ANNUAL REPORT 2016

A catalyst for the connected society

ENEA

Enea in brief

Enea is a global provider of software and services for communication-intensive applications, with a vision of helping its customers to develop amazing solutions for a connected society. We work alongside our customers and leading hardware suppliers to make an important contribution to open source code and to develop and assure the quality of optimal software solutions.

Every day, more than three billion people around the world rely on our technology in a broad spectrum of applications across multiple verticals, 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.

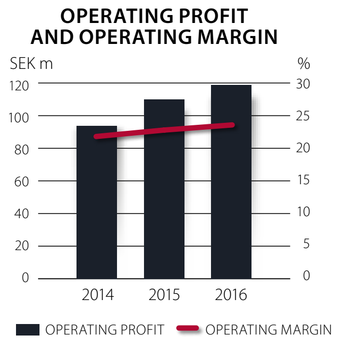
MISSION

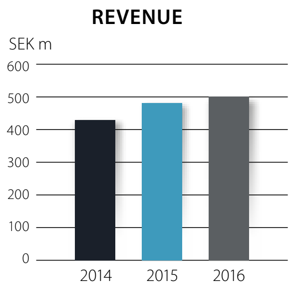
We provide the network software platform and expert services our customers need to enable today's and tomorrow's connected society.

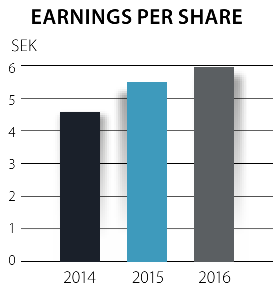
OUR COMMITMENT

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 harden optimal software solutions for tomorrow's connected society.

- **Head office | Kista, Sweden**
- **Revenue | SEK 501.3 million**
- **Operating margin | 23.7 percent**
- **Number of employees | 464**
- **R&D OPEX investment | 18 percent**
- **Listed on Nasdaq Stockholm**







ENEA'S OFFERING

Software for embedded applications in general and communication solutions in particular

- Real-time operating systems
- Linux operating system (open source code)
- Middleware (software that interconnects operating systems with applications)
- Tools, protocols etc.

Maintenance, support and services

- Related to proprietary product portfolio
- For integrated solutions, including third-party solutions

Training

- Relating to proprietary products
- Relating to Linux in general
- Customer-specific

Services

- In-house projects
- On-site projects
- Bridged Services
- Packaged Services

Products and services for companies that develop communication-intensive products for the connected society

Enea delivers products and 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, middleware, 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.

Real-time operating systems

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 key factors for real time operating systems, which give these systems a strong position in embedded and hardware-related solutions.

Linux

Enea Linux is a Yocto-compatible Linux distribution that includes services and support. Enea also offers technology that enables real-time characteristics in Linux-based solutions that improve performance in network infrastructures.

Middleware

Enea Element, Enea ElementCenter, Polyhedra and from the fourth quarter Qosmos ixEngine, are examples of Enea's middleware offering. Middleware is software that interconnects operating systems with applications. It runs in the background, and includes functions that ensure that a system is reliable, predictable and scalable.

Services

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

Contents

KEY FIGURES	2016	2015	2014
Net sales, SEK million	501.3	481.5	429.3
Revenue growth, %	4	12	5
Revenue growth, currency adjusted, %	3	5	3
Operating profit, SEK million	118.8	110.0	93.8
Operating margin, %	23.7	22.9	21.9
Net profit after tax, SEK million	94.6	88.0	74.5
Earnings per share, SEK	5.95	5.49	4.58
Change in earnings per share, %	8	20	20
Cash flow operating activities, SEK million	128.1	104.6	116.2
Cash, cash equivalents, and financial investments, SEK million	223.5	203.5	215.3

Thank you for our best year to date

Dear shareholders, thank you for your confidence in Enea AB. You are investing in a strong company where I am privileged to serve as CEO. I am proud to announce that in many ways 2016 was Enea's best year ever. Our profit has never been higher. We have never achieved such a strong profit margin, and earnings per share have reached a new high. We also concluded the year by making a key acquisition of the leading software company Qosmos.

Every day, more than three billion people around the world use our technology without even realizing it. Our software makes it possible to connect to the Internet on the subway, in your car, at a café or in other public places. Enea plays a key role in building/shaping the connected society rapidly spreading across the globe.

An eventful year

At the beginning of 2016, I wrote that we no longer considered continued profit margin growth to be the best way forward for Enea. Instead, our goal was to stabilize margins at above 20 percent, while continuing substantial investments in our product portfolio and strengthening our sales and marketing organization. In parallel, we would continue to actively seek out new acquisitions. We started 2016 with the acquisition of a US software company, and its ElementCenter product, and in October we announced our largest acquisition to date, of the French software company Qosmos. While making these investments and acquisitions we achieved an operating margin of 23.7 percent in 2016, against 22.9 percent in the previous year. Our ambition was also to continue increase year over year profit in absolute terms as well as earnings per share. In 2016, operating profit grew by 8 percent to SEK 118.8 million, and earnings per share increased by 8 percent to SEK 5.95. This is highest earnings per share to date for Enea.

We have now experienced five consecutive years of profit growth and margin expansion. Although continued profit growth will remain a goal moving ahead, we will intensify our focus on improving and consolidating our global market position over the coming years. To create growth, we are working on various aspects of our offering. Within the framework of our existing product portfolio, we are focusing on three principal areas. The first, operating system solutions, is an area where we have already led the market for some time with our flagship real time operating system, Enea OSE. The second area is network management, where our products Enea Element and Enea ElementCenter provide platforms for managing and controlling networks and nodes in the networks. Network virtualization comprises the third area, where we are investing in tomorrow's solutions for software defined networks and virtualized network nodes.

The acquisition of Qosmos allows us to add a fourth area, network intelligence, with Qosmos' DPI solution (Deep Packet Inspection) as the cornerstone. This fourth area is a very promising addition with a close structural fit to our existing portfolio. Given its attractive business model and strong competitive position, this acquisition harbors considerable potential. DPI solutions is a specialized area with few, if any, competitive projects based on open source code. It is not the DPI engine itself that constitutes the significant value to end users, but rather the signatures used to identify diverse types of traffic. To put it simply, the signatures act as finger prints that provide unique identification for different network protocols. Because new protocols and services

"We are continuing our efforts to create a larger and stronger company that delivers value growth for its customers, staff and shareholders."

are continuously being developed, end users are dependent on continuous signature updates. This dependency generates stable and repeated revenue streams, while also creating a barrier to competition from open source code and other operators.

The operations acquired in 2016 previously generated profit margins below the 20 percent that Enea has returned in recent years. However, Enea also returned an operating margin below 10 percent prior to 2012. In other words, we will need to repeat this degree of margin growth in parallel with investments in the new Enea emerging in 2017. Margin growth is mainly created by focusing on fewer areas and rationalizing unprofitable operations without clear prospects. Our stated ambition is to be the market leader in our focus areas, and we will continue to prioritize growth in these segments. At a time when sales to our largest customers is decreasing, this is more important than continued margin expansion.

Being at the center of progress and the positive response of our customers is what motivates and inspires Enea's employees and investors.

Although our success is evidenced by the results achieved over the past year, it is also reflected in the recognition we have received from the surrounding world. At the end of 2016, for example, we were ranked as one of the five most active members in the OPNFV project, aimed at standardizing tomorrow's platform for virtualized network functions. This top ranking puts us on a par with some of the industry's most important operators.

We are continuing our efforts to build a larger and stronger company that delivers value growth for its customers, staff and shareholders. The transformation is fundamentally positive for Enea, reducing our dependence on a specific product and a small number of large customers. Acquisitions that strengthen our market position and long-term earnings play a key role in this process. Despite our expectation of reduced 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 again to all our shareholders, customers and staff for your trust. It means a great deal to me.

March 2017

Anders Lidbeck
President and CEO

A catalyst for the connected society

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

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 operator 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 traffic we acted as the hub for Sweden's Internet.

Today, most of us use this technology every day. What used to make us unique is now a natural part of life. Enea has played a role in creating the reality we now take for granted, and our vision is more current than ever.

We are now taking the next step on this journey by participating in the creation of innovative solutions for tomorrow's connected society. We are continuously moving the goal posts and today, the things that make us unique are different. When the Internet has become part of everyday life, we participate creating the software-defined, virtualized network functions of tomorrow. We are pioneers in open and platform-independent solutions for network virtualization, and are the world leaders in network intelligence. Our contribution to society changes over time, but our vision is timeless.

STRATEGY AND BUSINESS CONCEPT

Strategy focuses on making conscious and well-considered choices. Our strategy is founded on our vision but also on a number of assumptions about the surrounding world and the market we operate on. One conscious choice is to continue to focus on the domains and verticals where our success is proven, and where we have already established a strong position. Our assumption is that network communication and mobile broadband will be at least as relevant and important tomorrow as it is today, and we intend to continue to play a key role on this market.

Technological progress is another dimension. We believe that software defined networks and virtualized solutions will play a key role when the infrastructure for tomorrow's connected society is being created. This means that our strategy is to make substantial investments in this technological progress to develop product and service offerings relating to these solutions.

A third dimension is our working methods. We believe that open solutions, based on open source code, will constitute the foundation of these new systems. 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 to assume a leading role in selected, strategically important projects relating to open source code, and simultaneously integrating our proprietary solutions so they work hand-in-hand with the open solutions we create alongside others.

Our partners provide a fourth dimension. While our independence has been a sign of strength, our now strategy is to benefit from our position as an independent software provider, which enables diverse collaborations. One example is our partnership with

ARM—a collaboration that has progressed well over the last year. Both our product portfolio and our service offering play a key role in our collaborations.

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 optimal combination of expertise, proximity to customers, access to resources and cost optimization for each product and solution. Our business model is largely the same, whether applied to our proprietary products or solutions based on open source code. We always seek to establish long-term customer relationships, build repeat earnings in our product transactions and create large-scale, long-term commitments in our service delivery.

PRODUCT PORTFOLIO AND OFFERING

Our offering consists of products and services. It is frequently the combination of the two that is our strength. With increasingly complex user applications and challenges, a growing need for customization and flexibility ensues—the perfect interface between products and services.

When presenting our software products to the market we currently divide them into four different areas. The first we term operating system solutions, and includes our proprietary operating system Enea OSE, as well as Linux solutions based on open source code. Simply put, the operating systems are the foundation on which different network systems and applications rest.

The second part of our portfolio focuses on device and network management, i.e. how to control and manage networks as a whole, both as individual nodes and network functions. In this area, Enea Element is a platform for physical and virtualized network nodes/functions, and Enea ElementCenter is a platform for network management systems.

The third part relates to network virtualization. Here, we are looking to the future with the virtualized network solutions of tomorrow. We play an active role in the open projects associated with network function virtualization (NFV), and are creating a proprietary offering based on these open platforms.

The fourth area we term network intelligence. Here, we offer technology and solutions aimed at classifying and monitoring data traffic in a network node. This is the most recent addition to our product portfolio and spans several applications and uses. It is relevant to both the network systems that we traditionally address and introduces us to new areas such as security solutions.

EMPLOYEES

World-leading products and services are created by exceptional people. Innovative and knowledgeable employees are the drivers behind the company and its solutions. Enea works to continuously enhance its position as an attractive employer and to create stimulating and engaging working environments. We aim to continue to attract and stimulate individuals with an exceptional attitude and expertise.

FINANCIAL TARGETS

Long-term ambition

The ambition over a period of three years commencing 2016 is to continue to develop a global software company with higher sales, sustainable high profitability and good cash flows. The company will focus on organic growth, but both strategic and complementary acquisitions will be evaluated continuously.

Growth will vary between years and quarters, depending on the timing of individual deals and the progress of royalty streams, which depend on customers' sales volumes. Operating margin will vary over the quarters of this period, corresponding to growth. Enea's objective is to maintain an operating margin of over 20 percent over this period.

TARGET COMPLIANCE IN 2016

Enea communicated the goal of achieving revenue growth in the year, and assessed that earnings per share would improve on 2015. Enea achieved its goal of revenue growth in 2016, while earnings per share also improved on the previous year.

OUTLOOK FOR 2017

The objective for the full year 2017 is to achieve double-digit revenue growth and improved operating profit compared to 2016. We expect the improvement of operating profits to occur in the second half-year 2017.

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 revenues increase or decrease, this has a major effect on earnings. In 2016, Enea's revenues increased compared with last year. Enea achieved revenue growth and improved earnings per share on the previous year thanks to good cost control and strategy focusing on our vision.

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

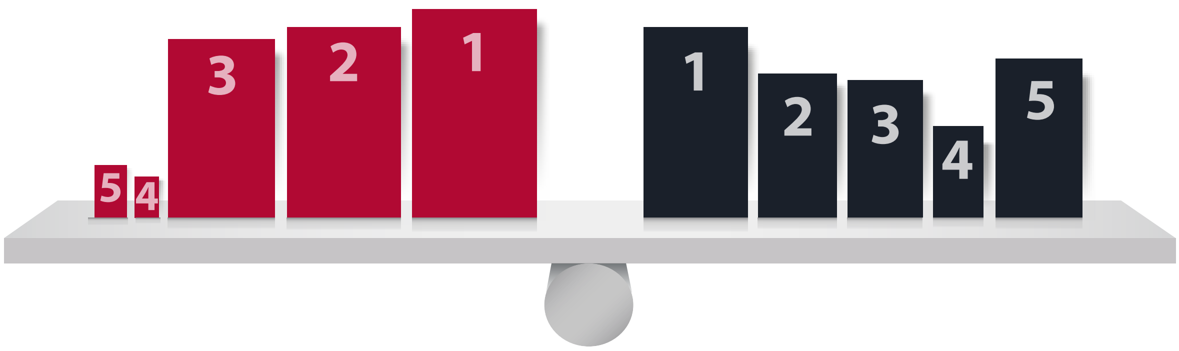
Enea's expenses largely consist of personnel and infrastructure, such as offices and IT support. This means that there is a threshold scale of operations to achieve good profitability. It also means that costs are fairly fixed and do not vary notably with revenues. Expenses can be divided into direct 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.

