



## PRESS RELEASE

Stockholm, October 21, 2015

Enea (NASDAQ OMX Nordic: ENEA)

# Interim Report, July – September 2015

## Continued growth in revenues and profit

**Enea increased its operating profit and operating margin in the third quarter. Revenue growth was also good, while earnings per share were also higher than the corresponding quarter of the previous year.**

- Net sales in the third quarter amounted to SEK 117.7 (105.0) million, an increase of 12 percent. Sales for the first nine months of the year increased to SEK 355.3 (310.0) million.
- Operating profit for the third quarter increased to SEK 27.9 (23.9) million, corresponding to an operating margin of 23.7 (22.8) percent. Operating profit for the first nine months of the year increased to SEK 77.7 (64.6) million, equating to an operating margin of 21.9 (20.8) percent.
- Earnings per share rose to SEK 1.29 (1.16) for the third quarter and SEK 3.77 (3.13) for the first nine months of the year.
- Cash flow from operating activities was SEK 17.5 (17.9) million for the quarter and SEK 85.8 (77.7) million for the first nine months of the year. Cash and cash equivalents and financial investments amounted to SEK 193.4 (184.7) million at the end of the quarter.

## July to September 2015

*(third quarter previous year in brackets)*

- Net sales, SEK 117.7 (105.0) million
- Revenue growth, 12 (8)%
- Revenue growth, currency adjusted, 6 (6)%
- Operating profit, SEK 27.9 (23.9) million
- Operating margin, 23.7 (22.8)%
- Net profit before tax, SEK 27.7 (24.3) million
- Net profit after tax, SEK 20.6 (18.8) million
- Earnings per share, SEK 1.29 (1.16)
- Cash flow (from operating activities), SEK 17.5 (17.9) million
- Cash and cash equivalents and financial investments, SEK 193.4 (184.7) million



### **Anders Lidbeck, President and CEO comments:**

“The first half-year 2015 progressed well for us, and the third quarter maintained the same tempo. Operating profit for the third quarter was up by 17 percent on the corresponding period of the previous year. In the third quarter of 2015, like the first and second quarters, we also set operating profit records for these periods, not only in year-on-year terms, but for the whole of Enea’s history. The third quarter was the tenth consecutive quarter of year-on-year profit growth, and the sixteenth consecutive quarter of margin expansion.

Sales also made satisfactory progress in the quarter, with 12 percent growth on the corresponding period of the previous year. This is our fourth consecutive quarter of double-digit revenue growth. However, the currency-adjusted growth was 6 percent in year-on-year terms. Primarily, the difference is due to us having one-third of our revenues in US dollars, and the dollar being 26 percent stronger against the Swedish krona than in the corresponding period of the previous year. The Swedish krona has also depreciated against the euro compared to the same period of the previous year, which also affects us to some extent. However, our currency exposure on the profit line is fairly modest, because our revenues and expenses are well allocated between different currencies within the framework of our global business. This is corroborated by our operating profit growth of 17 percent, and earnings per share increase of 11 percent in the third quarter, in year-on-year terms. Our profit gains are due to revenue growth coupled with continuous work on identifying and implementing productivity improvements right across our business. At the end of the quarter, we altered our sales organization in Germany. We also expanded the capacity of our Nordic sales organization. All the expenses for these changes were charged to third-quarter profits.

Once again, we exceeded 20 percent growth in year-on-year terms in our global service business, as well as sequential growth on the previous quarter. This is the sixth consecutive quarter of double-digit growth and the fifth consecutive quarter of growth exceeding 20 percent on the corresponding quarter of the previous year. Product-related service sales are continuing to grow, even if growth was somewhat more restrained in the third quarter. The high demand for expert services associated with our products is a consequence of a growing number of solutions being based either on open source, or a combination of open source and proprietary software. Additionally, our customers are continuously seeking more cost-efficient ways to execute their projects. In overall terms, our service business is continuing to outgrow our software business, which is the main reason for our third-quarter gross margin (67.8 percent) being lower than the corresponding quarter of the previous year (72.4 percent). We also have a good net margin in our service business. Expert know-how, not confined to our own products, but also the capacity to deliver integrated projects effectively and with high quality, is, and will remain, a key component in a world where open source is getting more important. Accordingly, we’ll keep developing our global service business, and in the third quarter, we opened our second start-up in Romania, in the University town of Iasi, to ensure our access to competence.

