

YEAR-END REPORT JANUARY – DECEMBER 2014



**Håkan Buskhe, President and CEO
Stockholm, 10 February 2015**

SUCCESSFUL AND CHALLENGING YEAR

- Agreement with Brazil regarding 36 Gripen NG
- Submarine orders and LOI regarding underwater capability from Sweden*
- Product launches and continued investments in R&D
- Capacity adjustments; increased efficiency
- Market conditions remain challenging

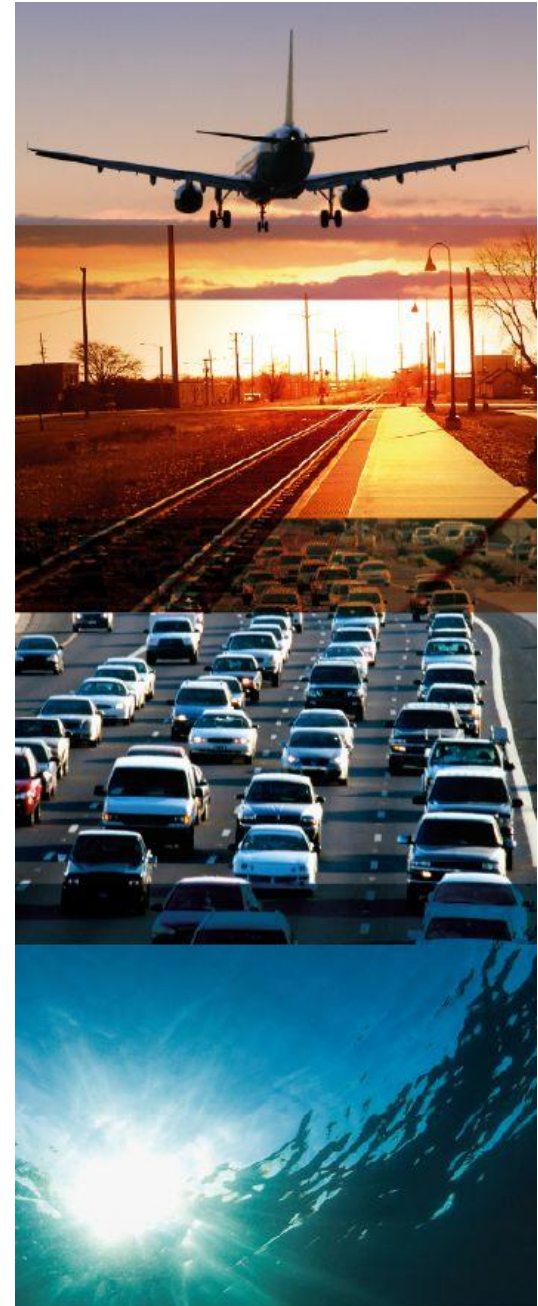
*FMV, Swedish Defence Materiel Administration



