

# **INTERIM REPORT JANUARY-SEPTEMBER 2014**



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Executive Vice President and CFO  
23 October, 2014**

# PLATFORM FOR LONG-TERM GROWTH

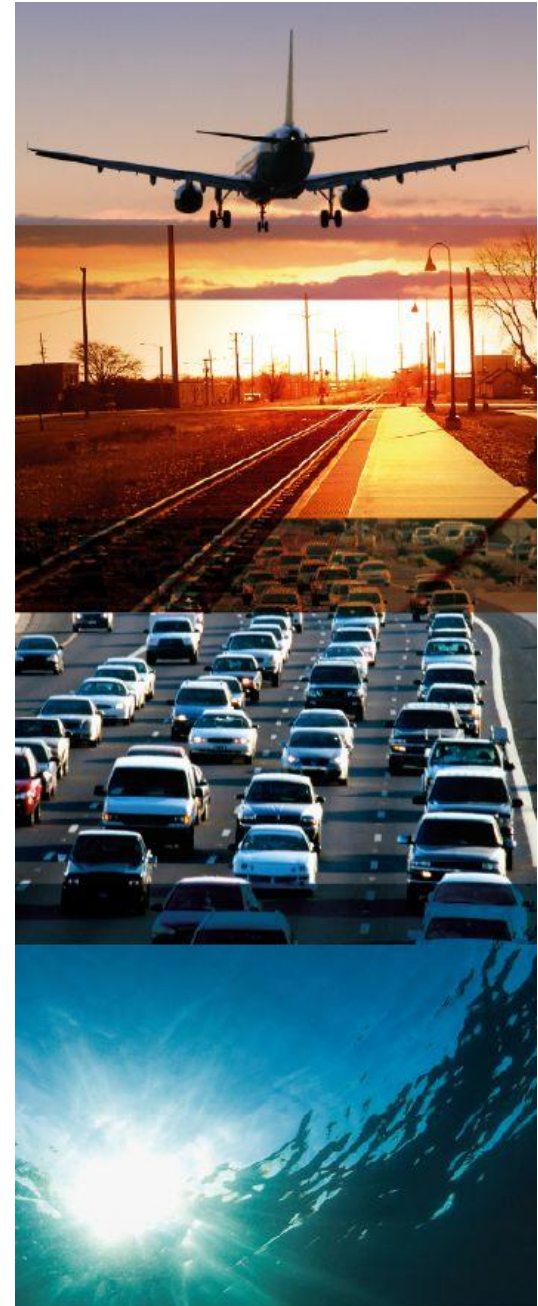
- ▶ Gripen negotiations with Brazil progress well, an agreement expected in the near future
- ▶ 9% sales growth in Q3 (6% organic growth)
- ▶ Integration of Saab Kockums progresses according to plan
- ▶ Efficiency programme initiated in 2013 delivering as expected
- ▶ Operational cash flow negative due to investments and negative change in working capital
- ▶ Order received in October for Gripen E role equipment and support and maintenance equipment of approx. SEK 5.8 bn