REVENUE

1. PRODUCTION LICENSES (ROYALTIES)
2. SERVICES
3. TERM-BASED DEVELOPER LICENSES INCLUDING SUPPORT AND MAINTENANCE
4. PERPETUAL DEVELOPER LICENSES
5. OTHER

EXPENSES & PROFIT

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



A global company driven by communication

Network communication is the hub of the connected society. The communication solutions of today are a horizontal domain spanning multiple uses and vertical markets. Enea is uniquely positioned in this domain as a global software and service provider focusing on communication.

Many of the same underlying factors influence the current market, driving everything from mobile broadband, connected vehicles to network-connected consumer products. The need for continuous connection is found on widely diverse markets, and Enea aims to play a key role with a portfolio encompassing products and services in these areas.

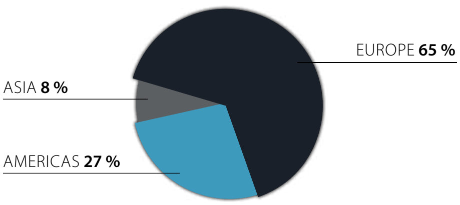
Enea currently divides its global product and service business into three different principal areas. Key Accounts includes our largest customers with the emphasis on Europe. In Worldwide Software and Global Services, we deliver products and services to customers around the world, with local representation and sales offices on three continents. For most of these customers, network communication is the common denominator.

New challenges in telecommunication and data communication

In Enea's product business, operating system solutions comprise the largest product group, and the main target group is companies constructing equipment for telecommunication and data communication. We often refer to these companies as Telecommunications Equipment Manufacturers (TEMs) or Network Equipment Providers (NEPs), and this market is technically challenging, with long-term customer relationships and traditionally long product cycles.

At the same time, this market is currently undergoing rapid change. Increased demand for flexibility and exponentially rising data volumes present challenges for all players. Technological progress changes the architecture of the systems being constructed, but also the working methods for developing the software from the outset. Increasingly, industry players chose to disconnect software from hardware, by means including virtualization and software defined networks. Businesses are

REVENUE BY REGION, %



increasingly choosing to work with software based on open source code and developed within the framework of open collaborations. These dual trends generate new challenges for ourselves and our customers alike, but also present new opportunities where an independent software provider like Enea can play an increasingly significant role.

In the construction of virtualized solutions, systems are frequently divided into smaller, more defined components and building blocks. This development, which includes a growing proportion of open software, fundamentally changes the market over time. It removes obstacles and entry barriers for smaller operators and new software developers, who find it easier to access the market. At the same time, the pressure increases on the operators that comprise Enea's traditional customers. This paves the way for a scenario where end customers (e.g. operators) increasingly chose to procure components rather than complete systems.

For Enea, this represents both a challenge and new opportunities. As an independent software provider, we benefit from progress towards open systems comprising more specific software components. This allows us to develop and change our role in the value chain. Where we previously took on the role of subcontractor, it is now becoming easier for us to establish direct dialogue and relationships with end customers. We are continuing to address the same market as previously, but our role on this market is gradually changing.

Some of the major technological changes taking place in the area of network functions and network function virtualization (NFV) relate to the virtualization and componentizing of operating system solutions. Over the last two years, we have chosen to make substantial investments in solutions for NFV. A substantial proportion of this work has taken place in close collaboration with UK firm ARM—a world leader in high performance and low power consumption microprocessors that the company develops and licenses to a series of manufacturers around the world. ARM is our key strategic partner on this market, even if we also intend to capitalize on our position as an independent software provider. The market for ARM-based solutions relating to NFV remains in its infancy, although progress is rapid and we are currently participating in interesting discussions with several potential customers. On the NFV market, we are currently opting to focus on those parts of the network that are closest to end users (known as "the edge").

New offerings on new markets

In 2016, we actively worked to broaden our offering and the markets we address. At the beginning of the year, we acquired the operations of a small US company based on a product known as ElementCenter. This meant that we took our first step onto the Network Management Systems market, i.e. systems that control and manage all the component parts of a network. This market is relatively large and well established, and is important to our traditional customers in tele- and data communication. There are many attractive synergies between this market and our existing middleware product Enea Element.

Towards the end of 2016, we announced the acquisition of the French company Qosmos, which broadened our portfolio to include deep packet inspection (DPI) and network intelligence. This is an area of technology that addresses both our traditional tele- and data communication markets, but also an entirely new market for us—cyber security. The acquisition of Qosmos means that we now have a stable customer base on this market from day one, and where we anticipate growth potential looking ahead.

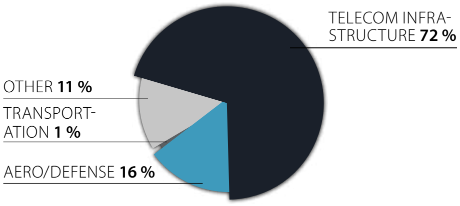
Competitors

In the field of operating system solutions Enea competes with other operators focusing on operating systems for embedded applications. These include Wind River (now Intel), Mentor Graphics (now Siemens), Montavista (now Cavium) and Green Hills Software. What distinguishes Enea from many of these competitors is frequently our position as an independent software developer, where customers do not risk becoming locked in between hardware and software. In the field of NFV and network virtualization, Wind River plays a key role, although there are also other operators such as Canonical and Red Hat. Our traditional customers in telecommunication could eventually become potential customers on this market.

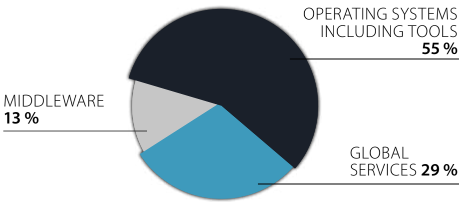
In all these areas, we are seeing an increasing element of software based on open source code, which also paves the way for increased competition from customers, who in some cases elect to maintain solutions based on open software themselves.

Products and services for the connected society

REVENUE BY CUSTOMER SEGMENT, %



REVENUE BY PRODUCT GROUP, %



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.

Middleware

Enea has extensive experience of and tried-and-tested solutions for managing individual units (physical and virtual) as well large distributed clusters and systems. 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.

Network Virtualization

In 2015, Enea launched COSNOS (Carrier-grade Open Source Network Operating System), a commercial, robust, network operating system solution. COSNOS is based on open components, mainly from the OPNFV (Open Platform for Network Function Virtualization) sector collaboration project, but also includes elements from Enea's own product portfolio.

In 2016, the development of COSNOS continued to focus on distributed and decentralized applications at the edge of the cloud for software and equipment requiring virtualization. The objective is to cease using the COSNOS name in 2017, replacing it with specific product offerings aimed at managing distributed and decentralized networks. The first offering is Enea NFV Core which is expected to be launched in the second quarter 2017.

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 (using 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
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 Signatures – Deep Packet Inspection (DPI) library with the market's most complete and most popular data signature library. Signatures enable continuous updates of protocols and application signatures for network solutions.

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 has unique competence in certification under north American regulations for aviation security and the company's business offering in this area are expanding in the US.

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.

Product revenue 2016

The operating systems and tools product group provides most of Enea's sales, with 55 percent of revenue. Sales declined in 2016 year over year. Middleware provided 13 percent of Enea's total sales, up on the previous year. The increase was due to the acquisition of Qosmos. The area retains its strategic significance for Enea. Global service sales decreased in the year, comprising 29 percent of total sales. Other sales were 2 percent.

World-class employees

Enea has 464 employees based in nine countries. Enea acquired Qosmos (an unlisted company with a leading position in IP traffic classification and network intelligence) in December 2016, adding a further 73 employees to the company. Just over half of group staff are stationed in Romania. In order of headcount, this is followed by Sweden, France and the US. Enea's smallest offices are in China, Japan, Germany, the UK and Singapore. The absolute majority of employees are graduates, most of them engineers. 28 percent of group staff are women.

Diversity

We encourage 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 something positive that we wish to promote. 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.

Participation

Each unit of Enea is responsible for continuously communicating information to employees about its activities as well as other activities within the group. Global information meetings are held via web conferencing, and local meetings are held at each office. Enea's management aims to hold bimonthly informative meetings, where one of the most important items on the agenda is questions and feedback to management. Enea's intranet is a tool that most employees use daily. In addition to information and news, the intranet contains interviews and articles that aim to raise awareness and promote an inclusive workplace culture.

One of the aims of the intranet is to generate different divisions that publish proprietary information and create an information flow that appeals to all employees.

Ethics and responsibility

Enea's Code of Conduct summarizes the group's ethical guidelines. The Code of Conduct includes guidelines for compliance with laws and ordinances, rights of the individual and rules for anti-corruption and ethical business practice. 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. Enea supports the UN's Global Compact initiative.

Corporate social responsibility

Enea contributes directly and indirectly to the communities where it operates. Millions of people use Enea's products in communication. Increased communication alleviates the need for unnecessary travel, and provides greater security. Enea also seeks to improve conditions by contributing to various community projects.

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 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

ORGANIZATION 2016

PRESIDENT & CEO
ANDERS LIDBECK

FINANCE & ADMINISTRATION
CFO
HÅKAN RIPPE

SALES FOR EMEA & ASIA
Senior Vice President
ADRIAN LEUFVÉN

PRODUCT MANAGEMENT
Senior Vice President
KARL MÖRNER

GLOBAL SERVICES
Senior Vice President
BOGDAN PUTINICA

PRODUCT STRATEGY
Senior Vice President
DANIEL FORSGREN

SOFTWARE SALES & STRATEGIC ALLIANCES AMERICAS
Senior Vice President
KIRK FULLER

MARKETING & COMMUNICATION
Senior Vice President
FREDRIK MEDIN

SALES FOR STRATEGIC ACCOUNTS
Senior Vice President
JOHAN GLANE

R&D
Senior Vice President
HANS BLOMQVIST

advancement, promotes open and honest communication and provides a safe and healthy working environment.

Environment
Our business concept is about delivering the software platforms and expert services that are necessary in 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. Although Enea does not conduct activities that are subject to permit or notification requirements under the Swedish Environmental Code, environmental practice is an integral part of our daily business. Our Environmental Policy stipulates that we will:

- comply with all applicable environmental legislation and other environmental standards that apply in markets in which 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.

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

Minimizing travel
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.

Sustainable development means looking at our operation from a global perspective and rethinking ingrained beliefs and practices. It means taking care of employees and unleashing their appetite for innovation, to create products and services that promote sustainable development, and to identify better everyday solutions.

VALUES
We view values as a basic platform for our everyday actions. Our values unite us, creating a sense of commitment and community. At Enea, we want our values to be visible in everything we do.

We focus on our customer success
To be successful, our decisions must lead to the success of our customers. We focus our resources on leading customers to deliver world class solutions.

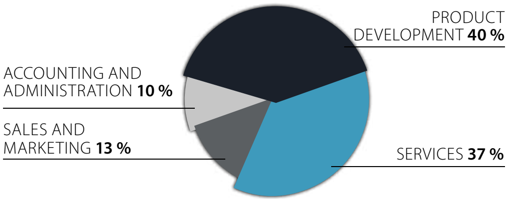
We provide trusted leadership
We strive to be global leaders in everything we do. Leadership is about taking full responsibility and delivering on your promises.

We innovate for business reasons
Creativity is adding value when it solves real customer challenges and creates new business opportunities.

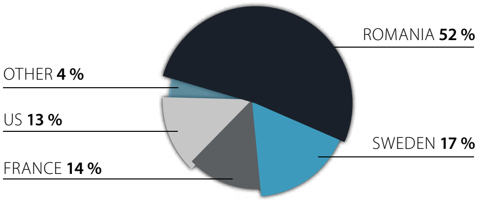
We are team players
A team player puts company objectives first. A strong team player delivers his/her share and always strive to contribute to the overall result.

We bring passion and fun
No great achievements have been accomplished without passion. The best way to achieve passion is to have fun.

EMPLOYEES BY FUNCTION, %



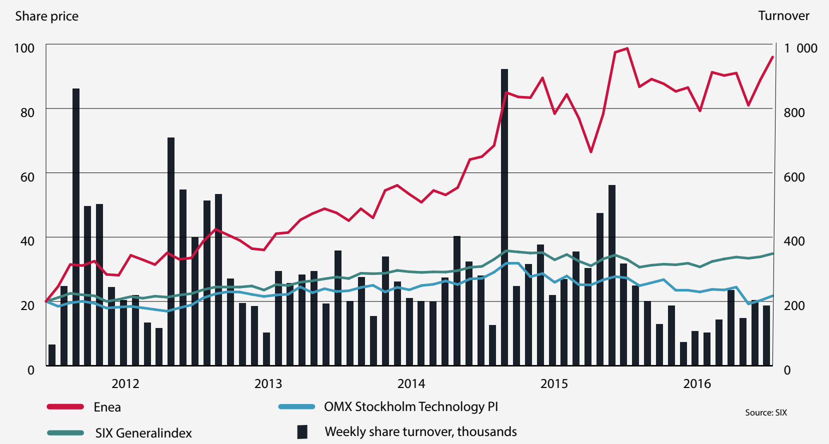
EMPLOYEES BY COUNTRY, %



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.

THE SHARE 2012–2016



Share price 2016

The share price fluctuated between a high of SEK 104.8 on 4 January and a low of SEK 74.00 on 16 June. The closing price at year-end was SEK 96.00. Enea's share price fell by 8.7 percent in the year, which can be set against the broad SIX Generalindex, which increased by 5.6 percent and the IT index, which decreased by 5.5 percent.

Trading volume

A total of some 1.9 million shares turned over with a total value of SEK 171 million in the year. An average of 7,368 shares were traded per trading day in the year.

Ownership structure

The company had 7,485 shareholders as of 31 December, 2016. The ten largest shareholders' holdings were 65.0 (64.2) percent of the equity and votes. The largest shareholders mainly consist of SIX SIS AGA and Försäkringsbolaget Avanza Pension. Foreign ownership amounts to 43.0 (43.0) percent. For more information, see page 15. Source: Euroclear

Number of shares

The number of shares was 16,240,231 as of 31 December, 2016. Each share has a nominal value of SEK 1.13. Shareholders are entitled to the share transfers approved by the AGM. 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.

Long-term dividend policy

Enea's long-term dividend policy implies at least 30 percent of profits before non-recurring items and after standard rate tax should be paid as dividends to shareholders.

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 is a 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.

Proposed dividend through automatic redemption programe

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 and long-term earnings ability are part of this strategy. Against this background, the Board of Directors is proposing that the AGM resolves to transfer a dividend corresponding to SEK 2.00 (4.20) per share. This corresponds to a transfer of a maximum of SEK 35.7 (69.1) million, which is in line with the company's long term dividend policy of transferring at least 30 percent of profit after tax to shareholders. The Board proposes that the transfer to shareholders is executed through an automatic redemption programe.

