



PRESS RELEASE

Stockholm, Sweden, February 8, 2018

Enea® (Nasdaq Stockholm: ENEA)

Annual Statement 2017

A strong year

Fourth quarter 2017

- Revenue in the fourth quarter was SEK 152.7 (135.7) million, equivalent to a 13 percent increase.
- Operating profit excluding non-recurring costs for the fourth quarter increased to SEK 40.6 (34.6) million, corresponding to an operating margin excluding non-recurring costs of 26.6 (25.5) percent.
- Operating profit for the fourth quarter decreased to SEK 23.5 (33.5) million, equivalent to an operating margin of 15.4 (24.7) percent.
- Earnings per share decreased to SEK 0.97 (1.67) for the fourth quarter.
- Cash flow from operating activities was SEK 17.9 (27.5) million for the quarter.
- Cash and cash equivalents and financial investments amounted to SEK 414.3 (223.5) million at the end of the quarter.

Full year 2017

- Revenue increased with 18 percent to SEK 589.3 (501.3) million for the full year.
- Operating profit excluding non-recurring costs for the full year increased to SEK 135.4 (121.6) million, corresponding to an operating margin excluding non-recurring costs of 23.0 (24.3) percent.
- Operating profit for the full year decreased to 103.7 (118.8) million, equivalent to an operating margin of 17.6 (23.7) percent.
- Earnings per share decreased to SEK 4.73 (5.95) for the full year.
- Cash flow from operating activities amounted to SEK 116.6 (128.1) million for the full year.



October - December 2017

(Fourth quarter previous year in brackets)

- Revenue, SEK 152.7 (135.7) million
- Revenue growth, 13 (8) %
- Revenue growth, currency adjusted, 15 (5) %
- Operating profit excluding non-recurring costs, SEK 40.6 (34.6) million
- Operating profit, SEK 23.5 (33.5) million
- Operating margin excluding non-recurring costs, 26.6 (25.5)%
- Operating margin, 15.4 (24.7) %
- Net profit after tax, SEK 18.1 (26.6) million
- Earnings per share, SEK 0.97 (1.67)
- Cash flow (from operating activities), SEK 17.9 (27.5) million
- Cash and cash equivalents and financial investments, SEK 414.3 (223.5) million

Anders Lidbeck, President and CEO comments:

Record profit

In many ways, 2017 was the best year in Enea's history. We have never achieved a better operating profit before non-recurring costs, nor have we had such a strong operating margin. We also achieved double-digit growth over 2016—and have now achieved year-over-year growth for 14 consecutive quarters—and we finished the year delivering the highest operating profit before non-recurring costs in the history of Enea.

However, at the end of January 2018, the arbitration board did report its ruling on the dispute that has been ongoing with one of our largest customers for several years. This ruling means we incurred the majority of the counterparty's expenses, which meant that 2017 was charged with SEK 16 million of non-recurring costs. Although this ruling does imply additional revenues for deliveries that the customer has not paid for since 2004, it is too early to specify the amount.

Target compliance in a very eventful year

At the beginning of 2017, we had just completed the acquisition of French software developer Qosmos, our largest acquisition to date. We knew that we needed to realize substantial margin improvements in the acquired entity to achieve our financial targets, and needed to retain key individuals, as well as preserving our growth. We reiterated our ambition of an operating margin of over 20 percent, but I wrote that we did expect a number of quarters to pass before we re-achieved it. I also wrote that we would be prioritizing revenue growth in new segments, because this is more important than margin expansion in a period when sales on Key Accounts are reducing. Summarizing 2017, I'm really satisfied with how the acquisition has progressed. It advanced our market positioning and opened up a new market for us within cybersecurity from day one, while also reinforcing our management and engineering capability. Very rapidly, Qosmos made a positive contribution to our top and bottom lines, and by the end of the year, this had reached our operating margin. Despite our efforts with the acquisition and integration process, and despite declining sales on Key Accounts, we achieved 18 percent sales gains in 2017 to SEK 589.3 (501.3) million. We achieved an operating margin of 23 percent before non-recurring costs, against 24.3 percent in 2016, and our operating profit before non-recurring costs was up by 11 percent to SEK 135.4 (121.6) million. Our profit including non-recurring costs of SEK 103.7 million is therefore very satisfactory.



Obviously, the significant non-recurring costs that were charged to profit in 2017 do adversely affect our earnings per share, why SEK 4.73 per share is also satisfactory.

