



Financial result Q3 2013

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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

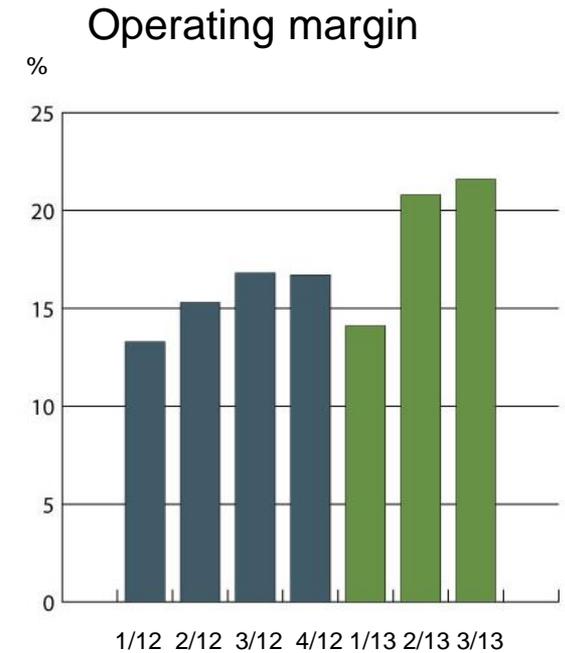


Q3 2013

Over 20% operating margin two consecutive quarters

	Q3/13	Q3/12
EBIT (MSEK):	21.0	18.0
Operating margin (%)	21.6	16.8
Earnings per share (SEK)	0.92	0.77

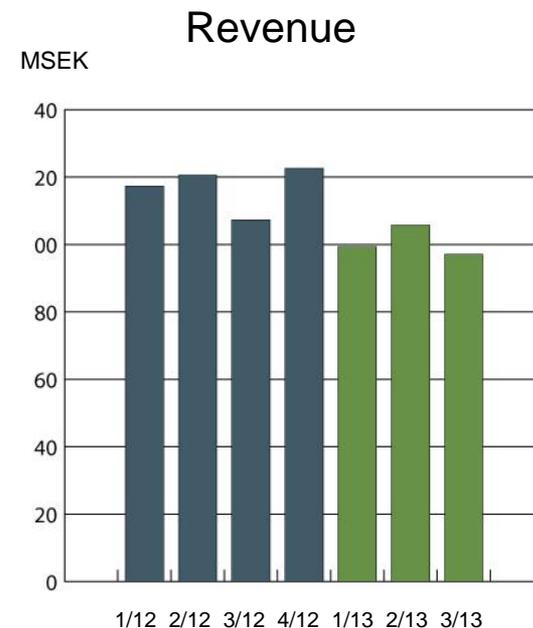
	9M/13	9M/12	FY/12
EBIT (MSEK):	57.0	52.1	72.5
Operating margin (%)	18.9	15.1	15.5
Earnings per share (SEK)	2.66	2.31	3.18



Q3/13 Revenues

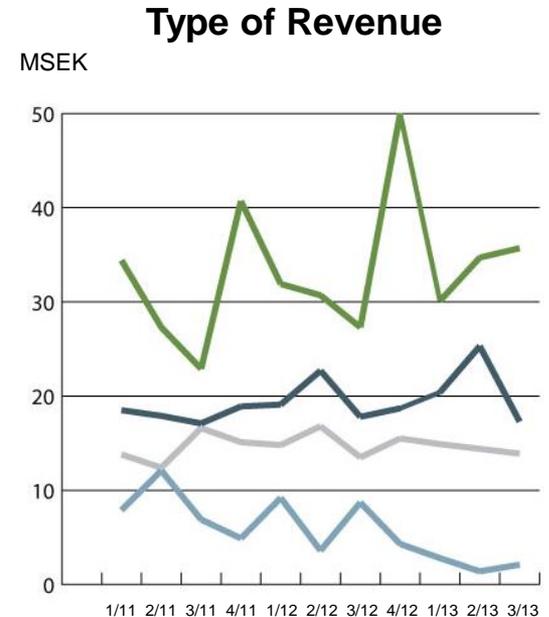
	Q3/13	Q3/12
Revenue (MSEK):	97.1	107.3
Growth (%)	-9.5	6.1
Growth (%) (excl. currency effects)	-8.4	5.8