Authorization

The AGM 2016 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 shares of 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 2017. 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.

As of 31 December 2016, Enea AB held a total of 345,978 Treasury shares, or 2.1 percent of all shares. In 2016, Enea AB repurchased 23,413 treasury shares for a value of SEK 2.0 million.

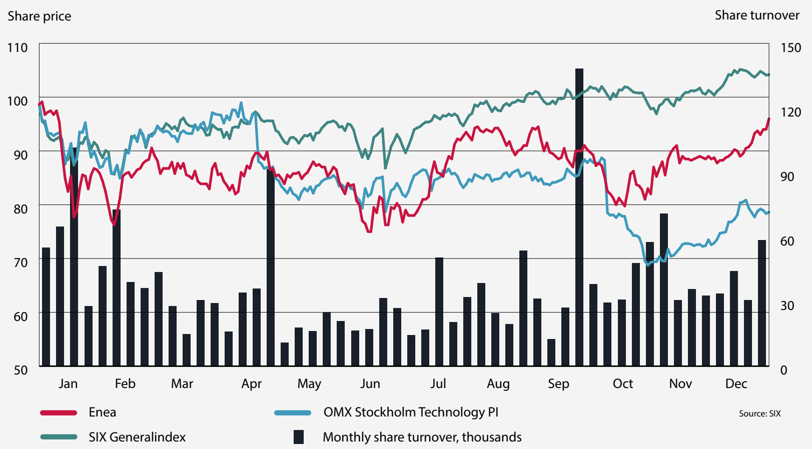
The AGM 2016 authorized the Board of Directors to decide on the new issue of shares on one or more occasions in the period until the AGM 2017, waiving shareholders' preferential rights, and including stipulations on issue in kind or other terms stated in chap. 13 § 5. 1 point 6 of the Swedish Companies Act, and that the Board may otherwise determine the terms and conditions of the share issue. However, the issue price shall be set on market terms, and may involve a maximum of 10 percent of the number of outstanding shares. This authorization was not utilized in 2016.

The Extraordinary General Meeting in December 2016 authorized the Board to decide on the new issue to finance continued growth and expansion, e.g. in connection with company acquisitions, in the period until the AGM 2017. This means that the Board is authorized to issue shares corresponding to a maximum of 10 percent of the number of outstanding shares as of the date of convening the EGM. Payment for new shares shall be made in cash, via offset or contribution in kind. The share issue may take place with or without waiving shareholders' preferential rights. This authorization replaces the resolution regarding authorization at the AGM on 10 May 2016. The authorization was not utilized in 2016, but was utilized in 2017. For more information se www.enea.com.

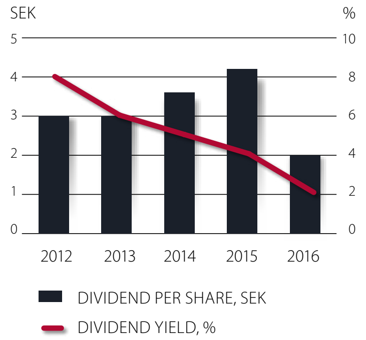
Investor relations

Enea's IR work features open, relevant and accurate information to shareholders, investors and analysts to increase knowledge of the group's operations and share. Enea provides information in the form of Interim Reports, Annual Reports, relevant press releases and provides in-depth information on the company via its IR pages on the Internet. Shareholders and other stakeholders can subscribe to press releases and financial reports via e-mail.

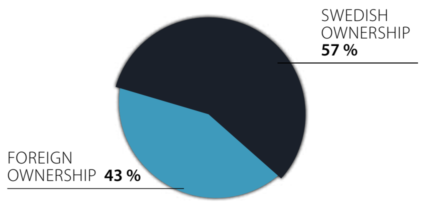
THE SHARE 2016



DIVIDEND PER SHARE, DIVIDEND YIELD



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

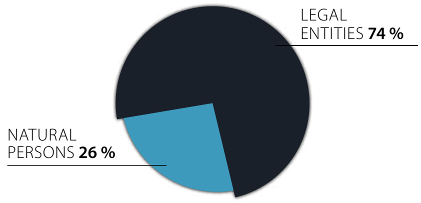


DIVISION BY SIZE

31 DECEMBER 2016

Holding	No. of shareholders	No. of shares	% of votes and capital
1 – 500	6,268	757,938	4.67
501 – 1,000	547	439,692	2.71
1,001 – 5,000	529	1,166,956	7.19
5,001 – 10,000	58	432,804	2.67
10,001 – 15,000	22	262,014	1.61
15,001 – 20,000	15	264,970	1.63
20,001 –	46	12,915,857	79.53
Total	**7,485**	**16,240,231**	**100.00**

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



TEN LARGEST SHAREHOLDERS, BY OWNERSHIP GROUP

31 DECEMBER 2016

Shareholder	No. of shares	% of votes and capital
SIX SIS AG, W8IMY	4,205,811	25.9
FÖRSÄKRINGSAKTIEBOLAGET, AVANZA PENSION	2,488,268	15.3
DnB Nor	1,119,225	6.9
Per Lindberg	921,185	5.7
BANQUE CARNEGIE LUXEMBOURG S.A. (FUNDS)	565,535	3.5
Swedbank Robur fonder	450,000	2.8
ORIGO QUEST 1	345,672	2.1
CACEIS BL UCITS EXEMPT CLIENTS	194,963	1.2
HOLMEN SPESIALFOND	170,000	1.0
SKANDIA, FÖRSÄKRINGS	155,443	1.0
Total, ten largest shareholders	**10,616,102**	**65.4**
ENEA AB (PUBL)	345,978	2.1
OTHER SHAREHOLDERS	5,278,151	32.5
TOTAL	**16,240,231**	**100.0**

OWNERSHIP BY GEOGRAPHICAL REGION

Region	Share-holder, %	% of votes and capital
Domiciled in Sweden	96.55	56.97
Rest of Nordics	0.84	8.26
Rest of Europe (excl. Sweden and Nordics)	1.66	29.92
US	0.60	1.26
Rest of world	0.35	3.55
Total	**100.00**	**100.00**

SHARE-RELATED KEY FIGURES

SEK	2016	2015	2014	2013	2012
Net asset value per share, SEK	26.61	25.06	24.81	22.65	22.14
Earnings per share, SEK	5.95	5.49	4.58	3.83	6.85
Earnings per share after full dilution	5.95	5.49	4.58	3.83	6.85
Cash flow from operating activities per share	8.06	6.53	7.19	4.65	4.83
Dividend per share[1]	2.00	4.20	3.60	3.00	3.00

[1)] *The Board's proposal to the Annual General Meeting 2017.*

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 2016, for the Parent Company and the Group.

Enea is a global provider of software platforms and services. We are determined to be a key player in the ecosystem for open source 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 med tech 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 2016, Enea's revenue increased by 4 (12) percent to SEK 501.3 (481.5) million. Currency adjusted, revenue increased by 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 somewhat year over year. Service sales decreased compared to 2015.

PROFIT/LOSS

Enea's operating profit was SEK 118.8 (110.0) million, corresponding to an operating margin of 23.7 (22.9) percent. The currency effects on the Group's profit is marginal. Gross margin for the full year was 70.4 (69.6) percent.

Financial net for the full year was SEK 5.2 (2.5) million. Profit after tax was SEK 94.6 (88.0) million for the full year. Earnings per share increased to SEK 5.95 (5.49) for the full year. Without adjusting for holdings of treasury shares, earnings per share were SEK 5.82 for the full year.

CASH FLOW AND FINANCIAL POSITION

Cash flow from operating activities was SEK 128.1 (104.6) million for the full year. Total cash flow was SEK 94.3 (-48.3) million. Shares worth SEK 2.0 million were repurchased in the year. On 14 June 2016, SEK 4.20 (3.60) per share was disbursed through an automatic redemption program corresponding to a transfer amounting to SEK 66.8 (57.8) million to shareholders.

Cash and cash equivalents and financial investments were SEK 223.5 (203.5) million at year-end. Additionally, the Group has an unused credit of SEK 15 million. Enea still has a strong financial position, with an equity ratio 43.0 (74.1) percent.

INVESTMENTS, DEPRECIATION AND AMORTIZATION

The Group's investments for the full year were SEK 380.0 (15.5) million. The depreciation of investments was SEK 18.1 (18.7) million. SEK 16.1 (12.8) million of product development expenses were capitalized in the year. The amortization of capitalized product development expenses was SEK 13.4 (14.7) million in the year.

PARENT COMPANY

The parent company's operating activities are primarily focused on group-wide administration of management, accounting and finance, administration and IT.

Parent company net sales in the year were SEK 49.3 (52.9) million, and profit before appropriations and tax was SEK 68.4 (132.5) million. The financial net of the parent company was SEK 68.4 (132.5) million, and cash and cash equivalents and financial investments were SEK 94.6 (168.8) million at year-end. Parent company investments were SEK 0.8 (0.6) million. There were 12 (12)

SIGNIFICANT EVENTS IN 2016

JANUARY
- Enea acquires technology for network management and orchestration.
- Enea linux 5 is cgl 5.0 registered for leading telecom companies to rely on when building their NFV applications, equipment, and networks.

FEBRUARY
- Publication of Annual Statement 2015.
- Enea demonstrated framework for managed network function virtualization (NFV) at Mobile World Congress.

APRIL
- Publication of Enea's Annual Report for 2015.
- Enea demonstrated ARM-based integration of OPNFV Brahmaputra at NFV World Congress.
- Enea signed a service agreement worth SEK 22.8 million (USD 2.8 million) with a US company active in the aero and defense industry.
- Publication of Q1 2016 Interim Report.

MAY
- Annual General Meeting in Enea held on Tuesday 10 May in Kista, Sweden.

JUNE
- Latest version of Enea OSE® launched and real time operating system (RTOS) Enea OSE® made available, including 64-bit support for applications that handle large data volumes. Enea's real time operating system for multi-core processors is robust and provides enhanced performance.

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.

ACQUISITIONS

Enea acquires Qosmos SA

On 14 December, Enea Software AB acquired 100 percent of the capital and votes in the French company Qosmos SA and subsidiaries for a purchase price of SEK 518,529,000. Qosmos is a market-leading distributor of Network Intelligence software based on deep packet inspection (DPI). The acquisition significantly extends Enea's software and services portfolio, particularly in software defined networking (SDN) and network function virtualization (NFV). The companies are consolidated from the acquisition date. In accordance with local accounting standards, Qosmos reported revenue of SEK 131 million and operating profit of SEK –14 million for the full year 2016. Goodwill is not tax-deductible and is judged to be attributable to assessed profitability, complementary product portfolio offering and anticipated synergies. Acquisition-related expenses were SEK 2,652,000 as of 31 December 2016, and are recognized as consulting expenses in comprehensive income. For more information see note 27 on page 58.

EVENTS AFTER THE END OF THE REPORTING PERIOD

On 21 February, 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.

For more information see www.enea.com/press-releases

TRANSFER TO SHAREHOLDERS

The Board of Directors is proposing a transfer to shareholders in the form of an automatic redemption program combined with a 2:1share split to the Annual General Meeting. This program involves each share being divided into one ordinary share and one redemption share. There will be no transfer of shares the company has re-purchased. The proposal is for redemption of the redemption shares for SEK 2.00 per share, corresponding to a maximum transfer of SEK 35,728,462 including treasury shares as of 10 March, 2017 to the company's shareholders. Excluding treasury shares, the redemption amount is SEK 35,036,506 as of 10 March, 2017. After implementation of the proposed appropriation of profits and redemption program, non-restricted and total equity of parent company Enea AB will be SEK 207,792,000 and SEK 226,147,000 respectively.

The Board of Directors' statement regarding the proposed redemption program, pursuant to chap. 18 § 4 of the Swedish Companies Act. The proposed dividend to shareholders reduces the parent company's equity ratio from 58.5 percent to 55.0 percent, and the group's equity ratio from 43.0 percent to 40.9 percent. Against the background of the company's and the group's operating activities continuing to be conducted profitably, the equity ratio and liquidity are satisfactory.

The Board of Directors' opinion is that the proposed value transfer does not prevent the company, or other member companies of the group, from fulfilling their obligations in the short and long term, nor from completing the necessary investments. Accordingly, the proposed value transfer can be considered justifiable in terms of what is stated in chap. 17 § 3. 2-3 of the Swedish Companies Act. The Board of Directors proposes that the Annual General Meeting authorizes the Board to set a record date for the share split and redemption procedure, and the period for trading in redemption shares.

Regarding the company's results of operation and financial position otherwise, the reader is referred to the following Income Statements and Balance Sheets, as well as Cash Flow Statements and associated Notes. These financial statements were approved for issue by the parent company's Board of Directors on 30 March 2017.

PROPOSED APPROPRIATION OF PROFITS

The following funds are at the disposal of the parent company, SEK: 2016

Share premium reserve	3,601,864
Retained earnings	172,338,986
Profit (loss) for the year	66,887,369
Total	**242,828,219**

The Board of Directors proposes that these funds are appropriated so that SEK 242,828,219 is carried forward.

JULY
- Publication of Q2 2016 Interim Report.

AUGUST
- The latest version of Enea® Linux launched, including a new networking profile. Enea Linux provides customers with an integrated operating system solution and leading-edge advances in open source code.

SEPTEMBER
- Enea® OSE was selected for use in LTE base stations in Asia.
- The OPNFV-specification Pharos Lab run by Enea opened for testing and validation of OPNFV Colorado software.

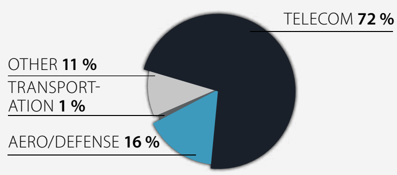
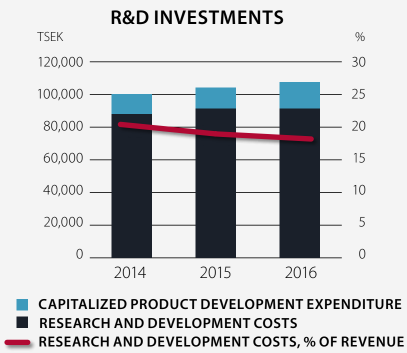
OCTOBER
- Enea acquired software developer Qosmos, a specialist in network intelligence.
- Publication of Q3 2016 Interim Report.

