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# INTERIM REPORT JANUARY-JUNE 2015

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President and CEO

17 July 2015



# HIGHLIGHTS IN Q2



- Contract with Sweden for the construction of two Type A26 submarines and midlife upgrade of two Gotland class submarines
- Dynamics: strong order intake, negative operating income in H1
- Continued investment in T-X development
- Agreement regarding Gripen for Brazil expected in H2
- Negative cash flow in H1; expect a significant improvement in H2
- Saab and DigitalGlobe announce Vricon joint venture to create the globe in 3D

# FINANCIAL KEY DATA

MSEK	Jan-June 2015	Jan-June 2014	Change	Full year 2014
Order bookings	18,996	8,126	134	22,602
Order backlog	67,853	57,180	19	60,128
Sales	11,329	10,972	3	23,527
Operating income	367	643	-43	1,659
<i>Operating margin</i>	3.2%	5.9%		7.1%
Net income	257	412	-38	1,168
Free cash flow	-2,082	-1,390		-1,094



# BUSINESS AREA DEVELOPMENT



**Aeronautics:** Investment in T-X development. Gripen E according to plan. Gripen for Brazil expected in H2

**Dynamics:** Strong order intake in ground combat area

**Electronic Defence Systems:** Improved order intake y-o-y

**Security and Defence Solutions:** Orders for two A26 submarines. Irish Aviation Authority to install Remote Tower

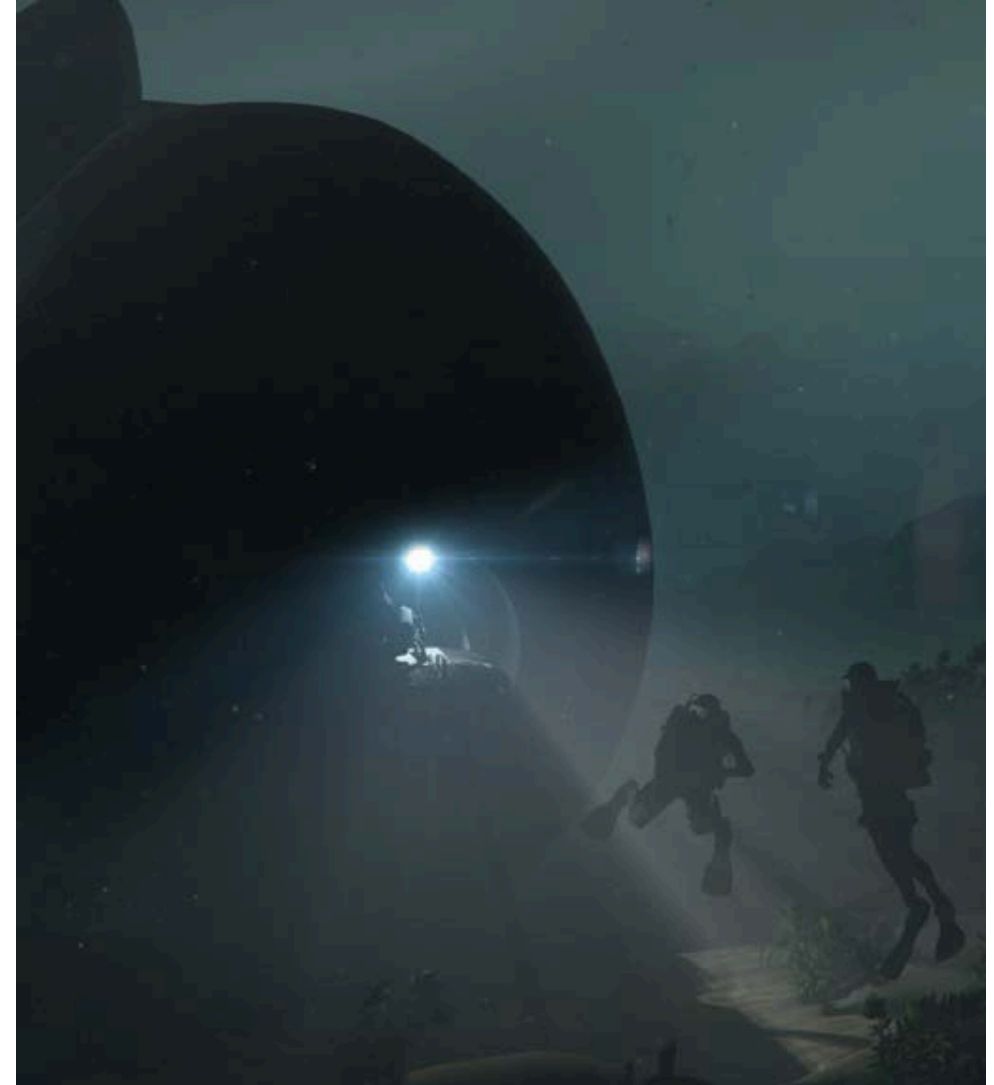
**Support and Services:** Lack of large orders, small orders on track

