



***ENEA***



# Enea Full Year Results 2008

**Åsa Landén Ericsson, CEO**  
**February 6, 2009**

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# Agenda

- **Corporate Overview**
- **Highlights and Financials 2008**
- **Market Outlook, Opportunities and Growth Factors**

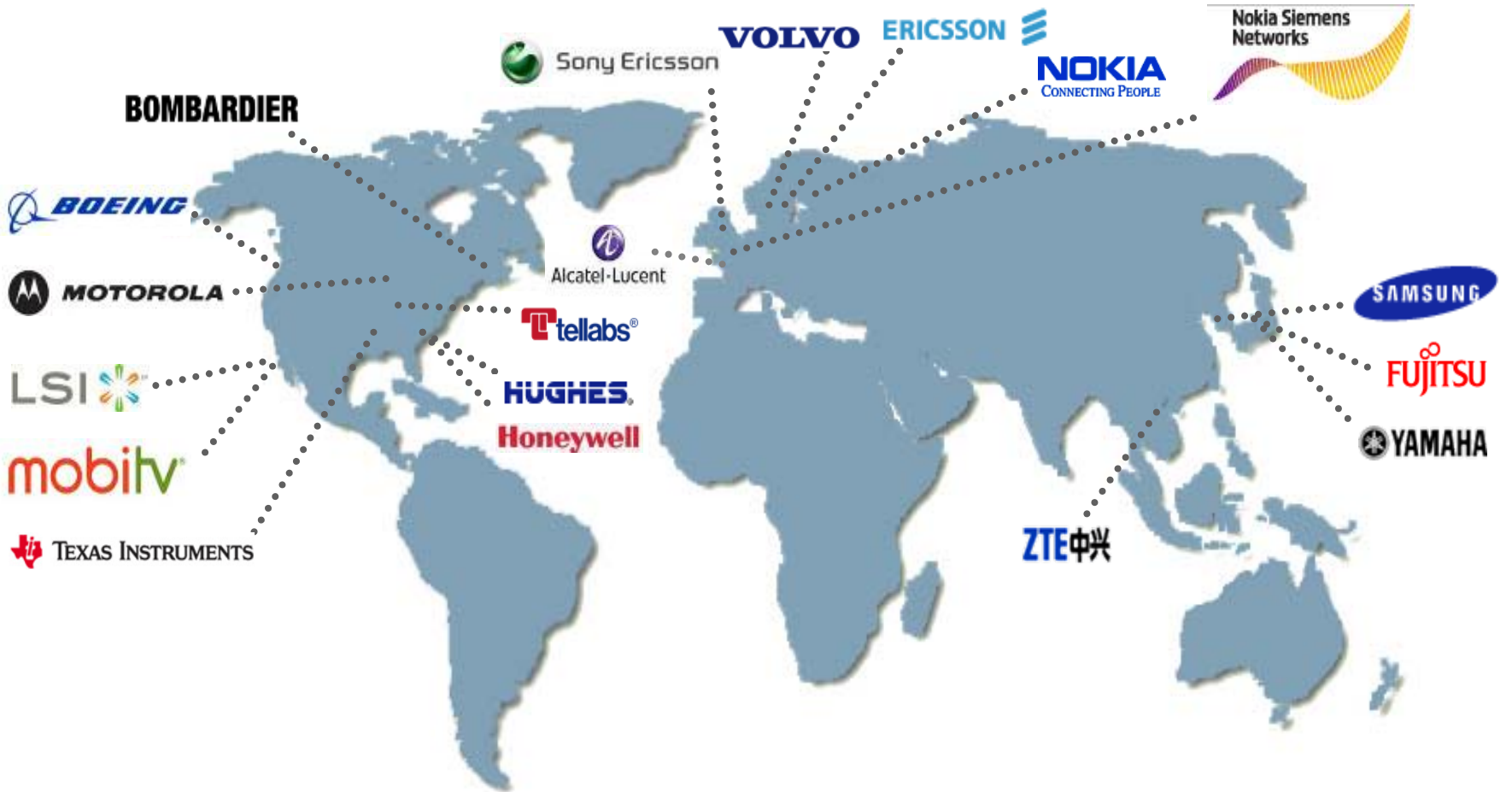




# Leader in Communications Software and Services

- Global software and services company focused on solutions for communication-driven products – since 1968
- Primary segments: telecom, avionics, automotive and med tech
- 750 employees: 500 in Sweden, 120 in Romania, 90 in the US and 40 in EMEA and Asia
- Listed on OMX Nordic Exchange in Stockholm
- Offices in North America, China, Japan, Sweden (HQ), France, Germany, Great Britain, Israel and Romania
- Our software:
  - is among the most widely deployed in the world
  - handles 5 billion phone calls every day
  - is installed in over 400 million new cell phones in 2008 alone

# Global Footprint – Global Customers



# Software Portfolio



- ▶ **Run-time software**
  - OSE™, Real Time Operating System Products Family
  - Polyhedra™, In Memory Database
  - Element™ Middleware Platform
  - LINX™ Communications Software
  - Enea dSPEED Platform™
  - Netbricks Protocols
- ▶ **Tools**
  - Optima™ Eclipse-based Software Development tools
  - Zealcore™ Eclipse-based System Debug tools
  - Illuminator™ Run-time analysis tools
- ▶ **Third party products**
  - Network protocol and security software
  - Linux
- ▶ **Platforms**
  - Enea Accelerator™, an integrated solution incl run-time software and third party products
- ▶ **Platform Services**
  - Evaluation, Design, Integration, Development, Test, Support and Maintenance



# Services Portfolio

- Over 550 professional services staff, located in Kista, Linköping, Lund, Bucharest, Nashua and Phoenix
- Focus on software development and test
