	–	–
Outstanding at end of period	438,000	–
Number of participants, Dec. 31	28	–

Personnel costs for share-based payments Group	2019	2018
Incentive programs	28,661	8,715

NOTE 22 – Translation Exposure

Enea's foreign subsidiaries are translated into Swedish kronor in accordance with the current method. This means that Balance Sheets are translated at closing day rates and Income Statements at average rates of exchange for the period.

The rates used for the group's significant currencies are stated in the table below.

	Closing Day Rate		Average Rate	
Currency	2019	2018	2019	2018
EUR	10.4336	10.2753	10.5892	10.2567
USD	9.3171	8.9710	9.4604	8.6921
GBP	12.2145	11.3482	12.0658	11.5928
JPY	0.0853	0.0812	0.0868	0.0787
RON	2.1797	2.2008	2.2308	2.2047
SGD	6.9043	6.5605	6.9327	6,4397
INR	0.1325	0.1282	0.1343	0.1271
CAD	7.1283	6.5922	7.1308	6.7103
HRK	1.3998	N/A	1.3691	N/A

When translating foreign subsidiaries' balance sheets to Swedish kronor, the group is exposed to exchange rate fluctuations. The effect on equity in 2019 for the translation of foreign subsidiaries' accounts to Swedish kronor was SEK 41,250,000 (84,095,000). The group's exposure in equity for exchange rate fluctuations on the reporting date was as follows:

	2019		2018	
Currency	**Amount**	**Translated to SEK at Closing Day Rate**	**Amount**	**Translated to SEK at Closing Day Rate**
EUR	20,280	211,593	16,590	170,467
USD	9,480	88,326	3,513	31,515
GBP	16,258	198,583	15,587	176,884
JPY	68,925	5,881	63,945	5,192
RON	18,090	39,431	12,993	28,595
SGD	247	1,705	219	1,437
INR	15,590	2,065	19,067	2,444
CAD	228	1,625	200	1,318
HRK	816	1,142	N/A	N/A

NOTE 23 – Critical Estimates and Judgments

Estimates and judgements, which are reviewed continuously, are based on historical experience and other factors, including expectations of future events that are considered reasonable in prevailing circumstances.

Critical Judgments Regarding Application of the Group's Accounting Policies

Management has discussed the progress, choice and disclosures regarding the group's most important accounting policies and estimates, and the application of these policies and estimates with the Audit Committee. The estimates and judgements mainly include revenue recognition, the measurement of deferred tax assets on loss carry-forwards, the financial effect of business combinations such as. acquisition analysis, and the estimated outcome of contingent considerations, and any impairment. Some important accounting estimates made on application of the group's accounting policies are described below.

Key Sources of Estimation Uncertainty

Impairment Testing of Goodwill

When measuring the recoverable amount of cash-generating units for judging goodwill impairment, a number of assumptions have been made regarding future conditions and estimates of parameters. Enea has conducted a sensitivity analysis of key assumptions in which management found that no reasonable changes to these assumptions would result in any impairment as at December 31, 2019. They are reviewed in Note 10.

Impairment Testing of Capitalized Development Expenditure

When measuring the recoverable amount of cash-generating units for judging impairment of capitalized development expenditure, a number of assumptions have been made regarding future conditions and estimates of parameters. Enea has conducted a sensitivity analysis of key assumptions in which management found that no reasonable changes to these assumptions would result in any impairment as at December 31, 2019. They are reviewed in Note 10.

Measurement of Loss Carry-forwards

The group's loss carry-forwards are valued on an ongoing basis and when it is likely that taxable profit can be offset against loss carry-forwards in a reasonable time frame, a deferred tax asset is recognized. Future profit is forecast and set in relation to the loss carry-forwards, which forms the basis of decision-making data for capitalization.

