



SAAB

Saab interim report January-September

19 October, 2020

Micael Johansson, President and CEO
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Highlights, January-September 2020

Strong order growth

- Saab has continued to win new contracts in the first nine months
 - Orders up 27% (8% in Q3)
 - Small orders up 7%
- Market conditions for commercial business still challenging

• Stable underlying* sales and earnings

- Underlying sales in line with last year despite decline in the civil business
- Ground Combat significant volume increase by ~70% YTD
- Resilient underlying earnings excluding items affecting comparability
- Significantly improved cash flow in the first nine months vs 2019

Executing on milestones and international growth in Q3

- Gripen E first flight in Brazil
- Delivery of the second GlobalEye to UAE in the quarter
- Deepened footprint in US, UK and Australia
- Divestment of Vricon JV completed

*Adjusted for the Covid-19 project estimate adjustments and items affecting comparability



Increased risk on operations from Covid-19

The continuing pandemic and a slow recovery has an impact on Saab's operational risk assessment

Risks related to the effects of Covid-19 have increased

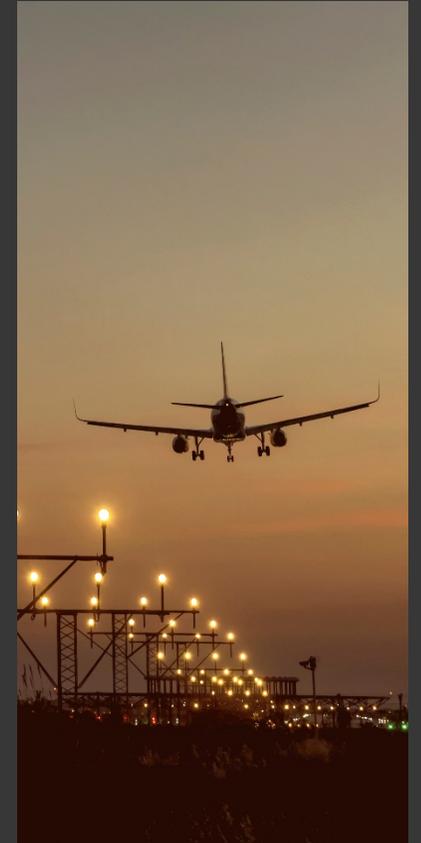
- Increased risk has been identified primarily in business area Aeronautics
- Increased risk related to disruptions due to global shut-downs
- Continued severe market impact affecting Saab's civil business

Responding to the increased risks with comprehensive actions

- Mitigation through capacity adjustments, internal reallocation of resources and cost reductions
- Working with vendors, existing as well as new to mitigate the critical flow of both material and equipment
- Based on assessment of the risks, adjustments to project estimates have been made

Financial impact on EBIT, Q3 and YTD 2020:

- Adjustment to project estimates of SEK 1.1 bn in Aeronautics
- Adjustment to project estimates of SEK 0.4 bn for rest of Group
- = Total adjustment of project estimates SEK 1.5 bn



Covid-19 impact on Aeronautics

Characteristics of Gripen programmes

- Programmes run over 10+ years
- The production of an aircraft from first part to final test is long
- Certain parts are complicated and have long lead-times, up to 2 years
- Supply chain part of the civil aviation eco system
- Some materials are very special and limited to one or few possible vendors
- Small series in production result in longer time between each delivery for certain material
- The complete supply chain is subject to strict regulations for military aircraft certification
- Customer financed development as well as testing and verification a key part of the process

Increased financial risk in the Gripen E/F programme

Risk for higher cost in customer financed *Development*;

- Travel restrictions impact on exchange of secret information/certification
- Risk in supply chain impact efficiency in development work
- Dependency on foreign development partners

Risk for higher cost and efficiency in *Verification*;

- Stand-still in test platforms
- Software completion due to lack of secret information (travel restrictions)
- Delays from verification may delay feedback to design

Risk for higher cost in *Production/Supply chain*;

- Temporary stand-still in production
- Higher cost for material for alternative suppliers
- Shift from outsourcing to insourcing