**Industrial Products and Services:** Strong development in Combitech. Aerostructures and Avionics on track

# SUBMARINE BUILDER SAAB

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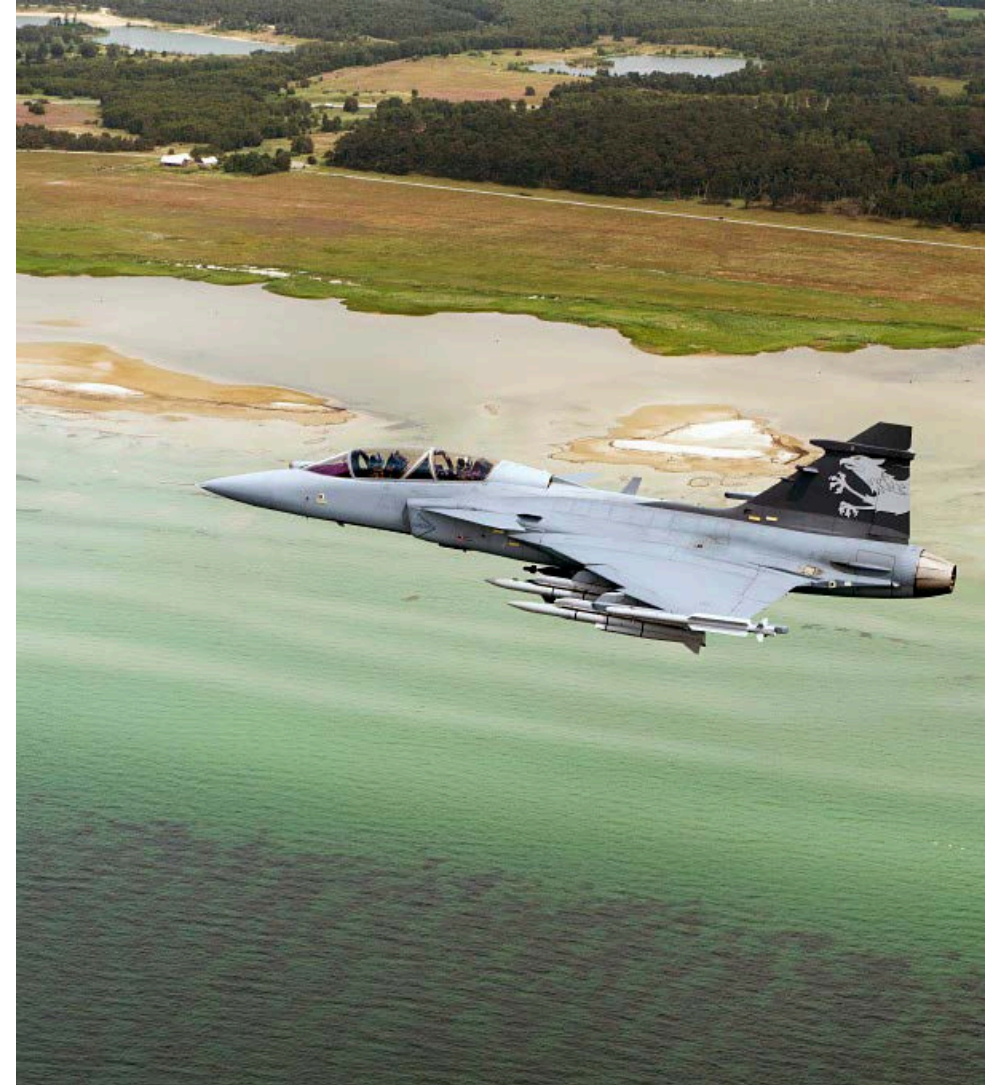
- Saab Kockums delivered good performance H1
- Deliveries of A26 2022-2024
- Long submerged endurance – Stirling AIP
- High level of survivability – stealth, shock resistance, safety
- Excellent manoeuvrability and hydrodynamic design
- High performance sensor and communication suite



# GRIPEN BRAZIL UPDATE

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- Order from Brazil regarding 36 Gripen NG expected H2
- Programme preparations ongoing
- Setting up industrial cooperation with Brazilian industry
- Deliveries planned 2019-2024



# OUTLOOK STATEMENT 2015



- In 2015, we estimate sales to increase more than Saab's long-term goal: annual organic sales growth of 5 per cent.
- The operating margin 2015 excluding material non-recurring items is expected to be in line with the operating margin in 2014. In 2015, increased internally funded research and development efforts within Aeronautics will have a negative impact on the operating margin.