FINANCIAL HIGHLIGHTS

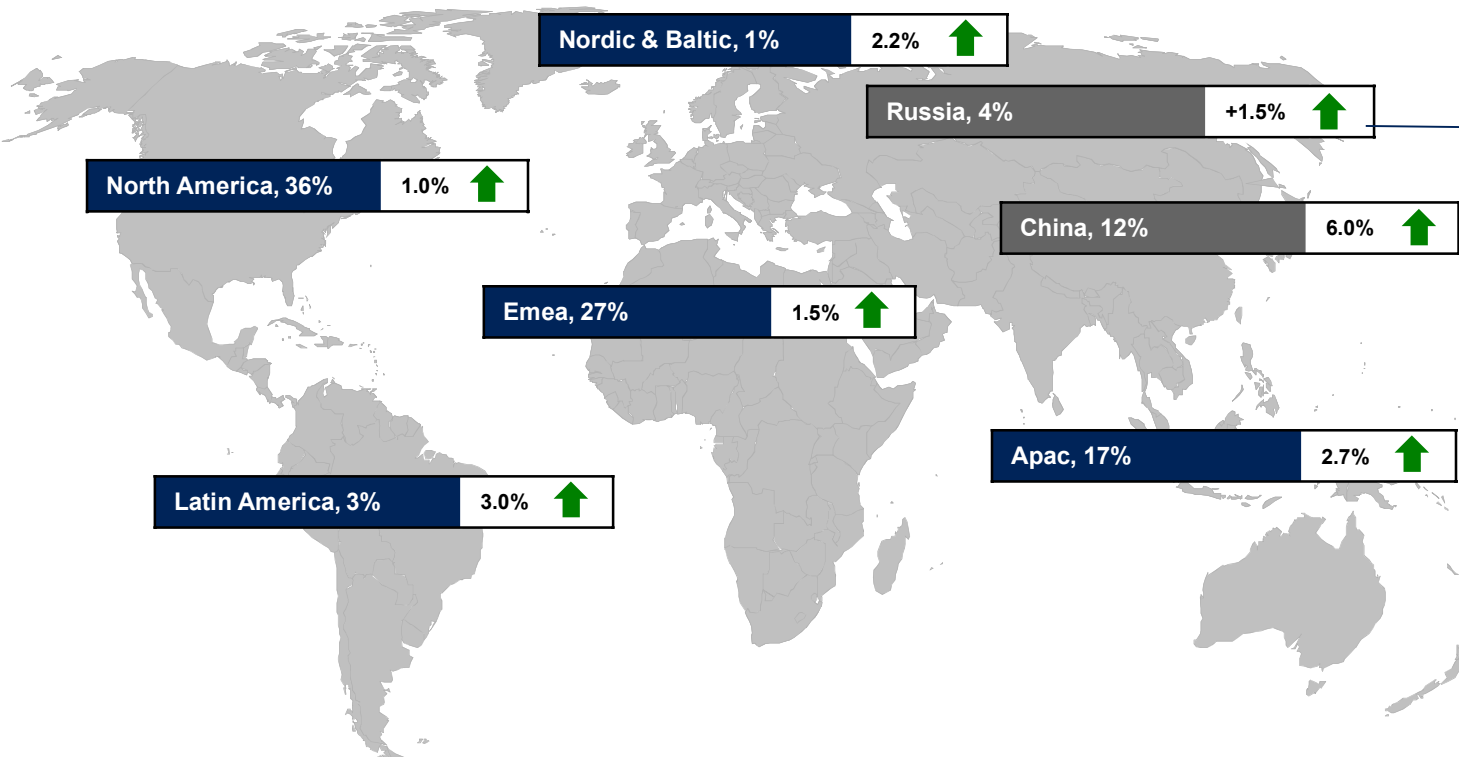
MSEK	2014	2013	<i>Change, %</i>
Order bookings	22,602	49,809	-55
Order backlog	60,128	59,870	-
Sales	23,527	23,750	-1*
Operating income	1,659	1,345	23
Operating margin, %	7.1	5.7	
Net income	1,168	742	57
Free cash flow	-1,094	-1,460	

*Organic growth amounted to -3 percent



GLOBAL DEFENCE MARKET

SHARE OF PROJECTED DEFENCE PROCUREMENT BUDGET AND CAGR BY REGION, 2016-2020



Procurement budget development in **nominal Roubel**:

- 2014: +37%
- 2015: +33%
- 2016: +5%
- 2017: +4%
- 2018: +1%
- 2019: +5%

Saab's Market Area Organisation 2015:

- Nordic & Baltic:** Nordic, Baltic & Poland
- Emea:** Other Europe (excl. Russia), Middle East & Africa
- North America**
- Latin America**
- Apac:** Asia (excl. China), Pacific

■ Share of global total, 2016-2020 (constant USD)
 □ CAGR = Compound annual growth rate, 2016-2020 (constant USD)

Source: IHS Group, December 2014

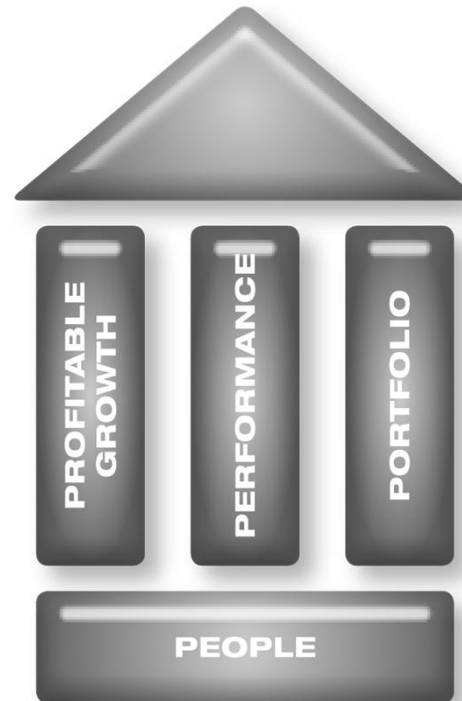
SAAB STRATEGIC PRIORITIES

Profitable growth

- Market area organisation
- New generation Gripen
- Expanded radar portfolio
- Carl-Gustaf M4
- Remote tower certification
- Design of new generation submarine

