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Saab's results January-June 2014

Defence and security company Saab presents the results for January-June 2014.

Statement by the President and CEO Håkan Buskhe:

The security and defence market remains challenging and competition is fierce. During the first half-year of 2014, Saab has developed and strengthened its product portfolio. In order to offer products and solutions that our customers want, the investments in research and development as well as cost efficient solutions are key. The business area Electronic Defence Systems launched unique solutions during the period, that give the established Giraffe AMB and Arthur systems leading functionality and design.

The interest for Gripen remains strong internationally. The development of Gripen E progress according to time plan and budget and will be delivered to Sweden, starting 2018. The negotiations with Brazil regarding Gripen NG continue and both parties' ambition is to reach an agreement in 2014. In July, a Memorandum of Understanding was signed with the Brazilian aircraft producer Embraer regarding joint development and production of Gripen for Brazil.

During the first half-year, Saab strengthened its position as one of the world's leading companies in military training systems and received orders from both the Finnish armed forces and the UK Ministry of Defence.

Order bookings in the business area Dynamics were negatively affected by the continued challenging market situation, and by delays in customers' procurement decisions. We see no change in the market situation short-term, but continue to develop our offer to safeguard the business area's long-term potential.

In June, an agreement was reached to acquire ThyssenKrupp Marine Systems AB (former Kockums). This enables the expansion of the naval offer, as announced earlier this year, and makes Saab one of few companies in the world with the ability to develop, produce and deliver comprehensive defence solutions for air, land and sea. The closing of the transaction is planned for July 2014.

The Swedish Defence Materiel Administration (FMV) has during the first half-year placed orders for construction and production plans for the next generation submarines and to conduct a mid-life update of two Gotland-class submarines. Also, a Letter of Intent was signed with FMV regarding the Swedish armed forces' underwater capability, comprising potential orders of over SEK 11 billion.

Saab's order bookings decreased in the period, compared to the same period 2013 where we received development orders amounting to SEK 13.2 billion attributable to Gripen E.

Sales amounted to MSEK 10,972 (11,748), a decrease of 7 per cent, mainly due to lower sales within Dynamics.

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The reported operating income amounted to MSEK 643 (545) with an operating margin of 5.9 percent (4.6). The operating income for the same period 2013 was negatively impacted by a non-recurring item of MSEK 231 attributable to a lost legal dispute. The operating income adjusted for non-recurring items amounted to MSEK 643 (776) and the operating margin was 5.9 per cent (6.6). The business area Electronic Defence Systems reported a positive operating income, while continuing to invest in development of new radar and sensor technology.

The efficiency measures announced in 2013 progress according to plan and in total, the number of FTE's and external consultants has been reduced by approx. 850 since the beginning of 2013.

The operational cash flow was negative, mainly due to timing differences in deliveries and milestone payments. During the second half-year 2014 we have more planned milestone deliveries and we therefore estimate that the operational cash flow will be positive.

Earnings per share after dilution amounted to SEK 3.80 (2.48).

Outlook statement 2014:

- In 2014, we estimate that sales will be in line with 2013.
- The operating margin in 2014, excluding material non-recurring items, is expected to be somewhat higher than the operating margin in 2013, excluding material non-recurring items.

Excluding material non-recurring items, the operating margin was 6.6 per cent in 2013.

Financial highlights

MSEK	Jan-Jun 2014	Jan-Jun 2013	Change, %	Apr-Jun 2014	Apr-Jun 2013	Jan-Dec 2013
Order bookings	8,126	22,036	-63	4,048	3,171	49,809
Order backlog	57,180	44,337	29			59,870
Sales	10,972	11,748	-7	5,692	5,886	23,750
Gross income	2,896	3,211	-10	1,535	1,599	6,328
Gross margin, %	26.4	27.3		27.0	27.2	26.6
Operating income before depreciation/amortisation and write-downs (EBITDA)	1,059	1,042	2	583	398	2,367
EBITDA margin, %	9.7	8.9		10.2	6.8	10.0
Operating income (EBIT)	643	545	18	373	149	1,345
Operating margin, %	5.9	4.6		6.6	2.5	5.7
Net income	412	263	57	236	1	742
Earnings per share before dilution, SEK	3.83	2.56		2.19	0.02	6.98
Earning per share after dilution, SEK	3.80	2.48		2.17	0.02	6.79
Return on equity, %*	7.7	8.7				6.3
Free cash flow **	-1,390	-1,073		-1,074	-748	-1,460
Free cash flow per share after dilution, SEK	-12.95	-9.83		-10.00	-6.85	-13.38

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- 1) The return on equity is measured over a rolling 12-month period.
2) As of 1 January 2014, free cash flow is reported for the Group. It was previously named operating cash flow.

Comparative numbers for 2013 have been restated according to the changed accounting principles for joint arrangements (IFRS 11). See note 13. Where applicable, comparative numbers for 2013 for some business areas have been restated following organisational and structural changes, see note 14. The latter has no impact on the Group as a whole.

Press and analyst meeting

Press and financial analysts are invited to a press and analyst meeting where CEO Håkan Buskhe together with CFO Magnus Örnberg present the results for April-June 2014.

Friday, July 18, 10.00 am CET
Grand Hotel, New York, Blasieholmshamnen 8, Stockholm, Sweden

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Live webcast

If you are unable to attend in person, please visit <http://www.saabgroup.com/en/InvestorRelations> where a live webcast of the presentation will be available together with the presentation material. All viewers will be able to post questions to the presenters. The webcast will also be available afterwards at the Saab website.

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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 July 18, 2014 at 07.30 CET.

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