	9M/13	9M/12	FY/12
Revenue (MSEK):	302.1	345.3	467.8
Growth (%)	-12.5	7.2	4.7
Growth (%) (excl. currency effects)	-10.6	5.2	3.6



Product Sales – Increase of Software Sales

- **Rentals** are flat while **perpetual** licenses decreased. More rental than perpetual licenses is **good long-term** but is affecting revenue short-term.
- Customers are reporting **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.



Production licenses:

■ Royalty

Development licenses:

■ Rentals

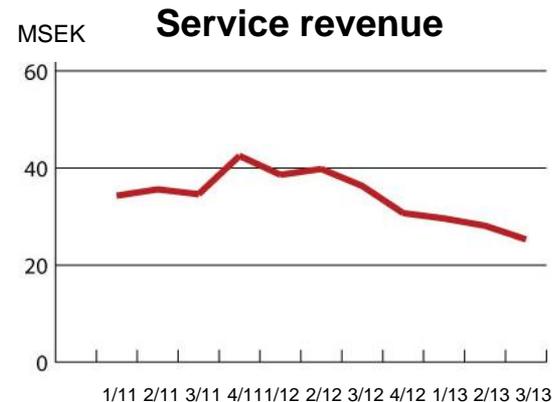
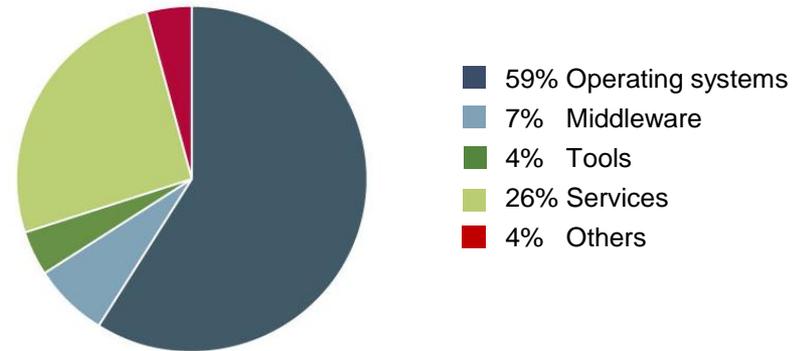
■ Perpetual

■ Support & Maintenance

Services Revenue Drop

- Government and Defense industry in the US are affected by the political debate on **government spending**, resulting in lower investments.
 - **85%** of total service revenue originates from the **US**.
 - **45%** of the **US** service revenue is dependent on **government funding**.
- **Extension of agreement signed** with medtech customer to a value of 6.9 MSEK for the remainder of the year.
- **Re-selected as preferred supplier** by US defense company. Frame agreement enabling business to a value of 125 MSEK for three years.
- **Close down** of our Chinese services business in Q1.

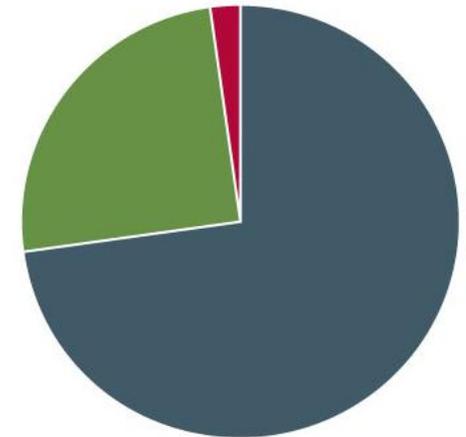
Revenue per product (Q3 2013)



Revenue Down – Margin up

- **Europe:** Revenue improved, margins kept on same level. 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. The comparable business has reported growth in local currency with improved margins.