Performance

- Capacity adjustments
- Improved process efficiency
- Cash flow focus



Portfolio

- Acquisition of Saab Kockums
- Cooperation with Boeing for trainer
- Research and development

People

- Performance culture
- Global trainee programme
- Diversity in focus

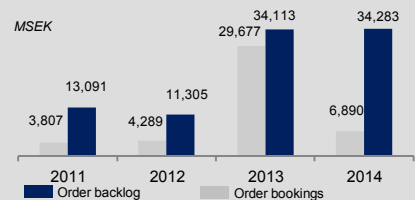
AERONAUTICS 2014

Market
development



- Agreement with Brazil regarding 36 Gripen NG
- Large interest in Gripen worldwide
- Swiss no to procure new fighters

Order intake



- Extended Gripen lease agreement between Sweden and the Czech Republic
- 4th order under Gripen E agreement; support and maintenance systems

Product
development



- Gripen E development for Sweden according to schedule and budget



DYNAMICS 2014

Market development



- ▶ Challenging market conditions reflected in order intake in recent years
- ▶ Delay in procurement processes and budgets on historic low level

Order intake



- ▶ Framework contract with U.S. SOCOM for Carl-Gustaf weapon system
- ▶ Roquette NG, shoulder-launched weapon system to France


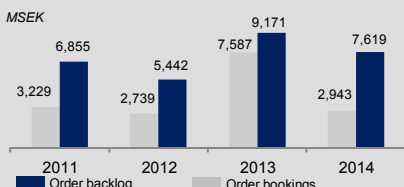

Product development



- ▶ New version of Carl-Gustaf launched, M4



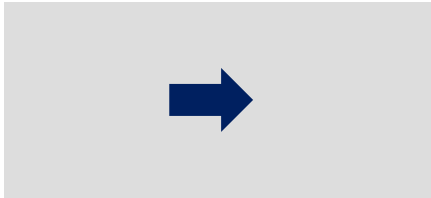
ELECTRONIC DEFENCE SYSTEMS 2014

<p>Market development</p>		<ul style="list-style-type: none"> Challenging market conditions reflected in order intake in recent years Delay in procurement processes 															
<p>Order intake</p>	 <table border="1"> <caption>Order Intake Data (MSEK)</caption> <thead> <tr> <th>Year</th> <th>Order backlog</th> <th>Order bookings</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>6,855</td> <td>3,229</td> </tr> <tr> <td>2012</td> <td>5,442</td> <td>2,739</td> </tr> <tr> <td>2013</td> <td>9,171</td> <td>7,587</td> </tr> <tr> <td>2014</td> <td>7,619</td> <td>2,943</td> </tr> </tbody> </table>	Year	Order backlog	Order bookings	2011	6,855	3,229	2012	5,442	2,739	2013	9,171	7,587	2014	7,619	2,943	<ul style="list-style-type: none"> Orders received for Arthur systems Combat vehicle self-protection systems (LEDS 50)
Year	Order backlog	Order bookings															
2011	6,855	3,229															
2012	5,442	2,739															
2013	9,171	7,587															
2014	7,619	2,943															
<p>Product development</p>		<ul style="list-style-type: none"> Extended surface radar portfolio; the introduction of five all-new complementary Giraffe radars for land and sea Production of the first Giraffe 4A system ongoing 															



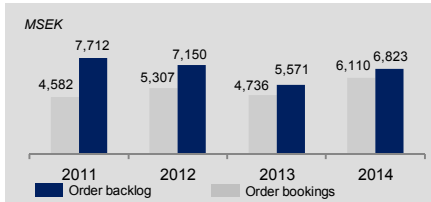
SECURITY AND DEFENCE SOLUTIONS 2014

Market development



- Challenging market conditions
- Currently delay in procurement processes

Order intake



- LOI regarding Swedish underwater capability
- Construction and production plans for the next generation submarines
- Upgrade and overhaul of submarines

Portfolio and product development



- Acquisition of Saab Kockums
- Deconsolidation of SGT
- Remote tower certification



