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Saab's Results January-June 2015

Defence and security company Saab presents the results for January-June 2015

Statement by the President and CEO Håkan Buskhe:

At the end of June, Saab received an order from the Swedish Defence Materiel Administration (FMV) for the construction of two next generation submarines, Type A26, and for the mid-life upgrade of two Gotland class submarines for the Swedish navy. Deliveries of the A26 will begin in 2022 and be finalised in 2024. This marks the historic start of Saab as a submarine builder. Saab is thereby a unique defence company which now manufactures both a new generation of the world's most modern conventional submarine and the fighter system Gripen.

Continued strong order bookings

The order bookings during the first half-year amounted to MSEK 18,996 (8,126). The increase is mainly attributable to the order for the construction of two submarines for Sweden. Business areas Dynamics and Electronic Defence Systems continue to show strong order bookings, which is expected to have a positive impact on sales in the second half-year.

The order backlog at the end of the period was MSEK 67,853 (57,180).

The agreement made with Brazil in October 2014 regarding 36 Gripen NG has not yet come into force. We expect to receive the order during this year.

Large development efforts

Sales increased by 3 per cent during the first half-year compared to the same period last year, mainly as a result of growth within business area Security and Defence Solutions attributable to the acquisition of Saab Kockums in 2014. The business areas Dynamics and Electronic Defence Systems reported decreased sales following low order bookings in 2013 and 2014.

Due to seasonal variations, Saab often has a stronger second half-year and higher sales are expected during the remainder of 2015.

Reported operating income amounted to MSEK 367 (643) during the first half-year. The decrease, compared to last year, is mainly attributable to business area Dynamics that reports a loss for the period, and continued expenses related to product development within business area Aeronautics. The operating income is also affected by the fact that the contract regarding 36 Gripen NG for Brazil has not yet come into force. Also other expected orders have been deferred.

Saab's cooperation with Boeing where we together combine great engineering skills with cost efficiency to offer a trainer aircraft in the U.S. T-X program is proceeding according to plan.

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Efforts to streamline operations continue in order to increase profitability.

The net income amounted to MSEK 257 (412).

The operational cash flow in the period amounted to MSEK -1,806 (-1,097). The negative cash flow is mainly a result of that the level of sale of trade receivables was lower as at 30 June 2015 compared to year-end 2014, as well as timing differences in deliveries and milestone payments, and product development spending.

Earnings per share after dilution amounted to SEK 2.21 (3.80).

Unchanged outlook

The market is still characterised by challenging conditions. During the period, some areas have been burdened with expenses related to expected orders that have been deferred. Our assessment remains that the market risk has increased during the first half-year 2015, driven by both political positions and the macroeconomic environment. The outlook for 2015 is unchanged.

Unchanged outlook statement 2015

- In 2015, we estimate sales to increase more than Saab's long-term goal: annual organic sales growth of 5 per cent.
- The operating margin 2015 excluding material non-recurring items is expected to be in line with the operating margin in 2014. In 2015, increased internally funded research and development efforts within Aeronautics will have a negative impact on the operating margin.

Financial highlights

MSEK	Jan-Jun	Jan-Jun	Change,	Q2	Q2	Full Year
	2015	2014	%	2015	2014	2014
Order bookings	18,996	8,126	134	14,196	4,048	22,602
Order backlog	67,853	57,180	19			60,128
Sales	11,329	10,972	3	5,940	5,692	23,527
Gross income	2,674	2,896	-8	1,358	1,535	6,077
Gross margin, %	23.6	26.4		22.9	27.0	25.8
EBITDA	830	1,059	-22	392	583	2,523
EBITDA margin, %	7.3	9.7		6.6	10.2	10.7
Operating income (EBIT)	367	643	-43	157	373	1,659
Operating margin, %	3.2	5.9		2.6	6.6	7.1

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Net income	257	412	-38	167	236	1,168
Earnings per share before dilution, SEK	2.23	3.83		1.43	2.19	10.86
Earnings per share after dilution, SEK	2.21	3.80		1.42	2.17	10.78
Return on equity, %*	8.6	7.7				9.9
Free cash flow	-2,082	-1,390		-1,141	-1,074	-1,094
Free cash flow per share after dilution, SEK	-19.57	-12.95		-10.72	-10.00	-10.23

1) The return on equity is measured over a rolling 12-month period.

Press and analyst meeting

Saab invites to a press and analyst meeting, where CEO Håkan Buskhe and CFO Magnus Örnberg present the Saab January-June interim report 2015.

Date: Friday, 17 July at 10:00 (CET)

Address: Grand Hôtel, Blasieholmshamnen 8, Stockholm, Sweden

Venue: New York

You are welcome to participate on site at Grand Hôtel, 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/150717/>

Conference call:

Please, dial in using one of the numbers below:

UK: +44 20 342 814 10

US: +1 855 831 59 45

Sweden: +46 8 566 426 66

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 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 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 17 July 2015 at 07.30 (CET).

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