DECEMBER
- Extraordinary General Meeting in Enea held on Wednesday 7 December 2016 in Kista, Sweden.
- Enea completed the acquisition of Qosmos.

Risks and risk management

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 risk	Comments	Exposure
Customer structure 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 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.
Contract structure 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.
Competence supply 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 represents a competitive advantage, as the company can offer more career opportunities. The launch of Enea's Linux product also increases the company's technical range, a factor that could be significant for recruiting and retaining engineers.	Enea's staff turnover is considered comparable to the industry average.
Product liability, intellectual property rights and legal disputes 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 and is party to a process of arbitration regarding the interpretation of an agreement with a large customer. None of these disputes are expected to have any material adverse effect on the company's financial position. 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 risk	Comments	Exposure
Macroeconomic trends 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.	
Products and technology 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 in hardware vendors' solutions.	
Competitors 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
Market risk ***Currency risk*** Currency risk means the risk that the value of a financial instrument fluctuates due to changes in exchange rates.	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. 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. Investments of surplus liquidity are regulated by Enea's Finance Policy. Investments may only be made in Certificates of Deposit or bonds with a minimum rating of BB according to Standard & Poor, or equivalent shadow rating by SHB, Nordea, SEB or DnB NOR.	In 2016, a total of EUR 11 (18) million was hedged. At the end of 2016, the value of two derivatives outstanding totaled EUR 4 million, at a rate of 9.3 at year-end 2016. Average appreciation/depreciation of the SEK of 5 percent against the EUR would have implied a decrease/increase of SEK 6 million in revenue in 2016, all things being equal. The corresponding effect on revenue against the USD would total SEK 7 million.
Price risk 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).	Investments of surplus liquidity are regulated by Enea's Finance Policy. Investments may only be made in Certificates of Deposit or bonds with a minimum rating of BB according to Standard & Poor, or equivalent shadow rating by SHB, Nordea, SEB or DnB NOR.	Enea's price risk is limited as financial instruments consist of corporate bonds with a high credit rating. Enea did not hold any corporate bonds at the end of the year. Enea has no equity holdings..
Liquidity risk 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.	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.	Enea's liquidity risk is limited. Cash and cash equivalents and financial investments totaled SEK 223.5 (203.5) million as of 31 December 2016. In addition, the group had unutilized credit facilities totaling SEK 15 (15) million. The company raised an additional loan in December 2016 in order to finance the acquisition of Qosmos. The external loan of SEK 150 million is amortized at SEK 34 million annually 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.
Asset management ***Risk management*** 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. ***Dividends***	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.	At the end of the year, the group had external financing in the form of loans totaling SEK 150 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, 2016. Transfer to shareholders (by automatic redemption program) amounted to SEK 4.20 per share in 2016.
Interest rate risk Interest rate risk means the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.	The group has an external loan totaling SEK 150 million, and approved credit facilities of SEK 15 million, of which SEK 15 million was unutilized as of 31 December, 2016.	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. A change in the interest rate on Enea's borrowing would have a marginal effect on the financial net in 2016.
Credit risk 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.	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.	Provisions of SEK 0 (0.3) million were made for doubtful debt in 2016. Change in doubtful debt in 2016: Opening balance 1 January, 2016 0.3 Repayment of doubtful debt - Closing balance 31 December, 2016 0.3

Corporate Governance Report 2016

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.

Contents

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 16,240,231 shares as of 31 December, 2016. On the same date, Enea AB's share capital amounted to SEK 18,355,714, divided between 16,240,231 ordinary shares, each carrying the same voting rights and participation in the company's earnings and capital. Enea owns 345,978 treasury shares, corresponding to 2.1 percent of total shares. On 31 December, 2016 the largest shareholders were SIX SIS AG, with 25.9 percent and Försäkringsbolaget Avanza Pension, with 15.3 percent of the shares.

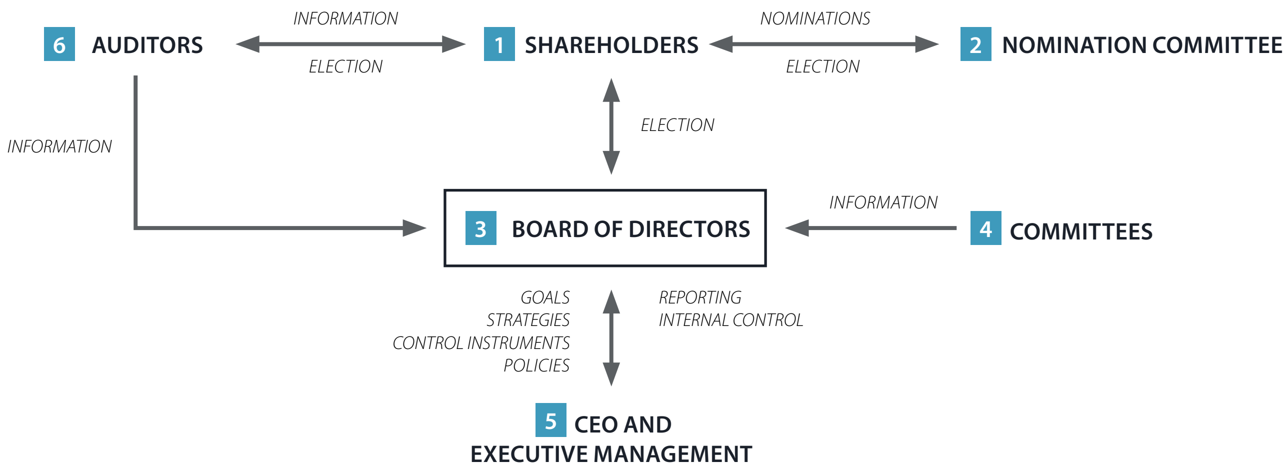
Annual General Meeting

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 10 May 2016 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 2016 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,
- introducing an automatic redemption program involving a share split, the redemption of shares and a bonus issue. The redemption program involved a transfer of SEK 4.20 per share to shareholders,
- a reduction in share capital and a bonus issue,
- a reduction of the statutory reserve, Board authorization to pass resolutions on acquisitions and transfers of treasury shares corresponding to a maximum of 10 percent of the company's shares,
- Board authorization to reach resolutions on new share issues relating to share or business acquisitions corresponding to a maximum increase of 10 percent of share capital,
- Anders Skarin was elected Chairman. Kjell Duveblad, Mats Lindoff, Torbjörn Nilsson and Åsa Sundberg were re-elected as Board members. Gunilla Fransson was elected as a Board member. Öhrlings PricewaterhouseCoopers AB were appointed as Auditor,
- The AGM authorized the Board's proposal to cancel 222,346 shares.

OVERVIEW OF ENEA'S CORPORATE GOVERNANCE



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.se), under Investors/corporate-governance.

Extraordinary General Meeting 2016
An Extraordinary General Meeting in Enea was held on Wednesday 7 December 2016 at 4.30 p.m. at the company's head office at Jan Stenbecks torg 17, in Kista, Stockholm.

The EGM adopted the following resolution:

- the EGM adopted the Board's proposal to authorize the Board to decide on a new issue to finance continued growth and expansion, for example in connection with corporate acquisitions, for the period until the AGM 2017 is held.
- the Board's proposal of a long-term incentive program 2017 (LTIP 2017), including the transfer of shares within the program, did not obtain sufficient majority and was not adopted by the EGM.

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 2016 to request that they appoint one member each to the Nomination Committee. 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 2017 Annual General Meeting, the Nomination Committee consists of Per Lindberg, Sverre Bergland (DnB), Annika Andersson (Swedbank Robur Fonder) as well as 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 2017, including its motivations, is published in the notice convening the AGM 2017, which is available at www.enea.com.

THE BOARD OF DIRECTORS 2016







Name	Anders Skarin	Kjell Duveblad	Mats Lindoff	Torbjörn Nilsson	Åsa Sundberg	Gunilla Fransson	Eva Swedberg
Born	1948	1954	1961	1953	1959	1960	1968
Appointed	2005	2008	2010	2012	2015	2016	2012
Board position	Chairman	Board member	Board member	Board member	Board member	Board member, elected at AGM 2016	Employee representative SI
Education	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, licentitate nuclear chemistry, Royal Institute of Technology, Stockholm	M.Sc. Engineering
Previous position	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 Sony-Ericsson, 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 A. Previously held various management positions at Ericsson.	Test Manager of CM at Enea, Consultant, AGA Process Controller, Energo developer control systems
Directorships	Chairman of Multisoft Consulting and JVAB, as well as a Board member of Acando AB.	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.	NetInsight AB, Trelleborg AB, Permobil AB and Teleopti TEM AB.	–
Own and related parties' shareholdings 2016 (2015)	15,000 (15,000)	10,000 (10,000)	990 (990)	0 (0)	0 (0)	1,000 (0)	3,412 (3,412)
Primary employment	Management consulting and directorships	Management consultant and directorships	Strategic consultant	Strategic consultant and directorships	President and CEO of Teracom Boxer Group AB	Board work	Team Manager, OSE
Attendance, Board meetings	11/11	11/11	11/11	11/11	11/11	8/11	10/11
Committee positions	Chairman of the Remuneration Committee	Chairman of Audit Committee	Non-member	Audit Committee	Audit Committee	Remuneration Committee (elected at AGM 2016)	Non-member
Attendance, Committee meetings	3/3	4/4	–	4/4	4/4	0/3	–

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 the Swedish Code of Corporate Governance and the company's diversity policy. Consideration has been given to the need for breadth, versatility, competence, experience and background required to contribute to Enea's future progress and considering the aim of ensuring an even distribution between the sexes. The composition of Enea's Board corresponds to this, as well as the need for knowledge of and extensive experience of sectors where the company is active. 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 2016, Enea's Board of Directors had seven 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 above.

Ahead of the AGM 2016 Robert W Andersson declined re-election. Gunilla Fransson was elected as a new Board member in accordance with the Nomination Committee's proposal. Gunilla Fransson has extensive experience of the telecom and defense industries, including Ericsson and Saab, which has added valuable competences to the Board.

MANAGEMENT 2016

										
Name	**Anders Lidbeck**	**Håkan Rippe**	**Karl Mörner**	**Adrian Leufvén**	**Bogdan Putinica**	**Daniel Forsgren**	**Kirk Fuller**	**Fredrik Medin**	**Johan Glane**	**Hans Blomqvist**
Born	1962	1968	1975	1972	1977	1973	1958	1970	1977	1962
Employed since	2011	2009	1998	1998	2007	2006	2014	2015	2016	1999
Member of management since	2011	2009	2011	2008	2011	2014	2014	2015	2016	2016
Position	President and Chief Executive Officer	CFO	Senior Vice President, Product Management	Senior Vice President for EMEA and Asia	Senior Vice President, Global Services	Senior Vice President, Product Strategy	Senior Vice President, Sales and Strategic Alliances	Senior Vice President, Marketing & Communication	Senior Vice President, Sales for Strategic Accounts	Senior Vice President, R&D
Education	M.Sc. in Business Administration and Economics, University of Lund	M.Sc. in Industrial Engineering and Management, Chalmers University of Technology, Gothenburg	Software Engineering, University of Skövde	M.Sc. Mechatronics, Royal Institute of Technology, Stockholm	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. in Computer Science, Central Michigan University, B.Sc. in Business Administration, Aquinas.	B. Sc., Human Resource Development alongside further management and business studies at Stockholm University.	M.Sc. Computer Science, Lund University Faculty of Engineering	M.Sc. Mechatronics, Licentiate, Royal Institute of Technology, Stockholm
Previous positions	President and CEO of Telelogic, sales and marketing positions at Nokia, K1 and Telia Megacom, including as President of ICL Direct in Benelux and Vice President of Sales and Marketing for ICL Industry systems Europe.	SVP Corporate Development, SVP Consulting at Enea, Business Development Executive at IBM Rational Software and Executive Vice President Corporate Development at Telelogic.	SVP R&D, Director of Product Management, Director of System Management, System Architect and Team Leader at Enea.	SVP Operations & Quality, SVP Software Sales, SVP Global Delivery, VP Strategic Outsourcing, VP Support, VP Marketing and Director Asian Sales 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.	VP, Worldwide Field Operations and Sales– Simics, Wind River Systems (an Intel Subsidiary); SVP, WW Field Operations, Virtutech, Inc.	Senior Marketing Manager Amadeus, Marketing Director IAR Systems, Product Marketing Manager Ericsson Enterprises, Marketing Manager of Ericsson Global Services, Product Manager at Ericsson GSM.	SVP Strategic Accounts EMEA at Enea, VP Sales, Head of Sales & Commercial Excellence Ericsson Middle East, Associate Principle Ericsson Business Consulting, Senior Consultant at Prosales.	VP Product Operations, Senior Director Product Services, CIO of Enea, Director Release Management Enea Software, Technical Project Manager, Systems. Architect CelsiusTech Systems.
Own and related parties' shareholdings 2016 (2015)	14,000 (through endowment insurance) (55,682)	24,644 (of which 14,644 through endowment insurance) (45,000)	1,546 (1,546)	21,000 (21,000)	5,372 (10,822)	12,395 (12,395)	0 (0)	0 (0)	0 (0)	0 (0)

Maria Constantinescu was part of Enea's Executive Management in Jan-Nov 2016 as SVP Software Sales Europe & Asia.

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 pages 22–23.

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 2016, 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 and forecasts, interim reports, budgets and the business plan for 2017 as well as a repurchase of treasury shares.

The work of the Board of Directors was appraised at year-end. In 2016, the Board of Directors held 10 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 2016 are shown in the table on page 24. The Board received remuneration of SEK 1,680,000, to be divided as follows: SEK 450,000 to the Chairman of the Board and SEK 210,000 each to other Board members appointed by the Annual General Meeting, as well as SEK 180,000 to be divided among Board members according to their efforts and participation in committee work. Details of Board members' remuneration are stated in Note 4.

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 2016, the Audit Committee held four meetings, all in connection with the quarterly financial statements. Board members' attendance statistics at Audit Committee meetings in 2016 are indicated on page 22. 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, internal reviews, new accounting standards and their implementation (for revenue recognition and leasing, and financial instruments), and acquisition-related matters.

