Saab interim report
January-June 2020
17 July, 2020

Micael Johansson, President and CEO
Thomas Hendel, Acting CFO
Highlights, January–June 2020

**Strong order growth**
- Strong order growth of 45% in the first half
- Continued growth in small orders of 9%
- Organic growth of 5% in the second quarter
  - Sales growth in 5 out of 6 business areas

**Solid performance**
- Earnings development in line with last year, strong performance in defence
- Cost reduction contributed positively
- Execution of major projects progressing according to plan

**Execution highlights**
- Delivery of the first GlobalEye to UAE in April
- Saab’s new fighter AESA radar successfully completed air trials
- Successful tests with the Saab Lightweight Torpedo
- Start of production of Gripen E/F fighter at the new plant in Brazil
- Divestment of Vricon JV completed
- FCAS-UK partnership intensified in the quarter
COVID-19 update

COVID-19 impact

• Limited impact on the defence related business
• Major programs progressing according to plan
• Tangible impact on civil business from the significant decline in demand in the aviation industry
• Difficult to predict effect on future orders and supply chain recovery

Actions being taken

• Capacity adjustments in operations impacted by lower volumes due the downturn in the civil related business
• Implementation of shorter working hours, particularly in IPS
• Tight monitoring of the supply chain and secondary source analysis to preserve operations
• Strengthened financial flexibility
• Withdrawal of dividend proposal at the AGM 2020
Market highlights, Q2 2020

**Market development**

- Unchanged procurement programs with most customers
- Good market activity despite Covid-19 situation
- Decline in the commercial market affecting industry

**Saab key orders Q2**

- Contract signed for Saab’s airborne Erieye AEW&C radar
- Carl-Gustaf orders from the U.S., Latvia and Estonia
- Gripen support and maintenance orders from Sweden
- Support agreement for trainer aircraft SK60 for Sweden
- First order of life extension of the heavyweight torpedo system to Sweden
- G/ATOR radar order from U.S.
Financial highlights, January-June 2020

Order bookings

Sales

Operating income

Operational cash flow
Quarterly development

Order bookings

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Order bookings (MSEK)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2 2016</td>
<td>6,848</td>
</tr>
<tr>
<td>Q2 2017</td>
<td>10,853</td>
</tr>
<tr>
<td>Q2 2018</td>
<td>6,529</td>
</tr>
<tr>
<td>Q2 2019</td>
<td>5,228</td>
</tr>
<tr>
<td>Q2 2020</td>
<td>9,247</td>
</tr>
</tbody>
</table>

Sales

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Sales (MSEK)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2 2016</td>
<td>7,064</td>
</tr>
<tr>
<td>Q2 2017</td>
<td>7,772</td>
</tr>
<tr>
<td>Q2 2018</td>
<td>7,953</td>
</tr>
<tr>
<td>Q2 2019</td>
<td>8,445</td>
</tr>
<tr>
<td>Q2 2020</td>
<td>8,836</td>
</tr>
</tbody>
</table>

Operating income

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Operating income (MSEK)</th>
<th>EBIT margin (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2 2016</td>
<td>317</td>
<td>4.5%</td>
</tr>
<tr>
<td>Q2 2017</td>
<td>347</td>
<td>4.5%</td>
</tr>
<tr>
<td>Q2 2018</td>
<td>458</td>
<td>5.8%</td>
</tr>
<tr>
<td>Q2 2019</td>
<td>630</td>
<td>7.5%</td>
</tr>
<tr>
<td>Q2 2020</td>
<td>652</td>
<td>7.4%</td>
</tr>
</tbody>
</table>

Operational cash flow

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Operational cash flow (MSEK)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2 2016</td>
<td>1,137</td>
</tr>
<tr>
<td>Q2 2017</td>
<td>-1,429</td>
</tr>
<tr>
<td>Q2 2018</td>
<td>-539</td>
</tr>
<tr>
<td>Q2 2019</td>
<td>-779</td>
</tr>
<tr>
<td>Q2 2020</td>
<td>1,817</td>
</tr>
</tbody>
</table>
Strategy and long term financial targets remain

- Focus on optimizing the product portfolio
- Significantly increase R&D efficiency
- Resource efficiency through product life-cycle
- Innovation labs in prioritized technology areas
- Increased focus on cybersecurity
- Strategic workforce planning
- AI and 3D research projects
- Continuous cost efficiency measures
- Automation & digitalisation for increased productivity
- Reduced greenhouse gas emissions
- International expansion
- Strategic partnerships
- Local footprint in strategic markets
Financial Summary

Thomas Hendel, Acting CFO
Financial summary, Jan-Jun 2020

- Solid performance in the defence related business
- Increased order intake of 45%, small orders up 9%
- Sales in the first six months at a stable level
  - Organic growth of 5% in Q2
- Stable earnings with an operating margin of 7.2%
  - Positive volume effect in defence
  - Impact from cost reduction actions
- Improved cash flow in Q2
- Strong financial position and liquidity maintained

