



# ANNUAL REPORT 2017

A catalyst for the connected society



**ENEA**

# Enea in brief

Enea is a global provider of world-class software and services for communication-intensive applications, with a vision of helping its customers to develop amazing solutions for tomorrow's continuously connected society. We offer proprietary unique software solutions as well as being committed to developing software based on open source code.

Every day, more than three billion people around the world rely on our technology in a broad spectrum of applications—ranging from telecom and transportation to medtech and the aero and defense industries.

We have offices in Europe, North America and Asia, and are listed on Nasdaq Stockholm.

## VISION

**Our software and expertise help you develop amazing functions in a connected society.**

## MISSION

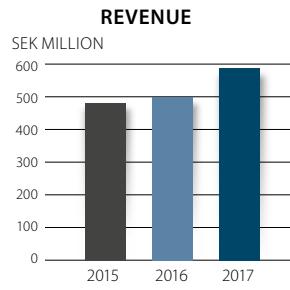
**We provide the network software platform and expert services our customers need to enable today's and tomorrow's connected society.**

## COMMITMENT IN THE ECO SYSTEM

**Our commitment is to work together with the leading hardware vendors and our customers – as a key contributor in the open source community – to develop and strengthen optimal software solutions for tomorrow's connected society.**

- **Head office | Kista, Sweden**
- **Revenue | SEK 589.3 million**
- **Operating margin | 23 percent**  
excl. non-recurring costs

- **Number of employees | 463**
- **R&D OPEX investment | 16.5 percent**
- **Listed on Nasdaq Stockholm**



## ENEA'S OFFERING

**Software for embedded applications in general and communication solutions in particular**

- Operating systems
- Network solutions

**Maintenance, support and services**

- Product-related services
- Stand-alone expert services

**Training**

- Product-related training
- Linux training
- Customized training

**Services**

- Projects in-house
- Bridged Services
- Packaged Services

# Products and services for the connected society

Enea delivers products and expert services for companies that develop communication intensive products for the connected society. Our operating systems are at the core of Enea's product portfolio and are supplemented by expert services to meet market demand for customer-specific solutions. There is a need for different types of operating system depending on where in the system it should be placed, what other systems it must interact with, and the features required.

Real-time operating systems are used when the priority is very high performance and predictability. Apart from operating systems, Enea offers development tools, databases, network solutions, communication protocols and communication software. Enea's products are modified in large-scale customer engagements, where our services portfolio and expertise are at least as important as our products.

## Operating Systems Solutions

Operating systems are the software that forms the link between hardware and the programs that it runs. Enea's operating system is used in embedded systems that are components of telecom equipment, for example.

Enea OSE and Enea OSEck are Enea's market-leading real-time operating systems. Enea has been a leading provider of real-time systems for three decades and has world-leading competence in this area.

Performance and predictability are critical factors for real time operating systems, which creates a strong position in embedded and hardware-related solutions.

## Network Solutions

Enea Element, ElementCenter, NFV Access, NFV Core, Qosmos ixEngine and Qosmos Probe are examples of Enea's Network Solutions focusing on network communication. Network Solutions include the following product areas: device and network management, network virtualization and network intelligence.

## Services

By combining competence, high quality and innovation, Enea services delivers highly developed applications for global players. Enea's Bridged Services concept delivers broad-based competence across a raft of segments, such as telecom and med- tech, as well as developing and modifying products according to customer needs. Enea's new Packaged Services concept has been developed to deliver Enea's strong product portfolio alongside and integrated with the expert services Enea offers.

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KEY FIGURES	2017	2016	2015
Net sales, SEK million	589.3	501.3	481.5
Revenue growth, %	18	4	12
Revenue growth, currency adjusted, %	17	3	5
Operating profit, excl. non-recurring costs, SEK million	135.4	121.6	110.0
Operating profit, SEK million	103.7	118.8	110.0
Operating margin, excl. non-recurring costs, %	23.0	24.3	22.9
Operating margin, %	17.6	23.7	22.9
Net profit after tax, SEK million	83.2	94.6	88.0
Earnings per share, SEK	4.73	5.95	5.49
Cash flow from operating activities, SEK million	116.6	128.1	104.6
Cash, cash equivalents, and financial investments, SEK million	414.3	223.5	203.5

# Thank you for an exciting year

Dear shareholders, customers and employees, I would like to start by thanking you for the confidence you have shown in Enea and for another successful year. In many ways, 2017 was the best year in Enea's history. We have never reported a stronger operating profit before non-recurring costs, and we also had double-digit growth compared to 2016. In addition, the final quarter of the year generated the highest operating margin before non-recurring costs in Enea's history. In other words, it's hard to be anything but satisfied with 2017.

However, towards the end of January 2018, when the arbitration board announced its ruling in the long-running dispute with one of our largest customers. This ruling cannot be appealed, and states that we will carry the majority of the counterparty's expenses, thus 2017 was charged with SEK 16 million in non-recurring costs. Although the ruling does imply additional revenues for deliveries that the customer has not paid royalty for since 2004, it is too early to estimate the amount. We hope to put the disputes behind us over the coming year, and fully focus on developing our business.

## An eventful year

2017 was an eventful year. At the beginning of 2017, we had just completed the acquisition of Qosmos, our largest acquisition to date. The acquisition shifted the focus from margin expansion to sales growth, even if we also actively sought to improve margins in the acquired company. Qosmos' product ixEngine opened up an entirely new product area for Enea known as deep packet inspection. This provided us with access to a new technology field termed network intelligence, which has generated a new market for Enea in cybersecurity. We also added new customers in the so called "application domain", i.e. customers developing software above the operating system that traditionally has been the base of our offering.

Somewhat simplified, software systems consist of different layers of software, where we traditionally have been strong at the lower layers of the software stack, with limited

presence at the application level. To increase growth in our software business, we want to expand and move up the software stack and value chain, closer to the application.

Qosmos' DPI solution ixEngine is an integral part of many applications—ranging from firewalls to solutions for traffic optimization, and the acquisition of Qosmos represents a clear step up the software stack and value chain.

At the same time as moving up the value chain, we are also moving closer to our existing end users—operators that use equipment where Enea's software is embedded. Having a direct relationship with the end users of our products and solutions provides us with a better understanding of the challenges and requirements users face, and ultimately improves our ability to develop our offering with respect to technology trends and changing market conditions. I will most likely come back to this development in connection with the recently closed acquisition of Openwave Mobility.

Our investments in network virtualization follow the same pattern, and the collaboration with China Mobile announced in the second quarter was a milestone in our efforts to build a direct relationship with the end user. Although these efforts are motivated by a desire to move our software business up the value chain, they are also rooted in underlying technological progress in terms of network virtualization, which means that hardware and software are becoming increasingly decoupled. Hardware is becoming standardized, and the differentiation is increasingly found in the

software. End users can now procure hardware and software separately, and software is broken down into components so that individual software components can be procured from different suppliers. For an independent software vendor like Enea, it is of strategic importance that the focus and value is shifted from hardware to software, and the evolved value chain once again enables us to establish direct relationships with our end users.

When summarizing 2017, I am very satisfied with the progress during the year, and especially how the acquisition of Qosmos has evolved. We have strengthened our market position, expanded our offering and opened up new markets. At the same time, we also strengthened our organization, and increased our management and engineering capacity. Qosmos quickly made a positive contribution to both the top and bottom line, and also to the operating margin towards the end of the year.

In 2017, in parallel to acquisition and integration efforts, and despite of declining sales to key customers, we achieved a total sales increase of 18 percent. We returned an operating margin of 23 percent before non-recurring costs, and our operating profit before non-recurring costs increased by 11 percent. It is unavoidable that the significant non-recurring costs charged to profit in 2017 also affects earnings per share negatively.

Given these conditions, our profit including non-recurring costs of SEK 103.7 million, and earnings per share of SEK 4.73, are satisfactory.

**"I am convinced that the people who founded Enea in 1968 are proud of the company that is emerging today."**



#### **A strengthened Enea**

As we enter 2018, we are seeing the emergence of a partially new Enea. We are celebrating our 50th anniversary this year, and our vision of Enea's role in the connected society remains the same, even if our position in the value chain changes over time. Together with our customers, partners and employees, we are building a global software company that is larger, more broad-based and stronger. We remain experts in embedded operating systems, but are accelerating our expansion in network solutions and mobile communication. We are continuing our efforts to build a larger and stronger company that delivers an increased value to its customers, staff and shareholders.

I am convinced that the people who founded Enea in 1968 are proud of the company that is emerging today. The transformation is fundamentally positive for Enea, and reduces our dependence on specific products and a small number of major customers. We are moving up the value chain and coming closer to our end users. Acquisitions that strengthen our market position and long-term earnings play a key role in this process, and the acquisition of Qosmos and the recently announced acquisition of Openwave Mobility are important steps on this journey.

Despite an anticipated decrease in revenue from our largest customers, our objective remains to expand with solid profitability and positive cash flow.

To conclude, I would like to extend my thanks once more to all our shareholders, customers and staff for the confidence you have shown in Enea – it is a prerequisite for our progress.

March 2018

**Anders Lidbeck**  
*President and CEO*

# 50 years at the leading edge of technology

Enea's vision focuses on the connected society. As a supplier of both software and services, we help our customers to build the solutions of tomorrow for a continuously connected society.

## Our vision

Since the beginning in 1968, Enea has been at the leading edge of technology, with the focus on software for telecom and network solutions. Enea played a key role in the creation of the connected society long before the concept of a connected world became common parlance.

For example, Enea received the first email ever sent to Sweden. We were the first company in the Nordics to connect to the Internet. We were first to register an Internet domain in Sweden, and in the initial stages of Internet we acted as a backhaul for internet traffic in Sweden.

We are proud to have been pioneers in the technology domains that most of us now use daily, while we remain humble about the new technological challenges that lie ahead.

Tomorrow's communication solutions will face increased requirements regarding capacity, flexibility and accessibility, and we are currently pioneers in what will form the cornerstones of the connected society of the future. We are contributing to the creation of tomorrow's software-defined and virtualized network solutions with open and platform-independent solutions for network virtualization, and we are world leaders in network intelligence. Our contribution to the connected society changes over time, but our vision remains timeless.

## Strategy and business concept

Enea's vision also constitutes the basis of our business concept—to offer world-leading software products and services focusing on embedded systems—primarily for telecom

and network solutions, but also for the broader market for embedded software generally. Our strategy is to continue to focus on the domains and verticals where we have demonstrated success, and where we have already established up a strong position. Somewhat simplified, our vision represents our overarching objective, and our strategy is about finding the right direction towards achieving this objective.

Our strategy directs our investments—it builds on our vision, but it is also influenced by external factors such as long-term technology and market trends.

We have commented on the long-term trend of open source before. The model for development and collaboration around software has changed fundamentally, and open solutions, based on open source code,





constitute the foundation of many projects today. At the same time, we know that we have a unique portfolio with proprietary, sometimes world-leading, products and solutions.

Accordingly, our strategy is to create the best of both worlds, which means that we assume a leading role in selected strategic projects related to open source software, and simultaneously integrate our own solutions so that they work hand-in-hand with the open solutions we create in collaboration with the community.

Another significant trend that we also have commented on before is about virtualization—a concept which means that software is becoming increasingly decoupled from hardware in order to create more flexible solutions. Software-defined networks and virtualized solutions will play a key role when the infrastructure for tomorrow's connected society is being created. Consequently, our strategy is to make substantial investments in this domain to develop product and service offerings addressing these solutions.

The trends and changes we see on the market are driving the need for evolving our own offering, and we actively invest to evolving and repositioning our portfolio and offering. We engage in strategically important projects related to open source, and include increasing number of solutions based on open source code in our portfolio.

We are also adding entirely new product areas that allow us to climb higher in the software stack, where "network intelligence" and "deep packet inspection" represents

two examples. This also means that we are broadening our addressable market - both in terms of customer base and also in terms of the offering we bring. The results of this effort are already apparent. In recent years, we've added new product areas and now have a broader customer base where our dependence on individual key customers has reduced over time.

Based on these strategic choices, we then build a business model that is flexible, scalable and competitive. Our product development and service delivery is distributed

over a number of sites and facilities around the world. This allows us to find the optimum combination of expertise, proximity to customers, access to resources and cost level for each product and solution.

Our business model is largely the same, whether applied to our proprietary products or solutions based on open source software. We always seek to establish long-term customer relationships, build recurring revenues in our product business and form large-scale, long-term engagements in our service delivery.



# Market

The pressure is high on the market for communication-intensive products. In order to meet new consumption patterns and exponential growth in data volumes, network capacity will have to increase. The solution is termed Software-Defined Networking (SDN) networks, or Network Function Virtualization (NFV) and is based on the principle of separating software and hardware.

## Founded on a dynamic communications domain and spearheaded by network virtualization

The network virtualization process is based on various forms of standardization, and sector collaborations based on open source code is an effective means of streamlining the ecosystem and freeing up resources for innovation and producing distinctive characteristics, which would otherwise be tied up in creating the underlying technology. Several central software building blocks are based on open source code, which enables existing and new operators to create new solutions and dynamics throughout the ecosystem.

Enea navigates this dynamic landscape through its flexible offering and unique value. Strategic alliances and industry partnerships allow Enea to help customers develop groundbreaking network functionality for the connected society. More than 70 percent

of Enea's revenue is derived from telecom applications, and this is where Enea's brand is strongest.

## Market segments

Enea provides products and services for communication with multiple applications, including home electronics, aerospace, the automotive industry, medtech and in the historically strong telecom sector. Even if Enea operates in a broad communication segment, the clear focus is on telecom and technologies for virtualized networks.

In order to clarify Enea's value and focus, Enea introduced the market segments Networks/Telecom, Security, Aerospace/Defense and Other at the beginning of 2017.

## Networks/Telecom

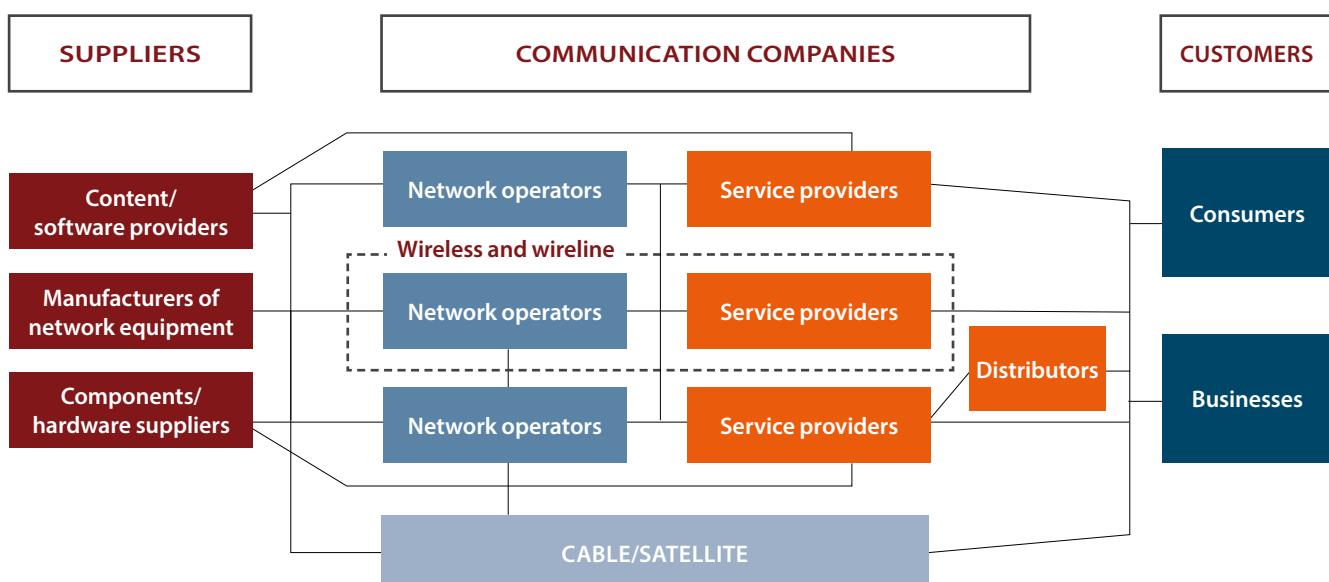
Enea has extensive experience of managing individual units, physical and virtual, as well as large distributed clusters and system, and

has mature and dependable solutions. Apart from the requisite standardization, Enea's solutions include far-reaching protocol and functionality support, which overall contributes to reducing costs without compromising flexibility or scalability.

In addition to telecom infrastructure, the Network/Telecom segment includes mobile units and operators. As an Independent Software Vendor, ISV, Enea's customers include equipment manufacturers, hardware suppliers, operators and system integrators. Depending on product or service, Enea can deliver directly to any businesses in the value chain, or indirectly via larger operators in the ecosystem.

For example, Enea's operating system "OSE" is successfully sold directly to equipment manufacturers, while the NFV platforms Enea NFV Core and Enea NFV Access are sold directly to operators, or to systems integrators that include the software in complete solutions for operators.

## COMMUNICATION SECTOR VALUE CHAIN





### Cyber security

Deep Packet Inspection (DPI) allows Enea's software to inspect and analyze network data traffic in real time, with minimal impact on signal performance. The analysis instantaneously identifies harmful activities and sends a signal to separate control software that prevents cyber attacks or data infringements.

Enea sells security software to customers whose products include embedded real time analysis, typically used for traffic optimization, service chaining, quality of service, various forms of analysis, cyber security etc. Thanks to the market's most extensive IP traffic classification, the software registers all known and secure protocols and metadata attributes, providing an optimized and secure overview of network activity.

### Aerospace/Defense

The aerospace/defense segment encompasses software, and primarily offers services for the aerospace and space technology industries and for various types of defense equipment. Enea is an established and recognized provider of systems solutions, including all necessary components such as specifications and management, software architecture and design, quality assurance and lifecycle management.

Enea's extensive expertise in the aerospace and space technology sector is used to support the US aerospace industry in obtaining federal certification standards (DO-178B/C, DO-254), and to provide training relating to the processes and methods needed to bring products to market.

### Other

The Other market segment includes customers in systems integration and the automotive and manufacturing industries.

Enea has capacity for complex projects of varying scale and geographical spread, and competences can be delivered in multiple ways, on the customer's premises or off site in Enea's offices and by using flexible business models.

Product-related services are often required to integrate or optimize one or several products for specific customer needs. Enea bundles implementation, support and maintenance according to a set price list, or customizes packages according to customer requirements.



# Products and services for the connected society

Enea supplies products and services for communication, that can be applied to home electronics, the automotive industry and medtech, but mainly in the historically strong telecom sector, where Enea has a significant presence.

Even if Enea is based in a broad-ranging communication segment, the clear focus is on virtualized networks. Revenue is largely derived from royalties for telecom operating systems and networks. The product offering is based on licensing and royalties as well as product-related services. Enea's service offering is based on a broad range of R&D-intensive development services through all phases of product or systems development. Increasingly, successful reference cases are derived from projects that use open source and Bridged Services, which provides project and software management near customers, through an expert delivery organization based in Bucharest, Romania.

## Operating systems

Operating systems are the core of Enea's product offering. Enea also provides a range of complementary products that are usually combined into a custom solution and backed by services.

**Enea OSE**—a real-time operating system for embedded systems. Enea OSE optimizes processor resources and channels their characteristics through a software interface that communicates with a range of applications to run them.

**Enea Linux**—an open-source operating system based on the Yocto project within the framework of the Linux Foundation. Enea Linux is a distribution designed specifically for telecom and network purposes customized for high performance requirements.

## Network Solutions

In 2015, Enea launched the embryo of a commercial and robust network operating system solution. The solution was based on components and open source code, mainly from sector collaboration project OPNFV (Open Platform for Network Function Virtualization), and proprietary components from Enea's product portfolio. In the second quarter of 2017, progress culminated in the

launch of the two software platforms Enea NFV Core and Enea NFV Access.

**Enea NFV Core**—a software platform based on open source technologies OpenStack and OPNFV, optimized for edge data centers. The platform provides high performance and accessibility for virtualized network functions.

**Enea NFV Access**—a software platform for high networking performance and minimal footprint. Enea NFV Access is streamlined to deliver virtualized functionality to the network edge and execution with minimal memory use and system impact.

Enea has extensive experience and tried-and-tested solutions for managing individual units (physical and virtual), as well as large distributed clusters and systems. Apart from the requisite standardization, Enea's solutions include far-reaching protocol and functionality support, which contributes to reducing costs without compromising flexibility or scalability.

## Device and Network Management tool

**Enea Element On-Device Management**—software for standardized configuration and management of physical and virtual network units using software modelling (based on programming language YANG and the NETCONF protocol).

**Enea Element High Availability**—standardized middleware for critical software that requires extremely high reliability. Enea Element is highly scalable, and uses range from individual applications to large clusters of nodes in networks, ensuring that systems are reliable and predictable.

**Enea ElementCenter**—a model-driven development platform providing multiple management functions for configuring, monitoring and controlling physical and virtual network functions through a customizable web-based user interface.

**Network intelligence**—is a way for operators and other players to monitor the traffic streaming through the network by analyzing packets sent in specific nodes (termed Deep Packet Inspection). This balances load and traffic in networks, manages security and improves perceived service quality for end users.

**Qosmos ixEngine**—DPI software that extracts and classifies metadata to ensure compliance with the right traffic policies. ixEngine is used in applications such as security solutions to block viruses and other harmful software, and in firewalls.

**Qosmos Probe**—software probe based on Qosmos ixEngine that provides detailed traffic information in virtualized networks. The packaged format simplifies integration in total solutions for data security, traffic analysis and debugging.

## Global Services

Enea has capacity for complex projects of varying scale and geographical spread, including design and development, project management, training and quality assurance. Competence can be delivered in multiple ways, on the customer's premises or off site in Enea's offices and using flexible business models. Services close to products are often needed to integrate or optimize one or several products for a customer's specific application, with Enea packaging implementation, support and maintenance according to a set price list or preferably customized according to the customer's requirements.

Enea also supplies extensive embedded programming training, and has the market's broadest offering of Linux courses as a result of its partnership with Linux Foundation.

# World-class employees

Enea has 463 employees based in nine countries. Most of the staff are stationed in Romania, where the R&D and service department are located. The expansion of Enea's R&D operations in Romania is a strategic choice due to the outstanding competence and education available in the country. Romania is also a positive role model in terms of Enea's aim of increasing gender equality in the company. In Romania, 34 percent of Enea's employees are women, compared to 26 percent for the group.

## Competence and diversity

For Enea, the employees' skills and innovative abilities are the key factors for success. A clear majority of Enea's staff are graduates, most of them engineers. It is of utmost importance that Enea's engineers keep up to date with the latest developments in the technology sector. Enea encourages individually tailored personal and career development programs, based on each employees' needs and interests.