NOTE 24 – Maturity Analysis, Financial Liabilities and Interest

Financial Liabilities

	Group		Parent Company	
Long-term Liabilities, Interest-bearing	**2019**	**2018**	**2019**	**2018**
Liabilities to credit institutions	263,000	548,000	263,000	548,000
Total long-term liabilities, interest-bearing	**263,000**	**548,000**	**263,000**	**548,000**
Current liabilities, interest-bearing				
Liabilities to credit institutions	99,066	94,342	99,066	94,013
Total current liabilities, interest-bearing	**99,066**	**94,342**	**99,066**	**94,013**
Current liabilities, non-interest-bearing				
Purchase consideration entered as a liability	–	1,346	–	–
Accounts payable	18,119	21,441	5,282	5,411
Other liabilities	17,067	14,734	1,435	2,158
Accrued expenses, supplier related	12,190	11,676	1,961	3,662
Total current liabilities, non-interest-bearing	**47,376**	**49,197**	**8,678**	**11,231**
Total financial liabilities	**409,442**	**691,539**	**370,744**	**653,244**

Maturity Analysis

	Group		Parent Company	
Long and Short-term Interest-bearing Liabilities	**2019**	**2018**	**2019**	**2018**
Within 1 yr. of reporting date	99,066	94,342	99,066	94,013
More than 1 yr. but within 3 yrs. of reporting date	263,000	548,000	263,000	548,000
More than 3 yrs. but within 5 yrs. of reporting date	–	–	–	–
Interest				
Within 1 yr. of reporting date	4,408	27,757	4,408	27,757
More than 1 yr. but within 3 yrs. of reporting date	3,528	31,833	3,528	31,833
More than 3 yrs. but within 5 yrs. of reporting date	–	–	–	–
Non-interest-bearing Liabilities				
Within 1 yr. of reporting date	47,376	49,197	8,678	11,231
More than 1 yr. but within 3 yrs. of reporting date	–	–	–	–
More than 3 yrs. but within 5 yrs. of reporting date	–	–	–	–
Total Assets and Interest				
Within 1 yr. of reporting date	150,850	171,296	112,152	133,001
More than 1 yr. but within 3 yrs. of reporting date	266,528	579,833	266,528	579,833
More than 3 yrs. but within 5 yrs. of reporting date	–	–	–	–

NOTE 25 – Obligations Relating to Employee Benefits, etc.

The group has defined-benefit pension plans for employees of Qosmos in France and Enea GmbH in Germany. The pension plans are based on employees' pensionable compensation and term of service. The defined-benefit obligation amounted to SEK 11.2 (7.5) million as of December 31, 2019. Costs for defined-benefit pensions totaled SEK 731,000 (287,000), of which SEK 731,000 (287,000) was charged to Enea's profit. The costs for 2020 are estimated at approx. EUR 80,000.

2019	Defined Benefit Pension Plans
GROUP	
Accumulated cost	
Opening balance, Jan. 1, 2018	7,501
Required pension liability	3,391
Value change/currency translation/reallocation	262
Closing balance, Dec. 31, 2019	**11,153**

Defined benefit pension plans are judged to be payable after more than 5 years .

	Group	
Defined-benefit Obligations	**2019**	**2018**
Present value of unfunded defined-benefit obligations	11,153	7,501
Total liability, unfunded obligations	**11,153**	**7,501**

	Group	
Actuarial assumptions, %	**2019**	**2018**
Discount rate	1.04	1.70
Future salary increases	–	3.75

NOTE 26 – Proposed Appropriation of Profits

	2019
PARENT COMPANY	
Share premium reserve	562,748,745
Retained earnings	249,910,653
Profit for the year	3,227,300
Total	**815,886,698**

The Board of Directors is proposing that these funds are appropriated so that SEK 815,886,698 is carried forward.

