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Saab's Results January-September 2020

Saab presents the results for January-September 2020 earlier than previously announced.

Statement by the President and CEO Micael Johansson:

The corona pandemic has continued to impact the world negatively and not least the global aviation industry. For Saab, the uncertainty surrounding Covid-19 has mainly been associated with supply chain disruptions within the company's business areas and the market conditions for the civil business. Due to the ongoing pandemic and drawn-out global recovery, Saab now sees an increased risk related to the effects of Covid-19.

In recent assessments, the future risks have increased foremost for business area Aeronautics. The prolonged pandemic and slow recovery is primarily affecting subcontractors and material supply for the Gripen E/F programme, with consequences for development, verification and production work.

The Gripen-programme is characterized by long lead times and small series where components must be certified for airworthiness, which means the assessment of future possible economic impact within Aeronautics has become increasingly uncertain. Saab has managed the increased risks by adjusting the project estimates, which affected the operating income negatively by SEK 1.1 billion in the quarter. Our view is that the risks in the supply chain for other business areas have also increased, but to a lesser extent, why an additional SEK 0.4 billion has been allocated for adjustments in other project estimates. Our assessments assumes that the effects of the pandemic will continue during 2021.

In connection with the interim report for the first quarter 2020, the outlook for organic sales growth and operating margin for the full-year could not be confirmed due to the great uncertainty caused by Covid-19. This still applies. The projection of a high delivery rate in the fourth quarter, including important milestone payments, have not changed, nor has our projection that operational cash flow for the full-year 2020 will be positive, excluding the state support package. Saab remains committed to its long-term financial goals in terms of growth and profitability.

Strong order bookings and continued internationalisation

In challenging times, Saab has continued to win important contracts. Order bookings increased by 8% in the quarter and by 27% in the first nine months of the year and amounted to SEK 24.2 billion (19.1). Small orders grew by 7% in the same period. During the first nine months, the work of developing the business in a more international direction has continued. In the United States of America, the establishment of local production capacity for the T-7 aircraft is progressing, and in

Saab AB (publ)Postal address
SE-581 88 Linköping
SwedenTelephone
+46 (0)13 18 00 00Telefax
+46 (0)13 18 72 00Registered office
LinköpingRegistered No
556036-0793VAT No
SE556036079301
Internet address
www.saab.com

connection with Australia's order for Saab's solution for deployable health modules, a global development centre is being established in the country.

Stable sales and profitability affected by Covid-19

Sales in the first nine months of 2020 amounted to SEK 22.9 billion (24.9). The lower volumes in the quarter were mainly due to Covid-19 related adjustments to project estimates and weak demand in civil aviation operations. Excluding adjustments to project estimates, sales were down 2% in the year's first nine months. Operating income for the first nine months amounted to SEK 549 million (1,739). Items affecting comparability for the quarter includes capital gain from the divestment of Vricon SEK 1,0 billion, Covid-19 related adjustments to project estimates SEK 1,5 billion and provisions and write-downs SEK 0,6 billion. Excluding items affecting comparability, operating income amounted to SEK 1,657 million, equivalent to an operating margin of 6.8% (7.0).

Cash flow improvement in the quarter

Operational cash flow showed an improvement compared to the first nine months of 2019 and amounted to SEK -128 million (-4,356), thanks to several important deliveries during the year, including GlobalEye to the United Arab Emirates and Gripen E to Brazil.

Outlook statement for 2020

Due to uncertainty related to the scope and duration of COVID-19, it was stated in the first quarter interim report of 2020 that the previous forecast for the full-year 2020 could not be confirmed. Saab reiterates this assessment.

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Financial highlights

MSEK	Jan-Sep 2020	Jan-Sep 2019	Change, %	Q3 2020	Q3 2019	Change, %	Full Year 2019
Order bookings	24,222	19,093	27	10,152	9,383	8	27,216
Order backlog	94,652	96,004	-1				93,293
Sales	22,940	24,855	-8	6,064	7,914	-23	35,433
Gross income	3,537	5,466	-35	-174	1,678	-110	8,035
Gross margin, %	15.4	22.0		-2.9	21.2		22.7
EBITDA	1,604	2,742	-42	-314	849	-137	4,305
EBITDA margin, %	7.0	11.0		-5.2	10.7		12.1
Operating income (EBIT)	549	1,739	-68	-663	518	-228	2,937
Operating margin, %	2.4	7.0		-10.9	6.5		8.3
Adjusted operating income ¹⁾	1,657	1,739	-5	445	518	-14	2,937
Adjusted operating margin, % ¹⁾	6.8	7.0		5.9	6.5		8.3
Net income	489	1,121	-56	-371	295	-226	2,025
of which Parent Company's shareholders' interest	475	1,100	-57	-380	269	-241	1,983
Earnings per share after dilution, SEK ²⁾	3.55	8.21		-2.83	2.01		14.81
Return on equity, % ³⁾	7.0	13.1					10.0
Operational cash flow	-128	-4,356		-363	-1,654		-1,300
Free cash flow	698	-4,991		676	-1,865		-2,036
Free cash flow per share after dilution, SEK	5.21	-37.25		5.04	-13.95		-15.20
¹⁾ See note 5 for additional information regarding items affecting comparability							
²⁾ Average number of shares after dilution							
	133,861,996	133,994,725		134,048,466	133,702,351		133,929,292
³⁾ Return on equity is measured over a rolling 12-month period.							

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Presentation of Saab's results January – September 2020

Saab's CEO Micael Johansson and CFO and deputy CEO Christian Luiga will present the results for January-September 2020.

Date: Monday, 19 October at 13.00 (CET).

You are welcome to watch the live webcast or dial in to the conference call. It is possible to ask questions on the conference call as well as post questions over the web.

Live webcast: <http://saab-interimreport.creo.se/201021>

Conference call:

Please, dial in using one of the numbers below.

Sweden: +46 8 505 583 66
United Kingdom: +44 333 330 09030
United States: +1 833 249 8406

The interim report, the presentation material and the webcast will be available on <https://www.saab.com/investors>

For further information, please contact:

Ann Wolgers, Press Officer
+46 (0)734 18 70 52
presscentre@saabgroup.com

Merton Kaplan, Head of Investor Relations
+46 (0)73 418 20 71

www.saabgroup.com
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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, on 19 October 2020 at 08.10 (CET).

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