

Date
23 October 2015Reference
CU 15:079 E

Saab's Results January-September 2015

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

Statement by the President and CEO Håkan Buskhe:

In September, the order from the Brazilian government for 36 Gripen NG was received. It is the largest export order in Saab's history, and also one of the largest Swedish export orders ever. The order value was SEK 39.3 billion and was booked in the third quarter.

Saab has now an order backlog of SEK 105 billion, which is more than four times annual sales. Our focus is to secure efficient deliveries to the customer. At the same time, Saab shall take advantage of the improved market position in order to develop further and continue to increase order bookings.

Increased sales

During the year's first nine months, sales amounted to MSEK 17,116 (16,102), an increase of 6 per cent compared to last year. The business area Aeronautics increased sales considerably as a result of part deliveries of Gripen for Sweden and Brazil.

The operating income amounted to MSEK 553 (901) during the period, and the operating margin was 3.2 per cent (5.6). The operating income was impacted by continued investments in the cooperation with Boeing in order to participate in the U.S. Air Force's upcoming procurement regarding trainer aircraft, the so called T-X program, and an operating loss in business area Dynamics following low order bookings previous years.

The cash flow was strengthened during the third quarter, mainly due to milestone payments within Saab Kockums and the Gripen programmes.

Complex defence market

The defence market is still strongly affected by major geopolitical changes and the global economy. The defence industry invests large amounts, which is increasingly self-funded, on technology development in projects with long lead times. Furthermore, large defence procurements are preceded by

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political processes, which often are difficult to assess, both in terms of timing and outcome.

The interest in Saab's large systems, such as the combat aircraft system Gripen, the submarine system A26 and radar systems, is growing. This means sizeable business opportunities for Saab, despite the market conditions. However, it also places high demands on Saab to maintain a certain capacity also in between large projects, such as continuous investments in R&D and also that some work is done before a contract is signed in order to uphold and increase competitiveness.

Continued focus on efficiencies

We expect an organic sales growth during 2015. This can mostly be handled with existing resources; meanwhile we see possibilities for efficiency improvements to increase profitability. As a first step towards increased efficiency and greater market focus, we will as of 1 January 2016 implement an organisational change. The business area Security and Defence Solutions (SDS) will dissolve and its business units will be moved to other business areas. The assessment is that this enables increased synergies in the operation and secures market focus. Simultaneously with the organisational change, we will strengthen the functional processes within Saab. The purpose of this is to reduce administrative costs, create internal synergies and increase the focus on performance management.

Unchanged outlook statement 2015

During the year, a number of important business opportunities have entailed increased development and marketing efforts. The outcome of these business opportunities may have a significant effect on this year's income statement and balance sheet.

The outlook for 2015 remains 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.

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Financial highlights

MSEK	Jan-Sep 2015	Jan-Sep 2014	Change, %	Q3 2015	Q3 2014	Full Year 2014
Order bookings	62,599	10,199	514	43,603	2,073	22,602
Order backlog	105,486	54,910	92			60,128
Sales	17,116	16,102	6	5,787	5,130	23,527
Gross income	3,956	4,226	-6	1,282	1,330	6,077
Gross margin, %	23.1	26.2		22.2	25.9	25.8
EBITDA	1,259	1,536	-18	429	477	2,523
EBITDA margin, %	7.4	9.5		7.4	9.3	10.7
Operating income (EBIT)	553	901	-39	186	258	1,659
Operating margin, %	3.2	5.6		3.2	5.0	7.1
Net income	293	582	-50	36	170	1,168
Earnings per share before dilution, SEK	2.47	5.40		0.25	1.57	10.86
Earnings per share after dilution, SEK	2.45	5.36		0.24	1.55	10.78
Return on equity, %*	7.8	7.6				9.9
Free cash flow	-1,595	-2,100		487	-710	-1,094
Free cash flow per share after dilution, SEK	-14.99	-19.59		4.57	-6.64	-10.23

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

Press and analyst meeting

Press, financial analysts and investors are invited to the presentation of Saab's interim report for the period January-September and the third quarter 2015.

Date: Friday, 23 October 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/151023>

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

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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 2015 at 07.30 (CET).

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