# FINANCIAL HIGHLIGHTS

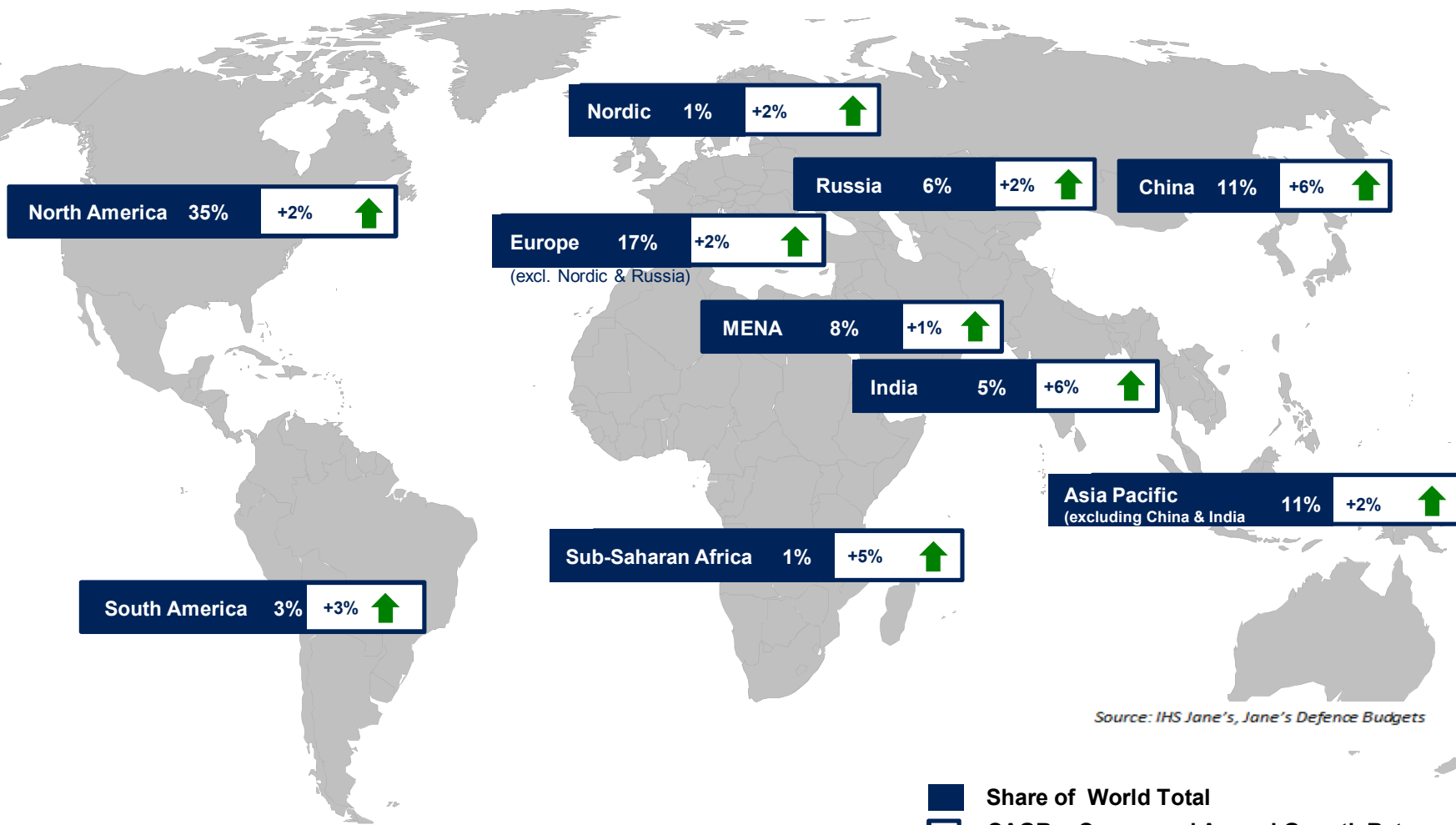
<b>MSEK</b>	<b>Jan-Sep 2014</b>	<b>Jan-Sep 2013</b>	<i>Change, %</i>
Order bookings	10,199	25,029	-59
Order backlog	54,910	42,407	29
Sales	16,102	16,471	-2
Operating income	901	811*	11
Operating margin, %	5.6	4.9	
Net income	582	455	28
Free cash flow	-2,100	-2,013	

\*Including a non-recurring cost of MSEK 231 related to a lost legal dispute.



# GLOBAL DEFENCE MARKET

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



Source: IHS Jane's, Jane's Defence Budgets

■ Share of World Total  
□ CAGR = Compound Annual Growth Rate,



# LAUNCH OF CARL-GUSTAF M4 IN THIRD QUARTER

- ▶ Launch of Carl-Gustaf M4, the latest man-portable shoulder-launched multi-role weapon system
- ▶ It is compatible with future battlefield technology such as intelligent sighting systems for programmable ammunition
- ▶ It is a further development of the Carl-Gustaf system and versions of the system are in service in more than 40 nations



# ELECTRONIC DEFENCE SYSTEMS

- ▶ New family of radars launched during spring
- ▶ AESA (Active Electronically Scanned Array) antennas based on GaN (Gallium Nitride)
- ▶ First order received
- ▶ Turnaround achieved in Electronic Defence Systems in Q2 2014

