

PRESS RELEASE

Annual Statement 2018

Stockholm, Sweden, February 7, 2019 Enea® (Nasdaq Stockholm: ENEA)

A record year

Fourth quarter 2018

- Revenue in the fourth quarter was SEK 237.1 (152.0) million, equivalent to a 56 percent increase.
- Operating profit excluding non-recurring items for the fourth quarter increased to SEK 59.5 (39.8) million, corresponding to an operating margin excluding non-recurring items of 25.1 (26.2) percent.
- Operating profit for the fourth quarter increased to SEK 66.7 (22.8) million, equivalent to an operating margin of 28.1 (15.0) percent.
- Earnings per share increased to SEK 2.72 (0.93) for the fourth quarter.
- Cash flow from operating activities was SEK 42.3 (17.9) million for the quarter.
- Cash and cash equivalents and financial investments amounted to SEK 74.7 (414.3) million at the end of the quarter.

Full year 2018

- Revenue for the full year increased to SEK 830.3 (588.4) million.
- Operating profit excluding non-recurring items for the full year increased to SEK 192.5 (134.5) million, corresponding to an operating margin excluding non-recurring items of 23.2 (22.9) percent.
- Operating profit for the full year increased to SEK 188.9 (102.8) million, equivalent to an operating margin of 22.7 (17.5) percent.
- Earnings per share increased to SEK 7.33 (4.69) for the full year.
- Cash flow from operating activities was SEK 168.6 (116.6) million for the full year.

October - December 2018

(Fourth quarter previous year in brackets)

- Revenue, SEK 237.1 (152.0) million
- Revenue growth, 56 (12) %
- Revenue growth, currency adjusted, 49 (14) %
- Operating profit excluding non-recurring costs, SEK 59.5 (39.8) million
- Operating profit, SEK 66.7 (22.8) million
- Operating margin excluding non-recurring costs, 25.1 (26.2) %
- Operating margin, 28.1 (15.0) %
- Net profit after tax, SEK 52.5 (17.5) million
- Earnings per share, SEK 2.72 (0.93)
- Cash flow (from operating activities), SEK 42.3 (17.9) million
- Cash and cash equivalents and financial investments, SEK 74.7 (414.3) million

Anders Lidbeck, President and CEO comments:

Summarizing the fourth quarter and full year 2018 shows that in many respects, it was the best year in Enea's history. Never before have we delivered such high operating profit. Never before have we reported higher earnings per share. We also set a new growth record, with revenue increasing by 41 percent in 2018, and operating profit excluding non-recurring items up by 43 percent on 2017. Nor have our operating activities ever generated stronger cash flow than in 2018.

If in many respects, 2018 was a fantastic year, then the fourth quarter was a worthy conclusion to it. Year over year, revenue increased by a new record 56 percent in the fourth quarter, and operating profit excluding non-recurring items was up by 50 percent year over year. In the fourth quarter, we also reported the best quarterly earnings in Enea's 50-year history.

Our global software business also grew robustly in the fourth quarter, expanding by 72 percent on the corresponding period of the previous year. Year over year, sales outside key accounts "Worldwide Software Sales" were up by as much as 153 percent in the quarter, an increase largely driven by our acquisition of Openwave Mobility. Income from our key customers increased slightly compared to the third quarter of 2018, but they decreased compared with the same period last year. The long-term trend remains unchanged, and we think that these revenues will decrease in absolute terms through the coming years. In other words, our dependency on individual key accounts continued to reduce, and these revenues now represent 23 percent of total, compared to 40 percent in the corresponding quarter of the previous year. This is a major and substantial change for Enea, and it is obviously pleasing that we are achieving this with record growth and record earnings.

The beginning of a new epoch

We went into 2018 with a measure of pride and expectation. We had closed our books for 2017—also a record year—and in many respects, the best Enea had achieved to that date. We also realized that we would need an exceptional effort to exceed 2017. So, for several reasons, it was important for us to be able to announce the largest acquisition in our history as early as the first quarter 2018. We had previously discussed our endeavor to migrate higher up the software stack, to move higher up the value chain and get closer to our end-users. Our acquisition of Openwave Mobility was a clear step in

this direction. Over the past year, we have been able to see how things start to fall into place. This acquisition has been unified with the rest of Enea in a very good way, and is now generating earnings that fully match our plans and expectations. Our previous acquisition of the French company Qosmos is also stronger than ever before, as its earnings clearly show—sales in our new product areas are continuing to grow, and our network solutions product group is not only our largest in absolute terms, but also our fastest growing segment, with 55 percent of total revenues.

A stable platform for continued successes

Enea celebrated its 50th anniversary in 2018, and is now bigger and stronger than ever before, with a broader product portfolio, more stable customer base, better revenue mix and greater geographical presence.

Even if our center of gravity is currently in the Network Solutions product group, where we announced several major deals and new products in 2018, our historical inheritance within the Operating System Solutions segment remains an important component, and OSE is still Enea's single largest product. The inflow of new business was stable during the year, with several important contracts in areas such as 5G, and during the fourth quarter we announced a renewed three-year licensing agreement with a global leader in the professional mobile radio segment, which demonstrates the sustainable strength and endurance of this business unit.

The acquisitions that we have executed over the past three years have been central to our successes in recent years. At the end of the fourth quarter, we announced a new acquisition in the telecom application segment, focusing on policy management, authentication and management of subscriber information. The management of subscriber information, combined with authentication and policy management, will be some of the most critical components in next-generation mobile networks for building new business models and creating individualized and tailored services. Since our acquisition of Openwave Mobility, we enjoy leadership in data management for fifth-generation mobile networks, and this latest acquisition enhances and complements this segment with several key applications critical to the core elements of mobile networks. This acquisition lays the foundation of Enea's continued successes as a company, and brings stronger market positioning in telecom applications for fourth and fifth-generation mobile networks.

Future prospects

Another measure of Enea's positive development is that Nasdaq Stockholm, at the end of 2018, decided to move Enea up to the "Mid Cap" list due to the increase in Enea's market capitalization and that we thereby passed the limit values that apply. However while our shareholders should be pleased about a fantastic year and yet another positive quarter, we need to be aware that our business does vary between quarters, and that these variations increase with the acquisitions we have executed in recent years. The acquired entities have a higher percentage of new business, where individual contracts may be substantial, and with varying levels of repeat revenues. Acquisitions that strengthens our market position and long-term earnings capacity are important parts of our transformation process, and this evolution is fundamentally positive and momentous for the company. It is also this strategy that enables us, despite decreasing revenues from Key Accounts, to maintain the ambition to keep growing the company with good profitability and healthy cash flows.

Our objective for the full year 2019 is to achieve revenue growth over 2018 and an operating margin exceeding 20 percent.



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 7 at 08:30 am CET.

Link: <http://www.financialhearings.com/event/11467>

Phone number: SE: +46856642706 UK: +443333009262

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 7, 2019 at 7.20 CET.

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About Enea

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