

CONTINUED GROWTH

INTERIM REPORT
JANUARY-JUNE 2016

Market development

Growing turmoil around the world is impacting the defence market. As a consequence of constrained budgets, Saab is seeing an increase in short-term demand for defence capabilities with cost efficient products and solutions. This makes our efforts with efficiency and to reduce lead times more important than ever. Saab's focus is partly to take advantage of market opportunities and partly on the execution of a number of major projects.

Strong growth in order bookings

During the first half-year 2016, Saab was awarded a number of new contracts, including for airborne surveillance, ammunition for the Carl-Gustaf weapon system, and the development and production of the New Lightweight Torpedo system for Sweden. Order bookings amounted to MSEK 11,462, compared to MSEK 18,996 in the previous year. An order from the Swedish Defence Material Administration (FMV) for Type A26 submarines was booked during the first half-year 2015, as was the overhaul and upgrade of Gotland-class submarines, together valued at SEK 8.6 billion. The order backlog at the end of the period was MSEK 111,593.

Gripen E offers increased defence capabilities

The Gripen E was rolled out on May 18. Users of Gripen E can operate longer in the air, improved sensors and electronic warfare will provide better intelligence on the enemy, and it will carry more and better weapons. At the same time Gripen E is highly

cost-efficient. Deliveries of the next-generation Gripen to Sweden and Brazil will begin in 2019.

Sales growth

Sales amounted to MSEK 13,854 in the first half-year, an increase of 22 per cent.

All business areas improved their sales during the period. The increase was mainly due to the Gripen programme in the business area Aeronautics, a 2015 order for a new version of an airborne surveillance system, GlobalEye, in the business areas Surveillance and Support and Services, and the development of the A26 submarine in the business unit Saab Kockums.

Operating income amounted to MSEK 611 (367) in the first half-year and the operating margin was 4.4 per cent (3.2). All business areas but Industrial Products and Services and the business unit Saab Kockums improved their operating margins. Business area Dynamics saw the biggest improvement in operating income thanks to increased deliveries and a change in the product mix.

Operating income was again affected by investments in the development of a new jet trainer together with Boeing (the T-X program), as well as by several major projects in early stages where they normally generate lower profit.

Strong cash flow

Operational cash flow amounted to MSEK 4,193 (-1,806) in the first half-year. Cash flow strengthened in several areas. The increase is mainly related to large payments within the framework of orders for Gripen and an order for GlobalEye.

Net debt amounted to MSEK 405 at the end of the period, compared to MSEK 3,217 at the end of 2015.



Håkan Buskhe, President and CEO

UNCHANGED OUTLOOK STATEMENT 2016:

- In 2016, we estimate sales to be in line with Saab's long-term financial goal: annual organic sales growth of 5 per cent.
- The operating margin 2016, excluding material non-recurring items, is expected to be in line with 2015.

Financial highlights

MSEK	Jan-Jun 2016	Jan-Jun 2015	Change, %	Q2 2016	Q2 2015	Full Year 2015
Order bookings	11,462	18,996	-40	6,848	14,196	81,175
Order backlog	111,593	67,853	64			113,834
Sales	13,854	11,329	22	7,064	5,940	27,186
Gross income	3,080	2,674	15	1,569	1,358	6,486
Gross margin, %	22.2	23.6		22.2	22.9	23.9
EBITDA	1,075	830	30	551	392	2,859
EBITDA margin, %	7.8	7.3		7.8	6.6	10.5
Operating income (EBIT)	611	367	66	317	157	1,900
Operating margin, %	4.4	3.2		4.5	2.6	7.0
Net income	414	257	61	191	167	1,402
Earnings per share after dilution, SEK	3.71	2.21		1.71	1.42	12.79
Return on equity, % ¹⁾	13.0	8.6				11.5
Operational cash flow	4,193	-1,806		1,137	-1,001	-500
Free cash flow	4,051	-2,082		1,096	-1,141	-726
Free cash flow per share after dilution, SEK	37.91	-19.57		10.25	-10.72	-6.82

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

Significant orders, quarter 2

	MSEK
New Lightweight Torpedo System	1,533
Airborne Early Warning and Control System	1,105



Large orders

Orders exceeding MSEK 100 accounted for 51% (69) of total orders during the period.

Order backlog duration:

- 2016: SEK 13.2 billion
- 2017: SEK 19.2 billion
- 2018: SEK 13.2 billion
- 2019: SEK 12.2 billion
- After 2019: SEK 53.8 billion



Defence/Civil

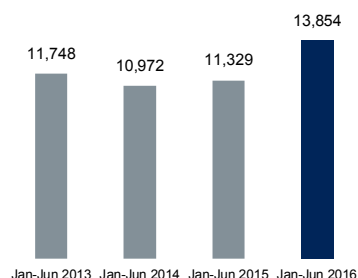
A total of 87% (91) of order bookings was attributable to defence-related operations in the period.



Market

A total of 59% (36) of order bookings was related to markets outside Sweden in the period.

Sales, MSEK



Orders

Second quarter 2016

During the second quarter Saab received an order in the Airborne Early Warning and Control (AEW&C) segment amounting to approximately SEK 1.1 billion. Deliveries will take place during the period 2016-2018.

An order was received from the Swedish Defence Material Administration (FMV) for the development and production of New Lightweight Torpedo system with a total value of approximately SEK 1.5 billion. The order comes under the terms of the Letter of Intent between Saab and FMV announced on 9 June 2014 to support the Swedish Armed Forces' underwater capabilities in the period 2015-2024.