To secure the right skills on a competitive market, Enea has established offices around the world. When employing new staff, Enea prefers to recruit talent from different countries. The group language is English, which means that speaking only English is not an issue at any of Enea's offices. Enea is a diverse company made up of many different nationalities, which is a strength in the pursuit of our vision.



## Working at Enea

Enea strives to be an attractive employer, where employees want to stay. The company actively seeks to create a healthy and inspiring working environment with a good work-life balance. Health-enhancing activities are offered to employees, aimed at strengthening their long-term wellbeing. A friendly workplace with regular social activities is important to Enea.

The welcoming process for new employees is critical. A well-planned induction program is important for new employees to feel at home, and to quickly start generating results in their new roles. New employees are offered Enea's interactive induction program, which provides information about the company's vision, mission, strategy, Enea's key business areas and policies.

## Values

We view values as a basic platform for our everyday actions. Our values unite us, creating a sense of commitment and community.

Our values should be visible in everything we do.

*We focus on customers' success*

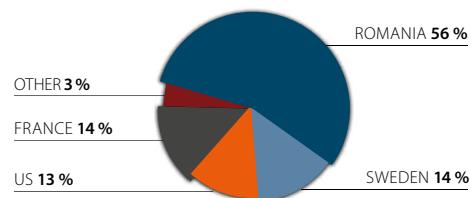
*We provide trusted leadership*

*We innovate for business reasons*

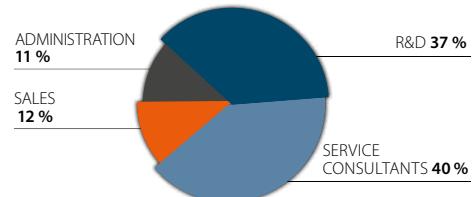
*We are team players*

*We bring passion and fun*

## EMPLOYEES BY COUNTRY, %

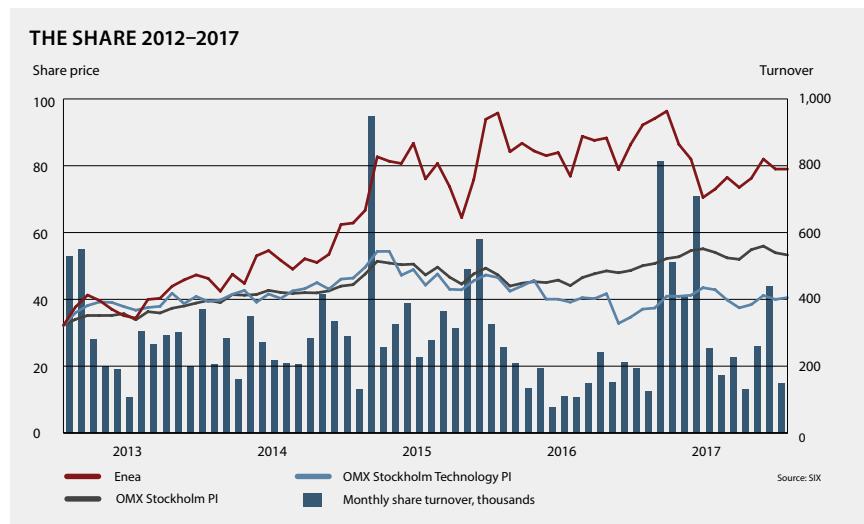


## EMPLOYEES BY FUNCTION



# Shareholder information

Enea AB had its initial public offering in 1989, and has been quoted on Nasdaq Stockholm's List of Swedish equities – Small Cap (ENEA) since 1 July 2007.



## Share price 2017

The share price fluctuated between a low of SEK 68.50 on 18 May and a high of SEK 114.5 on 16 February. The closing price at year-end was SEK 81.25. Enea's share price fell by 15 percent in the year, which can be set against the broad SIX Generalindex, which increased by 6 percent and the IT index, which increased by 11 percent.

## Trading volume

A total of some four million shares turned over with a total value of SEK 349 million. An average of 16,393 shares were traded per trading day in the year.

## Ownership structure

The company had 7,136 shareholders as of 31 December 2017. The ten largest shareholders' holdings totaled 65.3 (64.2) percent of the equity and the votes. The largest shareholders are Per Lindberg and Försäkringsbolaget Avanza Pension. Foreign ownership amounts to 19.7 (43.0) percent. Source: Euroclear

## Number of shares

The number of shares was 19,650,231 as of 31 December 2017. Each share has a nominal value of SEK 1.13. As of 31 December 2017, Enea AB held a total of 314,760 treasury shares, or 1.6 percent of all shares. In 2017, Enea repurchased 270,812 shares related to Share Savings Program payments. One share entitles its holder to voting rights at the AGM, of one vote per share. There are no limitations to the transferability of shares, or each shareholder's voting rights at shareholders' meetings due to stipulations in the Articles of Association.

## Capital structure

In order for Enea to continue to progress, which may also include acquisitions, the company may be in net debt from time to time. For a company of Enea's character, where the development and sale of software represents sizable portion of operating activities, the retention of a secure financial position is important. Accordingly, at each occasion, the Board of Directors will consider the company's long-term funding requirements.

## Dividend policy

Enea seeks to create a larger and stronger company that delivers value growth to its customers, employees and shareholders. Acquisitions that strengthen the company's market position, long-term earnings ability and investments in our product portfolio are all part of this pursuit. To enable and be prepared for this type of acquisitions, Enea needs a strong but flexible capital structure. This may mean that the company is in net debt from time to time. The Board needs to consider these long-term investment needs and financial position when considering dividend payments.

In line with this, the Board has decided to adjust the company's long-term dividend policy as follows: "Enea's long-term dividend policy is that at least 30 percent of profit after tax will be transferred to shareholders. However, consideration should be given to the Company's financial position, cash flow, acquisition opportunities and future prospects." Given the acquisitions and prospects that the Board perceives over the coming years, no 2017 dividend will be proposed.

## Authorization – repurchase of treasury shares

The AGM 2017 resolved to authorize the Board of Directors to decide on the purchase and transfer of treasury shares. The purchase of shares of the company 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 shares in the company 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 maybe utilized on one or more occasions and by no later than the AGM 2018. The purchase of shares on the stock exchanges only permitted within the price range quoted on the stock exchange from time to time. Transfer coincident with business combinations is permitted at the market value determined by the Board of Directors.

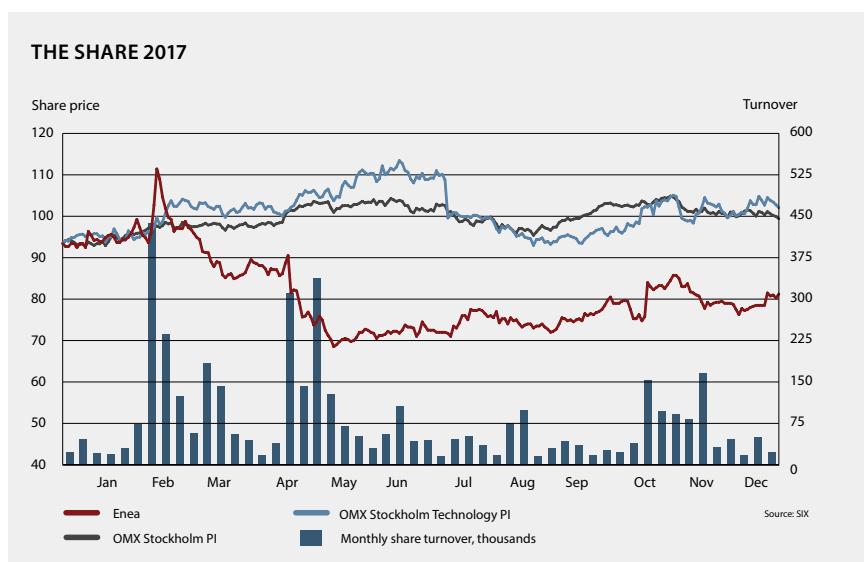
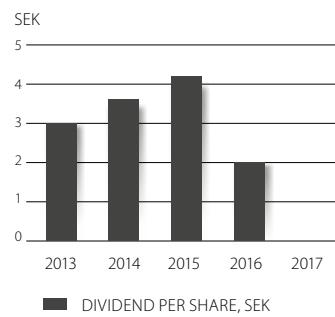
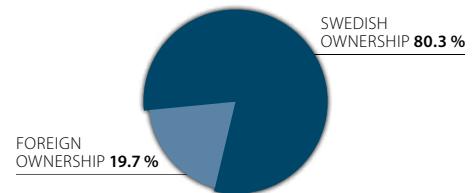
The purpose of the purchase and transfer of treasury shares is to continuously adapt Enea's capital structure to its capital requirements, to enable full or part-funding of business combinations, and to ensure available shares in approved Share Savings Programs.

## Authorization—new share issue

The AGM 2017 authorized the Board to decide on new share issues on one or more occasions in the period until the AGM 2018, to finance continued growth and expansion, e.g. in connection with company acquisitions. This means that the Board is authorized to issue shares corresponding to a maximum of 1,786,423 shares, i.e. a maximum of 10 percent of the number of outstanding shares as of the date of notice to the AGM. The share issue may take place with or without waiving shareholders' preferential rights. The share price of the new issue shall 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 share issue. The authorization was utilized twice in 2017. For more information, see [www.enea.com](http://www.enea.com).

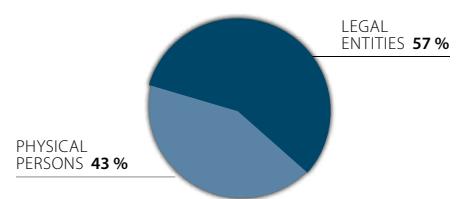
## Investor relations

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

**DIVIDEND PER SHARE****SWEDISH AND FOREIGN OWNERSHIP, BASED ON HOLDING, NO. OF SHARES****DIVISION BY SIZE**

31 DECEMBER 2017

Holding	No. of shareholders	No. of shares	% of votes and capital
1–500	5,921	704,589	3.59
501–1,000	553	443,024	2.25
1,001–5,000	502	1,101,354	5.60
5,001–10,000	68	478,504	2.44
10,001–15,000	22	249,052	1.27
15,001–20,000	13	229,762	1.17
20,001–	59	16,443,946	83.68
<b>Total</b>	<b>7,136</b>	<b>19,650,231</b>	<b>100.00</b>

**LEGAL ENTITIES AND PHYSICAL PERSONS, BASED ON HOLDING, NO. OF SHARES****THE TEN LARGEST SHAREHOLDERS, BY OWNERSHIP GROUP**

31 DECEMBER 2017

Shareholder	No. of shares	% of votes and capital
Per Lindberg	5,110,810	26.01
FÖRSÄKRINGSAKTIEBOLAGET, AVANZA PENSION	2,468,871	12.56
Swedbank Robur fonder	1,750,000	8.91
DnB Nor	1,134,915	5.78
JP MORGAN BANK LUXEMBOURG S.A.	795,741	4.05
Skandia fonder	616,931	3.14
ORIGO QUEST 1	470,998	2.40
FJÄRDE AP FONDEN	400,000	2.04
CACEIS BANK, LUXEMBOURG BRANCH UCITS	396,100	2.02
HSBC TRUSTEE OF MARLBOROUGH, EUROPEAN	357,139	1.82
<b>Total, ten largest shareholders</b>	<b>13,501,505</b>	<b>68.71</b>
ENEA AB (PUBL)	314,760	1.6
OTHER SHAREHOLDERS	5,833,966	29.69
<b>Total</b>	<b>19,650,231</b>	<b>100.0</b>

**OWNERSHIP PER GEOGRAPHICAL REGION**

Region	Shareholders, %	% of votes and capital
Domiciled in Sweden	96.41	80.76
Rest of Nordics	1.04	7.63
Rest of Europe (excl. Sweden and Nordics)	1.61	9.24
US	0.64	2.33
Rest of world	0.29	0.04
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

**SHARE-RELATED KEY FIGURES**

SEK	2017	2016	2015	2014	2013
Net asset value per share, SEK	39.30	26.61	25.06	24.81	22.65
Earnings per share, SEK	4.73	5.95	5.49	4.58	3.83
Earnings per share after full dilution	4.73	5.95	5.49	4.58	3.83
Cash flow from operating activities per share	6.63	8.06	6.53	7.19	4.65
Dividend per share*	0	2.00	4.20	3.60	3.00

\*The Board's proposal to the Annual General Meeting 2018

# 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 2017. The report is based on Swedish law (the Annual Accounts Act) governing sustainability reporting.

## Introduction

### Business concept

Our business concept is to deliver the software platforms and expert services required for network solutions in today's and tomorrow's connected society. Many of Enea's customers develop products that reduce the environmental impact. Telecom provides several examples where applications improve communication and reduce the need for physical meetings. Enea also helps customers to build products that consume less power and utilize resources more efficiently. Creating innovative solutions that promote sustainable development is a key component of Enea's future product plans.

### Business model

Being a software company, Enea deploys a business model that combines product and service revenues. The gross margin on Enea's software is high, set against a fixed cost base. Overall, this results in a model that requires a threshold scale for the company to create good profitability.

The leverage effect is substantial in either direction—if revenue increases or decreases, this has a major effect on earnings.

### Development licenses, including support and maintenance

When a customer develops a product, it purchases a developer license from Enea. Development licenses are typically priced per development engineer. The customer can decide whether to purchase a term-based or perpetual license. Revenue from term-based licenses is recognized during the license term, and revenue from perpetual licenses is recognized on delivery. Support and maintenance are included in the term-based development license concept.

### Production licenses (royalties)

To enable delivery of a finished product embedding Enea's technology, the customer signs a production license. This may be term-based or perpetual, and often consists of royalties, that is to say revenue per sold unit. Some large customers report production volumes quarterly in retrospect, which means that Enea invoices royalties with a one quarter delay.

### Services

For service sales, the customer is either invoiced an hourly rate, or on a fixed-fee basis. The revenue from services is recognized in the period services are rendered.

### Expenses

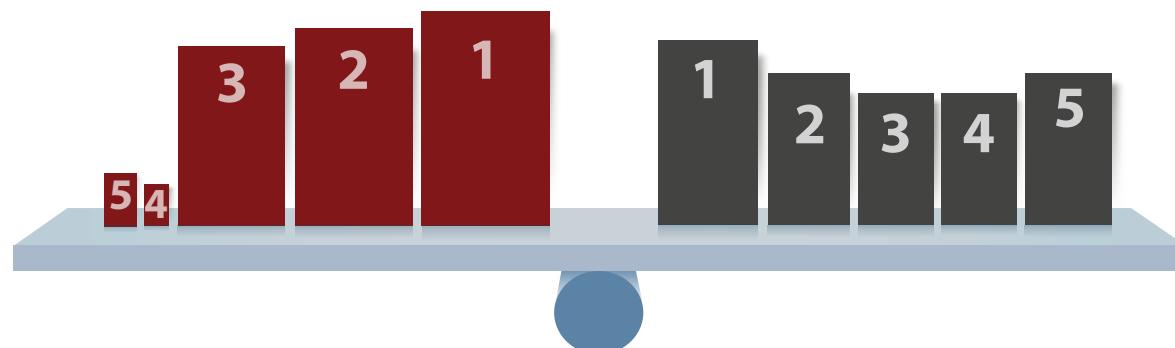
Enea's expenses largely consist of personnel and infrastructure, such as offices and IT support. This means that there is a threshold scale of operations to achieve good profitability. It also means that costs are fairly fixed and do not vary notably with revenues. Expenses can be divided into direct costs such as personnel costs for consulting assignments rendered and costs for third-party products, as well as indirect costs such as sales and marketing costs, product development costs and administrative expenses.

### Environment

Enea's software development and consultant services operate both from proprietary premises as well as at customer's premises. Although Enea does not conduct high risk activities that are subject to permit or notification requirements under the

## REVENUE

- 1 PRODUCTION LICENSES (ROYALTIES)
- 2 TIME LIMITED DEVELOPMENT LICENSES INCLUDING SUPPORT AND MAINTENANCE
- 3 SERVICES
- 4 PERPETUAL DEVELOPMENT LICENSES
- 5 OTHER



## COSTS & PROFIT

- DIRECT COSTS 1
- PRODUCT DEVELOPMENT 2
- SALES & MARKETING 3
- ADMINISTRATION 4
- OPERATING PROFIT 5

Swedish Environmental Code, environmental practices are an integral part of our daily business. The environmental risks we perceive in our operations mainly relate to travel to and between our offices. Our Environmental Policy stipulates that we will:

- Comply with all applicable environmental legislation and other environmental standards that apply on markets where the group operates and avoid wasting resources,
- dispose of the waste that we generate, and re-use and recycle materials,
- consider environmental issues in the design and location of our offices,
- endeavor to continuously review our working practices and find alternatives to reduce our environmental impact.

#### **Minimizing travel**

Enea's offices are located close to public transport in order to minimize negative impact on the environment.

Enea is a global corporation active in several countries worldwide. To minimize business travel, Enea uses an internal chat and web conferencing system. This enables Enea to keep teams together and hold regular meetings regardless of geographical distance without any negative environmental impact.

#### **Efficient distribution**

To optimize deliveries, Enea mainly provides software downloads, which imply minimal environmental impact on delivery and distribution. Enea also sends invoices electronically.

#### **Corruption**

The risk of corruption could arise in business relationships with customers, or when Enea is purchasing equipment for the business. Enea's Code of Conduct summarizes the group's ethical guidelines for compliance with laws and ordinances and rules for anti-corruption including ethical business practice and how to handle potential gifts in a business relationship. The aim of the Code of Conduct is to emphasize the fundamental principles by which Enea operates and manages relationships with its employees, business partners and other stakeholders. Executive management reviews and checks all major business deals and abnormal discounts.

#### **Employment and social responsibility**

The main risks and areas for concern within personnel, social circumstances and human rights relate to discrimination or special treatment of any kind. Enea's Code of Conduct and Equal Opportunities Policy address these risks.

#### **Employees and human rights**

Enea's Code of Conduct comprises guidelines regarding individual rights and obligations. Enea's Equal Opportunities Policy prohibits discrimination against employees in terms of employment or duties based on gender, religion, age, disability, sexual orientation, nationality, political opinion, or social and ethnic origin. Enea supports the UN's Global Compact initiative.

#### **Diversity**

Enea encourages progress towards greater diversity. Employees that dare to think in new and diverse ways have made the company what it is today. Differing backgrounds and experience are positive factors that we wish to encourage. When communicating with customers and stakeholders in different countries, having access to members of staff with different backgrounds is a strength.

#### **Social responsibility**

Enea contributes directly and indirectly to the communities where we operate. Millions of people use Enea's products in communication. Increased communication alleviates the need for unnecessary travel and provides greater security.

Enea's responsibility to stakeholders is to generate profitable growth. The long-term objective is to increase the value of the company and thus ensure sustainable development and long-term returns for shareholders. Enea contributes to socioeconomic development through product usage and by creating employment opportunities.

Enea's responsibility to employees is based on the company's core values that the corporate culture is built on. Every employee should feel valued and part of the company's success. Enea respects individual dignity and human rights, develops the skills of individuals, pays a fair salary, provides opportunities for advancement, promotes open and honest communication and provides a safe and healthy working environment.

# Auditor's report on the statutory Sustainability Report

## To the Annual General Meeting of the shareholders in Enea AB (publ), Corp. ID no. 556209-7146

### **Assignment and division of responsibilities**

The Board of Directors are responsible for the statutory Sustainability Report for 2017 on pages 12–13, and for ensuring that it has been prepared in accordance with the Annual Accounts Act.

### **Scope and focus of the review**

Our review 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 review of the statutory Sustainability Report is substantially different and more limited in

scope and focus compared to an Audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the review has provided us with sufficient basis for our opinion.

### **Opinion**

A statutory Sustainability Report has been prepared.

Stockholm, 3 April 2018  
Öhrlings PricewaterhouseCoopers AB

Niklas Renström  
Authorized Public Accountant

# Directors' Report

The Board of Directors and Chief Executive Officer of Enea AB (publ) Corp. ID no. 556209-7146 with registered office in Kista, Stockholm, Sweden, hereby present the Annual Report for the financial year 1 January–31 December 2017 for the parent company and the group.

Enea is a global provider of software platforms and expert services and our vision is to help our customers develop amazing network functionality for the connected society. We are determined to be a key player in the ecosystem for open source code and develop optimal software solutions alongside leading partners. Every day, three billion people rely on Enea's technologies in multiple applications in several verticals—ranging from the telecom and automotive industries to medtech and aerospace. Enea is a world leader in producing software platforms for communication-driven products subject to extreme availability and performance standards. Enea's expertise in operating systems, open source and middleware helps companies shorten development lifecycles and reduce expenses, simultaneous with increasing reliability.

## Revenue

In 2017, Enea's revenue increased by 18 (4) percent to SEK 589.3 (501.3) million. Currency adjusted, revenue increased by 17 (3) percent for the full year. Sales of development licenses including support and maintenance increased compared with last year. Production licenses, which are largely dependent on customer sales volumes, increased year-on-year. Service sales decreased compared to 2016.

## Profit/loss

Enea's operating profit excluding non-recurring costs was SEK 135.4 (121.6) million, corresponding to an operating margin excluding non-recurring costs of 23.0 (24.3) percent. Operating profit decreased to SEK 103.7 (118.8) million, corresponding to an operating margin of 17.6 (23.7) percent. The exchange rate effect on the group's profit is marginal.

Gross margin for the full year was 71.8 (70.4) percent. Financial net for the full year was SEK -5.2 (5.2) million. Profit after tax was SEK 83.2 (94.6) million for the full year. Earnings per share was SEK 4.73 (5.95) for the full year. Without adjusting for holdings of treasury shares, and calculated on the basis of the total number of shares at year end, earnings per share was SEK 4.23 (5.82) for the full year.

## Cash flow and financial position

Cash flow from operating activities was SEK 116.6 (128.1) million for the full year. Total cash flow was SEK 87.2 (94.3) million. Cash flow from changes in working capital varies between quarters, for reasons including the timing of major payments.

On 12 June 2017, SEK 2.00 (4.20) per share was disbursed through an automatic redemption program corresponding to a transfer amounting to SEK 35.1 (66.8) million to shareholders.

In 2017, 270,812 shares were repurchased for regulation of the share savings plan.

Cash and cash equivalents and financial investments were SEK 414.3 (223.5) million. Total interest-bearing liabilities were SEK 116.0 (150.0) million at the end of the year, divided between long-term interest-bearing liabilities of SEK 82.0 (116.0) million, and current-interest bearing liabilities of SEK 34.0 (34.0) million. Enea's financial position remains strong, with an equity ratio of 64.8 (43.0) percent. Total assets amounted to SEK 1,172.2 (983.0) million and net cash position totaled SEK 192.8 (-124.9) million at the end of the year.

A one-sided price reduction by one of the company's largest customers has created a dispute regarding accounts receivables of SEK 21 million. Excluding VAT this amounts to SEK 17 million. Enea's assessment is that the customer will pay the outstanding amount in accordance with the contract.