NOTE 27 – Pledged Assets

	2019	2018
GROUP		
Bank guarantee	–	4,700
Rent deposits	2,419	2,109
	2,419	**6,809**

NOTE 28 – Business Combinations

Acquisition of a Global Software Operation

On March 1, Enea Software AB acquired a business unit from Atos Convergence Creators through a net asset acquisition. The total purchase consideration amounts to SEK 152 million, financed through cash and bank loans. Enea takes over assets and liabilities, primarily related to pre-paid expenses and accrued income, of SEK 37 million. This business unit is a leader in policy management, authentication and managing subscriber information. The acquisition means Enea expanding its offering and addressable market, and migrating upwards in the value chain. The business unit was consolidated into Enea effective March 1, and operations were integrated into the Network Solutions product group. For March-December 2019 , this unit reported revenue of SEK 128.8 million, and an operating margin above the group average. The acquired goodwill arising from the purchase of the net assets of the business is tax deductible, and judged to relate to expected profitability, complementing the product portfolio, and acquired synergy effects. The financial effects of this transaction are stated below. The acquisition analysis of fair value adjustments product rights, customer contracts, short-term receivables and current liabilities is preliminary until 12 months after the acquisition date.

Purchase consideration	SEK 000
Summary of purchase consideration paid:	
Cash and cash equivalents	152,195
Total purchase consideration paid	**152,195**

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

	Fair Value Recognized in Group
Product rights	24,732
Customer contracts	84,126
Property, plant and equipment	1,555
Short-term receivables	326
Current liabilities, non-interest-bearing	-39,843
Net identifiable assets and liabilities	70,896
Goodwill	81,299
Expense, group	**152,195**

Acquisition-related Expenses

Acquisition-related expenses of SEK 2,726,000 are included in administrative costs in the Consolidated Income Statement for 2019.

The Board and CEO declare that the consolidated accounts have been prepared in accordance with the International Financial Reporting Standards, IFRS, as endorsed by the EU, and the Swedish Annual Accounts Act, and give a true and fair view of the group's results of operations and financial position. The Directors' Report for the group and parent company gives a true and fair view of the progress of the group and parent company's operating activities, financial position and results of operations, and covers significant risks and uncertainties affecting the parent company and companies within the group.

As stated above, the annual accounts and consolidated accounts were approved for issue by the Board of Directors on March 30, 2020. The Consolidated Income Statement and Consolidated Balance Sheet, and the Parent Company Income Statement and Parent Company Balance Sheet, will be subject to adoption by the Annual General Meeting on May 6, 2020.

Enea AB (556209-7146)
Stockholm, Sweden March 30, 2020

Anders Lidbeck
Chairman of the Board

Anders Skarin
Board member

Birgitta Stymne Göransson
Board member

Gunilla Fransson
Board member

Kjell Duveblad
Board member

Mats Lindoff
Board member

Jenny Andersson
Employee representative

Jan Häglund
President and CEO

Our Audit Report was presented on March 30, 2020

Nicklas Kullberg
Authorized Public Accountant
Öhrlings PricewaterhouseCoopers AB

Audit Report

To the Annual General Meeting of Enea AB (publ.), corp. ID no. 556209-7146

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Enea AB (publ) for the year 2019 except for the corporate governance statement and sustainability report on pages 22-30 and 18-19 respectively. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 16-71.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of December 31, 2019 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of December 31, 2019 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement and sustainability report on pages 22-30 and 18-19 respectively. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the Annual General Meeting adopt the Income Statement and Balance Sheet for the parent company, and the Consolidated Statement of Comprehensive income and the Consolidated Statement of Financial Position.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's and group's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We have conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Our Audit Approach

Scope and Focus of Audit

Enea is a software company that sells both software and services. The customers are mainly active in the telecom sector, but also in aerospace and defense. For the sale of software, revenue recognition is often dependent on contract terms, and when control is transferred to customers. Service operations provide around 15 percent of group revenue, and are focused on the US market. Services are generally delivered on account where hours spent are invoiced to customers in arrears.

Software operations consist of sales of software licenses and maintenance and product-related services. Sales of licenses comprises production licenses and developer licenses. Customer contracts for sales of developer licenses often include a combination of licenses and services, which implies that the risks and benefits for the relevant part of an agreement are transferred to the customer at different times. Accordingly, revenue is recognized for the respective part at different times, and invoicing and payment occur at a different time to revenue recognition. Overall, this means that revenue recognition of developer licenses is dependent on Management's assessment of the distribution of revenue over components and contractual agreements with customers. Enea has conducted two major acquisitions in recent years, French company Qosmos in late-2016, and recently, US company Openwave in early-2018. These acquisitions resulted in a significant increase in book values of intangible assets in the consolidated accounts. The value of these assets is tested for impairment annually or when there are indicators of impairment.