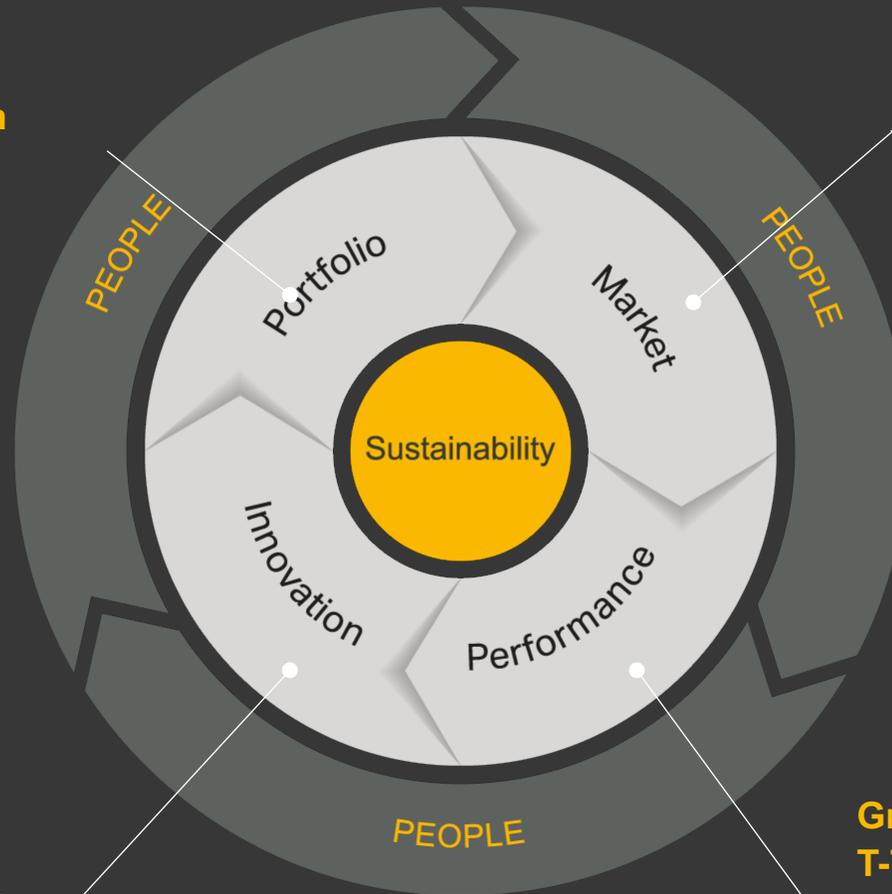
We continue our excellent co-operation with our customers to safeguard their interests and to fulfill respective contracts



Executing on our strategy

Divestment of QPS
Divestment of shares in Vicon
Reveal of new decoy missile for Gripen

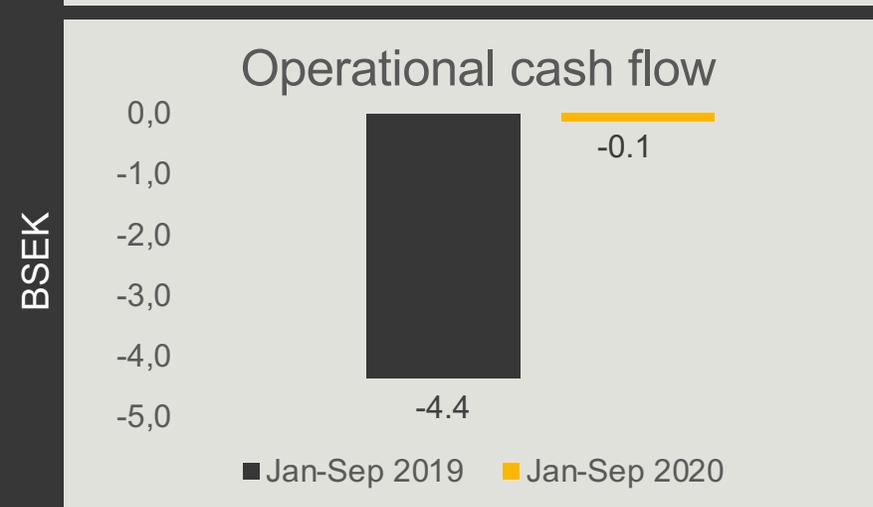
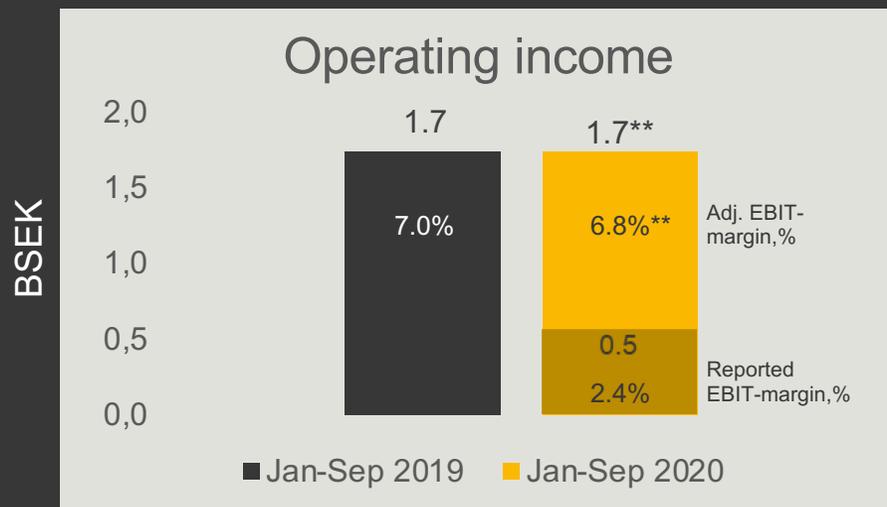
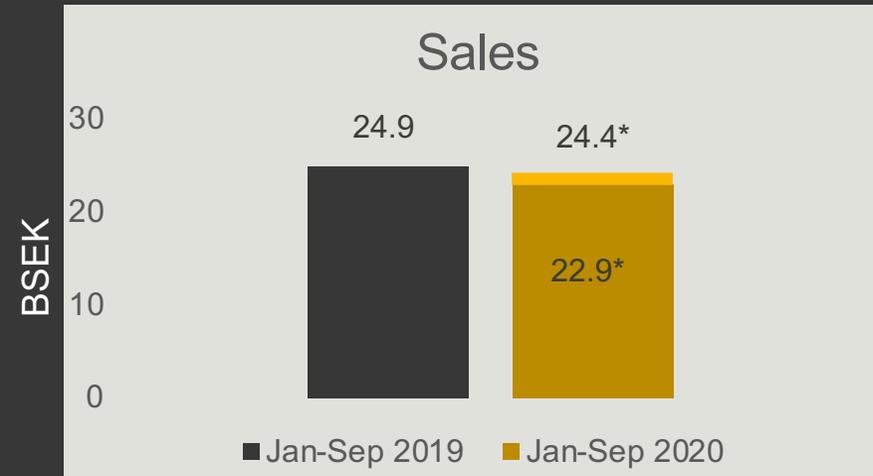
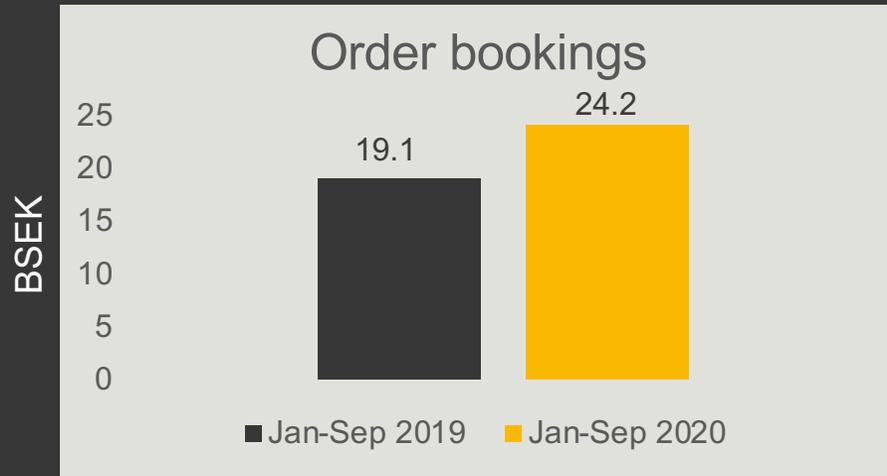
Gripen offer to Croatia and Canada
Order for RBS15 from German partner Diehl
Support contract for GlobalEye to UAE
Order for field hospitals to Australia



