

Q2

INTERIM REPORT
JANUARY-JUNE 2019

Sales

BSEK

16.9

Organic sales growth

%

7

Operating margin

%

7.2

Comment by the President and CEO, Håkan Buskhe:

Sales growth remains strong and operating margin improved

During the first half of 2019, Saabs sales increased by 8 per cent and the operating margin improved. Saab continues to drive internationalisation of the business and several steps were taken in the first half of the year to strengthen the local presence. A clear example of this is the decision to establish a new U.S. development and production facility in West Lafayette, Indiana, where Saab will manufacture its parts for the T-X advanced jet trainer ordered by the U.S. Air Force.

Orders

Order bookings during the first half of 2019 amounted to SEK 9.7 billion (12.7). During the period, an order was received from the U.S. Coast Guard for the Sea Giraffe Multi Mode Radar, and the United Kingdom Royal Navy ordered an anti-submarine training system. The business area Dynamics saw continued strong demand. Two major framework agreements were signed for the Carl-Gustaf multi-purpose weapon system and AT4 disposable weapon system.

Small orders increased strongly compared to the same period in 2018. Market demand remains strong and during the remaining part of the year, Saab see substantial business opportunities.

Sales and operating income

Sales in the first half year amounted to SEK 16,941 million (15,719) with organic growth of 7 per cent. The increase in sales is primarily related to higher level of deliveries within business area Dynamics and a higher activity level within business area Industrial Products and Services.

Operating income amounted to SEK 1,221 million (905) with an operating margin of 7.2 per cent (5.8). Measures taken to increase productivity contributed to improved margin in the period. Saab has a strong focus on securing delivery of milestones in major projects. The HMS Gotland was relaunched in the second quarter, which means that two of Sweden's Gotland-class submarines have now concluded comprehensive mid-life upgrades. Development and production of the Gripen E fighter continued according to plan and during the period a third aircraft performed its first flight.

Efforts to adapt the product portfolio, increase marketing efficiency and accelerate the pace of automation and digitisation in operations continues.

Operational cash flow

Operational cash flow amounted to SEK -2,702 million (-2,750). Cash flow was negative mainly due to increased working capital within the business area Aeronautics, where preparations for the first deliveries of Gripen E to Brazil and Sweden continue.

Saab expects operational cash flow to be negative for the full-year 2019, but at a better level than 2018. Operational cash flow will continue to be affected during the year by timing differences in payments for major projects with a high activity level.

OUTLOOK STATEMENT FOR 2019:

We estimate that sales growth in 2019 will be in line with Saab's long-term financial goal: annual organic sales growth of 5 per cent.

The operating margin in 2019, excluding material non-recurring items, is expected to improve compared to 2018, bringing Saab a step closer to its long-term financial goal: an operating margin of 10 per cent per year over a business cycle.

Financial highlights

MSEK	Jan-Jun 2019	Jan-Jun 2018	Change, %	Q2 2019	Q2 2018	Full Year 2018
Order bookings	9,710	12,664	-23	5,228	6,529	27,975
Order backlog	94,236	104,473	-10			102,184
Sales	16,941	15,719	8	8,445	7,953	33,156
Gross income	3,788	3,537	7	1,937	1,799	7,764
Gross margin, %	22.4	22.5		22.9	22.6	23.4
EBITDA	1,893	1,323	43	974	669	3,182
EBITDA margin, %	11.2	8.4		11.5	8.4	9.6
Operating income (EBIT)	1,221	905	35	630	458	2,266
Operating margin, %	7.2	5.8		7.5	5.8	6.8
Adjusted operating income	1,221	905	35	630	458	2,564
Adjusted operating margin, %	7.2	5.8		7.5	5.8	7.7
Net income	826	450	84	429	199	1,366
of which Parent Company's shareholders' interest	831	425	96	433	183	1,313
Earnings per share after dilution, SEK ¹⁾	6.20	3.65		3.23	1.57	11.21
Return on equity, % ²⁾	10.5	9.7				8.1
Operational cash flow	-2,702	-2,750		-779	-539	-2,424
Free cash flow	-3,126	-3,192		-989	-781	-3,195
Free cash flow per share after dilution, SEK	-23.32	-27.38		-7.38	-6.70	-27.27
	134,064,875	116,563,375		134,039,937	116,610,780	117,144,915

¹⁾ Average number of shares after dilution

²⁾ Return on equity is measured over a rolling 12-month period.

As of 1 January 2019, the Group applies IFRS 16 Leases, which means that some performance indicators for the Group – EBITDA, EBIT, Equity/assets ratio, Free cash flow, Operational cash flow, Net debt and Return on capital employed – have been affected for the first half of 2019. The corresponding performance indicators for comparative periods have not been restated. See also note 16 for a summary of the effects of the implementation of IFRS 16.

The Group's operating segments recognise all lease contracts as operating leases.

The average number of shares outstanding for previous periods, which is reported for comparison purposes, has been adjusted in accordance with IAS 33 Earnings per share, in accordance with the terms of the rights issue implemented in the fourth quarter of 2018.

Orders

Second quarter 2019

Order bookings amounted to MSEK 5,228 (6,529) in the second quarter of 2019.

January-June 2019

Order bookings amounted to MSEK 9,710 (12,664) in the first half of 2019. Bookings of small orders grew strongly, up 21 per cent compared to 2018 to MSEK 6,464 (5,335). During the same period in 2018, Saab received a large order for Gripen development and operational support in Sweden worth MSEK 1,350.

In the first half of 2019, index and price changes had a positive effect on order bookings of MSEK 355, compared to MSEK 102 in the same period in 2018.

The order backlog at the end of the period amounted to MSEK 94,236, compared to MSEK 102,184 at the beginning of the year. In total, 67 per cent (65) of the order backlog is attributable to markets outside Sweden. In the first quarter of 2019, an adjustment was made to the order backlog related to Saab's deliveries to the Airbus A380 programme following the decision of Airbus to terminate the A380-programme in 2021.

For more information on orders received, see the business area comments on pages 7, 8 and 9.

Sales

Second quarter 2019

Sales in the second quarter amounted to MSEK 8,445 (7,953). The business area Dynamics saw a strong sales increase due to several deliveries. The business areas Aeronautics and Industrial Products and Services also strengthened their sales, due to a high level of activity.

January-June 2019

Sales in the first half year amounted to MSEK 16,941 (15,719) and an organic sales growth of 7 per cent. The increase is mainly due to a higher level of deliveries within the business area Dynamics and higher level of activity within the business area Industrial Products and Services.

Sales from markets outside Sweden amounted to MSEK 10,606 (8,966), corresponding to 63 per cent (57), of total sales. 85 per cent (85) of sales was related to the defence market.

Sales growth

Per cent	Jan-Jun 2019	Jan-Jun 2018	Q2 2019	Q2 2018	Year 2018
Organic sales growth	7	1	5	1	4
Acquisitions	-	1	-	1	1
Currency effects regarding revaluation of foreign subsidiaries	1	-	1	-	-
Total sales growth	8	2	6	2	5

Sales per region

MSEK	Jan-Jun 2019	Jan-Jun 2018	Change, %
Sweden	6,335	6,753	-6
Rest of Europe	2,573	2,169	19
North America	1,672	1,333	25
Latin America	2,280	1,690	35
Asia	3,068	2,969	3
Africa	181	184	-2
Australia, etc.	832	621	34
Total	16,941	15,719	8

Classification of orders	MSEK
Small orders	<100
Medium-sized orders	100-1000
Large orders	>1000

Order distribution

Orders exceeding MSEK 100 accounted for 33% (58) of total orders during January-June 2019.



Order backlog duration:

2019: SEK **14.9** billion
 2020: SEK **22.7** billion
 2021: SEK **18.8** billion
 2022: SEK **14.8** billion
 After 2022: SEK **23.0** billion

Defence/Civil

A total of 80% (83) of order bookings was attributable to defence-related operations during January-June 2019.

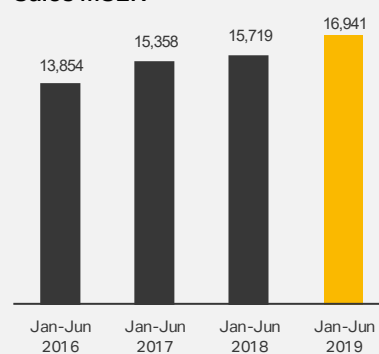


Market

A total of 62% (65) of order bookings was related to markets outside Sweden during January-June 2019.



Sales MSEK



Income

Second quarter 2019

The gross margin in the second quarter was 22.9 per cent (22.6).

Operating income amounted to MSEK 630 (458) with an operating margin of 7.5 per cent (5.8). The operating margin improved mainly due to a higher level of deliveries within the business area Dynamics.

January-June 2019

The gross margin in the first half of 2019 was 22.4 per cent (22.5).

Total depreciation, amortisation and write-downs amounted to MSEK 672 (418). Depreciation of tangible fixed assets amounted to MSEK 543 (295), of which MSEK 194 relates to additional depreciation in the first half year in connection with the implementation of IFRS 16.

Internally funded R&D expenditures amounted to MSEK 1,195 (1,082), of which MSEK 702 (484) was capitalised. Capitalised expenditures are mainly attributable to the development of Gripen E/F for future exports.

Amortisation and write-downs of intangible fixed assets amounted to MSEK 129 (123), of which amortisation and write-downs of capitalised development expenditures amounted to MSEK 71 (66). The share of income in associated companies and joint ventures amounted to MSEK -54 (-19).

Operating income amounted to MSEK 1,221 (905) with an operating margin of 7.2 per cent (5.8). The majority of the business areas achieved increases in their operating margins in the first half of 2019, partly because of sales increases and partly because efficiency improvements contributed to improved operating margins. The implementation of IFRS 16 positively affected operating income by MSEK 22 and the operating margin by 0.2 per cent in the first half of 2019.

Financial net

MSEK	Jan-Jun 2019	Jan-Jun 2018
Financial net related to pensions	-46	-33
Net interest items	-39	-38
Currency gains/losses	-26	-210
Lease liability interest	-51	-8
Other financial items	15	-41
Total	-147	-330

The financial net related to pensions is the financial cost for net pension obligations recognised in the balance sheet. See note 13 for more information regarding defined-benefit pension plans.

Net interest items refer to the return on liquid assets and short-term investments as well as interest expenses on short- and long-term interest-bearing liabilities and realised derivative results.

Currency gains/losses recognised in the financial net are mainly related to currency hedges of the tender portfolio, which are measured at fair value through profit and loss. In the first half of 2018, net income was negatively affected by changes in the market value of derivatives related to hedged tenders mainly in USD.

Interest expenses attributable to lease liabilities amounted to MSEK -51, of which MSEK -43 is an effect of the implementation of IFRS 16.

Other net financial items consist of unrealised results from the market valuation of short-term investments and derivatives as well as other currency effects, e.g. changes in exchange rates for liquid assets in currencies other than SEK. Derivatives are used to reduce interest rate risk in the investment portfolio, which consists of long-term interest-bearing securities.

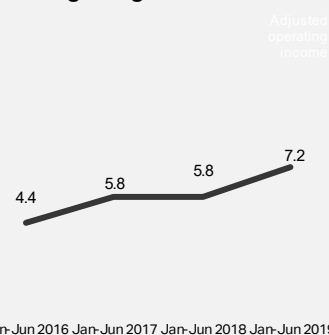
Tax

Current and deferred taxes amounted to MSEK -248 (-125), equivalent to an effective tax rate of 23 per cent (22).

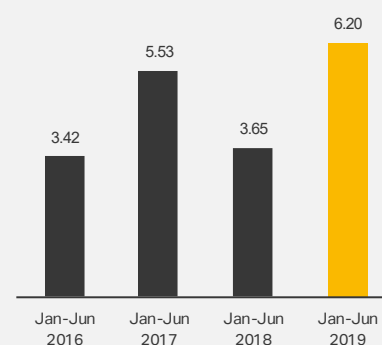
Return on capital employed and equity

The pre-tax return on capital employed was 9.1 per cent (9.6) and the after-tax return on equity was 10.5 per cent (9.7), both measured over a rolling 12-month period.