We prepared our audit by defining materiality and evaluating the risk of material misstatement in financial reporting. We focused on areas where the Managing Director and Board of Directors have made subjective judgments, such as key accounting estimates on the basis of assumptions and forecasts, which are by their nature uncertain. Like for all audits, we also considered the risk of the Board of Directors and the Managing Director overriding internal control, and factors such as whether there is any evidence for systematic departures that have given rise to material misstatement resulting from fraud.

We adjusted our audit to conduct an expedient examination in order to comment on the financial statements as a whole, with consideration given to the group structure, accounting procedures and controls, and the sector in which the group is active.

Materiality

The scope and focus of the audit were affected by our assessment of materiality. An audit is designed to obtain reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually and in aggregate, they can reasonably be expected to influence financial decisions made by users on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including thresholds for the financial statements as a whole (see table below). Based on these thresholds, as well as qualitative considerations, we determined the focus and scope of the audit and the nature, timing and scope of our audit procedures, and assessed the effect of any misstatements, both individually and in aggregate, on the financial statements as a whole.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key Audit Matters

Sales of Developer Licenses

In addition to the license itself, customer agreements for developer licenses, which are either term-based or perpetual, include the right to services in the form of support and maintenance during the contract term.

This means that agreements broken down into individual components where the timing of revenue recognition for each respective component is dependent on the contractual terms. Revenue for each respective component is recognized when the risks and benefits have been transferred to the customer. Accordingly, the time of revenue recognition does not usually correspond to invoicing and payment by the customer.

This implies that Management is required to make estimates and judgments relating to the price of the components of customer contracts.

As a result of the inherent complexity of revenue recognition and the element of estimates and judgments by Management, we assess that revenue from systems sales constitutes a key audit matter.

Audit Approach

We have focused a significant part of our audit on evaluating Enea's principles and underlying assumptions in order to break down revenue from developer licenses into various components, for example by reviewing and checking selected assumptions. We have done this by implementing audit measures that include:

- Evaluating the terms of Enea's customer contracts from an accounting perspective.
- Evaluating assumptions of revenue recognition principles.
- Conducting an analytical review of revenue in the year.
- Reviewing a selection of new customer agreements to ensure that revenue recognition follows Enea's principles, and that license rights have been transferred to customers at the time of revenue recognition.
- Cross-checking a selection of new customer agreements spanning multiple years to determine the correct estimated amortization in the accounts.
- Verifying that revenue has been recognized in the correct period and at the right amount by checking a selection of licenses that have been delivered to customers at the end of the financial year.

For the above accounting policies, please refer to page 41, and notes 2, 13, and 17 in the Annual Report for 2019.

This review has not resulted in any material observations reported in the Audit.

Impairment Testing of Acquisition-related Surplus Values and Goodwill

Acquisition-related surplus values and goodwill of SEK 1,525 million were included in the Consolidated Balance Sheet.

Goodwill and acquisition-related surplus values correspond to the difference between the value of net assets and the purchase consideration paid in connection with an acquisition. In contrast with other non-current assets there is no amortization of goodwill, and goodwill and brands are tested annually for impairment or when there is an indication that impairment may be necessary. Other acquisition-related non-current assets are depreciated over their estimated useful life.

The impairment testing, and thereby the recognized value, is dependent on the Board's and Management's estimates and assumptions regarding factors such as growth and future profitability and discount rates. Future events may come to change these judgments and estimates, and it is therefore particularly important that management continuously evaluates whether the value of acquisition-related intangible assets can be justified considering these assumptions. Management's calculation of the value in use of assets is based on next year's budget and forecasts for the ensuing four-year period. For a more detailed description of these assumptions, see Note 10.

Impairment testing naturally includes a significant element of estimates and judgments by Management, which explains why we have designated it a key audit matter.

For more information about the aforementioned Accounting policies, see page 45 and Note 10 in the Annual Report for 2019.