MSEK	Q1 2014	Q2 2014	Q3 2014
Sales	974	1,232	1,062
EBIT	-36	51	95
EBIT %	-3.7	4.1	8.9



# STRONG POSITION FOR GRIPEN

- ▶ Development of Gripen E on track
- ▶ Order received in October for Gripen E role equipment and support and maintenance equipment amounting to approx. SEK 5.8 bn
- ▶ Discussions with Brazil regarding Gripen NG ongoing – agreement expected in near future
- ▶ Large interest in the C/D-version
  - ▶ Slovakia, Sweden and Czech Republic cooperation



# SAAB KOCKUMS ACQUISITION – COMPLETE NAVAL OFFERING

- ▶ Sales contribution in Q3 amounted to MSEK 180
- ▶ Positive operating income contribution of MSEK 86 due to acquisition
- ▶ 850 employees added to business area Security and Defence Solutions

	MSEK
Total consideration	- 340
Effect on liquid assets	200
Goodwill	228



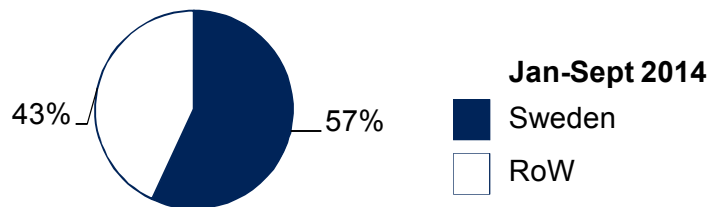


# ORDER BACKLOG DURATION

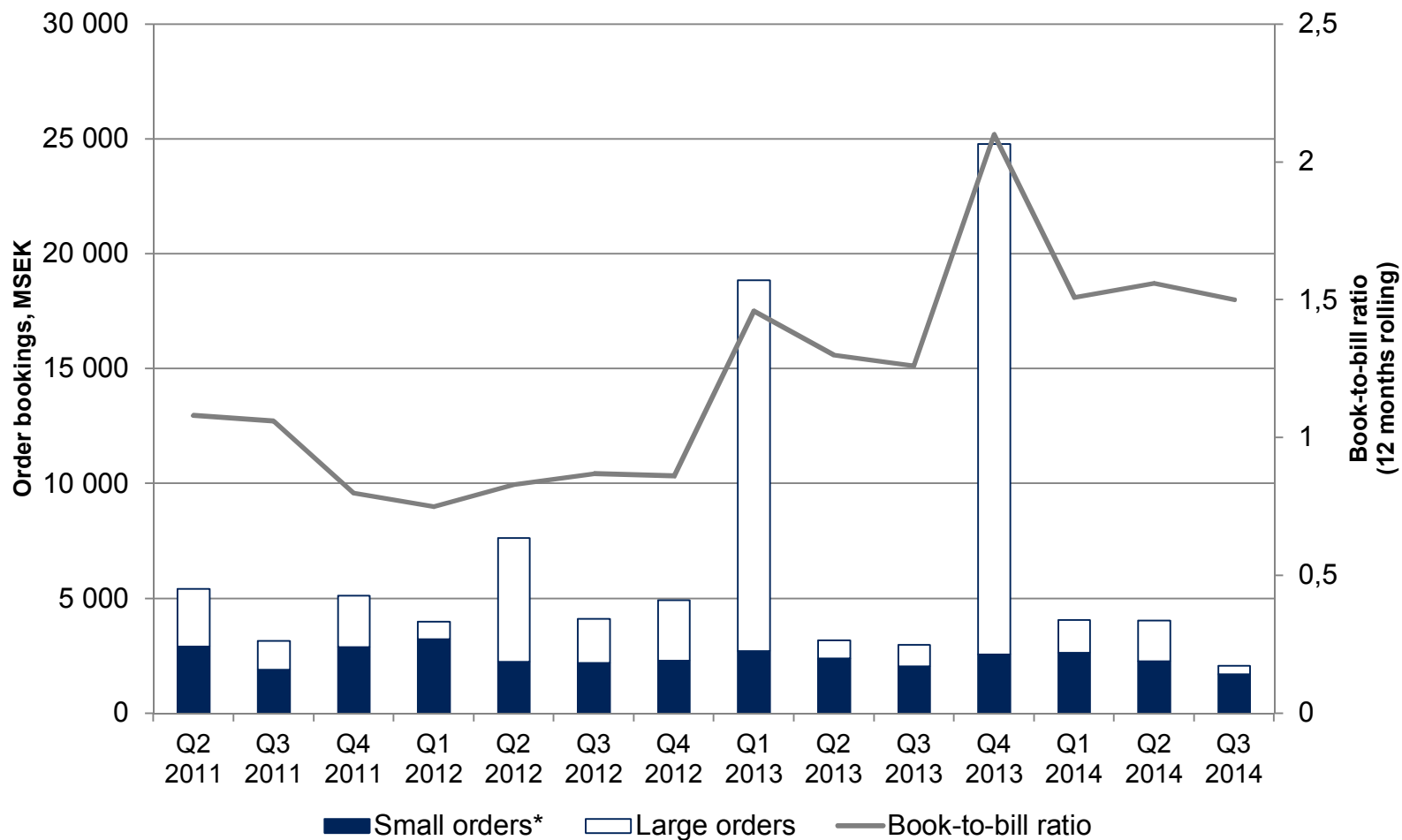
SEK bn

30 Sep 2014		31 Dec 2013		30 Sep 2013	
2014:	6.9	2014:	17.4	2013:	6.4
2015:	14.4	2015:	10.8	2014:	14.5
2016:	8.4	2016:	8.1	2015:	9.8
2017:	5.0	2017:	5.9	2016:	6.9
After 2017:	20.2	After 2017:	17.7	After 2016:	4.8
<b>Total:</b>	<b>54.9</b>	<b>Total:</b>	<b>59.9</b>	<b>Total:</b>	<b>42.4</b>

## Order backlog distribution

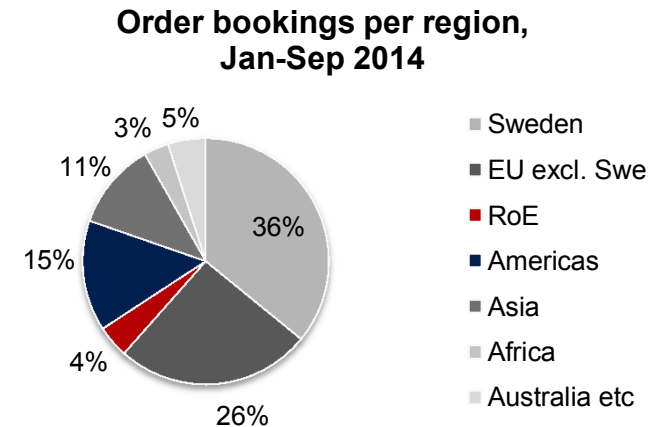
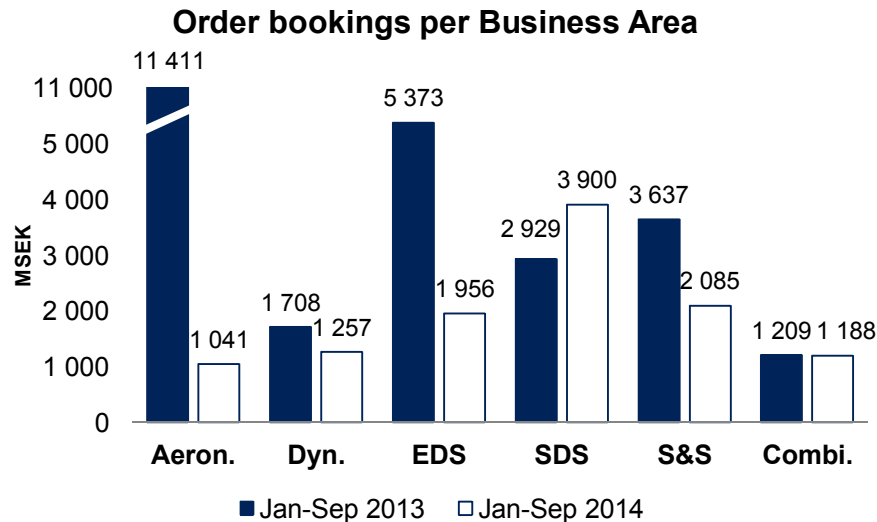