SUPPORT & SERVICES 2014

Market development



- ▶ Stable market for base business
- ▶ Continued challenging market for larger systems and solutions

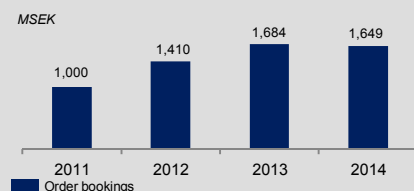
Order intake



- ▶ Order for support and maintenance of Gripen SE, CZ, HU and Thailand
- ▶ Aerial Target Services order from FMV

COMBITECH 2014

Sales development



- ▶ Sales decreased as a result of a tougher market situation

Market development

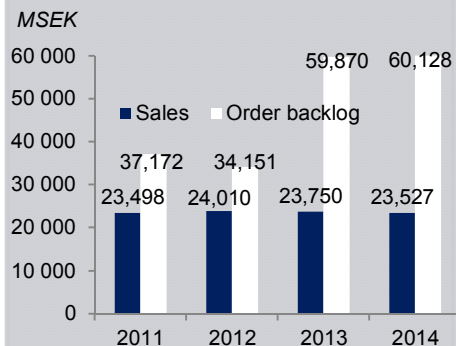


- ▶ Market situation in Sweden stable
- ▶ Norwegian market has been hit by oil price drop

LONG-TERM FINANCIAL GOALS

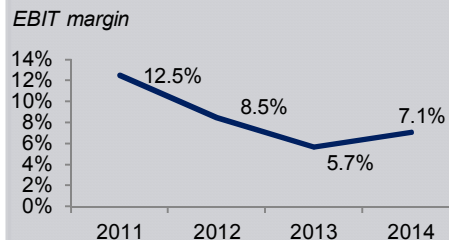
Sales

- Organic sales growth averaging 5 per cent annually over a business cycle.



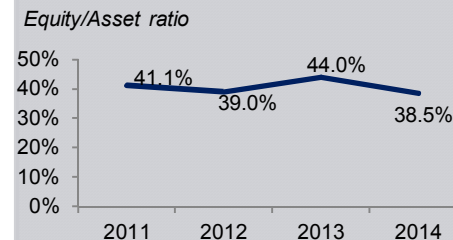
Operating margin

- Operating margin after depreciation and amortisation (EBIT) of at least 10 per cent annually over a business cycle.



Equity/assets ratio

- Equity/assets ratio of over 30 per cent.



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

JANUARY – DECEMBER 2014



Magnus Örnberg, CFO
Stockholm, 10 February 2014

SUMMARY, 2014

Growth

- Saab Kockums contributed with good sales growth
- Dynamics and Electronic Defence Systems hit by market conditions and delays in customers' procurement decisions
- Order backlog support growth targets

Profitability

- Electronic Defence Systems returned to profitability
- Dynamics results declined due to lower volume
- MSEK 500 efficiency measures realised

Financial position

- Strong operational cash flow Q4 2014
- Saab issued bonds of BSEK 1 in the five year segment under the existing Medium Term Note programme (MTN)