Center of excellence in Australia
Centre in the UK for Future Combat Air

Gripen production and flight testing starts in Brazil
T-7 production facility in Indiana being built
GlobalEye delivered to UAE

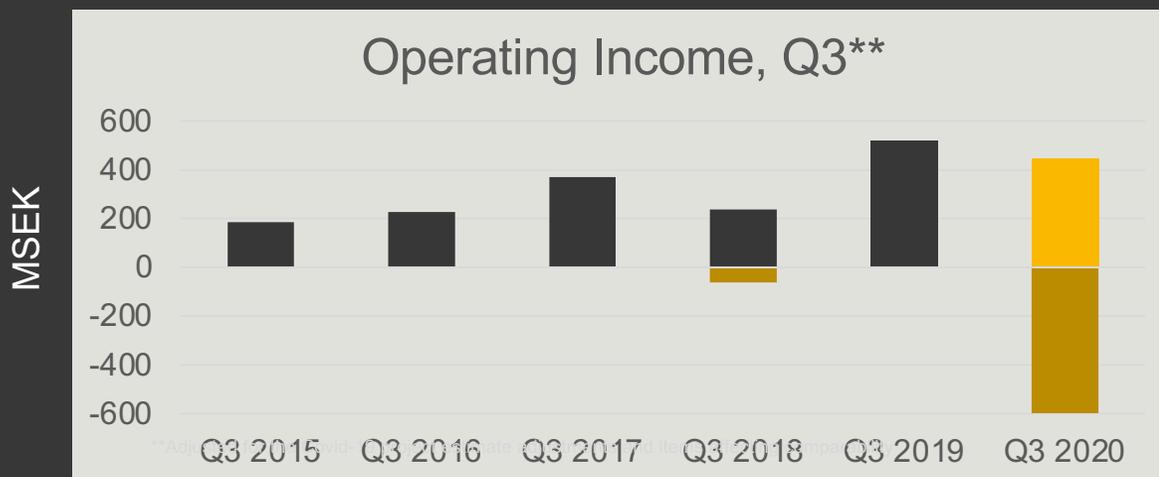
Financial highlights, Jan-Sep 2020



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**Adjusted for the Covid-19 project estimate adjustments and items affecting comparability

Financial development Q3



Sales:

- Sales in Q3 slightly below last year
- Still high execution in the major programs
- Increased deliveries in Dynamics
- Lower sales from Surveillance and S&S

EBIT

- Underlying earnings stable
- Temporary and sustainable savings compensated part of the volume decline in the civil business
- Items affecting comparability in the quarter net impact -1.1bn SEK

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**Adjusted for the Covid-19 project estimate adjustments and items affecting comparability