# FINANCIALS

MAGNUS ÖRNBERG

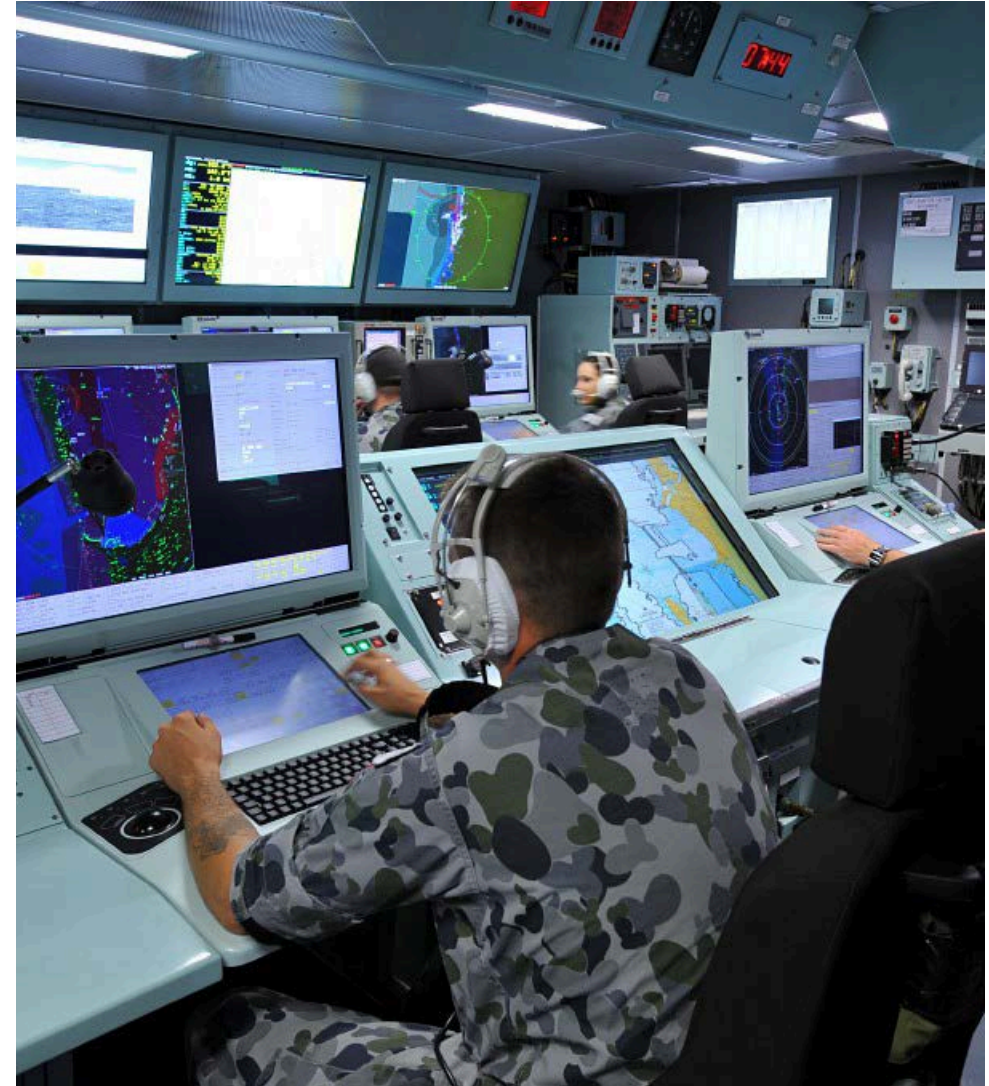
EVP and CFO



# SUMMARY

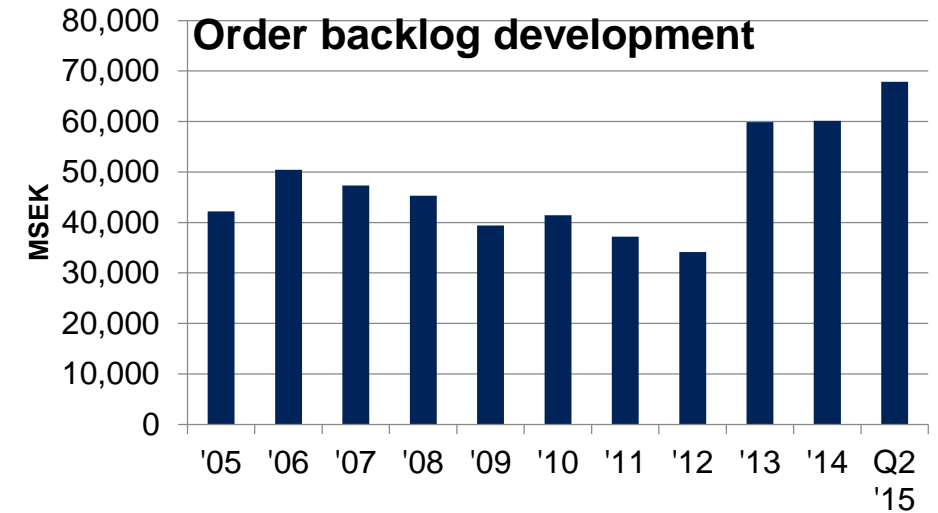
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- Strong order bookings in H1
- BA Dynamics on road to recovery
- Operational cash flow negative
  - Timing difference between milestone payments and deliveries
  - Investments in T-X development
  - Continued investments in radar development
- Large orders impact financial position