- Competence centers
  - Linux
  - Mobile platforms
  - Middleware platforms
  - Software quality assurance (to be set up 2009)
- North American Services focused on mil/aero segment
- Romania provides high quality outsourcing services and incorporates part of Enea internal R&D



# Healthy Share of Recurring Revenue

## Software (~80%)

- Royalty
- Rental
- Perpetual
- Support & Maintenance

## Services (~20%)

- Time & Material
- Project assignments
- Fixed fee assignments





## 2008 at a Glance

- Acquisitions of IP Devel, Netbricks and ZealCore
- Launch of Enea Accelerator Platform 2.0 – software platform for carrier-grade systems. E.g., broadband access, VoIP, IPTV, gaming, streaming video
- Launch of OSE Multicore Edition
- Largest customized software deal in Enea history
- Expansion of Linux, middleware and wireless competence centers
- Expansion of middleware offering through membership of the OpenSAF Foundation



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## Fourth Quarter 2008

- Net sales grew by **9 percent** to 252 (232) MSEK
  - Organic growth 4 percent, 5 percent acquired
- Software sales grew by **18 percent** to 99 (84) MSEK
- Services and other revenue grew by **3 percent** to 153 (148) MSEK
- Operating profit decreased by **4 percent** and amounted to 23 (24) MSEK. The operating margin was 9 (11) percent
- Net profit amounted to 32 MSEK (36)



## Full Year Results 2008

- Net sales grew by **12 percent** to 918 (821) MSEK
  - Organic growth 9 percent, acquired 3 percent
- Software sales grew by **9 percent** to 338 (312) MSEK
- Services and other revenue grew by **14 percent** to 579 (509) MSEK
- **Strong cash flow from operating activities** of 82 (66) MSEK, highest ever
- Operating profit amounted to **73** (72) MSEK and the operating margin was **8** (9) percent
- Net profit rose to **88,3** MSEK (71)