January-June 2016

In January, a contract was signed for the production and delivery of ammunition for the Carl-Gustaf man-portable weapon system. The total order value was approximately SEK 1.4 billion. Deliveries will take place during the period 2016-2019.

In total, Saab received orders of SEK 11.5 billion during the first half-year, of which SEK 5.6 billion (5.8) was attributable to orders of less than MSEK 100, a decrease of 3 per cent compared to the same period 2015.

For a list of significant orders received during 2016, see note 3.

In 2016, index and price changes had a positive effect on order bookings of MSEK 116 compared to MSEK 81 during the same period 2015.

The order backlog at the end of the period amounted to MSEK 111,593 compared to MSEK 113,834 at the beginning of the year.

Sales

Second quarter 2016

Sales during the second quarter 2016 amounted to MSEK 7,064 (5,940).

January-June 2016

Sales during the first half-year amounted to MSEK 13,854 (11,329). Sales from markets outside of Sweden amounted to MSEK 7,909 (5,734), or 57 per cent (51), of total sales. 83 per cent (77) of sales was related to the defence market.

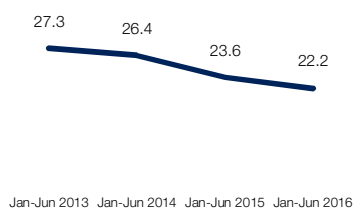
Sales growth

Per cent	Jan-Jun 2016	Jan-Jun 2015	Q2 2016	Q2 2015	Full Year 2015
Organic sales growth	23	-6	20	-6	11
Acquisitions	-	7	-	8	3
Currency effects regarding revaluation of foreign subsidiaries	-1	2	-1	2	2
Total sales growth	22	3	19	4	16

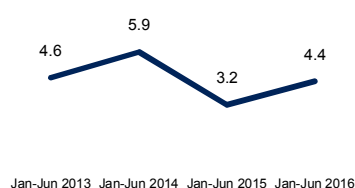
Sales per market segment

MSEK	Jan-Jun 2016	Jan-Jun 2015	Change, %
Air	6,203	4,666	33
Land	3,071	2,385	29
Naval	2,345	1,952	20
Civil Security	971	1,028	-6
Commercial Aeronautics	1,046	1,077	-3
Other	218	221	-1
Total	13,854	11,329	22

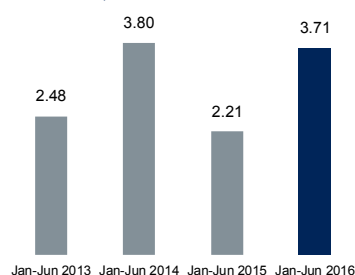
Gross margin, %



Operating margin, %



Earnings per share after dilution, SEK



Change in net debt Jan-Jun 2016

	MSEK
Net liquidity (+) / net debt (-), 31 Dec 2015	-3,217
Cash flow from operating activities	4,791
Change in net pension obligation	-771
Net investments	-817
Sale of subsidiaries	77
Dividend	-530
Currency impact and unrealised results from financial investments	62
Net liquidity (+) / net debt (-), 30 Jun 2016	-405

Income

Second quarter 2016

The gross margin of 22.2 per cent (22.9) in the second quarter was slightly lower compared with 2015, mainly due to a lower margin within Saab Kockums. Saab Kockums had a strong profitability in the second quarter 2015 due to large project deliveries outside Sweden.

Operating income amounted to MSEK 317 (157) with an operating margin of 4.5 per cent (2.6).

January-June 2016

The gross margin of 22.2 per cent (23.6) in the half-year 2016 was lower than in 2015, mainly due to a lower margin within Saab Kockums and because several major projects are in early stages where they normally generate lower profit. Total depreciation and amortisation was MSEK 464 (463). Depreciation of tangible fixed assets amounted to MSEK 234 (216).

Internally funded expenditures in research and development (R&D) amounted to MSEK 1,086 (675), of which MSEK 412 (98) was capitalised. The increased capitalisation of development costs is related to GlobalEye. Internally funded expenditures in R&D are mainly related to radar and sensor technology and the T-X program.

Amortisation of intangible fixed assets amounted to MSEK 230 (247), of which amortisation of capitalised development expenditures amounted to MSEK 155 (161). The share of income in associated companies and joint ventures amounted to MSEK -34 (23). The loss is mainly related to a lower result within the minority portfolio where Saab owns shares in companies in various stages of development within the business area Industrial Products and Services.

Operating income amounted to MSEK 611 (367) with an operating margin of 4.4 per cent (3.2). All business areas but Industrial Products and Services and the business unit Saab Kockums improved their operating margins. Business area Dynamics made the biggest improvement in operating income due to increased deliveries and a change in the product mix.

During the first half-year 2015 the reversal of risk provisions for the remaining risks, related to the termination of Saab's leasing fleet of turbo prop aircraft (SAL), contributed positively to the operating income.

Financial net

MSEK	Jan-Jun 2016	Jan-Jun 2015
Financial net related to pensions	-32	-33
Net interest items	-	-27
Currency gains/losses	-1	24
Other financial items	-45	3
Total	-78	-33

Financial net related to pensions is the financial cost for net pension obligations recognised in the balance sheet. See note 11 for more information regarding defined-benefit pension plans.

Net interest items refer to return on liquid assets and short-term investments and to interest expenses on short-term and long-term interest-bearing liabilities.