Several exciting product launches

In 2017 we saw a strategic expansion of our product portfolio and several exciting product launches. In the fourth quarter, we also continued to invest in our offering at the same level as previously. Continuing to develop our offering is not just about adding new technology content, but also bringing it to market.

Our Global Services business, which faced major challenges in the year, returned to growth in the fourth quarter. In this quarter, we also released two case studies presenting concrete examples of how customers in different sectors are benefiting from Enea's expertise and service offering.

One of these case studies is about how Enea helps ESA, the European Space Agency, on advanced data communication in satellite applications.

In the NFV segment, we launched our Core and Access platforms in previous quarters, and in the quarter, we worked actively on building partnerships with hardware and software producers that may become core elements of the ecosystem emerging around these platforms. We continued our collaboration with Taiwanese hardware developer Lanner, and deepened our collaboration with Swedish company Clavister, where we will be integrating and testing our solutions in SDN/NFV jointly. We also continued our well-established collaboration with semiconductor producer ARM, participating in ARM's Tech Symposia in the quarter, and were present on ARM's stand at the Embedded Technology Expo, both held in Japan. While developing our relationship with ARM, we will continue to operate as an independent software vendor, and also prioritize maintaining and developing a good collaboration with ARM's competitor Intel, the world's largest semiconductor manufacturer. The webinar on NFV that we executed jointly with Intel and leading sector analysts is one example of this.

Even if we are devoting energy to new, future-oriented initiatives, it is obviously crucial that we keep developing the business around our real-time operating system OSE, which will remain a cornerstone for us. In the fourth quarter, we released a white paper and video production focusing on multicore processor for execution environments, where OSE is one of our core components. We should not forget that our business within embedded operating systems, combined with our DPI business, is funding our investments in NFV.

Future prospects

We are continuing our endeavor to build a larger and stronger company that delivers increasing value for our customers, employees and shareholders. The transformation process currently underway is positive for Enea, reducing our dependency on a single product and a few major customers. Acquisitions that strengthen our market position and long-term earnings ability are a key part of this process and despite our expectation of reduced income from our Key Accounts, the objective is to keep growing the company with good profitability and sound cash flow.

In 2017, we grew revenue by 18 percent year over year, simultaneously with sales on our largest account falling by close to 10 percent. We expect this latter trend to continue through coming years, and it may increase or decrease depending on this customer's success with products that embed our technology. First and foremost, the negative trend is a consequence of wider usage of open source, and our growth needs to compensate for this decline to grow Enea overall. The dispute we have had for several years, like the dispute that is still ongoing because of one customer unilaterally implementing a price reduction, does still imply some uncertainty.



Our objective for the full year 2018 is to achieve revenue growth, and improved operating profit compared to 2017. We expect the operating profit improvement in the second-half-year 2018.

Press and analyst meeting

Press and financial analysts are invited to a press and analyst meeting where Anders Lidbeck, President and CEO, will present and comment on the report.

Time: Thursday February 8 at 08:30 am CET.

Link: <http://www.financialhearings.com/event/10478>

Phone number: SE: +46850639549 UK: +442030089807

The full report is published at www.enea.com/investors

This information is information that Enea AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set below, on February 8, 2018 at 7.20 CET.

For more information visit www.enea.com/investors or contact:

Anders Lidbeck, President & CEO

E-mail: anders.lidbeck@enea.com

Julia Steffensen, Executive Assistant

Phone: +46 70 971 03 33

E-mail: julia.steffensen@enea.com

About Enea

Enea develops the software foundation for the connected society. We supply open-source based NFVI software platforms, embedded DPI software, Linux and real-time operating systems, and professional services. Solution vendors, Systems Integrators, and Service Providers use Enea to create world-class networking products and services. More than 3 billion people around the globe already rely on Enea technologies in their daily lives. Enea is listed on Nasdaq Stockholm.

For more information: www.enea.com

Enea®, Enea OSE®, Netbricks®, Polyhedra®, Zealcore®, Enea® Element, Enea® Optima, Enea® LINX, Enea® Accelerator, Enea® dSPEED Platform and COSNOS® are registered trademarks of Enea AB and its subsidiaries. Enea OSE®ck, Enea OSE® Epsilon, Enea® Optima Log Analyzer, Enea® Black Box Recorder, Polyhedra® Lite, Enea® System Manager, Enea® ElementCenter NMS, Enea® On-device Management and Embedded for Leaders™ are unregistered trademarks of Enea AB or its subsidiaries. Any other company, product or service names mentioned above are the registered or unregistered trademarks of their respective owner.

© Enea AB 2018