Our audit focused on Management's impairment testing and the surplus values identified:

We have taken audit measures including the following:

- Evaluated Enea's process for impairment testing of goodwill and acquisition-related assets.
- Reviewed how Management identifies cash-generating units and compared this with how Enea monitors goodwill and acquisition-related assets internally.
- Evaluated the reasonableness of the assumptions made and conducted sensitivity analyzes for changed assumptions.
- Evaluated the reasonableness of the discount rate applied with the aid of PwC's internal valuation specialists.
- Compared the estimated value in use with the market capitalization as of December 31, 2019.
- Evaluated Management's forecasting ability by comparing earlier forecasts with actual outturns.
- Verified that sufficient information has been presented in the Notes to the Annual Report from a materiality perspective.

This review has not resulted in any material observations reported in the Audit.

Other Information than the Annual Accounts and Consolidated Accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 18-19, 2-15, 22-30 and 78-83. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU and the Annual Accounts Act. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

For more information about our Audit responsibility for the Annual Report and Consolidated Financial Statements, see the Supervisory Board of Public Accountants' www.revisorsinspektionen.se/revisornsansvar This description is part of the Audit Report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Enea AB (publ) for the year 2019 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit (loss) be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's Responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act. For more information about our responsibility for the audit of the administration, see the Swedish Inspectorate of Auditors' website: www.revisorsinspektionen.se/en/English This description is part of the Audit Report.

The Auditor's Examination of the Corporate Governance Statement

The Board of Directors is responsible for ensuring that the Corporate Governance Statement on pages 22-30 has been prepared in accordance with the Annual Accounts Act.

Our examination of the Corporate Governance Statement is conducted in accordance with FAR's auditing standards RevU 16 The auditor's examination of the Corporate Governance Statement. This means that our examination of the Corporate Governance Statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted accounting practice in Sweden. We believe that the examination has provided us with a satisfactory basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Auditor's Opinion Regarding the Statutory Sustainability Report

It is the Board of Directors who is responsible for the sustainability report for the year 2018 on pages 18-19, and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

The AGM on May 6, 2019 appointed Öhrlings PricewaterhouseCoopers AB, Torsgatan 21, Stockholm, Sweden, as Enea AB's (publ) Auditor, who have served as the company's Auditor since May 15, 2007.

Stockholm, Sweden, March 30, 2020

Öhrlings PricewaterhouseCoopers AB

Nicklas Kullberg
Authorized Public Accountant
Auditor in Charge

All amounts in SEK m

INCOME STATEMENT	2019	2018	2017	2016	2015
Revenue	1,012.0	830.3	588.4	501.3	481.5
Reversed additional purchase price	–	11.7	–	–	–
Operating expenses	–757.3	–653.1	–485.6	–382.5	–371.4
Operating profit	254.7	188.9	102.8	118.8	110.0
Financial net	–51.7	–27.7	–5.2	5.2	2.5
Profit before tax	203.0	161.1	97.6	124.0	112.5
Net profit	169.7	141.7	82.5	94.6	88.0
Total	**169.7**	**141.7**	**82.5**	**94.6**	**88.0**
Balance Sheet					
Intangible assets	1,672.3	1 381.4	522.2	499.2	128.4
Other fixed assets	27.6	33.7	31.0	34.4	8.5
Other financial fixed assets	3.4	3.1	2.7	6.5	2.0
Financial assets held for sale, non-current	–	–	62.1	–	70.7
Short-term receivables	364.3	426.8	203.6	219.4	196.2
Financial assets held for sale, current	–	–	40.2	–	–
Cash and cash equivalents	146.1	74.7	312.0	223.5	132.8
Total assets	**2,213.8**	**1,919.7**	**1,173.8**	**983.0**	**538.6**
Equity	1,481.3	985.8	754.2	422.9	398.9
Long-term liabilities, interest-bearing	263.0	539.8	82.0	116.0	–
Long-term liabilities, non-interest-bearing	119.6	86.8	161.8	161.9	21.5
Current liabilities, interest-bearing	99.1	94.3	34.0	34.0	–
Current liabilities, non-interest-bearing	250.8	212.9	141.8	248.2	118.2
Total equity and liabilities	**2,213.8**	**1,919.7**	**1,173.8**	**983.0**	**538.6**
Cash flow					
from operating activities	245.2	168.6	116.6	128.1	104.6
from investing activities	–90.9	30.5	–139.7	49.6	–52.8
from investing activities - sale of operation	–	–	–	–	–
from investing activities - acquisition of operation	–47.1	–954.4	–96.3	–139.6	–
from financing activities	–35.9	514.2	206.6	56.2	–100.1
Cash flow for the period	**71.2**	**–241.1**	**87.2**	**94.3**	**–48.3**
KEY DATA					
Revenue growth, %	22	41	17	4	12
Operating margin, %	25.2	22.7	17.5	23.7	22.9
Profit margin, %	20.1	19.4	16.6	24.7	23.4
Return on capital employed, %	15.6	17.0	16.3	27.8	29.7
Return on equity, %	13.8	16.3	14.0	23.0	22.0
Return on total capital, %	13.3	13.8	11.1	18.1	22.9
Interest coverage ratio, multiple	3.8	4.1	5.4	10.2	16.2
Equity ratio, %	66.9	51.4	64.3	43.0	74.1
Liquidity, %	145.9	163.2	316.1	156.9	278.3
Average number of employees	629	563	467	410	400
Revenue per employee,, SEK m	1.6	1.5	1.3	1.2	1.2
Net asset value per share SEK	69.54	50.99	39.00	26.61	25.06
Earnings per share, SEK	8.47	7.33	4.69	5.95	5.49
Dividend per share	–	–	–	2.00	4.20

