



## PRESS RELEASE

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Enea (NASDAQ OMX Nordic: ENEA)

# Interim Report April – June 2016

## A strong quarter for software sales outside Enea's Key Accounts

**Enea improved revenue, operating profit and operating margin in the second quarter 2016. Enea reported a stable operating margin of over 20 percent and increased earnings per share.**

- Revenue in the second quarter were SEK 124.1 (120.2) million, a 3 percent increase. In the first six months of the year, revenue increased to SEK 244.9 (237.6) million.
- Operating profit for the second quarter was up to SEK 28.8 (26.5) million, corresponding to an operating margin of 23.2 (22.1) percent. Operating profit for the first six months of the year rose to SEK 55.8 (49.8) million, corresponding to an operating margin of 23.2 (22.1) percent.
- Earnings per share were up to SEK 1.48 (1.30) for the second quarter, and SEK 2.86 (2.49) for the first six months of the year.
- Cash flow from operating activities was SEK 41.1 (54.7) million for the quarter and SEK 79.9 (68.4) million for the first six months of the year. Cash and cash equivalents and financial investments amounted to SEK 196.6 (187.6) million at the end of the quarter.
- Enea paid SEK 4.20 (3.60) per share through an automatic redemption program on 14 June, which corresponds to a transfer of SEK 66.8 (57.8) million to shareholders.

## April to June 2016

*(second quarter previous year in brackets)*

- Revenue, SEK 124.1 (120.2) million
- Revenue growth, 3 (16) %
- Revenue growth, currency adjusted, 4 (8) %
- Operating profit, SEK 28.8 (26.5) million
- Operating margin, 23.2 (22.1) %
- Net profit after tax, SEK 23.5 (20.8) million
- Earnings per share, SEK 1.48 (1.30)
- Change in earnings per share, 14 (19) %
- Cash flow (from operating activities), SEK 41.1 (54.7) million
- Cash and cash equivalents and financial investments, SEK 196.6 (187.6) million



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

### **“New business**

Going into 2016, our target was to keep our operating margin stable at levels above 20 percent, and with the ambition to keep increasing our earnings in absolute terms, and earnings per share, on 2015. Looking back at the second quarter, we achieved an operating margin of 23.2 (22.1) percent, and a 14 percent increase in earnings per share to SEK 1.48 (1.30). Operating profit for the quarter was SEK 28.8 million, a 9 percent increase compared with the same period last year. This means that for the first half-year 2016, we increased operating margin to 22.8 (21.0) percent and increased operating profit by 12 percent to SEK 55.8 (49.8) million in the quarter compared to the corresponding period of 2015. In the same period, earnings per share increased by 15 percent.

Revenue increased by 3 percent on the corresponding quarter of the previous year. Revenues from our services business progressed well, representing 31 percent of revenues in the quarter. At the beginning of the quarter, we secured a major new deal in the US within our services business, which we will continue to deliver in the third quarter. As I have written many times previously, expert knowledge, not only confined to our 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 becoming ever more significant. Accordingly, our service business will become strategically more central to Enea. But once again, it is our software business outside Key Accounts that is in the highest growth in year-on-year terms, and growing in North and South America, Europe and Asia. We are in the midst of a clear realignment. Revenues from Key Accounts are continuing to reduce as a share of total, while once again, we achieved growth of over 20 percent in Worldwide Software Sales compared to the corresponding period of the previous year. This means that for the quarter, Worldwide Software Sales represent 24 percent of revenues compared to 14 percent just over two years ago. This is a major change for Enea, and we are really satisfied to have achieved this with increasing profit margins.

### **An award-winning team**

The market for building the communication systems of the future is in fundamental transformation, and it is critical that Enea is part of this process. This is why we are continuing to make substantial investments in our product portfolio and offering to the market.

In the first half-year, we invested over SEK 43 million in what we refer to as product development, and expect to maintain this tempo in the second half-year. We are continuing to invest in our proprietary products, and solutions based on open source. In recent quarters, our work has included producing an ARM variant of the new version of the OPNFV platform known as Brahmaputra, which is the second—and thus enhanced—release of this platform. We have managed this project in close partnership with ARM, and in the past quarter, we were able to demo the results of this process at the NFV World Congress in San Jose. Our work on OPNFV and Brahmaputra has attracted attention in several contexts, and our team received the Director’s Award at the OPNFV Summit in Berlin in the quarter for their efforts.

It is very satisfying that Enea’s efforts and professionals have been recognized in this way. Congress delegates were also able to see Enea and Red Hat experts presenting the ongoing security process in the OPNFV project. This is a direct result of our commitment to selected open source projects, where we have played a leading role in security on the OPNFV and Yocto projects. We are now continuing our work on Colorado, the third—and further enhanced—release of the OPNFV platform, scheduled for release in autumn 2016.

### **New, exciting projects**

Apart from our work within open source and projects based on open source, we also worked intensively on our own products in the quarter. We completed the new version of our Element product, with a retained focus of what we usually refer to as on-device management—a segment where we see new opportunities, not least in NFV contexts. We have also worked intensively on our portfolio of operating system solutions, and completed new versions of Enea OSE and Enea Linux in the quarter. Operating systems remain the backbone of our product portfolio, and we are continuing to secure new customers with our flagship OSE.



The fundamental technology and market trends are clear, and we are focusing just as clearly on being part of these trends by developing new technology segments and new business models, simultaneous with continuing to develop our existing business. By enhancing, expanding and integrating the various products and solutions we possess, and by still actively screening acquisitions, we are building a progressively stronger position in a really attractive market. So we can combine substantial investments in our product portfolio with continued earnings growth, our long-term strategy is to continuously optimize our organization. We are continuously seeking new ways to make our organization more effective and competitive with a retained focus on excellence, quality and our customers. We are continuing our endeavour to build a bigger and stronger company, which delivers increasing value to customers, employees and shareholders. With strong finances, good cash flows and a more secure market position, we view the future with confidence.

We are reiterating our objective of achieving revenue growth for the full year 2016, and we expect earnings per share to improve compared to 2015.”



## 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 July 20 at 08:30 am CEST.

Link: <http://www.financialhearings.nu/?160720/enea>

Phone number: SE: +46 856642669, UK: +44 2030089804

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:**

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## 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 Stockholm. 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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