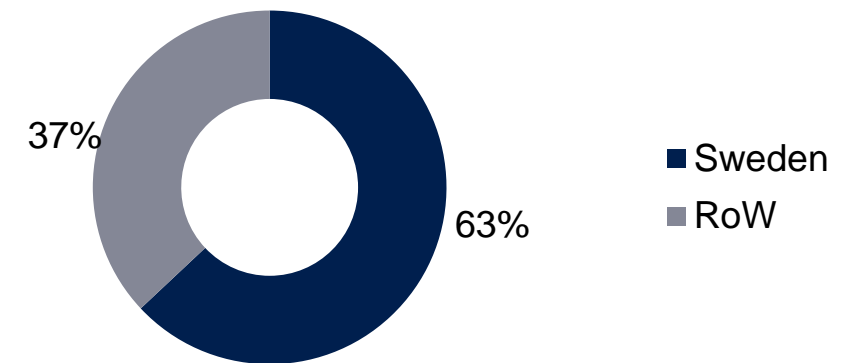


# ORDER BACKLOG

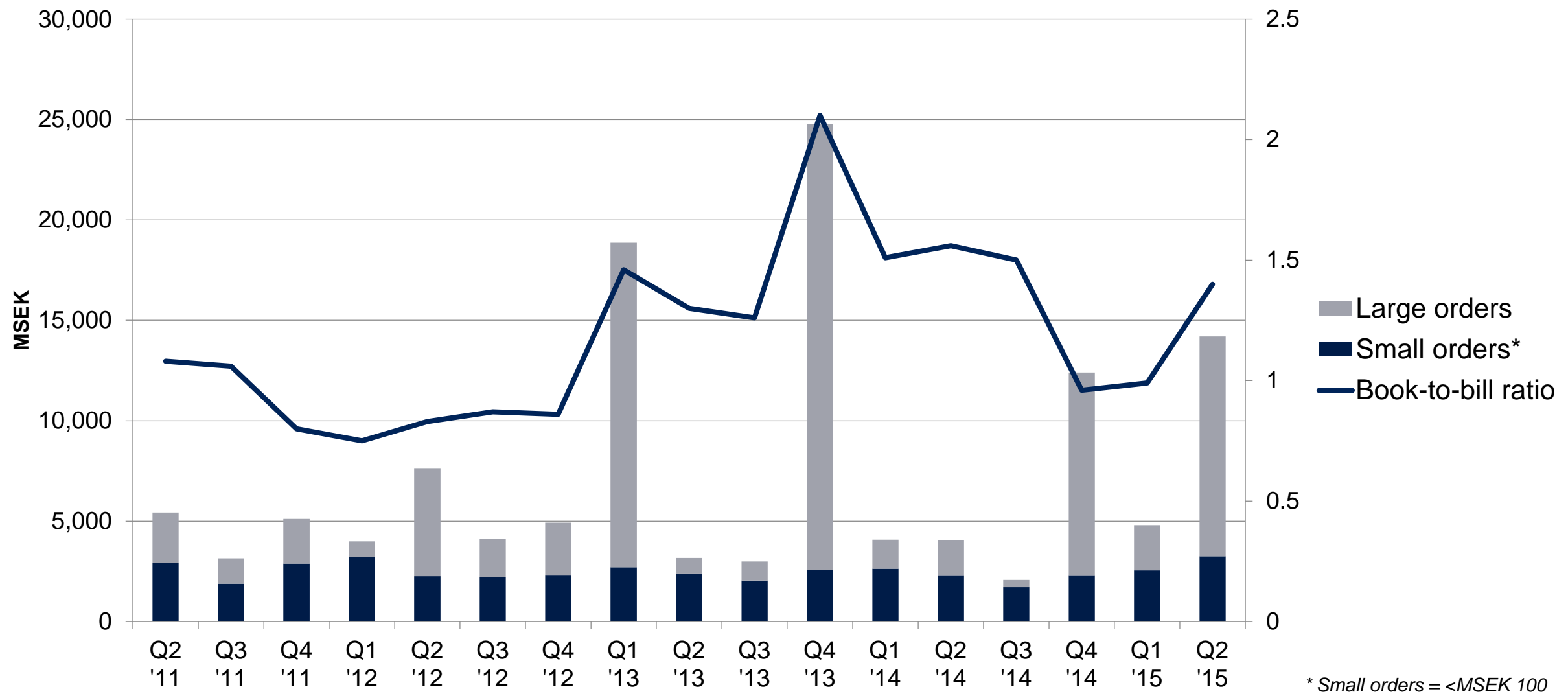
Order backlog duration, SEK bn					
30 June 2015		31 Dec 2014		30 June 2014	
2015:	11.6	2015:	17.8	2014:	11.1
2016:	14.8	2016:	10.2	2015:	11.7
2017:	9.5	2017:	5.7	2016:	7.8
2018:	6.6	2018:	5.6	2017:	4.9
After 2018:	25.4	After 2018:	20.8	After 2017:	21.7
<b>Total:</b>	<b>67.9</b>	<b>Total:</b>	<b>60.1</b>	<b>Total:</b>	<b>57.2</b>



