

Date
21 July 2016Reference
CU 16:050

Saab's Results January-June 2016

Defence and security company Saab presents the results for January-June 2016.

Statement by the President and CEO Håkan Buskhe:

Market development

Growing turmoil around the world is impacting the defence market. As a consequence of constrained budgets, Saab is seeing an increase in short-term demand for defence capabilities with cost efficient products and solutions. This makes our efforts with efficiency and to reduce lead times more important than ever. Saab's focus is partly to take advantage of market opportunities and partly on the execution of a number of major projects.

Strong growth in order bookings

During the first half-year 2016, Saab was awarded a number of new contracts, including for airborne surveillance, ammunition for the Carl-Gustaf weapon system, and the development and production of the New Lightweight Torpedo system for Sweden. Order bookings amounted to MSEK 11,462, compared to MSEK 18,996 in the previous year. An order from the Swedish Defence Material Administration (FMV) for Type A26 submarines was booked during the first half-year 2015, as was the overhaul and upgrade of Gotland-class submarines, together valued at SEK 8.6 billion. The order backlog at the end of the period was MSEK 111,593.

Gripen E offers increased defence capabilities

The Gripen E was rolled out on May 18. Users of Gripen E can operate longer in the air, improved sensors and electronic warfare will provide better intelligence on the enemy, and it will carry more and better weapons. At the same time, Gripen E is highly cost-efficient. Deliveries of the next-generation Gripen to Sweden and Brazil will begin in 2019.

Sales growth

Sales amounted to MSEK 13,854 in the first half-year, an increase of 22 per cent.

All business areas improved their sales during the period. The increase was mainly due to the Gripen programme in the business area Aeronautics, a 2015 order for a new version of an airborne surveillance system, GlobalEye, in the business areas Surveillance and Support and Services, and the development of the A26 submarine in the business unit Saab Kockums.

Operating income amounted to MSEK 611 (367) in the first half-year and the operating margin was 4.4 per cent (3.2). All business areas but Industrial Products and Services and the business unit Saab Kockums improved their operating margins. Business area Dynamics saw the biggest improvement in operating income thanks to increased deliveries and a change in the product mix.

Operating income was again affected by investments in the development of a new jet trainer together with Boeing (the T-X program), as well as by several major projects in early stages where they normally generate lower profit.

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Strong cash flow

Operational cash flow amounted to MSEK 4,193 (-1,806) in the first half-year. Cash flow strengthened in several areas. The increase is mainly related to large payments within the framework of orders for Gripen and an order for GlobalEye.

Net debt amounted to MSEK 405 at the end of the period, compared to MSEK 3,217 at the end of 2015.

Unchanged outlook statement 2016:

- In 2016, we estimate sales to be in line with Saab's long-term financial goal: annual organic sales growth of 5 per cent.
- The operating margin 2016, excluding material non-recurring items, is expected to be in line with 2015.

Financial highlights

| MSEK | Jan-Jun | Jan-Jun | Change, % | Q2 | Q2 | Full Year |
|--|---------|---------|--------------|-------|--------|-----------|
| | 2016 | 2015 | | 2016 | 2015 | |
| Order bookings | 11,462 | 18,996 | -40 | 6,848 | 14,196 | 81,175 |
| Order backlog | 111,593 | 67,853 | 64 | | | 113,834 |
| Sales | 13,854 | 11,329 | 22 | 7,064 | 5,940 | 27,186 |
| Gross income | 3,080 | 2,674 | 15 | 1,569 | 1,358 | 6,486 |
| Gross margin, % | 22.2 | 23.6 | | 22.2 | 22.9 | 23.9 |
| EBITDA | 1,075 | 830 | 30 | 551 | 392 | 2,859 |
| EBITDA margin, % | 7.8 | 7.3 | | 7.8 | 6.6 | 10.5 |
| Operating income (EBIT) | 611 | 367 | 66 | 317 | 157 | 1,900 |
| Operating margin, % | 4.4 | 3.2 | | 4.5 | 2.6 | 7.0 |
| Net income | 414 | 257 | 61 | 191 | 167 | 1,402 |
| Earnings per share after dilution, SEK | 3.71 | 2.21 | | 1.71 | 1.42 | 12.79 |
| Return on equity, % | 13.0 | 8.6 | | | | 11.5 |
| Operational cash flow | 4,193 | -1,806 | | 1,137 | -1,001 | -500 |
| Free cash flow | 4,051 | -2,082 | | 1,096 | -1,141 | -726 |
| Free cash flow per share after dilution, SEK | 37.91 | -19.57 | | 10.25 | -10.72 | -6.82 |

For more information and explanations regarding the usage of these key ratios, please see <http://saabgroup.com/investor-relations/financial-data/key-ratios/>

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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: Thursday, 21 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/160721>

Conference call:

Please, dial in using one of the numbers below.

UK: +44 2030089813

US: +1 8557532235

SE: +46 856642700

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.

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This 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 17 July 2015 at 07.30 (CET).

IN 5000356-423 Issue 1 06.11 Word

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