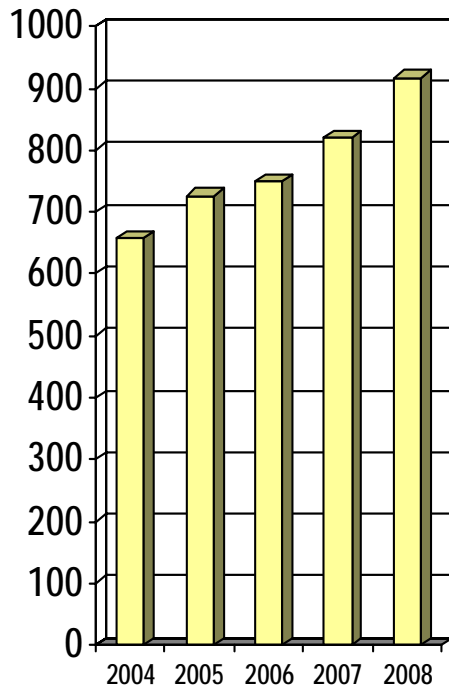


## Stable Financial Position

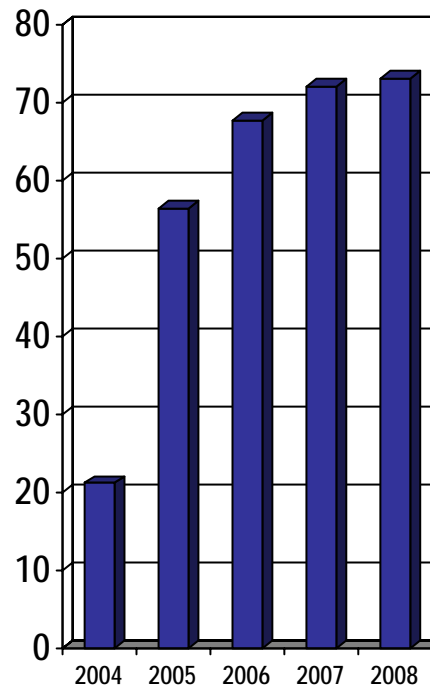
- Cash on hand 122 MSEK, despite cash effects from acquisitions of -60 MSEK
- Strong positive cash flow from operating activities of 82 MSEK
- Unused credit facilities of 250 MSEK (100+150)
- Solid equity/assets ratio of 71%

# Five Year Development

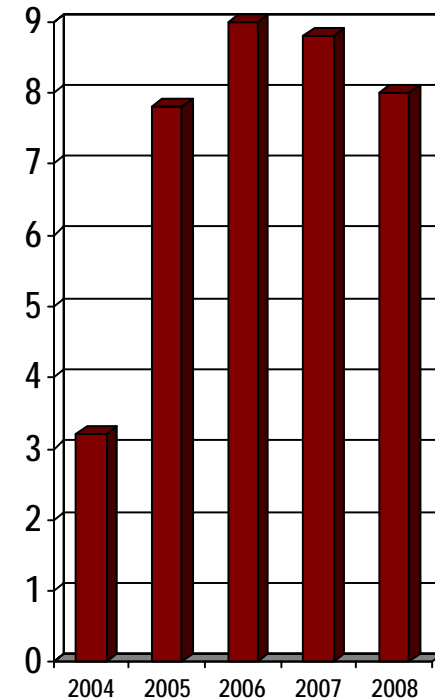
## Net Sales, MSEK



## EBIT, MSEK



## Operating Margin, %





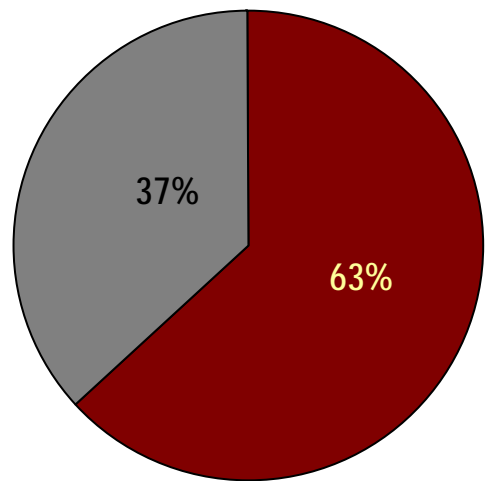
# Savings Program H1 2009

- Affects the Software business area, primarily R&D
- Target of total savings of 15 MSEK in 2009
- Among other measures, staff reduction of 25 in Kista
- Set against the back-drop of:
  - falling operating margin
  - expansion of the product portfolio has increased R&D costs over the past few years
  - 2009 may be a challenging year