The group'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 2016, the Committee comprised Board members Anders Skarin (Chairman) and Robert W. Andersson. Gunilla Fransson replaced Robert W. Andersson after the AGM 2016. The Remuneration Committee is convened as required and reports to the Board of Directors. The Remuneration Committee held three meetings where minutes were taken in 2016.

Review of the Board of Directors' 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. Accordingly, the Nomination Committee receives written reports to use as the basis for discussing the composition and members of 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 23. Anders Lidbeck has no significant shareholdings in companies that Enea has a business relationship with.

In 2016, Enea's group management consisted of Enea's CEO, CFO and eight division and line managers representing the organization's functions. For more information about the group management, see page 23. Group management meets every second week to present progress reports on business conditions for each function and discuss other ongoing and relevant issues. In addition to

ATTENDANCE AT BOARD MEETINGS

Board member	1	2	3	4[1]	5	6	7	8	9	10	11
Anders Skarin (Chairman)	x	x	x	x	x	x	x	x	x	x	x
Kjell Duveblad	x	x	x	x	x	x	x	x	x	x	x
Mats Lindoff	x	x	x	x	x	x	x	x	x	x	x
Torbjörn Nilsson	x	x	x	x	x	x	x	x	x	x	x
Åsa Sundberg	x	x	x	x	x	x	x	x	x	x	x
Gunilla Fransson[2]	–	–	–	x	x	x	x	x	x	x	x
Eva Swedberg	x	–	x	x	x	x	x	x	x	x	x

1) Meeting no. 4 was the first meeting following election.

2) Elected in May.

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 2016 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 2017. 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 2016, Enea's Auditors conducted a review of the Annual Financial Statements, whereupon the Auditors presented their Auditors' Report in the company's Annual Report 2016. 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 2016. 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.

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 sales 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.

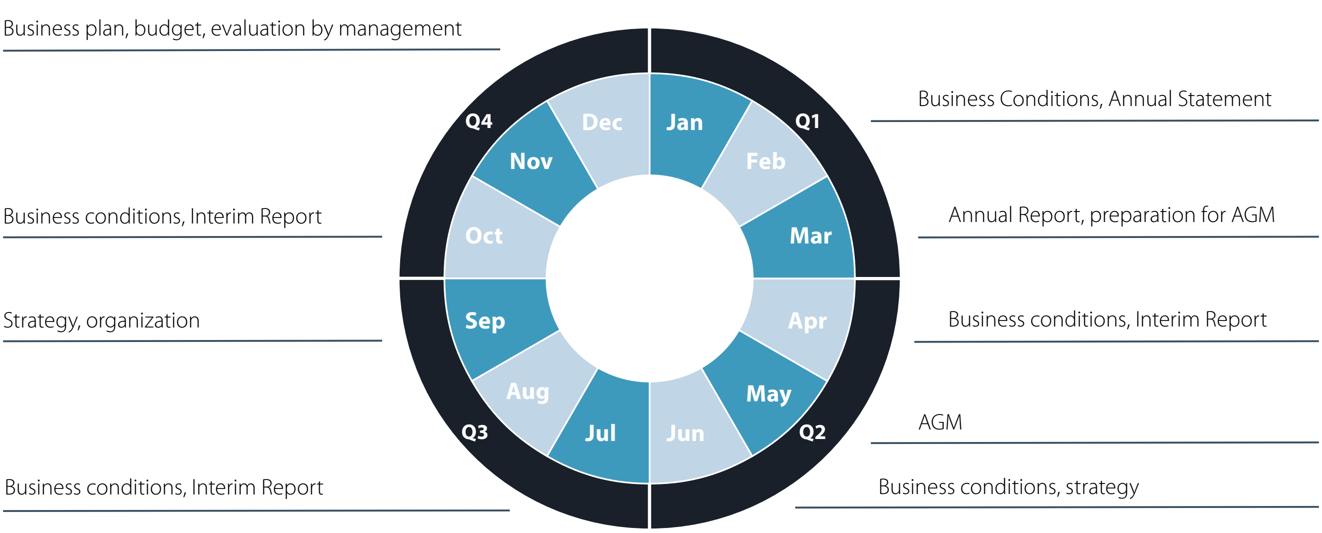
Other senior executives in Sweden are subject to pension agreements within the framework of the ITP plan (Supplementary Pensions for Salaried Employees) with pensionable age of 65 and pension provisions are related to employee salaries. Pension premiums are paid continuously.

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 is 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.

BOARD WORK IN 2016



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 of 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 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, Environmental Policy and Communications Policy. In 2016, Enea has thoroughly updated its policies in connection with changes 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 every second week meetings in 2016 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 groupwide 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.

Sustainability governance

Enea's sustainability governance is based on the company's Code of Conduct and ethical guidelines. Enea supports the UN's Global Compact initiative. Sustainability issues are a part of Enea's daily operations and permeate the company. Enea's vision demonstrates the company's focus on achieving a sustainable society. For more information see page 12-13.

The responsibility for overall goals, strategy and follow-up lies with Enea's CEO and group management. In order to ensure Enea's sustainability work, the Board of Directors follows up sustainability matters at quarterly Board meetings.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK 000 (1 January – 31 December)	Note	2016	2015
Net sales	2	**501,317**	**481,480**
Operating expenses			
Cost of sold products and services		–148,541	–146,570
Gross profit		**352,775**	**334,910**
Sales and marketing expenses		–87,275	–84,435
Product development expenses		–91,467	–91,302
Administrative expenses		–55,241	–49,138
Operating profit	3, 4, 5, 6, 7, 10, 11, 22	**118,792**	**110,035**
Financial income		18,634	9,205
Financial expenses		–13,443	–6,734
Financial net	8	**5,191**	**2,471**
Profit before tax		**123,983**	**112,506**
Tax	9	–29,395	–24,547
Net profit		**94,589**	**87,959**
Other comprehensive income that may be reclassified to Income statement			
Exchange rate difference		–6,108	2,264
Cash flow hedges, profit/loss before tax		–1,919	2,591
Cash flow hedges, tax effect		422	-570
Total comprehensive income for the year, net after tax		**86,984**	**92,244**
Profit for the period attributable to parent company shareholders		**94,589**	**87,959**
Comprehensive income for the period attributable to parent company shareholders		**86,984**	**92,244**
Earnings per share, SEK	17	5.95	5.49

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK 000 (31 December)	Note	2016	2015
Assets			
Intangible assets	10	499,224	128,389
Equipment, tools, fixtures and fittings	11	10,889	6,605
Financial assets held for sale	12	–	70,688
Derivatives	15	–	1,023
Deferred tax assets	9	23,531	1,917
Other long-term receivables		6,498	947
Total fixed assets		**540,140**	**209,569**
Accounts receivable	13	164,901	165,407
Prepaid expenses and accrued income	14	25,667	23,786
Other receivables		28,851	6,513
Derivatives	15	–	511
Cash and cash equivalents	20	223,486	132,799
Total current assets		**442,905**	**329,016**
Total assets		**983,046**	**538,585**
Equity	16		
Share capital		18,356	18,356
Other paid-up capital		433,382	433,382
Reserves		-15,987	–8,382
Retained profits, including profit (loss) for the year		-12,805	–44,458
Total equity		**422,946**	**398,898**
Provisions			
Deferred tax liabilities	9	34,960	20,190
Other provisions		6,910	1,265
Total provisions		**41,870**	**21,455**
Long-term liabilities			
Long-term liabilities, interest bearing	25	116,000	–
Long-term liabilities, non-interest bearing	26	112,953	–
Obligation for remuneration to employees	26	7,060	–
Total long-term liabilities		**236,013**	**–**
Current liabilities			
Current liabilities, interest bearing	25	34,000	–
Accounts payable		17,406	5,669
Tax liabilities		6,761	1,140
Other liabilities		113,696	16,830
Derivatives	15	1,050	–
Accrued expenses and deferred income	18	109,304	94,593
Total current liabilities		**282,217**	**118,232**
Total equity and liabilities		**983,046**	**538,585**

CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

SEK 000 (1 January–31 December)	Share capital	Other paid-up capital	Reserves: Cash flow hedges	Reserves: Translation reserve	Retained profits including profit (loss) for the year	Total equity
Opening equity, 1 Jan. 2015	**18,356**	**433,382**	**–892**	**–11,775**	**–38,782**	**400,289**
Comprehensive income						
Profit for the year					87,959	87,959
Other comprehensive income						
Cash flow hedges, profit/loss before tax			2,591			2,591
Cash flow hedges, tax effect			–570			–570
Translation difference				2,264		2,264
Total other comprehensive income			**2,021**	**2,264**		**4,285**
Total comprehensive income			**2,021**	**2,264**	**87,959**	**92,244**
Transactions with shareholders						
Dividend	–9,178				–48,610	–57,788
Reduction of share capital	–304				304	–
Bonus issue	9,482				–9,482	–
Share savings plan					6,473	6,473
Repurchase of treasury shares					–42,320	–42,320
Total transactions with shareholders	**–**	**–**	**–**	**–**	**–93,635**	**–93,635**
Closing equity, 31 Dec. 2015	**18,356**	**433,382**	**1,129**	**–9,511**	**–44,458**	**398,898**
Opening equity, 1 Jan. 2016	**18,356**	**433,382**	**1,129**	**–9,511**	**–44,458**	**398,898**
Comprehensive income						
Profit for the year					94,589	94,589
Other comprehensive income						
Cash flow hedges, profit/loss before tax			–1,919			–1,919
Cash flow hedges, tax effect			422			422
Translation difference				–6,108		–6,108
Total other comprehensive income			**–1,497**	**–6,108**		**–7,604**
Total comprehensive income			**–1,497**	**–6,108**	**94,589**	**86,984**
Transactions with shareholders						
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
Total transactions with shareholders	**0**	**–**			**–62,937**	**–62,937**
Closing equity, 31 Dec. 2016	**18,356**	**433,382**	**–368**	**–15,619**	**–12,806**	**422,946**

CONSOLIDATED STATEMENT OF CASH FLOW

SEK 000 (1 January–31 December)	Note 20	2016	2015
Operating activities			
Profit before tax		123,983	112,506
Adjustment for items not included in cash flow		23,530	24,593
		147,513	137,099
Tax paid		–14,704	–13,958
Cash flow from operating activities before changes in working capital		**132,809**	**123,141**
Cash flow from changes in working capital			
Change in operating receivables		49,846	–48,715
Change in operating liabilities		–54,526	30,211
Cash flow from changes in working capital		**–4,680**	**–18,504**
Cash flow from operating activities		**128,129**	**104,637**
Investing activities			
Purchase of intangible assets	10	–26,924	–12,786
Purchase of property, plant and equipment	11	–2,833	–2,750
Purchase of financial assets		79,396	–37,296
Acquisition of operations, less acquired cash and cash equivalents[1]	27	–139,555	–
Cash flow from investing activities		**–89,916**	**–52,832**
Financing activities			
Borrowing		150,000	–
Amortization of loans		–25,001	–
Dividend		–66,846	–57,788
Repurchase of treasury shares		–2,025	–42,320
Cash flow from financing activities		**56,128**	**–100,108**
Cash flow for the year		**94,342**	**–48,303**
Cash and cash equivalents at beginning of year		132,799	180,408
Exchange rate differences in cash and cash equivalents		–3,655	694
Cash and cash equivalents at end of year		**223,486**	**132,799**

1) Payment for acquisition of operations comprised purchase consideration for Qosmos SA.
Purchase consideration paid less acquired cash and cash equivalents amounted to SEK 139.6 million.

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

SEK 000 (1 January–31 December)	Note	2016	2015
Net sales		**49,312**	**52,904**
Operating expenses			
Administrative expenses		–49,312	–52,904
Operating profit	3, 4, 5, 6, 7, 10, 11, 22	**–**	**–**
Profit from shares in group companies		66,080	129,800
Interest income and similar income items		3,635	2,940
Interest expenses and similar expense items		–1,345	–206
Financial net	**8**	**68,370**	**132,534**
Profit after financial net		**68,370**	**132,534**
Appropriations		–827	–1,067
Profit before tax		**67,543**	**131,467**
Tax	9	–656	–644
Profit for the year		**66,887**	**130,823**

PARENT COMPANY BALANCE SHEET

SEK 000 (31 December)	Note	2016	2015
Assets			
Intangible assets	10	596	816
Equipment, tools, fixtures and fittings	11	1,705	1,923
Participations in group companies	19	172,034	172,034
Financial assets held for sale	12	–	70,688
Total fixed assets		**174,335**	**245,461**
Receivables from group companies	21	168,202	12,001
Tax assets		1,174	2,721
Prepaid expenses and accrued income	14	4,625	5,050
Other receivables		3,495	1,786
Cash and bank balances	20	94,572	98,119
Total current assets		**272,068**	**119,677**
Total assets		**446,403**	**365,138**
Equity	16		
Restricted equity			
Share capital		18,356	18,356
Non-restricted equity			
Share premium reserve		3,602	3,354
Retained profits		172,339	104,701
Profit for the year		66,887	130,823
Total equity		**261,184**	**257,234**
Provisions			
Untaxed reserves		8,520	7,693
Total provisions		**8,520**	**7,693**
Long-term liabilities			
Long-term liabilities, interest bearing	25	116,000	–
Total long-term liabilities		**116,000**	**–**
Current liabilities			
Current liabilities, interest bearing	25	34,000	–
Accounts payable		2,562	2,361
Tax liability		656	644
Liabilities to group companies	21	9,302	81,732
Other liabilities		1,177	4,357
Accrued expenses and deferred income	18	13,002	11,117
Total current liabilities		**60,699**	**100,211**
Total equity and liabilities		**446,403**	**365,138**

PARENT COMPANY STATEMENT OF CHANGE IN EQUITY

	Restricted equity		Non-restricted equity			
SEK 000 (1 January–31 December)	**Share capital**	**Statutory reserve**	**Share premium reserve**	**Retained profits**	**Profit (loss) for the year**	**Total equity**
Opening equity, 1 Jan. 2015	**18,356**	**–**	**3,050**	**198,639**		**220,045**
Redemption program	–9,178			–48,610		–57,788
Reduction of share capital	–304		304			–
Bonus issue	9,482			–9,482		–
Share Savings Program				6,473		6,473
Repurchase of treasury shares				–42,320		–42,320
Profit for the year					130,823	130,823
Closing equity, 31 Dec. 2015	**18,356**	**–**	**3,354**	**104,700**	**130,823**	**257,234**
Opening equity, 1 Jan. 2016	**18,356**	**–**	**3,354**	**235,524**		**257,234**
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
Closing equity, 31 Dec. 2016	**18,356**	**–**	**3,602**	**172,339**	**66,887**	**261,184**

PARENT COMPANY CASH FLOW STATEMENT

SEK 000 (1 January–31 December)	Note 20	2016	2015
Operating activities			
Profit (loss) before tax		67,543	131,467
Adjustment for items not included in cash flow		7,982	9,118
		75,525	140,585
Tax paid		903	–397
Cash flow from operating activities before changes in working capital		**76,428**	**140,188**
Cash flow from changes in working capital			
Change in operating receivables		–157,485	–2,089
Change in operating liabilities		–73,524	–52,658
Cash flow from changes in working capital		**–231,009**	**–54,747**
Cash flow from operating activities		**–154,581**	**85,441**
Investing activities			
Purchase of property, plant and equipment	11	–783	–626
Purchase/divestment of financial assets		70,688	–35,773
Cash flow from investing activities		**69,905**	**–36,399**
Financing activities			
Borrowing		150,000	–
Dividend		–66,846	–57,788
Repurchase of treasury shares		–2,025	–42,319
Cash flow from financing activities		**81,129**	**–100,107**
Cash flow for the year		**–3,547**	**–51,065**
Cash and cash equivalents at beginning of year		98,119	149,184
Cash and cash equivalents at end of year		**94,572**	**98,119**

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 2016 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 2016 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. The group has not yet evaluated the effects of introducing the standard.