## Investments, depreciation and amortization

The group's investments for the full year were SEK 38.8 (380.0) million. Full year depreciation and amortization was SEK 22.9 (18.1) million. SEK 34.5 (16.1) million of product development expenses were capitalized in the year. The amortization of capitalized product development expenses was SEK 13.7 (13.4) million.

## Parent company

The parent company's operating activities are primarily focused on group-wide

## SIGNIFICANT EVENTS IN 2017

- Publication of Year-end Report 2016
- Enea top five contributor to OPNVF.
- Enea launches Qosmos Signatures for third party Deep Packet Inspection-libraries.
- Enea showcases new Qosmos Ixengine functionality for cyber security at RSA in San Francisco.
- Enea completes a targeted new issue of SEK 162.4 million.
- Enea and Lanner demonstrates multi-architecture proof-of-concept VCPE solution at Mobile World Congress.
- Enea announces Qosmos IxEngine 5.3, confirming industry leadership in IP classification and Metadata extraction.



FEBRUARY

- Publication of Enea's Annual Report 2016.
- Enea announces multi-architecture NFV software platform for virtualization of the network edge.
- Publication of Q1 2017 Interim Report.



APRIL

- Enea's Annual General Meeting held on Tuesday 9 May in Kista, Sweden.
- China Mobile, ARM, Cavium and Enea sign collaboration agreement for China Mobile Open NFV Testlab.
- Enea launches high performance and lightweight NFV-platform for customer premise equipment.



MAY

- Publication of Q2 2017 Interim Report.



JULY

administration of management, accounting and finance, administration and IT. Parent company net sales in the year were SEK 58.1 (49.3) million, and profit before appropriations and tax was SEK 36.6 (68.4) million. The financial net of the parent company was SEK 36.6 (68.4) million, and cash and cash equivalents and financial investments were SEK 349.0 (49.1) million at year-end. Parent company investments were SEK 0.2 (0.5) million. There were 11 (12) employees of the parent company at year-end. The parent company does not carry out independent operations and its risk exposure mainly relates to operations in subsidiaries.

### Events after the end of the reporting period

#### *Enea acquired Openwave Mobility*

On 16 March 2018, Enea announced that the company had signed an agreement to acquire Openwave Mobility, a company offering the industry's most scalable NFV platform with solutions for mobile operators. The total consideration amounts to USD 90 million and will be financed by cash and a SEK 500 million bond loan, as previously announced on the 26 February 2018. Openwave Mobility is headquartered in California and generated preliminary adjusted revenues of approximately USD 27 million in 2017 and an EBIT of USD 3 million. The acquisition enables Enea to expand both its offering and addressable market. Furthermore, the acquisition is expected to be earnings per share accretive in 2018. Openwave Mobility will be consolidated in Enea's financial statements as from the acquisition date. For more information about Openwave Mobility, visit [www.owmobility.com](http://www.owmobility.com).

#### *Change of CFO*

On 9 March 2018, Enea announced that Anders Stensson, CFO of the company, has

chosen to resign for private reasons. The process of recruiting a successor has been initiated.

The company's Senior Vice President Corporate Development and former CFO, Håkan Rippe, will assume responsibility as interim CFO until a permanent successor is on board.

#### *Arbitral award*

In January 2018, the arbitral tribunal announced its award in the dispute that has been on-going for several years between Enea and one of the company's largest customers. Enea's main part of the arbitration was denied, and as a result, Enea was ordered to pay 80 percent of the customer's legal costs.

Total cost for the dispute will impact 2017 year-end profit with SEK 27 million.

#### *Sustainability Report*

Enea has published a Sustainability Report that has been audited by the company's auditors. The Sustainability Report can be found on page 12-13 in the Annual Report.

#### *Targeted new issue*

On 21 February 2017, Enea completed a targeted new issue totaling SEK 162.4 million. After the new issue, the total number of shares and votes in Enea was 17,864,231. The new issue generated a dilution effect of some 9.1 percent based on the total number of shares in Enea after the new issue. On 26 October 2017, Enea completed another targeted new issue totaling SEK 141 million. After the new issue, the total number of shares and votes in Enea was 19,650,231. The new issue generated a dilution effect of some 9 percent based on the total number of shares in Enea after the new issue. For more information, visit [www.enea.com/press-releases/](http://www.enea.com/press-releases/).

#### **Dividend policy**

Enea's aim is to build a larger and stronger company, delivering increasing value for customers, employees and shareholders. Acquisitions that strengthen the company's market position and long-term earnings capacity, as well as continued investments in the product portfolio are important elements of this endeavor. In order to enable and be well-equipped for this type of acquisitions, Enea needs a strong and flexible capital structure. This can mean that the company may be in net debt from time to time. Therefore, the Board needs to take into account the company's long-term investment needs and financial position when considering dividends. In line with this, the Board has decided to adjust the company's long-term dividend policy as follows: "Enea's long-term dividend policy is that at least 30 percent of profit after tax will be transferred to shareholders. However, consideration should be given to the company's financial position, cash flow, acquisition opportunities and future prospects." Given the Board's view of potential acquisitions and prospects over the coming years, no dividend has been proposed for 2017.

#### **PROPOSED APPROPRIATION OF PROFITS**

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

Share premium reserve	298,159,046
Retained earnings	188,740,573
Profit (loss) for the year	38,748,682
<b>Total</b>	<b>525,648,301</b>

The Board of Directors proposes that these funds are appropriated and SEK 525,648,301 carried forward.

- Enea announces partnership with semiconductor provider Cavium relating to the NFV "Access" platform.
- Enea demonstrates platforms for "network virtualization" at SDN/NFV World Congress in Haag.
- Enea's DPI solution, Qosmos ixEngine, sets a new record, identifying over 3,000 protocols and applications.

- Enea completes a targeted new issue of SEK 141 million.
- Publication of Q3 2017 Interim Report
- Enea and Swedish company Clavister entered a collaborative partnership for virtual mobile solutions in the SDN/NFV environment.
- Enea launches a whitepaper and video production focused on runtime environments with multiple core processes, where OSE is one of the main components.

- Enea demonstrates NFV solutions and linear scalability in RTOS with ARM at "Embedded Technology" in Japan.

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SEPTEMBER

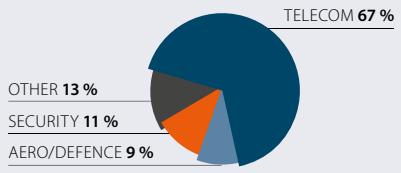
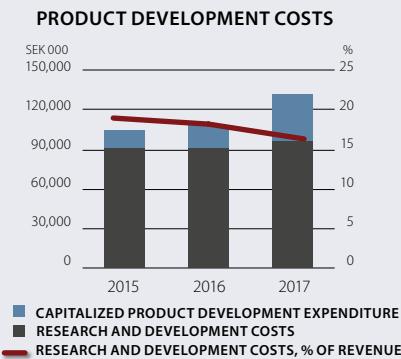
OCTOBER

NOVEMBER

DECEMBER

Enea is exposed to a number of risks that could affect the group's earnings. Enea identifies and manages the company's risks on a continuous basis. The risks deemed most significant are classified as operational, market and financial risks.

Operational risks	Comments	Exposure
<b>Customer structure</b> Enea is dependent on a few major customers such as Ericsson and Nokia, all of which are significant suppliers of telecom equipment.	Enea is dependent on its major customers' long-term plans for investment and product development, since the development of new generations of products can involve major decisions that affect how Enea's products and services are used.	Total revenue from Ericsson and Nokia are less than half of the company's revenue. The risk of rapid negative fluctuations is limited due to long-term agreements and difficulties for customers to change the degree to which they use Enea's products and services at short notice.
<b>Contract structure</b> A high proportion of software revenue is of repetitive nature and derived from long-term royalty and maintenance agreements. Revenue from services is not normally repeatable.	Enea cannot influence the progress of its future royalty streams. Enea's royalty streams are largely dependent on customer production volumes. However, expenses related to simultaneous revenue streams are limited.	Repeat revenue streams represent most annual software revenue.
<b>Competence supply</b> Enea's success is very closely linked to the company's ability to employ, stimulate, motivate and retain highly-qualified personnel.	Competition for highly-qualified personnel in the IT industry is intense. However, Enea's combination of products and services together with the geographical spread across several offices represents a competitive advantage, as the company can offer more career opportunities. Enea's focus on the cloud over the last few years, and acquisitions of new companies creates breadth and increases the number of career opportunities, which is beneficial for recruiting and developing engineers.	Enea's staff turnover is considered comparable to the industry average.
<b>Product liability, intellectual property and legal disputes</b> Enea's products are critical components of its customers' products, and faulty products could compromise customer relationships and generate claims for damages. Enea's intellectual property is at risk of infringements. There is also a risk that Enea's products infringe on external parties' intellectual property.	Enea is insured against product liability and judges that the company's insurance cover adequately limits its direct risk exposure. Enea is also covered by insurance in the event that its products infringe on external parties' patents or copyright. Enea continuously obtains legal advice to protect its intellectual property rights and reduce the risk of infringement of its intellectual property rights.	With regard to litigation, court proceedings or arbitration, Enea AB or its subsidiaries are currently involved in a small number of minor disputes. None of these disputes are expected to have any material adverse effect on the company's financial position. In the second quarter of 2017, Enea announced a one-sided discount initiative by one of the company's largest customers. The discrepancy between the contracted price, and the discounted price the customer unilaterally started practicing, resulted in a negative impact of SEK 17 million excluding VAT. In total for 2017, accounts receivable of SEK 21 million is under discussion. Enea assesses the customer will pay in accordance with the contract. However, arbitration might be needed to resolve the dispute. Enea continuously reviews the application of its contract terms with its customers and suppliers. Disagreements relating to how contracts are to be interpreted could lead to disputes.

Market-related risks	Comments	Exposure																											
<b>Macroeconomic trends</b> Enea is dependent on the growth and financial progress of its largest customers. Most revenue is derived from customers in the telecom industry, which means that economic risks are linked to the business cycle in general, but also to specific progress in the telecom industry.	A generally slower business cycle mainly impacts customers' current investment appetite, followed by declining purchases of Enea's products and services. An economic downturn may also impact customer product sales, which, in turn, affects Enea's royalty streams. Structural changes that impact the application of embedded systems in various contexts are more significant than cyclical fluctuations.	 <table border="1"> <tr> <td>TELECOM 67 %</td> </tr> <tr> <td>OTHER 13 %</td> </tr> <tr> <td>SECURITY 11 %</td> </tr> <tr> <td>AERO/DEFENCE 9 %</td> </tr> </table>	TELECOM 67 %	OTHER 13 %	SECURITY 11 %	AERO/DEFENCE 9 %																							
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<b>Products and technology</b> Enea's competitiveness and market position are largely dependent on the company's ability to produce innovative products, often in close collaboration with customers and hardware suppliers.	Close collaboration with the company's largest customers on product development is critical. The growth in software based on open source entails a risk that customers choose solutions that generate less revenue for Enea, rather than the company's copyrighted products. Enea collaborates with a number of hardware vendors to adapt its product plans to future hardware solutions, and to pre-integrate its products hardware vendors' solutions.	 <table border="1"> <tr> <td>PRODUCT DEVELOPMENT COSTS</td> </tr> <tr> <td>SEK 000</td> <td>%</td> </tr> <tr> <td>150,000</td> <td>25</td> </tr> <tr> <td>120,000</td> <td>20</td> </tr> <tr> <td>90,000</td> <td>15</td> </tr> <tr> <td>60,000</td> <td>10</td> </tr> <tr> <td>30,000</td> <td>5</td> </tr> <tr> <td>0</td> <td>0</td> </tr> <tr> <td>2015</td> <td>2016</td> <td>2017</td> </tr> <tr> <td>CAPITALIZED PRODUCT DEVELOPMENT EXPENDITURE</td> <td></td> <td></td> </tr> <tr> <td>RESEARCH AND DEVELOPMENT COSTS</td> <td></td> <td></td> </tr> <tr> <td>RESEARCH AND DEVELOPMENT COSTS, % OF REVENUE</td> <td></td> <td></td> </tr> </table>	PRODUCT DEVELOPMENT COSTS	SEK 000	%	150,000	25	120,000	20	90,000	15	60,000	10	30,000	5	0	0	2015	2016	2017	CAPITALIZED PRODUCT DEVELOPMENT EXPENDITURE			RESEARCH AND DEVELOPMENT COSTS			RESEARCH AND DEVELOPMENT COSTS, % OF REVENUE		
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<b>Competitors</b> The embedded software market is fragmented with a handful of players of Enea's size or larger. Like Enea, all competitors are active globally while niche companies may be competitors in specific areas.	Enea has a strong position in the telecom industry and has positioned itself as a market leader in the sector. Customers' proprietary software solutions represent one aspect of the competition. However, these are in decline as hardware environments and end products become increasingly complex. Enea's open source products are also subject to competition from non-commercial developers.	Enea is a global leader in real-time operating systems.																											

Financial risks	Comments	Exposure										
<b>Market risk</b> <b>Currency risk</b> Currency risk means the risk that the value of a financial instrument fluctuates due to changes in exchange rates.	<p>Enea operates in an international environment and conducts most of its sales in SEK, EUR and USD. Currency exposure is largely minimized by conducting business activities in subsidiaries with revenue and expenses denominated in local currency. A group account structure that uses multiple currencies minimizes exchange rate fluctuations and increases flexibility regarding the timing of foreign exchange transaction. Major expected foreign currency deposits and payments are hedged through currency forwards, in line with Enea's financial policy.</p> <p>Foreign subsidiaries are translated into SEK using the current rate method, which means that the Statement of Comprehensive Income is translated at the average exchange rate for the period, while the Balance Sheet is translated at the closing-day rate. Translation exposure is not hedged.</p>	<p>In 2017, a total of EUR 19 (11) million was hedged. At the end of 2017, there were six outstanding derivatives with a total value of EUR 11 million, at a rate of 9.75 at year-end 2017. Average appreciation/depreciation of the SEK of 5 percent against the EUR would have implied a decrease/ increase of SEK 10 million in revenue in 2017, all things being equal. The corresponding effect on revenue against the USD would total SEK 9 million.</p>										
<b>Price risk</b> Price risk relates to value changes arising from investments in financial instruments held by the group and that are classified as financial instruments held for sale (Note 12).	<p>Investments of surplus liquidity are regulated by Enea's Finance Policy. Investments may only be made in Certificates of Deposit, bonds or funds placed in interest-bearing securities or corporate funds with a minimum rating of BB- according to Standard &amp; Poor, or equivalent valuation method. Investments in unrated companies should have a quantitative credit rating minimum with an equivalent company with official rating.</p>	<p>Enea's price risk is limited as financial instruments consist of corporate bonds with a high credit rating. Enea has no equity holdings.</p>										
<b>Liquidity risk</b> Liquidity risk is the risk that Enea is unable to meet its payment obligations as a result of insufficient liquidity or difficulty obtaining external financing.	<p>The group's operational companies prepare monthly cash flow forecasts that are consolidated centrally. The group's liquidity is reported and monitored weekly. Enea's cash pool, with cash and cash equivalents mainly in its Swedish companies and financial investments, is managed by the parent company. Surplus liquidity is invested in interest-bearing assets with a term of less than one year, and a specified proportion for a period up to a maximum of two years with reputable financial institutions. It is possible to terminate investments during the term. The risk associated with the investments is limited in accordance with the group's Finance Policy which has been authorized by Enea's Board of Directors.</p>	<p>Enea's liquidity risk is limited. Cash and cash equivalents and financial investments totaled SEK 414.3 (223.5) million as of 31 December 2017. The external loan of SEK 116 million is amortized at SEK 34 million per year with an outstanding loan amount of SEK 48 million, subject to renegotiation towards the end of the term. The loan is not subject to collateral.</p>										
<b>Asset management</b> <b>Risk management</b> The objective of the group's asset management is to ensure a stable financial position that secures the group's ability to continue operating and generate returns for its shareholders, benefit other stakeholders and inspire confidence in the company's frequently close and long-term customer relationships.	<p>To maintain or adjust its capital structure, the group may pay dividends, or repay capital to shareholders, or issue new shares, or sell assets to reduce liabilities.</p>	<p>At the end of the year, the group had external financing in the form of loans totaling SEK 116 million. The loan agreement is subject to covenants relating to the group's equity ratio, net debt/EBITDA and debt service ratio. The covenants were satisfied as of 31 December 2017.</p> <p>Transfers to shareholders, by automatic redemption program, amounted to SEK 2.00 per share in 2017.</p>										
<b>Interest rate risk</b> Interest rate risk means the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.	<p>The group has an external loan totaling SEK 116 million. The interest rate risk in the group's cash, cash equivalent and loans will correlate with the progress of Swedish interest rates.</p>	<p>Enea's interest rate risk is moderate. An increase/ decrease of 1 percent in interest rates on cash and cash equivalents would generate an increase/decrease of some SEK 2 million in the financial net. An increase/ decrease of 1 percent in the interest rate of Enea's borrowings would generate an increase/decrease of some SEK 1 million in the financial net.</p>										
<b>Credit risk</b> Credit risk refers to the risk that the counterparty in a transaction involving a financial instrument is unable to meet its obligations. The primary credit risk is that Enea fails to receive payment for its accounts receivable.	<p>The group's customers are predominantly large, well-established companies with high solvency ratios, spread across several geographical markets. To limit risks, the company's credit policy contains guidelines and regulations for assessing the credit risk of new customers, payment terms and procedures and processes for handling outstanding claims.</p>	<p>Provisions of SEK 1.0 (0) million were made for doubtful debt in 2017. Change in doubtful debt in 2017:</p> <table> <tr> <td>Opening balance, 1 Jan 2017</td> <td>0.3</td> </tr> <tr> <td>Repayment of doubtful debt</td> <td>–</td> </tr> <tr> <td>Amortization of doubtful debt</td> <td>-0.3</td> </tr> <tr> <td>Provision for doubtful debt 2017</td> <td>1.0</td> </tr> <tr> <td>Closing balance, 31 Dec 2017</td> <td>1.0</td> </tr> </table>	Opening balance, 1 Jan 2017	0.3	Repayment of doubtful debt	–	Amortization of doubtful debt	-0.3	Provision for doubtful debt 2017	1.0	Closing balance, 31 Dec 2017	1.0
Opening balance, 1 Jan 2017	0.3											
Repayment of doubtful debt	–											
Amortization of doubtful debt	-0.3											
Provision for doubtful debt 2017	1.0											
Closing balance, 31 Dec 2017	1.0											

# Corporate Governance Report 2017

Enea AB is a Swedish public limited company listed on Nasdaq Stockholm, Sweden. The Enea group's corporate governance is based on Swedish legislation and the rules and recommendations issued by relevant organizations, including the Swedish Corporate Governance Board, Nasdaq Stockholm, the Swedish Securities Council and others. 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. The company's Auditor has completed a statutory review of this report

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### Swedish Code of Corporate Governance

The following description of the Corporate Governance Report has been prepared in accordance with the Swedish Code of Corporate Governance "the Code". During the financial year, Enea complied with the Code.

#### 1 Shareholders

Enea's ordinary shares are listed on Nasdaq Stockholm's Small Cap list. According to the share register maintained by Euroclear Sweden, Enea had 19,650,231 shares as of 31 December 2017. On the same date, Enea AB's share capital amounted to SEK 22,209,907. Enea owns 314,760 treasury shares, corresponding to 1.6 percent of total shares. On 31 December 2017, the largest shareholders were Per Lindberg with 26.01 percent and Försäkringsbolaget Avanza Pension, with 12.56 percent of the shares.

#### Annual General Meeting

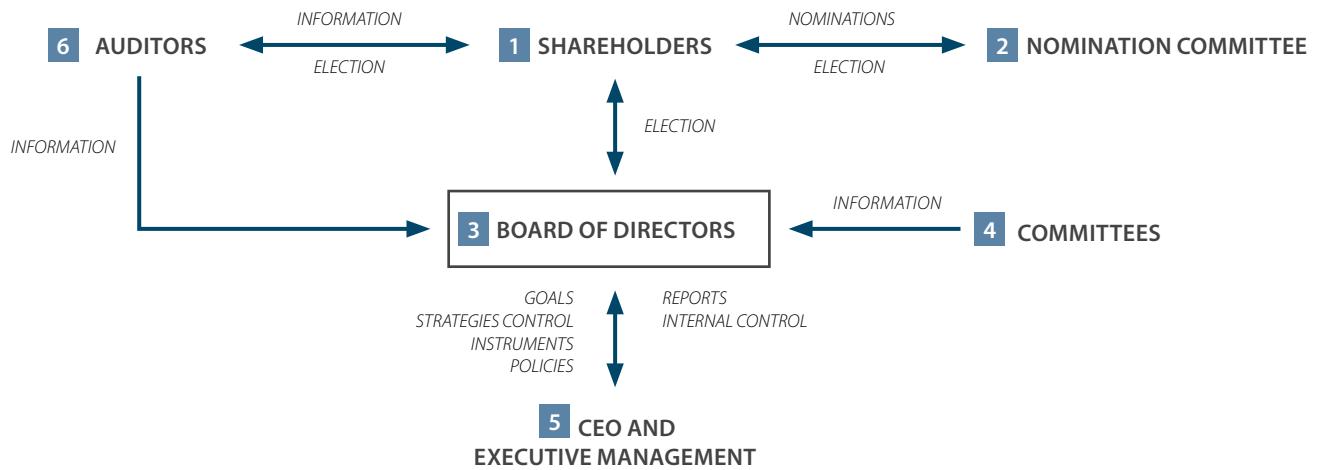
The Annual General Meeting, or where applicable, an Extraordinary General Meeting, is Enea's highest decision-making body. All shareholders are entitled to participate in the Annual General Meeting, either in person or through a representative given Power of Attorney. All shareholders are entitled to request that a matter be addressed by the meeting. Enea AB's Annual General Meeting was held on 9 May 2017 in Kista, Sweden. The Annual General Meeting's responsibilities include adopting the Articles of Association, appointing the Board of Directors and Chairman, appointing the company's Auditors, adopting the Income Statement and Balance Sheet, adopting a resolution on the appropriation of earnings, discharging the Board of Directors and the CEO from liability, resolutions on the Nomination Committee deciding the remuneration principles for the CEO and other senior executives, etc. A two-thirds majority is required to amend the Articles of Association.