* The figures for 2015-2016 have not been restated pursuant to IFRS 15.

Financial Definitions

RETURN ON EQUITY
Profit (loss) after tax in relation to average equity.

RETURN ON CAPITAL EMPLOYED
Operating profit plus financial income in relation to average capital employed.

RETURN ON TOTAL CAPITAL
Profit after financial items plus financial costs in relation to average total assets.

GROSS MARGIN
Gross profit less reversed additional purchase price in relation to revenue.

DIVIDEND YIELD
The dividend as a percentage of the market price at year-end.

EBITDA
Profit before financial items plus depreciation and amortization.

EQUITY PER SHARE
Profit after tax in relation to the average number of shares.

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

CASH FLOW FROM OPERATING ACTIVITIES PER SHARE
Cash flow from operating activities in relation to the average number of shares.

LIQUIDITY
Cash and cash equivalents including short-term investments and short-term receivables in relation to current liabilities.

NET DEBT
Interest-bearing liabilities and unconditional acquisition-related liabilities less cash and cash equivalents and financial investments, i.e. negative net cash.

REVENUE PER EMPLOYEE
Revenue in relation to the average number of employees.

REVENUE GROWTH
Revenue for the period in relation to revenue in the previous period.

EARNINGS PER SHARE
Profit after tax in relation to the average number of shares.

INTEREST COVERAGE RATIO
Profit after financial net plus financial costs in relation to financial costs.

OPERATING MARGIN
Operating profit in relation to net sales.

OPERATING PROFIT EXCL. NON-RECURRING ITEMS
Operating profit before financial items and tax, restated for any non-recurring items.

DEBT SERVICE RATIO
Cash flow from operating activities – ongoing investments + total financial expenses in relation to amortization and total financial expenses during a reference period of twelve months.

EQUITY RATIO
Equity including minority interests in relation to total assets.

NET ASSET VALUE PER SHARE
Net asset value, equivalent to equity, in relation to the total number of shares outstanding.

CAPITAL EMPLOYED
Total assets less non-interest-bearing liabilities including deferred tax liabilities. Average capital employed has been calculated as opening capital employed plus closing capital employed divided by two.

DIVIDEND PER SHARE
Dividend for the current financial year divided by the number of shares on the reporting date.

PROFIT MARGIN
Profit after financial items in relation to net sales.