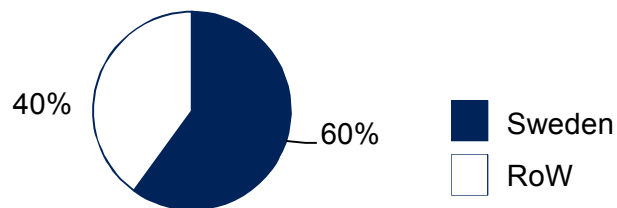
ORDER BACKLOG DURATION

SEK bn

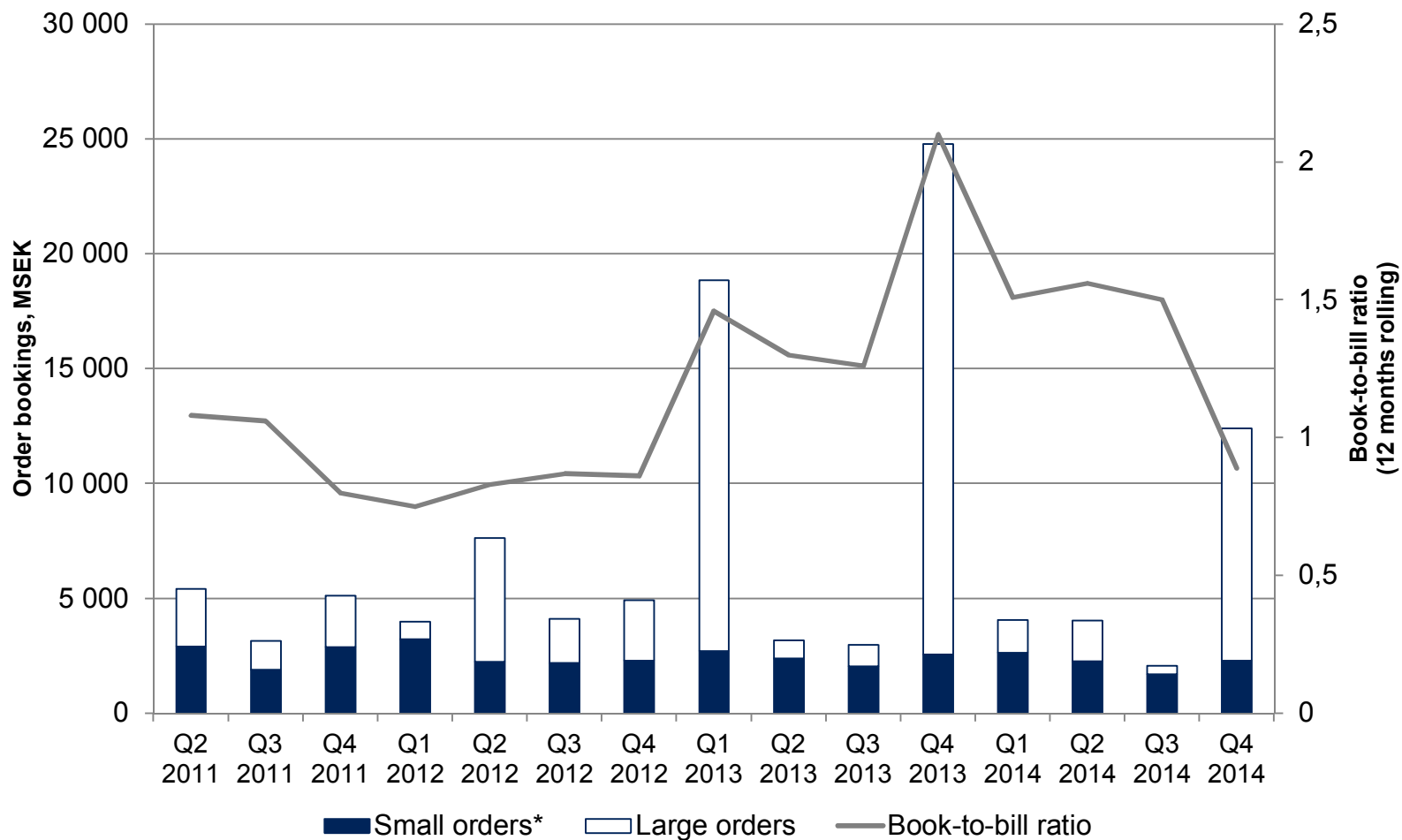
31 Dec 2014		31 Dec 2013		31 Dec 2012	
2015:	17.8	2014:	17.4	2013:	16.1
2016:	10.2	2015:	10.8	2014:	7.9
2017:	5.7	2016:	8.1	2015:	4.6
2018:	5.6	2017:	5.9	2016:	2.7
After 2018:	20.8	After 2017:	17.7	After 2016:	2.9
Total:	60.1	Total:	59.9	Total:	34.2