# ORDER DISTRIBUTION



\*Small orders = <100 MSEK

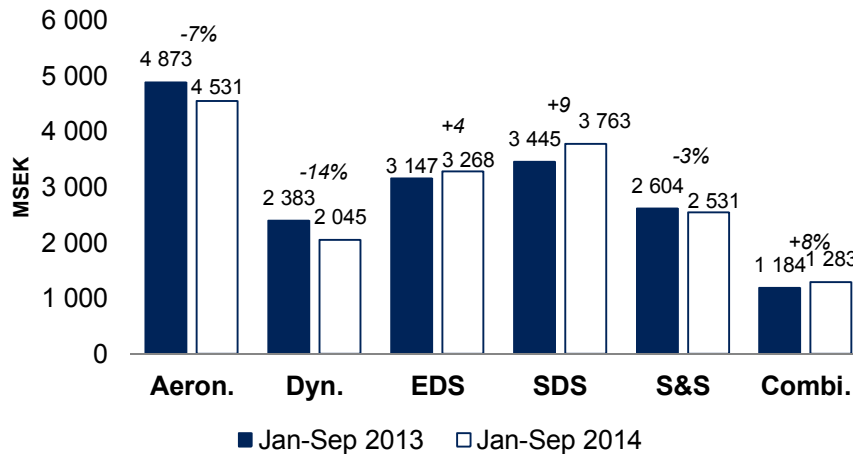
# DEVELOPMENT OF ORDERS RECEIVED



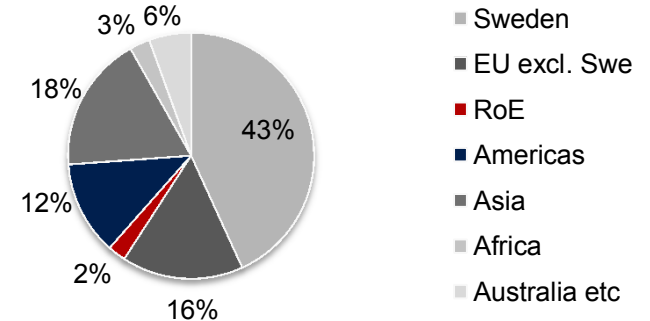
- ▶ Market challenges visible in Land domain, affecting Dynamics
  - ▶ U.S. SOCOM placed order for Carl-Gustaf and signed a 5-year framework agreement in Q3
- ▶ Orders received for overhaul of Swedish submarine HMS Halland, part of FMV framework agreement