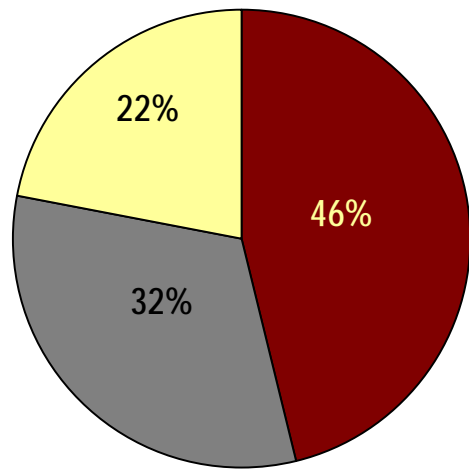
# Enea Group Sales Distribution

## Business Area



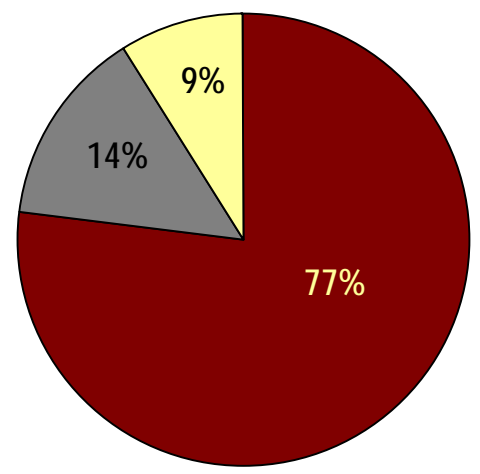
■ Services ■ Software

## Industry Segment



■ Telecom Infrastructure  
■ Telecom Handset  
■ Others

## Geography

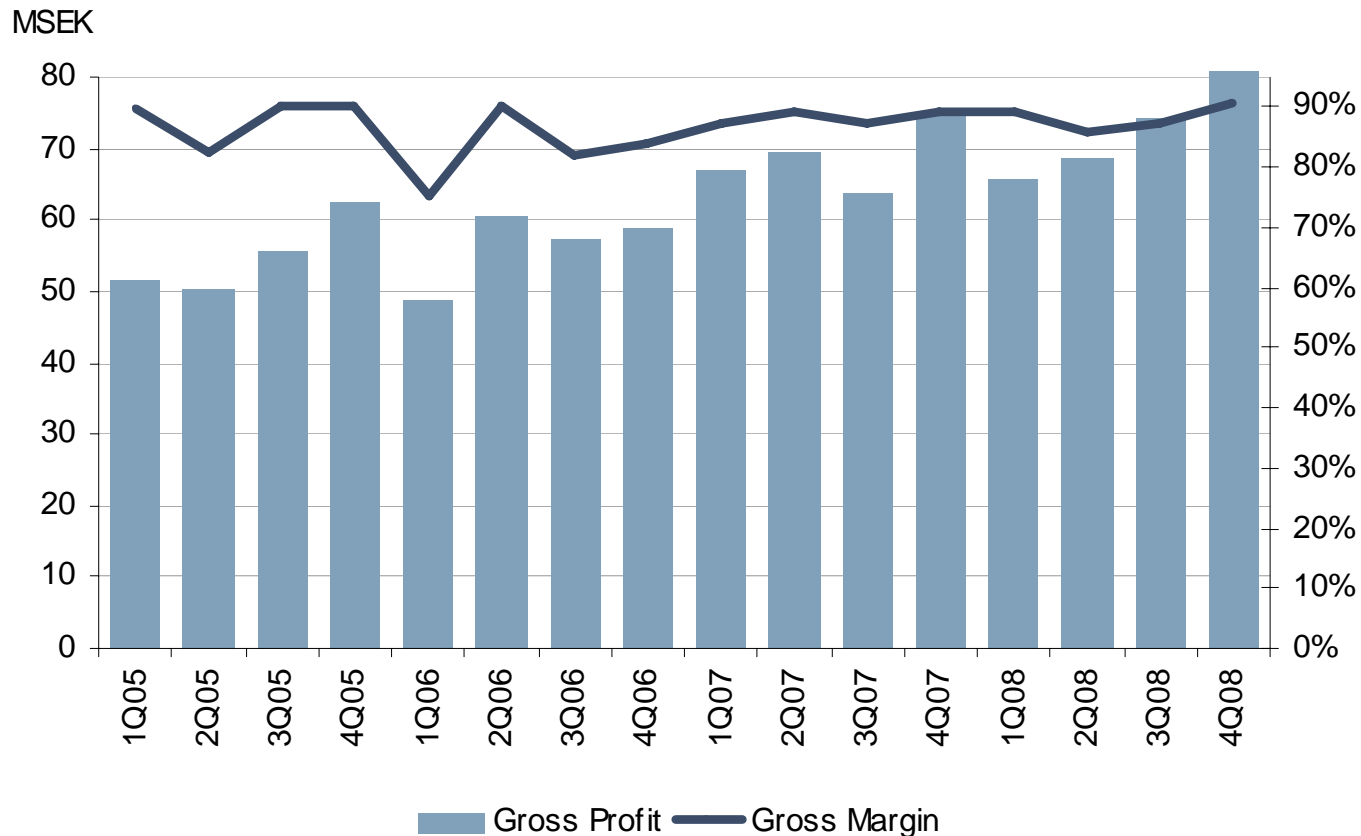


