



PRESS RELEASE

Interim report January – September 2019

Stockholm, Sweden, October 23, 2019 Enea® (Nasdaq Stockholm: ENEA)

Solid growth and profitability

Third quarter 2019

- Revenue amounted to SEK 250.2 (209.6) million, equivalent to a 19 percent increase.
- Operating profit excluding non-recurring items increased to SEK 63.5 (51.9) million, corresponding to an operating margin of 25.4 (24.8) percent.
- Operating profit increased to SEK 63.5 (51.2) million, equivalent to an operating margin of 25.4 (24.4) percent.
- Earnings per share increased to SEK 2.37 (1.84).
- On 9 July, Enea reported signing a multi-year , EUR 21.2 million contract on one of its key accounts.
- On 23 August, Enea announced that the company had issued 1,965,000 shares in a directed share issue raising proceeds of approximately SEK 271 million before transaction costs. This new share issue resulted in 10 percent dilution.

January - September 2019

- Revenue amounted to SEK 751.2 (593.2) million, equivalent to a 27 percent increase.
- Operating profit excluding non-recurring items increased to SEK 201.5 (133.0) million, corresponding to an operating margin of 26.8 (22.4) percent.
- Operating profit increased to SEK 197.7 (122.2) million, equivalent to an operating margin of 26.3 (20.6) percent.
- Earnings per share increased to SEK 7.21 (4.61).

Significant events after period end

- Enea made an early redemption of the bond loan of SEK 500 million from March 5 2018. In connection with this, the company signed a new bank loan of SEK 250 million over 3 years.



Comments from Jan Häglund, President and CEO

Enea's third quarter 2019 was a period of revenue and earnings growth. The strong growth by Network Solutions (revenue 38 percent higher than the same quarter last year) was particularly positive. Our latest acquisition, of a business unit developing policy and access control software, has progressed better than initial estimates. Even excluding this latest acquisition, Network Solutions grew organically by 6 percent, mainly from new customers and business in traffic management and cyber security.

Our dependence on Operating System Solutions continues to decrease. This product group contributed 23 percent of total turnover in the quarter, compared to 29 percent in the same period last year. Operating System Solutions' revenues were down 7 percent, a trend we expect to continue. The contract signed in July 2019 on one of our key accounts gives us predictable revenues over a four-year period. We foresee continued solid profitability in this segment and we'll keep realizing efficiencies and adapting our operations to customer needs and business volumes.

The Global Services unit, where we mainly help customers on advanced software development through our competence centers in Romania and the US, returned growth (7 percent) and improved profitability. Global Services contributed 15 percent of total turnover in the third quarter.

Direct sales of Policy and Access Solutions

Prior to the quarter, the acquired policy and access control unit operated through indirect sales via major system suppliers only. In July, we signed a contract with a major German operator, involving direct delivery of software products to this customer's cloud infrastructure. Our business model is a combination of software licenses, a multi-year support contract and installation and upgrade services. This new contract shows that we have the ability to sell policy and access solutions direct to operators, which complements our indirect sales model and gives us valuable contacts with more customers.

Optimization of video traffic

During August, we signed a large traffic management contract with an existing customer in South East Asia. This region is very exciting – traffic in mobile networks is growing fast, investment needs are increasing while subscribers demand that video services and social media work without delays and interruptions. Our traffic management solutions will reduce cost for our customer and improve the end-user experience for subscribers. We foresee continued positive development of the traffic management market as mobile subscribers across the world increase their requirements on performance and services in 4G and 5G networks.

Enea has a strong position on the traffic management market and our software runs in commercial networks across the world together with equipment from most of the major system providers. During the quarter, we have suffered from changes and delays in certain operator projects involving Huawei, which has resulted in lower revenues than forecasted. We expect these disturbances to continue, but we do not judge that this creates long-term risks for our market position.

Great interest for Enea's virtualization platform

We're seeing growing interest in our new platform for virtualizing small network units, deployed close to end-users (NFV Access). One of our first customers is CMC Networks, an enterprise operator in Africa and the Middle East. CMC Networks will use our software in its new enterprise communication solution, known as SD WAN. Our revenues increase with units in operation, from very limited levels in 2019. Alongside Intel and FlexiWAN, we recently demonstrated how open source applications can cut our customers' costs and increase their choice. We see growth potential in this segment, although the enterprise market for small-size unit virtualization is at an early stage.

More efficient capital structure

During August, we successfully completed a private placement to alter Enea's capital structure. The bond loan of SEK 500 million issued in 2018 was redeemed in advance in October 2019, reducing Enea's cost of capital. These changes will have a net positive effect on the company's earnings per share from 2020. Within our new capital structure, there's also scope to raise additional credit, which we may need for future acquisitions.

Future prospects

We have a positive view of the market for software in telecommunication and enterprise networks, although large contracts can create variations in financial results between individual quarters. We're investing in product development and innovation organic growth, while continuing to screen acquisition targets that can strengthen our market positioning and long-term earnings capacity.



Our goal for the full year 2019 is to achieve revenue growth on 2018, and an operating margin of over 20 percent

The full report can be found as an attachment in this press release and published on www.enea.com

Press and analyst meeting

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

Time: Wednesday October 23 at 08:30 am CET.

Link to Audiocast: <https://financialhearings.com/event/11502>

Phone number:

SE: +46 8 505 58353

UK: +44 333 3009262

US: +1 833 526 8381

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For more information contact:

Jan Häglund, President and CEO

E-mail: jan.haglund@enea.com

Renée Johnson, Executive Assistant

Telephone: +46 70 971 0178

E-mail: renee.johnson@enea.com

About Enea

Enea is a world-leading supplier of innovative software components for telecommunications and cybersecurity. Focus areas are cloud-native, 5G-ready products for mobile core, network virtualization, and traffic intelligence. More than 3 billion people rely on Enea technologies in their daily lives. Enea is listed on Nasdaq Stockholm. For more information: www.enea.com

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