Currency gains/losses reported in financial net are mainly related to hedges of the tender portfolio, which are valued at fair value through profit and loss.

Other net financial items consist of costs attributable to the programme for the sale of trade receivables, unrealised results from the market valuation of short-term investments, and other currency effects, e.g. changes in 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. Their market valuation has generated an unrealised loss.

Tax

Current and deferred taxes amounted to MSEK -119 (-77), equivalent to an effective tax rate of 22 per cent (23).

Return on capital employed and equity

The pre-tax return on capital employed was 11.3 Per cent (8.7) and the after-tax return on equity was 13.0 per cent (8.6), both measured over a rolling 12 month period.

Financial position and liquidity

At the end of June 2016, the net debt amounted to MSEK 405, a reduction of MSEK 2,812 compared to MSEK 3,217 at year-end 2015.

Cash flow from operating activities was positive and amounted to MSEK 4,791.

Net provisions for pensions, excluding special employers' contribution, amounted to MSEK 2,664 as of 30 June 2016, compared to MSEK 1,893 at year-end 2015. This had a negative impact on net debt of MSEK 771. The increase in provisions was mainly due to the reduction in the discount rate used in the valuation of pension obligations to 2.50 per cent from 3.25 per cent during the period. However, the inflation assumption for calculating the pension obligation changed to 1.50 per cent from 1.75 per cent, offsetting part of the negative effect. For more information about Saab's defined-benefit plans, see note 11.

During the period, net investments amounted to MSEK 817. Sale of subsidiaries reduced the net debt with MSEK 77. In addition, a payment of dividend to the Parent Company's shareholders of MSEK 530 was made.

Currency exchange rate differences in liquid assets and unrealised results from financial investments had an impact on net debt of MSEK 62.

As of 30 June 2016, short-term investments and liquid assets amounted to MSEK 7,578, compared to MSEK 3,845 at year-end 2015. The increase is mainly attributable to advances from customers.

Capitalised development costs on the balance sheet amounted to MSEK 1,415 as of 30 June 2016 compared to MSEK 1,157 as of 31 December 2015. The increase is related to GlobalEye.

Inventories increased by MSEK 519 in 2016, mainly due to preparations for future deliveries. Inventories are recognised after deducting utilised advances.

Tangible fixed assets amounted to MSEK 4,517, which was in line with year-end 2015.

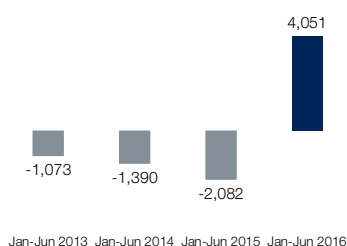
Accounts receivables amounted to MSEK 3,295 as of 30 June 2016 and to MSEK 2,913 as of 31 December 2015. Amounts due from customers amounted to MSEK 5,170 as of 30 June 2016 and MSEK 7,549 as of 31 December 2015. The decrease is primarily attributable to payments received related to orders for GlobalEye and Gripen.

Capital expenditures

The cash flow effect of capital expenditures in tangible fixed assets amounted to MSEK 301 (350).

Investments in intangible fixed assets amounted to MSEK 476 (139), of which MSEK 412 (98) was related to capitalised development costs and MSEK 64 (41) to other intangible fixed assets.

Free cash flow, MSEK



Cash flow

Cash flow from operating activities excluding taxes and other financial items amounted to MSEK 5,010 (-1,320), see note 9.

Saab has an established programme to sell trade receivables in order to strengthen its financial position and increase financial flexibility. As of 30 June 2016 net receivables of MSEK 695 were sold, compared to MSEK 1,299 as of 31 December 2015. This had a negative effect on cash flow from operating activities in 2016 of MSEK 604.

Operational cash flow – defined as cash flow from operating activities, excluding taxes and other financial items, and acquisitions and divestments of intangible fixed assets and tangible fixed assets – amounted to MSEK 4,193 (-1,806). The strong operational cash flow in the first half-year 2016 compared to 2015 is mainly due to payments received from the Gripen programmes and the order for GlobalEye. Free cash flow amounted to MSEK 4,051 (-2,082). For more detailed information about the cash flow, see note 9.

	Total Group Jan-Jun 2016	Total Group Jan-Jun 2015
Cash flow from operating activities before changes in working capital, excluding taxes and other financial items	1,227	613
Change in working capital	3,783	-1,933
Cash flow from operating activities excluding taxes and other financial items	5,010	-1,320
Cash flow from investing activities ¹⁾	-817	-486
Operational cash flow	4,193	-1,806
Taxes and other financial items	-219	-262
Sales and acquisitions	77	-14
Free cash flow	4,051	-2,082

1) 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.

Key indicators of financial position and liquidity

MSEK	30 Jun 2016	31 Dec 2015	Change	30 Jun 2015
Net liquidity / debt ¹⁾	-405	-3,217	2,812	-4,592
Intangible fixed assets	6,743	6,476	267	6,299
Goodwill	5,069	5,045	24	5,061
Capitalised development costs	1,415	1,157	258	892
Other intangible fixed assets	259	274	-15	346
Tangible fixed assets, etc ²⁾	4,842	4,796	46	4,637
Inventories	5,762	5,243	519	6,871
Accounts receivable	3,295	2,913	382	2,612
Other receivables	5,684	8,102	-2,418	4,905
Amounts due from customers ³⁾	5,170	7,549	-2,379	4,324
Advance payments from customers	3,560	1,098	2,462	978
Equity/assets ratio, %	31.9	36.8		37.2
Return on equity, %	13.0	11.5		8.6
Equity per share, SEK ⁴⁾	113.25	121.28	-8.03	111.48

1) 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 6.

