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Saab Year-End Report 2020: Strong order intake and positive cash flow

Saab presents the year-end results for 2020.

Comment by the President and CEO, Micael Johansson:

The prolonged pandemic continued to severely affect many countries in the fourth quarter, resulting in new restrictions and lockdowns. Despite this Saab continued to strengthen its competitiveness on the global defence market. We secured significant order intake, up 56 per cent compared to 2019 and the order backlog reached almost SEK 100 billion. Saab's international expansion continues and orders outside Sweden grew 52 per cent in 2020. The strong order backlog, combined with growing defence needs across Saab's key markets, will be a continued support to our growth journey.

In the civil aviation business, demand remained weak compared to the previous year and in the fourth quarter some of our large customers declared significantly lower production volumes. This had a negative impact on parts of Saab's civil business that design and manufacture composite doors and wing-parts to aircrafts. As a result, business area IPS took a one-time cost of SEK -315 million in the quarter. Saab's defence business showed solid performance, with five of six business areas reporting positive sales growth. Organic growth for Saab in the quarter was 18 per cent, while sales for the full year were in line with last year. Notably our sales were up 4 per cent, excluding project estimate adjustments in quarter three related to Covid-19, despite the downturn in the civil aviation market. For 2021, organic sales growth is expected to be in line with our long-term target of 5 per cent.

Operating income, excluding items affecting comparability, amounted to SEK 1,081 million in the quarter, corresponding to a margin of 8.8 per cent (11.3%). Reported margin was 6.1 per cent. The decline is linked to Covid-19, affecting the performance in our civil business. Adjusted operating margin for 2020 were 7.4 per cent (8.3%). Reported margin for the full year was 3.7% per cent. For 2021, we expect the EBIT margin to be in line with adjusted EBIT margin for 2020. The uncertainty surrounding Covid-19 and its future effects remains high.

During the year, several important milestones were met, delivery of the first and second GlobalEye to the United Arab Emirates, delivery of the first Gripen E to Brazil and the

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second upgraded Gotland-class submarine to Sweden. Furthermore, the maiden flight of our new Fighter AESA radar was completed, strengthening our sensor capabilities further.

For 2020, we guided that operational cash flow would be positive, following two years of negative cash flow. Operational cash flow for the year came in at SEK 2,773 million (-1,300). The cash flow was driven by good project execution and deliveries in several of Saab's programmes. Looking into 2021, we expect operational cash flow for the full year to continue to be positive. Saab reports a solid balance sheet with a net financial debt position of 1.5 net debt/EBITDA. Based on the financial position and future outlook the Board will propose a dividend of SEK 4.70 per share for 2020.

As a defence and security company, our commitment to sustainability and the UN Global Compact Principles is of outmost importance. Throughout the year, we intensified our sustainability work and established, among others initiatives, the Saab Climate Fund for sustainable innovation and solutions. I am confident that Saab remains well positioned to continue growing and create long-term sustainable value to all its stakeholders.

Outlook for 2021*:

Sales growth: Organic sales growth to be in line with our long-term target of 5 per cent

Operating income: EBIT margin for the full year to be in line with adjusted EBIT margin, 7.4 per cent for 2020

Operational Cash flow: Positive for the full year

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Financial highlights

MSEK	FY 2020	FY 2019	Change, %	Q4 2020	Q4 2019	Change, %
Order bookings	42 328	27 216	56	18 106	8 123	123
Order backlog	99 816	93 293	7			
Sales	35 431	35 433	0	12 491	10 578	18
Gross income	5 676	8 035	-29	2 139	2 569	-17
Gross margin, %	16,0	22,7		17,1	24,3	
EBITDA	2 833	4 305	-34	1 229	1 563	-21
EBITDA margin, %	8,0	12,1		9,8	14,8	
Operating income (EBIT)	1 315	2 937	-55	766	1 198	-36
Operating margin, %	3,7	8,3		6,1	11,3	
Adjusted operating income ¹⁾	2 738	2 937	-7	1 081	1 198	-10
Adjusted operating margin, % ¹⁾	7,4	8,3		8,8	11,3	
Net income	1 092	2 025	-46	603	904	-33
of which Parent Company's shareholders' interest	1 073	1 983	-46	598	883	-32
Earnings per share after dilution, SEK ²⁾	8,01	14,81		4,48	6,60	
Return on equity, % ³⁾	5,1	10,0				
Operational cash flow	2 773	-1 300		2 901	3 056	
Free cash flow	3 753	-2 036		3 055	2 955	
Free cash flow per share after dilution, SEK	28,03	-15,20		22,87	22,13	

¹⁾ *Adjusted for items affecting comparability

²⁾ Average number of shares after dilution

³⁾ Return on equity is measured over a rolling 12-month period.

133 877 141

133 929 292

133 553 781

133 553 690

For more information and explanations regarding the usage of these key ratios, please see <https://www.saab.com/investors/financial-data/key-ratios>

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Saab's Full Year January-December 2020 results presentation

President and CEO Micael Johansson and CFO and Deputy CEO Christian Luiga will present the Saab year-end results for 2020 on Thursday, February 11 at 10:00 (CET).

You are welcome to watch the live webcast or dial in to the telephone conference. A Q&A session will follow the presentation over the web and conference call.

Live webcast: <http://saab-interimreport.creo.se/210211>

Conference call:

Please, dial in using one of the numbers below.

Sweden: +46 856642703
United Kingdom: +44 3333009265
United States: +1 8335268398

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

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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 11 February 2021 at 07.30 (CET).

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