# DEVELOPMENT OF SALES AND EARNINGS

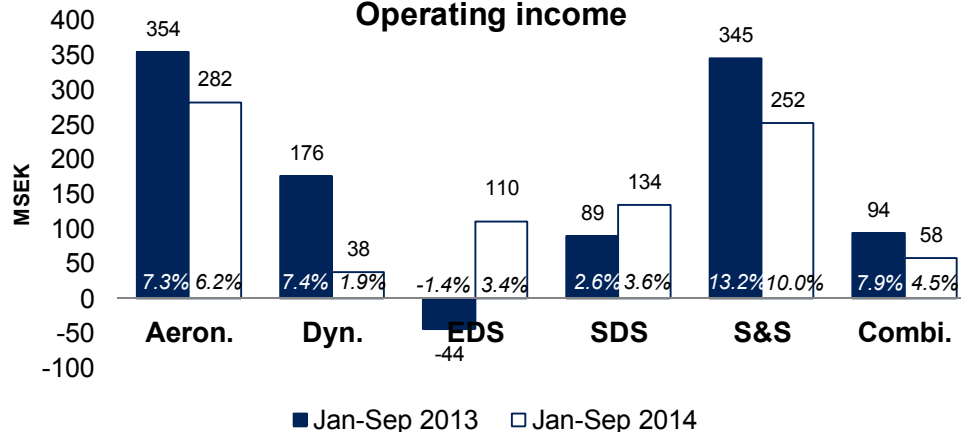
Sales per Business Area



Sales per region  
Jan-Sep 2014



Operating income

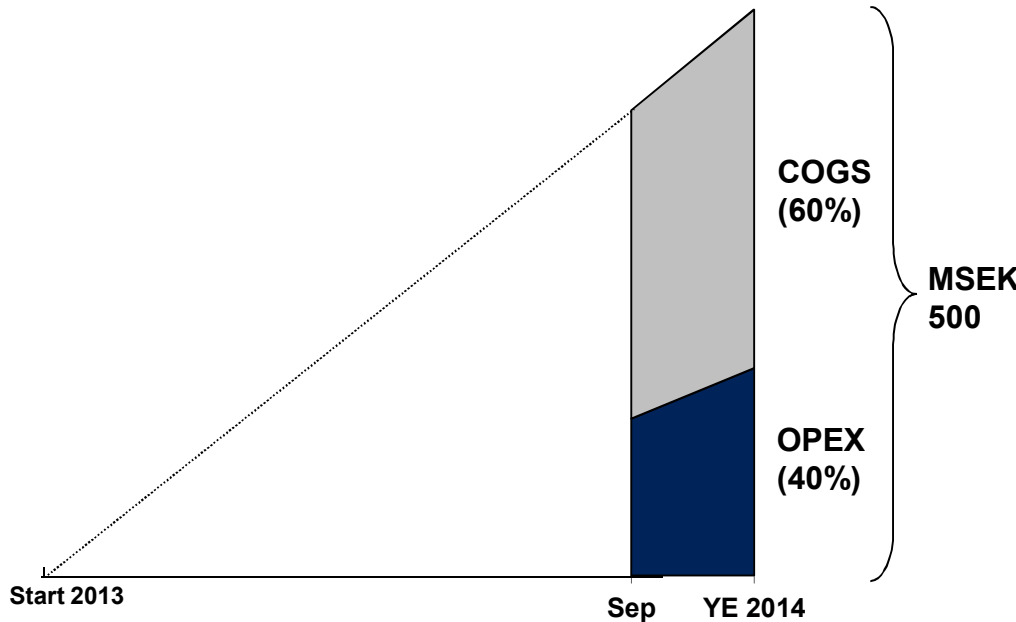


- ▶ Sales increased 9% in Q3, 6% organic growth
- ▶ Cost for ending Gripen campaign in Switzerland in Q3 and increased campaign costs in Brazil
- ▶ EDS strong results in Q3