Business focus going forward

International growth

Portfolio efficiency

Project execution & productivity improvement

Technology & Competence development



Financial Summary

Christian Luiga, CFO & Deputy CEO



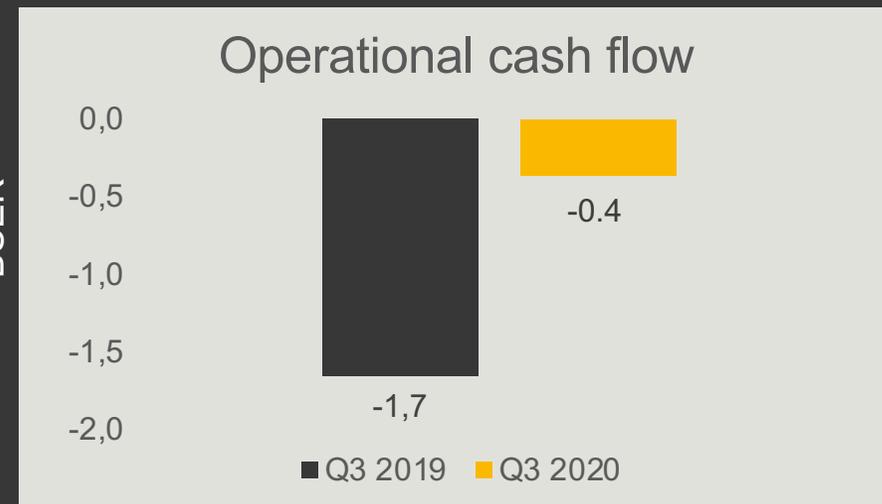
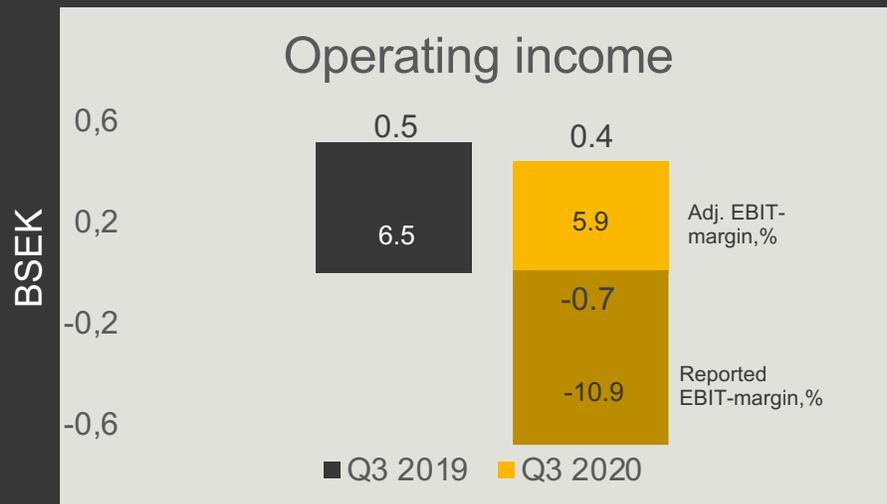
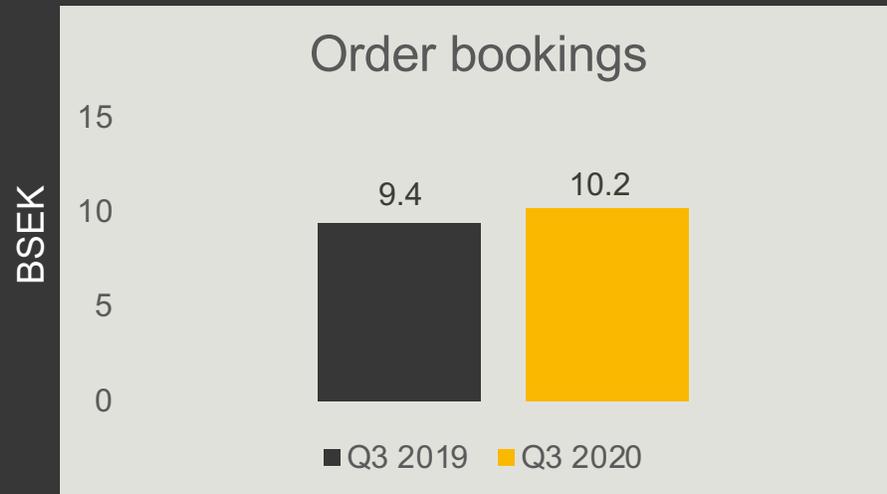
Financial summary, Jan-Sep 2020

	MSEK	Jan-Sep 2020	Jan-Sep 2019	Change, %
<ul style="list-style-type: none"> • Increase order bookings with 27% YoY • Sales declined mostly due to Covid-19 impact of MSEK 1,496 • Underlying earnings in line with last year's levels <ul style="list-style-type: none"> • Good contribution from project execution and continued focus on efficiency • EBIT impacted by items affecting comparability of MSEK 1,108 • Significant improvement of cash flow 	Order bookings	24,222	19,093	+ 27
	Order backlog	94,652	96,004	- 1
	Sales	22,940	24,855	- 8
	Operating income	549	1,739	-68
	<i>Operating margin, %</i>	2,4	7,0	
	Adj. operating income	1,657	1,739	- 5
	<i>Adj. Operating margin, %</i>	6,8	7.0	
	Net income	489	1,121	-56
	Operational cash flow	-128	-4,356	
	Free cash flow	698	-4,991	

