



Financial result Q2 2013

Anders Lidbeck, President and CEO

July 23, 2013

Agenda

- Enea intro
- Enea financials
- Way forward & Outlook



Enea is Powering
the Wireless
Broadband

Powering the Wireless Broadband

- The **market** for wireless communication is expanding **rapidly**.
- Enea is **global** software company showing revenue **growth** and high operating **profit** margins.
- Enea already holds a **world-leading position** on this market with proven high-performance solutions.
 - More than 250M of the 325M LTE population coverage is powered by Enea OS Solutions.
 - Enea OS Solutions run in more than half of the world's 8.2M radio base stations.

Numbers for 2012

TEN OFFICES
IN NORTH
AMERICA,
EUROPE AND
ASIA

REVENUE
467.8
MSEK



NO. OF
EMPLOYEES
415

OPERATING
PROFIT
15.5
PERCENT



Customer Trust

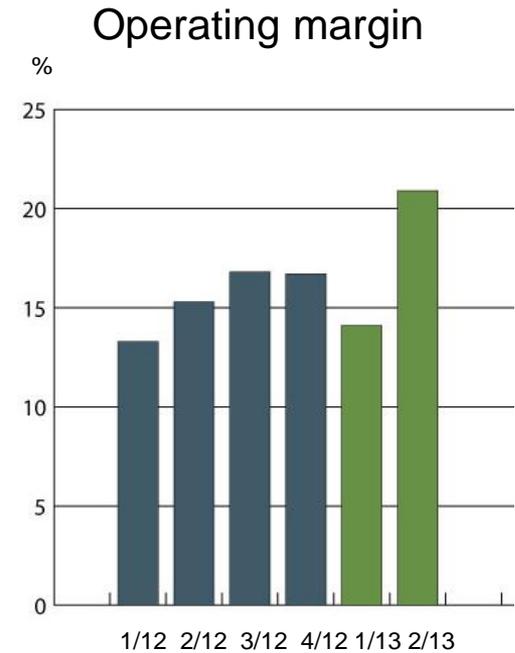


Q2 2013

Over 20% operating margin

	Q2/13	Q2/12
EBIT (MSEK):	22.0	18.4
Operating margin (%)	20.8	15.3
Earnings per share (SEK)	1.04	0.88

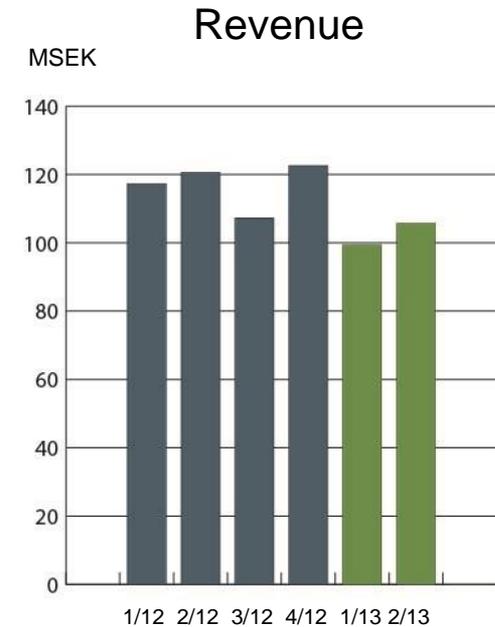
	H1/13	H1/12	FY/12
EBIT (MSEK):	36.0	34.1	72.5
Operating margin (%)	17.5	14.3	15.5
Earnings per share (SEK)	1.74	1.54	3.18



Slow Q213 Revenues

	Q2/13	Q2/12
Revenue (MSEK):	105.7	120.6
Growth (%)	-12.3	12.3
Growth (%) (excl. currency effects)	-9.6	8.1

