



PRESS RELEASE

INTERIM REPORT APRIL - JUNE 2018

STOCKHOLM, Sweden, July 19, 2018 Enea® (Nasdaq Stockholm: ENEA)

Sharp increase in operating profit and earnings per share

Second quarter 2018

- Revenue in the second quarter was SEK 213.4 (148.5) million, equivalent to a 44 percent increase.
- Operating profit excluding non-recurring costs for the second quarter increased to SEK 45.9 (31.1) million, corresponding to an operating margin excluding non-recurring costs of 21.5 (20.9) percent.
- Operating profit for the second quarter increased to SEK 44.0 (22.6) million, equivalent to an operating margin of 20.6 (15.2) percent.
- Earnings per share increased to SEK 1.83 (0.96) for the second quarter.
- Cash flow from operating activities was SEK 95.2 (38.1) million for the quarter.
- Cash and cash equivalents and financial investments amounted to SEK 220.6 (260.2) million at the end of the quarter.

First six months of the year

- Revenue for the first six months of the year increased to SEK 383.6 (291.2) million.
- Operating profit excluding non-recurring costs for the first six months of the year increased to SEK 81.1 (58.5) million, corresponding to an operating margin excluding non-recurring costs of 21.1 (20.1) percent.
- Operating profit for the first six months of the year increased to SEK 71.0 (47.8) million, equivalent to an operating margin of 18.5 (16.4) percent.
- Earnings per share increased to SEK 2.77 (2.22) for the first six months of the year.
- Cash flow from operating activities was SEK 103.1 (68.5) million for the first six months of the year.



April - June 2018

(second quarter previous year in brackets)

- Revenue, SEK 213.4 (148.5) million
- Revenue growth, 44 (20) %
- Revenue growth, currency adjusted, 44 (17) %
- Operating profit excluding non-recurring costs, SEK 45.9 (31.1) million
- Operating profit, SEK 44.0 (22.6) million
- Operating margin excluding non-recurring costs, 21.5 (20.9) %
- Operating margin, 20.6 (15.2) %
- Net profit after tax, SEK 35.4 (16.9) million
- Earnings per share, SEK 1.83 (0.96)
- Cash flow from operating activities, SEK 95.2 (38.1) million
- Cash and cash equivalents and financial investments, SEK 220.6 (260.2) million

Anders Lidbeck, President and CEO comments:

A new record quarter

In many ways, the past quarter was one of the best in Enea's history. We reported higher operating profit than ever before. We reported higher earnings, in absolute terms and per share, than ever before, and Enea achieved the highest cash flow ever in a single quarter. We also set new records in terms of growth—revenue grew by 44 percent on the corresponding quarter of the previous year, and operating profit including non-recurring costs was up by as much as 95 percent on the corresponding quarter of the previous year.

Even if these record figures are largely due to the acquisition we completed at the end of the first quarter, this doesn't take away from the fact that the past quarter was one of the most profitable and successful the company has ever had. This is a direct result of our long-term work where we combine focused organic improvements with strategic acquisitions to create a stronger and more well-positioned company generating growing value for our owners.

A new Enea

Together, the two major acquisitions we have executed in the past two years have helped take Enea to a new level, and in some respects, it is a new Enea that is now emerging. Openwave Mobility enabled the product group we designate as Network Solutions to advance and become not only our fastest-growing, but also our largest, product area. In the second quarter, this area represented 51 percent of our total revenues, up from 30 percent in the corresponding period of the previous year. These acquisitions also mean our dependency on individual Key Accounts is continuing to reduce. At present, these sales make up 28 percent of total revenue, against 44 percent in the second quarter of the previous year. It's worth noting that during the quarter, we finally closed an agreement with the major customer that had previously implemented a unilateral price reduction, against the terms of our contract. The agreement means that Enea receives full payment according to contract, and clarifies the method of calculating future royalties. It is furthermore positive that we were able to reach another new agreement with the same customer for continued usage of Enea's real-time operating systems in the customer's 5G solutions. Despite this positive news, the long-term trend remains where the market for our operating system solutions are facing a growing presence of open source and where business with our largest customer continues to decline.



In a situation where traditional operating systems and other proprietary hardware-related software is levelling off, it will become easier for us to find growth with good margins higher up the software stack. Apart from operating system solutions, we now have a new flagship in our product portfolio, focusing on the management of mobile data traffic generally, and mobile video traffic in particular. Streamed video now makes up the majority of all mobile data traffic, and many of us keep an eye on the FIFA World Cup in our mobile devices this summer. Over a longer timeframe, this transformation is dramatic; for example, at the 2018 World Cup, there were twice as many mobile users streaming video than at the 2014 tournament in Brazil. These exploding traffic volumes present critical challenges for mobile operators—managing growing traffic volumes while simultaneously enhancing user experience and maintaining customer satisfaction with existing infrastructure. This is where the solutions for traffic management we acquired with Openwave Mobility play a key role. Our solutions for mobile traffic management help world-leading mobile operators maximize the utilization of mobile networks, while simultaneously limiting traffic peaks and optimizing user experiences for subscribers. Enea has been focusing on data communications and networking solutions ever since we were founded 50 years ago, and with the latest enhancements of our product portfolio, we take a major strategic step to address what is today's major challenges in mobile data communication.

The Network Solutions area also includes Enea's traffic classification and deep packet inspection solutions, where we were able to present a new, major deal in cyber security in the quarter. Additionally, we launched a new generation of our probe solution for cyber security, which captures detailed traffic information in real-time for next-generation security systems. At the world's largest cyber security trade show, we also presented a new partnership with Zyxel, who will be integrating and utilizing Enea's traffic classification software. In tandem with our traffic management product portfolio, traffic classification and cyber security are some of the growth engines of the new Enea that is emerging.

Just as in the first quarter, our Global Services business also progressed well. Revenue was up by 18 percent on the corresponding quarter of the previous year. Progress in Europe, with new customers and improved pricing, coupled with stabilization in the US, is the foundation of this growth. The global service business represented 17 percent of quarterly revenue, which is a significant change compared with the corresponding number of 31 percent, 24 months ago. This change is due to the acquired companies' high share of software revenues and is clearly positive for our gross margins.

Future prospects

Even if Enea shareholders can be pleased with the quarter we completed, one should also be aware that our business does vary between quarters, and that these variations have increased somewhat with the acquisitions we now have completed. The acquired entities have a higher percentage of new business, where individual contracts may be substantial, and with varying levels of repeat revenues.

We will be relentlessly continuing our efforts to build a larger and stronger company, delivering increasing value for customers, employees and shareholders. We are expecting to see growth in our new product areas, while sales to our largest customer remain in decline. The transformation we are undergoing is positive for Enea, with less dependence on a single major product and a



few Key Accounts. Acquisitions that strengthen our market positioning and long-term earnings capacity are an important part of this process, and despite our expectation of lower revenues from Key Accounts, our objective is still to keep growing the company with good profitability and healthy cash flows.

Our objective for the full year 2018, to achieve revenue growth and improved operating profit over 2017, remain.

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 July 19 at 08:30 am CEST

Link: <https://financialhearings.com/event/10480>

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The full report is published at www.enea.com

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About Enea

Enea develops the software foundation for the connected society. We provide solutions for mobile traffic optimization, subscriber data management, network virtualization, traffic classification, embedded operating systems, and professional services. Solution vendors, systems integrators, and service providers use Enea to create new world-leading 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

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