ALTERNATIVE PERFORMANCE INDICATORS

the Annual Report for 2019 refers to the non-IFRS indicators used by Enea and other parties when evaluating Enea's results of operations. These indicators provide Management and investors with valuable information required to analyze trends in the company's business operations. These non-IFRS indicators are intended to complement, not replace, financial indicators presented in accordance with IFRS.

RECONCILIATION OF REVENUE GROWTH

	Full Year	
	2019	**2018**
Revenue, SEK m	1,012.0	830.3
Revenue growth, SEK m	181.7	242.0
Revenue growth, %	22	41
Currency effect, unchanged exchange rates previous year, SEK m	38.9	19.2
Currency effect, unchanged exchange rates previous year, %	4,7	3.3
Revenue growth, unchanged exchange rates previous year, SEK m	142.9	222.7
Revenue growth, unchanged exchange rates previous year, %	17	38

RECONCILIATION OF FINANCIAL NET

	Full Year	
	2019	**2018**
Financial income	20.0	24.9
Financial expenses	-71.7	-52.6
Reported financial net, SEK m	**-51.7**	**-27.7**

Annual General Meeting 2020

Enea's Annual General Meeting will be held at 4:30 p.m. CET on May 6, 2020 at Kista Science Tower (Färögatan 33, Kista) Sweden. Shareholders who wish to participate must be included in the share register maintained by Euroclear Sweden by no later than April 29, 2020. Participants must also have notified Enea by mail, email or telephone (contact information below) by 5 p.m. on the same day. Registrations must state names, addresses, telephone numbers, personal or corporate identity numbers, shareholdings, and details of any assistants.

Information Sources

All financial information is published on Enea's website, and financial reports can also be ordered by mail or email (Web address and contact information below).

Contact Information

Mail: Enea AB
Box 1033
164 21 Kista

Sweden

email: ir@enea.com (ordering financial rapporter)
agm@enea.com (attendance at AGM)

Tel: +46 (0)8 507 14000

Enea AB is a public company (corporate. ID no. 556209-7146) with its registered office in Kista, Sweden.

Follow Enea

www.enea.com

Information for customers, shareholders, and investors is available on Enea's website. Blog posts, news articles, interviews, and webinars offer more in-depth information on various topics.

www.linkedin.com/company/enea-software-ab

Information on Enea's product portfolio and solutions, as well as new contracts and business highlights are reported on Enea's LinkedIn account. This is also a recruitment channel.

www.twitter.com/EneaAB

Enea's Twitter account maintains a continuous stream of updates on press releases, blog posts and other activities. This is an excellent channel for stakeholders that want to keep up to date with Enea's newsflow.

www.youtube.com/EneaSoftware

Interviews with industry analysts and Enea experts are published on Enea's YouTube channel. Recordings from training, webinars and product demos are also uploaded.

Financial Calendar

April 28, 2020:	Publication of Interim Report for January–March 2020
May 6, 2020:	AGM 2020
July 16, 2020:	Publication of Interim Report for April–June 2020
October 21, 2020:	Publication of Interim Report for July–September 2020
January 29, 2021:	Publication of Annual Statement for 2020

Investor Relations

Enea strives to always provide transparent, relevant and accurate information to shareholders, investors and financial analysts to increase knowledge of the group's operations and share. Enea shares information in the form of interim reports, annual reports and press releases, and provides detailed information on the company's website. Shareholders and other stakeholders can subscribe to press releases and financial reports via e-mail.

In 2019, press releases were published for major product news, key strategic transactions and high-value contracts. General information is uploaded to our website, such as shareholder lists at each quarter end. When major changes occur, we update our website immediately. There is no communication of financial information in the three weeks prior to the publication of a financial report.

The currency for all amounts stated in this Annual Report is Swedish kronor unless otherwise stated. For thousands and millions of Swedish kronor, the abbreviations SEK 000 and SEK m are used respectively. Unless otherwise stated, all amounts are for current operations, and amounts in brackets are for 2018.

Information on trends and competitive situations are Enea's opinion unless another source is stated. These opinions are based on the latest available factual information.

This Annual Report was produced by Enea in partnership with Box IR. Tomas Hasselrot was the contributing photographer. Images of the Board of Directors and Executive Management Team, and in the contents, are from various sources, and purchased images.

