

Date  
10 February 2015Reference  
CU 15:005 E

## Saab Year-End Report 2014

Defence and security company Saab presents the results for 2014.

### Statement by the President and CEO Håkan Buskhe:

2014 brought both challenges and significant success for Saab. It was a year when the company continued to build for the future. Thanks to a long-term strategy and focus on efficiency, the company is well positioned. Defence budgets, which have declined in the United States and Western Europe during the past couple of years, are expected to increase in the coming years. Meanwhile, the turnaround is expected to be slow and does not have any short-term impact on Saab.

### Platform for future growth

In 2014, an agreement was reached with Brazil regarding development and production of 36 Gripen NG. This, together with Sweden's order for 60 Gripen in 2013, makes Saab one of few aircraft manufacturers that are developing a new generation of fighters. This has strengthened Gripen's position in the global market. The acquisition of ThyssenKrupp Marine Systems (Saab Kockums) in July gives Saab the ability to develop, produce and deliver military solutions for land, air and sea.

Saab continues to invest in research and development to ensure long-term growth. In 2014 total investments in research and development amounted to approximately 25 per cent of sales. A number of new products with significant potential were launched during the year; a new generation of the weapon system Carl-Gustaf and five new surface radars for land and sea. Additional investments were made in the development of trainers for the coming T-X procurement process in the United States.

### Strong order backlog, challenging market

At year-end, the order backlog was in line with 2013. Increased competition and prolonged decision making processes had a negative impact on order bookings in 2014, especially within the business areas Dynamics and Electronic Defence Systems. Order bookings in 2014 amounted to MSEK 22,602 (49,809). During 2013, development orders for Gripen E amounting to SEK 29.8 billion were received.

Sales amounted to MSEK 23,527 (23,750) with an organic sales decline of -3 per cent, during 2014. A lower level of activity was seen especially within Dynamics, where market conditions have been challenging in recent years. This was compensated by growth within the business area Security and Defence Solutions, partly due to the acquisition of Saab Kockums.

Reported operating income amounted to MSEK 1,659 (1,345) with an operating margin of 7.1 per cent (5.7).

### Completed efficiency measures

The efforts to constantly improve operations and make them more efficient continue. The efficiency measures announced in 2013 were completed and the target of improving efficiency by approximately MSEK 500 was reached in 2014. This has predominantly been achieved by capacity adjustments and by reducing the total number of FTE's and external consultants by

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approximately 950 since the beginning of 2013, excluding the acquisition of Saab Kockums and the deconsolidation of Saab Grintek Technologies (Pty) Ltd in South Africa. The efficiencies have enabled additional room for investments primarily in development and marketing activities during the year.

We had a strong operational cash flow in the fourth quarter and came close to reaching our ambition of positive cash flow for the second half of the year. The operational cash flow for 2014 however amounted to MSEK -1,197 (-639), as a result of timing differences in deliveries and milestone payments. During the fourth quarter the operational cash flow amounted to MSEK 753 (548).

Earnings per share after dilution amounted to SEK 10.78 (6.79).

The Board proposes a dividend for 2014 of SEK 4.75 (4.50) per share.

## 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.

## Financial highlights

MSEK	Full Year 2014	Full Year 2013	Change, %	Q4 2014	Q4 2013
Order bookings	22,602	49,809	-55	12,403	24,780
Order backlog	60,128	59,870	-		
Sales	23,527	23,750	-1	7,425	7,279
Gross income	6,077	6,328	-4	1,851	1,853
Gross margin, %	25.8	26.6		24.9	25.5
EBITDA	2,523	2,367	7	987	810
EBITDA margin, %	10.7	10.0		13.3	11.1
Operating income (EBIT)	1,659	1,345	23	758	534
Operating margin, %	7.1	5.7		10.2	7.3
Net income	1,168	742	57	586	287
Earnings per share before dilution, SEK	10.86	6.98		5.49	2.64
Earnings per share after dilution, SEK	10.78	6.79		5.45	2.57
Return on equity, %*	9.9	6.3			
Free cash flow **	-1,094	-1,460		1,006	553
Free cash flow per share after dilution, SEK	-10.23	-13.38		9.47	5.07

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

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\*\* 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 and for 2014 for some business areas have been restated following organisational and structural changes, see notes 14 and 15. The latter has no impact on the Group as a whole.

### Press and analyst meeting

Saab invite to a press and analyst meeting, where CEO Håkan Buskhe and CFO Magnus Örnberg present the 2014 year-end result.

**Date:** Tuesday, 10 February 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/150210/>

#### Conference call:

Please, dial in using one of the numbers below.

UK: +44 2034281402

SE: +46 856642692

US: +1 8557532235

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 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 10 February 2015 at 07.30 (CET).*

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