2) Including tangible fixed assets, biological assets and investment properties.

3) Amounts due from customers relate to long-term customer contracts according to the percentage of completion method.

4) Number of shares excluding treasury shares; 2016 Jun: 106,160,381; 2015 Jun: 105,720,470; 2015 Dec: 105,957,065.

Operating segments

Comparative numbers for 2015 have been restated, following structural changes. Comparative numbers for 2014 and 2015 are available at saabgroup.com/Investor-relations. Business area Electronic Defence Systems' name is changed to Surveillance as of April 2016. For more information, see note 3.

BUSINESS AREA AERONAUTICS

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

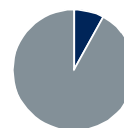
MSEK	Jan-Jun 2016	Jan-Jun 2015	Change, %	Q2 2016	Q2 2015	Full Year 2015
Order bookings	493	661	-25	199	457	39,349
Order backlog	56,607	24,587	130			59,476
Sales	3,361	2,462	37	1,739	1,364	6,262
EBITDA	188	104	81	112	39	548
EBITDA margin, %	5.6	4.2		6.4	2.9	8.8
Operating income (EBIT)	169	84	101	102	30	509
Operating margin, %	5.0	3.4		5.9	2.2	8.1
Operational cash flow	1,120	-159		-391	-205	-632
Defence/Civil (% of sales)	99/1	98/2		99/1	99/1	99/1
No. of FTE's	2,809	2,677	5			2,723

Sales, income and margin

- Sales increased strongly during the first the first half-year 2016 compared to the same period in 2015. The increase is mainly attributable to the Gripen NG order for Brazil received in the third quarter 2015 and to Gripen E for Sweden.
- During the first half-year in 2016 and 2015, major investments were made in the T-X program, which had a slightly more negative impact on operating margin in 2016 than in 2015. These investments will continue in the second half of 2016.

Cash flow

- Aeronautics reported strong operational cash flow in the first half-year 2016 following substantial advances and milestone payments mainly related to Gripen NG for Brazil.



Large orders

Orders exceeding MSEK 100 was 8% (38) of total order bookings in the period.



Market

Sales related to markets outside Sweden was 29% (7) in the period.

Business units

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

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.

MSEK	Jan-Jun 2016	Jan-Jun 2015	Change, %	Q2 2016	Q2 2015	Full Year 2015
Order bookings	4,008	3,187	26	2,121	2,014	5,273
Order backlog	8,159	6,679	22			6,284
Sales	2,116	1,562	35	1,044	794	4,009
EBITDA	113	-113		56	-91	249
EBITDA margin, %	5.3	-7.2		5.4	-11.5	6.2
Operating income (EBIT)	79	-147		39	-106	175
Operating margin, %	3.7	-9.4		3.7	-13.4	4.4
Operational cash flow	138	-155		245	-127	-101
Defence/Civil (% of sales)	94/6	85/15		94/6	84/16	89/11
No. of FTE's	2,071	2,028	2			2,041

Orders

- During the first quarter 2016, Dynamics received an order for production and delivery of ammunition for the man-portable weapon system Carl-Gustaf. The total order value was approximately SEK 1.4 billion. Deliveries will take place in 2016-2019.
- During the second quarter, an order was received from FMV for the development and production of New Lightweight Torpedo system with a total value of approximately SEK1.5 billion.

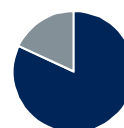


Large orders

Orders exceeding MSEK 100 was 74% (56) of total order bookings in the period.

Sales, income and margin

- Sales increased during the first half-year 2016 compared to the same period in 2015 thanks to strong order bookings in 2015 and the first half-year 2016.
- The operating margin was strengthened during the first half-year 2016 compared to the same period in 2015 mainly as a result of increased deliveries, but also due to a change in the product mix.



Market

Sales related to markets outside Sweden was 82% (79) in the period.

Cash flow

- Operational cash flow was positive during the first half-year 2016 as a result of advance and milestone payments as well as completed deliveries.

Business units

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

BUSINESS AREA SURVEILLANCE

Surveillance's product portfolio includes airborne, land-based and naval radar systems, electronic warfare systems, combat systems and C4I solutions as well as traffic management systems.

MSEK	Jan-Jun 2016	Jan-Jun 2015	Change, %	Q2 2016	Q2 2015	Full Year 2015
Order bookings	2,911	4,041	-28	1,724	2,318	15,456
Order backlog	16,856	10,600	59			17,707
Sales	3,852	3,234	19	2,051	1,712	7,305
EBITDA	376	247	52	199	87	820
EBITDA margin, %	9.8	7.6		9.7	5.1	11.2
Operating income (EBIT)	128	-1	-	73	-39	320
Operating margin, %	3.3	-		3.6	-2.3	4.4
Operational cash flow	1,955	-326		389	-324	-49
Defence/Civil (% of sales)	82/18	80/20		83/17	79/21	81/19
No. of FTE's	3,627	3,606	1			3,563

Orders

- During the first half-year 2016, Surveillance och Support and Services received an order in the Airborne Early Warning and Control (AEW&C) segment amounting to about SEK 1.1 billion, of which MSEK 687 was related to Surveillance. Deliveries will take place in 2016-2018.
- In June, Saab and the Swedish Air Navigation Service Provider (LFV) signed an agreement to establish a new company, Saab Digital Air Traffic Solutions AB, to market, sell, develop and operate products and services for remote air traffic control. Saab is the majority owner with 59 per cent of the shares, with LFV holding 41 per cent. The new company strengthens Saab and LFV's positions at the forefront of digital air traffic control solutions for the global market.