■ Nordic ■ North America  
■ EMEAA



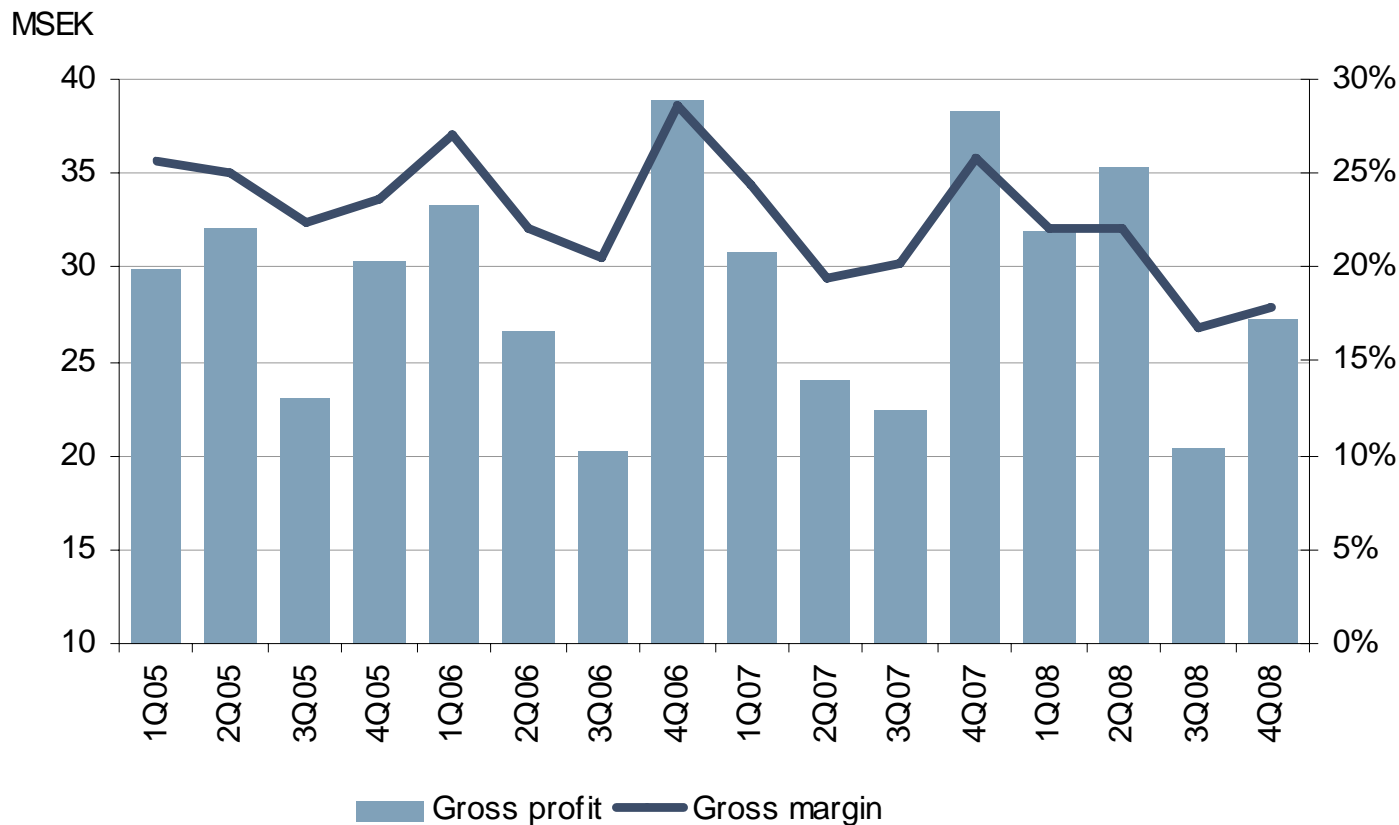


# Enea Software – Gross Margin



- Gross Margin equals Sales minus third party cost, amortization of intangibles, order&delivery, support

# Enea Services – Gross Margin



- Gross Margin equals sales minus personnel related