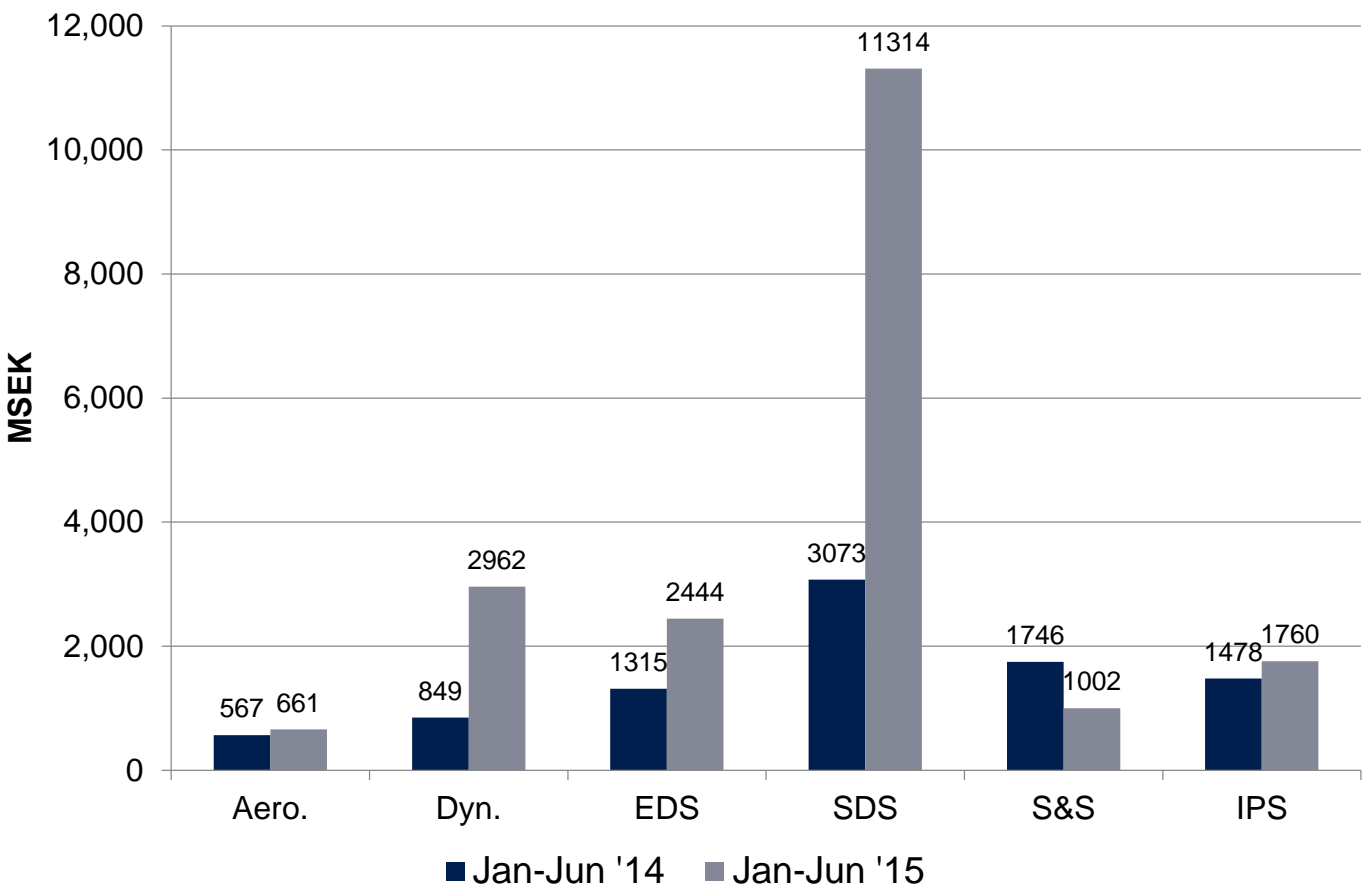
Order backlog distribution



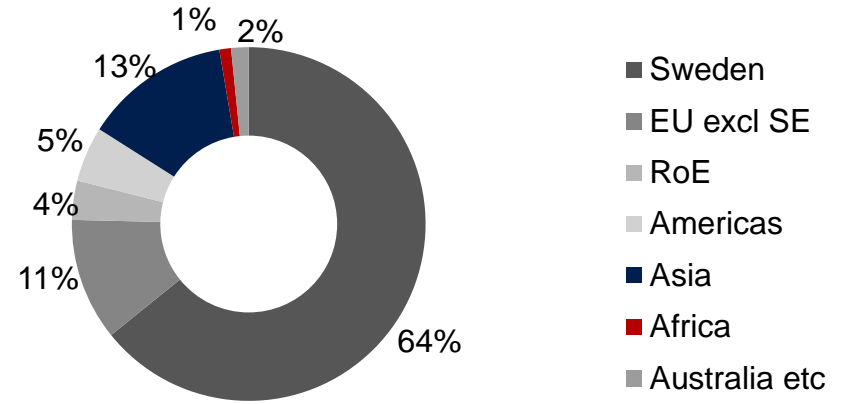
# ORDER SIZE DISTRIBUTION