Sales, income and margin

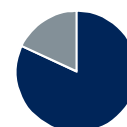
- Activity related to the 2015 GlobalEye order had a positive impact on sales and the operating margin in the first half-year 2016.

Cash flow

- Operational cash flow was strongly positive, mainly as a result of advances and milestone payments related to the 2015 GlobalEye order.



Large orders
Orders exceeding MSEK 100 was 40% (40) of total order bookings in the period.



Market
Sales related to markets outside Sweden was 82% (75) in the period.

Business units

Surface Radar Solutions, Airborne Surveillance Systems, Electronic Warfare Systems, Traffic Management and 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.

MSEK	Jan-Jun 2016	Jan-Jun 2015	Change, %	Q2 2016	Q2 2015	Full Year 2015
Order bookings	2,230	1,277	75	1,227	708	10,557
Order backlog	13,063	7,889	66			13,393
Sales	2,610	2,283	14	1,326	1,183	6,012
EBITDA	243	169	44	140	77	570
EBITDA margin, %	9.3	7.4		10.6	6.5	9.5
Operating income (EBIT)	235	159	48	137	72	549
Operating margin, %	9.0	7.0		10.3	6.1	9.1
Operational cash flow	1,714	-248		445	-28	-637
Defence/Civil (% of sales)	75/25	68/32		75/25	70/30	77/23
No. of FTE's	2,163	2,194	-1			2,185

Orders

- Orders were received from FMV for support and maintenance for Gripen during 2016 on behalf of the Swedish Armed Forces as well as for the continued delivery of complete support and maintenance for Helicopter 15 for the years 2018 and 2019.
- During the first half-year 2016, Surveillance and Support and Services received an order in the Airborne Early Warning and Control (AEW&C) segment amounting to about SEK 1.1 billion, of which MSEK 418 was related to Support and Services. Deliveries will take place in 2016-2018.
- In total, order bookings related to small orders increased by 33 per cent during the first half-year compared to the same period in 2015.

Sales, income and margin

- Sales increased during the first half-year 2016 compared to the same period 2015, mainly as a result of activity related to the GlobalEye order.
- The operating margin strengthened due to increased sales and the effects of ongoing efficiency improvements.

Cash flow

- Operational cash flow was strongly positive, mainly as a result of advances and milestone payments related to the 2015 for GlobalEye order.



Large orders
Orders exceeding MSEK 100 was 24% (0) of total order bookings in the period.



Market
Sales related to markets outside Sweden was 47% (43) in the period.

Business units

Aviation Services, Airborne ISR, Gripen Support, Networks and Public Safety, Tactical Solutions och Maintenance Production.

BUSINESS AREA INDUSTRIAL PRODUCTS AND SERVICES

The business units within Industrial Products and Services are focused on business-to-business (B2B) customers. There is also a minority portfolio containing Saab's ownership interest in companies in various stages of development.

MSEK	Jan-Jun 2016	Jan-Jun 2015	Change, %	Q2 2016	Q2 2015	Full Year 2015
Order bookings	2,055	1,760	17	1,302	726	3,632
Order backlog	9,806	9,517	3			9,587
Sales	1,842	1,778	4	969	912	3,562
EBITDA	96	120	-20	34	77	260
EBITDA margin, %	5.2	6.7		3.5	8.4	7.3
Operating income (EBIT)	78	101	-23	25	67	213
Operating margin, %	4.2	5.7		2.6	7.3	6.0
Operational cash flow	-41	-32		82	-77	-15
Defence/Civil (% of sales)	40/60	38/62		42/58	40/60	40/60
No. of FTE's	2,405	2,365	2			2,381

Orders

- Order bookings were higher in the first half-year 2016 than the same period in 2015, mainly due to higher order bookings in the business units Aerostructures and Combitech.
- During the first half-year, Aerostructures signed an agreement with Airbus for the A321 Airbus Cabin Flex programme. The agreement comprises the design, development and manufacture of the Over Wing Door component.



Large orders

Orders exceeding MSEK 100 was 34% (15) of total order bookings in the period.

Sales, income and margin

- The operating margin was lower in the first half-year 2016 compared to the same period in 2015 due to the lower result in the minority portfolio where Saab owns shares in companies in various stages of development.



Market

Sales related to markets outside Sweden was 43% (46) in the period.

Cash flow

- Operational cash flow was negative in the first half-year 2016, mainly as a result of activity related to future deliveries in Aerostructures and Avionics Systems.

Business units

Aerostructures, Avionics Systems, Combitech and the Venture portfolio.

BUSINESS UNIT SAAB KOCKUMS

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

MSEK	Jan-Jun 2016	Jan-Jun 2015	Change, %	Q2 2016	Q2 2015	Full Year 2015
Order bookings	812	9,733	-92	680	8,867	10,268
Order backlog	9,619	10,425	-8			9,928
Sales	1,121	815	38	489	476	1,847
EBITDA	76	196	-61	33	133	262
EBITDA margin, %	6.8	24.0		6.7	27.9	14.2
Operating income (EBIT)	59	179	-67	25	124	228
Operating margin, %	5.3	22.0		5.1	26.1	12.3
Operational cash flow	227	71		-13	92	808
Defence/Civil (% of sales)	100/0	100/0		100/0	100/0	100/0
No. of FTE's	825	843	-2			803

Orders

- Saab received an order from FMV to modify and upgrade two Swedish Navy Koster-class mine countermeasures vessels (MCMVs). The order value amounted to MSEK 147 and the work will be undertaken in Karlskrona, Sweden during the period 2016-2017.
- The high level of order bookings in the first half-year 2015 was mainly due to orders from FMV to build two Type A26 submarines and for half-time modifications of two Gotland class submarines.