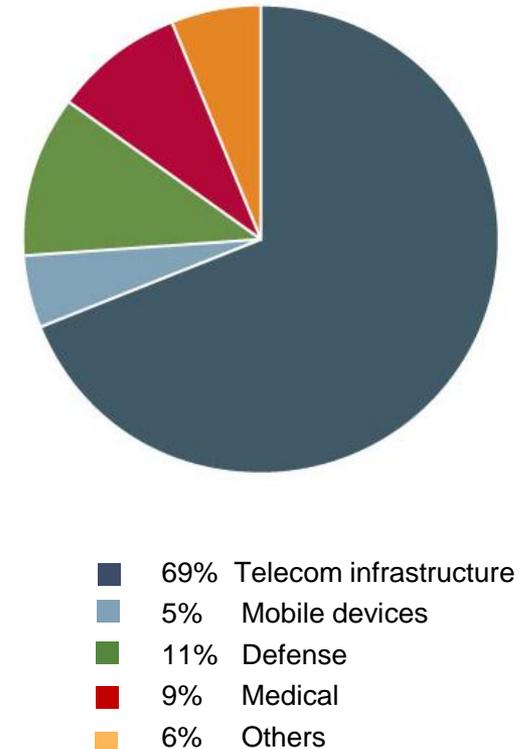
Revenue per geography (Q3 2013)



Important Wins in a Soft Market

- **Electrolux Small Appliances** choose Enea Linux v3.0 in the second quarter. During the third quarter, Electrolux has placed follow up orders for Linux related services.
- **A leading European medical company** has selected Enea's real-time operating system OSE. The customer is investing 1.4 MSEK in production license rights.
- **An Chinese electronic manufacturer** has invested 1.2 MSEK in rentals for middleware products to be used over two years.
- **A US medtech customer** has extended a current service agreement for the remainder of the year to a value of 6.9 MSEK.
- **A leading US defense company** has re-selected Enea as preferred supplier after a 6 month evaluation process. The frame agreement enables business to a value of 125 MSEK for three years.

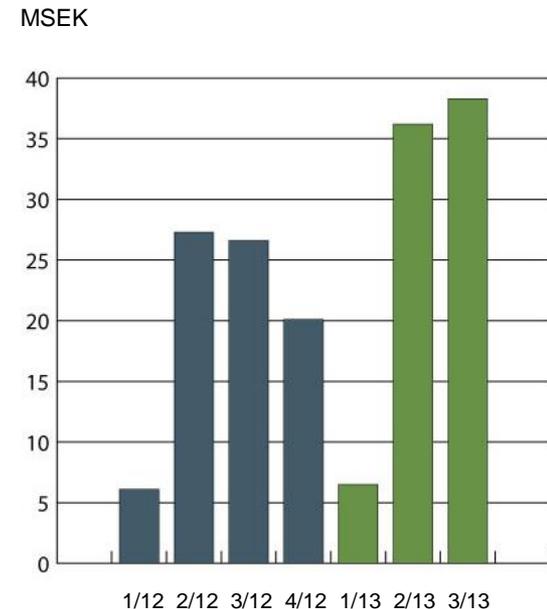
Revenue per segment (Q3 2013)



Strong Financial Position

- Cash flow from operations amounted to 38.3 (26.6) MSEK for Q3.
- Cash and cash equivalents at the end of the period were 156.4 (134.6) MSEK.
- On July 25, SEK 3.00 (8.00) per share was paid out via a redemption program, equivalent to a transfer to the shareholders amounting to SEK 49.5 (135.2) million.
- Enea has unused credits amounting to 30 MSEK.
- The equity/assets ratio was 81.8 (81.1)%.

Cash flow
(from operations)



Way Forward & Outlook

Investments in Growth Areas 2013

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 reiterate our outlook for 2013:

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

Thank You!

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