<table>
<thead>
<tr>
<th></th>
<th>Jan-Jun 2020</th>
<th>Jan-Jun 2019</th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Order bookings</td>
<td>14,070</td>
<td>9,710</td>
<td>45</td>
</tr>
<tr>
<td>Order backlog</td>
<td>90,458</td>
<td>94,236</td>
<td>-4</td>
</tr>
<tr>
<td>Sales</td>
<td>16,876</td>
<td>16,941</td>
<td>0</td>
</tr>
<tr>
<td>Operating income</td>
<td>1,212</td>
<td>1,221</td>
<td>-1</td>
</tr>
<tr>
<td>Operating margin, %</td>
<td>7.2</td>
<td>7.2</td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>860</td>
<td>826</td>
<td>4</td>
</tr>
<tr>
<td>Operational cash flow</td>
<td>235</td>
<td>-2,702</td>
<td></td>
</tr>
<tr>
<td>Free cash flow</td>
<td>22</td>
<td>-3,126</td>
<td></td>
</tr>
</tbody>
</table>
Order backlog duration

<table>
<thead>
<tr>
<th>BSEK</th>
<th>End of June 2020</th>
<th>Year End 2019</th>
<th>End of June 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020:</td>
<td>15.6</td>
<td>28.9</td>
<td>14.9</td>
</tr>
<tr>
<td>2021:</td>
<td>25.7</td>
<td>22.3</td>
<td>22.7</td>
</tr>
<tr>
<td>2022:</td>
<td>18.6</td>
<td>16.1</td>
<td>18.8</td>
</tr>
<tr>
<td>2023:</td>
<td>14.7</td>
<td>13.2</td>
<td>14.8</td>
</tr>
<tr>
<td>After 2023:</td>
<td>15.9</td>
<td>12.8</td>
<td>23.0</td>
</tr>
<tr>
<td>Total:</td>
<td>90.5</td>
<td>93.3</td>
<td>94.2</td>
</tr>
</tbody>
</table>

Order backlog per business area:

- Aeronautics: 43%
- Dynamics: 17%
- Surveillance: 17%
- S&S: 10%
- IPS: 9%
- Kockums: 4%

Order backlog per region:

- Sweden: 30%
- Rest of Europe: 17%
- Latin America: 33%
- Asia: 8%
- North America: 8%
- Africa: >1%
- Australia etc: 3%

Total RSEK 2019: 93.3
Total RSEK 2020: 94.2
Order size distribution

Small orders = <MSEK 100, Medium sized orders = MSEK 100-1,000, Large orders = >MSEK 1,000

Book-to-bill ratio calculated as 12 months rolling

January-June 2020

Small orders MSEK < 100
Medium-sized orders MSEK 100-1,000
Large orders > 1,000
**Order bookings per business area**

- Strong order growth of 45%
- Both small and large orders contributed
- Growth driven by BA Dynamics, Surveillance and Support & Services

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*Not including order bookings related to serial production of the TX trainer aircraft developed by Boeing and Saab for the U.S. Air Force. The U.S. Air Force has ordered the first phase from Boeing, the EMD = Engineering and Manufacturing Development, intended to be followed by production orders.*
• Stable sales volumes y-o-y but stronger Q2 in 5 out of 6 business areas
• High activity level across business areas
• Dynamics deliveries started to pick up in the second quarter
• IPS downturn related to civil aviation, slight increase in Combitech y-o-y
Operating income per business area

- Operating income affected by the downturn in IPS
- Strong improvement in Dynamics and Surveillance due to continued high activity level and positive mix
- Aeronautics and Support & Services at a high stable level, according to plan
- Productivity measures in Kockums continue
Operational cash flow, Jan-Jun 2020

- Improved cash generation, good collection in the quarter
- Lower levels of working capital build up, POC receivables starting to decrease
- Positive effect from deferral related to tax and social fees
- Continued investments in fixed assets and capitalized R&D expenses
- Further deliveries planned for 2020
- Continued ambition to generate positive operational cash flow for 2020
Financial position and maturity profile

<table>
<thead>
<tr>
<th>MSEK</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net debt, 31 December 2019</strong></td>
</tr>
<tr>
<td>Cash flow from operating activities</td>
</tr>
<tr>
<td>Change in net pension obligation</td>
</tr>
<tr>
<td>Net investments</td>
</tr>
<tr>
<td>Other</td>
</tr>
<tr>
<td><strong>Net debt, 30 June 2020</strong></td>
</tr>
<tr>
<td>Net pension obligation</td>
</tr>
<tr>
<td>Total interest-bearing receivables</td>
</tr>
<tr>
<td>Lease liabilities</td>
</tr>
<tr>
<td><strong>Net debt excl. net provisions for pensions, lease liabilities and interest-bearing receivables</strong></td>
</tr>
</tbody>
</table>

36.2% Equity/Assets ratio

- The cash buffer as of June 30: ~ 16 300 MSEK
  - Liquidity: ~ 6 300 MSEK
  - Committed unutilized credit facility: 10 000 MSEK
Focus going forward

<table>
<thead>
<tr>
<th>Execution and delivery of projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Secure targeted orders</td>
</tr>
<tr>
<td>Continue productivity</td>
</tr>
<tr>
<td>Cash flow generation</td>
</tr>
</tbody>
</table>
Important information

This presentation may contain forward-looking statements which reflect Saab AB’s current view on future events and financial and operational development. Words such as “intend”, “expect”, “anticipate”, “may”, “believe”, “plan”, “estimate” and other expressions which imply indications or predictions of future development or trends, and which are not based on historical facts, are intended to identify forward-looking statements. Forward-looking statements inherently involve both known and unknown risks and uncertainties as they depend on future events and circumstances. Forward-looking statements do not guarantee future results or development and the actual outcome could differ materially from the forward-looking statements.