Our software business grew by 5 percent in the third quarter, in year-on-year terms. Revenues from key accounts decreased somewhat on the previous year. These revenues remain heavily dependent on royalty revenues, which were stable in year-on-year terms. In our software business, our realignment to generating a growing share of revenues outside our major accounts continues. In the third quarter, we achieved growth of over 20 percent for the fifth consecutive quarter in what we designate as Worldwide Software Sales. After the third quarter, rolling 12-month growth in this segment was as high as 41 percent, which means that software sales and the associated product-related services within Worldwide Software Sales, are Enea’s highest-growth segment. We are delighted about this, and it is important for the company that we continue to advance our market positioning quarter by quarter by winning new contracts and new business customers. In the third quarter, we signed an agreement with a Russian corporation, which has selected our proprietary operating system Enea OSE to install in a spacecraft as part of an ongoing European space program. To be selected as part of such a demanding and high-profile project offers yet more recognition of Enea OSE’s quality and characteristics.



Our second major realignment, which is about creating a product portfolio with more offerings based on open source, and to secure ourselves more deeply in relevant multinational open source collaborations, is also continuing at an undiminished pace. Several interesting developments occurred in the past quarter, which have various links to our commitment to the Linux Foundation, where we were already a silver member. At the end of the summer, Enea was present as a sponsor and exhibitor at LinuxCon North America. To be a visible component of the growing Linux community in this manner is critical to our brand and general recognition of Enea. Another noteworthy event was that alongside our partners in the ARM ecosystem<sup>1</sup>, and within the Linux Foundation's "OPNFV" project<sup>2</sup>, we have now set a new course focusing on ARM as a platform. Because much of our commitment associated with what we call "COSNOS"<sup>3</sup> is based on ARM as a platform, naturally the advance of this ecosystem is really important to us. We also saw growing interest for training in LINUX in the previous quarter—even if this is a segment where we already had an established collaboration with the LINUX Foundation. Just as in previous quarters, we are continuing to invest right across our offering—a product portfolio that now extends from proprietary software, as well as new, emerging components based on open solutions and open source. Our investment in product development increased by 7 percent year on year.

We are continuing our endeavor to build a bigger and even stronger company that delivers greater value for customers, employees and shareholders. The trends and changes that we are seeing on the market, not least associated with open solutions, do increase the risks for us. We are addressing this by being part of these changes, and executing the realignment and focuses reviewed above. We will also be accelerating our business development work to secure in-depth strategic alliances. With strong finances, good cash flows and far stronger market positioning in emerging technology segments, we are prepared for these changes, and view the future with confidence.

Our objective for the full year 2015 remains to achieve revenue growth, and we expect earnings per share to improve compared to 2014."

1) ARM is both the name of a processor architecture, and the company behind this architecture. Around these there is an ecosystem of different companies that build hardware or software with the aim of systems based on ARM architecture.

2) Open Platform for NFV (abbreviated "OPNFV") is a project initiated by the Linux Foundation with the objective to develop a platform for NFV solutions, based on open source.

3) "COSNOS" ("Carrier-grade open source network operating system") is a concept that Enea announced in May this year, which aims to develop a software platform for next-generation virtualized network functions. COSNOS builds on the work that Enea do around OPNFV with the aim of ARM-based systems.

## **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: Wednesday October 21 at 08:30 am CET.

Link: <http://financialhearings.nu/151021/enea/>

Phone number: SE: +46856642661, UK: +442034281402

The full report is published at [www.enea.com/investors](http://www.enea.com/investors)

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For more information visit [www.enea.com/investors](http://www.enea.com/investors) or contact:

Anders Lidbeck, President & CEO  
E-mail: [anders.lidbeck@enea.com](mailto:anders.lidbeck@enea.com)

Sofie Dåversjö, Investor Relations  
Phone: +46 70 971 40 05  
E-mail: [sofie.daversjo@enea.com](mailto:sofie.daversjo@enea.com)

### **About Enea**

Enea is a global supplier of network software platforms and world class services, with a vision of helping customers develop amazing functions in a connected society. We are committed to working together with customers and leading hardware vendors as a key contributor in the open source community, developing and hardening optimal software solutions. Every day, more than three billion people around the globe rely on our technologies in a wide range of applications in multiple verticals – from Telecom and Automotive, to Medical and Avionics. We have offices in Europe, North America and Asia, and are listed on NASDAQ OMX Nordic Exchange Stockholm AB. Discover more at [www.enea.com](http://www.enea.com) and start a conversation at [info@enea.com](mailto:info@enea.com).

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