# ORDER BOOKINGS DISTRIBUTION



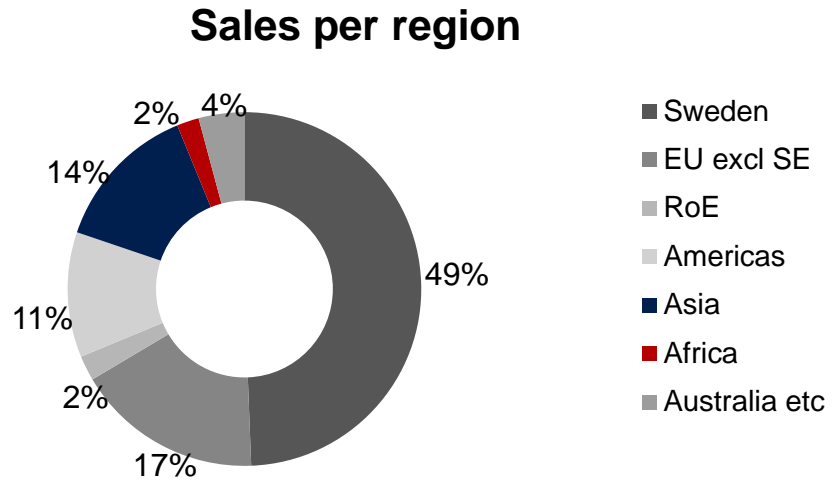
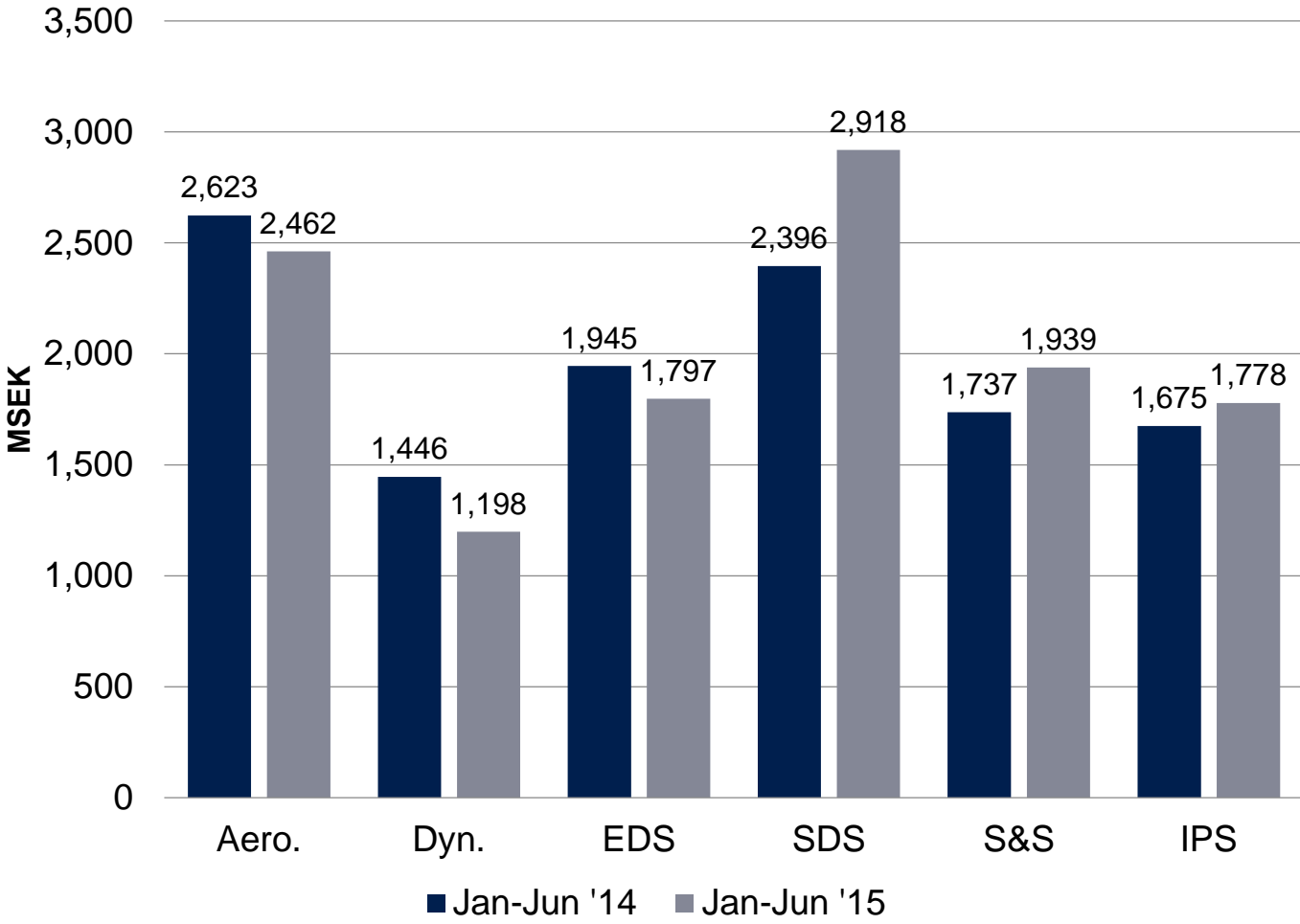
Order bookings per region