Order backlog distribution, 31 Dec 2014

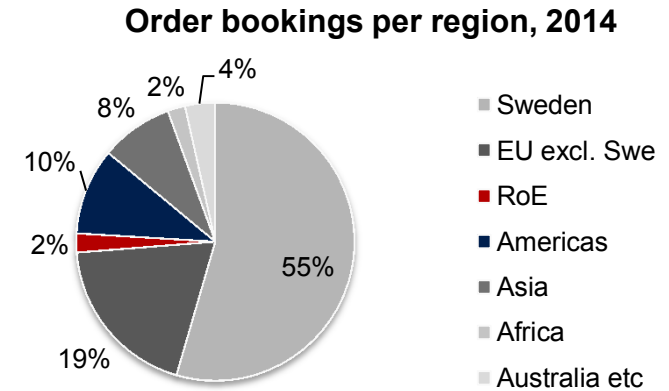
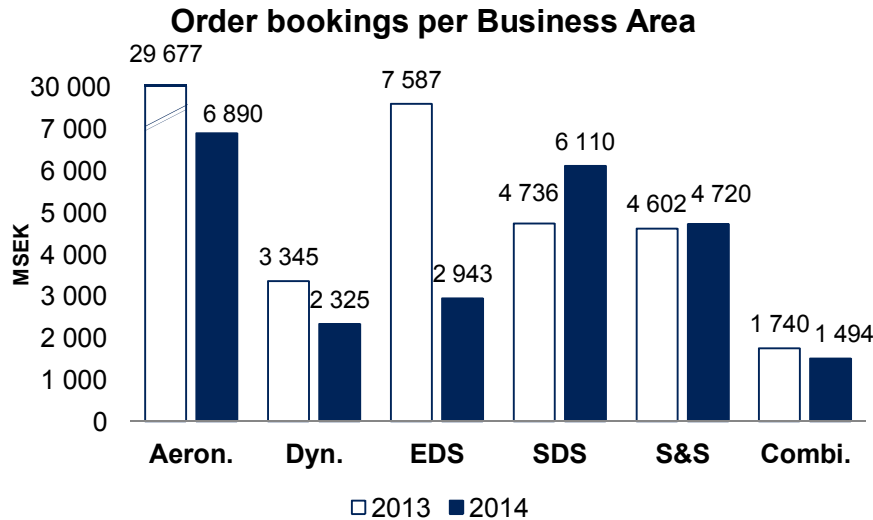


ORDER DISTRIBUTION



*Small orders = <100 MSEK

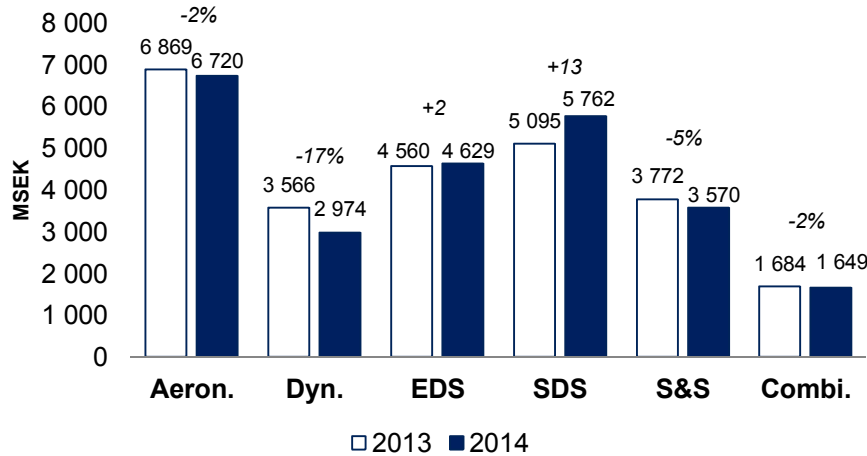
DEVELOPMENT OF ORDERS RECEIVED



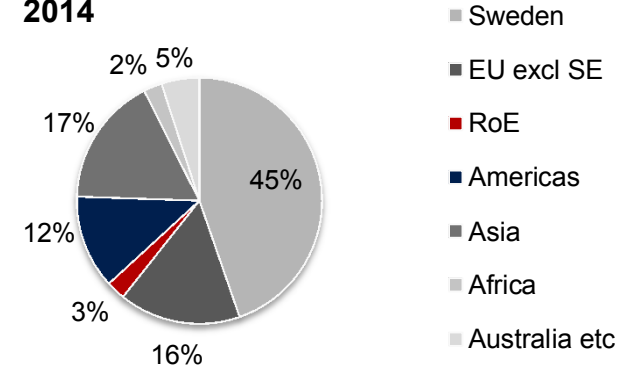
- ▶ Market challenges still visible in Land area, affecting Dynamics and Electronic Defence Systems
- ▶ Major part of order bookings received from Sweden related to marine business and Gripen E; Saab Kockums good order development