costs associated with providing services



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# Telecom Market 2009

## ■ Infrastructure

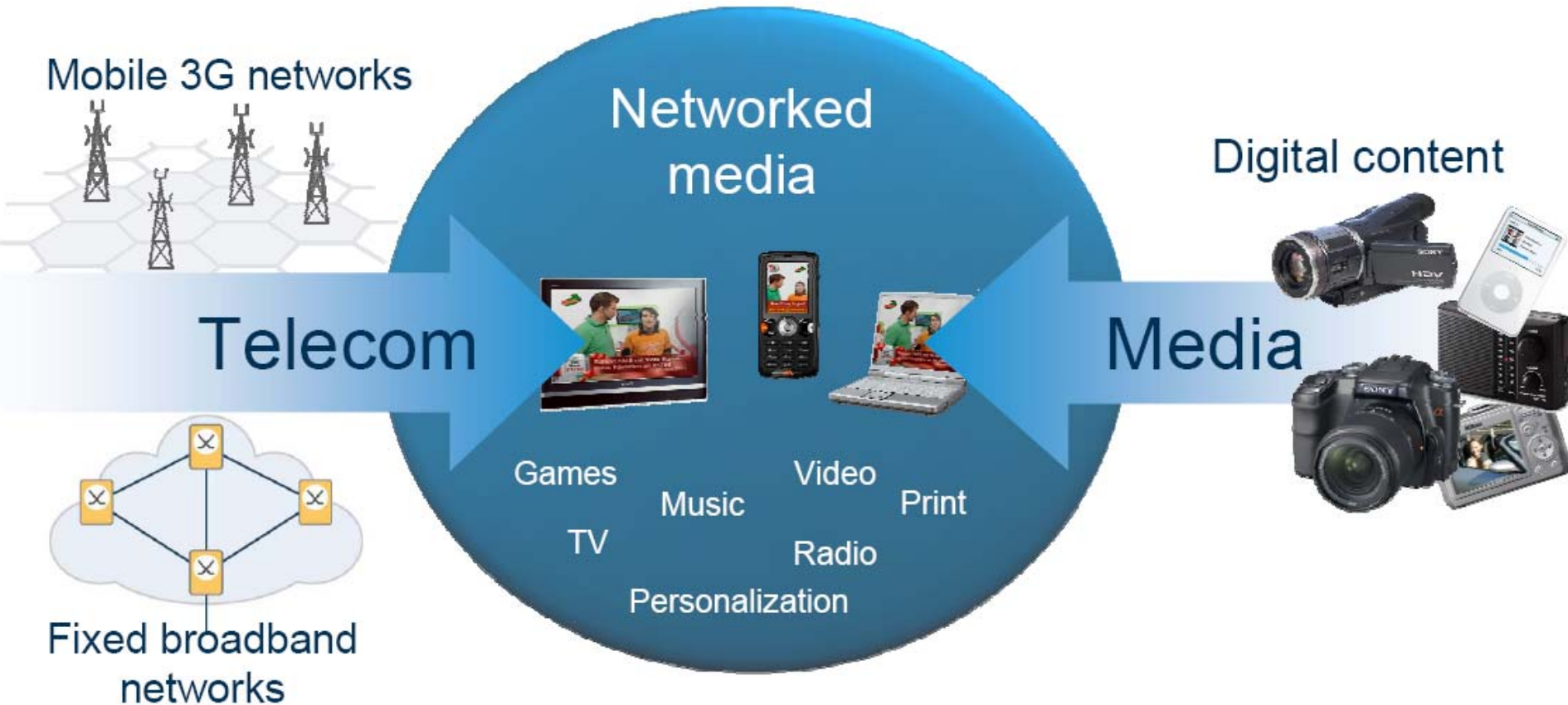
- Ericsson: "Planning for zero growth"
- NSN: "Expecting 5% decline in Euro terms"
- Huawei: "Expecting 30% growth"

