

Date
21 July 2021Reference
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Saab's Results January-June 2021: Strong sales growth and positive cash flow

Saab presents the results for January-June 2021.

Key highlights Q2 2021

- Orders increased 7% and the order backlog amounted to SEK 96.7bn.
- Organic sales growth of 15% driven by high project activity and deliveries.
- EBITDA increased 19% to SEK 1,196m (1,004), a margin of 11.8% (11.4).
- Operating income improved 10% and amounted to SEK 715m (652), corresponding to a margin of 7.1% (7.4), including costs for right-sizing measures of SEK 85 million.
- Operational cash flow was SEK 3,152m (1,817) due to large milestone payments received in the quarter.
- New organizational structure including Operational Excellence function effective as of July 1, 2021.
- Changed outlook: Organic sales growth for the full year 2021 to be around 10% (previous outlook was an organic sales growth in line with long-term target of 5%).

Statement by Micael Johansson, President and CEO, Saab:

Strong sales growth and positive cash flow

The activity in the defence market continued to be favourable in the second quarter and demand in our main markets remained good. This benefits Saab's growth both internationally and in Sweden, supporting our multi-domestic strategy.

In the quarter, orders continued to grow and increased 7%, amounting to SEK 9.9 billion. We secured a Future Development and Support contract for the Swedish Gripen C/D and orders for Training solutions for the Netherlands and for the U.S. Marine Corps. We also received orders for radar components for the G/ATOR system in the U.S., a Helicopter 15 support contract with Sweden and a contract for radar warning equipment for the German Tornado aircraft. Our solid order backlog is now amounting to SEK 97 billion, a good contributor for future sales growth.

Organic sales increased 15% in the quarter driven by high activity level and deliveries in our defence projects. The civil aviation business still reported a decline in sales. Five out

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of six business areas showed improved volumes. For the first half of the year we delivered organic sales growth of 15%. Combined with our strong backlog for this year, we now increase our outlook on organic sales growth in 2021 to be around 10%.

The strong sales in the quarter contributed positively to earnings and EBITDA increased 19%, corresponding to a margin of 11.8% (11.4). Operating income increased by 10% and was SEK 715 million (652), with a margin of 7.1% (7.4). This includes right-sizing measures from the closure of our Barracuda facility in the U.S. and adjusted capacity in our operations in South Africa. These measures had a negative impact on operating income of SEK 85 million, corresponding to 0.8% margin impact. We reiterate our EBIT margin outlook for 2021.

As of July 1st, our new organisation, where six business areas becomes four, and the new Operational Excellence function, came into effect. The aim is to improve efficiency in our business by removing internal interfaces, drive synergies in operations and improve customer interaction.

The uncertainty of the pandemic, along with ongoing travel and other restrictions, continues to impact predictability. This also impacts some areas of the supply chain, however, we continue to have a close dialogue with our suppliers to mitigate the effects.

Operational cash flow in the quarter improved significantly and amounted SEK 3.2 billion (1.8). The majority of this year's large milestone payments were received in the first half of the year. We reiterate the outlook of positive operational cash flow for the full year.

A commitment to society has been at the core of Saab's business since its founding, supporting nations to keep people and society safe. In our commitment to contribute to a sustainable society, we are also working actively to reduce the environmental impact, from our operations, the value-chain and products.

During the first half of the year, a project to identify and prioritise group-wide climate-related risks and opportunities was conducted, through the Task Force on Climate Related Financial Disclosures (TCFD) framework. Moreover, together with Swedish industry, a concept for flexible production and resilience was presented to better prepare Sweden for the next crisis.

To visualize our progress in our sustainability work, in this interim report we have started to describe our sustainability progress. I am confident that Saab is well positioned on its journey to create long-term sustainable value for all our stakeholders and society as a whole.

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Financial highlights

MSEK	Jan-Jun 2021	Jan-Jun 2020	Change, %	Q2 2021	Q2 2020	Change, %	Full Year 2020
Order bookings	15,746	14,070	12	9,875	9,247	7	42,328
Order backlog	96,714	90,458	7				99,816
Sales	19,219	16,876	14	10,131	8,836	15	35,431
Gross income	4,047	3,711	9	2,113	1,831	15	5,676
Gross margin, %	21.1	22.0		20.9	20.7		16.0
EBITDA	2,262	1,918	18	1,196	1,004	19	2,833
EBITDA margin, %	11.8	11.4		11.8	11.4		8.0
Operating income (EBIT)	1,312	1,212	8	715	652	10	1,315
Operating margin, %	6.8	7.2		7.1	7.4		3.7
Net income	910	860	6	514	518	-1	1,092
of which Parent Company's shareholders' interest	897	855	5	505	521	-3	1,073
Earnings per share after dilution, SEK	6.73	6.40		3.78	3.90		8.01
Return on equity, % ¹⁾	5.2	10.0					5.1
Operational cash flow	2,992	235		3,152	1,817		2,773
Free cash flow	2,763	22		3,028	1,722		3,753
Free cash flow per share after dilution, SEK	20.72	0.16		22.69	12.89		28.03
Average number of shares after dilution	133 351 912	133 690 023		133 446 047	133 625 118		133 877 141
¹⁾ 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://saab.com/investors/financial-data/key-ratios/>

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Saab's Interim Report January-June 2021 Presentation

Saab's CEO and President Micael Johansson and CFO and deputy CEO Christian Luiga will present the Saab interim report for January-June 2021.

Date: Wednesday, 21 July at 10:00 (CET).

The report is published at 07.30 a.m. (CET) the same day at <http://www.saab.com>.

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

Live webcast: <http://saab-interimreport.creo.se/210721>

Conference call:

Please, dial in using one of the numbers below.

Sweden (Sverige): +46 856642704

United Kingdom: +44 3333009273

United States: +1 6467224956

The interim report, the presentation material and the webcast will be available on <http://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. The information was submitted for publication, through the agency of the contact person set out above, on 21 July 2021 at 07.30 (CET).

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