



PRESS RELEASE

Stockholm, October 26, 2016

Enea (NASDAQ OMX Nordic: ENEA)

Interim Report July – September 2016

High growth continues in software sales outside Enea's Key Accounts

Enea's revenue, operating profit and operating margin improved on the corresponding period of the previous year. Earnings per share were up by 11 percent compared to the corresponding period of the previous year.

- Revenue in the third quarter was SEK 120.1 (117.7) million, equivalent to a 3 percent increase. In the first nine months of the year, revenue increased to SEK 365.6 (355.3) million.
- Operating profit for the third quarter was up to SEK 29.6 (27.9) million, corresponding to an operating margin of 24.5 (23.7) percent. Operating profit for the first nine months of the year rose to SEK 85.3 (77.7) million, corresponding to an operating margin of 23.3 (21.9) percent.
- Earnings per share were up to SEK 1.42 (1.29) for the third quarter, and SEK 4.28 (3.77) for the first nine months of the year.
- Cash flow from operating activities was SEK 20.7 (17.5) million for the quarter and SEK 100.7 (85.8) million for the first nine months of the year. Cash and cash equivalents and financial investments amounted to SEK 215.8 (193.4) million at the end of the quarter.
- At the end of October, Enea signed an agreement to acquire Qosmos, a French Network Intelligence software specialist. For more information see page 16.

July to September 2016

(third quarter previous year in brackets)

- Revenue, SEK 120.7 (117.7) million
- Revenue growth, 3 (12) %
- Revenue growth, currency adjusted, 1 (6) %
- Operating profit, SEK 29.6 (27.9) million
- Operating margin, 24.5 (23.7) %
- Net profit after tax, SEK 22.6 (20.6) million
- Earnings per share, SEK 1.42 (1.29)
- Change in earnings per share, 11 (11) %
- Cash flow (from operating activities), SEK 20.7 (17.5) million
- Cash and cash equivalents and financial investments, SEK 215.8 (193.4) million



Anders Lidbeck, President and CEO comments:

“Results of operations

Enea made positive progress in the first nine months of the year. Going into 2016, our target was to keep our operating margin stable at levels above 20 percent, with the ambition to keep increasing our earnings in absolute terms, and per share, on 2015. Looking back at the third quarter, we achieved an operating margin of 24.5 (23.7) percent, and an 11 percent increase in earnings per share to SEK 1.42 (1.29). Operating profit for the quarter was SEK 29.6 million, a 6 percent increase compared to the corresponding period of the previous year. This means that for the nine-month period, we increased operating margin to 23.3 (21.9) percent and operating profit by 10 percent to SEK 85.3 (77.7) million in the quarter compared to the corresponding period of 2015. In the same period, earnings per share rose by just over 13 percent.

Growth still strong in Worldwide Sales

Revenue increased by 3 percent on the corresponding quarter of the previous year. Revenue from our services business progressed well, representing 33 percent of revenue in the quarter. This is the same share as in the corresponding period of the previous year. In the second quarter, we secured a major new deal in the US within our services business, which we continued to deliver in the third quarter. Our service business is becoming more important to us strategically. Expertise and the capacity to deliver integrated projects effectively and with high quality are, and will remain, key factors in a world where open source is becoming ever more significant.

But once again, it's our software business outside Key Accounts that is in the highest growth. We are growing fastest in Asia, where we reported high double-digit growth figures for the quarter compared to the corresponding period of the previous year. Revenue from Key Accounts are continuing to reduce as a share of total, and in absolute terms. This means that for the quarter, Worldwide Software Sales represent 20 percent of revenue compared to 15 percent two years ago. This is a major change for Enea, and we're really satisfied to have achieved this with increasing profit margins.

The migration to open source will impact on us

We're undoubtedly in the midst of major change. The trend of proprietary software being increasingly replaced by open source remains strong, not least in the telecom industry. In my statement in the first quarter 2015, I wrote about how many solutions where open source comprised an increasing component of software content were demoed at the Mobile World Congress in Barcelona in 2015. This picture became still clearer at the MWC Barcelona 2016, and is also evident on our Key Accounts. On several occasions, we communicated that in time, this may have a negative impact on our royalty revenues, and we now think this will be evident in the coming years. We are noting how on some of our largest accounts, our preparatory operating systems are heading for phase-out in favor of open source. In the third quarter, one of our Key Accounts also saw its business perform negatively. Accordingly, it is reasonable to assume that revenue on Enea's Key Accounts will also reduce in absolute terms going forward. The migration to open source is nothing new in the software industry, and we commenced realignment towards creating a product portfolio with more offerings based on open source, combined with continued development of our proprietary software, some time ago. We've

also been an active participant in several open source projects for several years now, and a lot of our business is already based on solutions wholly or partly consisting of open source. The equally clear telecom industry trend of virtualizing network function, based on increasingly decoupling software from hardware, is also largely based on open source and standard hardware. Even if this greater open source content does mean the share of royalty-based revenues reducing, this same technology paradigm shift creates business opportunities for us and our ambition to be a leader of this process.

Our work on developing new technology segments and new business models is continuously ongoing, and the third quarter was no exception. We are continuing to advance our positioning—not least on NFV as a technology segment, and ARM as a hardware platform and ecosystem. From



this perspective, the third quarter was eventful, not least considering Softbank's acquisition of ARM Holdings. Big mergers usually consume time and energy, with repercussions for all parties involved and the surrounding ecosystems. So the fact that this merger went ahead quickly and smoothly in the quarter was good news for the whole ARM ecosystem, which Enea is part of. It sharpens our focus on investing in ARM as a hardware platform and partner. We also saw further corroboration of this at ARM's partner meeting in the quarter, where Enea was a key participant on the infrastructure side. Several of the projects Enea is directly involved were in focus during keynotes and presentations, including the OPNFV project, where we're a leader in the ARM ecosystem. The release in the third quarter isn't just a key milestone for our ongoing collaboration with ARM, but also a key component of the NFV solutions that we're now discussing with a number of operators in different global regions.

Future prospects

Despite our expectation of lower royalty revenues going forward, we are retaining our objective of continuing to grow the company with good profitability. We are continuing our endeavor to build a bigger and stronger company, which delivers increasing value to customers, employees and shareholders.

We are addressing the expected lower revenues on key accounts by enhancing, expanding and integrating the various products and solutions we offer, and by continuing to actively pursue acquisitions that complement our current portfolio and advance our market positioning. At the beginning of the year, we acquired the operations of a small US product enterprise, and in October, Enea signed an agreement to acquire Qosmos, a French leader in IP traffic classification and network intelligence.

We are continuously exploring new ways to make our organization more efficient and competitive with a retained focus on specialist competence, quality and customers. With strong finances, good cash flows and a strengthened market position, we view the future with confidence. Our objective for the full year 2016 to achieve revenue growth and our assessment that earnings per share will improve compared to 2015 are unchanged."



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 26 at 08:30 am CEST.

Link: <https://wonderland.videosync.fi/2016-10-26-enea-q3-report>

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The full report is published at www.enea.com/investors

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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 and start a conversation at info@enea.com.

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