## ■ Handsets

- Unit sales predicted to fall for first time ever
- Nokia forecasts 2009 volumes will shrink by 10% over 2008

- BUT - Enea sales are driven by our customers' R&D and technology development

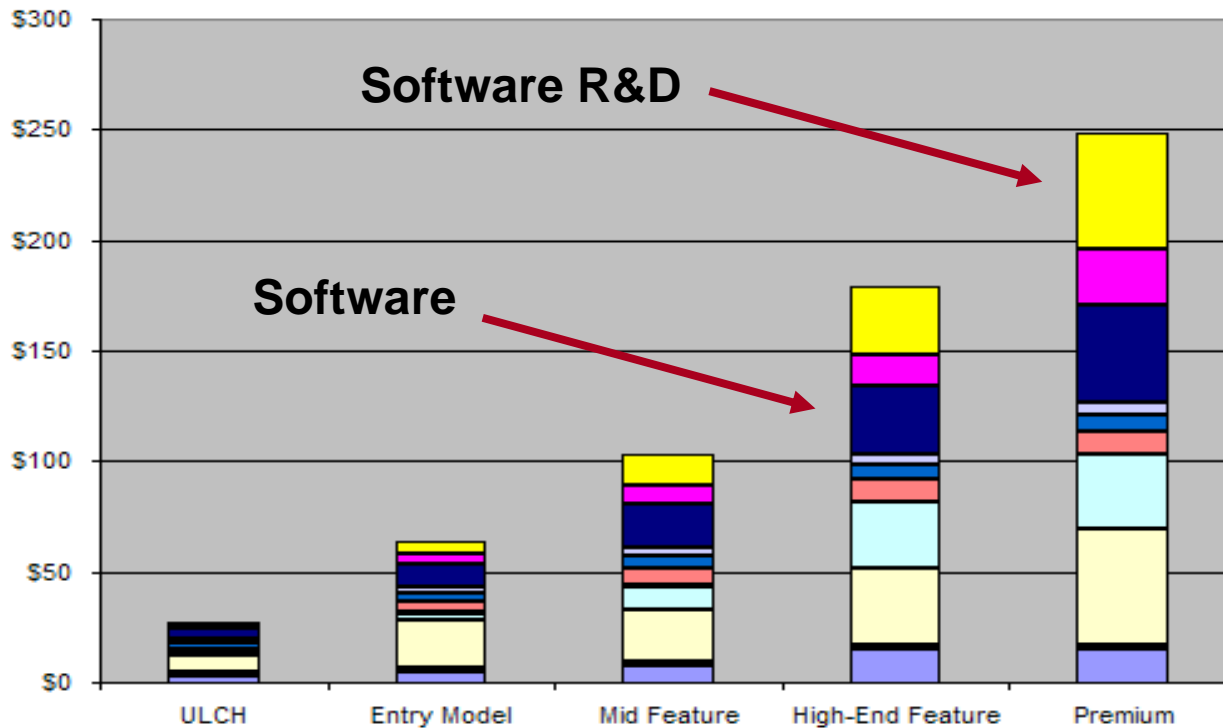
# Technology Development Drives Demand for Enea Software and Services