DEVELOPMENT OF SALES AND EARNINGS

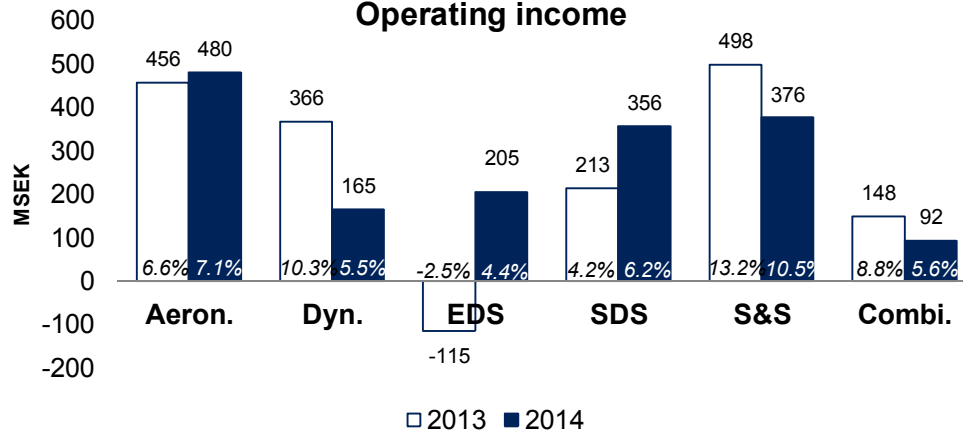
Sales per Business Area



Sales per region 2014



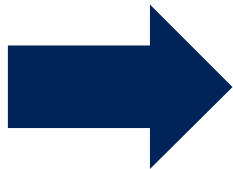
Operating income



- Organic sales growth of -3 per cent in 2014
- Electronic Defense Systems turnaround in 2014
- Saab Kockums had positive impact on operating income

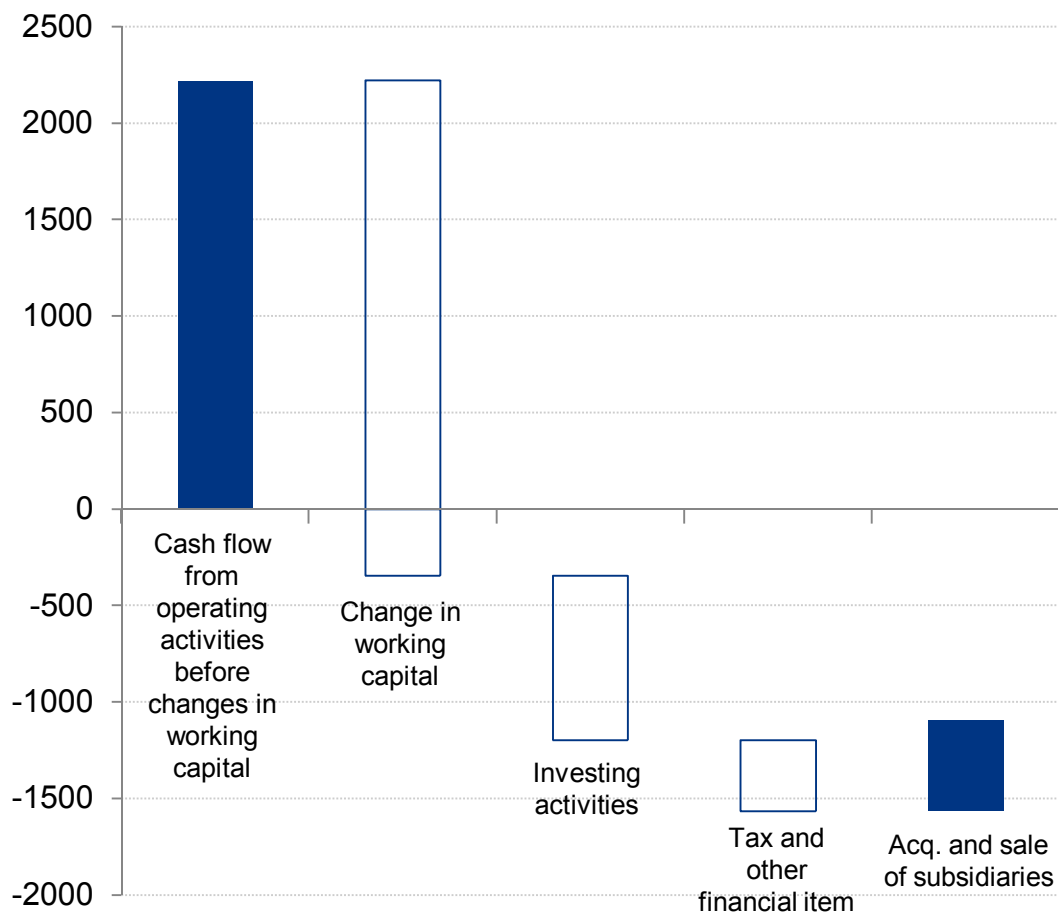
EFFICIENCY IMPROVEMENT

- ▶ Efficiency improvements of more than MSEK 500; created room for additional investments and sales activities
- ▶ Layoffs in the US and Sweden within Dynamics and re-organisation
- ▶ Competence shift programme in Electronic Defence Systems and re-organisation
- ▶ Reduction of FTE's and process improvements in Security and Defence Solutions
- ▶ Competence shift programme in Support & Services
- ▶ Corporate cost reduction
- ▶ Reduction of external consultants