Operating margin, %

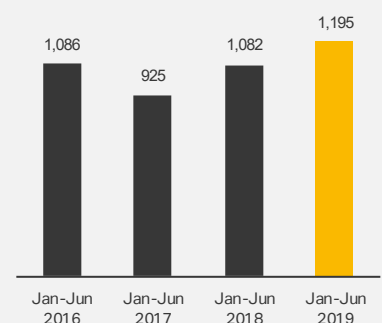


Earnings per share after dilution, SEK



Earnings per share have been adjusted in accordance with the rights issue completed in 2018.

Internally funded R&D expenditures, MSEK



Financial position and liquidity

At the end of June 2019, net debt was MSEK 8,001, an increase of MSEK 6,541 compared to year-end 2018, when net debt amounted to MSEK 1,460. The effects of changes in accounting principles related to IFRS 16 contributed to an increase of MSEK 2 190. The increase in net provisions for pensions of MSEK 638 also contributed to the increase of the net debt.

Cash flow from operating activities amounted to MSEK -1,479.

Several major deliveries were completed and invoiced in late 2018. In the first half of 2019, accounts receivable decreased in all business areas. In total, accounts receivable decreased by MSEK 1,341 from the beginning of the year.

Due to the level of completion of large projects, contract assets increased by MSEK 1,429 during the period at the same time that contract liabilities decreased by MSEK 1,652.

Inventories increased by MSEK 883 during the period. The increase mainly relates to future deliveries within the business areas Support and Services and Surveillance.

Net provisions for pensions, excluding the special employer's contribution, amounted to MSEK 4,737 as of 30 June 2019, compared to MSEK 4,099 at year-end 2018. The change had a negative effect on net debt of MSEK 638. The increase in provisions is mainly because the discount rate used to calculate the pension obligation was reduced to 1.50 per cent from 2.25 per cent during the period, though the effect was partly offset by a concurrent reduction in the inflation assumption to 1.75 per cent from 2.00 per cent. For further information on Saab's defined-benefit pension plans, see note 13.

Tangible fixed assets amounted to MSEK 5,985 at the end of the period. Finance leases on aircraft and properties that had previously been classified as tangible fixed assets have been reclassified in connection with the transition to IFRS 16 as right-of-use assets in the balance sheet, affecting the opening balance for 2019 by MSEK 441.

Right-of-use assets of MSEK 2,577 were added in the first half year as a result of the transition to IFRS 16.

During the period, net investments amounted to approximately MSEK 1,412 (1,247).

Investments in tangible fixed assets amounted to MSEK 648 (667).

Investments in intangible fixed assets amounted to MSEK 790 (586), of which MSEK 702 (484) related to capitalised R&D expenditures. Capitalised R&D expenditures in the balance sheet increased by MSEK 633. The increase is mainly related to investments to develop Gripen E/F for future exports. Of the total investments in intangible fixed assets, MSEK 88 (102) related to other intangible fixed assets.

As of 30 June 2019, short-term investments and liquid assets amounted to MSEK 7,622, a decrease of MSEK 3,832 compared to year-end 2018.

Capital employed increased by MSEK 2,651 during the period to MSEK 35,654. In addition to the effects of changes in accounting principles related to IFRS 16, the increase in capital employed is mainly related to the level of completion within the Gripen programmes.

Key indicators of financial position and liquidity

MSEK	30 Jun 2019	31 Dec 2018	Change	30 Jun 2018
Net liquidity / debt ²⁾	-8,001	-1,460	-6,541	-6,489
Intangible fixed assets	9,805	9,057	748	8,407
Goodwill	5,351	5,310	41	5,294
Capitalised development costs	3,961	3,328	633	2,740
Other intangible fixed assets	493	419	74	373
Tangible fixed assets, etc ³⁾	6,332	6,478	-146	6,045
Right of use assets ⁴⁾	2,577	-	-	-
Inventories	10,159	9,276	883	9,116
Accounts receivable	3,858	5,199	-1,341	3,655
Contract assets	11,895	10,466	1,429	10,384
Contract liabilities	7,238	8,890	-1,652	8,028
Equity/assets ratio, %	34.0	35.0		28.7
Return on equity, %	10.5	8.1		9.7
Equity per share, SEK ¹⁾	144.44	145.43	-0.99	116.51
1) Number of shares excluding treasury shares	133,383,129	133,482,880		115,931,576

2) The Group's net liquidity/debt refers to liquid assets, short-term investments and interest-bearing receivables less interest-bearing liabilities and provisions for pensions excluding provisions for pensions attributable to special employers' contribution. For a detailed break-down of interest-bearing receivables and interest-bearing liabilities, see note 8.

3) Including tangible fixed assets and biological assets.

4) Relate to right-of-use assets for leases according to IFRS 16 Leases.

Change in net debt Jan-Jun 2019

	MSEK
Net liquidity (+) / net debt (-), 31 Dec 2018	-1,460
Effects of change in accounting principles, IFRS 16 Leases, opening balance 2019	-2,190
Cash flow from operating activities	-1,479
Change in net pension obligation	-638
Net investments	-1,412
Sale of and investments in financial assets	-38
Rights issue	11
Repurchase of shares	-151
Dividend	-601
Dividend to and transactions with non-controlling interest	4
Additional lease liabilities	-81
Currency impact and unrealised results from financial investments	34
Net liquidity (+) / net debt (-), 30 Jun 2019	-8,001

Cash flow

Cash flow from operating activities excluding taxes and other financial items amounted to MSEK -1,290 (-1,503), see note 11.

Operational cash flow amounted to MSEK -2,702 (-2,750). It is defined as cash flow from operating activities and acquisitions and divestments of intangible and tangible fixed assets. Cash flow from operating activities is excluding taxes and other financial items but including amortisation of lease liabilities. Cash flow is negative mainly as a result of increased working capital in major projects within the business area Aeronautics and utilisation of previous advances and milestone payments.

Free cash flow amounted to MSEK -3,126 (-3,192). For more detailed information on cash flow, see note 11.

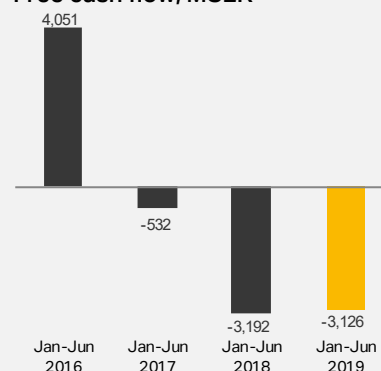
Cash flow can be very different between reporting periods as timing of milestone payments in large projects in the order backlog vary greatly depending on how milestones are passed.

	Jan-Jun 2019	Jan-Jun 2018
Cash flow from operating activities before changes in working capital, excluding taxes and other financial items ¹⁾	2,130	1,655
Change in working capital	-3,420	-3,158
Cash flow from operating activities excluding taxes and other financial items	-1,290	-1,503
Cash flow from investing activities ²⁾	-1,412	-1,247
Operational cash flow	-2,702	-2,750
Taxes and other financial items	-386	-500
Sales and acquisitions	-38	58
Free cash flow	-3,126	-3,192

1) Including amortisation of lease liabilities

2) Cash flow from investing activities excluding change in short-term investments and other interest-bearing financial assets and excluding sale of and investment in financial assets, investments in operations and sale of subsidiaries. If investments in and sale of financial fixed assets are considered to be of operating nature, the item is included in investing activities.

Free cash flow, MSEK



Operating segments

For more information about the operating segments, see note 3.

The Group's operating segments recognise all lease contracts as operating leases.

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Business Area Aeronautics

Aeronautics is a world-leading manufacturer of innovative air systems and is engaged in development of military aviation technology.

Business Area Dynamics

Dynamics offers a market-leading product portfolio comprising ground combat weapons, missile systems, torpedoes, unmanned underwater vehicles, training systems and signature management systems for armed forces around the world.

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Business Area Surveillance

Surveillance's product portfolio includes airborne, ground-based and naval radar systems, self-protection systems, electronic warfare systems, combat systems and C4I solutions.

Business Area Support and Services

Support and Services offers reliable, cost-efficient service and support for all of Saab's markets. This primarily includes support solutions, technical maintenance and logistics as well as products, solutions and services for military and civil missions.

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Business Area Industrial Products and Services

The business units within Industrial Products and Services are focused on mainly civilian customers. The business units Aerostructures, Avionics, Traffic Management, and the wholly owned, independent subsidiary Combitech are included in the business area.

Business Area Kockums

Kockums' portfolio includes submarine systems with the Stirling system for air-independent propulsion, surface combatants, mine hunting systems and autonomous vessels.

Business Area Aeronautics

Business units

Gripen E/F, Gripen C/D, Gripen Brazil, Advanced Pilot Training Systems, and Operations Contracts.

MSEK	Jan-Jun 2019	Jan-Jun 2018	Change, %	Q2 2019	Q2 2018	Full Year 2018
Order bookings	884	2,148	-59	734	759	5,261
Order backlog	44,148	48,389	-9			47,359
Sales	4,095	3,913	5	1,971	1,871	8,056
EBITDA	392	285	38	180	108	736
EBITDA margin, %	9.6	7.3		9.1	5.8	9.1
Operating income (EBIT)	363	258	41	166	95	680
Operating margin, %	8.9	6.6		8.4	5.1	8.4
Operational cash flow	-2,440	-1,963		-804	-414	-1,096
Defence/Civil (% of sales)	100/0	99/1		100/0	99/1	100/0
No. of FTE's	3,354	3,098	8			3,212

Sales, income and margin

Sales increased in the first half of 2019 mainly due to a higher activity level within Gripen development and production for Brazil. The operating margin improved due to the effects of productivity improvements and lower R&D expenditures for the T-X programme compared to the first half of 2018.

Cash flow

Operational cash flow was negative in the first half year as a result of increased working capital. Saab expects Aeronautics to continue to have negative operational cash flow in the third quarter as the preparations for the first Gripen E deliveries to Brazil and Sweden continue.

Order

distribution

Orders exceeding MSEK 100 accounted for 49% (76) of total orders during January-June 2019.



Market

Sales in markets outside Sweden amounted to 51% (41) during January-June 2019.



Business Area Dynamics

Business units

Ground Combat, Missile Systems, Underwater Systems, Barracuda, and Training and Simulation.

MSEK	Jan-Jun 2019	Jan-Jun 2018	Change, %	Q2 2019	Q2 2018	Full Year 2018
Order bookings	3,146	2,573	22	2,041	1,218	7,308
Order backlog	13,905	12,094	15			13,645
Sales	2,929	2,120	38	1,537	1,064	5,319
EBITDA	310	127	144	178	63	610
EBITDA margin, %	10.6	6.0		11.6	5.9	11.5
Operating income (EBIT)	273	90	203	160	44	535
Operating margin, %	9.3	4.2		10.4	4.1	10.1
Operational cash flow	61	-390		-74	-419	-120
Defence/Civil (% of sales)	94/6	92/8		94/6	91/9	93/7
No. of FTE's	2,318	2,184	6			2,252

Order distribution

Orders exceeding MSEK 100 accounted for 50% (63) of total orders during January-June 2019.



Market

Sales in markets outside Sweden amounted to 79% (68) during January-June 2019.



Orders

In the second quarter, Dynamics signed major framework agreements with both the U.S. Government and the Swedish Defence Materiel Administration (FMV). The latter agreement extends over ten years and concerns the Carl-Gustaf weapon system. The U.S. Government agreement extends over five years and concerns the disposable AT4 weapon and ammunition to the Carl-Gustaf weapon system. In connection with the signings, the first orders were placed. Saab also received an order to provide the UK's Royal Navy with the AUV62-AT anti-submarine training system.

Sales, income and margin

Sales increased due to a high level of activity and increased deliveries in the first half of 2019 compared to the same period in 2018. Increased deliveries also led to an improved operating margin in the period.

Cash flow

Operational cash flow was at a higher level in the first half year due to increased deliveries.

Business Area Surveillance

Business units

Radar Solutions, Electronic Warfare Systems, Combat Systems and C4I Solutions, and Cyber Security.