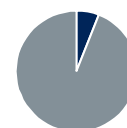


Large orders

Orders exceeding MSEK 100 was 50% (95) of total order bookings in the period.

Sales, income and margin

- Sales increased during the first half-year 2016, mainly due to activity in the A26 programme for Sweden.
- Large deliveries to markets outside Sweden had a positive impact on the operating margin in the first half-year 2015.



Market

Sales related to markets outside Sweden was 6% (8) in the period.

Cash flow

- Operational cash flow during the first half-year 2016 was positive as a result of timing differences between milestone payments and activity.

Owners

According to Modular Finance, Saab's largest shareholders as of 30 June 2016:

	% of capital	% of votes
Investor AB Knut and Alice Wallenberg Foundation	30.0	40.5
Swedbank Robur funds	8.7	7.7
AFA Insurance	5.8	5.1
Unionen	4.6	4.1
Handelsbanken funds	2.7	2.4
DFA funds	2.1	1.8
Fidelity funds	1.5	1.4
Lannebo funds	1.5	1.3
Gladiator	1.1	1.0
	0.9	0.8

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

Personnel

	30 Jun 2016	31 Dec 2015
Number of employees	14,823	14,685
FTE's	14,721	14,519

Corporate

Corporate reported operating income of MSEK -137 (-8) during the first half-year 2016. During the second quarter, the sale of a property contributed positively to operating income.

Reversal of risk provisions, attributable to the remaining risks related to the termination of Saab's leasing fleet of turboprop aircraft (SAL), contributed positively to the operating income in 2015. The leasing portfolio was discontinued in 2015.

Operational cash flow attributable to Corporate amounted to MSEK -920 (-957) during the first half-year 2016. Sale of trade receivables had a negative effect of MSEK 604. See more information on cash flow on page 4.

Acquisitions and divestments 2016

No significant acquisitions or divestments were made during the first half-year 2016.

Share repurchase

Saab held 2,989,963 treasury shares as of 30 June 2016, compared to 3,193,279 at year-end 2015. The Annual General Meeting on 14 April 2016 authorised the Board of Directors to repurchase up to 10 per cent of Saab's shares to hedge Saab's Share Matching Plan and Performance Share Plan.

Risks and uncertainties

Saab's operations primarily involve the development, production and supply of technologically advanced hardware and software to customers around the world.

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 can entail various degrees of risk. The key risk areas are political, operating and financial. Various policies and instructions govern the management of material risks. Saab conducts significant development projects and manages the associated risks.

The market is characterised by challenging conditions where orders are deferred to the future partially for financial reasons, at the same time that customers are also dealing with shorter timeframes. All in all, market risk has increased, and the increased risk is expected to remain during 2016.

For a general description of the risk areas, see pages 44 to 47 of the annual report 2015.



Order for New Lightweight Torpedo system

The Swedish Defence Material Administration (FMV) has awarded Saab a contract to develop and produce the New Lightweight Torpedo system with a total value of SEK 1.5 billion and deliveries during the period 2016-2024.

Other significant events January-June 2016

- In February, Saab introduced GlobalEye, a new multi-role airborne surveillance system (AEW&C). GlobalEye combines Saab's all-new Erieye ER (Extended Range) radar and mission system with the high-end Global 6000 jet aircraft from Bombardier.
- The Annual General Meeting (AGM) on 14 April 2016 resolved to pay shareholders a dividend of SEK 5.00 per share (total MSEK 530). The record date was set at 18 April 2016 and the payment date 21 April 2016.
- The AGM resolved to elect Bert Nordberg and re-elect Håkan Buskhe, Johan Forssell, Sten Jakobsson, Sara Mazur, Per-Arne Sandström, Cecilia Stegö Chilò, Lena Treschow Torell, Marcus Wallenberg and Joakim Westh. Marcus Wallenberg was re-elected as Chairman of the Board.
- The Gripen E was rolled out on May 18. Users of Gripen E can operate longer in the air, improved sensors and electronic warfare will provide better intelligence on the enemy, and it will carry more and better weapons. At the same time Gripen E is highly cost-efficient. Deliveries of the next-generation Gripen to Sweden and Brazil will begin in 2019.

For information on significant orders received in 2016, see page 2 and the comments on the operating segments on pages 5 to 7 and in note 3.

Significant events after the conclusion of the period

- Saab received an order from the Australian Government regarding sustainment of the combat system on Australia's ANZAC class frigates. The order value was approximately MSEK 248. The work will be undertaken in 2016-2017.
- Saab received an order for explosive training mortar grenades. Deliveries will take place during the period 2016-2017.



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 14,800 employees
- Local presence in 33 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 and Industrial Products and Services, and the business unit Saab Kockums. In addition, Corporate comprises Group staff, Group departments and secondary operations.

As of 1 January 2016, business area Security and Defence Solutions is dissolved and its business units moved to other operating segments.

