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Saab's results January-March 2014

Defence and security company Saab presents the results for January-March 2014.

Statement by the President and CEO Håkan Buskhe:

During the first quarter of 2014 the market situation remained challenging. At the same time we see a growing interest in Saab's offer globally and possibilities for our high-tech and cost-effective solutions. As an example, we have for several years grown within the naval domain and during the first quarter the ambition to expand operations further was announced. After the end of the first quarter, Saab entered into a non-binding Memorandum of Understanding with ThyssenKrupp Industrial Solutions AG concerning the acquisition of ThyssenKrupp Marine Systems AB (former Kockums). An acquisition should meet Sweden's need for an industrial solution concerning design, production and maintenance of submarines and warships.

The global market's interest in Gripen is growing. The development of the next generation Gripen is on track and Gripen E will be delivered to Sweden starting in 2018. Meanwhile, negotiations with Brazil regarding Gripen are progressing and both parties' ambition is to sign an agreement during 2014.

On May 18th, a referendum in Switzerland will be held concerning the procurement of Gripen E. As part of our efforts to fulfil industrial cooperation commitments in Switzerland, a Memorandum of Understanding was signed with Swiss aircraft manufacturer Pilatus regarding the possible development of trainer aircrafts for the Swedish Air Force.

Order bookings during the first quarter decreased compared to the same period in 2013, which can be accredited to the development orders for the Gripen E received during the first quarter amounting to SEK 13.2 billion. The business area Dynamics continues to show a decreasing order intake due to delays in procurement processes. At the same time, Saab's manportable weapon system Carl-Gustaf was chosen to be a Program of Record within the US Army light infantry units. This confirms Carl-Gustaf's world-leading position.

Sales amounted to MSEK 5,280, an organic decrease of 9 per cent compared to 2013. Currency effects had a negative impact of one per cent.

The operating income amounted to MSEK 270 (396) and the operating margin was 5.1 per cent (6.8).

The business area Electronic Defence Systems showed a loss for the quarter due to costs taken for efficiency measures and continued investments in the development of radar and sensor technology.

Implementation of the efficiency measures initiated in 2013 progressed according to plan. After the 2013 year-end, the number of FTE's has decreased by approximately 300.

The operational cash flow was negative as a result of high activity levels in larger projects and few milestone payments during the quarter.

Earnings per share after dilution amounted to SEK 1.63 (2.46).

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I note that Saab stands strong and continues to develop. The expansion within the naval domain strengthens Saab's position as a comprehensive supplier of defence and security solutions in the global market.

Outlook statement 2014:

- In 2014, we estimate that sales will be in line with 2013.
- The operating margin in 2014, excluding material non-recurring items, is expected to be somewhat higher than the operating margin in 2013, excluding material non-recurring items.

Excluding material non-recurring items, the operating margin was 6.6 per cent in 2013.

Financial highlights

MSEK	Jan-March 2014	Jan-March 2013	Change, %	Jan-Dec 2013
Order bookings	4,078	18,865	-78	49,809
Order backlog	58,608	47,059	25	59,870
Sales	5,280	5,862	-10	23,750
Gross income	1,361	1,612	-16	6,328
Gross margin, %	25.8	27.5		26.6
Operating income before depreciation/amortisation and write-downs (EBITDA)	476	644	-26	2,367
EBITDA margin, %	9.0	11.0		10.0
Operating income (EBIT)	270	396	-32	1,345
Operating margin, %	5.1	6.8		5.7
Net income	176	262	-33	742
Earnings per share before dilution, SEK	1.64	2.54		6.98
Earnings per share after dilution, SEK	1.63	2.46		6.79
Return on equity, %*	5.5	13.3		6.3
Free cash flow **	-316	-325		-1,460
Free cash flow per share after dilution, SEK	-2.95	-2.98		-13.38

1) The return on equity is measured over a rolling 12-month period.

2) As of 1 January 2014, free cash flow is reported for the Group. It was previously named operating cash flow.

Comparative numbers for 2013 have been restated according to the changed accounting principles for joint arrangements (IFRS 11). See note 13. Where applicable, comparative numbers for 2013 for some business areas have been restated following organisational and structural changes, see note 14. The latter has no impact on the Group as a whole.

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Press and analyst meeting

Press and financial analysts are invited to a press and analyst meeting where CEO Håkan Buskhe together with CFO Magnus Örnberg present the results for January-March 2014.

Friday, April 25, 10.00 CET
Grand Hotel, New York, Blaiseholmshamnen 8, Stockholm, Sweden

R.S.V.P

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Live webcast

If you are unable to attend in person, please visit <http://www.saabgroup.com/en/InvestorRelations> where a live webcast of the presentation will be available together with the presentation material. All viewers will be able to post questions to the presenters. The webcast will also be available afterwards at the Saab website.

Saab serves the global market with world-leading products, services and solutions ranging from military defence to civil security. Saab has operations and employees on all continents and constantly develops, adopts and improves new technology to meet customers' changing needs.

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