### The Annual General Meeting 2017 adopted the following resolutions:

- adopting the company's and the group's Income Statement and Balance Sheet,
- discharging the Board of Directors and the CEO from liability, remuneration to the Board of Directors and the Auditors,
- guidelines for remuneration to senior executives,
- Board authorization to pass resolutions on acquisitions and transfers of treasury shares in accordance with the Board's proposal, Appendix 6,
- Board authorization to reach resolutions on new share issues to finance continued company growth and expansion, Appendix 8,
- introducing an automatic redemption program involving a share split, the redemption of shares and a bonus issue. The redemption program involved a transfer to shareholders of SEK 2.00 SEK per share according to Appendix 9,
- adopting the Board's proposal in Appendix 10 regarding i) adoption of the long-term share-based incentive program 2017 and ii) transfer of repurchased shares to members of the incentive program,
- Anders Skarin was elected Chairman. Kjell Duveblad, Mats Lindoff, Torbjörn Nilsson, Åsa Sundberg and Gunilla Fransson were re-elected as Board members. Öhrlings PricewaterhouseCoopers AB were appointed as Auditor.

The complete minutes from the Annual General Meeting, together with the Meeting's supporting decision-making data, can be found on the company's website ([www.enea.com](http://www.enea.com)), under Investors.

## OVERVIEW OF ENEA'S CORPORATE GOVERNANCE



### 2 Nomination Committee

The Annual General Meeting appoints Nomination Committee members or states how they are to be appointed. Enea's Nomination Committee will be appointed from two major shareholders and the Chairman of the Board. The Chairman of the Board is assigned the task of notifying the four largest shareholders in terms of votes at the end of September, requesting them to appoint one member each to the Nomination Committee. If more than two of these shareholders do not wish to appoint a member, the next shareholder in order of size is given the opportunity to appoint a representative. The names of the Nomination Committee's representatives are published in the company's third quarter Interim Report. The mandate period for the Nomination Committee runs until a new Nomination Committee has become effective. A shareholder representative should be appointed Chairman of the Nomination Committee.

In accordance with the above, the Chairman of the Board contacted the four largest shareholders, in terms of votes, at the end of September 2017, to request that they appoint one member each to the Nomination Committee. Three of the shareholders appointed a member, however one shareholder abstained. If any significant changes take place to the ownership structure following the appointment of the Nomination Committee, the composition of the Nomination Committee will be amended in accordance with the above principles. The Nomination Committee will prepare

and submit proposals to the Annual General Meeting for:

- the Chairman of the forthcoming Annual General Meeting,
- the election of the Chairman and other Board members,
- Board remuneration divided between the Chairman and other Board members, as well as guidelines for potential remuneration for committee work,
- the election and fees for Auditors and Deputy Auditors (where applicable),
- resolution on guidelines for the composition of the Nomination Committee.

Prior to the 2018 Annual General Meeting, the Nomination Committee consists of Per Lindberg, Sverre Bergland (DNB), Annika Andersson (Swedbank Robur Fonder) and Anders Skarin (Chairman of the Board of Enea AB). The Nomination Committee appointed Per Lindberg as its Chairman.

The Nomination Committee's full proposal to the AGM 2018, including its motivations, is published in the notice convening the AGM 2018, which is available at [www.enea.com](http://www.enea.com).

### 3 Board of Directors

According to the Articles of Association, Enea's Board of Directors shall consist of five to seven members with a maximum of seven deputies elected by the AGM. Enea's Board is composed in compliance with article 4.1 in the Swedish Code of Corporate Governance and with the company's diversity policy. Enea's diversity

policy states that the Board should reflect the breadth, versatility, competence, experience and background required to contribute to Enea's future progress. Additionally, the Board should strive to achieve an even distribution between the sexes. However, the nominated Board of Director's are made up of four men and two women, i.e. women represent 33 percent.

The Board of Directors represent the company's diversity policy as well as knowledge and extensive experience from sectors where Enea operates. The Board satisfies the requirements relating to Board members' independence in relation to the company and management, and in relation to the company's major shareholders. Consideration has also been given to Board members' ability to allocate the time required for their assignments in the company, which has been confirmed. In 2017, Enea's Board of Directors had six members elected by the AGM. The CEO and CFO participate at every Board meeting and reports on the company's business situation, prospects, financial position and events of material significance. Other company executives also participate in Board meetings and present reports when necessary. The CEO does not participate in the parts of Board meetings that deal with the relationship between the CEO and the company, and the work of the CEO and other senior executives is evaluated at least yearly. The Board members' shareholdings are provided in the presentation of the Board of Directors, see page 20.

## THE BOARD OF DIRECTORS 2017



Name	Anders Skarin	Kjell Duveblad	Mats Lindoff	Torbjörn Nilsson	Åsa Sundberg	Gunilla Fransson	Johan Carlsson
<b>Born</b>	1948	1954	1961	1953	1959	1960	1989
<b>Appointed</b>	2005	2008	2010	2012	2015	2016	2017
<b>Board position</b>	Chairman	Board member	Board member	Board member	Board member	Board member	Employee representative SI
<b>Education</b>	B.Sc. (Econ. and IT)	B.Sc. in Business Administration, Stockholm School of Economics	M.Sc. (Eng.) EE	M.Sc. (Eng.) and B.Sc. Business Administration	M.Sc. (Eng.)	M.Sc. (Eng.) Chemical engineering, licentiate nuclear chemistry, Royal Institute of Technology, Stockholm	Software engineering Mechatronics
<b>Previous position</b>	President of Programator (listed) and Nordic Manager of Cap Gemini, Board work and management consulting.	Sales Director of IBM Svenska AB and President of Oracle Sweden, Nordics and Baltics.	Chief Technology Officer SonyEricsson, President of C-Technologies AB.	Chairman and Board member of listed and unlisted technology companies, Deputy CEO of the Ericsson group.	President and CEO of mobile operator Net1, partner in a Nordic venture capital operation focusing on tech investments.	Business Area Manager, Security and Defence Solutions at Saab AB. Previously held various management positions at Ericsson.	–
<b>Directorships</b>	Chairman of Multisoft Consulting, PCG Solutions and JVAB, as well as a Board member of Acando.	Chairman of Enaco and directorships in a number of unlisted companies.	Board member of Precise Biometrics AB and directorships in a number of unlisted companies.	Board member of unlisted companies	Board member of DGC ONE AB.	Board member of Trelleborg AB, Nederman AB, Net Insight AB, Eltel AB and unlisted companies.	–
<b>Own and related parties' shareholdings 2017 (2016)</b>	15,000 (15,000)	10,000 (10,000)	990 (990)	0 (0)	0 (0)	1,000 (1,000)	0 (0)
<b>Primary employment</b>	Management consulting and directorships	Management consulting and directorships	Strategic consultant	Strategic consultant and directorships	President and CEO of Teracom Group AB	Board work	Software Engineer at Enea
<b>Attendance, Board meetings</b>	10/10	10/10	7/10	10/10	10/10	10/10	10/10
<b>Committee positions</b>	Chairman of Remuneration Committee	Chairman of Audit Committee	Non-member	Audit Committee	Audit Committee	Remuneration Committee	Non-member
<b>Attendance, Committee meetings</b>	5/5	4/4	–	4/4	4/4	5/5	–

Eva Swedberg was employee representative Jan–Mar 2017.

### Board of Directors' independence

According to the Swedish Code of Corporate Governance, a majority of Board members elected by the AGM shall be independent of the company and management. A minimum of two of these shall also be independent of the company's major shareholders. All Board members were judged to be independent in respect of the company and group management and in respect of major shareholders. For information on Board members and the CEO, see above and page 21.

### Board work

The Board of Directors' Rules of Procedure are determined annually at the Board meeting following election immediately in conjunction with the AGM and is amended

when required. In addition to the aforementioned tasks, the Rules of Procedure also includes the Board's responsibilities, distribution of work, setting the Board's agenda, instructions to the CEO, and management of the Board meeting schedule, notices convening meetings, agenda and minutes.

In addition to the Board meeting following election, the Board of Directors shall hold a minimum of five meetings annually. Ahead of each Board meeting, documentation relating to the meeting is distributed to the Directors, either in digital format or by mail if required.

The Board manages the company's affairs in the interests of the company and all shareholders. The Board's tasks include adopting business objectives and strategy, appointing, evaluating and, where necessary,

dismissing the CEO, ensuring that effective systems are in place for monitoring and reviewing the company's operations, ensuring that there is satisfactory control of the company's compliance with laws and other regulations applicable to the company's operations, ensuring that the requisite ethical guidelines are adopted regarding the company's conduct, evaluating strategic and complementary acquisitions continuously and ensuring that the company's corporate communication features transparency and that it is accurate, relevant and reliable.

In 2017, the Board of Directors addressed matters such as the Enea group's strategy and business operations, the CEO's progress report, the Remuneration Committee's Rules of Procedure, remuneration of senior executives, continuously monitored operations

## MANAGEMENT 2017

									
<b>Name</b>	Anders Lidbeck	Anders Stensson	Adrian Leufvén	Karl Mörner	Bogdan Putinica	Daniel Forsgren	Thibaut Bechettoile	Erik Larsson	Hans Blomqvist
<b>Born</b>	1962	1960	1972	1975	1977	1973	1960	1960	1962
<b>Employed since</b>	2011	2017	1998	1998	2007	2006	Qosmos 2005, Enea 2016	Qosmos 2008, Enea 2016	1999
<b>Member of management since</b>	2011	2017	2008	2011	2011	2014	2016	2016	2016
<b>Position</b>	President and Chief Executive Officer	CFO	Senior Vice President for EMEA and Asia	Senior Vice President, Product Management	Senior Vice President, Global Services	Senior Vice President, Product Strategy	President Qosmos	Senior Vice President, Marketing & Communication	Senior Vice President, R&D
<b>Education</b>	M.Sc. in Business Administration and Economics, University of Lund.	M.Sc. in Business and Economics, Uppsala University.	M.Sc. Mechatronics, Royal Institute of Technology, Stockholm.	Software Engineering, University of Skövde.	International Finance and Banking, Academy of Economic Studies, Bucharest, Romania.	Industrial Engineering and Management, M.Sc. in Applied Physics and Electrical Engineering, Linköping Institute of Technology.	M.Sc. Engineering, ENSIMAG, Grenoble. Executive MBA, HEC Business School, Paris.	M.Sc. Physics and Electrical Engineering, KTH Stockholm. MBA, Kelley School of Business, Indiana University, USA.	M.Sc. echatronics, Licentiate, Royal Institute of Technology, Stockholm
<b>Previous position</b>	President and CEO of Telelogic, sales and marketing positions at Nokia, ICL and Telia Megacom, including as President of ICL Direct in Benelux and Vice President of Sales and Marketing for ICL Industry systems Europe.	VP Finance Flir Systems Inc, CFO Frontec AB, Controller Warner Bros, Group Controller Cederoth AB, Controller CollArt, Auditor, Arthur Andersen.	SVP Operations & 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 and Director Asian Sales at Enea.	SVP R&D, Director of Product Management, Director of System Management, System Architect and Team Leader at Enea.	CEO of Enea Romania, Global Sales Director Product Services at Enea Romania and President of IP Devel.	SVP Product Management, Principle Engineer at Enea's CTO office, System Architect, System Responsible, Software Engineer at Enea. Software Engineer at Virtutech.	CEO of Qosmos 2005-2016, Founder and CEO of MAIAAH, a VPN service provider (acquired by Easynet 2002), General Manager for the French subsidiary Wellfleet, later Bay.	VP Marketing at Qosmos, VP Marketing at Netcentrex (now Mavenir), VP Marketing at Integra (now Level 3), Marketing Director at Nortel, Consultant at Business Sweden.	VP Product Operations, Senior Director Product Services, CIO of Enea, Director Release Management Enea Software, Technical Project Manager, Systems Architect CelsiusTech Systems.
<b>Own and related parties' shareholdings 2017 (2016)</b>	14,000 (through endowment insurance) (14,000)	0 (0)	20,000 (21,000)	1,546 (1,546)	872 (5,372)	12,395 (12,395)	0 (0)	0 (0)	0 (0)

Kirk Fuller was part of Enea's Executive Management in Jan–Apr 2017 as SVP Sales and Strategic Alliances. Johan Glane was part of Enea's Executive Management Jan–Jul 2017 as SVP Sales for Strategic Accounts. Fredrik Medin was part of Enea's Executive Management Jan–Jul 2017 as SVP Marketing and Communications. Håkan Rippe was part of Enea's Executive Management Jan–Aug 2017 as CFO.

and forecasts, interim reports, budgets and the business plan for 2018.

The work of the Board of Directors was appraised at year-end. In 2017, the Board of Directors held nine meetings as well as one meeting following election. In addition to regular Board work, some Board members are also members of the company's Audit Committee and Remuneration Committee. Attendance statistics for Board meetings in 2017 are shown in the table on the next page.

The Board received remuneration of SEK 1,750,000 to be divided as follows: SEK 470,000 to the Chairman of the Board and SEK 220,000 each to other Board members appointed by the Annual General Meeting, as well as SEK 180,000 related to committee

work and to be divided as follows: SEK 60,000 to the Chairman of the Audit Committee, SEK 30,000 each to two committee members, SEK 40,000 to the Chairman of the Remuneration committee and SEK 20,000 to one committee member.

#### 4 Audit Committee

The Audit Committee consisted of Kjell Duveblad (Chairman), Torbjörn Nilsson and Åsa Sundberg. Enea's CFO and the company's Auditor are co-opted to the meetings, which are normally held once quarterly. Minutes are kept at Audit Committee meetings and presented to the Board of Directors. The Audit Committee is responsible for the preparation of the Board of Directors' quality assurance of the company's financial

reporting, keeping informed of the focus and scope of the audit, discussing coordinating between external Auditors and the company's internal control functions, evaluating the company's risk exposure, adopting guidelines for services other than those provided by the company Auditor, evaluating the audit and informing the company's Nomination Committee of the evaluation, as well as assisting the Nomination Committee with its proposals for Auditors and remuneration.

In 2017, the Audit Committee held four meetings, all in connection with the quarterly financial statements. The main topics addressed included presentations 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 findings to the Board of Directors annually in connection with the annual financial statement. In addition, the Board of Directors meets the company Auditor at least yearly—without the presence of group management—to learn about the audit's focus and scope, and to discuss the coordination between external Auditors and the internal control and evaluation of the company's risk exposure.

#### 4 Remuneration Committee

The overall responsibilities of the Board of Directors cannot be delegated, although the Board of Directors has established a Remuneration Committee tasked with consulting on issues relating to salaries, other remuneration and other employment terms for the CEO and other members of group management.

In 2017, the Committee comprised Board members Anders Skarin (Chairman) and Gunilla Fransson. The Remuneration Committee is convened as required and reports to the Board of Directors. The Remuneration Committee held five meetings where minutes were taken in 2017.

#### Review of the Board of Director's work

Anders Skarin, Chairman of the Board of Directors, is responsible for preparing a review of the Board of Directors' work which he presents to the Nomination Committee. The review is completed in two parts, a

written review where individual Board members complete a relatively extensive survey. The results are compiled and the anonymous data discussed at a Board meeting. The second part takes the form of an oral review where the Nomination Committee, excluding the Chairman, interviews two Board members each. The Nomination Committee is then presented with three written reports to use as a basis for evaluating the Board of Directors.

#### 5 CEO and group management

Anders Lidbeck has been Enea's CEO since 2011. The CEO's other significant assignments and previous experience are detailed in the presentation of senior executives on page 21. Anders Lidbeck has no significant shareholdings in companies that Enea has a business relationship with.

In 2017, Enea's group management consisted of Enea's CEO, CFO and seven division and line managers representing the organization's functions. For more information about the group management, see page 21. Group management meets every week to present progress reports on business conditions for each function and discuss other ongoing and relevant issues. In addition to these meetings, group management also meets several times a year to discuss strategy and planning, which is then reported to the Board of Directors in September and December. The CEO and CFO produce a business plan for the coming year that is then presented at a Board meeting in December.

#### 6 Auditors

The AGM 2017 re-elected Audit firm Öhrlings PricewaterhouseCoopers AB, with Authorized Public Accountant Niklas Renström as Auditor in Charge until the end of the next AGM in 2018. It was noted that Enea went through a tender process for its audit due to Öhrlings PricewaterhouseCoopers AB had been the company's auditors for the last ten years. Every year, the company's Auditor presents a report to the Board of Directors based on observations made during the review and assessment of the company's internal control. The guidelines for the Board of Directors' work are based on the Rules of Procedure that regulate the division of responsibilities within the Board of Directors and between the Board of Directors and management.

In 2017, Enea's Auditors conducted a review of the Annual Financial Statements, whereupon the Auditors presented their Auditors' Report in the company's Annual Report 2017. A review was also conducted in connection with the third quarter Interim Report and the company's Auditors presented their Audit Review in the Interim Report 1 January–30 September.

2017. The review of the third quarter Interim Report focuses on the company's internal control.

#### Remuneration to senior executives

Remuneration is paid to the Chairman and Board members in accordance with the resolution of the Annual General Meeting. Employee representatives do not receive Directors' fees.

## ATTENDANCE AT BOARD MEETINGS

Board member	1	2	3	4	5	6	7	8	9	10
Anders Skarin (Chairman)	x	x	x	x	x	x	x	x	x	x
Kjell Duveblad	x	x	x	x	x	x	x	x	x	x
Mats Lindoff	x	x	–	x	x	–	x	–	x	x
Torbjörn Nilsson	x	x	x	x	x	x	x	x	x	x
Åsa Sundberg	x	x	x	x	x	x	x	x	x	x
Gunilla Fransson	x	x	x	x	x	x	x	x	x	x
Johan Carlsson	–	–	x	x	x	x	x	x	x	x

Meetings 1 and 2 were attended by former employee representative Eva Swedberg

**Principles**

In order to recruit and retain senior executives, the company offers competitive terms and conditions with remuneration at market rates. Overall remuneration to senior executives comprises fixed and variable salary, pension provisions and share-based remuneration. Fixed and variable salary is determined annually on the basis of individual conditions. Variable salary is subject to a pre-determined ceiling. With the exception of certain executives, variable salary may not exceed fixed salary. Variable salary is based on individual performance in relation to annually set goals, mainly relating to the company's sales and operating profit, as well as specific goals for individual executives. If the goals are met, 50 percent of maximum variable salary is payable, potentially rising to 100 percent if the goals are exceeded.

Senior executives are invited to participate in share-based incentive programs authorized by shareholders' meetings and, accordingly, remuneration may also be share-based provided that the goals and other terms of the share-based incentive program are met.

The model for variable salary and determining actual variable salary for senior executives is decided by the Board based on a proposal from the Remuneration Committee.

Remuneration to the CEO is decided by the Board of Directors based on a proposal from the Remuneration Committee.

**Pensions**

The pension terms of the CEO are decided by the Board of Directors following a proposal from the Remuneration Committee and comprises 35 percent of fixed and variable salary. Other senior executives in Sweden are subject to pension agreements within the framework of the ITP plan (Supplementary Pensions for Salaried Employees) with pensionable age of 65 and pension provisions are related to employee salaries. Pension premiums are paid continuously.

**Severance pay**

A six-month notice period applies in the event of termination of employment of the CEO initiated by either the company or the CEO. In addition, severance pay corresponding to six months' basic salary is payable should employment be terminated by the company. Should the ownership structure change so that a new majority shareholder emerges, 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, a notice period of three to twelve months applies. The Board of Directors reserves the right to depart from the proposed guidelines in individual cases where special conditions apply.

**Internal control and risk management**

The Board is responsible for internal control 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 of Directors' responsibilities and work otherwise. The purpose is for operations to be pursued in an expedient and efficient manner, and that external reporting complies with legislation and internal regulations that govern the company. For this work to be successful, the Board works in a structured manner where work is delegated to group management, the Audit Committee and other staff. Enea described the methods for delegating and monitoring this work in the company's internal policies, such as the Finance Policy and Authorization Policy.

**Internal control and financial reporting****Control environment**

Enea's control environment forms the basis of the company's internal control over financial reporting, and 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 pertaining to internal control and risk management as part of Enea's compliance with the Swedish Code

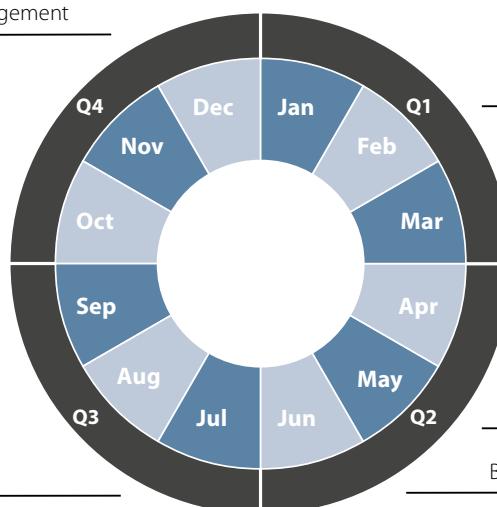
**BOARD WORK IN 2017**

Business plan, budget, evaluation of management

Business conditions, Interim Report

Strategy, organization

Business conditions, Interim Report



Business Conditions, Year-end report

Annual Report, preparation for AGM

Business conditions, Interim Report

Annual General Meeting

Business conditions, strategy

of Corporate Governance. At Enea, internal control over financial reporting is an integral part of corporate governance. It includes procedures and methods to secure the group's assets and the accuracy of financial reporting, and this aims to protect shareholders' investments in the company.

The Board monitors the quality of the financial reporting in a number of ways. The Board approves the rules of procedure each year, which include regulating the duties of the Chairman and CEO.

According to these instructions, the CEO is responsible for the control environment and for reviewing and ensuring the quality of financial reporting, and for ensuring that the Board of Directors receives the reports required to evaluate the group's financial position on a continuous basis. The instructions to the CEO include matters on which the CEO requires authorization or approval from the Board of Directors.

At the statutory Board meeting following the Annual General Meeting, Enea's Board of Directors adopts the Rules of Procedure for the Board of Directors, the Audit Committee and the Remuneration Committee. In addition, the instruction to the CEO, approvals list, Finance Policy and instruction for trading in the company's shares are approved.

Enea's CEO and group management bear operational responsibility for internal control. Based on the Board of Directors' guidelines alongside legislation and regulations governing financial reporting, such as the Swedish Companies Act, the Annual Accounts Act and the Swedish Code of Corporate Governance, group management has established the division of roles and responsibilities for staff working on financial reporting in the group. The group is divided into units, with each unit manager responsible for meeting objectives and budgets, as well as compliance with governance issues relating to the unit. Enea's organizational structure is presented on the group's intranet so that roles and responsibilities are made clear to everyone working on financial information.

Enea has issued instructions, such as approvals and authorization policies for group staff indicating the relevant authorization of various employees to take specific actions. Enea also presents a number of policies on the intranet, which govern work at Enea and create a basis for internal control, including a Finance Policy, Authorization Policy, IT Policy, Sustainability Policy, Communications Policy and insider policy according to the EU's Market Abuse Regulation.

The group also has an accounting and reporting manual with instructions on the group's accounting policies, reporting



instructions and a schedule that ensure that consistent and accurate accounting information is provided in a timely manner. These guidelines are followed up and updated regularly and presented to employees who work directly or indirectly on financial reporting.

