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Saab's results January-September 2014

Defence and security company Saab presents the results for January-September 2014.

Statement by the President and CEO Håkan Buskhe:

The defence market is characterised by fierce competition and the market conditions are challenging as defence spending has decreased for a number of years. However, there is an ongoing discussion, particularly within the EU, about increasing defence spending, but no decisions have been made. In order to address this, we are strengthening Saab's competitiveness by continuously improving our offering. Our investments in research and development are made to create long-term growth in several areas.

During the first nine months this year, two large product launches have taken place; a new generation of the weapon system Carl-Gustaf M4 during the third quarter, and a new generation of the Giraffe AMB and Arthur radars during the second quarter. These are important areas where Saab is world-leading and focus ahead will be on market and sales.

The development of Gripen E for Sweden progresses according to plan and budget. In August, the Swedish government decided to move forward with Gripen E, also without a partnering country.

Brazil negotiations on track

The negotiations with Brazil regarding Gripen NG (Gripen E/F) move forward according to plan and the ambition is to reach an agreement in the near future. In July, Saab and the Brazilian aircraft manufacturer Embraer, entered into a Memorandum of Understanding to partner in joint programme management for the development and production of Gripen for Brazil. This is thought to further strengthen Gripen's position in the market.

On 22 July, the acquisition of ThyssenKrupp Marine Systems AB (TKMS, now Saab Kockums) was closed. Now we focus on efficiently integrating the business, meanwhile the work with deliveries to the Swedish customer has begun.

Current market conditions and status in procurement processes had a negative impact on order bookings; this is mainly seen within business area Dynamics.

Order bookings amounted to MSEK 10,199 (25,029) during the first nine months. In the same period last year, development orders for Gripen E amounting to SEK 13.2 billion was received.

During the third quarter, the Swedish Defence Materiel Administration (FMV) ordered overhaul of the submarine HMS Halland. This was included in the Letter of Intent regarding the Swedish defence's underwater capability totalling more than SEK 11 billion, communicated on 9 June this year.

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Sales amounted to MSEK 16,102 (16,471). During the quarter, sales increased compared to the same period last year, mainly due to increased sales within Security and Defence Solutions, where the acquisition of Saab Kockums contributed.

Reported operating income amounted to MSEK 901 (811) with an operating margin of 5.6 per cent (4.9). The operating income adjusted for non-recurring items* amounted to MSEK 901 (1,042) with an operating margin of 5.6 per cent (6.3).

The announced efficiency measures progress according to plan and the number of full time equivalents and external consultants has decreased by approximately 860 since the beginning of 2013.

Outlook unchanged

Despite a market that is difficult to predict and expenses for the Gripen campaign for Brazil and for terminating the Gripen campaign for Switzerland during the third quarter, the outlook for 2014 remains unchanged.

The operational cash flow was negative as a result of high activity in large projects while we are also investing in development for future growth. Our estimate that the operational cash flow will be positive during the second half-year remains.

Earnings per share after dilution amounted to SEK 5.36 (4.21).

*The operating income 2013 includes a non-recurring item of MSEK 231 related to a lost legal dispute.

Outlook statement 2014:

- In 2014, we estimate that sales will be in line with 2013.
- The operating margin in 2014, excluding material non-recurring items, is expected to be somewhat higher than the operating margin in 2013, excluding material non-recurring items.

Excluding material non-recurring items, the operating margin was 6.6 per cent in 2013.

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Financial highlights

MSEK	Jan-Sep 2014	Jan-Sep 2013	Change, %	Q3 2014	Q3 2013	Full Year 2013
Order bookings	10,199	25,029	-59	2,073	2,993	49,809
Order backlog	54,910	42,407	29			59,870
Sales	16,102	16,471	-2	5,130	4,723	23,750
Gross income	4,226	4,475	-6	1,330	1,264	6,328
Gross margin, %	26.2	27.2		25.9	26.8	26.6
EBITDA	1,536	1,557	-1	477	515	2,367
EBITDA margin, %	9.5	9.5		9.3	10.9	10.0
Operating income (EBIT)	901	811	11	258	266	1,345
Operating margin, %	5.6	4.9		5.0	5.6	5.7
Net income	582	455	28	170	192	742
Earnings per share before dilution, SEK	5.40	4.34		1.57	1.78	6.98
Earnings per share after dilution, SEK	5.36	4.21		1.55	1.73	6.79
Return on equity, %*	7.6	8.8				6.3
Free cash flow **	-2,100	-2,013		-710	-940	-1,460
Free cash flow per share after dilution, SEK	-19.59	-18.44		-6.64	-8.61	-13.38

* The return on equity is measured over a rolling 12 month period

** As of 1 January, free cash flow is reported for the Group. It was previously named operating cash flow

Comparative numbers for 2013 have been restated according to the changed accounting principles for joint arrangements (IFRS 11). See note 13. Where applicable, comparative numbers for 2013 for some business areas have been restated following organisational and structural changes, see note 14. The latter has no impact on the Group as a whole.

Press and analyst meeting

Press and financial analysts are invited to a press and analyst meeting where CEO Håkan Buskhe together with CFO Magnus Örnberg present the results for January-September 2014.

Thursday, 23 October, 10.00 CET
Grand Hotel, New York, Blaiseholmshamnen 8, Stockholm, Sweden

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You are also welcome to watch the live webcast or dial in to the conference call. It is possible to post questions also over the web and conference call.

Live webcast:

saab-interimreport.creo.se/141023

Conference call:

Please, dial in using one of the numbers below.

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The interim report, the presentation material and the webcast will be available on <http://www.saabgroup.com/en/InvestorRelations>.

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Saab serves the global market with world-leading products, services and solutions ranging from military defence to civil security. Saab has operations and employees on all continents and constantly develops, adopts and improves new technology to meet customers' changing needs.

The information is that which Saab AB is required to declare by the Securities Business Act and/or the Financial Instruments Trading Act. The information was submitted for publication on 23 October 2014 at 07.30 (CET).

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