MSEK	Jan-Jun 2019	Jan-Jun 2018	Change, %	Q2 2019	Q2 2018	Full Year 2018
Order bookings	2,196	4,042	-46	883	2,311	7,370
Order backlog	13,481	15,328	-12			14,731
Sales	3,519	3,577	-2	1,795	1,799	7,397
EBITDA	450	354	27	289	218	904
EBITDA margin, %	12.8	9.9		16.1	12.1	12.2
Operating income (EBIT)	303	219	38	213	150	631
Operating margin, %	8.6	6.1		11.9	8.3	8.5
Operational cash flow	222	-477		324	-1	-1,085
Defence/Civil (% of sales)	99/1	99/1		99/1	99/1	99/1
No. of FTE's	3,765	3,733	1			3,770

Orders

In the first half of 2019, Surveillance received several medium-sized and small orders. One was from Vard Group A/S for the 9LV Fire Control System (FCS), including the Ceros 200 fire control director, to the Norwegian Coast Guard's Jan Mayen class vessels. An order was received for the Sea Giraffe Multi Mode Radar (MMR) for the U.S. Coast Guard's Offshore Patrol Cutters.

Sales, income and margin

In the first half of 2019, operating income improved in several areas thanks to a high activity level and efficiency improvements.

Cash flow

In the first half of 2019, operational cash flow was positive thanks to milestone deliveries and received payments related to these milestones.

Order

distribution

Orders exceeding MSEK 100 accounted for 45% (74) of total orders during January-June 2019.



Market

Sales in markets outside Sweden amounted to 80% (77) during January-June 2019.



Business Area Support and Services

Business units

Aviation Services, Airborne ISR, Gripen Support and Communication and Tactical Solutions.

MSEK	Jan-Jun 2019	Jan-Jun 2018	Change, %	Q2 2019	Q2 2018	Full Year 2018
Order bookings	1,476	1,875	-21	798	1,152	3,635
Order backlog	9,555	11,682	-18			10,690
Sales	2,641	2,736	-3	1,292	1,400	5,470
EBITDA	332	342	-3	145	164	754
EBITDA margin, %	12.6	12.5		11.2	11.7	13.8
Operating income (EBIT)	322	333	-3	140	159	685
Operating margin, %	12.2	12.2		10.8	11.4	12.5
Operational cash flow	-57	196		160	355	369
Defence/Civil (% of sales)	85/15	83/17		84/16	82/18	84/16
No. of FTE's	1,902	1,867	2			1,851

Order

distribution

Orders exceeding MSEK 100 accounted for 0% (27) of total orders during January-June 2019.



Market

Sales in markets outside Sweden amounted to 54% (57) during January-June 2019.



Orders

Order bookings was lower than same period 2018, but order bookings related to small orders increased compared to same period 2018.

Sales, income and margin

Sales, operating income and the operating margin were in line with the same period in 2018 due to a consistent level of activity.

Cash flow

Operational cash flow was negative in the first half year due to preparations for future deliveries mainly in the airborne surveillance business, which led to increased working capital.

Business Area Industrial Products and Services

Business units

Aerostructures, Avionics Systems, Traffic Management, and Combitech.

MSEK	Jan-Jun 2019	Jan-Jun 2018	Change, %	Q2 2019	Q2 2018	Full Year 2018
Order bookings	2,541	2,645	-4	1,235	1,543	5,344
Order backlog	9,362	11,513	-19			11,004
Sales	3,246	2,950	10	1,672	1,559	6,107
EBITDA	182	124	47	92	74	290
EBITDA margin, %	5.6	4.2		5.5	4.7	4.7
Operating income (EBIT)	140	81	73	71	54	202
Operating margin, %	4.3	2.7		4.2	3.5	3.3
Operational cash flow	-282	-144		-154	-192	-351
Defence/Civil (% of sales)	30/70	31/69		31/69	30/70	30/70
No. of FTE's	3,634	3,470	5			3,566

Order backlog

In the first half of 2019, an adjustment was made to the order backlog related to the business unit Aerostructures' deliveries to the Airbus A380 programme as a consequence of Airbus's decision to terminate the A380 programme in 2021.

Sales, income and margin

Sales increased due to a higher activity level mainly within the business areas Aerostructures and Traffic Management. Combitech continued to report high activity levels with stable operating margin and efficiency improvements primarily within business units Aerostructures and Avionics Systems resulted in improved operating margins compared to the first half of 2018.

Cash flow

Operational cash flow was negative in the first half of 2019 due to increased working capital mainly within the business unit Traffic Management as well as currency transactions related to projects within the business unit Aerostructures.

Order

distribution

Orders exceeding MSEK 100 accounted for 9% (18) of total orders during January-June 2019.



Market

Sales in markets outside Sweden amounted to 54% (50) during January-June 2019.



Business Area Kockums

Business units

Submarines and Surface Ships.

MSEK	Jan-Jun 2019	Jan-Jun 2018	Change, %	Q2 2019	Q2 2018	Full Year 2018
Order bookings	544	530	3	299	149	1,123
Order backlog	5,718	7,724	-26			6,646
Sales	1,502	1,625	-8	705	880	3,291
EBITDA	50	99	-49	6	50	203
EBITDA margin, %	3.3	6.1		0.9	5.7	6.2
Operating income (EBIT)	31	84	-63	-3	42	173
Operating margin, %	2.1	5.2		-0.4	4.8	5.3
Operational cash flow	200	423		34	434	251
Defence/Civil (% of sales)	100/0	100/0		100/0	100/0	100/0
No. of FTE's	1,215	1,175	3			1,205

Order

distribution

Orders exceeding MSEK 100 accounted for 0% (23) of total orders during January-June 2019.



Market

Sales in markets outside Sweden amounted to 6% (10) during January-June 2019.



Sales, income and margin

In the first half of 2019, the level of activity was high within both the submarine and surface ship businesses. The lower sales level in the second quarter is a result of lower activity level related to the Mid-Life Upgrades of two Swedish Gotland-class submarines as these have now concluded comprehensive mid-life upgrades. Operating income was at a lower level due to a modified project mix.

Cash flow

Operational cash flow was positive in the first half year due to large milestone payments within major projects.

Corporate

Corporate comprises Group staff, Group departments and other operations outside the core operations. Since 1 January 2018, Saab's minority portfolio is also reported in Corporate. This portfolio contains the interests in Vricon Inc, UMS Skeldar AG and Ventures.

Corporate reported operating income of MSEK -211 (-160) in the period. Operational cash flow attributable to Corporate amounted to MSEK -406 (-395) in the period.

Acquisitions and divestments 2019

No significant acquisitions or divestments were made in the first half of 2019.

Share repurchase

Saab held 2,462,718 treasury shares as of 30 June 2019, compared to 2,363,299 at year-end 2018. The Annual General Meeting in 2019 authorised the Board of Directors to repurchase a maximum of 1,465,000 Series B shares to secure delivery of shares to participants in Saab's incentive programme and for subsequent transfers on the stock exchange to cover certain costs associated with LTI 2020, mainly social security costs. The Annual General Meeting also decided to authorise the Board, before the next Annual General Meeting, to decide on the acquisition of Series B shares up to a maximum of 10 percent of the total number of shares in the company. The purpose of the authorisation is to be able to adjust the company's capital structure and thereby contribute to increased shareholder value as well as to enable continued use of repurchased shares in connection with potential acquisitions of companies and for the company's share-related incentive programmes. In the second quarter of 2019, Series B shares were repurchased for MSEK 151.

Risks and uncertainties

Saab's operations primarily involve the development, production and supply of technologically advanced hardware and software to military and civilian customers around the world. Operations largely consist of major projects carried out over long periods of time, usually several years, in close cooperation with customers, suppliers, partners and institutions.

Projects generally entail significant investments, long periods of time and technological development or refinement of products. In addition to customer and supplier relations, international operations involve joint ventures and collaborations with other industries as well as the establishment of operations abroad.

Operations entail risk in various respects. The key risk areas are strategic, market and political, operating, financial and compliance. Various policies and instructions govern the management of material risks. Saab today conducts more projects involving large share of development than before, and their inherent complexity entails a higher level of risk.

The market is characterised by challenging conditions where orders can be deferred to the future partly for financial reasons.

For a general description of the risk areas, see the annual report 2018, pages 48-51.

Owners

Saab's largest shareholders as of 30 June 2019

	% of capital	% of votes
Investor AB	30.2	40.3
Knut and Alice Wallenberg Foundation	8.8	7.7
Första AP-fonden	6.4	5.6
Swedbank Robur funds	5.7	5.0
AFA Insurance	3.1	2.7
Vanguard	1.9	1.7
Gladiator	1.5	1.3
Nordea funds	1.4	1.3
Unionen	1.0	0.9
Fidelity	1.0	0.8

Source: Modular Finance

The percentage of votes is calculated on the number of shares excluding treasury shares.

Personnel

	30 Jun 2019	31 Dec 2018
Number of employees	17,143	17,096
FTE's	17,145	16,759

FTE's includes part-time employees.

Other events in January-June 2019 in brief

- On 3 January, 2019, Saab completed a successful first flight with the second GlobalEye Airborne Early Warning & Control (AEW&C).
- Supported by Sweden, Saab submitted a proposal for the Finnish HX fighter procurement to the Finnish defence procurement agency, the Logistics Command of the Finnish Defence Forces. The proposal comprises 64 Gripen aircraft, both single-seat Gripen E and dual-seat Gripen F, and is the formal response to the Request for Quotation (RFQ) issued in April 2018.
- In January, Saab announced that the 173,975 Series B shares in the rights issue implemented in 2018 with subsidiary preferential rights were registered by the Swedish Companies Registration Office (Bolagsverket) in January 2019. As a result, the number of shares in Saab increased by 173,975. As of 31 January, there were a total of 135,845,847 shares in Saab, of which 2,383,903 are Series A shares, corresponding to 23,839,030 votes, and 133,461,944 are Series B shares, corresponding to 133,461,944 votes, i.e. a total of 157,300,974 votes.
- Finland's Ministry of Defence announced on 9 April that Saab is shortlisted as combat system provider and integrator for the Finnish Navy's Pohjanmaa-class corvettes within the Squadron 2020 programme.
- Saab's Annual General Meeting in Linköping on 11 April decided on a dividend of SEK 4.50 per share to the shareholders with Monday, 15 April 2019 as the record date. Payment was made by Euroclear Sweden AB on Thursday, 18 April 2019.
- In accordance with the Nomination Committee's proposal, Johan Menckel was elected as a new member of the Board and all current members were re-elected, i.e. Håkan Buskhe, Sten Jakobsson, Danica Kragic Jensfelt, Sara Mazur, Daniel Nodhäll, Bert Nordberg, Cecilia Stegö Chilò, Erika Söderberg Johnson, Marcus Wallenberg and Joakim Westh. Marcus Wallenberg was re-elected as Chairman of the Board. At the board meeting following election, Sten Jakobsson was re-elected as Deputy Chairman.
- In May, Saab announced a new U.S. production site for its parts of the T-X jet trainer in West Lafayette, Indiana. Saab intends to invest MUS\$ 37 in the facility from 2020.
- In June, the Swiss defence procurement agency, armasuisse, recommended to Saab not to participate with Gripen E in the upcoming flight tests in Switzerland. Therefore, Saab decided not to attend the Swiss flight tests in June.
- In June, Saab's Board of Directors decided to repurchase the company's own shares. The decision was based on an authorisation from Saab's Annual General Meeting 2019. The purpose of the share repurchase is to secure delivery of shares to participants in Saab's long-term Share Matching Plan, Performance Share Plan and Special Projects Incentive.
- In June, the HMS Uppland was re-launched after comprehensive mid-life upgrades (MLU) in Karlskrona. As a result, two Gotland-class submarines have concluded MLU and are equipped to face the challenges of tomorrow.
- In June, Saab signed a framework agreement with FMV to provide the Swedish Armed Forces with the Carl-Gustaf M4 weapon system. The framework agreement will allow FMV to place orders for the system over a ten-year period.
- In June, Saab signed a multi-year framework agreement with the U.S. Government, which allows the U.S. Marines and U.S. Special Forces to place orders for the AT4 disposable weapon system and ammunition to the Carl-Gustaf M4 recoilless rifle for up to USD 445 million (approximately SEK 4.2 billion) during a five-year period.

For more information on significant order received in the first half year, see page 2 and the comments on the business areas on pages 7-9 and in note 3. All press releases can be found on <http://saabgroup.com/Media/news-press/>.