In order to strengthen internal control, all important documents such as policies, regulatory documents etc., are available on Enea's intranet and uploaded to Enea's document management system. This gives all staff access to relevant documents and policies.

Documents are also classified according to authorization levels depending on the relevant staff member's role in the organization. The Board of Directors is presented with monthly progress reports. The reports are analyzed and evaluated by the Board of Directors and in the event that further measures are required, these are discussed at the next Board meeting or, alternatively, in urgent cases the Chairman convenes a Board meeting to address the issue.

Internal control is followed up in various ways, for example through the ongoing activities of Enea's finance and quality, operations, Enea's Legal Counsel, the delivery operations, internal quality meetings and at the Audit Committee's quarterly meetings. Each operational function proceeds from

different goals and regulatory documents in order to assure the quality of the company's processes and decisions.

#### Risk assessment

The objective of Enea's risk assessment is to secure the group's earnings progress and financial position. Enea AB's Board of Directors approves Enea's risk management policies and guidelines, and the CEO and group management have operational responsibility.

Regular risk assessments are carried out within the scope of Enea's monthly financial follow-ups by unit managers, group management and the controller, and measures are implemented as required. The preceding review describes how Enea's organization is structured to manage, review and evaluate the internal control. Furthermore, internal control also includes the company's planning and budget process, where the risks of operations are reviewed annually. The Audit Committee and the Board of Directors are responsible for analyzing and assessing these risks.

#### Control activities

Enea's control structure is designed to manage the risks the Board judges to be significant for the internal control of financial reporting.

The control structure is based on the company's clear division of organizational

responsibilities which enables the effective division of responsibilities and ensures that control activities discover and prevent the risk of misstatements in the financial reporting in a timely manner.

Examples of control activities include the control and continuous monitoring of the company's financial reporting, financial and legal policies, quarterly updates of the company's forecasts, the continuous monitoring and review of specific areas, auditing the Board of Directors' quarterly reviews of business conditions in terms of planning and budget, financial progress of individual business units and products, major transactions, cash flow, Balance Sheet and prospects.

Enea's business areas are followed up monthly by the relevant manager and controller, results are compared to previous figures and budgets. Enea's group management met every week in 2017 to monitor operations and business progress, the financial outcome against budget and preceding periods, to establish forward-looking sales and earnings forecasts, as well as determining necessary measures for ensuring good internal control. The CEO presents an aggregated monthly report to the Board of

Directors. When necessary, more detailed follow-ups are carried out, for example, in the form of reviews of subsidiaries by controllers.

Enea's product operations are ISO-certified since 2006. Certification (ISO 9001:2008) encompasses management, marketing, sales, development and support of software products. Re-certification takes place every three years and follow-up reviews are conducted in intervening years.

#### Information and communication

Regulatory documents in the form of policies, guidelines, manuals etc. relating to financial reporting are communicated on Enea's intranet and document management system. Each division amends the regulatory documents the division assumes responsibility for. Most communication takes place in digital form, and divisional managers hold meetings to communicate information, follow-up and evaluation when required. For more information about the Board of Directors' and group management's communication, see pages 21 and 23.

Enea's policies provide guidelines for handling communication of information with internal and external parties. Policies for

internal and external information have been prepared to ensure compliance with disclosure requirements.

#### Follow-up

Enea's finance division uses an integrated finance and accounting system and group-wide reporting instructions. The company's marketing and sales division manages customers and potential customers in Enea's business system and ensures that relevant sales staff receive the information required.

The company continuously updates the Board of Directors and Audit Committee on compliance with the company's Code of Conduct and continuously provides information about export legislation that affects Enea and updates on compliance with such legislation.

Given the scope and nature of operations, combined with existing reporting to the Board of Directors and Audit Committee, the Board does not consider the establishment of a dedicated internal audit function to be financially justifiable. The internal control described above is deemed sufficient to assure the quality of financial reporting.



## INCOME STATEMENT

### CONSOLIDATED

#### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK 000 (1 January–31 December)	Note	2017	2016
<b>Net sales</b>	2	<b>589,258</b>	<b>501,317</b>
<b>Operating expenses</b>			
Cost of sold products and services		–166,346	–148,541
<b>Gross profit</b>		<b>422,912</b>	<b>352,775</b>
Sales and marketing expenses		–125,583	–87,275
Product development expenses		–97,070	–91,467
Administrative expenses		–96,586	–55,241
<b>Operating profit*</b>	3, 4, 5, 6, 7, 10, 11, 22	<b>103,672</b>	<b>118,792</b>
Financial income		17,005	18,634
Financial expenses		–22,187	–13,443
<b>Financial net</b>	8	<b>–5,182</b>	<b>5,191</b>
<b>Profit before tax</b>		<b>98,490</b>	<b>123,983</b>
Tax	9	–15,302	–29,395
<b>Net profit</b>		<b>83,188</b>	<b>94,589</b>
<b>Other comprehensive income that may be reclassified to Income Statement</b>			
Exchange rate differences		5,186	–6,108
Cash flow hedges, profit/loss before tax		–68	–1,919
Cash flow hedges, tax effect		15	422
<b>Other comprehensive income that cannot be reclassified into profit or loss</b>			
Pension commitments		739	–
<b>Total comprehensive income for the year, net after tax</b>		<b>89,060</b>	<b>86,984</b>
<b>Profit for the period attributable to parent company shareholders</b>		<b>83,188</b>	<b>94,589</b>
<b>Comprehensive income for the period attributable to parent company shareholders</b>		<b>89,060</b>	<b>86,984</b>
<b>* Non/recurring costs included in operating profit</b>			
Operating profit, including non-recurring costs		103,672	118,792
Restructuring costs		–4,982	–
Legal costs		–26,717	–2,810
<b>Operating profit, excluding non-recurring costs</b>		<b>135,371</b>	<b>121,602</b>
Earnings per share, SEK	17	4.73	5.95

*The company has no outstanding instruments that may entail a dilution effect.*

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK 000 (31 December)	Note	2017	2016
<b>Assets</b>			
Intangible assets	10	522,221	499,224
Equipment, tools, fixtures and fittings	11	9,592	10,889
Financial assets held for sale	12	62,061	–
Deferred tax assets	9	19,746	23,531
Other long-term receivables		2,694	6,498
<b>Total fixed assets</b>		<b>616,314</b>	<b>540,140</b>
Accounts receivable	13	142,949	164,901
Tax receivables		27,730	–
Prepaid expenses and accrued income	14	18,246	25,667
Other receivables		14,689	28,851
Financial assets held for sale	12	40,208	–
Cash and cash equivalents	20	312,028	223,486
<b>Total current assets</b>		<b>555,850</b>	<b>442,905</b>
<b>Total assets</b>		<b>1,172,164</b>	<b>983,046</b>
<b>Equity</b>			
Share capital	16, 27	22,210	18,356
Other paid-up capital		727,939	433,382
Reserves		-16,040	-15,987
Retained profits, including profit (loss) for the year		25,823	-12,805
<b>Total equity</b>		<b>759,932</b>	<b>422,946</b>
<b>Provisions</b>			
Other provisions		2,575	6,910
<b>Total provisions</b>		<b>2,575</b>	<b>6,910</b>
<b>Long-term liabilities</b>			
Deferred tax liabilities	9	41,779	34,960
Long-term liabilities, interest bearing	25	82,000	116,000
Long-term liabilities, non-interest bearing	25, 26	110,434	112,953
Obligation for remuneration to employees	26	6,983	7,060
<b>Total long-term liabilities</b>		<b>241,196</b>	<b>270,973</b>
<b>Current liabilities</b>			
Current liabilities, interest bearing	25	34,000	34,000
Accounts payable		11,098	17,406
Tax liabilities		971	6,761
Other liabilities	25	19,785	113,696
Derivatives	15	840	1,050
Accrued expenses and deferred income	18	101,767	109,304
<b>Total current liabilities</b>		<b>168,461</b>	<b>282,217</b>
<b>Total equity and liabilities</b>		<b>1,172,164</b>	<b>983,046</b>
Collateral	28	2,707	6,472

STATEMENT OF CHANGE IN EQUITY

CONSOLIDATED

CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

SEK 000 (1 January–31 December)	Reserves				Retained profits including profit (loss) for the year	Total equity
	Share capital	Other paid-up capital	Cash flow hedges	Translation-reserve		
<b>Opening equity, 1 Jan. 2016</b>	<b>18,356</b>	<b>433,382</b>	<b>1,129</b>	<b>-9,511</b>	<b>-44,458</b>	<b>398,898</b>
<b>Comprehensive income</b>						
Profit for the year					94,589	94,589
<b>Other comprehensive income</b>						
Cash flow hedges, profit/loss before tax			-1,919			-1,919
Cash flow hedges, tax effect			422			422
Translation difference				-6,108		-6,108
<b>Total other comprehensive income</b>			<b>-1,497</b>	<b>-6,108</b>		<b>-7,605</b>
<b>Total comprehensive income</b>			<b>-1,497</b>	<b>-6,108</b>	<b>94,589</b>	<b>86,984</b>
<b>Transactions with shareholders</b>						
Dividend	-9,178				-57,668	-66,846
Reduction of share capital	-248				248	-
Bonus issue	9,426				-9,426	-
Share savings plan					5,934	5,934
Repurchase of treasury shares					-2,025	-2,025
<b>Total transactions with shareholders</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-62,937</b>	<b>-62,937</b>
<b>Closing equity, 31 Dec. 2016</b>	<b>18,356</b>	<b>433,382</b>	<b>-368</b>	<b>-15,619</b>	<b>-12,806</b>	<b>422,946</b>
<b>Opening equity, 1 Jan. 2017</b>	<b>18,356</b>	<b>433,382</b>	<b>-368</b>	<b>-15,619</b>	<b>-12,806</b>	<b>422,946</b>
<b>Comprehensive income</b>						
Profit for the year					83 188	83 188
<b>Other comprehensive income</b>						
Cash flow hedges, profit/loss before tax			-68			-68
Cash flow hedges, tax effect			15			15
Translation difference				5,186		5,186
Pension commitments					739	739
<b>Total other comprehensive income</b>			<b>-53</b>	<b>5,186</b>	<b>739</b>	<b>5,872</b>
<b>Total comprehensive income</b>			<b>-53</b>	<b>5,186</b>	<b>83 927</b>	<b>89 060</b>
<b>Transactions with shareholders</b>						
Dividend	-10,096				-25,003	-35,099
New issue*	3,854	294,557				298,411
Bonus issue	10,096				-10,096	-
Share savings plan					5,856	5,856
Repurchase of treasury shares					-21,242	-21,242
<b>Total transactions with shareholders</b>	<b>3,854</b>	<b>294,557</b>			<b>-50,485</b>	<b>247,926</b>
<b>Closing equity, 31 Dec. 2017</b>	<b>22,210</b>	<b>727,939</b>	<b>-421</b>	<b>-10,433</b>	<b>20,636</b>	<b>759,932</b>
<b>* New issue</b>						
New issue, cash	303,494					
Transaction costs, new issue	-6,516					
Tax on transaction costs charged directly to equity	1,433					
<b>Net, new issue</b>	<b>298,411</b>					

## CONSOLIDATED STATEMENT OF CASH FLOW

SEK 000 (1 January–31 December)	Note 20	2017	2016
<b><i>Operating activities</i></b>			
Profit before tax		98,491	123,983
Adjustment for items not included in cash flow		24,436	23,530
		122,927	147,513
Tax paid		–26,125	–14,704
<b>Cash flow from operating activities before changes in working capital</b>		<b>96,801</b>	<b>132,809</b>
<b><i>Cash flow from changes in working capital</i></b>			
Change in operating receivables		30,439	49,846
Change in operating liabilities		–10,635	–54,526
<b>Cash flow from changes in working capital</b>		<b>19,804</b>	<b>–4,680</b>
<b>Cash flow from operating activities</b>		<b>116,605</b>	<b>128,129</b>
<b><i>Investing activities</i></b>			
Purchase of intangible assets	10	–37,304	–26,924
Purchase of property, plant and equipment	11	–4,176	–2,833
Purchase/divestment of financial assets		–98,244	79,396
Acquisition of operations, less acquired cash and cash equivalents*		–96,298	–139,555
<b>Cash flow from investing activities</b>		<b>–236,022</b>	<b>–89,916</b>
<b><i>Financing activities**</i></b>			
Borrowing		–	150,000
Amortization of loans		–34,000	–25,001
New issue		296,978	–
Dividend		–35,099	–66,846
Repurchase of treasury shares		–21,242	–2,025
<b>Cash flow from financing activities</b>		<b>206,637</b>	<b>56,128</b>
<b>Cash flow for the year</b>		<b>87,220</b>	<b>94,342</b>
Cash and cash equivalents at beginning of year		223,486	132,799
Exchange rate differences in cash and cash equivalents		1,322	–3,655
<b>Cash and cash equivalents at end of year</b>		<b>312,028</b>	<b>223,486</b>

\* Payment for acquisition of operations comprised purchase consideration for Qosmos SA.

\*\* Financing activities exclude translation effects not affecting cash flow.

## INCOME STATEMENT

### PARENT COMPANY

#### PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

SEK 000 (1 January-31 December)	Note	2017	2016
<b>Net sales</b>		<b>58,074</b>	<b>49,312</b>
<b>Operating expenses</b>			
Administrative expenses		-58,074	-49,312
<b>Operating profit</b>	3, 4, 5, 6, 7, 10, 11, 22	-	-
Profit from shares in group companies		35,400	66,080
Interest income and similar income items		3,935	3,635
Interest expenses and similar expense items		-2,819	-1,345
<b>Financial net</b>	8	<b>36,516</b>	<b>68,370</b>
<b>Profit after financial net</b>		<b>36,516</b>	<b>68,370</b>
Appropriations		3,667	-827
<b>Profit before tax</b>		<b>40,183</b>	<b>67,543</b>
Tax	9	-1,434	-656
<b>Profit for the year</b>		<b>38,749</b>	<b>66,887</b>

## PARENT COMPANY BALANCE SHEET

SEK 000 (31 December)	Note	2017	2016
<b>Assets</b>			
Intangible assets	10	377	596
Equipment, tools, fixtures and fittings	11	1,389	1,705
Participations in group companies	19	172,034	172,034
Financial assets held for sale	12	62,061	–
<b>Total fixed assets</b>		<b>235,861</b>	<b>174,335</b>
Receivables from group companies	21	152,472	213,710
Tax receivables		1,202	1,174
Prepaid expenses and accrued income	14	5,882	4,625
Other receivables		3,424	3,495
Financial assets held for sale	12	40,208	–
Cash and cash equivalents	20	246,728	49,064
<b>Total current assets</b>		<b>449,916</b>	<b>272,068</b>
<b>Total assets</b>		<b>685,777</b>	<b>446,403</b>
 <i>Equity</i>			
<b>Restricted equity</b>			
Share capital		22,210	18,356
<b>Non-restricted equity</b>			
Share premium reserve		298,159	3,602
Retained profits		188,741	172,339
Profit for the year		38,749	66,887
<b>Total equity</b>		<b>547,859</b>	<b>261,184</b>
<b>Provisions</b>			
Untaxed reserves		5,746	8,520
<b>Total provisions</b>		<b>5,746</b>	<b>8,520</b>
 <i>Long-term liabilities</i>			
Long-term liabilities, interest bearing	25	82,000	116,000
<b>Total long-term liabilities</b>		<b>82,000</b>	<b>116,000</b>
 <i>Current liabilities</i>			
Current liabilities, interest bearing	25	34,000	34,000
Accounts payable		2,896	2,562
Tax liability		–	656
Liabilities to group companies	21	3,248	9,302
Other liabilities		692	1,177
Accrued expenses and deferred income	18	9,336	13,002
<b>Total current liabilities</b>		<b>50,172</b>	<b>60,699</b>
<b>Total equity and liabilities</b>		<b>685,777</b>	<b>446,403</b>

## STATEMENT OF CHANGE IN EQUITY

### PARENT COMPANY

#### PARENT COMPANY STATEMENT OF CHANGE IN EQUITY

SEK 000 (1 January–31 December)	Restricted equity		Non-restricted equity			Total equity
	Share capital	Statutory reserve	Share premium reserve	Retained profits	Profit for the year	
<b>Opening equity, 1 Jan. 2016</b>	<b>18,356</b>	–	3,354	235,524		<b>257,234</b>
Redemption program	–9,178			–57,668		–66,846
Reduction of share capital	–248		248			–
Bonus issue	9,426			–9,426		–
Share savings program				5,934		5,934
Repurchase of treasury shares				–2,025		–2,025
Profit for the year					66,887	66,887
<b>Closing equity, 31 Dec. 2016</b>	<b>18,356</b>	–	<b>3,602</b>	<b>172,339</b>	<b>66,887</b>	<b>261,184</b>
<b>Opening equity, 1 Jan. 2017</b>	<b>18,356</b>	–	<b>3,602</b>	<b>239,226</b>		<b>261,184</b>
Redemption program	–10,096			–25,003		–35,099
New issue*	3,854		294,557			298,411
Bonus issue	10,096			–10,096		–
Share savings program				5,856		5,856
Repurchase of treasury shares				–21,242		–21,242
Profit for the year					38,749	38,749
<b>Closing equity, 31 Dec. 2017</b>	<b>22,210</b>	–	<b>298,159</b>	<b>188,741</b>	<b>38,749</b>	<b>547,859</b>

#### \* New issue

New issue, cash	303,494
Transaction costs, new issue	–6,516
Tax on transaction costs charged directly to equity	1,433
<b>Net, new issue</b>	<b>298,411</b>

## PARENT COMPANY CASH FLOW STATEMENT

SEK 000 (1 January-31 December)	Note 20	2017	2016
<b><i>Operating activities</i></b>			
Profit before tax		40,183	67,543
Adjustment for items not included in cash flow		2,926	7,982
		43,109	75,525
Tax paid		-684	903
<b>Cash flow from operating activities before changes in working capital</b>		<b>42,425</b>	<b>76,428</b>
<b><i>Cash flow from changes in working capital</i></b>			
Change in operating receivables		60,052	-202,993
Change in operating liabilities		-9,871	-73,524
<b>Cash flow from changes in working capital</b>		<b>50,181</b>	<b>-276,517</b>
<b>Cash flow from operating activities</b>		<b>92,606</b>	<b>-200,089</b>
<b><i>Investing activities</i></b>			
Purchase of property, plant and equipment	11	-410	-783
Purchase/divestment of financial assets		-102,061	70,688
<b>Cash flow from investing activities</b>		<b>-102,471</b>	<b>69,905</b>
<b><i>Financing activities</i></b>			
Borrowing		-	150,000
Amortization of loans		-34,000	-
New issue		296,978	-
Dividend		-35,099	-66,846
Group contributions paid/received		892	-
Repurchase of treasury shares		-21,242	-2,025
<b>Cash flow from financing activities</b>		<b>207,529</b>	<b>81,129</b>
<b>Cash flow for the year</b>		<b>197,664</b>	<b>-49,055</b>
Cash and cash equivalents at beginning of year		49,064	98,119
<b>Cash and cash equivalents at end of year</b>		<b>246,728</b>	<b>49,064</b>

## NOTE 1 – Accounting Principles

Amounts in SEK 000 unless otherwise stated.

### Compliance 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 interpretation pronouncements 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.

### Conditions applying to preparation of parent company financial statements and consolidated financial statements

The parent company's functional currency is Swedish kronor (SEK) which also constitutes the presentation currency for 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, income and costs. The estimates and assumptions are based on historical experience and several other factors that are deemed reasonable under 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 executive management that have a significant impact on the financial statements and the estimates and which could result in substantial adjustments to the financial statements of subsequent years are described in greater 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 to 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 standards, amendments and interpretation statements that apply to the financial year beginning on 1 January 2017 have not had any significant impact on the consolidated financial statements.

#### New standards, amendments and interpretation statements regarding 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 1 January 2017 and have not been applied prospectively by the group. The following is a description of new and amended standards that are regarded as relevant to and that could impact future consolidated financial statements:

##### IFRS 9 "Financial Instruments"

The standard deals with the presentation, measurement and recognition of financial liabilities and assets. The complete version of IFRS 9 was issued in July 2014 and replaces those parts of IAS 39 relating to the presentation and measurement of financial instruments. IFRS 9 retains a mixed-measurement model, although it has been simplified in some respects. There are three measurement categories for financial assets, amortized cost, fair value recognized in other comprehensive income and fair value recognized in the Income Statement. The presentation of an instrument depends on the company's business model and the characteristics of the instrument.

Investments in equity instruments are recognized at fair value in the Income Statement but there is also an option to recognize the instrument at fair value in other comprehensive income on first-time recognition. In such cases, no reclassification to the Income Statement will occur when the instrument is sold. IFRS 9 also introduces a new model for computing credit loss provisions arising from doubtful debt. For financial liabilities, there is no change in presentation and measurement except in cases where a liability is reported at fair value in the Income Statement based on the fair value option. Changes in value attributable to changes in own credit risk are then recognized in other comprehensive income. IFRS 9 reduces the requirements for hedge accounting as the 80-125 criterion is replaced by a requirement for an economic relationship between the hedging instrument and the hedged item where the hedging ratio must correspond to that used in risk management. There are also only limited changes to the hedging documentation compared to those produced under IAS 39. The standard will apply from the financial year starting 1 January 2018. Prospective adoption is permitted.

A project intended to analyze the effects of the new principle was concluded in 2017. The group has applied the transition prospectively and considered historical customer losses over an economic cycle, and has concluded that the new standard has not had a material impact on the consolidated accounts.

##### IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 "Revenue from Contracts with Customers" regulates revenue recognition. The principles IFRS 15 is based on are intended to give users of financial reports more useful information about the company's revenue. The expanded disclosure requirements mean that information relating to revenue class, date of settlement, uncertainty associated with revenue recognition and cash flow attributable to the company's customer contracts must be presented. According to IFRS 15, income is recognized when the customer obtains control over the good or service sold and is able to utilize and obtain benefit from the good or service.

IFRS 15 replaces IAS 18 "Revenue" and IAS 11 "Construction Contracts" and associated SIC and IFRIC. IFRS 15 becomes effective on 1 January 2018. Prospective adoption is permitted.

The group completed a review of the implications of the new standard in 2017. The group will apply IFRS 15 with full retrospective adoption.

The new standard implies a change in revenue recognition for time-limited software licenses. The effect is that license revenue is recognized over time, rather than annually in accordance with IAS 18. Perpetual income from software licenses, service revenues, royalties, support and maintenance are already recognized in a manner that does not imply any changes to principles. The transition effect on Enea's consolidated Balance Sheet is quantified below:

SEK million	Assets	Equity	Liabilities
Amount according to current accounting principles 1 Jan 2018	1,172	760	412
Adjustment resulting from IFRS 15	2	-6	7
Amount according to new accounting principles 1 Jan 2018	1,174	754	420
Adjustment of opening equity 1 Jan 2017 totals SEK -5 million.			

