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Saab's results January-September 2017

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

Statement by the President and CEO Håkan Buskhe:

Focus on efficiency

In large parts of the world we are seeing further increases in defence spending and bigger investments in civil security than before. In times of complex threat scenarios, it is clear that the borders between what has traditionally been regarded as a military or civil threat are gradually being erased. Saab's capabilities in systems integration, sensors and cybersecurity are therefore growing in demand.

International ventures

During the third quarter, we joined Adani Group of India to announce a collaboration plan within aerospace and defence. The intended collaboration aligns with the Indian government's "Make in India" initiative and could encompass design, development and production of Gripen and other high-tech products. We also announced a plan to establish manufacturing capabilities for the T-X trainer aircraft in the US, should Boeing and Saab win the competition for this aircraft in the US.

Order bookings

During the first nine months of the year, order bookings increased to MSEK 24,255 (14,960). 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.

During the period, we received a number of small and medium-sized orders, including a three-year contract extension with the UK Ministry of Defence for the provision of Tactical Engagement Simulation (TES). In collaboration with Lockheed Martin, we also received an order for a training system for the U.S. Army.

The order backlog amounted to MSEK 109,406 at the end of the period.

Sales growth

Sales increased by 10 per cent compared to the same period in 2016. Several business areas saw strong growth in the period.

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Operating income amounted to MSEK 1,273 (837) with an operating margin of 5.9 per cent (4.3). The improved operating margin is mainly attributable to stronger income in the business area Dynamics and a higher activity level related to airborne surveillance systems and support operations. We continue to focus on efficiency improvements in operations.

Operational cash flow amounted to MSEK -758 (1,922), in line with our expectations, as we had a strong positive cash flow in 2016 due to large advances and milestone payments that have not been repeated, at the same time that the activity level remains high.

Earnings per share after dilution amounted to SEK 8.29 (4.76).

Australia

In early October, Saab was identified by the Australian government to provide the tactical interface to the Royal Australian Navy's fleet of nine Future Frigates. Saab was also named as the supplier of the 9LV Combat Management System for the upcoming programme, including Offshore Patrol Vessels.

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.

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Financial highlights

MSEK	Jan-Sep 2017	Jan-Sep 2016	Change, %	Q3 2017	Q3 2016	Full Year 2016
Order bookings	24,255	14,960	62	3,701	3,498	21,828
Order backlog	109,406	109,521	-			107,606
Sales	21,575	19,615	10	6,222	5,761	28,631
Gross income	5,043	4,432	14	1,575	1,352	6,883
Gross margin, %	23.4	22.6		25.3	23.5	24.0
EBITDA	1,910	1,537	24	597	462	2,743
EBITDA margin, %	8.9	7.8		9.6	8.0	9.6
Operating income (EBIT)	1,273	837	52	388	226	1,797
Operating margin, %	5.9	4.3		6.2	3.9	6.3
Net income	919	536	71	260	122	1,175
of which Parent Company's shareholders' interest	890	509	75	248	113	1,133
Earnings per share after dilution, SEK ¹⁾	8.29	4.76		2.31	1.06	10.60
Return on equity, % ²⁾	11.9	13.8				9.0
Operational cash flow	-758	1,922		-315	-2,271	2,603
Free cash flow	-920	1,740		-388	-2,311	2,359
Free cash flow per share after dilution, SEK	-8.57	16.28		-3.61	-21.59	22.07

1) Average number of share after dilution 107,357,386 106,875,192 107,470,451 107,024,906 106,906,726

2) 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/>

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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-September interim report 2017.

Date: Tuesday October 24 at 10:00 (CET).

Address: Grand Hôtel, Blasieholmshamnen 8, Stockholm, Sweden

Venue: New York

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

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/171024>

Conference call:

Please, dial in using one of the numbers below.

UK: +442030089803

SE: +46856642508

US: +18558315947

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 24 October 2017.

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