Items affecting comparability Q3 2020

MSEK	Effects		Q3 2020	Jan-Sep 2020
Covid-19 related risks in programs, Aeronautics	Sales	-1,121	Reported EBIT margin -10.9%	Reported EBIT margin 2.4%
Covid-19 related risks in programs, other BA	Sales	-375		
Write-down inventory	Cost of goods sold	-137	EBIT margin (adjusted) 5.9%	EBIT margin (adjusted) 6.8%
Write-downs related to Associated companies	Share in income of associated comp. & other operating expenses	-172		
Provisions litigations and ongoing legal disputes	Other operating expenses	-300		
Capital gain Vricon	Other operating income	997		
Sum items affecting comparability		-1,108		

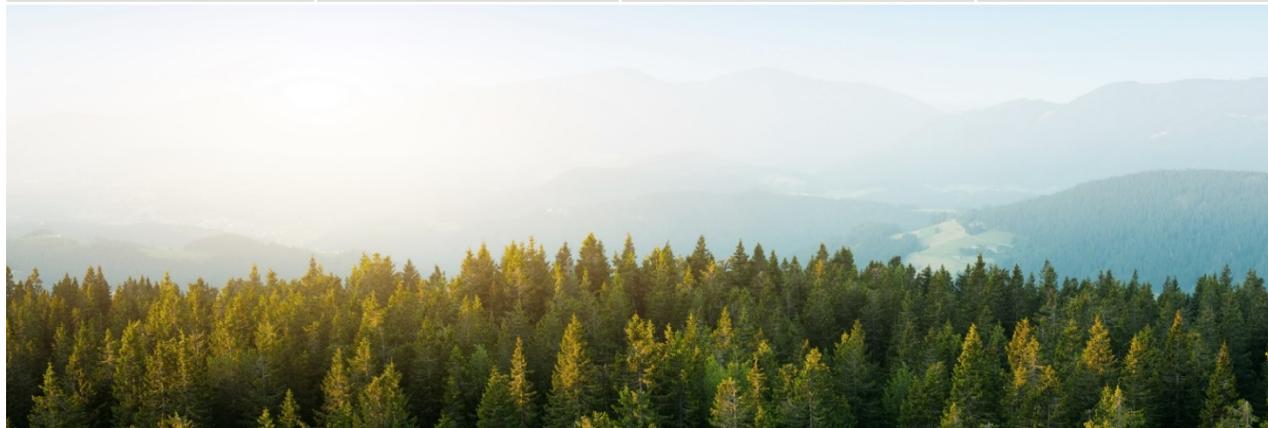
Financial highlights, Q3 2020



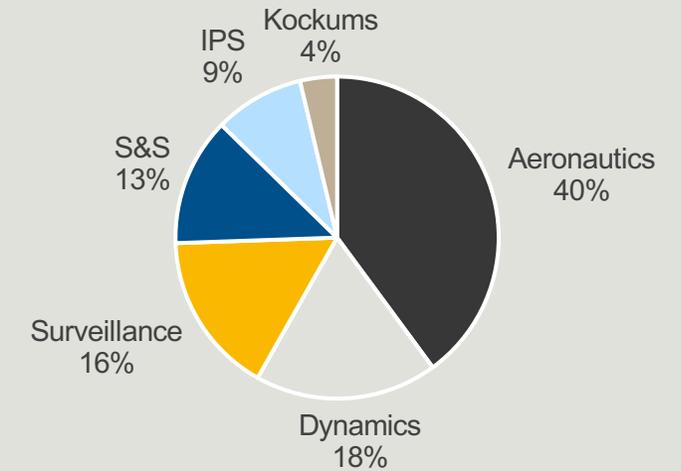
Order backlog duration

BSEK

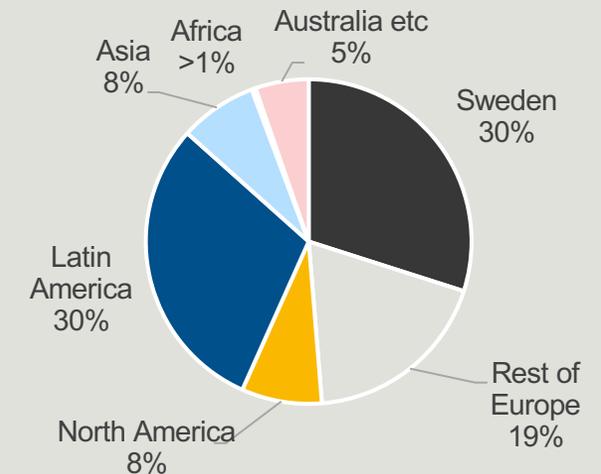
	End of Sep 2020	End of Sep 2019	
2020:	9.6	2020:	9.2
2021:	26.2	2021:	26.6
2022:	20.3	2022:	20.4
2023:	16.3	2023:	15.5
After 2023:	22.3	After 2023:	24.3
Total:	94.7	Total:	96.0