# EFFICIENCY MEASURES ON TARGET

Yearly run rate



## STATUS REPORT

- All costs taken for efficiency measures

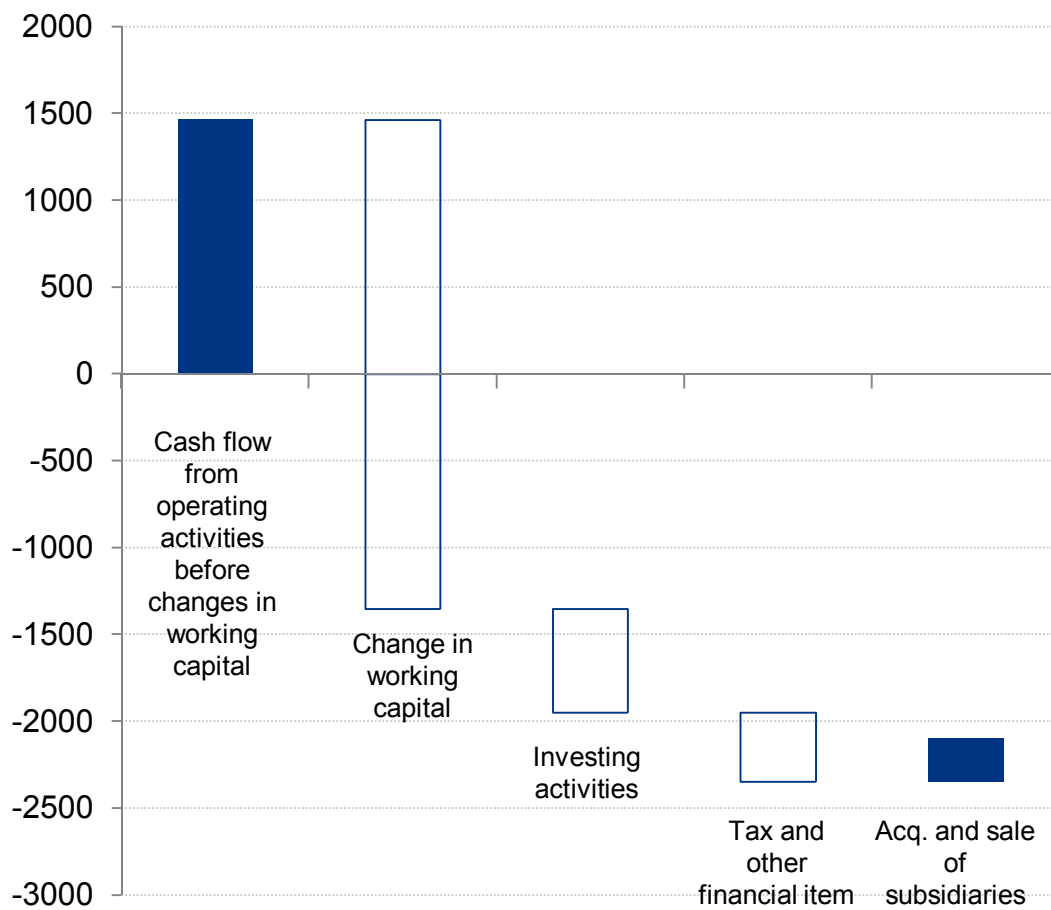
### Actions taken:

- Layoffs in Dynamics related to production in Karlskoga, Sweden
- Competence shift programme in Electronic Defence Systems and re-organisation
- Reduction of FTEs in Security and Defence Solutions
- Competence shift programme in Support & Services
- Total reduction of FTEs and external consultants of about 860 since start '13

### Going forward:

- Secure impact from on-going activities
- Conclude effects of the programme

# CASH FLOW



Jan-Sep 2014	MSEK
Cash flow from operating activities before changes in working capital	1,464
Change in working capital	-2,818
Investing activities	-596
<b>Operational cash flow</b>	<b>-1,950</b>
Tax and other financial items	-398
Acquisition and sale of subsidiaries	248
<b>Free cash flow</b>	<b>-2,100</b>

# CHANGE IN WORKING CAPITAL

Major items, January – September 2014	MSEK
Inventories	-1,134
Other current liabilities	-1,890

Buildup of inventories (mainly work in progress):

- ▶ Order intake in Aerostructures (Aeronautics), Dynamics, and Training and Simulation (SDS) with deliveries in fourth quarter
- ▶ High activity level in the Airborne Early Warning area in Support and Services

Other current liabilities:

- ▶ Timing of major projects impacting Percentage of Completion receivables and milestone payments

# LIQUIDITY POSITION

	MSEK
Net liquidity, 31 December 2013	813
Cash flow from operating activities 30 September 2014	-1,751
Change in net pension obligation	-996*
Net investments	-349
Currency impact	+20
Dividend to shareholders	-479
Share repurchase	-252
Net debt, 30 September 2014	-2,994
*Increased pension liability due to discount rate change from 4.00 to 3.00% during 2014	
Net pension obligation, 30 September 2014	2,385
Total interest-bearing assets, 30 September 2014	-224
<b>Liquidity</b>	<b>-833</b>
<i>Equity/assets ratio, 30 September 2014</i>	<i>40.1</i>



# FOCUS GOING FORWARD

Q4 2014:

- ▶ Operational cash flow improvement
- ▶ Order intake and backlog execution

Medium term:

- ▶ Capitalise on Market Area organisation and investments to drive growth
- ▶ Efficient backlog execution
- ▶ Drive operational cash flow improvement
  - ▶ Project tendering and execution
- ▶ Performance management



# OUTLOOK STATEMENT 2014

In 2014, we estimate sales to be in line with 2013.

The operating margin, excluding material net capital gains and other non-recurring items, is estimated to be slightly higher in 2014 compared to 2013.





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