Events after the conclusion of the period

- Saab has received an order from the Swedish Armed Forces and FMV for continued technical support on weapons and external stores for Gripen. The order value amounts to MSEK 142. The order is a call-up of an option as part of a previous agreement.
- Saab received an order in July for ammunition to the Carl-Gustaf. The order is valued at approximately MSEK 500 and deliveries will be made in 2019-2020.
- During the period 1 July – 10 July Saab repurchased in total 495,000 own shares for a total amount of MSEK 150. Saab thereby completed the share buy-back programme decided in June covering repurchase of in total 1,000,000 shares of series B.

Framework agreement for AT4 and Carl-Gustaf ammunition



In June, Saab signed a multi-year framework agreement with the U.S. Government, which allows the U.S. Army, U.S. Marines and U.S. Special Forces to place orders for the AT4 disposable weapon system and ammunition to the Carl-Gustaf M4 recoilless rifle for up to USD 445 million (approximately SEK 4.2 billion) during a five-year period.

About Saab

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

Short facts

Saab's Series B share is listed on Nasdaq Stockholm Large Cap Ticker: SAAB B.

- Saab has approximately 17,000 employees
- Local presence in approximately 35 countries
- Customers in more than 100 countries

Vision

It is a human right to feel safe.

Mission

To make people safe by pushing intellectual and technological boundaries.

Business concept

Saab constantly develops, adapts and improves new technology to meet changing customer needs. Saab serves the global market of governments, authorities and corporations with products, services and solutions for defence, aviation and civil security.

Organisation

Saab's operations are divided into six operating segments for control and reporting purposes: the business areas Aeronautics, Dynamics, Surveillance, Support and Services, Industrial Products and Services, and Kockums. In addition, Corporate comprises Group staff, Group departments and secondary operations.

To ensure a presence in key local markets, Saab also has five market areas: Europe, Middle East & Africa, North America, Latin America and Asia Pacific.



Revenue model

Saab's sales are primarily generated from long-term customer contracts, service assignments and the sale of goods. Sales, income and cash flow fluctuate over the course of the year depending on the nature of the project.

Long-term customer contracts relate to the development and manufacture of complex systems that stretch over several reporting periods. Long-term customer contracts are recognised in revenue as the project is completed, while cash flows depend on the timing of deliveries, advances and milestone payments during the contract period.

Service assignments consist of consulting and support services. Examples include education and ongoing maintenance associated with previous deliveries. Revenue from service assignments is normally recognised when the services are rendered.

The third part of the revenue model is the sale of products and spare parts that Saab manufactures and stocks or purchases on behalf of customers. This revenue is recognised when ownership has been transferred to the buyer.

Financial goals

Sales

Average organic sales growth of 5 per cent per year over a business cycle.

Operating margin

Average operating margin (EBIT) of at least 10 per cent per year over a business cycle.

Equity/assets ratio

The equity/assets ratio will exceed 30 per cent.

Dividend

The long-term dividend goal is to distribute 20–40 per cent of net income to the shareholders over a business cycle.



Saab's strategy

To stay a step ahead in an optimal way and meet our customers' needs, we have based our strategy on three priorities: market, efficiency and innovation. The aim is to create long-term value by working to achieve them. Sustainability issues affect our entire business, and engaged employees are the key to success.

Saab will also maintain a solid balance sheet, focus on capital efficiency and generate strong cash flow.

Market

We focus on areas where we have a strong market position and on strengthening our position in areas with good growth opportunities.

Our global presence and diversity will be strengthened in part through partnerships and local collaborations. We have zero tolerance for corruption and work actively to create a thoroughly transparent defence market.

Efficiency

The focus is on making functional processes more efficient, developing an even more business-oriented culture and developing leaders and employees.

Innovation

We concentrate our product portfolio on innovations in five core areas and feel that diversity and engaged employees drive innovation. The five core areas are: aeronautics, advanced weapon systems, command and control systems, sensors and underwater systems.

Consolidated income statement

MSEK	Note	Jan-Jun 2019	Jan-Jun 2018	Rolling 12 Months	Full Year 2018
Sales	4	16,941	15,719	34,378	33,156
Cost of goods sold		-13,153	-12,182	-26,363	-25,392
Gross income		3,788	3,537	8,015	7,764
<i>Gross margin, %</i>		22.4	22.5	23.3	23.4
Other operating income		112	89	179	156
Marketing expenses		-1,278	-1,298	-2,624	-2,644
Administrative expenses		-765	-723	-1,508	-1,466
Research and development costs		-564	-664	-1,167	-1,267
Other operating expenses		-18	-17	-264	-263
Share in income of associated companies and joint ventures		-54	-19	-49	-14
Operating income (EBIT) ¹⁾	3	1,221	905	2,582	2,266
<i>Operating margin, %</i>		7.2	5.8	7.5	6.8
Financial income		78	32	239	193
Financial expenses		-225	-362	-526	-663
Net financial items		-147	-330	-287	-470
Income before taxes		1,074	575	2,295	1,796
Taxes		-248	-125	-553	-430
Net income for the period		826	450	1,742	1,366
of which Parent Company's shareholders' interest		831	425	1,719	1,313
of which non-controlling interest		-5	25	23	53
Earnings per share before dilution, SEK ²⁾		6.22	3.67	13.72	11.27
Earnings per share after dilution, SEK ³⁾		6.20	3.65	13.64	11.21
1) Of which depreciation/amortisation and write-downs		-672	-418	-1,170	-916
2) Average number of shares before dilution		133,501,206	115,787,576	125,324,637	116,467,822
3) Average number of shares after dilution		134,064,875	116,563,375	125,981,553	117,144,915

Consolidated statement of comprehensive income

MSEK	Jan-Jun 2019	Jan-Jun 2018	Rolling 12 Months	Full Year 2018
Net income for the period	826	450	1,742	1,366
Other comprehensive income/loss:				
Items that will not be reversed in the income statement:				
Revaluation of net pension obligations	-720	-941	-1,490	-1,711
Tax attributable to revaluation of net pension obligations	148	149	307	308
Total	-572	-792	-1,183	-1,403
Items that may be reversed in the income statement:				
Translation differences	205	265	113	173
Cash flow hedges	95	43	-95	-147
Tax attributable to cash flow hedges	-21	-11	32	42
Total	279	297	50	68
Other comprehensive income/loss for the period	-293	-495	-1,133	-1,335
Net comprehensive income/loss for the period	533	-45	609	31
of which Parent Company's shareholders' interest	531	-64	584	-11
of which non-controlling interest	2	19	25	42

Consolidated statement of financial position

MSEK	Note	30 Jun 2019	31 Dec 2018	30 Jun 2018
ASSETS				
Fixed assets:				
Intangible fixed assets	7	9,805	9,057	8,407
Tangible fixed assets		5,985	6,129	5,693
Biological assets		347	349	352
Right of use assets		2,577	-	-
Shares in associated companies and joint ventures		639	646	676
Financial investments		25	27	28
Long-term receivables	13	654	554	667
Deferred tax assets		454	382	256
Total fixed assets		20,486	17,144	16,079
Current assets:				
Inventories		10,159	9,276	9,116
Derivatives		1,468	1,096	1,291
Tax receivables		233	67	287
Accounts receivable		3,858	5,199	3,655
Contract assets		11,895	10,466	10,384
Other receivables		564	507	444
Prepaid expenses and accrued income		1,050	919	812
Short-term investments		6,268	9,003	3,345
Liquid assets	11	1,354	2,451	2,271
Total current assets		36,849	38,984	31,605
TOTAL ASSETS		57,335	56,128	47,684
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity:				
Parent Company's shareholders' interest		19,266	19,412	13,507
Non-controlling interest		231	221	193
Total shareholders' equity		19,497	19,633	13,700
Long-term liabilities:				
Long-term lease liabilities		2,169	-	-
Other long-term interest-bearing liabilities	8	6,527	8,196	8,736
Other liabilities		194	190	205
Provisions for pensions	13	5,970	5,113	4,390
Other provisions		1,255	1,081	1,100
Deferred tax liabilities		24	16	170
Total long-term liabilities		16,139	14,596	14,601
Current liabilities:				
Short-term lease liabilities		409	-	-
Other short-term interest-bearing liabilities	8	2,308	1,068	405
Contract liabilities		7,238	8,890	8,028
Accounts payable		2,794	4,077	2,692
Derivatives		1,839	1,234	1,550
Tax liabilities		239	147	111
Other liabilities		781	770	877
Accrued expenses and deferred income		5,435	5,097	5,235
Provisions		656	616	485
Total current liabilities		21,699	21,899	19,383
Total liabilities		37,838	36,495	33,984
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		57,335	56,128	47,684

Consolidated statement of changes in equity

MSEK	Capital stock	Ongoing rights issue	Other capital contributions	Net result of cash flow hedges	Translation reserve	Revaluation reserve	Retained earnings	Total parent company's shareholders' interest	Non-controlling interest	Total shareholders' equity
Opening balance, 1 January 2018	1,746		543	-302	270	11	11,829	14,097	188	14,285
Effects of change in accounting principles, IFRS 9				14			-18	-4		-4
Adjusted opening balance, 1 January 2018	1,746		543	-288	270	11	11,811	14,093	188	14,281
Net comprehensive income/loss for the period January-June 2018				40	263		-367	-64	19	-45
Transactions with shareholders:										
Repurchase of shares										
Share matching plan							66	66		66
Dividend							-588	-588	-12	-600
Acquisition and sale of non-controlling interest							-	-	-2	-2
Closing balance, 30 June 2018	1,746		543	-248	533	11	10,922	13,507	193	13,700
Net comprehensive income/loss for the period July-December 2018				-138	-86		277	53	23	76
Transactions with shareholders:										
Rights issue		428	5,578					6,006		6,006
Issue costs			-22					-22		-22
Repurchase of shares							-203	-203		-203
Share matching plan							77	77		77
Dividend							-	-	-1	-1
Acquisition and sale of non-controlling interest							-6	-6	6	-
Closing balance, 31 December 2018	1,746	428	6,099	-386	447	11	11,067	19,412	221	19,633
Opening balance, 1 January 2019	1,746	428	6,099	-386	447	11	11,067	19,412	221	19,633
Net comprehensive income/loss for the period				75	197		259	531	2	533
Transactions with shareholders:										
Rights issue	428	-428								
Repurchase of shares							-151	-151		-151
Share matching plan							78	78		78
Dividend							-601	-601	-	-601
Acquisition and sale of non-controlling interest							-3	-3	8	5
Closing balance, 30 June 2019	2,174	-	6,099	-311	644	11	10,649	19,266	231	19,497

Consolidated statement of cash flows

MSEK	Note	Jan-Jun 2019	Jan-Jun 2018	Full Year 2018
Operating activities:				
Income after financial items		1,074	575	1,796
Adjustments for items not affecting cash flows		1,131	953	1,808
Dividend from associated companies and joint ventures		-	-	39
Income tax paid		-264	-373	-479
Cash flow from operating activities before changes in working capital		1,941	1,155	3,164
Cash flow from changes in working capital:				
Contract assets and liabilities		-3,060	-3,814	-3,039
Inventories		-838	-824	-1,057
Other current receivables		1,413	790	-1,044
Other current liabilities		-839	856	1,965
Provisions		-96	-166	-479
Cash flow from operating activities		-1,479	-2,003	-490
Investing activities:				
Investments in intangible fixed assets		-88	-102	-198
Capitalised development costs		-702	-484	-1,140
Investments in tangible fixed assets		-648	-667	-1,481
Sales and disposals of tangible fixed assets		26	6	23
Investments in and sale of short-term investments		2,771	1,116	-4,554
Investments in financial assets		-111	-16	-48
Sale of financial assets		34	61	62
Investments in operations	12	-	5	15
Sale of subsidiaries		-	3	33
Cash flow from investing activities		1,282	-78	-7,288
Financing activities:				
Repayments of loans		-	-34	-967
Amortisation of lease liabilities		-198	-	-
Raising of loans		5	2,750	3,820
Rights issue		11	-	5,967
Repurchase of shares		-151	-	-203
Dividend paid to Parent Company's shareholders		-601	-588	-588
Dividend paid to non-controlling interest		-	-	-24
Transactions with non-controlling interest		4	-18	-14
Cash flow from financing activities		-930	2,110	7,991
Cash flow for the period		-1,127	29	213
Liquid assets at the beginning of the period		2,451	2,202	2,202
Exchange rate difference in liquid assets		30	40	36
Liquid assets at end of period	11	1,354	2,271	2,451