Continuous efficiency improvements

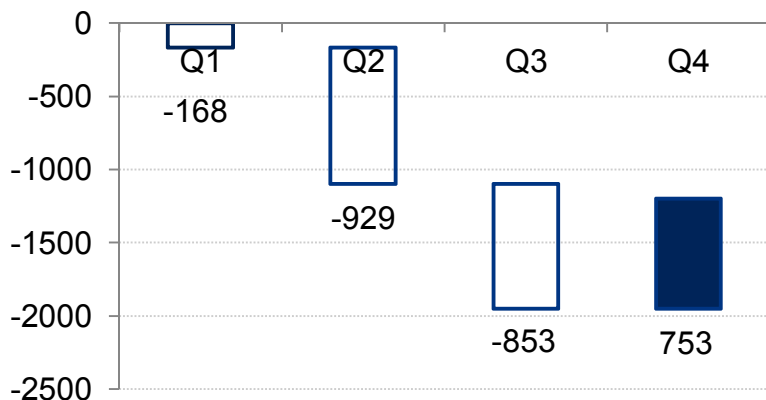
CASH FLOW



Jan-Dec 2014	MSEK
Cash flow from operating activities before changes in working capital	2,221
Change in working capital	-2,567
Investing activities	-851
Operational cash flow	-1,197
Tax and other financial items	-367
Acquisition and sale of subsidiaries	470
Free cash flow	-1,094

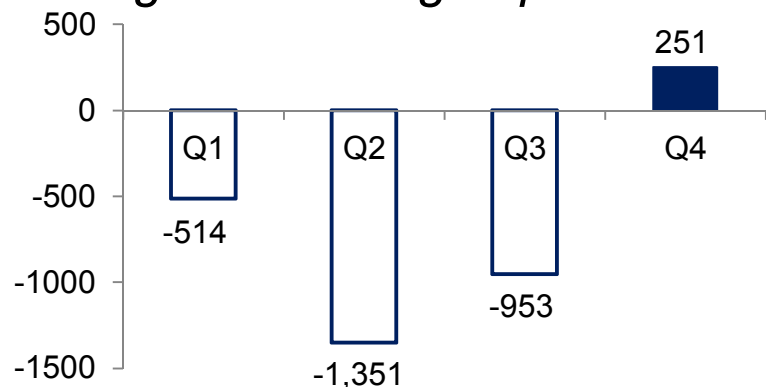
CASH FLOW PER QUARTER 2014

Operational cashflow per quarter



- ▶ Operational cashflow strong in the fourth quarter
- ▶ Impacted by investments and differences between milestone payments and deliveries for the full year

Change in working capital



- ▶ Change in fourth quarter reflects good execution and finalisation of major milestones

LIQUIDITY POSITION

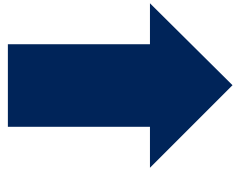
	Development during 2014	Development during Q4
Net liquidity	813	-2,994
Cash flow from operating activities	-713	1,038
Change in net pension obligation	-1,139	-143
Net investments	-381	-32
Currency impact and dividend to non-controlling interest	+38	+18
Dividend to shareholders	-479	0
Share repurchase	-252	0
Net debt, 31 December 2014	-2,113	-2,113

*Increased pension liability due to discount rate change from 4.00 to 2.50% during 2014

Net pension obligation, 31 December 2014	2,528
Total interest-bearing assets, 31 December 2014	-230
Liquidity	185
<i>Equity/assets ratio, 31 December 2014</i>	<i>38.5</i>

FOCUS GOING FORWARD

- Capitalise on investments and product portfolio to drive growth
- Efficient backlog execution
- Drive profitability and operational cash flow improvement



Performance management





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