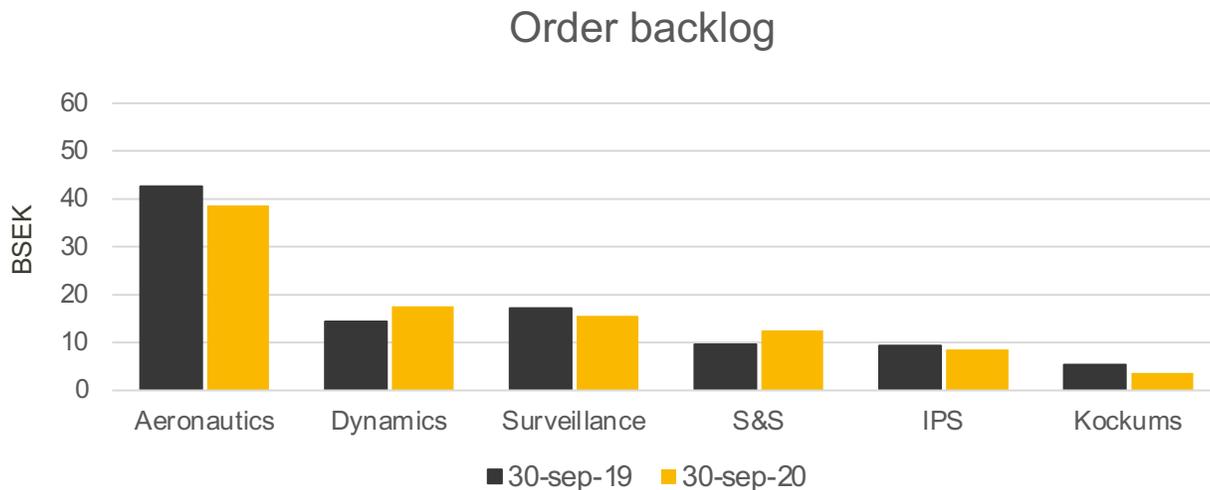
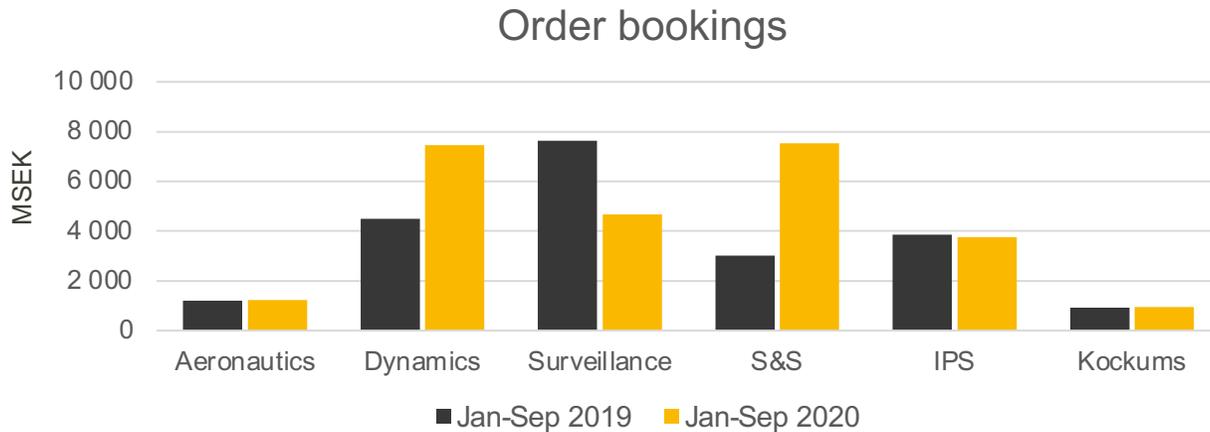
Order backlog per business area