Quarterly consolidated income statement

MSEK	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Sales	8,445	8,496	11,018	6,419	7,953	7,766	10,150	6,158
Cost of goods sold	-6,508	-6,645	-8,230	-4,980	-6,154	-6,028	-7,632	-4,602
Gross income	1,937	1,851	2,788	1,439	1,799	1,738	2,518	1,556
Gross margin, %	22.9	21.8	25.3	22.4	22.6	22.4	24.8	25.3
Other operating income	94	18	57	10	66	23	21	17
Marketing expenses	-658	-620	-735	-611	-700	-598	-680	-558
Administrative expenses	-391	-374	-378	-365	-352	-371	-429	-333
Research and development costs	-300	-264	-277	-326	-348	-316	-378	-288
Other operating expenses	-18	-	-22	-224	5	-22	-33	-17
Share of income in associated companies and joint ventures	-34	-20	-11	16	-12	-7	-24	-8
Operating income (EBIT) ¹⁾	630	591	1,422	-61	458	447	995	369
Operating margin, %	7.5	7.0	12.9	-1.0	5.8	5.8	9.8	6.0
Financial income	32	46	113	48	18	14	-29	37
Financial expenses	-98	-127	-211	-90	-232	-130	-77	-73
Net financial items	-66	-81	-98	-42	-214	-116	-106	-36
Income before taxes	564	510	1,324	-103	244	331	889	333
Taxes	-135	-113	-316	11	-45	-80	-286	-88
Net income for the period	429	397	1,008	-92	199	251	603	245
of which Parent Company's shareholders' interest	433	398	982	-94	183	242	601	233
of which non-controlling interest	-4	-1	26	2	16	9	2	12
Earnings per share before dilution, SEK ²⁾	3.24	2.98	8.28	-0.81	1.58	2.09	5.20	2.02
Earnings per share after dilution, SEK ³⁾	3.23	2.97	8.23	-0.81	1.57	2.08	5.16	2.00
1) Of which depreciation/amortisation and write-downs	-344	-328	-232	-266	-211	-207	-202	-209
2) Average number of shares before dilution	133,476,269	133,526,144	118,568,062	115,728,074	115,849,107	115,726,045	115,626,887	115,508,581
3) Average number of shares after dilution	134,039,937	134,137,373	119,249,887	116,499,013	116,610,780	116,581,489	116,516,137	116,385,765

Quarterly consolidated statement of comprehensive income

MSEK	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Net income for the period	429	397	1,008	-92	199	251	603	245
Other comprehensive income/loss:								
Items that will not be reversed in the income statement:								
Revaluation of net pension obligations	-1,130	410	-742	-28	-901	-40	-326	440
Tax attributable to revaluation of net pension obligations	232	-84	153	6	139	10	73	-97
Total	-898	326	-589	-22	-762	-30	-253	343
Items that may be reversed in the income statement:								
Translation differences	29	176	18	-110	141	124	139	-176
Net gain/loss on cash flow hedges	133	-38	-257	67	-152	195	10	154
Tax attributable to net gain/loss on cash flow hedges	-31	10	64	-11	25	-36	-6	-27
Total	131	148	-175	-54	14	283	143	-49
Other comprehensive income/loss for the period	-767	474	-764	-76	-748	253	-110	294
Net comprehensive income/loss for the period	-338	871	244	-168	-549	504	493	539
of which Parent Company's shareholders' interest	-342	873	212	-159	-547	483	476	535
of which non-controlling interest	4	-2	32	-9	-2	21	17	4

Key ratios by quarter

MSEK	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Equity/assets ratio, (%)	34.0	35.4	35.0	29.0	28.7	31.5	31.7	33.0
Return on capital employed, % ³⁾	9.1	8.5	8.7	7.7	9.6	9.4	10.5	11.0
Return on equity, % ³⁾	10.5	8.6	8.1	7.1	9.7	9.6	10.9	11.9
Equity per share, SEK ^{1) 3)}	144.44	152.12	145.43	114.05	116.51	126.18	121.86	117.58
Free cash flow, MSEK ³⁾	-989	-2,137	2,504	-2,507	-781	-2,411	1,772	-388
Free cash flow per share after dilution, SEK ^{2) 3)}	-7.38	-15.93	21.00	-21.52	-6.70	-20.68	15.21	-3.33

1) Number of shares excluding treasury shares

133,383,129 133,569,408 133,482,880 115,524,571 115,931,576 115,766,638 115,685,451 115,568,324

2) Average number of shares after dilution

134,039,937 134,137,373 119,249,887 116,499,013 116,610,780 116,581,489 116,516,137 116,385,765

3) For more information and explanations regarding the usage of these key ratios, please see saabgroup.com, investor, financial data, key ratios.

Quarterly information per operating segment

MSEK	Q2 2019	Operating margin	Q1 2019	Operating margin	Q4 2018	Operating margin	Q3 2018	Operating margin
Sales								
Aeronautics	1,971		2,124		2,654		1,489	
Dynamics	1,537		1,392		2,287		912	
Surveillance	1,795		1,724		2,302		1,518	
Support and Services	1,292		1,349		1,657		1,077	
Industrial Products and Services	1,672		1,574		1,879		1,278	
Kockums	705		797		1,029		637	
Internal sales	-527		-464		-790		-492	
Total	8,445		8,496		11,018		6,419	
Operating income/loss								
Aeronautics	166	8.4%	197	9.3%	309	11.6%	113	7.6%
Dynamics	160	10.4%	113	8.1%	422	18.5%	23	2.5%
Surveillance	213	11.9%	90	5.2%	371	16.1%	41	2.7%
Support and Services	140	10.8%	182	13.5%	320	19.3%	32	3.0%
Industrial Products and Services	71	4.2%	69	4.4%	139	7.4%	-18	-1.4%
Kockums	-3	-0.4%	34	4.3%	45	4.4%	44	6.9%
Corporate	-117		-94		-184		-296	
Total	630	7.5%	591	7.0%	1,422	12.9%	-61	-1.0%
MSEK	Q2 2018	Operating margin	Q1 2018	Operating margin	Q4 2017	Operating margin	Q3 2017	Operating margin
Sales								
Aeronautics	1,871		2,042		2,373		1,351	
Dynamics	1,064		1,056		2,450		786	
Surveillance	1,799		1,778		1,966		1,515	
Support and Services	1,400		1,336		1,656		1,120	
Industrial Products and Services	1,559		1,391		1,623		1,178	
Kockums	880		745		763		565	
Internal sales	-620		-582		-681		-357	
Total	7,953		7,766		10,150		6,158	
Operating income/loss								
Aeronautics	95	5.1%	163	8.0%	184	7.8%	108	8.0%
Dynamics	44	4.1%	46	4.4%	393	16.0%	61	7.8%
Surveillance	150	8.3%	69	3.9%	281	14.3%	140	9.2%
Support and Services	159	11.4%	174	13.0%	253	15.3%	134	12.0%
Industrial Products and Services	54	3.5%	27	1.9%	76	4.7%	-16	-1.4%
Kockums	42	4.8%	42	5.6%	47	6.2%	35	6.2%
Corporate	-86		-74		-239		-93	
Total	458	5.8%	447	5.8%	995	9.8%	369	6.0%

2017 has been restated according to the structural changes described in the annual report 2017, pages 47-52.

Multi-year overview

MSEK	2018	2017	2016	2015	2014
Order bookings	27,975	30,841	21,828	81,175	22,602
Order backlog at 31 December	102,184	107,233	107,606	113,834	60,128
Sales	33,156	31,666	28,631	27,186	23,527
<i>Sales in Sweden, %</i>	41	42	43	42	45
<i>Sales in Europe excluding Sweden, %</i>	14	14	17	18	19
<i>Sales in North America, %</i>	10	9	10	9	10
<i>Sales in Latin America, %</i>	12	8	7	6	2
<i>Sales in Rest of the World, %</i>	24	27	23	25	24
Operating income (EBIT)	2,266	2,250	1,797	1,900	1,659
<i>Operating margin, %</i>	6.8	7.1	6.3	7.0	7.1
Depreciation/amortisation and write-downs less depreciation/ amortisation and write-downs of lease aircraft	916	839	946	959	864
EBITDA	3,182	3,089	2,743	2,859	2,523
<i>EBITDA margin, %</i>	9.6	9.8	9.6	10.5	10.7
Income after financial items	1,796	2,099	1,611	1,731	1,523
Net income for the year	1,366	1,508	1,175	1,402	1,168
Total assets	56,128	44,998	41,211	35,088	29,556
Equity	19,633	14,285	13,301	12,912	11,373
Free cash flow ¹⁾	-3,195	852	2,359	-726	-1,094
<i>Return on capital employed, % ¹⁾</i>	8.7	10.5	8.9	11.2	11.1
<i>Return on equity, % ¹⁾</i>	8.1	10.9	9.0	11.5	9.9
<i>Equity/assets ratio, %</i>	35.0	31.7	32.3	36.8	38.5
Earnings per share before dilution, SEK ¹⁾²⁾	11.27	12.79	9.85	11.90	10.03
Earnings per share after dilution, SEK ¹⁾²⁾	11.21	12.70	9.79	11.81	9.96
Dividend per share, SEK	4.50	5.50	5.25	5.00	4.75
Equity per share, SEK ¹⁾²⁾	145.43	121.86	114.17	111.99	98.83
Number of employees at year-end	17,096	16,427	15,465	14,685	14,716
Number of shares excluding treasury shares as of 31 December ²⁾	133,482,880	115,685,451	115,232,495	114,746,834	114,251,832
Average number of shares before dilution ²⁾	116,467,822	115,444,915	114,971,098	114,484,478	114,929,422
Average number of shares after dilution ²⁾	117,144,915	116,310,466	115,775,275	115,280,946	115,785,595

1) For more information and explanations regarding the usage of these key ratios, please see saabgroup.com, investor, financial data, key ratios.

2) The average number of shares outstanding have for all periods reported been adjusted in accordance with IAS 33, Earnings per share, in accordance with the terms of the rights issue completed in 2018.

2017 has been restated according to the accounting principles regarding revenue recognition (IFRS 15).

Key ratios and goals

	Long-term target	Jan-Jun 2019	Jan-Jun 2018	Full Year 2018
Organic sales growth, %	5	7	1	4
Operating margin, %	10	7.2	5.8	6.8
Equity/assets ratio, %	30	34.0	28.7	35.0

Parent company

The Parent Company includes units within the business areas Aeronautics, Surveillance, Support and Services, and Industrial Products and Services as well as one unit within Dynamics. Group staff and Group support are also included. A major part of the Group's operations is included in the Parent Company. Separate notes to the Parent Company's financial statements and a separate description of risks and uncertainties for the Parent Company have therefore not been included in this interim report.

Parent company income statement

MSEK	Jan-Jun 2019	Jan-Jun 2018	Full Year 2018
Sales	10,525	10,251	20,998
Cost of goods sold	-8,194	-8,112	-16,287
Gross income	2,331	2,139	4,711
Gross margin, %	22.1	20.9	22.4
Operating income and expenses	-2,223	-1,979	-4,432
Operating income (EBIT)	108	160	279
Operating margin, %	1.0	1.6	1.3
Financial income and expenses	51	-100	1,210
Income after financial items	159	60	1,489
Appropriations	-	-	-114
Income before taxes	159	60	1,375
Taxes	-53	-20	-300
Net income for the period	106	40	1,075

Parent company balance sheet

MSEK	Note	30 Jun 2019	31 Dec 2018	30 Jun 2018
ASSETS				
Fixed assets:				
Intangible fixed assets		643	617	585
Tangible fixed assets		3,886	3,709	3,486
Financial fixed assets		7,275	7,197	6,984
Total fixed assets		11,804	11,523	11,055
Current assets:				
Inventories		6,900	6,159	6,190
Current receivables		16,473	16,812	15,019
Short term investments		6,245	9,000	3,335
Liquid assets		667	1,623	1,334
Total current assets		30,285	33,594	25,878
TOTAL ASSETS		42,089	45,117	36,933
SHAREHOLDERS' EQUITY AND LIABILITIES				
Equity:				
Restricted equity		3,385	3,386	2,964
Unrestricted equity		10,282	10,849	4,376
Total shareholders' equity		13,667	14,235	7,340
Untaxed reserves, provisions and liabilities:				
Untaxed reserves		2,405	2,405	2,291
Provisions		1,504	1,327	1,208
Liabilities	8	24,513	27,150	26,094
Total untaxed reserves, provisions and liabilities		28,422	30,882	29,593
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		42,089	45,117	36,933

Liquidity, financing, capital expenditures and number of employees

The Parent Company's net debt amounted to MSEK 4,682 as of 30 June 2019 compared to MSEK 564 as of 31 December 2018.