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# Handset Software R&D and BoM Increasing



**More complex phones drive new Enea sales**

Source: Strategy Analytics





# Multicore: Growth Opportunity for OSE

- Number of R&D projects using multicore processors may increase five-fold over the coming two years
- The market for embedded multicore software will reach 355 MUSD in 2010 (VDC estimate) with an annual growth rate of over 50 percent
- Telecom/datacom market represents over 35 percent of total market
- Handset multicore market will increase as phone complexity grows
- Multicore area is an important sales focus for Enea in 2009 and coming years



# Strategy

- Broaden offering and customer base through organic growth and acquisitions
- Combine software and services expertise
- Embrace open source software
- Expand outsourcing and bridged services projects
- Increase presence in Asia
- Work with channel partnerships





## Why invest in Enea?

- More devices contain embedded software systems – increasing need for expertise
- An industry leader in the telecom market
- Financial backing to increase growth through strategic acquisitions
- Proven ability to grow with solid profitability and positive cash flow
- Well positioned for future growth



THANK YOU!

For further information, please contact:

Åsa Landén Ericsson, +46 8 507 140 00, [asa.landén.ericsson@enea.com](mailto:asa.landén.ericsson@enea.com)

Carl Sköld, +46 8 507 140 00, [carl.skold@enea.com](mailto:carl.skold@enea.com)

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# IP Devel Acquisition

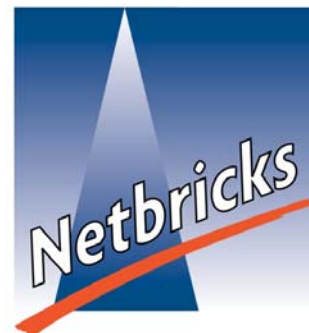


- Specialized in embedded systems development and test services
- History of profitable growth
  - Net sales for 2007 were EUR 4 million
  - 120 employees
- Enea acquires 100 percent of the shares for EUR 3.2 million in cash, with additional payment after four years based on financial performance
- Management will continue to run the company
- Why acquire IP Devel
  - Professional services base in Europe
  - R&D capacity
  - Cross-selling opportunities



# Netbricks Acquisition

- Leading developer and supplier of network communication software
- Well-run and profitable company with solid growth
  - Net sales for 2007 exceeded EUR 2.5 million
  - 17 employees, offices in France and Israel
- Enea acquires 100 percent of the shares for EUR 3 million in cash, with an additional payment after three years based on the financial performance
- Netbricks management will stay
- Why acquire Netbricks
  - Strengthens and expands Enea product portfolio
  - Immediate global reach for Netbricks' products
  - Cross-selling opportunities
  - Israel presence

The Enea logo consists of the word "ENEAA" in a bold, red, italicized, sans-serif font.

# Zealcore Acquisition



- A continuation of Enea's strategy to acquire "plug-in" technology companies
- Tools sales cycle different from run-time software sales cycle
- Leading provider of best-in-class debug and diagnostic software tools for complex, mission-critical, embedded systems
- ZealCore tools initially available with Enea's Eclipse-based Optima tools. Near-term availability also for Enea's middleware (Enea Element) and DSP management (Enea dSPEED) platforms
- ZealCore's customers are market leaders in telecom, transportation and industry automation
- 4 employees, expected sales of 5,5 mSEK during 2008. Office in Västerås, Sweden