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 has initiated a review of the implications of the new standard on revenue streams from license sales on major customer contracts. Enea AB is currently unable to provide information on any potential impact on revenue.

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 non-time-based 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, went 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, 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 (loss)es 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 (loss)es 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
31 Dec. 2016					
Assets in the Balance Sheet					
Accounts receivable and other receivables excluding interim receivables	193,752	–	–	–	193,752
Cash and cash equivalents	223,486	–	–	–	223,486
	417,238	**–**	**–**	**–**	**417,238**
31 Dec. 2015					
Assets in the Balance Sheet					
Derivative instruments	–	–	1,534	–	1,534
Accounts receivable and other receivables excluding interim receivables	171,920	–	–	–	171,920
Financial assets held for sale	–	–	–	70,688	70,688
Cash and cash equivalents	132,799	–	–	–	132,799
	304,719	**–**	**1,534**	**70,688**	**376,941**

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
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 receivable and other liabilities excluding financial liabilities	–	–	–	38,836	38,836
	–	**211,980**	**1,050**	**188,836**	**401,866**
31 December 2015					
Liabilities in the Balance Sheet					
Accounts payable and other liabilities excluding financial liabilities	–	–	–	23,639	23,639
	–	**–**	**–**	**23,639**	**23,639**

DIVISION BY LEVEL AT FAIR VALUE VALUATION AS OF 31 DECEMBER 2016

SEK 000	Level 1	Level 2	Level 3	Total
Derivative instruments used for hedging purposes				
Liabilities, currency derivatives	–	1,050	–	1,050
Financial liabilities valued at fair value in profit and loss				
Liabilities, contingent purchase consideration, long term	–	–	17,284	17,284
Liabilities, contingent purchase consideration, short term	–	–	2,729	2,729
Purchase consideration posted to liabilities, long term	–	–	95,669	95,669
Purchase consideration posted to liabilities, short term	–	–	96,298	96,298
Total 2016	**–**	**1,050**	**211,980**	**213,030**

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.

Level 1: Fair value of financial instruments traded on an active market based on listed market prices on the reporting date. A market is judged to be active when listed prices from a marketplace, broker, sector group, pricing service or regulatory authority are readily and regularly available, and prices reflect real and regular market transactions on an arm's length basis. The listed market price used to measure the group's financial assets is the applicable bid price for corporate bonds. These instruments are classified as level 1.

Level 2: Fair value of financial instruments not traded on an active market (e.g. OTC derivatives are determined on the basis of measurement techniques). The group holds currency derivatives used for hedging purposes. Currency hedges are valued at market value by making an advance allocation of the currency hedge?? förtidsdisponering av valutasäkringen to determine the forward rate if the due date corresponded to the reporting date. The group's hedges EUR to SEK, meaning that the interest rate differential between Sweden and Europe for the remaining original term indicates the number of basis points deducted from the original forward rate. The difference between the new and original forward rate indicates the market value of the currency hedge. Market information is used as far as possible if this is readily available, and the use of company-specific information is minimized. The group has a liability relating to currency hedges recognized at an amount of SEK 1.0 million as of 31 December 2016, comprising the total for Level 2.

Level 3: Level 3 includes liabilities relating to the additional purchase consideration for Centered Logic, which totaled SEK 18.9 million as of 31 December 2016, and the purchase consideration posted to liabilities for Qosmos of SEK 192.0 million. Fair value is judged to correspond to recognized 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 of senior executives

The guidelines for remuneration of 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 Share Savings Programs from which payments are made in the form of shares, with the company receiving services from employees as payment for the group's equity instruments (shares). The fair value of the service that provides the employees with entitlement to 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 Share Savings 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

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

Sales by type of income	**2016**	**2015**
Term-based developer licenses including support and maintenance	149,118	138,257
Non-term based developer licenses	6,823	7,453
Production licenses (Royalties)	174,543	160,944
Services	162,901	164,156
Other	7,932	10,670
	501,317	**481,480**

Sales by product group	**2016**	**2015**
Operating systems including tools	276,588	282,672
Middleware	66,778	40,422
Services	145,714	150,072
Other	12,236	8,314
	501,317	**481,480**

Sales by geography	**2016**	**2015**
Sweden	181,833	187,350
Americas	134,502	140,392
Rest of Europe and Asia	184,982	153,738
	501,317	**481,480**

Fixed assets by geography	**2016**	**2015**
Sweden	95,727	66,621
Americas	39,982	37,001
Rest of Europe and Asia	374,404	31,372
	510 113	**134,994**

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 32 (36) percent and 17 (14) percent respectively of the company's sales.

NOTE 3 – Exchange rate gains and losses

	2016	**2015**
GROUP		
Exchange rate gains on operating receivables/liabilities	2,911	4,333
Exchange rate losses on operating receivables/liabilities	–2,074	–3,603

	2016	**2015**
PARENT COMPANY		
Exchange rate gains on operating receivables/liabilities	–	–
Exchange rate losses on operating receivables/liabilities	–	–

NOTE 4 – Employees and other senior executives

Average number of employees	2016 Total	2016 Of which men, %	2015 Total	2015 Of which men, %
Parent company	12	47	12	46
Subsidiaries	398	72	388	74
Group total	**410**	**72**	**400**	**74**
Of which:				
Sweden	82	75	84	75
US	67	78	60	86
Romania	241	67	238	69
China	5	80	4	76
Japan	3	100	4	100
France	6	96	1	100
Germany	3	64	4	75
United Kingdom	4	100	5	100
Group total	**410**	**72**	**400**	**74**

Division between sexes, group management	2016 Total	2016 Of which men, %	2015 Total	2015 Of which men, %
Board of Directors	8	63	7	71
Other senior executives	10	100	8	100

Salary, other benefits and social security expenses	2016	2015
Group		
Salary and benefits*	176,551	168,124
Share-based payment*	7,831	11,876
*of which to the Board, CEO and other senior executives [1]	32,508	35,016
Pension expenses [2]	14,209	14,512
of which defined-benefit pension plans	133	–
which defined-contribution pension plans	14,076	14,512
Other social security expenses	41,875	38,834
Total	**240,466**	**233,346**

Salary, other benefits and social security expenses	2016	2015
Parent company		
Salary and benefits*	12,063	13,811
Share-based payment*	3,558	5,972
* of which to the Board, CEO and other senior executives [3]	9,880	13,018
Pension expenses [4]	2,936	3,590
of which defined-contribution pension plans	2,936	3,590
Other social security expenses	4,405	4,509
Total	**22,962**	**27,882**

1) Of the group's salary and benefits, SEK 1 511,000 (1 603,000) 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 1,891,000 (2,426,000) pertains to the group comprising the Board and CEO.

3) Of the parent company's salary and benefits, SEK 1,294,000 (1,228,000) pertains to variable remuneration for the group comprising the Board and CEO.

4) Of the parent company's pension expenses, SEK 2,334,000 (2,140,000) pertains to the group comprising the Board and CEO.

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
Total 2016	**1,500**	**120**	**60**	**1,680**

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 2015

	Directors' fees	Audit Committee fees	Remuneration Committee fees	Total
Anders Skarin (chairman)	420	–	40	460
Kjell Duveblad	200	60	–	260
Åsa Sundberg	200	30	–	230
Mats Lindoff	200	–	–	200
Robert W Andersson	200	–	20	220
Torbjörn Nilsson	200	30	–	230
Total 2015	**1,420**	**120**	**60**	**1,600**

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 (10)*	12,436	3,281	1,505	4,033	21,255	2,372
Total 2016	**15,783**	**4,575**	**1,505**	**6,531**	**28,394**	**4,706**

Summary of remuneration and other benefits in 2015

	Fixed salary	Variable remuneration	Other benefits	Share-based payment	Total	Pension expense
CEO Anders Lidbeck	3,288	1,228	–	3,810	8,326	2,140
Other senior executives (7)	9,398	4,911	487	6,145	20,941	1,257
Total 2015	**12,686**	**6,139**	**487**	**9,955**	**29,267**	**3,397**

* 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.

	2016	2015
Group		
PricewaterhouseCoopers		
Auditing	699	699
Audit in addition to the audit assignment	40	64
Tax consultancy	10	157
Other assignments	816	108
Ernst & Young		
Auditing	341	–
Audit in addition to the audit assignment	199	–
Tax consultancy	–	–
Other assignments	–	–
	2,105	**1,028**

	2016	2015
Parent company		
PricewaterhouseCoopers		
Auditing assignments	495	495
Audit in addition to the audit assignment	40	64
Tax consultancy	10	157
Other assignments	106	108
	651	**824**

NOTE 6 – Operating costs divided by type

	2016	2015
Consumables and subcontracting consultants	12,455	13,938
Other external costs	57,387	47,444
Personnel costs	294,543	291,395
Depreciation/amortization and impairment losses	18,139	18,668
	382,524	**371,445**

Depreciation/amortization and impairment losses for the year are allocated between cost of sold products and services totaling SEK 15.5 (15.9) million, sales and marketing expenses totaling SEK 0.4 (0.2) million, product development costs totaling SEK 1.0 (1.2) million and administrative costs totaling SEK 1.3 (1.4) million.

NOTE 7 – Leasing fees pertaining to operating leases

Operating leasing pertains mainly to rents for premises.

	2016	2015
GROUP		
Leasing fee, current year	11,438	10,572
Contractual future minimum leasing fee within 1 year	13,168	9,658
Contractual future minimum leasing fee within 2–5 years	13,045	15,239

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

	2016	2015
PARENT COMPANY		
Leasing fee, current year	5,906	6,006
Contractual future minimum leasing fee within 1 year	4,150	5,844
Contractual future minimum leasing fee within 2–5 years	967	7,132

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

NOTE 8 – Financial net

	2016	2015
GROUP		
Profit/loss on liquidation of subsidiary	857	–
Interest income	1,111	1,004
Other financial income	2,368	2,192
Exchange rate gains	14,298	6,001
Financial income	**18,634**	**9,197**
Interest expenses	–594	–82
Exchange rate losses	–12,849	–6,644
Financial expenses	**–13,443**	**–6,726**
Financial net	**5,191**	**2,471**

	2016	2015
PARENT COMPANY		
Dividend, shares in subsidiaries	66,080	129,800
Profit from shares in group companies	**66,080**	**129,800**
Interest income, other	438	524
Other financial income	2,368	2,192
Exchange rate gains	829	224
Interest income and similar income items	**3,635**	**2,940**
Interest expenses, other	–276	–77
Interest expenses, group companies	–	–
Exchange rate losses	–1,069	–129
Interest expenses and similar expense items	**–1,345**	**–206**
Financial net	**68,370**	**132,534**

NOTE 9 – Taxes

	2016	2015
Group		
Current tax expense		
Tax expense for the period	–19,896	–19,981
	–19,896	**–19,981**
Deferred tax		
tax income from loss carry-forwards capitalized in the year	–	–
tax expense in loss carry-forwards utilized in the year	–3,431	–37
tax expense/income pertaining to temporary differences	–6,068	–4,529
	–9,499	**–4,566**
Total tax expense recognized, group	**–29,395**	**–24,547**

Reconciliation of effective tax	**2016**	**2015**
GROUP		
Profit before tax	123,983	112,506
Standard rate tax, 22.0 %	–27,276	–24,751
Tax effect of		
- other tax rates in foreign subsidiaries	–2,571	36
- utilization of previously capitalized loss carry-forwards	–	–
- utilization of previously non-capitalized loss carry-forwards	58	1,881
- taxable loss carry-forwards for which no deferred tax assets were recognized	–	–
- non-deductible costs	–749	–624
- non-taxable revenues	285	38
Other taxes	969	–123
Adjustment of tax for previous years	–111	–1,004
Total tax expense recognized, group	**–29,395**	**–24,547**
	24%	**22%**

	2016	2015
PARENT COMPANY		
Current tax		
Tax for the period	–656	–644
	–656	**–644**

Reconciliation of effective tax	**2016**	**2015**
PARENT COMPANY		
Profit before tax	67,543	131,467
Tax, 22.0 %	–14,859	–28,923
Tax effect of		
- non-deductible costs	–329	–272
- non-taxable revenues	14,540	28,559
Other taxes	–8	–8
Total tax recognized, parent company	**–656**	**–644**
	1%	**0%**

Deferred tax assets and liabilities	2016	2015
GROUP		
The following components are included in deferred tax assets and tax liabilities		
Deferred tax assets:		
loss carry-forwards	18,950	1,507
other temporary differences	4,581	410
Total deferred tax assets	**23,531**	**1,917**
	–	–
Deferred tax liabilities:		
temporary differences	34,960	20,190
Total deferred tax liabilities	**34,960**	**20,190**

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 an indefinite utilization period. Non-capitalized deferred tax assets for unutilized deficits total SEK 0.3 million and pertains to the UK.