Investments in tangible fixed assets amounted to MSEK 410 (500). Investments in intangible assets amounted to MSEK 61 (34). At the end of the period, the Parent Company had 9,656 employees compared to 9,672 at the beginning of the year.

Notes

To the financial statements

NOTE 1 Corporate information

Saab AB (publ), corporate identity no. 556036-0793, with registered office in Linköping, Sweden. The company's head office is located at Olof Palmes gata 17, 5tr, SE-111 22 Stockholm, Sweden, and the telephone number +46-8-463 00 00. Saab's B shares are listed on Nasdaq Stockholm since 1998 and on the large cap list as of October 2006. The company's operations, including subsidiaries, associated companies and joint ventures, are described in the annual report 2018.

NOTE 2 Accounting principles

The consolidated accounts for the first half-year of 2019 have been prepared in accordance with IAS 34 Interim Reporting and the Annual Accounts Act. The Parent Company's accounts have been prepared in accordance with the Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for Legal Entities. The Group's accounting principles are described on pages 90-91, and concerning significant income statement and balance sheet items in each note disclosure in the annual report 2018.

The interim report is condensed and does not contain all the information and disclosures in the annual report and should therefore be read together with the annual report 2018. All the information on pages 1-29 constitutes the interim report for the period 1 January to 30 June 2019.

The Group and the Parent Company use the accounting principles and calculation methods as described in the annual report 2018 with the exception that one new standard has entered into force for financial year beginning 1 January 2019: IFRS 16 Leases. For effects of changes in accounting principle, IAS 8 and the transition rules in the standard have been applied.

IFRS 16 Leases

The IASB's new standard for lease recognition, IFRS 16 Leases, replaces IAS 17 Leases and is applied as of 1 January 2019.

For new accounting principles associated with IFRS 16 Leases, refer to note 46 in the annual report 2018.

For transition effects in connection with the switch to IFRS 16, refer to note 16 in this report.

The Parent Company will not recognise leases in the balance sheet. Instead leasing fees will continue to be expensed on a straight-line basis over the lease term in accordance with the exemption from IFRS 16 in RFR 2, Accounting for Legal Entities.

NOTE 3 Segment reporting

Saab is a leading high-technology company, with its main operations in defence, aviation and civil security. Operations are primarily focused on well-defined areas in defence electronics, missile systems, and naval systems as well as military and commercial aviation. Saab is also active in technical services and maintenance. Saab has a strong position in Sweden and the main part of sales is generated in Europe. In addition, Saab has a local presence in Australia, the US, South Africa, and in other selected countries. Saab's operating and management structure is divided into six business areas, which are also operating segments: Aeronautics, Dynamics, Surveillance, Support and Services, Industrial Products and Services, and Kockums. In addition, Corporate comprises Group staff and departments, a minority portfolio containing Saab's ownership interests in companies in various stages of development as well as other operations outside the core operations.

The Group's operating segments recognise all lease contracts as operating leases.

Aeronautics

Aeronautics is a world-leading manufacturer of innovative aerial systems and is engaged in development of military aviation technology. It also conducts long-term future studies of manned and unmanned aircraft as preparation for new systems and further development of existing products.

Dynamics

Dynamics offers a market-leading product portfolio comprising ground combat weapons, missile systems, torpedoes, unmanned underwater vehicles, systems for training and simulation, signature management systems for armed forces around the world, and niche products for the civil and defence markets.

Surveillance

Surveillance provides efficient solutions for safety and security, for surveillance and decision support, and for threat detection, location, and protection. The portfolio covers airborne, ground-based and naval radar, electronic warfare and combat systems and C4I solutions.

Support and Services

Support and Services offers reliable, cost-efficient service and support for all of Saab's markets. This includes support solutions, technical maintenance and logistics as well as products, solutions and services for military and civil missions.

Industrial Products and Services

The business units within Industrial Products and Services are focused on mainly civilian customers.

Kockums

Kockums develops, delivers, and maintains world-class solutions for naval environments. Its portfolio includes submarines with the Stirling system for air independent propulsion, surface combatants, mine hunting systems and autonomous vessels. Kockums' unique competence is in signature management, impact strength and advanced stealth technology.

Order bookings per operating segment

MSEK	Jan-Jun		Change, %	Q2		Full Year 2018
	2019	2018		2019	2018	
Aeronautics	884	2,148	-59	734	759	5,261
Dynamics	3,146	2,573	22	2,041	1,218	7,308
Surveillance	2,196	4,042	-46	883	2,311	7,370
Support and Services	1,476	1,875	-21	798	1,152	3,635
Industrial Products and Services	2,541	2,645	-4	1,235	1,543	5,344
Kockums	544	530	3	299	149	1,123
Internal	-1,077	-1,149		-762	-603	-2,066
Total	9,710	12,664	-23	5,228	6,529	27,975

Order bookings per region

MSEK	Jan-Jun		Change, %	Full Year 2018
	2019	2018		
Sweden	3,678	4,477	-18	8,203
Rest of Europe	2,273	2,890	-21	6,936
North America	2,165	2,038	6	5,134
Latin America	91	75	21	1,562
Asia	844	1,532	-45	3,474
Africa	93	72	29	265
Australia, etc.	566	1,580	-64	2,401
Total	9,710	12,664	-23	27,975

Order backlog per operating segment

MSEK	30 Jun 2019	31 Dec 2018	30 Jun 2018
Aeronautics	44,148	47,359	48,389
Dynamics	13,905	13,645	12,094
Surveillance	13,481	14,731	15,328
Support and Services	9,555	10,690	11,682
Industrial Products and Services	9,362	11,004	11,513
Kockums	5,718	6,646	7,724
Internal	-1,933	-1,891	-2,257
Total	94,236	102,184	104,473

Order backlog per region

MSEK	30 Jun 2019	31 Dec 2018	30 Jun 2018
Sweden	31,324	33,942	36,986
Rest of Europe	11,223	12,304	10,877
North America	7,341	6,923	5,628
Latin America	32,730	34,909	35,562
Asia	8,076	10,206	11,455
Africa	509	682	682
Australia etc.	3,033	3,218	3,283
Total	94,236	102,184	104,473

Sales per operating segment

MSEK	Jan-Jun 2019	Jan-Jun 2018	Q2 2019	Q2 2018	Rolling 12 Months	Year 2018
Aeronautics	4,095	3,913	1,971	1,871	8,238	8,056
Dynamics	2,929	2,120	1,537	1,064	6,128	5,319
Surveillance	3,519	3,577	1,795	1,799	7,339	7,397
Support and Services	2,641	2,736	1,292	1,400	5,375	5,470
Industrial Products and Services	3,246	2,950	1,672	1,559	6,403	6,107
Kockums	1,502	1,625	705	880	3,168	3,291
Internal	-991	-1,202	-527	-620	-2,273	-2,484
Total	16,941	15,719	8,445	7,953	34,378	33,156

Sales per region

MSEK	Jan-Jun 2019	% of sales	Jan-Jun 2018	% of sales	Full Year 2018	% of sales
Sweden	6,335	37	6,753	43	13,519	41
Rest of Europe	2,573	15	2,169	14	4,768	14
North America	1,672	10	1,333	8	3,155	10
Latin America	2,280	13	1,690	11	3,821	12
Asia	3,068	18	2,969	19	6,148	19
Africa	181	1	184	1	361	1
Australia, etc.	832	5	621	4	1,384	4
Total	16,941	100	15,719	100	33,156	100

Information on large customers

During the first half-year of 2019, Saab had one customer that accounted for 10 per cent or more of the Group's sales: the Swedish Defence Materiel Administration (FMV). FMV is a customer of all business areas and total sales amounted to MSEK 4,491 (5,156).

Seasonal variation

A major part of Saab's business is related to large projects where the revenue is recognised by using the percentage of completion method. The costs incurred in these projects are normally lower during the third quarter compared to other quarters. The fourth quarter is also usually affected by a higher number of deliveries, mainly within Dynamics.

Operating income per operating segment

MSEK	Jan-Jun 2019	% of sales	Jan-Jun 2018	% of sales	Q2 2019	Q2 2018	Rolling 12 Months	Full Year 2018
Aeronautics	363	8.9	258	6.6	166	95	785	680
Dynamics	273	9.3	90	4.2	160	44	718	535
Surveillance	303	8.6	219	6.1	213	150	715	631
Support and Services	322	12.2	333	12.2	140	159	674	685
Industrial Products and Services	140	4.3	81	2.7	71	54	261	202
Kockums	31	2.1	84	5.2	-3	42	120	173
The operating segments' operating income	1,432	8.5	1,065	6.8	747	544	3,273	2,906
Corporate	-211		-160		-117	-86	-691	-640
Total	1,221	7.2	905	5.8	630	458	2,582	2,266

Depreciation/amortisation and write-downs per operating segment

MSEK	Jan-Jun 2019	Jan-Jun 2018	Q2 2019	Q2 2018	Rolling 12 Months	Full Year 2018
Aeronautics	29	27	14	13	58	56
Dynamics	37	37	18	19	75	75
Surveillance	147	135	76	68	285	273
Support and Services	10	9	5	5	70	69
Industrial Products and Services	42	43	21	20	87	88
Kockums	19	15	9	8	34	30
Corporate	388	152	201	78	561	325
Total	672	418	344	211	1,170	916

Operational cash flow per operating segment

MSEK	Jan-Jun 2019	Jan-Jun 2018	Q2 2019	Q2 2018	Rolling 12 Months	Full Year 2018
Aeronautics	-2,440	-1,963	-804	-414	-1,573	-1,096
Dynamics	61	-390	-74	-419	331	-120
Surveillance	222	-477	324	-1	-386	-1,085
Support and Services	-57	196	160	355	116	369
Industrial Products and Services	-282	-144	-154	-192	-489	-351
Kockums	200	423	34	434	28	251
Corporate	-406	-395	-265	-302	-403	-392
Total	-2,702	-2,750	-779	-539	-2,376	-2,424

Capital employed per operating segment

MSEK	30 Jun 2019	31 Dec 2018	30 Jun 2018
Aeronautics	5,875	3,110	3,638
Dynamics	3,664	3,774	3,430
Surveillance	8,005	7,781	6,744
Support and Services	3,838	3,307	3,089
Industrial Products and Services	4,864	4,515	4,205
Kockums	1,216	1,181	1,095
Corporate	8,192	9,335	4,109
Total	35,654	33,003	26,310

Full time equivalents (FTE's) per operating segment

Number at end of the period	30 Jun 2019	31 Dec 2018	30 Jun 2018
Aeronautics	3,354	3,212	3,098
Dynamics	2,318	2,252	2,184
Surveillance	3,765	3,770	3,733
Support and Services	1,902	1,851	1,867
Industrial Products and Services	3,634	3,566	3,470
Kockums	1,215	1,205	1,175
Corporate	957	903	899
Total	17,145	16,759	16,426