##### 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 contracts that satisfy the standard's definition of a leasing contract (with the exception of contracts of a maximum duration of 12 months and individual contracts of minor value) as an asset and liability in the Balance Sheet, with recognition of amortization and interest expenses in the Income Statement. Contracts that are currently defined as operating leases will consequently be capitalized in the Balance Sheet. IFRS 16 becomes effective on 1 January 2019.

The group has not yet evaluated the effects of introducing the standard.

### Segment reporting

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

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

## Classification, etc

Fixed assets and long-term 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 over which Enea AB exercises a controlling influence. Controlling influence entails a direct or indirect right to determine a company's financial and operational strategies with the purpose of generating financial benefits. When assessing whether controlling influence exists, shares providing potential entitlement to votes that can be utilized or converted without delay are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements as of the date on which the controlling influence is transferred to the group until the time that 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 company are recognized at fair value or at the proportionate share of net assets of the acquired company.

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 financial statements are prepared.

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

## Foreign currency

### Transactions in foreign currency

Transactions in foreign currencies are translated into the functional currency at the rate of exchange ruling on the transaction date. Monetary assets and liabilities in foreign currencies are translated into the functional currency at the rate of exchange ruling on the reporting date. Exchange rate differences arising in conjunction with such translation are recognized in profit or loss. Exchange rate differences on non-monetary assets and liabilities are recognized in operating profit, while exchange rate differences on monetary assets and liabilities are recognized in financial net. Non-monetary assets and liabilities that are 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 into the functional currency at the rate of exchange ruling on the date of fair value measurement. The exchange rate change is then recognized in the same way as the other value changes in respect of the asset or liability.

Functional currency is the currency in the primary economic environments where the companies included in the group run their business. The companies included in the group are the parent company and subsidiaries. The parent company's functional currency and reporting currency is Swedish kronor (SEK). The group's reporting currency is SEK.

### Financial statements of foreign operations

Assets and liabilities in foreign operations, including goodwill and other consolidated surplus and deficit values, are translated to SEK at the closing day date. Income and expenses in foreign operations are translated to SEK using an average exchange rate that represents an approximation of the exchange rates for each transaction date. Translation differences that arise from currency translation of foreign operations are recognized in other comprehensive income. On the sale of a foreign operation, the accumulated translation differences attributable to the operation are realized. Accumulated translation differences are presented as a separate category under "Reserves" and include translation differences accumulated from 1 January 2004 onwards. Accumulated

translation differences before 1 January 2004 are allocated to other equity categories and are not recognized separately.

## Revenue

The group generates revenue from sales of software and services.

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 maintenance contracts.

### Developer licenses and buyouts

For both developer licenses and buyouts, income is recognized when delivery of the software has been completed.

Income from time-based license fees is accrued over the contract period in accordance with the economic substance of the contract, while income from perpetual license fees and buyouts is recognized at delivery when no material obligations remain.

Support and maintenance are sold in part separately 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 connection with sales of time-based developer licenses, support and maintenance is included in the license fee, as is entitlement to upgrades. In respect of such multi-component contracts, revenue from license sales is recognized in the amount representing the fair value of the license in relation to the fair value of the sales contract. Revenue from the service component, which corresponds to the fair value of the service component in relation to the fair value of the sales contract, is allocated over the service period. The fair value of the various components is measured on the basis of current market prices of these components when they are sold separately.

### Production licenses (royalties)

Royalty revenue is allocated in accordance with the economic substance of the relevant agreement, until full delivery has been completed.

## Services

The revenue from service assignments rendered on open account is recognized as the 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 provisions are posted continuously.

## Operating expenses and financial income and expenses

### Cost of operating leases

The cost of operating lease arrangements is recognized on a straight-line basis in profit or loss over the lease term. Benefits accrued on signing an agreement are recognized as a part of the total lease expense in profit or loss.

### Financial income and expenses

Financial income and expenses may consist of interest income from bank balances and receivables and fixed-income securities, interest on loans, dividend income, exchange rate differences and unrealized and realized gains on financial investments, as well as derivative instruments used in financing activities.

Interest income on receivables and interest expenses on liabilities are measured using the effective interest rate method. The effective interest rate is the interest rate that makes the current value of all future deposits and disbursements during the fixed interest term the same as the carrying amount

of the receivable or liability. Interest income includes accrued amounts of transaction expenses and any discounts, premiums and other differences between the original value of the receivable and the amount received upon maturity. The group does not capitalize interest on the cost of assets, since its development projects do not extend over a period exceeding 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 correspond 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 accrued cost. Any impairment losses on accounts receivable are recognized in operating profit.

#### 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 divest the asset within 12 months of the end of the reporting period.

#### Financial assets at fair value through profit or loss

This category includes assets intended to be sold in the short term. Derivatives with a positive market value are included in this category if they are not subject to hedge accounting. The assets 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.

#### 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 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 accrued 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 accrued cost, applying the effective-interest rate method.

#### Debt and accounts payable

The measurement policy used for debt and accounts payable is accrued 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

SEK 000	Loan receivables and accounts receivable	Financial assets at fair value through profit or loss	Derivative instruments used for hedging purposes	Financial assets held for sale	Total
<b>31 Dec. 2017</b>					
<b>Assets in the Balance Sheet</b>					
Financial assets held for sale					
—	—	—	—	102,269	102,269
Accounts receivable and other receivables excluding interim receivables	160,332	—	—	—	160,332
Cash and cash equivalents	312,028	—	—	—	312,028
	<b>472,360</b>	—	—	<b>102,269</b>	<b>574,629</b>

**31 Dec. 2016****Assets in the Balance Sheet**

Accounts receivable and other receivables excluding interim receivables	200,250	—	—	—	200,250
Cash and cash equivalents	223,486	—	—	—	223,486
	<b>423,736</b>	—	—	—	<b>423,736</b>

SEK 000	Financial liabilities measured at fair value through profit or loss	Derivative instruments used for hedging purposes	Financial liabilities measured at accrued cost	Total
<b>31 Dec. 2017</b>				
<b>Liabilities in the Balance Sheet</b>				
Liabilities to credit institutions				
—	—	—	116,000	116,000
Purchase consideration posted to liabilities, long term	110,434	—	—	110,434
Purchase consideration posted to liabilities, short term	3,704	—	—	3,704
Derivatives	—	840	—	840
Accounts payable and other liabilities excluding financial liabilities	—	—	28,150	28,150
	<b>114,138</b>	<b>840</b>	<b>144,150</b>	<b>259,128</b>

**31 Dec. 2016****Liabilities in the Balance Sheet**

Liabilities to credit institutions	—	—	150,000	150,000
Purchase consideration posted to liabilities, long term	112,953	—	—	112,953
Purchase consideration posted to liabilities, short term	99,027	—	—	99,027
Derivatives	—	1,050	—	1,050
Accounts payable and other liabilities excluding financial liabilities	—	—	38,836	38,836
	<b>211,980</b>	<b>1,050</b>	<b>188,836</b>	<b>401,866</b>

## DIVISION BY LEVEL AT FAIR VALUE VALUATION AS OF 31 DECEMBER 2017

SEK 000	Level 1	Level 2	Level 3	Total
<b>Derivative instruments used for hedging purposes</b>				
Liabilities, currency derivatives				
—	840	—	—	840
<b>Financial liabilities valued at fair value in profit and loss</b>				
Liabilities, contingent purchase consideration, long term				
—	—	—	11,937	11,937
Liabilities, contingent purchase consideration, short term				
—	—	—	3,704	3,704
Purchase consideration posted to liabilities, long term				
—	—	—	98,497	98,497
<b>Total 2017</b>	<b>—</b>	<b>840</b>	<b>114,138</b>	<b>114,978</b>

The contingent purchase consideration is based on estimated sales of licenses and services relating to Centered Logic.

The purchase consideration posted to liabilities relating to Qosmos is unconditional. The recognized amounts of all liabilities are judged to correspond to fair value.

## Intangible assets

### Goodwill

Goodwill represents the difference between the cost of an acquired business operation and the fair value of the acquired assets, assumed liabilities and contingent liabilities. Goodwill is measured at cost less any accumulated impairment. Goodwill is divided between cash-generating units and is impairment tested at least annually.

### 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 financial 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 three and five years. Acquired product rights are amortized over 5-10 years, while acquired contractual customer relations are amortized over seven 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 accrue 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 the leasing fee during the year. The cost of leasing is recognized on a straight-line basis over the useful life.

### Depreciation policies

Depreciation is conducted on a straight-line basis over the asset's estimated useful life. The estimated useful life for property, plant and equipment such as equipment, tools and installations is five years. The useful life and residual value of assets are tested annually.

## 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 estimated annually.

If it is not possible to determine essentially independent cash flows for an individual asset, the assets are to be 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 amounts

The recoverable amount is the highest of the fair value less selling expenses and value in use. When calculating the value in use, future cash flow is discounted 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 significantly independent of other assets, the recoverable amount is calculated for the cash-generating unit to which the asset belongs.

### Reversal of impairment losses

Goodwill impairments are not reversed. Impairment losses on other assets are reversed if a change occurs in the assumptions that formed the basis for the measurement of the recoverable amount. A reversal is only conducted to the extent that the asset's carrying amount after reversal does not exceed the carrying amount that would have been recognized, less the depreciation that would then have been applied, if no impairment loss had been recognized.

## 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, are classified and recognized as defined-contribution plans, which means that the group's profit (loss) is charged with pension expenses in pace with the vesting of benefits.

Salaried employees in Sweden are covered by the ITP plan, which is recognized as a defined-contribution pension plan. Commitments for retirement pensions and survivors' pensions for salaried employees in Sweden are assured 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 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 accounting assumptions, which do not comply with IAS 19. Salaried employees in Qosmos France are covered by a defined-benefit pension plan. The group's net obligation for defined-benefit plans is calculated by estimating future remuneration earned 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 adjustments 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 the Income Statement.

### Severance pay

In conjunction with notice of employment termination, a provision is posted 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 to senior executives**

The guidelines for remuneration to senior executives are adopted by the Annual General Meeting. For group management, 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 one outstanding incentive program 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 an allotment of equity instruments is expensed over the vesting period. The Share Savings Program is measured using conventional models. For more information about the incentive program, also refer to Note 22.

#### **Provisions**

A provision is recognized in the Balance Sheet when the group has an existing legal or informal commitment resulting from an event that has occurred, and it is probable that an outflow of resources will be required to settle the commitment 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 expected benefits that the group is expecting to obtain from a contract are lower than the unavoidable costs for fulfilling the terms of the 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 to be paid or recovered for the current year using the tax rates already enacted or substantively enacted at the reporting date, including adjustments of current tax attributable to earlier periods.

Deferred tax is calculated 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 financial policy established by the Board, which forms 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 the parent company's shareholders 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 diluting effects of potential common shares, which arise during reported periods from convertible debentures and warrants issued to employees. Dilution occurs only when the share price is lower than the market price. The share price is adjusted by means of a supplement for the value of future services linked to an equity-settled stock option program recognized as share-based payments in accordance with IFRS 2.

#### **Contingent liabilities**

A contingent liability is recognized when there is a possible commitment 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 certain 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-approved IFRS and statements insofar as this is possible within the framework of the Swedish Annual Accounts Act and taking into account the relationship between accounting and taxation. The recommendation indicates the exceptions 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 described 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 recognized in accordance with how financial information is presented internally to the chief operating decision-maker. The chief operating decision-maker 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.

<b>Sales by type of income</b>	<b>2017</b>	<b>2016</b>
Term-based developer licenses including support and maintenance	174,431	149,118
Non-term based developer licenses	23,862	6,823
Production licenses (Royalties)	230,723	174,543
Services	150,792	162,901
Other	9,450	7,932
	<b>589,258</b>	<b>501,317</b>
<b>Sales by product group</b>	<b>2017</b>	<b>2016</b>
Operating systems including tools	269,638	276,588
Network Solutions	180,258	66,778
Services	132,373	145,714
Other	6,989	12,236
	<b>589,258</b>	<b>501,317</b>
<b>Sales by geographical market</b>	<b>2017</b>	<b>2016</b>
Sweden	172,454	181,833
Americas	165,775	134,502
Rest of Europe	201,189	144,000
Asia	49,840	40,582
	<b>589,258</b>	<b>501,317</b>
<b>Fixed assets by geographical market</b>	<b>2017</b>	<b>2016</b>
Sweden	101,047	95,727
Americas	37,374	39,982
France	361,742	341,871
Rest of Europe and Asia	31,650	32,532
	<b>531,813</b>	<b>510,112</b>

Enea has a few major customers that account for a substantial portion 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 25 (32) percent and 17 (17) percent respectively of the company's sales.

**NOTE 3 – Exchange rate gains and losses**

	<b>2017</b>	<b>2016</b>
<b>GROUP</b>		
Exchange rate gains on operating receivables/liabilities	3,618	2,911
Exchange rate losses on operating receivables/liabilities	-5,630	-2,074
	<b>2017</b>	<b>2016</b>
<b>PARENT COMPANY</b>		
Exchange rate gains on operating receivables/liabilities	-	-
Exchange rate losses on operating receivables/liabilities	-	-

**NOTE 4 – Employees and other senior executives**

<b>Average number of employees</b>	<b>2017</b>		<b>2016</b>	
	<b>Total</b>	<b>Of which men, %</b>	<b>Total</b>	<b>Of which men, %</b>
Parent company	12	48	12	47
Subsidiaries	455	74	398	72
<b>Group total</b>	<b>467</b>	<b>74</b>	<b>410</b>	<b>72</b>
Of which:				
Sweden	70	77	82	75
US	56	80	67	78
Romania	256	66	241	67
China	5	80	5	80
Japan	5	100	3	100
France	67	90	6	96
Germany	2	50	3	64
UK	4	100	4	100
Singapore	2	96	–	–
<b>Group total</b>	<b>467</b>	<b>74</b>	<b>410</b>	<b>72</b>
<b>Division between sexes, group management</b>				
Board of Directors	7	71	8	63
Other senior executives	9	100	10	100
<b>Salary, other benefits and social security expenses</b>				
<b>GROUP</b>	<b>2017</b>		<b>2016</b>	
Salary and benefits*	216,956		176,551	
Share-based payment *	7,951		7,831	
*of which to the Board, CEO and other senior executives <sup>1</sup>	37,239		32,508	
Pension expenses <sup>2</sup>	15,999		14,209	
of which defined-benefit pension plans	665		133	
of which defined-contribution pension plans	15,334		14,076	
Other social security expenses	65,298		41,875	
<b>Total</b>	<b>306,204</b>		<b>240,466</b>	
<b>Salary, other benefits and social security expenses</b>				
<b>Parent company</b>	<b>2017</b>		<b>2016</b>	
Salary and benefits*	12,437		12,063	
Share-based payment *	2,233		3,558	
* of which to the Board, CEO and other senior executives <sup>3</sup>	9,593		9,880	
Pension expenses <sup>4</sup>	4,739		2,936	
of which defined-contribution pension plans	4,739		2,936	
Other social security expenses	4,238		4,405	
<b>Total</b>	<b>23,647</b>		<b>22,962</b>	

1) Of the group's salary and benefits, SEK 2,618,000 (1,511,000) pertains to variable remuneration for the group comprising the Board and CEO (including the CEO and Boards of subsidiaries).

2) Of the group's pension expenses, SEK 2,492,000 (1,891,000) pertains to the group comprising the Board and CEO.

3) Of the parent company's salary and benefits, SEK 1,693,000 (1,294,000) pertains to variable remuneration for the group comprising the Board and CEO.

4) Of the parent company's pension expenses, SEK 2,492,000 (2,334,000) pertains to the group comprising the Board 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 2017

	Directors' fees	Audit Committee fees	Remuneration Committee fees	Total
Anders Skarin (Chairman)	470	–	40	510
Kjell Duveblad	220	60	–	280
Åsa Sundberg	220	30	–	250
Gunilla Fransson	220	–	20	240
Mats Lindoff	220	–	–	220
Torbjörn Nilsson	220	30	–	250
<b>Total 2017</b>	<b>1,570</b>	<b>120</b>	<b>60</b>	<b>1,750</b>

In accordance with the resolution by the Annual General Meeting, Board members appointed by the AGM who are not employed by the company received the following remuneration in 2016

	Directors' fees	Audit Committee fees	Remuneration Committee fees	Total
Anders Skarin (Chairman)	450	–	40	490
Kjell Duveblad	210	60	–	270
Åsa Sundberg	210	30	–	240
Gunilla Fransson	210	–	20	230
Mats Lindoff	210	–	–	210
Torbjörn Nilsson	210	30	–	240
<b>Total 2016</b>	<b>1,500</b>	<b>120</b>	<b>60</b>	<b>1,680</b>

Summary of remuneration and other benefits in 2017

	Fixed salary	Variable remuneration	Other benefits	Share-based payment	Total	Pension expense
CEO Anders Lidbeck	3,347	1,693	–	1,335	6,375	2,492
Other senior executives (11)*	13,704	5,536	1,024	3,755	24,019	2,803
<b>Total 2017</b>	<b>17,051</b>	<b>7,229</b>	<b>1,024</b>	<b>5,090</b>	<b>30,394</b>	<b>5,295</b>

Summary of remuneration and other benefits in 2016

	Fixed salary	Variable remuneration	Other benefits	Share-based payment	Total	Pension expense
CEO Anders Lidbeck	3,347	1,294	–	2,498	7,139	2,334
Other senior executives (11)*	12,436	3,281	1,505	4,033	21,255	2,372
<b>Total 2017</b>	<b>15,783</b>	<b>4,575</b>	<b>1,505</b>	<b>6,531</b>	<b>28,394</b>	<b>4,706</b>

\* The number of senior executives varied in the year.

## Remuneration to senior executives

### Principles

The Chairman of the Board and Board members receive remuneration in accordance with the Annual General Meeting resolution. Employee representatives do not receive Directors' fees. Remuneration to the CEO is decided by the Chairman of the Board and Board members appointed by the Annual General Meeting following a proposal by the Remuneration Committee. The guidelines for remuneration to senior executives are adopted by the Annual General Meeting. For group management, salaries and other employment terms are on market basis. In addition to fixed annual salaries, group management also receives variable remuneration. The variable remuneration is based on earnings performance compared with predetermined targets and is capped at amounts fixed annually on an individual basis.

Remuneration to certain senior executives within the Enea group can also take the form of share-based payment. For more information, see Note 22.

### Pension agreements

Other senior executives in Sweden have pension agreements within the framework of the ITP scheme, with a pensionable age of 65 and pension provisions are related to employee salaries. The ITP plan is essentially a defined benefit plan. The ITP plan is assured through an insurance policy with Alecta. Pension premiums are paid continuously.

### Severance pay

Should notice of termination of employment of the CEO be initiated by either the company or the CEO, the term of notice will be six months. In addition, severance pay will be paid corresponding to six months' basic salary should employment be terminated by the Board. Should the ownership structure change in such a manner that results in a new majority shareholder in the company, the CEO is entitled to severance pay of six months' salary. All dismissal and severance pay are deducted from any other earned income. For other senior executives, a period of notice of three to 12 months is applied.

**NOTE 5 – Fees and reimbursement to 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 0.9 million relates to PwC Sweden, of other statutory assignments, SEK 0.1 million relates to PwC Sweden, of fees for tax advice SEK 0.2 million relates to PwC Sweden and of other assignments SEK 0.5 million relates to PwC Sweden.

Group	2017	2016
<b>PricewaterhouseCoopers</b>		
Auditing	890	699
Other statutory assignments	100	40
Tax consultancy	202	10
Other assignments	523	816
<b>Ernst &amp; Young</b>		
Auditing	511	540
Other statutory assignments	–	–
Tax consultancy	–	–
Other assignments	–	–
	<b>2,226</b>	<b>2,105</b>
<b>PARENT COMPANY</b>		
<b>PricewaterhouseCoopers</b>		
Auditing	674	495
Other statutory assignments	100	40
Tax consultancy	–	10
Other assignments	148	106
	<b>922</b>	<b>651</b>

**NOTE 6 – Operating costs divided by type**

	2017	2016
Consumables and subcontracting consultants	14,311	12,455
Other external costs	102,798	57,387
Personnel costs	345,590	294,543
Depreciation/amortization and impairment losses	22,886	18,139
	<b>485,585</b>	<b>382,524</b>

Depreciation/amortization and impairment losses for the year are allocated between cost of sold products and services totaling SEK 19.0 (15.5) million, sales and marketing expenses totaling SEK 1.1 (0.4) million, product development costs totaling SEK 1.5 (1.0) million and administrative costs totaling SEK 1.2 (1.3) million.

**NOTE 7 – Leasing fees pertaining to operating leases**

Operating leasing pertains mainly to rents for premises.

GROUP	2017	2016
Leasing fee, current year	15,757	11,438
Contractual future minimum leasing fee within 1 year	16,416	13,168
Contractual future minimum leasing fee within 2–5 years	32,656	13,045

The group has no contractual future leasing fee with a term that exceeds five years.

PARENT COMPANY	2017	2016
Leasing fee, current year	3,861	5,906
Contractual future minimum leasing fee within 1 year	4,008	4,150
Contractual future minimum leasing fee within 2–5 years	15,693	967

The parent company has no contractual future leasing fee with a term that exceeds five years.