The increase in order bookings in Q2 is mainly due to orders for submarine construction and upgrades (SDS)

Dynamics recorded a good order intake with order for NLAW from the Finnish Defence Forces and other orders related to the weapon system area

# SALES

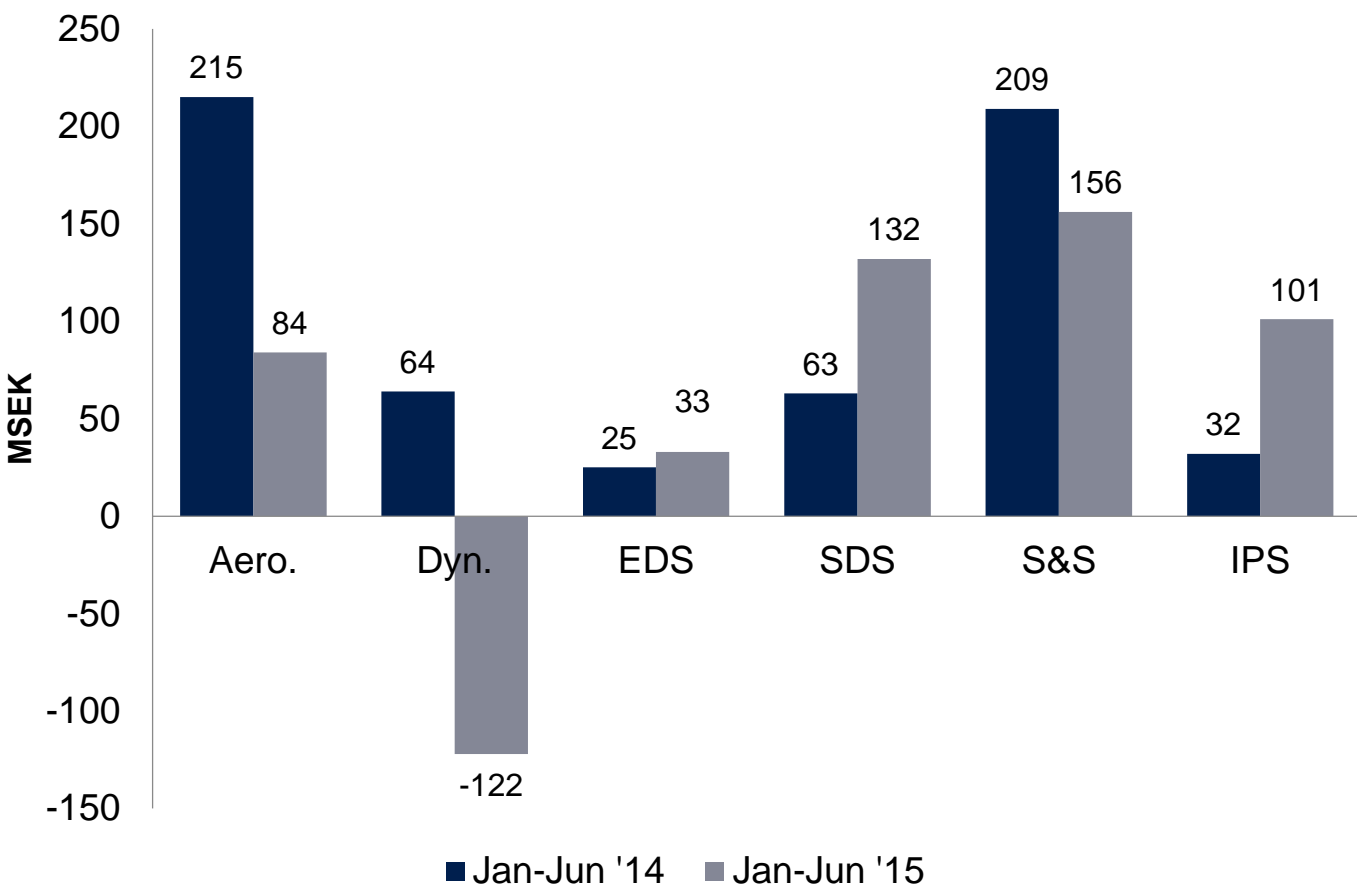


Sales increase in SDS mainly due to acquisition of Saab Kockums

Support & Services has a good development of smaller and mid-sized orders with short turnaround time