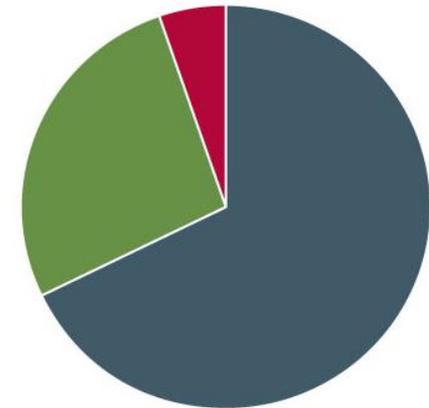
	H1/13	H1/12	FY/12
Revenue (MSEK):	205.1	238.0	467.8
Growth (%)	-13.8	7.7	4.9
Growth (%) (excl. currency effects)	-11.5	7.9	3.6



Revenue Down – Margin up

- **Europe:** Revenue and margins improved. Sales to key customers and software sales to other customers in Europe increased. Service sales in Romania decreased
- **North America:** Sales of services and sales of software were lower than last year. Profitability has decreased in both business areas.
- **Asia:** Sales in Asia are down in the first quarter while margins have improved. Both Japan and China saw lower net sales but higher profitability.

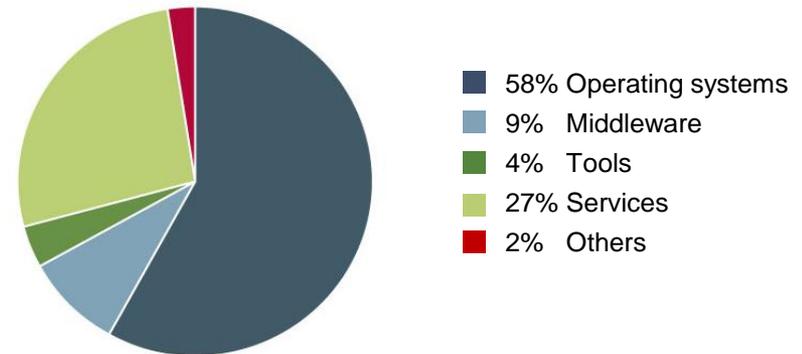
Revenue per geography (Q2 2013)



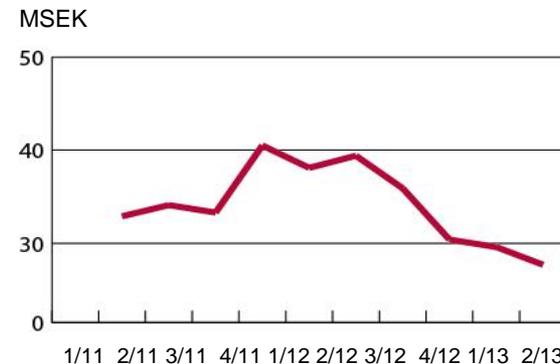
Services Revenue Drop – Big Win Signed

- **New customer signed** within secure electronic payments. The engagement will gradually ramp up to include 40 full time consultants in US and Romania. The potential contract value for the first year is estimated to 1.2 MUSD with an extension valued to 3.0 MUSD.
- Government and Defense industry in the US are affected by the political debate on **government spending**, resulting in lower investments.
- **Close down** of our Chinese services business in Q1.

Revenue per product (Q2 2013)