**NOTE 8 – Financial net**

GROUP	2017	2016
Profit/loss on liquidation of subsidiary	–	857
Interest income	999	1,111
Other financial income	373	2,368
Exchange rate gains	15,633	14,298
<b>Financial income</b>	<b>17,005</b>	<b>18,634</b>

	2017	2016
<b>PARENT COMPANY</b>		
Interest expenses	–1,847	–594
Exchange rate losses	–20,340	–12,849
<b>Financial expenses</b>	<b>–22,187</b>	<b>–13,443</b>
<b>Financial net</b>	<b>–5,182</b>	<b>5,191</b>

	2017	2016
<b>PARENT COMPANY</b>		
Dividend, shares and participations in subsidiaries	35,400	66,080
<b>Profit from shares in group companies</b>	<b>35,400</b>	<b>66,080</b>
Interest income, other	383	438
Interest income, group companies	1,922	–
Other financial income	373	2,368
Exchange rate gains	1,257	829
<b>Interest income and similar income items</b>	<b>3,935</b>	<b>3,635</b>
Interest expenses, other	–1,732	–276
Interest expenses, group companies	–8	–
Exchange rate losses	–1,079	–1,069
<b>Interest expenses and similar expense items</b>	<b>–2,819</b>	<b>–1,345</b>
<b>Financial net</b>	<b>36,516</b>	<b>68,370</b>

**NOTE 9 – Taxes**

	2017	2016
<b>Group</b>		
<i>Current tax expense</i>		
Tax expense for the period	-4,556	-19,896
	<b>-4,556</b>	<b>-19,896</b>
<i>Deferred tax</i>		
- tax expense in loss carry-forwards utilized in the year	-3,892	-3,431
- tax expense/income pertaining to temporary differences	-6,615	-6,068
- change in deferred tax due to amended tax rate	-239	-
	<b>-10,746</b>	<b>-9,499</b>
<b>Total tax expense recognized, group</b>	<b>-15,302</b>	<b>-29,395</b>
<i>Reconciliation of effective tax</i>	2017	2016
<b>GROUP</b>		
Profit before tax	98,490	123,983
Standard rate tax, 22,0%	-21,668	-27,276
<b>Tax effect of</b>		
- other tax rates in foreign subsidiaries	-1,379	-2,571
- utilization of previously capitalized loss carry-forwards	-106	-
- utilization of previously non-capitalized loss carry-forwards	55	58
- non-deductible costs	-431	-749
- non-taxable revenues	494	285
- changed future tax rate	-265	-
- research and development	9,006	988
Other taxes	-1,447	-19
Adjustment of tax for previous years	439	-111
<b>Total tax expense recognized, group</b>	<b>-15,302</b>	<b>-29,395</b>
	16%	24%
	2017	2016
<b>PARENT COMPANY</b>		
<i>Current tax</i>		
Tax for the period	-1,434	-656
	<b>-1,434</b>	<b>-656</b>
<i>Reconciliation of effective tax</i>	2017	2016
<b>PARENT COMPANY</b>		
Profit before tax	40,183	67,543
Tax, 22.0%	-8,840	-14,859
<b>Tax effect of</b>		
- non-deductible costs	-375	-329
- non-taxable revenues	7,788	14,540
Other taxes	-7	-8
Adjustment of tax from previous years	-	-
<b>Total tax recognized, parent company</b>	<b>-1,434</b>	<b>-656</b>
	4%	1%

<b>Deferred tax assets and liabilities</b>		<b>2017</b>	<b>2016</b>			
<b>GROUP</b>						
The following components are included in deferred tax assets and tax liabilities						
Deferred tax assets:						
- loss carry-forwards		15,513	18,931			
- other temporary differences		4,233	4,600			
<b>Total deferred tax assets</b>		<b>19,746</b>	<b>23,531</b>			
Deferred tax liabilities:						
- temporary differences		41,779	34,960			
<b>Total deferred tax liabilities</b>		<b>41,779</b>	<b>34,960</b>			
 <b>Change in deferred tax 2017</b>						
	Opening balance	Recognized for profit or loss	Recognized in other comprehensive income	Exchange rate differences	Acquisitions of subsidiaries	Closing balance
<b>GROUP</b>						
<b>Deferred tax assets</b>						
Loss carry-forwards	18,931	-3,892	-	474	-	15,513
Other temporary differences	4,600	-354	15	-28	-	4,233
<b>Total deferred tax assets</b>	<b>23,531</b>	<b>-4,246</b>	<b>15</b>	<b>446</b>	<b>0</b>	<b>19,746</b>
<b>Deferred tax liabilities</b>						
Appropriations	25,680	3,312	-	-	-	28,992
Intangible assets	8,563	-983	-	231	-	7,811
Other temporary differences	717	4,171	-	88	-	4,976
<b>Total deferred tax liabilities</b>	<b>34,960</b>	<b>6,500</b>	<b>0</b>	<b>319</b>	<b>0</b>	<b>41,779</b>
 <b>Change in deferred tax 2016</b>						
	Opening balance	Recognized for profit or loss	Recognized in other comprehensive income	Exchange rate differences	Acquisitions of subsidiaries	Closing balance
<b>GROUP</b>						
<b>Deferred tax assets</b>						
Loss carry-forwards	1,507	-3,495	-	60	20,859	18,931
Other temporary differences	410	325	181	77	3,607	4,600
<b>Total deferred tax assets</b>	<b>1,917</b>	<b>-3,170</b>	<b>181</b>	<b>137</b>	<b>24,466</b>	<b>23,531</b>
<b>Deferred tax liabilities</b>						
Appropriations	19,916	5,764	-	-	-	25,680
Intangible assets	-	-77	-	-	8,640	8,563
Other temporary differences	274	258	-274	-	459	717
<b>Total deferred tax liabilities</b>	<b>20,190</b>	<b>5,945</b>	<b>-274</b>	<b>0</b>	<b>9,099</b>	<b>34,960</b>

Deferred tax assets for loss carry-forwards pertain to subsidiaries in Germany and France. Management believes 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 0.3 (0.3) million and pertains to the UK.

**NOTE 10 – Intangible assets**

2017	Goodwill	Capitalized development expenditure	Product rights	Customer contracts	Brands	Other intangible assets	Total
<b>GROUP</b>							
<b>Accumulated cost</b>							
Opening balance, 1 Jan. 2017							
	419,230	202,563	22,278	10,311	9,175	12,700	676,257
Acquisition for the year							
		34,467	–	–	–	125	34,592
Disposals/retirements for the year							
	–	–	–	–	–	–	–
Translation difference for the year							
	5,016	412	619	293	271	122	6,733
<b>Closing balance, 31 Dec. 2017</b>	<b>424,246</b>	<b>237,442</b>	<b>22,897</b>	<b>10,604</b>	<b>9,446</b>	<b>12,947</b>	<b>717,582</b>
<b>Accumulated amortization and impairment losses</b>							
Opening balance, 1 Jan. 2017							
	–	–164,894	–439	–514	–	–11,186	–177,033
Depreciation and impairments for the year							
	–	–13,661	–2,377	–1,397	–	–672	–18,107
Translation difference for the year							
	–	–32	–52	–35	–	–102	–221
<b>Closing balance, 31 Dec. 2017</b>	<b>–</b>	<b>–178,587</b>	<b>–2,868</b>	<b>–1,946</b>	<b>–</b>	<b>–11,960</b>	<b>–195,361</b>
<b>Carrying amount as at 31 Dec. 2017</b>	<b>424,246</b>	<b>58,855</b>	<b>20,029</b>	<b>8,658</b>	<b>9,446</b>	<b>987</b>	<b>522,221</b>
2016	Goodwill	Capitalized development expenditure	Product rights	Customer contracts	Brands	Other intangible assets	Total
<b>GROUP</b>							
<b>Accumulated cost</b>							
Opening balance, 1 Jan. 2016							
	92,623	186,464	–	–	–	8,562	287,649
Acquisition for the year							
	319,147	16,082	22,278	10,311	9,175	218	377,211
Opening balance, business acquisition							
	–	–	–	–	–	3,826	3,826
Translation difference for the year							
	7,460	17	–	–	–	94	7,571
<b>Closing balance, 31 Dec. 2016</b>	<b>419,230</b>	<b>202,563</b>	<b>22,278</b>	<b>10,311</b>	<b>9,175</b>	<b>12,700</b>	<b>676,257</b>
<b>Accumulated amortization and impairment losses</b>							
Opening balance, 1 Jan. 2016							
	–	–151,514	–	–	–	–7,746	–159,260
Depreciation and impairments for the year							
	–	–13,380	–437	–514	–	–296	–14,627
Opening balance, business acquisition							
	–	–	–	–	–	–3,059	–3,059
Translation difference for the year							
	–	–	–2	–	–	–85	–87
<b>Closing balance, 31 Dec. 2016</b>	<b>–</b>	<b>–164,894</b>	<b>–439</b>	<b>–514</b>	<b>–</b>	<b>–11,186</b>	<b>–177,033</b>
<b>Carrying amount as at 31 Dec. 2016</b>	<b>419,230</b>	<b>37,669</b>	<b>21,839</b>	<b>9,797</b>	<b>9,175</b>	<b>1,514</b>	<b>499,224</b>

PARENT COMPANY	2017	2016
<b>ACCUMULATED COST</b>		
<b><i>Opening balance, 1 Jan.</i></b>		
Closing balance, 31 Dec	7,356	7,356
<b>Closing balance, 31 Dec</b>	<b>7,356</b>	<b>7,356</b>
Opening balance, 1 Jan.	-6,760	-6,540
Depreciation and impairments for the year	-219	-220
<b>Closing balance, 31 Dec</b>	<b>-6,979</b>	<b>-6,760</b>
<b>Carrying amount as at 31 Dec.</b>	<b>377</b>	<b>596</b>

Capitalized development expenditure within Enea pertains primarily 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 years for customer contracts and 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 completes impairment testing of significant assets regardless of whether there is an indication of a need for impairment. The valuation is reviewed quarterly. Impairment testing of capitalized development expenses includes the same assumptions as for goodwill. Management's assessment is that there is no need for impairment in 2017.

#### ***Impairment testing of goodwill***

Goodwill as of 31 December, 2017 amounted to a book value of SEK 424.2 (419.2) million. Assets with indefinite useful lives are tested annually for impairment. Individual assets may be subject to more frequent testing if there are indications of a decline in value. The group's measurement is based on two cash-generating units, Enea group excluding Qosmos and Qosmos Group. 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 calculating terminal value of cash flows. Cash flows beyond the five-year period have been forecast using a 2 (2) percent growth rate. Forecast cash flows are based on annual earnings growth for the group excluding Qosmos of 4 (4) percent, and for Qosmos an average of 5.5 percent based on estimated growth of existing customers and underlying markets. The cost trend for the group excluding Qosmos is forecast at 5 (5) percent and 3 percent for Qosmos. 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 analyses have been undertaken with consideration given to the discount rate (risk) and long-term growth rate, implying a general reduction in the growth rate after five years by two percentage points and a general increase in the weighted cost of capital by three percentage points.

The sensitivity analyses did not indicate any need for impairment. Accordingly, management considers that a reasonable potential change in assumptions would not reduce the recoverable amount below book value. Important assumptions for impairment testing are outlined below:

<b>Variable</b>	<b>Assumption Enea</b>		<b>Assumption Qosmos</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Income growth	4%	(4%)	5.5%	N/A
Cost trend	5%	(5%)	3%	N/A
Discount rate	9%	(9%)	9%	N/A
Long-term stable growth	2%	(2%)	2%	N/A

**NOTE 11 – Equipment, tools, fixtures and fittings**

	Group		Parent company	
	2017	2016	2017	2016
<b>Accumulated cost</b>				
At beginning of year	78,184	54,349	15,547	15,740
Acquisition for the year	4,176	2,833	410	783
Acquisition for the year through acquisition of operations	–	19,892	–	–
Disposals/retirements	–23,445	–1,007	–4,976	–976
Translation differences for the year	–670	2,117	–	–
	<b>58,245</b>	<b>78,184</b>	<b>10,981</b>	<b>15,547</b>
<b>Accumulated depreciation/amortization and impairment</b>				
At beginning of year	–67,295	–47,744	–13,842	–13,817
Disposals/retirements	22,808	970	4,976	976
Depreciation/amortization and impairment losses for the year	–4,778	–3,512	–726	–1,001
Depreciation/amortization of acquisition of operations for the year	–	–15,103	–	–
Translation differences for the year	612	–1,906	–	–
	<b>–48,653</b>	<b>–67,295</b>	<b>–9,592</b>	<b>–13,842</b>
<b>Carrying amount at end of year</b>	<b>9,592</b>	<b>10,889</b>	<b>1,389</b>	<b>1,705</b>

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

**NOTE 12 – Financial assets held for sale**

Financial assets held for sale	2017	2016
<b>GROUP</b>		
Corporate bonds	62,061	–
Corporate bond fund	40,208	–
<b>Total</b>	<b>102,269</b>	<b>–</b>
<b>Financial assets held for sale</b>		
<b>PARENT COMPANY</b>		
Corporate bonds	62,061	–
Corporate bond fund	40,208	–
<b>Total</b>	<b>102,269</b>	<b>–</b>

All financial assets held for sale are in SEK.  
None of these financial assets are due for payment or subject to impairment.

**NOTE 13 – Accounts receivable**

Non-overdue accounts receivable pertains to customers with good solvency and payment history. Accounts receivable with an existing impairment requirement correspond to the provision made for doubtful debt. Provisions for doubtful debt amounted to SEK 1.0 (0.3) million. 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	2017	2016
<b>GROUP</b>		
Not due	119,846	144,805
Due 1–60 days	8,728	9,604
Due 61–90 days	6,668	4,182
Due 90 days	7,707	6,310
<b>Total</b>	<b>142,949</b>	<b>164,901</b>

**NOTE 14 – Prepaid expenses and accrued income**

	2017	2016
<b>GROUP</b>		
Prepaid insurance	330	427
Prepaid rents	2,780	5,353
Accrued income	6,445	9,375
Other prepaid expenses	8,691	10,512
	<b>18,246</b>	<b>25,667</b>
<b>PARENT COMPANY</b>	<b>2017</b>	<b>2016</b>
Prepaid insurance	307	116
Prepaid rents	950	1,398
Accrued income	698	–
Other prepaid expenses	3,927	3,111
	<b>5,882</b>	<b>4,625</b>

**NOTE 15 – Derivatives**

	2017	2016		
	Assets	Liabilities	Assets	Liabilities
<b>Long-term</b>				
Currency forwards—cash flow hedges	–	–	–	–
<b>Current</b>				
Currency forwards—cash flow hedges	–	840	–	1,050

**NOTE 16 – Equity****Group***Share capital*

The Annual General Meeting 2017 approved an automatic redemption procedure for shares in Enea AB, entailing that each Enea share will be split into two shares (2:1 share split), of which one of the shares is designated a redemption share. The redemption shares were exercised automatically in exchange for SEK 2 per redemption share and paid in June 2017. The share capital was then reduced by SEK 10,095,630 through the reduction of the redemption shares, i.e. a total of 16,240,231 shares to repay shareholders.

Redemption treasury shares were reduced without any repayment. The share capital was restored to its original amount by increasing the share capital by SEK 10,095,630 SEK through a bonus issue without any issue of new shares.

As of 31 December 2017, the registered share capital comprised 19,650,231 ordinary shares with a quotient value of SEK 1.13 per share. Holders of ordinary shares are entitled to dividends at amounts determined gradually and the shareholdings carry voting rights at the Annual General Meeting with one vote per share. In the year, the company purchased 270,812 (23,413) treasury shares, of which 270,812 (0) shares via settlement of share savings programs, sold 0 (0) treasury shares and allocated employees 302,030 (0) treasury shares under the 2014 share savings program.

In 2017, Enea completed two new issues totaling 3,410,000 shares. The share issues increased share capital by SEK 3,854,000, the remainder of the issue proceeds were posted to the share premium reserve (see Consolidated Statement of Change in Equity).

*Other paid-up capital*

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

**No. of shares**

	2017	2016
Opening no. of shares	16,240,231	16,462,577
New issue	3,410,000	–
Cancelled shares	–	–222,346
<b>Closing no. of shares</b>	<b>19,650,231</b>	<b>16,240,231</b>

*Reserves**Hedging provision*

	2017	2016
Opening hedging reserve	–367	1,129
Cash flow hedges:		
- fair value gains/losses in the year	208	–2,584
- tax on fair value gains/losses	–46	568
- transfers to profit or loss	–277	666
- tax on transfers to profit or loss	61	–147
<b>Closing hedging reserve</b>	<b>–421</b>	<b>–367</b>

*Translation Reserve*

The translation reserve includes all exchange rate differences that arise when translating net assets from foreign operations that have compiled their financial reports 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.

	2017	2016
Opening translation reserve	–15,619	–9,511
Translation difference for the year	5,186	–6,108
<b>Closing translation reserve</b>	<b>–10,433</b>	<b>–15,619</b>

*Retained earnings including profit (loss) 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 31 December 2017 was 314,760. The shares are held as treasury shares and were fully paid up on 31 December 2017.

**NON-RESTRICTED EQUITY***Share premium reserve*

When shares are issued at a premium, meaning that a higher amount is to be paid for the shares than their quotient value, an amount corresponding to the amount received in addition to 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 provisions and dividends. Together with the profit (loss) for the year, this constitutes 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 17 – Earnings per share**

	2017	2016
<i>Earnings per share before dilution</i>		
Profit for the year after tax	83,188	94,589
Average number of shares, thousands	17,601	15,904
Earnings per share before dilution, SEK	4,73	5,95
<i>Earnings per share after dilution</i>		
Profit for the year after tax	83,188	94,589
Average number of shares, thousands	17,601	15,904
Earnings per share after dilution, SEK	4.73	5.95

Earnings per share is measured by dividing earnings for the period attributable to the parent company's shareholders by the average number of shares.

**NOTE 18 – Accrued expenses and deferred income**

	2017	2016
<b>GROUP</b>		
Support income	26,814	29,812
Accrued personnel expenses	31,600	39,093
Other deferred income	12,715	14,744
Other	30,638	25,655
	<b>101,767</b>	<b>109,304</b>
<b>PARENT COMPANY</b>		
Accrued personnel expenses	7,444	10,148
Other	1,892	2,854
	<b>9,336</b>	<b>13,002</b>

**NOTE 19 – Parent company holdings in group companies**

<b>Parent company holdings in group companies</b>	<b>Country</b>	<b>Participating interest, %</b>
Enea Software AB	Sweden	100
Enea Zealcore AB	Sweden	100
Enea Software & 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

	2017	2016		
<b>Accumulated cost</b>				
At beginning of year	330,630	330,630		
Closing balance, 31 December	330,630	330,630		
<b>Accumulated impairment losses</b>				
At beginning of year	-158,596	-158,596		
Closing balance, 31 December	-158,596	-158,596		
<b>Carrying amount at end of year</b>	<b>172,034</b>	<b>172,034</b>		
<b>Carrying amount</b>				
<b>Specification of the parent company's holdings in subsidiaries</b>	<b>No. of participations</b>	<b>Participating interest, %</b>	<b>2017</b>	<b>2016</b>
Subsidiary/Corp. ID. no./Reg. office				
Enea Software AB, 556183-3012, Kista	5,900	100	172,034	172,034
			<b>172,034</b>	<b>172,034</b>

## NOTE 20 – Cash Flow Statement

### 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 the time of acquisition..

	Group		Parent company	
	2017	2016	2017	2016
<b>Cash and cash equivalents</b>				
Cash and bank balances	231,195	223,486	165,895	94,572
Short-term investments	80,833	–	80,833	–
<b>Total</b>	<b>312,028</b>	<b>223,486</b>	<b>246,728</b>	<b>94,572</b>
<b>Information on interest</b>		Group	Parent company	
		2017	2016	2017
Interest received in the period amounted to		1,372	3,479	2,678
Interest paid in the period amounted to		-1,847	-594	-1,740
<b>Adjustment for items not included in cash flow</b>		<b>Group</b>	<b>Parent company</b>	
		2017	2016	2017
Depreciation/amortization and impairment losses	22,884	18,138	945	1,221
Gains (loss)es on divestment and liquidation of subsidiaries	–	-680	–	–
Gains (loss)es on retirement of fixed assets	649	37	–	–
Prepaid income	–	-1,089	–	–
Share savings program	5,856	5,934	5,856	5,934
Appropriations	–	–	-3,667	827
Actuarial changes in pension liability	723	–	–	–
Provisions	-4,681	492	–	–
Value change in financial assets	-208	–	-208	–
Exchange rate differences, net	-787	698	–	–
<b>Total</b>	<b>24,436</b>	<b>23,530</b>	<b>2,926</b>	<b>7,982</b>

**NOTE 21 – Related parties****Summary of transactions with related parties****GROUP**

There were no transactions with related parties

PARENT COMPANY	Related party	Year	Sales of goods and services to related parties	Purchases of goods and services from related parties	Liabilities to related parties on 31 Dec	Receivables from related parties on 31 Dec
Subsidiaries		2017	58,074	–	3,248	152,472
Subsidiaries		2016	49,312	–	9,302	213,710

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 22, Pensions, share-based payment, benefits to senior executives.

The parent company has a close relationship with its subsidiaries (see Note 19).

**NOTE 22 – Pensions and share-based payment****Defined-contribution plans**

The methods for calculating 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 France, are defined-contribution plans, which means that the group's profit (loss) is charged with pension expenses in pace with the vesting of benefits. Salaried employees in Sweden are assured 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 commitment and its assets. Accordingly, ITP pension plans that are assured through an insurance policy with Alecta are reported as defined-contribution. The cost for 2017 amounts to SEK 5,891,000 (5,744,000). The cost for 2018 is estimated to amount to an equivalent figure. Alecta's surplus can be distributed to policyholders and/or the insured.

At the end of 2017, Alecta's surplus in the form of its collective consolidation ratio amounted to 154 (148) 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 pension**

A number of salaried employees in Qosmos France are covered by a defined-benefit pension plan. The group's net obligation for defined-benefit plans is calculated by estimating future remuneration earned as a result of employment in the current and earlier periods. This remuneration is discounted to present value and recognized as a liability in the Balance Sheet.

	Group	Parent company		
	2017	2016	2017	2016
Cost of defined-contribution plans	15,334	14,076	4,739	2,967
Cost of defined-benefit plans	665	133	–	–

**Share-based payment****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 link the interests of shareholders, management and other key persons in order to maximize long-term value creation. LTIP 2017 is also assessed to facilitate the recruitment and retaining of management and other key executives.

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, free of charge, shares in the company. The allocation of shares is conditional on specific performance requirements linked to Enea's annual average growth in sales, operating profit and earnings per share for the financial years 2017–2019. Threshold values in 2019 are SEK 580.3 million for sales, SEK 137.5 million for operating profit and SEK 6.89 for earnings per share. The maximum value participants receive per warrant (including potential 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 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 program entails a 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 dividend remuneration relating to extraordinary dividends.

**Share Savings Program 2014**

In April 2014, the Annual General Meeting resolved to offer key employees the opportunity to participate in a Share Savings Program. The principal objective of the Program is to enhance the company's ability to retain and recruit key employees and, by means of a personal long-term ownership commitment of the participants, to stimulate greater commitment to operations and results, to increase motivation, as well as to engender a sense of community within the company.

The Program involves 24 senior executives, key individuals and certain other employees.

By 10 June 2014, employees had invested in 71,800 Enea shares ("Savings Shares"). If the employee retains the shares for three years and remains employed by the Enea group, an equivalent number of shares ("Matching Shares") will be granted.

On condition that specific performance requirements are met, participants are also entitled to receive, free of charge, additional Enea shares (Performance Shares) for each saving share. The allocation of Performance Shares is conditional on specific performance requirements linked to the fulfilment of Enea's accumulated earnings per share in the years 2014-2016. The threshold value for earnings per share is SEK 4.21 (2014), SEK 4.63 (2015), SEK 5.10 (2016) and/or SEK 13.95 (2014-2016 accumulated).