Combitech saw an improvement in Sweden

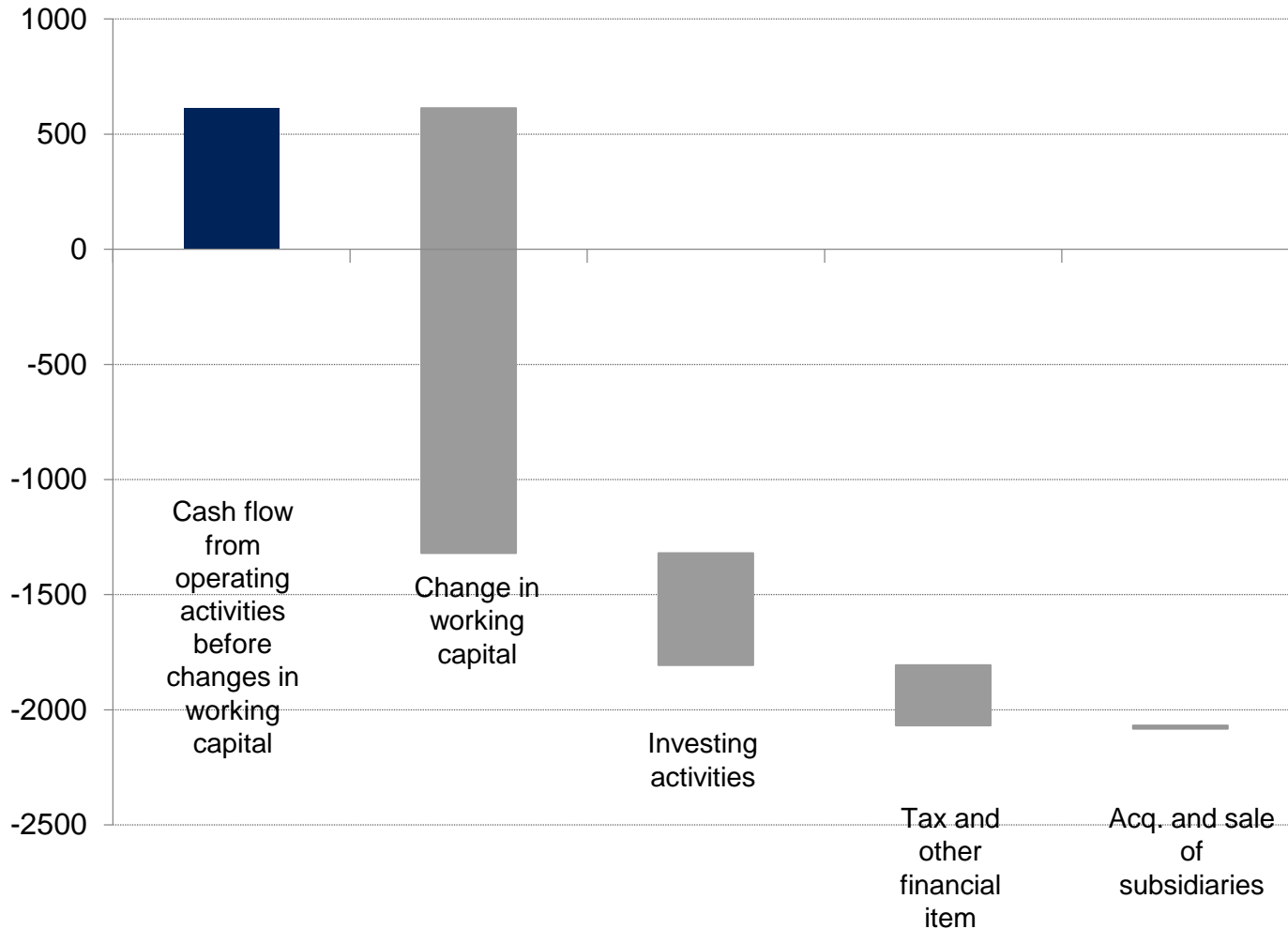
# OPERATING INCOME



Decreased income in Aeronautics due to investments in T-X development

Increased income in IPS mainly as a result of improvement in Combitech

# CASH FLOW



Jan-June 2015	MSEK
Cash flow from operating activities before changes in working capital	613
Change in working capital	-1,933
Investing activities	-486
<b>Operational cash flow</b>	<b>-1,806</b>
Tax and other financial items	-262
Acquisitions and sale of subsidiaries	-14
<b>Free cash flow</b>	<b>-2,082</b>

# FINANCIAL POSITION

	Development Q2 2015, MSEK
<b>Net liquidity (+) / Net debt (-), 31 December 2014</b>	<b>-2,113</b>
Cash flow from operating activities	-1,582
Change in net pension obligation	578
Net investments	-500
Financial lease	-442
Dividend	-501
Currency impact and unrealised results from financial investments	-32
<b>Net liquidity (+) / Net debt (-), 30 June 2015</b>	<b>-4,592</b>
Net pension obligation, 30 June 2015	1,950
Total interest-bearing assets, 30 June 2015	-267
<b>Liquidity</b>	<b>-2,909</b>
Equity/assets ratio, 30 June 2015	37.2



# FOCUS GOING FORWARD

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- Execute on order backlog
- Increase efficiency in project execution
- Cash flow improvement



Q&A



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