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Saab's results January-June 2017

Defence and security company Saab presents the results for January-June 2017.

Statement by the President and CEO Håkan Buskhe:

Continued strong demand

Demand for, and interest in, Saab's product portfolio remains high. This is a result of product development, investment in research and development, and a strong international presence.

Growing security concerns around the world seem to have created a state where tensions have now settled at an appreciably higher level. This is reflected in investments in defence and security, as evidenced by the great interest in Saab's product portfolio. At the same time, the demands faced by suppliers are increasing as well. Solutions and systems have to be cost-efficient, offer strong capabilities, and be delivered quickly.

After a number of years of study and political debate in Sweden, updated rules on defense exports were introduced in the second quarter. A long-term regulatory framework is essential for exports to work. We are a company that does business in many countries, and we feel that the new proposed rules will enable us to continue to support our customers with defence and security solutions while achieving growth in line with our goals.

Major orders

During the first half-year, order bookings increased to MSEK 20,554 (11,462). Major orders were received in several areas, including two in airborne surveillance and one for the Next generation Light Anti-Tank Weapon system (NLAW) to the Swiss Army. Sweden ordered the development and production of the next generation anti-ship missile, the modification and upgrading of the Gävle-class corvettes, a new signal intelligence vessel, and continued support and maintenance of Gripen C/D. We also signed a contract for training systems with the U.S. Army.

The order backlog strengthened to MSEK 112,117 at the end of the period.

Sales growth

Sales increased by 11 per cent compared to the same period in 2016. All business areas saw higher sales. Operating income amounted to MSEK 885 (611) with an operating margin of 5.8 per cent (4.4). The improved operating margin is mainly

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attributable to stronger income in the business area Dynamics and a higher activity level related to airborne surveillance systems.

Operational cash flow amounted to MSEK -443 (4,193), which is in line with our expectations, since we had a strong positive cash flow in previous periods due to large advances and milestone payments that have not been repeated now.

Earnings per share after dilution amounted to SEK 5.98 (3.71).

Successful first flight for Gripen E

In June, Saab completed a successful first flight of the next generation smart fighter, Gripen E. During the flight, the aircraft carried out a number of actions to demonstrate various test criterias and key embedded functions were tested. Since then, further test flights have been conducted, and we are gradually evaluating the aircraft's various functions as the programme is implemented.

Outlook statement for 2017:

We estimate that sales growth in 2017 will be higher than Saab's long-term financial goal: annual organic sales growth of 5 per cent.

We expect the operating margin, excluding material non-recurring items, to improve compared to 2016 and thus the company will take a step towards its financial goal: an operating margin of 10 per cent.

Financial highlights

MSEK	Jan-Jun 2017	Jan-Jun 2016	Change, %	Q2 2017	Q2 2016	Full Year 2016
Order bookings	20,554	11,462	79	10,853	6,848	21,828
Order backlog	112,117	111,593	-			107,606
Sales	15,353	13,854	11	7,923	7,064	28,631
Gross income	3,468	3,080	13	1,732	1,569	6,883
Gross margin, %	22.6	22.2		21.9	22.2	24.0
EBITDA	1,313	1,075	22	614	551	2,743
EBITDA margin, %	8.6	7.8		7.7	7.8	9.6
Operating income (EBIT)	885	611	45	393	317	1,797
Operating margin, %	5.8	4.4		5.0	4.5	6.3
Net income	659	414	59	299	191	1,175
Earnings per share after dilution, SEK	5.98	3.71		2.68	1.71	10.60

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Return on equity, % ¹⁾	11.2	13.0			9.0
Operational cash flow	-443	4,193	-1,429	1,137	2,603
Free cash flow	-532	4,051	-1,429	1,096	2,359
Free cash flow per share after dilution, SEK	-4.96	37.91	-13.30	10.25	22.07

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

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

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 2017.

Date: Thursday 20 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/170720>

Conference call:

Please, dial in using one of the numbers below.

UK: +44 2030089819

SE: +46 856642698

US: +1 8558315948

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 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, at 07.30 CET on 20 July 2017.

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