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

REVENUE MODEL

Saab's earnings are primarily generated by long-term customer contracts, service assignments and sale of goods. Sales, income and cash flow vary during the year depending on the nature of the project.

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 on current account is recognised when the services are rendered, while service assignments that are part of fixed-price contracts are recognised according to the same principles as long-term customer contracts.

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.

SAAB'S STRATEGY

Saab's strategy is built on four priority areas. Our aim is to create long-term value by accomplishing these strategic priorities.

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

Profitable growth

Effective project execution, focused marketing investments and winning new orders.

Performance

Efficient, functional processes, strong leadership, global research and development.

Portfolio

Focus on core areas, market-driven renewal, international focus and sustainable innovations.

People

Talent recruitment, skills development, increased diversity and performance-driven culture.

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.

CONSOLIDATED INCOME STATEMENT

MSEK	Note	Jan-Jun 2016	Jan-Jun 2015	Rolling 12 Months	Full Year 2015
Sales	3	13,854	11,329	29,711	27,186
Cost of goods sold		-10,774	-8,655	-22,819	-20,700
Gross income		3,080	2,674	6,892	6,486
<i>Gross margin, %</i>		22.2	23.6	23.2	23.9
Other operating income		139	76	434	371
Marketing expenses		-1,039	-1,032	-2,068	-2,061
Administrative expenses		-666	-626	-1,363	-1,323
Research and development costs		-830	-738	-1,657	-1,565
Other operating expenses		-39	-10	-77	-48
Share in income of associated companies and joint ventures		-34	23	-17	40
Operating income (EBIT) ¹⁾	3	611	367	2,144	1,900
<i>Operating margin, %</i>		4.4	3.2	7.2	7.0
Financial income		41	73	137	169
Financial expenses		-119	-106	-351	-338
Net financial items		-78	-33	-214	-169
Income before taxes		533	334	1,930	1,731
Taxes		-119	-77	-371	-329
Net income for the period		414	257	1,559	1,402
of which Parent Company's shareholders' interest		396	235	1,523	1,362
of which non-controlling interest		18	22	36	40
Earnings per share before dilution, SEK ²⁾		3.73	2.23	14.38	12.88
Earnings per share after dilution, SEK ³⁾		3.71	2.21	14.27	12.79
1) Includes depreciation/amortisation and write-downs		-464	-463	-960	-959
2) Average number of shares before dilution		106,043,264	105,588,578	105,942,148	105,714,805
3) Average number of shares after dilution		106,852,757	106,378,369	106,746,086	106,450,263

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

MSEK	Jan-Jun 2016	Jan-Jun 2015	Rolling 12 Months	Full Year 2015
Net income for the period	414	257	1,559	1,402
Other comprehensive income/loss:				
Items that will not be reversed in the income statement:				
Revaluation of net pension obligations	-946	733	-840	839
Tax attributable to revaluation of net pension obligations	208	-161	186	-183
Total	-738	572	-654	656
Items that may be reversed in the income statement:				
Translation differences	93	109	-36	-20
Available-for-sale financial assets	-	69	-96	-27
Cash flow hedges	-35	-23	-32	-20
Tax attributable to cash flow hedges	-2	1	8	11
Total	56	156	-156	-56
Other comprehensive income/loss for the period	-682	728	-810	600
Net comprehensive income/loss for the period	-268	985	749	2,002
of which Parent Company's shareholders' interest	-308	967	732	2,007
of which non-controlling interest	40	18	17	-5

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MSEK	Note	30 Jun 2016	31 Dec 2015	30 Jun 2015
ASSETS				
Fixed assets:				
Intangible fixed assets	5	6,743	6,476	6,299
Tangible fixed assets		4,517	4,472	4,315
Biological assets		291	290	289
Investment properties		34	34	33
Shares in associated companies and joint ventures		646	602	460
Financial investments		187	190	382
Long-term receivables	11	457	444	212
Deferred tax assets		440	351	429
Total fixed assets		13,315	12,859	12,419
Current assets:				
Inventories		5,762	5,243	6,871
Derivatives		827	1,058	846
Tax receivables		286	106	186
Accounts receivable		3,295	2,913	2,612
Other receivables		5,684	8,102	4,905
Prepaid expenses and accrued income		1,274	962	1,400
Short-term investments		5,746	2,995	1,773
Liquid assets	9	1,832	850	981
Total current assets		24,706	22,229	19,574
TOTAL ASSETS		38,021	35,088	31,993
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity:				
Parent Company's shareholders' interest		12,023	12,851	11,786
Non-controlling interest		88	61	100
Total shareholders' equity		12,111	12,912	11,886
Long-term liabilities:				
Long-term interest-bearing liabilities	6	5,593	4,872	2,949
Other liabilities		168	136	143
Provisions for pensions	11	3,316	2,373	2,479
Other provisions		972	1,097	939
Deferred tax liabilities		28	34	46
Total long-term liabilities		10,077	8,512	6,556
Current liabilities:				
Short-term interest-bearing liabilities	6	308	853	2,714
Advance payments from customers		3,560	1,098	978
Accounts payable		2,277	2,340	1,760
Derivatives		1,435	1,614	1,376
Tax liabilities		31	37	40
Other liabilities		770	725	629
Accrued expenses and deferred income		7,065	6,549	5,565
Provisions		387	448	489
Total current liabilities		15,833	13,664	13,551
Total liabilities		25,910	22,176	20,107
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		38,021	35,088	31,993