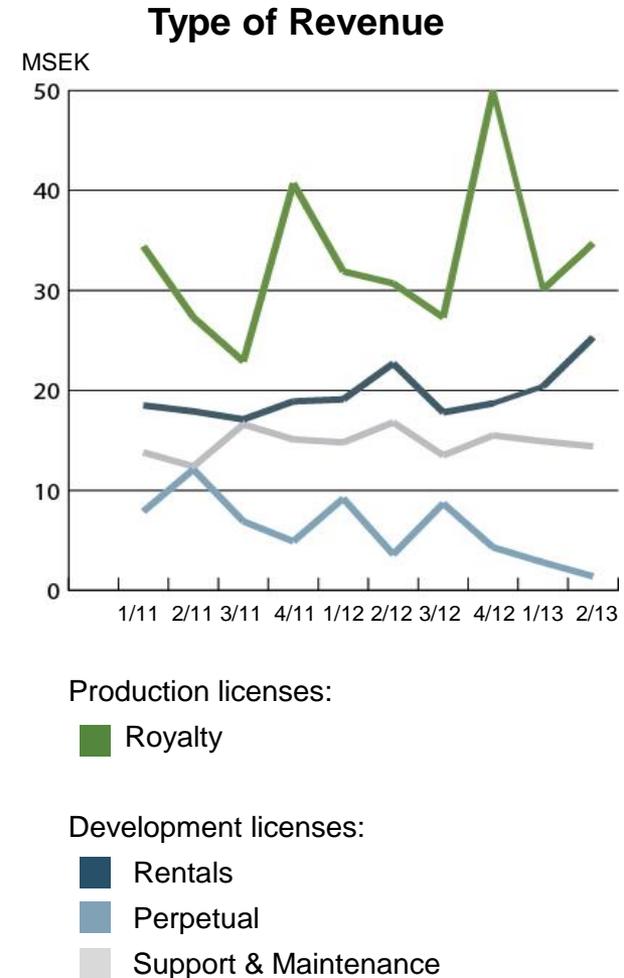


Service revenue



Product Sales – Increase of Rentals and Royalty

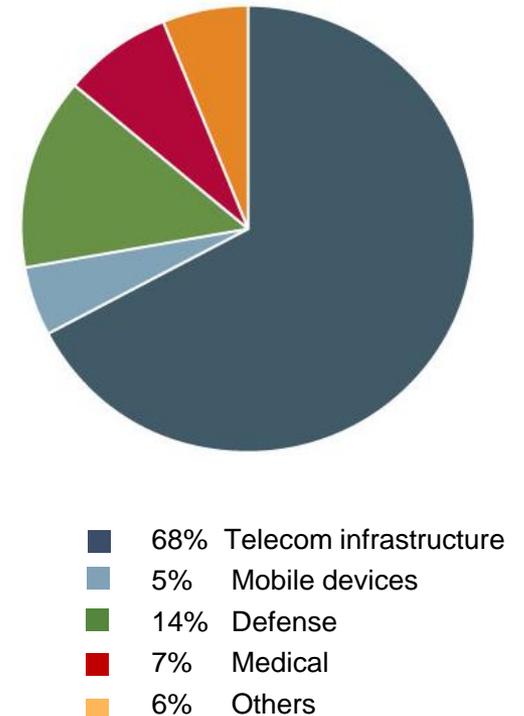
- **Rentals** has increased while **perpetual** licenses decreased. More rental than perpetual licenses is **good long-term** but is affecting revenue short-term.
- Customers are reporting **slightly higher production volumes**, resulting in higher royalty revenue in the quarter.
- **Price pressure**, more infrastructure capacity needed but operators cannot charge end customers, resulting in fewer or delayed new projects.



Important Wins in a Soft Market

- **Electrolux Small Appliances** chooses Enea Linux v3.0 for state-of-the-art embedded Linux solution in future appliances. In addition to providing the embedded Linux distribution, Enea will also deliver professional services and support.
- **A leading European telecom equipment manufacturer** has selected Enea's real-time operating system OSE for its mobile backhaul transport solution. The agreement includes licenses, product related services, support and maintenance to a value of 380 kEUR over three years. The customer will also pay royalty for each system sold.
- **A leading US provider of secure electronic payment solutions** is using Enea consultants in various development projects. A substantial share of the consultants will work with Linux related development. The potential contract value for the first year is estimated to 1.2 MUSD with an extension valued to 3.0 MUSD.
- **An Asia customer** has invested 250 kSEK in rentals for Polyhedra and Element to be used over three years.

Revenue per segment (Q2 2013)



Substantial **Product** Development

Enea OSE, real-time operating system

- version 5.7 adding significant **performance** upgrades and new functionality.
- The 64-bit edition now meets the need for increased buffering capabilities due to vastly **increased IP traffic** in today's telecom and network equipment.