NOTE 10 – Intangible assets

2016	Goodwill	Capitalized develop-ment expenditure	Product rights	Customer contracts	Brands	Other intangible assets	Total
GROUP							
Accumulated cost							
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 from acquisition of operations	–	–	–	–	–	3,826	3,826
Disposals/retirements for the year	–	–	–	–	–	–	–
Translation difference for the year	7,460	17	–	–	–	94	7,571
Closing balance, 31 Dec. 2016	**419,230**	**202,563**	**22,278**	**10,311**	**9,175**	**12,700**	**676,257**
Accumulated amortization and impairment losses							
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 from acquisition of operations	–	–	–	–	–	–3,059	–3,059
Translation difference for the year	–	–	–2	–	–	–85	–87
Closing balance, 31 Dec. 2016	**–**	**–164,894**	**–439**	**–514**	**–**	**–11,186**	**–177,033**
Carrying amount as at 31 Dec. 2016	**419,230**	**37,669**	**21,839**	**9,797**	**9,175**	**1,514**	**499,224**

2015	Goodwill	Capitalized develop-ment expenditure	Product rights	Customer contracts	Brands	Other intangible assets	Total
GROUP							
Accumulated cost							
Opening balance, 1 Jan. 2015	109,618	173,678	–	–	–	26,041	309,337
Acquisition for the year	–	12,786	–	–	–	–	12,786
Disposals/retirements for the year	–19,180	–	–	–	–	–17,122	–36,302
Translation difference for the year	2,185	–	–	–	–	–357	1,828
Closing balance, 31 Dec. 2015	**92,623**	**186,464**	**–**	**–**	**–**	**8,562**	**287,649**
Accumulated amortization and impairment losses							
Opening balance, 1 Jan. 2015	–19,507	–136,774	–	–	–	–25,006	–181,287
Disposals/retirements for the year	19,180	–	–	–	–	17,122	36,302
Depreciation and impairments for the year	–	–14,740	–	–	–	–219	–14 959
Translation difference for the year	327	–	–	–	–	357	684
Closing balance, 31 Dec. 2015	**–**	**–151 514**	**–**	**–**	**–**	**–7,746**	**–159 260**
Carrying amount as at 31 Dec. 2015	**92,623**	**34 950**	**–**	**–**	**–**	**816**	**128 389**

Other intangible assets	2016	2015
PARENT COMPANY		
Accumulated cost		
Opening balance, 1 Jan.	7,356	7,356
Acquisitions for the year	–	–
Disposals/retirements for the year	–	–
Closing balance, 31 Dec.	**7,356**	**7,356**
Opening balance, 1 Jan.	–6,540	–6,321
Amortization for the year	–220	–219
Disposals/retirements for the year	–	–
Closing balance, 31 Dec.	**–6 760**	**–6,540**
Carrying amount as at 31 Dec.	**596**	**816**

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 ten years.

Impairment testing for goodwill

Goodwill as of 31 December, 2016 amounted to a book value of SEK 419.2 (92.6) 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 a cash-generating unit as there is only one segment. 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 growth rate of 2 (2) percent. The cash flow forecast was based on an annual revenue growth for the group of 4 (4) percent, based on the estimated growth of existing customers and underlying markets. The cost trend for the group has been forecast at 5 (5) percent. 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 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:

Variable	Assumption 2016	2015
Income growth, %	4	4
Cost trend, %	5	5
Discount interest rate; %	9	9
Long-term stable growth, %	2	2

NOTE 11 – Equipment, tools, fixtures and fittings

	Group		Parent company	
	2016	2015	2016	2015
Accumulated cost				
At beginning of year	54,349	59,304	15,740	17,802
Acquisition for the year	2,833	2,750	783	626
Acquisition for the year through acquisition of operations	19,892	–	–	–
Disposals/retirements	–1,007	–8,207	–976	–2,688
Translation differences for the year	2,117	502	–	–
	78,184	**54,349**	**15,547**	**15,740**
Accumulated depreciation and impairment losses				
At beginning of year	–47,744	–51,592	–13,817	–15,146
Disposals/retirements	970	8,169	976	2,650
Depreciation and impairment losses for the year	–3,512	–3,709	–1,001	–1,321
Depreciation and amortization for the year through acquisitions of operations	–15,103	–	–	–
Translation differences for the year	–1,906	–612	–	–
	–67,295	**–47,744**	**–13,842**	**–13,817**
Carrying amount at end of year	**10,889**	**6,605**	**1,705**	**1,923**

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

NOTE 12 – Financial assets held for sale

Financial assets held for sale	2016	2015
GROUP		
Corporate bonds	–	70,688
Total	**–**	**70,688**

Financial assets held for sale	2016	2015
PARENT COMPANY		
Corporate bonds	–	70,688
Total	**–**	**70,688**

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 0.3 (0.3) million. The fair value of accounts receivable corresponds to carrying amount. Accounts receivable are predominantly denominated in SEK, EUR and USD. The age analysis of accounts receivable follows:

Age analysis of accounts receivable	2016	2015
GROUP		
Not due	144,805	145,879
Due 1–60 days	9,604	15,966
Due 61–90 days	4,182	2,259
Due 90 days	6,310	1,303
Total	**164,901**	**165,407**

NOTE 14 – Prepaid expenses and accrued income

	2016	2015
GROUP		
Prepaid insurance	427	644
Prepaid rents	5,353	1,550
Accrued income	9,375	16,251
Other prepaid expenses	10,512	5,341
	25,667	**23,786**

	2016	2015
PARENT COMPANY		
Prepaid insurance	116	309
Prepaid rents	1,398	1,489
Accrued income	–	653
Other prepaid expenses	3,111	2,599
	4,625	**5,050**

NOTE 15 – Derivative instruments

	2016		2015	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Long-term				
Currency forwards—cash flow hedges	–	–	1,023	–
Current				
Currency forwards—cash flow hedges	–	1,050	511	–

NOTE 16 – Equity

GROUP

Share capital
The Annual General Meeting 2016 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 4.20 per redemption share and paid in June 2016. The share capital was then reduced by SEK 9,177,857 through the reduction of the redemption shares, i.e. a total of 16,739,724 shares to repay shareholders. Payment for each redemption share was SEK 4.20. Redemption treasury shares were reduced without any repayment. The share capital was restored to its original amount by increasing the share capital by SEK 9,177,857 through a bonus issue without any issue of new shares.

As of 31 December 2016, the registered share capital comprised 16,241,231 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 23,413 (479,352) treasury shares and sold 0 (0) treasury shares and allocated employees 0 (263,998) shares under the 2012 Share Savings Program.

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.

Reserves

Hedging provision	**2016**	**2015**
Opening hedging reserve	1,129	–892
Cash flow hedges		
- fair value gains/losses in the year	–2,584	3,617
- tax on fair value gains/losses	568	–796
- transfers to profit or loss	666	–1,026
- tax on transfers to profit or loss	–147	226
Closing hedging reserve	**–367**	**1,129**

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.

	2016	**2015**
Opening translation reserve	–9,511	–11,775
Translation difference for the year	–6,108	2,264
Closing translation reserve	**–15,619**	**–9,511**

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 for the statutory reserve, excluding transferred share premium reserves, are included in this equity item.

Between 10 May and 9 June, 2016 the parent company repurchased 23,413 shares on Nasdaq Nordic Exchange Stockholm at an average price of SEK 86.49 per share. A total of SEK 2,025,000 was paid for the shares, which reduced retained earnings.

The total holding of treasury shares as at 31 December 2016 was 345,978. The shares are held as treasury shares and were fully paid up on 31 December 2016.

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

	2016	2015
Earnings per share before dilution		
Profit for the year after tax	94,589	87,959
Average number of shares, thousands	15,904	16,025
Earnings per share before dilution, SEK	5.95	5.49
Earnings per share after dilution		
Profit for the year after tax	94,589	87,959
Average number of shares, thousands	15,904	16,025
Earnings per share after dilution, SEK	5.95	5.49

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

	2016	2015
GROUP		
Support income	29,812	45,151
Accrued personnel expenses	39,093	29,775
Other deferred income	14,744	7,611
Other	25,655	12,056
	109,304	**94,593**

	2016	2015
PARENT COMPANY		
Accrued personnel expenses	10,148	9,220
Other	2,854	1,897
	13,002	**11,117**

NOTE 19 – Parent company holdings in group companies

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

	2016	2015
Accumulated cost		
At beginning of year	330,630	330,630
Closing balance, 31 December	330,630	330,630
Accumulated impairment losses		
At beginning of year	–158,596	–158,596
Closing balance, 31 December	–158,596	–158,596
Carrying amount at end of year	**172,034**	**172,034**

Specification of the parent company's holdings in subsidiaries	No. of participations	Holding, %	Carrying amount 2016	Carrying amount 2015
Subsidiary/Corp. ID. no./Reg. office				
Enea Software AB, 556183-3012, Kista	5,900	100	172,034	172,034
			172,034	**172,034**

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	
Information on interest	**2016**	**2015**	**2016**	**2015**
Interest received in the period amounted to	3,479	1,004	2,806	524
Interest paid in the period amounted to	–594	–82	–276	–77

	Group		Parent company	
Adjustment for items not included in cash flow	**2016**	**2015**	**2016**	**2015**
Depreciation/amortization and impairment losses	18,138	18,668	1,221	1,540
Gains (loss)es on divestment and liquidation of subsidiaries	–680	–	–	–
Gains (loss)es on retirement of fixed assets	37	38	–	38
Prepaid income	–1,089	–	–	–
Share Savings Program	5,934	6,473	5,934	6,473
Appropriations	–	–	827	1,067
Provisions	492	–26	–	–
Exchange rate differences, net	698	–560	–	–
Total	**23,530**	**24,593**	**7,982**	**9,118**

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	Purchase of goods and services from related parties	Liabilities to related parties on 31 December	Receivables from related parties on 31 December
Subsidiaries	2016	49,312	–	9,302	213,710
Subsidiaries	2015	52,904	1,337	81,732	12,001

Transactions with related parties are on and 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 2016 amounts to SEK 5,744,000 (5,331,000). The cost for 2017 is estimated to amount to an equivalent figure. Alecta's surplus can be distributed to policyholders and/or the insured.

At the end of 2016, Alecta's surplus in the form of its collective consolidation ratio amounted to 148 (153) 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	
	2016	**2015**	**2016**	**2015**
Cost of defined-contribution plans	14,076	14,512	2,967	3,590
Cost of defined-benefit plans	133	–	–	–

Share-based payment

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.

Share Savings Program 2014	2016	2015
Number of matching shares at beginning of period	64,300	71,800
Granted in the period	–	–
Forfeited in the period	–3,800	–7,500
Due in the period		
Outstanding at end of period	60,500	64,300
Number of participants as at 31 December	18	22

Share Savings Program 2012	2016	2015
Number of matching shares at beginning of period	–	47,255
Granted in the period	–	–47,255
Forfeited in the period	–	–
Due in the period	–	–
Outstanding at end of period	–	–
Number of participants as at 31 December	–	–

Personnel expenses for share-based payment Group	2016	2015
Share Savings Program	7,831	11,875

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.

	Closing day rate		Average rate	
Currency	**2016**	**2015**	**2016**	**2015**
EUR	9.5669	9.1350	9.4704	9.3562
USD	9.0971	8.3524	8.5613	8.4350
GBP	11.1787	12.3785	11.5664	12.8962
JPY	0.0777	0.0693	0.0790	0.0697
RON	2.1076	2.0193	2.1084	2.1027
SGD	6.2874	N/A	6.2001	N/A
CNY	1.3091	1.2868	1.1288	1.3424

When translating foreign subsidiaries' balance sheets to Swedish kronor, the group is exposed to exchange rate fluctuations. The effect on equity in 2016 for the translation of foreign subsidiaries' accounts to Swedish kronor was a negative SEK -6,108,000 (2,264,000). The group's exposure in equity for exchange rate fluctuations on the reporting date was as follows:

	2016		2015	
Currency	**Amount**	**Translated into SEK at closing day rate**	**Amount**	**Translated into SEK at closing day rate**
EUR	23,798	227,673	218	1,991
USD	2,634	23,962	1,956	16,337
GBP	369	4,125	346	4,283
JPY	61,785	4,802	48,454	3,358
RON	8,482	17,876	18,193	36,737
SGD	214	1,346	–	–
CNY	–	–	2,172	2,795

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
Company 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 2016. 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 2016. 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.

NOTE 25 – Interest bearing liabilities

	Currency	2016	2015
GROUP			
Liabilities to credit institutions maturity < 1 year	SEK	34,000	–
Liabilities to credit institutions maturity > 1 year < 5 years	SEK	116,000	–
Total		**150,000**	**–**

	Currency	2016	2015
PARENT COMPANY			
Liabilities to credit institutions maturity < 1 year	SEK	34,000	–
Liabilities to credit institutions maturity > 1 year < 5 years	SEK	116,000	–
Total		**150,000**	–

Annual amortization on the loan amounts to SEK 34 million with a remaining bullet of SEK 48 million which is renegotiated at the end of the term. No collateral has been raised in conjunction with the loan.

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, which arose as a result of the acquisition, amounts to SEK 7.0 (0) million as of 31 December, 2016. Costs for defined-benefit pensions totaled SEK 483,000 in 2016, of which SEK 133,000 was posted to Enea's profit. The costs for 2017 are estimated at some EUR 60,000.

2016	Defined-benefit pension plans	Purchase consideration posted to liabilities	Total
GROUP			
Accumulated acquisition value			
Opening balance 1 Jan. 2016	–	–	–
Company acquisitions	7,070	112,953	120,023
Closing balance 31 Dec. 2016	**7,070**	**112,953**	**120,023**

Defined benefit pension plans are judged to be payable after more than 5 years and other liabilities are judged to be payable in 1–3 years.

Defined-benefit obligations	Group 2016	2015
Present value of unreserved defined-benefit obligations, France	7 070	–
Liabilities unreserved obligations, France	**7,070**	**–**

Actuarial assumptions %	Group 2016	2015
Discount rate	2.25	–
Future salary increases	3.14	–
Future pension increases	1.50	–

NOTE 27 – Acquisitions of operations

CENTERED LOGIC

On 8 January, Enea Software AB acquired the assets and liabilities of Centered Logic LLC and Model Based Technology LLC "Centered Logic", two US companies active in network management and orchestration for a purchase consideration of SEK 28,999,000. In connection with the acquisition, the employees of Centered Logic transferred to Enea. Operating profit and assets and liabilities related to the acquired operations are recognized from 1 January 2016. The financial effects of the transaction are reported below.

