



PRESS RELEASE

Stockholm, February 11, 2014
Enea (NASDAQ OMX Nordic: ENEA)

Annual Statement 2013

Enea achieved its profitability target of 20 percent operating margin for 2013

The operating margin and profit per share continued to improve, while Enea's sales for the fourth quarter were lower than in the fourth quarter last year. The profitability target of a 20 percent operating margin was reached for the third consecutive quarter and for the whole year.

Net sales for the fourth quarter amounted to SEK 106.4 (122.5) million. Both product-related income and service income declined, resulting collectively in a 13.2 percent decrease in revenues in the fourth quarter. For the whole year, net sales amounted to SEK 408.5 (467.8) million, corresponding to a decline of 12.7 percent.

The operating profit for the fourth quarter increased to SEK 25.1 (20.4) million, which is equivalent to an operating margin of 23.6 (16.7) percent. For the whole year, operating profit increased to SEK 82.1 (72.5) million, corresponding to an operating margin of 20.1 (15.5) percent.

Profit per share increased to SEK 1.18 (0.88) for the fourth quarter and SEK 3.83 (3.18) for the whole year.

Cash flow from operations amounted to SEK 13.6 (20.1) million for the fourth quarter and SEK 76.6 (80.1) million for the whole year. Cash and cash equivalents amounted to SEK 163.6 (146.7) million at the end of the year.

October to December 2013

(Fourth quarter previous year in brackets)

- Net sales, SEK 106.4 (122.5) million
- Growth, -13.2 (-1.7)%
- Growth, currency adjusted, -12.2 (-0.5)%
- Operating profit, SEK 25.1 (20.4) million
- Operating margin, 23.6 (16.7)%
- Net profit before tax, SEK 25.3 (20.5) million



- Net profit after tax, SEK 19.4 (14.6) million
- Net profit, divested business, SEK - (-) million
- Earnings per share, SEK 1.18 (0.88)¹
- Cash flow from operations, SEK 13.6 (20.1) million
- Cash and cash equivalents, SEK 163.6 (146.7) million

Full Year 2013

(Previous year in brackets)

- Net sales, SEK 408.5 (467.8) million
- Growth, -12.7 (4.7)%
- Growth, currency adjusted, -11.0 (3.6)%
- Operating profit, SEK 82.1 (72.5) million
- Operating margin, 20.1 (15.5)%
- Net profit before tax, SEK 83.8 (76.7) million
- Net profit after tax, SEK 63.2 (53.6) million
- Net profit, divested business, SEK - (61.7) million
- Earnings per share, SEK 3.83 (3.18)¹
- Cash flow from operations, SEK 76.6 (80.1) million
- Cash and cash equivalents, SEK 163.6 (146.7) million

¹⁾ Earnings per share is calculated based on profit after tax for the remaining business.

Anders Lidbeck, President and CEO comments:

“2013 was a record year for Enea. We have earned more money than before and achieved an operating margin in excess of 20 percent. When we communicated our long-term profitability target of an operating margin of 20 percent two years ago, we had not achieved a 10 percent operating margin in the previous three years. But our very evident ambition was to develop the company’s potential for profitability. We wanted to focus on the profitable global software business and our global service offering. Less profitable products and areas have been filtered out, as have less efficient elements of our organizational structure. In 2013, we have improved our operating margin every quarter compared with the same period in the previous year. We achieved an operating margin in excess of 20 percent over the last three quarters. Our operating margin for the fourth quarter amounted to 23.6 percent, and 20.1 percent for 2013 as a whole. It is very pleasing to see that we have been able to deliver this growth in profitability.

And the fact that this has been able to take place in parallel with heavy investments in our product development is particularly pleasing. Enea has been developing and launching a Linux service with unique add-ons over the past 24 months. We are now playing an active part in relevant partner organizations relating to Linux and shaping strategic partnerships with key hardware players. Our biggest product, OSE, has also been reinforced in a number of important areas over the year. This is also true of our increasingly important product OSEck, an operating system



originally customized for signal processors. New sales of OSEck have come as a pleasant surprise over the year. The combination of OSEck, Linux and our communications solution LINX is looking particularly promising. Together, they create a unique offering on the very interesting System-on-Chip market. We are holding discussions in Europe, the USA and Asia in this regard, and at the end of 2013 we won our first contract in this field. We are continuing to invest heavily in product development, and in this I also include our work with partners and as part of partner organizations. With investments equivalent to more than 25 percent of our total net sales and 34 percent of our software sales, we are in a good position in regard to international competition.

2013 was a precarious year in terms of net sales. This was due mainly to the fact that we saw declining sales of services in all quarters in 2013. Reduced funding from the American national budget has very clearly affected projects among our customers. Just over one-third of our service income is dependent upon defense projects financed within the scope of the American national budget. At the same time, our American service business is continuing to operate at a profit, even over the fourth quarter, and we implemented a number of measures to compensate for the loss of revenue. The contract we concluded at the end of the second quarter with a leading American manufacturer of electronic payment solutions reached full volume at the end of the fourth quarter, and in the fourth quarter the service business saw sequential growth both in the USA and overall for the first time in 2013. Contracts were also concluded with another major new customer in the USA over the fourth quarter. This contract also relates to our Bridged Services concept, where a small amount of the work takes place in the USA, close to the customer, while most of our work takes place in Romania. Revenues from Bridged Services thus exceeded the local American service sales. Bridged Services was also the section of service sales that generated the highest gross margins in 2013 and was the single biggest section of our global service business during the fourth quarter.

Overall, our software sales fell by 15 percent over the fourth quarter compared with the same period last year. This is largely due to a major non-recurring contract in the fourth quarter of 2012. We did our third Linux deal in the fourth quarter 2013, this time in China. This means that we have now sold Linux in Asia, Europe and the USA. These three contracts in themselves are different solutions and indicate the new opportunities created by our Linux offering. Our Linux offering has the potential to give us access to new customers. The business model for Linux is at the same time different, but it is very much in line with our attempts to sign time-limited deals. We have been focusing over the last two years on building up our recurring income. 94 percent of software revenues for 2013 now constitutes the basis for recurring revenues in 2014, compared with 82 percent the year before.

To further enhance focus on our different markets, we made a change to our sales and marketing organization towards the end of the fourth quarter, which came into force in early 2014. A number of other changes have also been made to the organization, with the aim of enhancing efficiency and reinforcing the services offered to customers. These changes affect the organizational structure and will not involve downsizing or restructuring costs. We are continuing our attempts to improve growth and achieve high profitability. Our aim is to consolidate a 20 percent operating margin and deliver revenue growth on an annual basis.



We are prepared for continued soft demand and assess that the first quarter might be slightly weak. Our assessment for full year 2014 is that profit per share will be improved compared with previous year.”

Anders Lidbeck, President and CEO

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: Tuesday February 11 at 09:30 am CET.

Link: [Financial Hearings](#)

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

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About Enea

Enea is a global vendor of Linux and Real-time operating system solutions including middleware, tools, protocols and services. The company is a world leader in developing software platforms for communication-driven products in multiple verticals, with extreme demands on high-availability and performance. Enea's expertise in operating systems and high availability middleware shortens development cycles, brings down product costs and increases system reliability. The company's vertical solutions cover telecom handsets and infrastructure, medtech, automotive and mil/aero. Enea has offices in Europe, North America and Asia, and is listed on NASDAQ OMX Nordic Exchange Stockholm AB. For more information please visit enea.com or contact us at info@enea.com.



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