The fair value of services rendered is based on the share price of the Matching 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 Share Savings Program entails a financial exposure for the company as a result of changes in Enea's share price and the anticipated allocation of matching and Performance Shares. To secure the Program, a decision was made to transfer acquired treasury shares under the Program. Not more than 500,000 shares may be transferred to participants in the Program, free of charge, in the form of Matching Shares and Performance Shares, including dividend remuneration. The sale of 114,000 shares is permitted on the stock market or to a third party to cover costs for social security expenses and the like. The Share Savings Program 2014 was terminated in 2017.

<b>LTIP17</b>	<b>2017</b>	<b>2016</b>
No. of warrants allocated	441,000	–
Forfeited in the period	–	–
Due in the period	–	–
Outstanding at end of period	441,000	–
Number of participants as at 31 December	32	–

<b>Share savings program 2014</b>	<b>2017</b>	<b>2016</b>
Number of matching shares at beginning of period	60,500	64,300
Granted in the period	–60,500	–
Forfeited in the period	–	–3,800
Due in the period	–	–
Outstanding at end of period	–	60,500
Number of participants as at 31 December	–	19

<b>Personnel expenses for share-based payment</b>	<b>2017</b>	<b>2016</b>
<b>Group</b>		
Incentive program	7,951	7,831

**NOTE 23 – Translation exposure**

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

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

<b>Currency</b>	<b>Closing day rate</b>		<b>Average rate</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
EUR	9.8497	9.5669	9.6326	9.4704
USD	8.2322	9.0971	8.5380	8.5613
GBP	11.1045	11.1787	10.9896	11.5664
JPY	0.0731	0.0777	0.0761	0.0790
RON	2.1057	2.1076	2.1093	2.1084
SGD	6.1561	6.2874	6.1807	6.2001

When translating foreign subsidiaries' balance sheets to Swedish kronor, the group is exposed to exchange rate fluctuations. The effect on equity in 2017 for the translation of foreign subsidiaries' accounts to Swedish kronor was SEK 5,184,000 (-6,108,000). The group's exposure in equity for exchange rate fluctuations on the reporting date was as follows:

<b>Currency</b>	<b>2017</b>		<b>2016</b>	
	<b>Amount</b>	<b>Translated into SEK at closing day rate</b>	<b>Amount</b>	<b>Translated into SEK at closing day rate</b>
EUR	10,926	107,618	23,798	227,673
USD	2,647	21,791	2,634	23,962
GBP	393	4,364	369	4,125
JPY	59,759	4,367	61,785	4,802
RON	9,812	20,661	8,482	17,876
SGD	203	1,250	214	1,346

## NOTE 24 – Significant estimates and judgements

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

### Significant judgements regarding the application of the group's accounting policies

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

### Important sources of uncertainty in estimates

#### *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 31 December 2017. 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 31 December 2017. They are reviewed in Note 10.

#### *Valuation of loss carry-forwards*

The group's loss carry-forwards are valued on an ongoing basis and when it is likely that taxable profit will be offsettable 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.

#### *Valuation of accounts receivable*

Accounts receivable comprise a significant Balance Sheet item and is recognized at a nominal amount net or provisions for doubtful debt.

Accounts receivable totaled SEK 143.0 (164.9) million including provisions for customer losses of SEK 1.0 (0.3) million. Accordingly, the provision for doubtful debt is subject to estimates and judgments. One-sided discounting by one of the company's major customers implies that accounts receivable of SEK 21 million are subject to discussion. Management's best estimate is that the customer will pay according to agreement.

**NOTE 25 – Maturity analysis, financial liabilities and interest****FINANCIAL LIABILITIES**

	Group	Parent company		
	2017	2016	2017	2016
<b>Long-term liabilities, interest bearing</b>				
Liabilities to credit institutions	82,000	116,000	82,000	116,000
<b>Total long-term liabilities, interest bearing</b>	<b>82,000</b>	<b>116,000</b>	<b>82,000</b>	<b>116,000</b>
<b>Long-term liabilities, non-interest bearing</b>				
Purchase consideration posted to liabilities	110,434	112,953	–	–
<b>Total long-term liabilities, non-interest bearing</b>	<b>110,434</b>	<b>112,953</b>	<b>–</b>	<b>–</b>
<b>Current liabilities, interest bearing</b>				
Liabilities to credit institutions	34,000	34,000	34,000	34,000
<b>Total current liabilities, interest bearing</b>	<b>34,000</b>	<b>34,000</b>	<b>34,000</b>	<b>34,000</b>
<b>Current liabilities, non-interest bearing</b>				
Purchase consideration posted to liabilities	3,704	99,027	–	–
Accounts payable	11,098	17,406	2,896	2,562
Other liabilities	16,081	14,669	692	1,177
Accrued expenses, supplier-related	7,741	8,939	1,090	2,136
<b>Total current liabilities, non-interest bearing</b>	<b>38,624</b>	<b>140,041</b>	<b>4,678</b>	<b>5,875</b>
<b>Total financial liabilities</b>	<b>265,058</b>	<b>402,994</b>	<b>120,678</b>	<b>155,875</b>
<b>MATURITY ANALYSIS</b>				
	Group	Parent company		
	2017	2016	2017	2016
<b>Long and short-term liabilities, interest bearing</b>				
Within 1 year of the Balance Sheet date	34,000	34,000	34,000	34,000
Later than 1 year but within 3 years of the Balance Sheet date	82,000	34,000	82,000	34,000
Later than 3 years but within 5 years of the Balance Sheet date	–	82,000	–	82,000
<b>Interest</b>				
Within 1 year of the Balance Sheet date	1,458	1,168	1,458	1,168
Later than 1 year but within 3 years of the Balance Sheet date	1,287	1,287	1,287	1,287
Later than 3 years but within 5 years of the Balance Sheet date	–	–	–	–
<b>Non-interest bearing liabilities</b>				
Within 1 year of the Balance Sheet date	38,624	140,041	4,678	5,875
Later than 1 year but within 3 years of the Balance Sheet date	110,434	112,953	–	–
Later than 3 years but within 5 years of the Balance Sheet date	–	–	–	–
<b>Total capital and interest</b>				
Within 1 year of the Balance Sheet date	74,082	175,209	40,136	41,043
Later than 1 year but within 3 years of the Balance Sheet date	193,721	148,240	83,287	35,287
Later than 3 years but within 5 years of the Balance Sheet date	–	–	–	–

**NOTE 26 – Obligations relating to remuneration to employees etc.**

The group has defined-benefit pension plans for employees in Qosmos in France. The pension plans are based on the employees' pensionable remuneration and period of employment. The defined-benefit obligation amounted to SEK 7.0 (7.0) million as of 31 December 2017. Costs for defined-benefit pensions totaled SEK 665,000 (483,000), of which SEK 665,000 (133,000) was posted to Enea's profit. The costs for 2018 are estimated at some EUR 71,000.

2017	Defined-benefit Pension plans	Purchase consideration for business acquisitions posted to liabilities	Purchase consideration			
			Defined-benefit Pension plans	for business acquisitions posted to liabilities	Total	
<b>GROUP</b>						
<b>Accumulated acquisition value</b>						
Opening balance 1 Jan. 2017	7,070	112,953	120,023			
Value change/translation differences/reallocation	-87	-2,519	-2,606			
<b>Closing balance 31 Dec. 2017</b>	<b>6,983</b>	<b>110,434</b>	<b>117,417</b>			

Defined benefit pension plans are judged to be payable after more than 5 years and other liabilities are judged to be payable in 1–2 years.

	Group	
Defined-benefit obligations	2017	2016
Present value of unreserved defined-benefit obligations, France	6,983	7,070
<b>Liabilities unreserved obligations, France</b>	<b>6,983</b>	<b>7,070</b>

	Group	
Actuarial assumptions, %	2017	2016
Discount rate	1.55	1.50
Future salary increases	3.50	3.14

**NOTE 27 – Proposed appropriation of profits**

	2017
<b>Parent company</b>	
Share premium reserve	298,159,046
Retained earnings	188,740,573
Profit for the year	38,748,682
<b>Total</b>	<b>525,648,301</b>

The Board of Directors proposes that these funds are appropriated so that SEK 525,648,301 is carried forward.

**NOTE 28 – Pledged assets**

GROUP	2017	2016
Rent deposits	2,707	6,472
	<b>2,707</b>	<b>6,472</b>

**NOTE 29 – Events after the end of the period****Acquisition of Openwave Mobility**

On 15 March 2018, Enea Software AB acquired Openwave Mobility, a company offering the market's most scalable NFV platform with solutions for mobile operators for USD 90 million. The acquisition is cash-financed and a newly issued bond loan of SEK 500 million. The financial effect of this transaction has not been reported as of 31 December 2017. Operating profit and assets and liabilities associated with the acquired operations have been reported from the acquisition date.

**Information that could not be included**

At the time of authorization of the publication of the financial reports, the group had not yet completed reporting of the acquisition of Openwave Mobility. Fair value of acquired assets and liabilities has not yet been calculated. Nor is it possible to provide more detailed information about each class of acquired receivables, and potential contingent liabilities in the acquired operations.

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 give 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 safety factors 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 28 March 2018. 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 8 May 2018.

Stockholm, Sweden, 28 March 2018  
Enea AB (556209-7146)

**Anders Skarin**  
Chairman

**Kjell Duveblad**  
Board member

**Mats Lindoff**  
Board member

**Torbjörn Nilsson**  
Board member

**Åsa Sundberg**  
Board member

**Gunilla Fransson**  
Board member

**Johan Carlsson**  
Employee representative

**Anders Lidbeck**  
President and CEO

Our Audit Report was presented on 3 April 2018  
Öhrlings PricewaterhouseCoopers AB

**Niklas Renström**  
Authorized Public Accountant

# Audit Report

To the Annual General Meeting of Enea AB (publ.),  
Corp. Reg. 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 2017 except for the corporate governance statement on pages 18-25. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 14-58.

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, 2017 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, 2017 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 on pages 18-25. 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.

### Our audit approach

#### *Scope and focus of audit*

Enea is a software company that sells both products and services. The customers are mainly active in the telecom sector, but also in aerospace and defense. For product operations, corresponding to some 70 percent of group sales, revenue recognition is dependent on contractual terms regarding the timing of transfer of risks and benefits to customers and their ability to meet payment commitments. Service operations provide around 30 percent of group sales, and are focused on the US market. Services are generally delivered on account where hours spent are invoiced to customers in arrears.

Product operations consist of sales of software licenses and maintenance and product-related services. Sales of licenses comprises production licenses and development licenses. Customer contracts for sales of development 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 development licenses is dependent on management's assessment of the distribution of revenue over components and contractual agreements with customers. Towards the end of 2016, Enea completed the acquisition of the French company Qosmos, which implied a significant increase in book value of intangible assets in the consolidated accounts. The value of these assets is tested for impairment annually or when there is an indication that impairment may become necessary.

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.

In addition to parent company Enea AB, the consolidated accounts include subsidiaries in Sweden, the US and Romania and Qosmos in France. This corresponds to a significant proportion of the group's external sales and total assets. In addition, we conduct spot checks relating to revenue recognition for subsidiaries in Japan and Germany. We have also completed a summary review of the third quarter.

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.

## 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 development licenses*

Revenue from sales of development licenses comprise over 30 percent of the Enea group's reported sales. Customer agreements for development licenses, which are either term-based or perpetual,

include, in addition to the license itself, 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.

For more information about the aforementioned accounting principles, please see page 35 and Note 2 of the Annual report for 2017.

## How our audit approached the key audit matter

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

- Evaluating Enea's standard terms from an accounting perspective.
- Evaluating assumptions of revenue recognition principles by comparing prices of components in contracts to list prices where a product or service is sold separately.
- 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.

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 462 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 the 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 principles, see page 38 and Note 10 in the Annual Report for 2017.

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

- 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 analyses for changed assumptions.
- Compared the estimated value in use with the market capitalization as of 31 December 2017.
- 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 1–13 and 66–68. 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' website: [www.revisorsinspektionen.se/rn/show-document/documents/rev\\_dok/revisors\\_ansvar.pdf](http://www.revisorsinspektionen.se/rn/show-document/documents/rev_dok/revisors_ansvar.pdf). 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 2016 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](http://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 18–25 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.

The AGM on 9 May 2017 appointed Öhrlings PricewaterhouseCoopers AB, Torsgatan 21, Stockholm, Sweden, as Enea AB's (publ) Auditor, who have served as the company's Auditor since 15 May 2007.

Stockholm, Sweden, 3 April 2018

Öhrlings PricewaterhouseCoopers AB

Niklas Renström  
Authorized Public Accountant  
Auditor in Charge

All amounts in SEK million	2017	2016	2015	2014	2013
<b>INCOME STATEMENT</b>					
Net sales	589.3	501.3	481.5	429.3	408.5
Operating expenses	-485.6	-382.5	-371.4	-335.5	-326.4
Operating profit (loss)	103.7	118.8	110.0	93.8	82.1
Financial net	-5.2	5.2	2.5	1.5	1.7
Profit (loss) before tax	98.5	124.0	112.5	95.3	83.8
Profit (loss) for the period after tax	83.2	94.6	88.0	74.5	63.2
<b>Total</b>	<b>83.2</b>	<b>94.6</b>	<b>88.0</b>	<b>74.5</b>	<b>63.2</b>
<b>BALANCE SHEET</b>					
Intangible assets	522.2	499.2	128.4	128.1	121.7
Other fixed assets	29.4	34.4	8.5	9.5	13.2
Other financial fixed assets	2.7	6.5	2.0	0.5	-
Financial assets held for sale, non-current	62.1	-	70.7	14.3	-
Current receivables	203.6	219.4	196.2	150.6	140.8
Financial assets held for sale, current	40.2	-	-	20.6	-
Cash and cash equivalents	312.0	223.5	132.8	180.4	163.6
<b>Total assets</b>	<b>1,172.2</b>	<b>983.0</b>	<b>538.6</b>	<b>504.0</b>	<b>439.3</b>
Equity	759.9	422.9	398.9	400.3	371.2
Long-term liabilities, interest bearing	82.0	116.0	-	-	-
Long-term liabilities, non-interest bearing	161.8	161.9	21.5	16.2	11.6
Current liabilities, interest bearing	34.0	34.0	-	-	-
Current liabilities, non-interest bearing	134.5	248.2	118.2	87.5	56.5
<b>Total equity and liabilities</b>	<b>1,172.2</b>	<b>983.0</b>	<b>538.6</b>	<b>504.0</b>	<b>439.3</b>
<b>CASH FLOW</b>					
From operating activities	116.6	128.1	104.6	116.2	76.6
From investing activities	-139.7	49.6	-52.8	-48.9	-14.3
From investing activities—sale of operations	-	-	-	10.4	18.0
From investing activities—acquisition of operations	-96.3	-139.6	-	-	-
From financing activities	206.6	56.2	-100.1	-64.6	-63.1
<b>Cash flow for the period</b>	<b>87.2</b>	<b>94.3</b>	<b>-48.3</b>	<b>13.1</b>	<b>17.3</b>
<b>KEY DATA</b>					
Revenue growth, %	18	4	12	5	-13
Operating margin, %	17.6	23.7	22.9	21.9	20.1
Profit margin, %	16.7	24.7	23.4	22.2	20.5
Return on capital employed, %	16.4	27.8	29.7	25.7	24.1
Return on equity, %	14.1	23.0	22.0	19.3	17.1
Return on total capital, %	11.2	18.1	22.9	21.1	19.8
Interest coverage ratio, multiple	5.4	10.2	16.2	24.5	16.7
Equity ratio, %	64.8	43.0	74.1	79.4	84.5
Liquidity, %	330.0	156.9	278.3	401.8	538.9
Average number of employees	467	410	400	392	384
Net sales per employee, SEK million	1.26	1.22	1.20	1.10	1.06
Net asset value per share, SEK	39.30	26.61	25.06	24.81	22.65
Earnings per share, SEK	4.73	5.95	5.49	4.58	3.83
Dividend per share <sup>1</sup>	-	2.00	4.20	3.60	3.00

1) Transfer to shareholders per share proposed to the Annual General Meeting 2018

# DEFINITIONS

## 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.

## CASH FLOW PER SHARE FROM OPERATING ACTIVITIES

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

## 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.

## DIVIDEND YIELD

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

## DIVIDEND PER SHARE

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

## EARNINGS PER SHARE

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

## EBITDA

Profit before financial items plus depreciation and amortization

## EQUITY PER SHARE

Equity in relation to the total number of shares outstanding.

## EQUITY RATIO

Equity including minority interests in relation to total assets.

## INTEREST COVERAGE RATIO

Profit after financial net plus financial costs in relation to financial costs.

## LIQUIDITY

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

## NET ASSET VALUE PER SHARE

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

## NET DEBT

Interest-bearing liabilities less cash and cash equivalents.

## NON-RECURRING COSTS

Costs that are non-recurring in normal operations. Non-recurring costs include restructuring costs and legal costs relating to major disputes. The purpose of specifying these costs is to clarify the progress of underlying operations.

## OPERATING MARGIN

Operating profit in relation to net sales.

## OPERATING PROFIT EXCL. NON-RECURRING COSTS

Operating profit before financial items and tax, adjusted for non-recurring costs.

## PROFIT MARGIN

Profit after financial items in relation to net sales.

## REPEATABLE REVENUE

Development licenses and production licenses including support and maintenance.

## RETURN ON CAPITAL EMPLOYED

Operating profit plus financial income in relation to average capital employed.

## RETURN ON EQUITY

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

## RETURN ON TOTAL CAPITAL

Profit after financial items plus financial costs in relation to average total assets.

## REVENUE GROWTH

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

## REVENUE PER EMPLOYEE

Revenue in relation to the average number of employees.

## SHARE OF RISK-BEARING CAPITAL

Total of equity and deferred tax liabilities as a percentage of total assets.

The Annual Report for 2017 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 SALES GROWTH

	Full year	
	2017	2016
Revenue, SEK million	589.3	501.3
Sales growth, %	18	4
Sales growth currency adjusted, %	17	3
<b>SEK million</b>		
Sales growth based on unchanged exchange rates on the previous year	86.4	14.5
Currency-adjusted sales growth	1.5	5.4
<b>Reported sales growth</b>	<b>87.9</b>	<b>19.8</b>
<b>%</b>		
Sales growth based on unchanged exchange rates on the previous year	17	3
Currency-adjusted sales growth	1	1
<b>Reported sales growth</b>	<b>18</b>	<b>4</b>

## RECONCILIATION OF FINANCIAL NET

	Full year	
	2017	2016
Financial income, SEK million	17.0	18.6
Financial expense, SEK million	-22.2	-13.4
<b>Reported financial net, SEK million</b>	<b>-5.2</b>	<b>5.2</b>

## Annual General Meeting 2018

Enea's Annual General Meeting 2018 will be held at 4:30 p.m. CET on 8 May 2018 at Kista Science Tower, Färögatan 33, Kista, Sweden. Shareholders who wish to participate in the Annual General Meeting must be included in the share register maintained by Euroclear Sweden AB (name changed from VPC AB) by no later than 2 May 2018.

Participants must also register with Enea AB by no later than 2 May 2018, at 5:00 p.m. CET.

## Registrations can be posted to

Enea AB (publ), P.O. Box 1033, SE-164 21 Kista, Sweden, by telephone: +46 (0)8 507 14000 or via e-mail: [arsstamma@enea.com](mailto:arsstamma@enea.com).

Registrations must include name, personal or corporate identity number, shareholding, address, telephone numbers and details of any assistants.

## Follow Enea

[www.enea.com](http://www.enea.com)

Visit Enea's hub for news and information about Enea and other industry players. Follow interesting topics on our blog, participate in a webinar or access the latest industry news.

 [www.linkedin.com/company/enea-software-ab](http://www.linkedin.com/company/enea-software-ab)

LinkedIn is our primary social media channel for transmitting information about Enea. We publish information about the products and technology we are working on as well as the latest deals and business events. LinkedIn is also our channel for advertising vacant positions.

 [www.facebook.com/EneaSoftware](http://www.facebook.com/EneaSoftware)

Our Facebook page is for people who like technology. Read the latest about the sector alongside fun facts and events relating to Enea.

 [www.twitter.com/EneaAB](http://www.twitter.com/EneaAB)

Our Twitter account is the right medium if you want to follow what's happening at Enea. We publish press releases, information about new blog entries and other activities.

 [www.youtube.com/EneaSoftware](http://www.youtube.com/EneaSoftware)

We publish videos that describe and demonstrate our product range on YouTube. Features of varying length are mixed with seminars and training programs.

 [www.instagram.com/eneaab](http://www.instagram.com/eneaab)

On Instagram, you can gain an insight into our daily operations. Employees around the world publish photographs from trade fairs and customer events, but also from internal meetings and a regular day at the office.

All financial information is published

on Enea's website: [www.enea.com](http://www.enea.com)

Financial reports can also be ordered from Enea AB, Box 1033, SE-164 21 Kista, Sweden or by e-mail:

[ir@enea.com](mailto:ir@enea.com)



## Reporting dates 2018

Interim Report January–March	25 April 2018
Annual General Meeting	8 May 2018
Interim Report April–June	19 July 2018
Interim Report July–September	23 October 2018
Annual Financial Statement 2017	7 February 2019

## IR work

Enea strives for investor relations that are transparent, relevant and provide accurate information to shareholders, investors and financial analysts to increase knowledge of the group's operations and share. Enea announces information in the form of interim reports, annual reports, press releases, and provides detailed information on the company's IR pages on the internet. Shareholders and other stakeholders can subscribe to press releases and financial reports via e-mail.

In 2017, press releases were issued in connection with major product news, key strategic transactions and contracts of significant value. General information is uploaded to the IR pages of our website, such as shareholder lists in connection with quarterly reports. In the event of major changes, the website is updated immediately. In the three weeks prior to the publication of a financial report, Enea issues no communications with the financial markets.

Enea AB is a public limited company, corp. ID. no. 556209-7146, registered office: Kista, Sweden. This Annual Report is also available in Swedish. All values are denominated in Swedish kronor. Swedish kronor is abbreviated SEK, thousands of SEK is SEK 000 and millions of SEK is SEK million. Figures in brackets relate to 2016 unless otherwise stated. All figures pertain to continuing operations unless otherwise stated.

Data on market conditions and competition are Enea's own judgements, unless a specific source is stated. These judgements are based on the most accurate and recent factual data.

The audited annual accounts are on pages 14–17 and 24–61.

This Annual Report was produced by Enea in partnership with Box IR, Stockholm.  
Translation: Kristina Turner Financial Translators Ltd. Photo: Alexander Ruas and Anders Sjölund

**Enea develops software that provides the foundation for the connected society. We provide NFV platforms based on open source code, DPI software, Linux and real time operating systems as well as consulting services. Service providers, systems integrators and network operators use Enea to create world-leading network products and services. Every day, three billion people rely on our technology in their connected lives. Enea is listed on Nasdaq Stockholm. Find our more at [www.enea.com](http://www.enea.com) or talk to us at [info@enea.com](mailto:info@enea.com).**



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