PURCHASE CONSIDERATION	
Summary of purchase consideration paid:	
Cash and cash equivalents	10,624
Contingent purchase consideration	18,375
Total purchase consideration paid	**28,999**

Reported amounts (fair value) of identifiable assets and acquired liabilities in Centered Logic as of the acquisition date:

Prepaid expenses	2
Deferred income	–237
Customer contracts	400
Product rights	1,336
Goodwill	27,497
Group acquisition value	**28,999**

The goodwill arising from the acquisition is attributable to Centered Logic's market position and the synergies that are expected to arise from the merger of Enea's and Center Logic's operations. The merger goodwill associated with the transaction is tax deductible.

Contingent purchase consideration

In accordance with the agreement relating to a contingent purchase consideration, Enea will pay an additional purchase consideration in cash based on sales of licenses and services in Centered Logic amounting to a maximum of USD 2.2 million to the sellers of the intellectual property rights of the products and the operations in Centered Logic. The nominal value of the contingent purchase consideration is essentially judged to correspond to fair value, implying that the liability has not been discounted. USD 300,000 of the additional purchase consideration is due after one year and the remaining USD 1,900,000 is due within one to four years.

Acquisition-related expenses

Acquisition-related expenses of SEK 155,000 are included in administrative expenses in the Consolidated Income Statement for 2016.

QOSMOS SA

On 14 December, Enea Software AB acquired 100 percent of the capital and votes in French company Qosmos SA and subsidiaries for a purchase consideration of SEK 518,529,000. Qosmos is a market-leading distributor of Network Intelligence software based on Deep Packet Inspection ("DPI"). The acquisition significantly expands Enea's software and services portfolio, especially in software defined networking (SDN) and network function virtualization (NFV). The companies are consolidated from the acquisition date. In accordance with local accountings standards, Qosmos reported revenue of SEK 131 million and operating profit of SEK -14 million for the full year 2016. Goodwill is not tax deductible and is judged to be attributable to forecast profitability, complementary products and anticipated synergies. The financial effects of the transaction are reported below. The acquisition analysis relating to fair value adjustments of receivables and intangible assets is preliminary until twelve months after the acquisition date.

Purchase consideration

Summary of purchase consideration paid:	
Cash and cash equivalents	323,348
Purchase consideration recognized in liabilities	195,181
Total purchase consideration paid	**518,529**

Reported amounts (fair value) of identifiable assets and acquired liabilities in Qosmos SA and subsidiaries as of the acquisition date:

	Fair value recognized in the group
Brand	9,431
Product rights	21,535
Customer agreements	10,195
Intangible fixed assets	797
Tangible fixed assets	4,977
Financial fixed assets	13,673
Deferred tax receivables	24,905
Current receivables	39,119
Cash and cash equivalents	183,793
Other provisions	–12,551
Deferred tax liability	–8,507
Current liabilities, interest bearing	–25,968
Current liabilities, non-interest bearing	–45,790
Net identifiable assets and liabilities	215,609
Group goodwill	302,920
Total	**400,252**
Group acquisition value	**518,529**

Purchase consideration posted to liabilities

Under the agreement, Enea will pay EUR 10 million in cash to the sellers within one month of the acquisition date. The remaining EUR 10 million is due two years after the acquisition date. The nominal value of the purchase consideration posted to liabilities is essentially judged to correspond to fair value, and accordingly the liability has not been discounted. The purchase consideration is unconditional.

Acquisition-related expenses

Acquisition-related expenses of SEK 2,652,000 are included in administrative costs in the consolidated Income Statement for 2016.

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 30 March 2017. 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 9 May 2017.

Stockholm, Sweden, 30 March 2017
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 Karlsson
Employee representative

Anders Lidbeck
President and CEO

Our Audit Report was presented on 3 April 2017
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 2016 except for the corporate governance statement on pages 20–27. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 16-60 .

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, 2016 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, 2016 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 20–27. 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 group.

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.

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. 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. In the software operations, which provide around 70 percent of group sales, revenue recognition is dependent on the contractual terms governing the timing of transfer of risks and benefits to customers, and customers' solvency. The software operations consist of sales of software licenses and maintenance, as well as services close to products. Sales of licenses consist of product licenses and development licenses. Customer agreements for sales of development licenses often contain 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 and contractual agreements with customers.

During the year, Enea completed the acquisition of French company Qosmos. In connection with business acquisitions, management prepares an acquisition analysis where the difference between net assets in the acquired company and the purchase consideration is distributed over identified surplus values in the acquired company.

In addition to the parent company, Enea AB, the consolidated accounts for 2016 also include subsidiaries in Sweden, the US and Romania, as well as the recently acquired French company Qosmos. This represents a significant proportion of the Group's external revenue. In addition, we have carried out spot checks of recognized revenue for the subsidiaries in Japan and Germany.

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

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

Materiality

The scope and focus of the audit was influenced by our assessment of materiality. An audit is designed to achieve reasonable assurance regarding whether the financial statements contain any material misstatements. 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.

On the basis of our professional assessment, we determined specific quantitative materiality factors, including for financial reporting as a whole. With the help of these and alongside qualitative considerations, we determined the scope and focus of the audit and the character, timing and extent of our audit measures, as well as assessing the effect of individual and aggregate misstatements on the financial statements as a whole.

Key Audit Matters

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

Key Audit Matter	How our audit approached the key audit matter
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. Accordingly, revenue recognition from sales of development licenses is dependent on the contractual terms, when the risks and benefits related to license use have been transferred to the customer, and what remaining commitments Enea has to the customer after the license has been delivered. This means that agreements are broken down into individual components where the timing of revenue recognition for each respective component is dependent on the contractual terms. Accordingly, the time of revenue recognition does not usually correspond to invoicing and payment by the customer, and that estimates and judgments by management regarding the price of the various components in customer agreements??. To ensure uniform accounting and application of accounting principles in the Group, Enea seeks to utilize similar delivery terms in its customer agreements relating to license sales. Revenue recognition of sales of development licenses is monitored on an ongoing basis by Enea's controller and significant customer contracts are presented to the Audit Committee on a quarterly basis. *For more information about the aforementioned accounting principles, please see page 37 and Note 2 of the Annual report for 2016.*	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. On the basis of our audit, we have not reported any material observations to the Audit Committee.
Acquisition of Qosmos Enea acquired French software developer Qosmos SA in the last financial year. In connection with business acquisitions, management prepares an acquisition analysis where the difference between net assets in the acquired company and the purchase consideration is divided over identified surplus values in the acquired company. Surplus values usually comprise product rights, customer relationships, brands and goodwill. In order to determine the value of identified surplus values, management is required to make judgments and perform technically complex calculations based on estimates and forecasts regarding Qosmos' future progress. Unlike goodwill and brands, customer relationships are written off over their expected life, which means that an incorrect division between non-depreciable assets and depreciable surplus values could have a significant impact on financial reporting. When preparing the acquisition analysis, management has relied on external specialists to verify that the calculations and division of surplus values are in accordance with IFRS. Furthermore, Qosmos' reporting was not in accordance with IFRS, implying that the company's accounting principles needed to be adjusted to correspond to Enea's accounting principles. *For more information about the aforementioned accounting principles, see page 40 and Note 27 in the Annual Report for 2016.*	Our audit focused on management's division of surplus values, and the surplus values identified. ***We have completed the following audit measures*** • Examined the acquisition agreement from an accounting perspective. • Verified the purchase consideration paid against bank statements and acquisition expenses against the relevant invoices. • With the assistance of PwC's valuation specialists, we have examined the underlying calculations and the division of surplus values in the acquisition analysis. • Reviewed management's future plans and forecasts for Qosmos in order to assess the valuation of fair value. • We have examined Qosmos' opening Balance Sheet as of the acquisition date and adjustments made in connection with the transition from local accounting standards to IFRS. • Verified that sufficient information about the acquisition is presented in the Annual Report from a materiality perspective. Our audit has not resulted in any material observations being presented to the Audit Committee.

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 1–15. 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. 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/showdocument/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 Supervisory Board of Public Accountants' website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. 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 20–27 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.

Stockholm, Sweden April 3, 2017
Öhrlings PricewaterhouseCoopers AB

Niklas Renström
Authorized Public Accountant

All amounts in SEK million

INCOME STATEMENT	2016	2015	2014	2013	2012
Net sales	501.3	481.5	429.3	408.5	467.8
Operating expenses	–382.5	–371.4	–335.5	–326.4	–395.3
Operating profit (loss)	118.8	110.0	93.8	82.1	72.5
Financial net	5.2	2.5	1.5	1.7	4.2
Profit (loss) before tax	124.0	112.5	95.3	83.8	76.7
Profit (loss) for the period after tax	94.6	88.0	74.5	63.2	53.6
Net profit (loss) from divested operations	–	–	–	–	61.7
Total	**94.6**	**88.0**	**74.5**	**63.2**	**115.3**
Balance Sheet					
Intangible assets	499.2	128.4	128.1	121.7	121.5
Other fixed assets	34.4	8.5	9.5	13.2	20.3
Other financial fixed assets	6.5	2.0	0.5	–	28.0
Financial assets held for sale, non-current	–	70.7	14.3	–	–
Current receivables	219.4	196.2	150.6	140.8	143.2
Financial assets held for sale, current	–	–	20.6	–	–
Cash and cash equivalents	223.5	132.8	180.4	163.6	146.7
Total assets	**983.0**	**538.6**	**504.0**	**439.3**	**459.7**
Equity	422.9	398.9	400.3	371.2	367.2
Provisions and non-current liabilities	277.9	21.5	16.2	11.6	6.8
Current liabilities	282.2	118.2	87.5	56.5	85.8
Total equity and liabilities	**983.0**	**538.6**	**504.0**	**439.3**	**459.7**
Cash Flow					
From operating activities	128.1	104.6	116.2	76.6	80.1
From investing activities	49.6	–52.8	–48.9	–14.3	–15.7
From investing activities—sale of operation	–	–	10.4	18.0	115.4
From investing activities—acquisition of operation	–139.6	–	–	–	–
From financing activities	56.2	–100.1	–64.6	–63.1	–157.3
Cash flow for the period	**94.3**	**–48.3**	**13.1**	**17.3**	**22.5**
Key data					
Revenue growth, %	4	12	5	–13	–35
Operating margin, %	23.7	22.9	21.9	20.1	15.5
Profit margin, %	24.7	23.4	22.2	20.5	16.4
Return on capital employed, %	28.5	29.7	25.7	24.1	19.2
Return on equity, %	23.0	22.0	19.3	17.1	13.7
Return on total capital, %	18.1	22.9	21.1	19.8	15.7
Interest coverage ratio, multiple	10.2	16.2	24.5	16.7	20.7
Equity ratio, %	43.0	74.1	79.4	84.5	79.9
Liquidity, %	156.9	278.3	401.8	538.9	338.1
Average number of employees	410	400	392	384	417
Net sales per employee, SEK million	1.22	1.20	1.10	1.06	1.12
Net asset value per share, SEK	26.61	25.06	24.81	22.65	22.14
Earnings per share, SEK	5.49	5.49	4.58	3.83	6.85
Dividend per share[2]	2.00	4.20	3.60	3.00	3.00

1) Comparative figures pertaining to the divestment of Nordic Consulting have been reclassified in accordance with IFRS 5, as well as comments from NASDAQ Stockholm.
2) Transfer to shareholders per share proposed to the Annual General Meeting 2017.

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.

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 and 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.

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

OPERATING MARGIN
Operating profit in relation to net sales.

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

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.

REPEATABLE REVENUE
Development licenses and production licenses including support and maintenance.

SHARE OF RISK-BEARING CAPITAL
Total of equity and deferred tax liabilities as a percentage of total assets.

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.

The Annual Report for 2016 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	
	2016	**2015**
Revenue, SEK m	501.3	481.5
Sales growth, %	4	12
Sales growth currency adjusted, %	3	5
SEK m		
Sales growth based on unchanged exchange rates on the previous year	14.5	23.5
Currency-adjusted sales growth	5.4	28.7
Reported sales growth	**19.8**	**52.2**
%		
Sales growth based on unchanged exchange rates on the previous year	3	5
Currency-adjusted sales growth	1	7
Reported sales growth	**4**	**12**

RECONCILIATION OF FINANCIAL NET

	Full year	
	2016	**2015**
Financial income, SEK m	18.6	9.2
Financial expense, SEK m	–13.4	–6.7
Reported financial net, SEK m	**5.2**	**2.5**

Annual General Meeting 2017

Enea's Annual General Meeting 2017 will be held at 4:30 p.m. CET on 9 May 2017 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 by no later than 3 May 2017.

Participants must also register with Enea AB by no later than 3 May 2017, at 5:00 p.m. CEST.

Registrations can be posted to

Enea AB (publ), P.O. Box 1033, SE-164 21 Kista, Sweden, by telephone: +46 (0)8 507 15005, or via e-mail: arsstamma@enea.com. Registrations must include name, personal or corporate identity number, shareholding, address, telephone numbers and details of any assistants.

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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're working on as well as the latest deals and business events. LinkedIn is also our channel for advertising vacant positions.

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

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

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

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

Reporting dates 2017

Interim Report January–March	26 April 2017
Annual General Meeting	9 May 2017
Interim Report April–June	19 July 2017
Interim Report July–September	24 October 2017
Annual Financial Statement 2017	8 February 2018

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 2016, 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.

This document is essentially a translation of Swedish language original thereof. If the event of any discrepancies between this translation and the original Swedish document, the later shall be deemed correct.

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 2015 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 16–60.

This Annual Report was produced by Enea in partnership with Box Communications, Stockholm. Translation: Turner & Turner.

Enea is a global provider of software platforms and services and our vision is to help our customers develop amazing network functionality for the connected society. We're determined to be a key player in the open source ecosystem, and develop optimized software solutions alongside leading partners. Every day, three billion people rely on our technology in a broad spectrum of applications across multiple verticals, ranging from telecom and automotives to medtech and the aero and defense industries. With our head offices in Kista, Sweden, we have offices in Europe, North America and Asia, and are listed on Nasdaq Stockholm.

Find our more at www.enea.com or talk to us at info@enea. com.

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