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Saab's Results January-September 2021: Strengthened order backlog for continued growth

Saab presents the results for January-September 2021.

Key highlights Q3 2021

- Strong order intake of SEK 15,605m, an increase of 54%, from orders in Sweden and rest of Europe. Order backlog amounting to SEK 105bn (95).
- Sales increased 32% and amounted to SEK 7,992m driven by high activity level in the defence business. The Q3 2020 included adjustments to project estimates of SEK -1.5bn. Adjusted for this, sales increased 6%.
- EBITDA amounted to SEK 977m (-314), corresponding to a margin of 12.2%. EBITDA and the EBITDA margin improved compared to the adjusted EBITDA in Q3 2020 of SEK 794m and adjusted margin of 10.5%.
- Operating income amounted to SEK 500m (-663), with a margin of 6.3%.
- The operating income and margin improved compared to the adjusted operating income in Q3 2020 of SEK 445m and adjusted margin of 5.9%.
- Operational cash flow was SEK -1,238m (-363) in the third quarter and SEK 1,754m (-128) in the first nine months of 2021.
- New organizational structure with four business areas in effect as of July 1.
- Saab joins the "Race to Zero" initiative to reduce climate impact and adopts a long-term climate goal of net zero emissions by 2050.

Statement by Micael Johansson, President and CEO, Saab:

Strengthened order backlog for continued growth

Saab continued to win important contracts and delivered another growth quarter. Orders grew 54% in the third quarter and 29% in the first nine months of 2021. I am pleased to see orders growing in Sweden, rest of Europe and the U.S., which further strengthens Saab's position in important markets. Our order backlog is now SEK 105 billion and underlines the strength of our portfolio and the capabilities in our five core areas. With the opening of the new U.S. production site in West Lafayette, Indiana, in October, Saab took an important step in its international expansion.

Sales increased 32% in the third quarter. The same quarter last year included project estimate adjustments of SEK -1.5bn and adjusted for this, sales increased 6%. This was driven by solid project execution in the defence business, partly offset by the weak sales development in the civil aviation business, which continued to decline in the quarter. Sales

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for the first nine months increased 19% and 11% compared to adjusted sales in the same period 2020.

The improved sales had a positive contribution to EBITDA in the quarter, which increased 23% compared to the adjusted EBITDA in Q3 2020. The EBITDA margin was 12.2%. Operating income in the quarter grew 12% compared to last year's adjusted operating income and the margin improved from 5.9% to 6.3%. Dynamics was the main earnings driver in the quarter, supported by Ground Combat and Training and Simulation. In Aeronautics, we are now in the last part of the EMD (Engineering, Manufacturing and Development) phase of the T-7A programme. The T-7A operations will continue to have a negative impact on earnings until we ramp up the production in West Lafayette. In Surveillance, operating income improved compared to last year, mainly driven by higher sales, partly offset by higher amortisation cost. Kockums continued to show a year over year improvement in profitability in the quarter.

Whilst society and businesses are returning to normal following the pandemic, the risks in the global supply chains, including shortages in the electronic component market, remain. We have a close dialogue with our suppliers to mitigate potential future effects on supply shortages and secure delivery of products.

Operational cash flow in the third quarter amounted to SEK -1.2 billion (-0.4). The lower cash flow in the quarter was due to a temporary inventory build-up in Dynamics and Surveillance. The operational cash flow for the first nine months of 2021 was SEK 1.8 billion (-0.1). We reiterate our outlook of positive operational cash flow for the full year.

As we continue on our growth journey, we do so guided by our purpose and fundamental sustainability commitment to help nations keep people and society safe. This is in line with the UN's Sustainable Development Goal 16 for peace, justice and strong institutions. In the overall contribution to a sustainable society, an urgent focus on climate impact is also necessary. Saab is therefore dedicated to reduce the overall climate impact from emissions in operations, products and across the value-chain. During the quarter, Saab committed to the "Race to Zero" initiative to achieve net zero greenhouse gas emissions by 2050 by setting Science Based Targets. This commitment is one step in our work to meet the increased challenges in sustainability, climate change and emission targets. Year-to-date, Saab's reduction of carbon emissions from operations in scope 1 and 2 was 15%.

With some Covid-19 restrictions lifted, we now have the opportunity to meet and interact with our customers again. We have an exciting time ahead of us with several market campaigns ongoing, including opportunities for Gripen, GlobalEye, Ground Combat and in the underwater area. I remain confident in our ability to deliver on our long-term targets and create sustainable value for all our shareholders.

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Financial highlights

MSEK	Jan-Sep 2021	Jan-Sep 2020	Change, %	Q3 2021	Q3 2020	Change, %	Full Year 2020
Order bookings	31,351	24,222	29	15,605	10,152	54	42,328
Order backlog	104,570	94,652	10				99,816
Sales	27,211	22,940	19	7,992	6,064	32	35,431
Gross income	5,793	3,537	64	1,746	-174	n/a	5,676
Gross margin, %	21.3	15.4		21.8	-2.9		16.0
EBITDA	3,239	1,604	102	977	-314	n/a	2,833
EBITDA margin, %	11.9	7.0		12.2	-5.2		8.0
Operating income (EBIT)	1,812	549	230	500	-663	n/a	1,315
Operating margin, %	6.7	2.4		6.3	-10.9		3.7
Adjusted operating income ¹⁾	1,812	1,657	9	500	445	12	2,738
Adjusted operating margin, % ¹⁾	6.7	6.8		6.3	5.9		7.4
Net income	1,234	489	152	324	-371	n/a	1,092
of which Parent Company's shareholders' interest	1,193	475	151	296	-380	n/a	1,073
Earnings per share after dilution, SEK	8.95	3.55		2.22	-2.83		8.01
Return on equity, % ²⁾	8.5	7.0					5.1
Operational cash flow	1,754	-128		-1,238	-363		2,773
Free cash flow	1,360	698		-1,403	676		3,753
Free cash flow per share after dilution, SEK	10.20	5.21		-10.53	5.04		28.03
Average number of shares after dilution	133,361,072	133,861,996		133,198,087	134,048,466		133,877,141
¹⁾ Items affecting comparability, see note 5							
²⁾ 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-September 2021 Presentation

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

Date: Friday, 22 October 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/211022>

Conference call:

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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 22 October 2021 at 07.30 (CET).

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