Order backlog per region



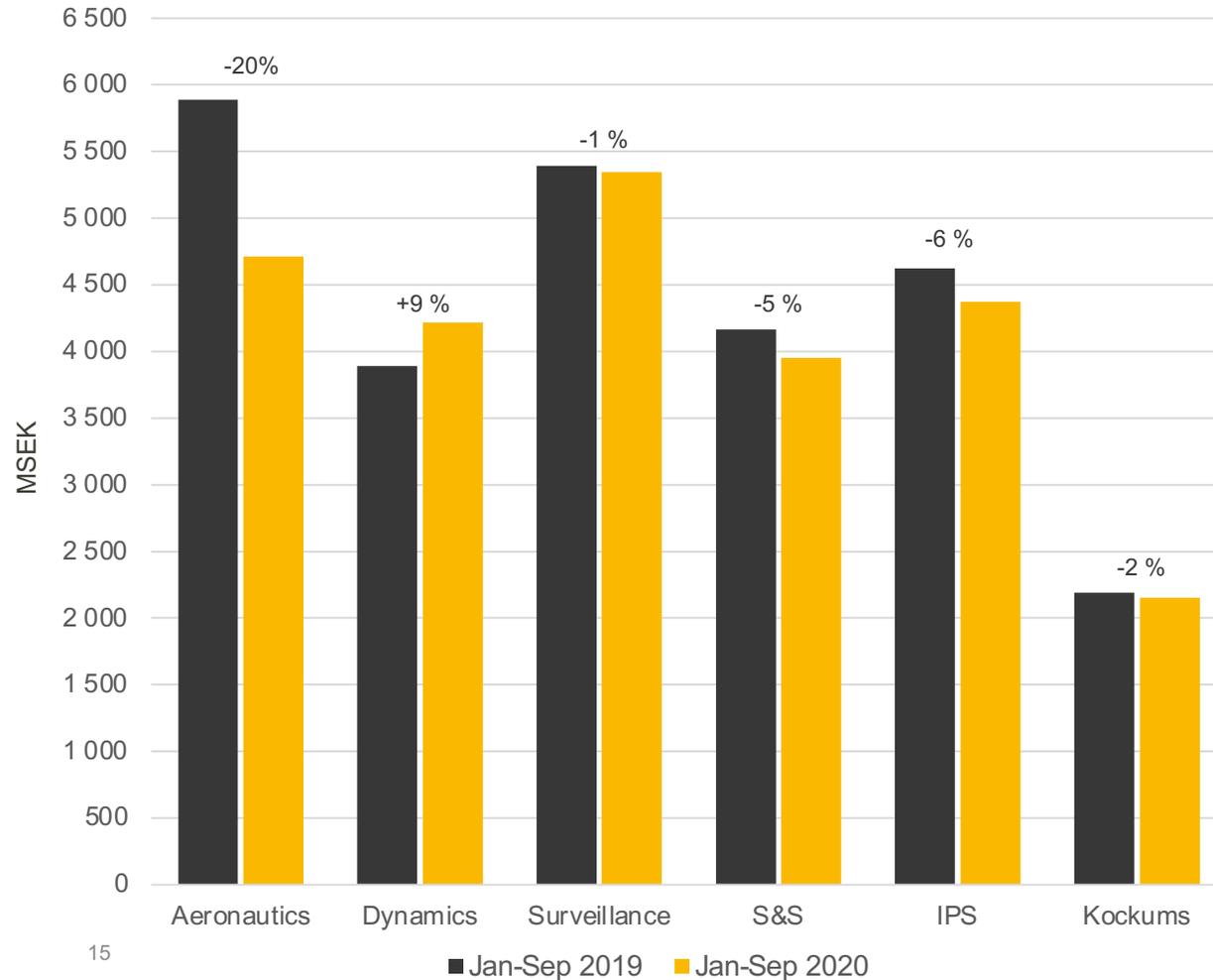
Order bookings per business area



- Strong order development in difficult times
- 3 major orders booked in Q3
- Small orders grew 7 per cent
- Strong order bookings within business area Dynamics and S&S
- Order backlog holding up despite high sales conversion

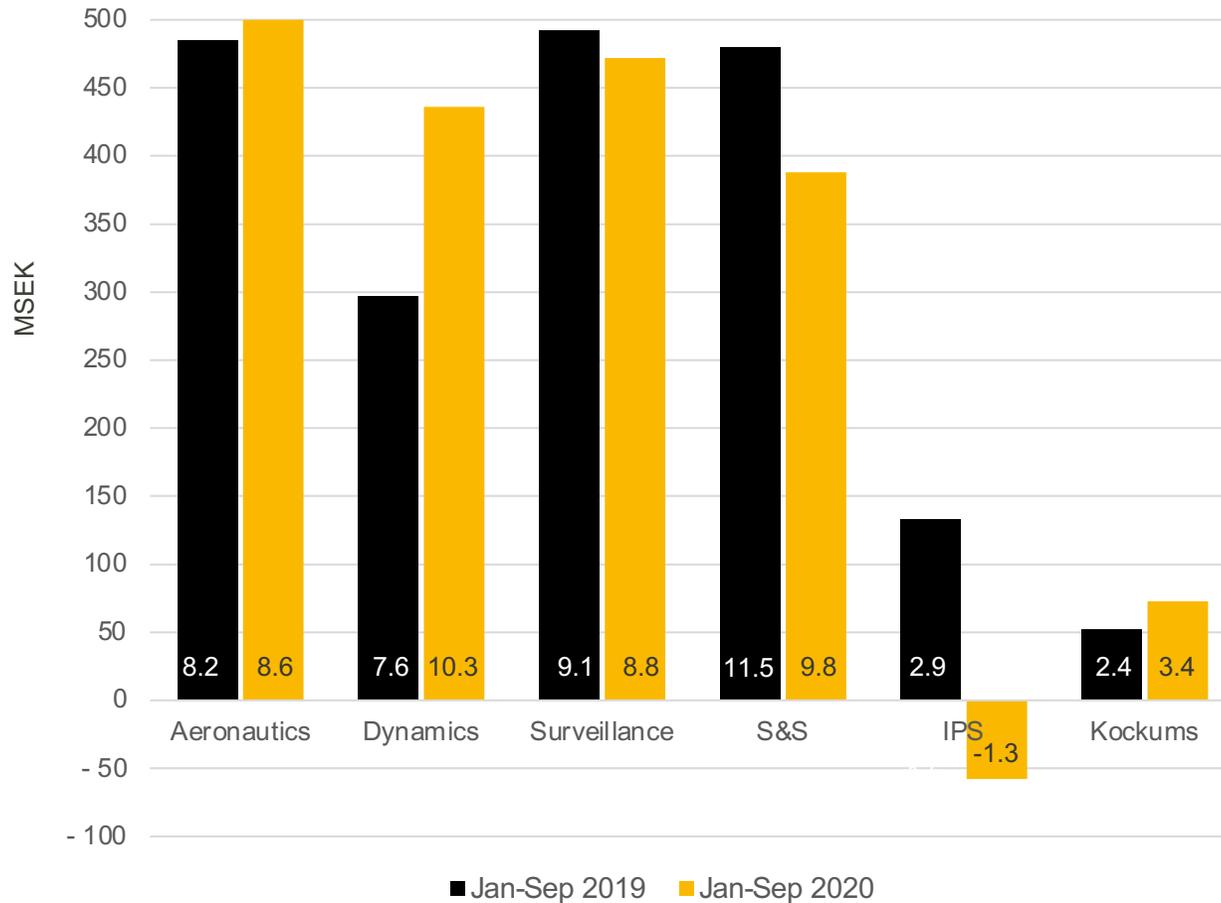
¹⁴ *Not including order bookings related to serial production of the TX trainer aircraft developed by Boeing and Saab for the U.S. Air Force. The U.S. Air Force has ordered the first phase from Boeing, the EMD = Engineering and Manufacturing Development, intended to be followed by production orders.