The audited annual accounts are on pages 16-17, 20-21 and 32-71.

The Sustainability Report on pages 18-19 has been reviewed by the Auditors in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report.

Enea – A Success Story

How is it possible that Enea, a company with 650-plus employees, has become a global leader in a number of key market segments of telecom and enterprise networks?

Enea has been an innovator ever since it was founded back in 1968. Its employees – and primarily the company's development engineers – have always been driven by a passion for new technology.

Although the company has transformed from an IT consulting firm into a software vendor, the theme throughout has been solving customers' problems with innovative and inventive solutions.

Many of Enea's ideas have been genuinely pioneering. For example, one of its first assignments was to produce a data management solution for an air traffic control system. Obviously, its client, the Swedish Civil Aviation Administration, applied very stringent standards on availability and short response times. It's no exaggeration to say that with the development and delivery of a real-time operating system back in the late 60s, Enea made history.

This success, and experience of operating systems, paved the way for developing new products and applications for other sectors. In 1985, Enea launched Enea OSE, now one of the world's most used and widespread operating systems. Ericsson and Nokia have been using this product in their radio base stations for several generations of mobile networks.

In the same decade, Enea became a pioneer and visionary in electronic communication and the Internet. The company was the first in the Nordics to connect to the Internet, received the first email in Sweden, and registered the country's first Internet domain. In this early stage, Enea was the hub of all Internet traffic in Sweden.

Enea was also part of the emergence of mobile data communication. The latest version of Enea OSE was central to Ericsson's global rollout of GSM networks in the 90s. Enea's real-time operating system enabled the routing of calls, and later, mobile data communication.

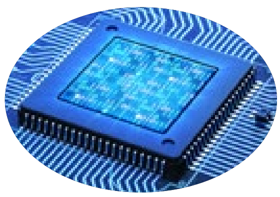
Enea also developed the first mobile version of HTML (the Internet text formatting language).

In recent years, acquisitions have helped strengthen Enea's position in strategic market segments. The integration of Qosmos and Openwave Mobility expanded its portfolio by adding the market's best embedded traffic intelligence and mobile video traffic management solutions respectively. In 2019, Enea also launched one of the world's first cloud-based solutions for data management in 5G networks.

Enea is continuing to monitor market development and make investments in strategic market segments where the company's professionals can add value through the skills and experience they possess. In some cases, this business intelligence results in acquisitions. Two segments where the company has rapidly secured leadership through acquisitions are embedded traffic intelligence and mobile video traffic management.

This type of investment in organic growth and complementary acquisitions offers a good illustration of the strategy that Enea has formulated to ensure its continued growth and success.

Leading Market Positions



Real-time operating systems

Embedded traffic intelligence

Managing mobile video traffic

Historical Milestones

1983	1988	1998	2006	2016	2019
Enea receives Sweden's first email.	Enea creates the first real-time operating system for mobile networks.	Enea develops the first mobile version of HTML.	Enea launches the first commercial application of embedded traffic intelligence.	Enea provides the first solution for optimizing encrypted video traffic.	Enea launches one of the first cloud-based solutions for data management in 5G networks

Enea – Worldwide

Enea is a global company with customers in many countries worldwide. Its headquarters are located in Stockholm, Sweden, and the company has development centers in Europe and India. To facilitate its dialog with customers and capture new market demands, Enea also has sales offices in strategically selected locations in different regions. A total of 661 people work for the company.

Region	Country	City	Product Development	Sales Support
Europe	Austria	Vienna		●
	Croatia	Osijek	●	
	France	Paris	●	●
	Germany	Berlin		●
	Romania	Bucharest	●	●
		Craiova	●	
		Iasi	●	
	Sweden	Stockholm	●	●
	UK	Belfast	●	
		Bristol	●	
North America	US	Boston	●	
		Phoenix		●
		Redwood City		●
North-East Asia	China	Shanghai		●
	Japan	Tokyo		●
South-East Asia	India	Pune	●	
	Singapore	Singapore		●


HEADQUARTERS

ENEA

www.enea.com