Enea Linux, open source operating system

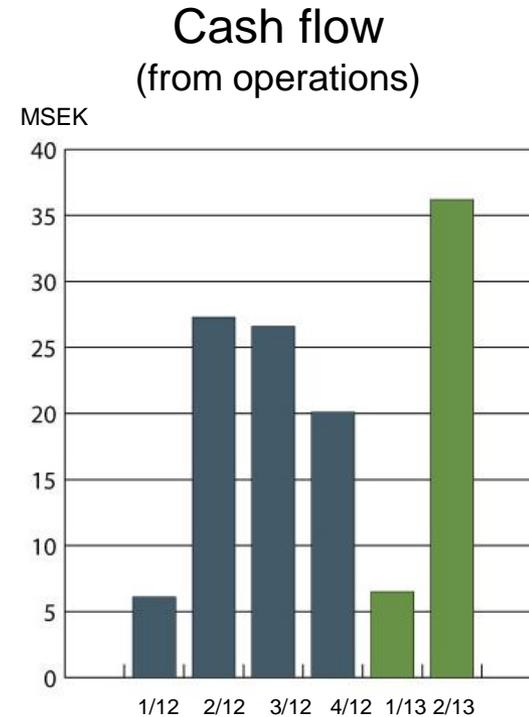
- **Real-time friendly** Linux for communications. Enea Linux v3.0 provides the best in class Linux support for **customized hardware**.

Enea Element, middleware

- Element 3.3.0 provides the ability to fully model all aspects involved in managing a device or system. The new version is also capable of running in IP-only network environments common to **cloud platforms**.

Strong Financial Position

- Cash flow from operations amounted to 36.2 (27.3) MSEK for Q2.
- Cash and cash equivalents at the end of the period were 175.1 (117.3) MSEK
- Enea has unused credits amounting to 92 MSEK
- The equity/assets ratio was 81.8 (78.9)%



Way Forward & Outlook

Continued **Investments** in Growth Areas

Real-time Operating Systems Solutions (Rtos and Linux)

- Recruitment of Linux expertise in R&D and Sales.
- Linaro membership with the ambition to become #1 on Linux for ARM.
- Partnership and collaboration with Xilinx.
- Currently 2-3 hot Linux prospects.

Middleware

- New version released
- New hires in the US R&D team
- Growing recurring revenue streams
 - Significant growth expectations 2014

Services

- Doubled the sales force in the US
- Increased the sales force in Europe
- Best pipeline in several quarters



Long Term **Ambition**

- Enea's ambition during **five years**, starting 2012, is to create a global software company with **significantly higher revenues**, high profitability, good cash flows and a large proportion of recurring revenues.
- Enea will be focusing on organic **growth**, but both strategic and supplementary acquisitions will be evaluated regularly. This growth **will vary** over the years and **between the quarters**, depending on when individual deals take place and the development of royalty revenue streams which are dependent on customers' sales volumes.
- The **operating margin** will vary in line with growth over the various quarters of the period. Our objective during this five year period is to achieve an operating margin of **20 percent**.

Booming Data Traffic – Challenging Prices



40% of the world's mobile traffic is handled through equipment supplied by Ericsson. Mobile data traffic doubled, according to Ericsson in 2012. But the company's revenue during the same period didn't increase.

From TeliaSonera's Annual Report: "The year was characterized by a continued increase in data traffic. Customer demand for bandwidth appears to be unlimited. At the same time customers' willingness to pay for voice calls decrease and the entire industry is struggling with the challenge to take advantage of the increasing data traffic in order to compensate for reduced voice revenues."



[Translated from Swedish]

Market Outlook

Outlook for 2013

We are experiencing a soft market but there are indications from the service organization that some stabilization could be expected.

Even if demand will remain low during the year, our assessment is that we will improve both our operating margin and our profit per share over the full year.

Thank You!

For further information, please contact:

- Anders Lidbeck, CEO,
anders.lidbeck@enea.com
- Håkan Rippe, CFO
hakan.rippe@enea.com
- Catharina Paulcén, SVP Marketing &
Communications
catharina.paulcen@enea.com
- Phone: +46 8 507 140 00



Enea is Powering the Wireless Broadband