NOTE 4 Distribution of sales

MSEK	Aeronautics		Dynamics		Surveillance		Support and Services		Industrial Products and Services		Kockums		Corporate/ elimination		Group	
	Jan-Jun 2019	Jan-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Jan-Jun 2019	Jan-Jun 2018
	External sales	3,945	3,707	2,847	2,013	3,399	3,445	2,582	2,666	2,530	2,251	1,492	1,619	146	18	16,941
Internal sales	150	206	82	107	120	132	59	70	716	699	10	6	-1,137	-1,220	-	-
Total sales	4,095	3,913	2,929	2,120	3,519	3,577	2,641	2,736	3,246	2,950	1,502	1,625	-991	-1,202	16,941	15,719
Sales by customer:																
Military customers	3,945	3,703	2,689	1,866	3,371	3,411	2,190	2,207	573	475	1,492	1,619	135	16	14,395	13,297
Civilian customers	-	4	158	147	28	34	392	459	1,957	1,776	-	-	11	2	2,546	2,422
Total external sales	3,945	3,707	2,847	2,013	3,399	3,445	2,582	2,666	2,530	2,251	1,492	1,619	146	18	16,941	15,719
Sales by significant source:																
Long-term customer contracts	3,509	3,377	1,170	805	2,330	2,428	1,165	1,041	1,465	1,182	1,098	1,300	135	18	10,872	10,151
Services	434	314	331	359	680	741	1,068	1,343	965	978	356	319	11	-	3,845	4,054
Products	2	16	1,346	849	389	276	349	282	100	91	38	-	-	-	2,224	1,514
Total external sales	3,945	3,707	2,847	2,013	3,399	3,445	2,582	2,666	2,530	2,251	1,492	1,619	146	18	16,941	15,719
Sales by domain:																
Air	3,945	3,707	250	164	1,698	1,866	1,706	1,836	125	171	-	-	122	11	7,846	7,755
Land	-	-	1,912	1,243	554	635	465	399	301	293	-	-	9	-	3,241	2,570
Naval	-	-	576	517	1,088	909	100	96	8	4	1,492	1,619	15	7	3,279	3,152
Civil Security	-	-	106	81	15	15	85	90	983	845	-	-	-	-	1,189	1,031
Commercial Aeronautics	-	-	-	-	-	1	226	245	755	576	-	-	-	-	981	822
Other	-	-	3	8	44	19	-	-	358	362	-	-	-	-	405	389
Total external sales	3,945	3,707	2,847	2,013	3,399	3,445	2,582	2,666	2,530	2,251	1,492	1,619	146	18	16,941	15,719
Sales recognition method:																
Over time	3,939	3,685	1,484	1,067	2,975	2,982	1,991	2,064	1,510	1,388	1,477	1,557	135	18	13,511	12,761
Point in time	6	22	1,363	946	424	463	591	602	1,020	863	15	62	11	-	3,430	2,958
Total external sales	3,945	3,707	2,847	2,013	3,399	3,445	2,582	2,666	2,530	2,251	1,492	1,619	146	18	16,941	15,719

NOTE 5 Non-recurring items

The non-recurring items are related to identified efficiency improvements to increase productivity and are reported in the income statement per function as shown below.

MSEK	Jan-Jun 2019	Jan-Jun 2018	Helår 2018
Cost of goods sold	-	-	-41
Administrative expenses	-	-	-3
Research and development costs	-	-	-54
Other operating expenses	-	-	-200
Total	-	-	-298

NOTE 6 Dividend to Parent Company's shareholders

The Annual General Meeting 2019, held on 11 April, decided on a dividend to the Parent Company's shareholders of SEK 4.50 per share, corresponding to a total dividend of MSEK 601.

The record date for the dividend was 15 April 2019 and the dividend was paid out on 18 April 2019.

NOTE 7 Intangible fixed assets

MSEK	30 Jun 2019	31 Dec 2018	30 Jun 2018
Goodwill	5,351	5,310	5,294
Capitalised development costs	3,961	3,328	2,740
Other intangible assets	493	419	373
Total	9,805	9,057	8,407

NOTE 8 Net liquidity/debt

MSEK	30 Jun 2019	31 Dec 2018	30 Jun 2018
Assets:			
Liquid assets	1,354	2,451	2,271
Short-term investments	6,268	9,003	3,345
Total liquid investments	7,622	11,454	5,616
Short-term interest-bearing receivables	45	-	-
Long-term interest-bearing receivables	483	449	465
Long-term receivables attributable to pensions	6	6	40
Total interest-bearing assets	8,156	11,909	6,121
Liabilities:			
Lease liabilities	2,578	-	-
Liabilities to credit institutions	8,787	8,759	8,606
Liabilities to associated companies and joint ventures	45	43	43
Other interest-bearing liabilities	4	462	492
Provisions for pensions ¹⁾	4,743	4,105	3,469
Total interest-bearing liabilities and provisions for pensions	16,157	13,369	12,610
Net liquidity (+) / net debt (-)	-8,001	-1,460	-6,489

1) Excluding provisions for special employers' contribution attributable to pensions.

Committed credit lines

MSEK	Facilities	Drawings	Available
Revolving credit facility (Maturity 2022)	6,000	-	6,000
Overdraft facility (Maturity 2019)	78	-	78
Total	6,078	-	6,078

Parent Company

MSEK	30 Jun 2019	31 Dec 2018	30 Jun 2018
Long-term liabilities to credit institutions	6,526	7,773	8,293
Short-term liabilities to credit institutions	2,261	986	312
Total	8,787	8,759	8,605

Since 2009, Saab has a Medium Term Note programme (MTN) to enable the issuance of long-term loans on the capital market. During the first quarter 2018, the MTN programme was increased from MSEK 6,000 to MSEK 10,000.

Under the terms of this programme, Saab has issued fixed rate bonds as well as Floating Rate Notes (FRN). There were no further activities in 2019, which means that outstanding loans under the MTN programme together amount to MSEK 7,731. In December 2015, Schuldschein loans with a value of MEUR 100 were signed.

NOTE 9 Capital employed

MSEK	30 Jun 2019	31 Dec 2018	30 Jun 2018
Total assets	57,335	56,128	47,684
Less non-interest bearing liabilities	21,681	23,125	21,374
Capital employed	35,654	33,003	26,310

NOTE 10 Financial instruments

Classification and categorisation of financial assets and liabilities ²⁾

Carrying amount	30 Jun 2019	31 Dec 2018	30 Jun 2018
Financial assets:			
Valued at amortised cost ⁴⁾ :			
Accounts receivable, contract assets and other receivables	16,693	16,254	14,551
Liquid assets	2,560	2,451	2,271
Long-term receivables	648	548	458
Valued at fair value through profit and loss ³⁾ :			
Short-term investments	6,802	9,003	3,345
Derivatives for trading	147	148	118
Long-term receivables	-	-	35
Financial investments	25	27	28
Derivatives identified as hedges	1,321	948	1,173
Total financial liabilities	28,196	29,379	21,979
Financial liabilities:			
Valued at amortised cost:			
Interest-bearing liabilities ¹⁾	11,412	9,264	9,143
Other liabilities ⁴⁾	7,361	8,626	7,189
Valued at fair value through profit and loss ³⁾ :			
Derivatives for trading	29	74	48
Derivatives identified as hedges	1,810	1,160	1,502
Total financial liabilities	20,612	19,124	17,882
¹⁾ Fair value	11,574	9,437	9,349

²⁾ Derivatives with positive values are recognised as assets and derivatives with negative values are recognised as liabilities. Derivatives with a legal right of offset amount to MSEK 1313.

³⁾ The impact of credit risk on these instruments is considered low given the limits in the current investment policy

⁴⁾ Carrying amount, in Saab's assessment, essentially corresponds to fair value.

Valuation methods for financial assets and liabilities

The fair value of listed financial assets is determined using market prices. Saab also applies various valuation methods to determine the fair value of financial assets that are traded on an inactive market or are unlisted holdings. These valuation methods are based on the valuation of similar instruments, discounted cash flows or customary valuation methods such as Garman-Kohlhagens.

Level 1

According to listed (unadjusted) prices on an active market on the closing day:

- Bonds and interest-bearing securities
- Electricity derivatives
- Interest rate forwards

Level 2

According to accepted valuation models based on observable market data from Reuters Datascope:

- Forward exchange contracts: Future payment flows in each currency are discounted by current market rates to the valuation day and valued in SEK at period-end exchange rates.
- Options: The Garman-Kohlhagens option-pricing model is used in the market valuation of all options.
- Interest swaps and cross currency basis swaps: Future variable interest rates are calculated with the help of current forward rates. These implicit interest payments are discounted to the valuation date using current market rates. The market value of interest rate swaps is obtained by contrasting the discounted variable interest payments with the discounted present value of fixed interest payments.

Level 3

According to accepted principles, e.g. for venture capital firms:

- Unlisted shares and participations

As of 30 June 2019, the Group had the following financial assets and liabilities at fair value:

Assets at fair value

MSEK	30 Jun			
	2019	Level 1	Level 2	Level 3
Bonds and interest-bearing securities	6,802	6,802	-	-
Forward exchange contracts	1,327	-	1,327	-
Currency options	3	-	3	-
Cross currency basis swaps	128	-	128	-
Electricity derivatives	10	10	-	-
Shares, participations and long-term receivables	25	-	-	25
Total	8,295	6,812	1,458	25

Liabilities at fair value

MSEK	30 Jun			
	2019	Level 1	Level 2	Level 3
Forward exchange contracts	1,695	-	1,695	-
Currency options	1	-	1	-
Interest rate swaps	143	-	143	-
Total	1,839	-	1,839	-

NOTE 11 Supplemental information on statement of cash flows

Free cash flow

MSEK	Jan-Jun 2019	Jan-Jun 2018	Q2 2019	Q2 2018	Full Year 2018
Cash flow from operating activities before changes in working capital, excluding taxes and other financial items ¹⁾	2,130	1,655	1,003	707	4,026
Cash flow from changes in working capital:					
Contract assets and liabilities	-3,060	-3,814	-727	-1,226	-3,039
Inventories	-838	-824	-608	-350	-1,057
Other current receivables	1,413	790	653	229	-1,044
Other current liabilities	-839	856	-272	871	1,965
Provisions	-96	-166	-46	-118	-479
Change in working capital	-3,420	-3,158	-1,000	-594	-3,654
Cash flow from operating activities excluding taxes and other financial items	-1,290	-1,503	3	113	372
Investing activities:					
Investments in intangible fixed assets	-790	-586	-432	-315	-1,338
Investments in tangible fixed assets	-648	-667	-371	-341	-1,481
Sales and disposals of tangible fixed assets	26	6	21	4	23
Cash flow from investing activities ²⁾	-1,412	-1,247	-782	-652	-2,796
Operational cash flow	-2,702	-2,750	-779	-539	-2,424
Taxes and other financial items	-386	-500	-213	-306	-862
Sale of and investments in financial assets	-38	50	3	56	43
Investments in operations	-	5	-	5	15
Sale of subsidiaries	-	3	-	3	33
Free cash flow	-3,126	-3,192	-989	-781	-3,195

1) Including amortisation of lease liabilities

2) Cash flow from investing activities excluding change in short-term investments and other interest-bearing financial assets and excluding sale of and investment in financial assets, investments in operations and sale of subsidiaries. If investments in and sale of financial fixed assets are considered to be of operating nature, the item is included in investing activities.

Free cash flow vs. statement of cash flows

MSEK	Jan-Jun	Jan-Jun	Q2	Q2	Full Year
	2019	2018	2019	2018	2018
Free cash flow	-3,126	-3,192	-989	-781	-3,195
Investing activities – interest-bearing:					
Short-term investments	2,771	1,116	542	945	-4,554
Other financial investments and receivables	-40	-5	-9	22	-29
Financing activities:					
Repayments of loans	-	-34	-	-14	-967
Raising of loans	5	2,750	-4	500	3,820
Rights issue	11	-	-	-	5,967
Repurchase of shares	-151	-	-151	-	-203
Dividend paid to the Parent Company's shareholders	-601	-588	-601	-588	-588
Dividend paid to non-controlling interest	-	-	-	-	-24
Transactions with non-controlling interest	4	-18	1	-18	-14
Cash flow for the period	-1,127	29	-1,211	66	213

Liquid assets

MSEK	30 Jun 2019	31 Dec 2018	30 Jun 2018
The following components are included in liquid assets:			
Cash and bank balances	854	1,300	1,366
Bank deposits	500	1,151	905
Total according to balance sheet	1,354	2,451	2,271
Total according to statement of cash flows	1,354	2,451	2,271

NOTE 12 Business combinations

No significant acquisitions through business combinations were made in the first half of 2019.