Sales per business area



- Strong growth in business area Dynamics driven by Ground Combat
- Aeronautics sales decline -1%, excl. project estimate adjustment
- Continued high activity level in Aeronautics and Surveillance
- S&S decline due to timing of projects
- IPS impacted by weak civil aerospace

Adj. operating income* per business area

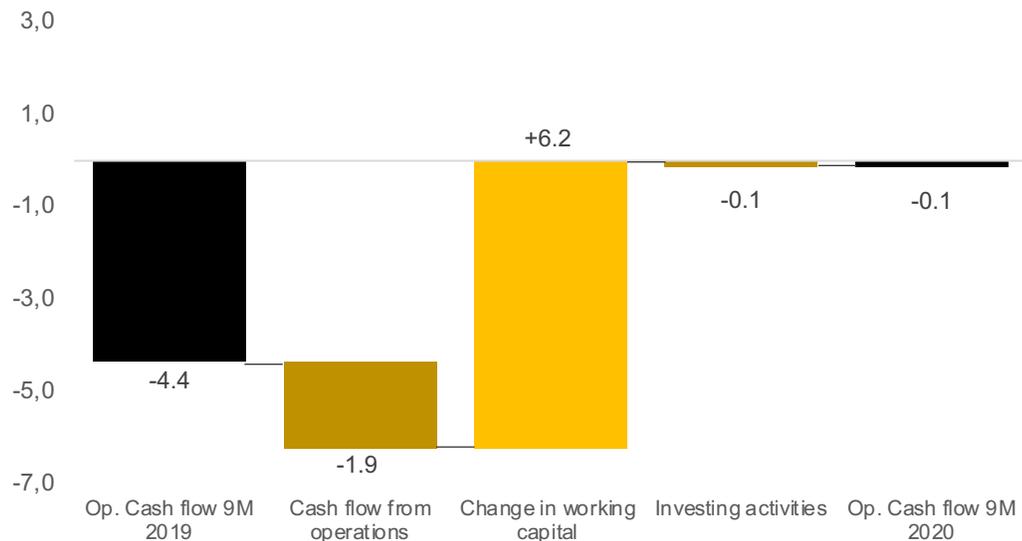


*Adjusted for the Covid-19 project estimate adjustments and items affecting comparability

- Earnings in line with last year, excluding items affecting comparability
- Impact from Covid-19 compensated by high utilization levels and reduced costs
- Positive contribution in Dynamics
- Costs related to the civil business only partly compensated lower sales
- Kockums continue to improve its productivity

Operational cash flow, Jan-Sep 2020

Cash flow development, 9M 2019 vs 9M 2020



- Cash flow from operations affected by the project estimate adjustments, write-downs and provisions
- Working capital improvement driven by milestones in the large programmes and improvement in inventory as well as items affecting comparability
- Investments in line with last year
- Confirming our ambition that operational cash flow will be positive for 2020

Financial position

MSEK

Net debt, 31 December 2019	-7,069
Cash flow from operating activities	1,910
Change in net pension obligation	-555
Net investments	-2,063
Acquisition & Divestments	1,103
Other	-423
Net debt, 30 September 2020	-7,097
Net pension obligation	5,277
Total interest-bearing receivables	-414
Lease liabilities	2,425
Net debt excl. net provisions for pensions, lease liabilities and interest-bearing receivables	191

35.5%

Equity/Assets ratio

- Net debt unchanged YTD
- Vricon divestment SEK ~1 billion
- Pension obligations 5,3 BSEK of the -7,1 BSEK net debt



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.

Q&A

