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Saab's Results January-June 2019

Saab presents the results for January-June 2019.

Statement by the President and CEO Håkan Buskhe:

Sales growth remains strong and operating margin improved

During the first half of 2019, Saabs sales increased by 8 per cent and the operating margin improved. Saab continues to drive internationalisation of the business and several steps were taken in the first half of the year to strengthen the local presence. A clear example of this is the decision to establish a new U.S. development and production facility in West Lafayette, Indiana, where Saab will manufacture its parts for the T-X advanced jet trainer ordered by the U.S. Air Force.

Orders

Order bookings during the first half of 2019 amounted to SEK 9.7 billion (12.7). During the period, an order was received from the U.S. Coast Guard for the Sea Giraffe Multi Mode Radar, and the United Kingdom Royal Navy ordered an anti-submarine training system. The business area Dynamics saw continued strong demand. Two major framework agreements were signed for the Carl-Gustaf multi-purpose weapon system and AT4 disposable weapon system.

Small orders increased strongly compared to the same period in 2018. Market demand remains strong and during the remaining part of the year, Saab see substantial business opportunities.

Sales and operating income

Sales in the first half year amounted to SEK 16,941 million (15,719) with organic growth of 7 per cent. The increase in sales is primarily related to higher level of deliveries within business area Dynamics and a higher activity level within business area Industrial Products and Services.

Operating income amounted to SEK 1,221 million (905) with an operating margin of 7.2 per cent (5.8). Measures taken to increase productivity contributed to improved margin in the period. Saab has a strong focus on securing delivery of milestones in major projects. The HMS Gotland was relaunched in the second quarter, which means that two of Sweden's Gotland-class submarines have now concluded comprehensive mid-life upgrades. Development and production of the Gripen E fighter continued according to plan and during the period a third aircraft performed its first flight.

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Efforts to adapt the product portfolio, increase marketing efficiency and accelerate the pace of automation and digitisation in operations continues.

Operational cash flow

Operational cash flow amounted to SEK -2,702 million (-2,750). Cash flow was negative mainly due to increased working capital within the business area Aeronautics, where preparations for the first deliveries of Gripen E to Brazil and Sweden continue.

Saab expects operational cash flow to be negative for the full-year 2019, but at a better level than 2018. Operational cash flow will continue to be affected during the year by timing differences in payments for major projects with a high activity level.

Outlook statement

We estimate that sales growth in 2019 will be in line with Saab's long-term financial goal: annual organic sales growth of 5 per cent.

The operating margin in 2019, excluding material non-recurring items, is expected to improve compared to 2018, bringing Saab a step closer to its long-term financial goal: an operating margin of 10 per cent per year over a business cycle.

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Financial highlights

MSEK	Jan-Jun 2019	Jan-Jun 2018	Change, %	Q2 2019	Q2 2018	Full year 2018
Order bookings	9,710	12,664	-23	5,228	6,529	27,975
Order backlog	94,236	104,473	-10			102,184
Sales	16,941	15,719	8	8,445	7,953	33,156
Gross income	3,788	3,537	7	1,937	1,799	7,764
Gross margin, %	22.4	22.5		22.9	22.6	23.4
EBITDA	1,893	1,323	43	974	669	3,182
EBITDA-margin, %	11.2	8.4		11.5	8.4	9.6
Operating income (EBIT)	1,221	905	35	630	458	2,266
Operating margin, %	7.2	5.8		7.5	5.8	6.8
Adjusted operating income	1,221	905	35	630	458	2,564
Adjusted operating margin, %	7.2	5.8		7.5	5.8	7.7
Net income	826	450	84	429	199	1,366
Of which Parent Company's shareholders' interest	831	425	96	433	183	1,313
Earnings per share after dilution, SEK ¹⁾	6.20	3.65		3.23	1.57	11.21
Return on equity, % ²⁾	10.5	9.7				8.1
Operational cash flow	-2,702	-2,750		-779	-539	-2,424
Free cashflow	-3,126	-3,192		-989	-781	-3,195
Free cashflow per share after dilution, SEK	-23.32	-27.38		-7.38	-6.70	-27.27
¹⁾ Average number of shares after dilution	134,064,875	116,563,375		134,039,937	116,610,780	117,144,915

²⁾ Return on equity is measured over a rolling 12-month period

Press and analyst meeting

Saab is pleased to invite press, investors and financial analysts to a press and analyst meeting where CEO Håkan Buskhe and CFO Magnus Örnberg present the Saab interim report for January-June 2019.

Date: Friday, 19 July at 11.30 (CET).

Address: Saab, Olof Palmes Gata 17, 5th floor, Stockholm, Sweden

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The report is published at 07.30 a.m. (CET) the same day.

You are welcome to participate on site at Saab, 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:

<http://saab-interimreport.creo.se/190719>

Conference call:

Please, dial in using one of the numbers below.

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United Kingdom: +44 3333009031

United States: +1 8338230590

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

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Saab serves the global market with world-leading products, services and solutions within military defence and civil security. Saab has operations and employees on all continents around the world. Through innovative, collaborative and pragmatic thinking, Saab develops, adopts and improves new technology to meet customers' changing needs.

The information is such that Saab AB is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, on 19 July 2019 at 07.30 (CET).

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