NOTE 13 Defined-benefit plans

Saab has defined-benefit pension plans where post-employment compensation is based on a percentage of the recipient's salary.

Pension obligation according to IAS 19

MSEK	30 Jun 2019	31 Dec 2018	30 Jun 2018
Defined-benefit obligation	11,837	10,752	10,277
Special employers' contribution	1,227	1,008	921
Less assets under management	7,100	6,653	6,848
Total provisions for pensions	5,964	5,107	4,350
of which reported as long-term receivable	6	6	40

Actuarial gains and losses are recognised in other comprehensive income. Actuarial losses related to pensions amounted to MSEK -720 net in the first half of 2019 primarily due to the following:

The assumed discount rate has been reduced by 75 basis points, from 2.25% to 1.5%, compared to the beginning of the year, which has resulted in an actuarial loss. The inflation assumption has been reduced by 25 basis points, from 2.0% to 1.75%, during the same period, which has resulted in an actuarial gain. The net of revised assumptions related to the discount rate and inflation amounted to MSEK -1,040.

Positive experience adjustments, mainly related to lower actual versus assumed inflation, has resulted in an actuarial gain of MSEK 83.

The actuarial loss related to the special employer's contribution amounted to MSEK -141.

The return on assets under management was higher than expected, which produced an actuarial gain of MSEK 378.

NOTE 14 Contingent liabilities

No additional significant commitments have arisen during the period. With regard to the Group's so-called performance guarantees for commitments to customers, the likelihood of an outflow of resources is estimated as remote and, as a result, no value is recognised.

NOTE 15 Transactions with related parties

No significant transactions have occurred during the period.

Related parties with which the Group has transactions are described in the annual report 2018, note 38.

NOTE 16 Implementation of IFRS 16 Leases

As of 1 January 2019, Saab has applied the new standard IFRS 16 to all leases where the Group is the lessee with the exception of the leases described below.

The Group has no significant leases as a lessor.

The Group has applied the simplified approach in the transition to IFRS 16, due to which comparative amounts are not restated. The Group has also applied the exemptions in the standard for short-term leases as well as leases where the underlying asset is of low value, which means that leases where the term is not more than 12 months, as well as leases where the underlying asset is of low value, are not covered by the new accounting principle and instead are expensed in the same way as before on a straight-line basis over the lease term.

IFRS 16 has been applied to all leases previously classified as operating leases. In accordance with the practical expedients in IFRS 16 p.C3b, the Group has not assessed any lease components in contracts that were not already classified as leases according to IAS 17 and IFRIC 4.

Right-of-use assets for leases recognised in the balance sheet have been measured initially, as of 1 January 2019, at an amount corresponding to the lease liability with adjustments for prepaid or accrued lease fees attributable to the contract as of 31 December 2018. The lease liability has been calculated by discounting remaining future contractual lease fees by the Group's weighted marginal loan rate as of 1 January 2019, which amounted to 4.1%.

Finance leases on aircraft and properties that were already classified as tangible fixed assets have been reclassified to right-of-use assets in the balance sheet.

The transition to IFRS 16 does not affect reporting, performance indicators or alternative performance indicators for the Group's operating segments. Adjustments in accordance with IFRS 16 are made at an overarching Group level.

See the following tables for transition effects in the first half-year of 2019 in connection with the implementation of IFRS 16.

Effects on opening balance as of 1 January 2019

Statement of financial position MSEK	31 Dec 2018 Actual	Adjustment IFRS 16	1 Jan 2019 Restated
ASSETS			
Tangible fixed assets	6,129	-441	5,688
Right of use assets	-	2,725	2,725
Other fixed assets	11,015	-	11,015
Total fixed assets	17,144	2,284	19,428
Other receivables ¹⁾	507	44	551
Prepaid expenses and accrued income	919	-63	856
Other current assets	37,558	-	37,558
Total current assets	38,984	-19	38,965
TOTAL ASSETS	56,128	2,265	58,393
SHAREHOLDERS' EQUITY AND LIABILITIES			
Parent Company's shareholders' interes	19,412	-	19,412
Non-controlling interest	221	-	221
Total shareholders' equity	19,633	-	19,633
Long-term interest-bearing liabilities ¹⁾	8,196	-421	7,775
Long-term lease liabilities ¹⁾	-	2,296	2,296
Other provisions	1,081	32	1,113
Other long-term liabilities	5,319	-	5,319
Total long-term liabilities	14,596	1,907	16,503
Short-term interest-bearing liabilities ¹⁾	1,068	-41	1,027
Short-term lease liabilities ¹⁾	-	399	399
Other short-term liabilities	20,831	-	20,831
Total current liabilities	21,899	358	22,257
Total liabilities	36,495	2,265	38,760
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	56,128	2,265	58,393

¹⁾ Adjustments effecting net liquidity/-debt as of 1 January 2019

Reconciliation between operating leases (according to IAS 17) and recognised lease liabilities (according to IFRS 16)

MSEK	
Obligations for operating leases as of 31 december 2018	2,805
Financial lease liabilities as of 31 december 2018	462
Short-term leases (expensed in income statement)	-71
Leases of low value (expensed in income statement)	-29
Effect of discounting	-472
Carrying lease liabilities, 1 January 2019	2,695

Effects on consolidated income statement, consolidated statement of financial position and key ratios for the first half year of 2019

Consolidated income statement	Jan-Jun 2019 incl. IFRS 16	Jan-Jun 2019 IFRS 16 effect	Jan-Jun 2019 excl. IFRS 16
MSEK			
Sales and other operating income	16,941	-	16,941
Cost of goods sold and operating expenses	-15,048	216	-15,264
Depreciation and amortisation	-672	-194	-478
Operating income (EBIT)	1,221	22	1,199
Net financial items	-147	-43	-104
Income before taxes	1,074	-21	1,095
Taxes	-248	4	-252
Net income for the period	826	-17	843

Consolidated statement of financial position	30 Jun 2019 incl. IFRS 16	30 Jun 2019 IFRS 16 effect	30 Jun 2019 excl. IFRS 16
MSEK			
ASSETS			
Right of use assets	2,577	2,577	-
Other fixed assets	17,909	-424	18,333
Total fixed assets	20,486	2,153	18,333
Total current assets	36,849	-18	36,867
TOTAL ASSETS	57,335	2,135	55,200
EQUITY AND LIABILITIES			
Total equity	19,497	-17	19,514
Interest bearing liabilities	16,157	2,120	14,037
Non-interest bearing liabilities	21,681	32	21,649
Total liabilities	37,838	2,152	35,686
TOTAL EQUITY AND LIABILITIES	57,335	2,135	55,200

Key ratios	Jan-Jun 2019 incl. IFRS 16	Jan-Jun 2019 excl. IFRS 16
MSEK		
EBITDA, MSEK	1,893	1,677
EBITDA margin, %	11.2	9.9
Operating income, MSEK	1,221	1,199
Operating margin, %	7.2	7.1
Net income for the period, MSEK	826	843
Earnings per share before dilution, SEK	6.22	6.35
Earnings per share after dilution, SEK	6.20	6.32
Net liquidity(+)/Net debt(-)	-8,001	-5,926
Equity/assets ratio, %	34.0	35.4
Return on capital employed, %	9.1	9.4
Return on equity, %	10.5	8.6
Equity per share, SEK	144.44	144.56
Operational cash flow, MSEK	-2,702	-2,724
Free cash flow, MSEK	-3,126	-3,105
Free cash flow per share after dilution, SEK	-23.32	-23.16

NOTE 17 Definitions

Below are definitions of financial key ratios that are used in the report. For more information and explanations regarding the usage of these key ratios, please see saabgroup.com, investor, financial data, key ratios.

Capital employed

Total assets less non-interest-bearing liabilities.

Earnings per share

Net income for the period attributable to the Parent Company's shareholders, divided by the average number of shares before and after full dilution.

EBITDA

Operating income before depreciation/amortisation and write-downs.

EBITDA margin

Operating income before depreciation/amortisation and write-downs as a percentage of sales.

Effective tax rate

Current and deferred taxes as a percentage of income before tax.

Equity/assets ratio

Equity in relation to total assets.

Equity per share

Equity attributable to the Parent Company's shareholders divided by the number of shares, excluding treasury shares, at the end of the period.

Free cash flow

Cash flow from operating activities including amortisation of lease liabilities and cash flow from investing activities, excluding acquisitions and divestments of short-term investments and other interest-bearing financial assets.

Free cash flow per share

Free cash flow divided by the average number of shares after dilution.

Gross margin

Gross income as a percentage of sales.

Net investments

Acquisitions and divestments of intangible and tangible fixed assets, and acquisitions and divestments of non-interest-bearing financial assets.

Net liquidity/net debt

Liquid assets, short-term investments and interest-bearing receivables less interest-bearing liabilities and provisions for pensions excluding provisions for pensions attributable to special employers' contribution.

Non-recurring items

Non-recurring items of profit with a significant impact on the results and which are important for understanding the underlying business development.

Operating margin

Operating income (EBIT) as a percentage of sales.

Operational cash flow

Cash flow from operating activities, excluding taxes and other financial items, amortisation of lease liabilities and acquisitions and divestments of intangible and tangible fixed assets.

Order backlog

Total value of orders at the end of the period.

Order bookings

Total value of orders received during the period.

Organic sales growth

Change in sales in percentage adjusted for effects from exchange rate due to the translation of foreign subsidiaries, and structural changes such as acquisitions and divestments of subsidiaries.

R&D expenditures

Research and development costs are recognised separately and comprise the cost of self-financed new and continued product development as well as amortisation of capitalised development costs. Total research and development expenses also include the part of Saab's research and development that is conducted in cooperation with customers, which is reported as cost of goods sold.

Return on capital employed

Operating income plus financial income (rolling 12 months) as a percentage of average capital employed.

Return on equity

Net income for the period (rolling 12 months) as a percentage of average equity.

Glossary

C4I	Command, Control, Communications, Computers, and Intelligence	IFRS	International Financial Reporting Standards
FMV	Swedish Defence Materiel Administration	IFRIC	International Financial Reporting Interpretations Committee
FRN	Floating Rate Note	ISR	Intelligence, Surveillance and Reconnaissance systems
FTE	Full Time Equivalent, corresponds to one employee working full-time for one year	MTN	Medium Term Note, bonds with a duration of 1-15 years
IAS	International Accounting Standards		

The Board of Directors and the President have ensured that the six-month report provides an accurate overview of the Parent Company's and the Group's operations, financial position and results, and that it describes the significant risks and uncertainties faced by the Parent Company and the companies in the Group.

Linköping 19 July 2019

Marcus Wallenberg
Chairman

Sten Jakobsson
Deputy chairman

Danica Kragic Jensfelt
Board member

Sara Mazur
Board member

Johan Menckel
Board member

Daniel Nodhäll
Board member

Bert Nordberg
Board member

Cecilia Stegö Chilò
Board member

Erika Söderberg Johnson
Board member

Joakim Westh
Board member

Stefan Andersson
Board member

Göran Gustavsson
Board member

Nils Lindskog
Board member

Håkan Buskhe
President and CEO and Board member

Important information

This interim report 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.

This interim report has not been subject to review by the company's auditors.

This information is such that Saab AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out below, on 19 July 2019 at 07.30 (CET).

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Press and financial analyst conference

19 July 2019 at 11.30 (CET),

Saab AB, floor 5

Olof Palmes gata 17, 111 22 Stockholm

Contact Marie Bergström to register and for more information,

ph +46 8 463 02 45

You are welcome to participate on site at Saab AB, watch the live webcast or dial in to the conference call. It is possible to post questions also over the web and conference call.

Live webcast:

<http://saab-interimreport.creo.se/190719/>

Conference call:

Please, dial in using one of the numbers below:

Sweden: +46 8 566 426 93

UK: +44 333 300 9270

US: +1 833 823 0590

The interim report, the presentation material and the webcast will be available on saabgroup.com.

Calendar

Interim report January–September 2019

Published 22 October 2019

Year-end report 2019

Published 7 February 2020

Annual General Meeting 2020

1 April 2020 in Stockholm

Interim report January–March 2020

Published 24 April 2020

Interim report January–June 2020

Published 17 July 2020



2019: Q2