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

MSEK	Capital stock	Other capital contributions	Net result of cash flow hedges	Translation reserve	Available-for-sale and revaluation reserve	Retained earnings	Total parent company's shareholders' interest	Non-controlling interest	Total shareholders' equity
Opening balance, 1 January 2015	1,746	543	-562	161	38	9,365	11,291	82	11,373
Net comprehensive income/loss for the period January-June 2015			-18	109	69	807	967	18	985
Transactions with shareholders:									
Share matching plan						29	29		29
Dividend						-501	-501		-501
Closing balance, 30 June 2015	1,746	543	-580	270	107	9,700	11,786	100	11,886
Net comprehensive income/loss for the period July-December 2015			42	-117	-96	1,211	1,040	-23	1,017
Transactions with shareholders:									
Share matching plan						37	37		37
Dividend								-10	-10
Acquisition and sale of non-controlling interest						-12	-12	-6	-18
Closing balance, 31 December 2015	1,746	543	-538	153	11	10,936	12,851	61	12,912
Opening balance, 1 January 2016	1,746	543	-538	153	11	10,936	12,851	61	12,912
Net comprehensive income/loss for the period			-56	90		-342	-308	40	-268
Transactions with shareholders:									
Share matching plan						37	37		37
Dividend						-530	-530		-530
Acquisition and sale of non-controlling interest						-27	-27	-13	-40
Closing balance, 30 June 2016	1,746	543	-594	243	11	10,074	12,023	88	12,111

CONSOLIDATED STATEMENT OF CASH FLOWS

MSEK	Note	Jan-Jun 2016	Jan-Jun 2015	Full Year 2015
Operating activities:				
Income after financial items		533	334	1,731
Adjustments for items not affecting cash flows		650	171	688
Dividend from associated companies and joint ventures		14	-	25
Income tax paid		-189	-154	-266
Cash flow from operating activities before changes in working capital		1,008	351	2,178
Cash flow from changes in working capital:				
Increase(-)/Decrease(+) in inventories		-509	-1,070	349
Increase(-)/Decrease(+) in current receivables		1,873	-166	-3,573
Increase(+)/Decrease(-) in advance payments from customers		2,453	121	284
Increase(+)/Decrease(-) in other current liabilities		80	-562	1,426
Increase(+)/Decrease(-) in provisions		-114	-256	-306
Cash flow from operating activities		4,791	-1,582	358
Investing activities:				
Investments in intangible fixed assets		-64	-41	-70
Capitalised development costs		-412	-98	-524
Investments in tangible fixed assets		-301	-350	-799
Sales and disposals of tangible fixed assets		22	3	7
Investments in and sale of short-term investments		-2,700	-514	-1,722
Investments in financial assets		-97	-74	-368
Sale of financial assets		9	4	226
Investments in operations, net effect on liquidity	10	-	-4	-221
Sale of subsidiaries, net effect on liquidity		77	-	312
Cash flow from investing activities		-3,466	-1,074	-3,159
Financing activities:				
Repayments of loans		-564	-	-1,865
Raising of loans		732	2,837	4,758
Dividend paid to Parent Company's shareholders		-530	-501	-501
Dividend paid to non-controlling interest		-	-	-10
Cash flow from financing activities		-362	2,336	2,382
Cash flow for the period		963	-320	-419
Liquid assets at the beginning of the period		850	1,284	1,284
Exchange rate difference in liquid assets		19	17	-15
Liquid assets at end of period	9	1,832	981	850

QUARTERLY CONSOLIDATED INCOME STATEMENT

MSEK	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014
Sales	7,064	6,790	10,070	5,787	5,940	5,389	7,425	5,130
Cost of goods sold	-5,495	-5,279	-7,540	-4,505	-4,582	-4,073	-5,574	-3,800
Gross income	1,569	1,511	2,530	1,282	1,358	1,316	1,851	1,330
<i>Gross margin, %</i>	<i>22.2</i>	<i>22.3</i>	<i>25.1</i>	<i>22.2</i>	<i>22.9</i>	<i>24.4</i>	<i>24.9</i>	<i>25.9</i>
Other operating income	100	39	272	23	54	22	261	77
Marketing expenses	-543	-496	-569	-460	-553	-479	-629	-511
Administrative expenses	-337	-329	-392	-305	-329	-297	-333	-300
Research and development costs	-436	-394	-481	-346	-380	-358	-416	-322
Other operating expenses	-14	-25	-30	-8	-6	-4	3	-10
Share of income in associated companies and joint ventures	-22	-12	17	-	13	10	21	-6
Operating income (EBIT) ¹⁾	317	294	1,347	186	157	210	758	258
<i>Operating margin, %</i>	<i>4.5</i>	<i>4.3</i>	<i>13.4</i>	<i>3.2</i>	<i>2.6</i>	<i>3.9</i>	<i>10.2</i>	<i>5.0</i>
Financial income	-9	50	132	-36	46	27	52	19
Financial expenses	-66	-53	-143	-89	9	-115	-70	-48
Net financial items	-75	-3	-11	-125	55	-88	-18	-29
Income before taxes	242	291	1,336	61	212	122	740	229
Taxes	-51	-68	-227	-25	-45	-32	-154	-59
Net income for the period	191	223	1,109	36	167	90	586	170
of which Parent Company's shareholders' interest	183	213	1,101	26	151	84	579	166
of which non-controlling interest	8	10	8	10	16	6	7	4
Earnings per share before dilution, SEK ²⁾	1.72	2.01	10.40	0.25	1.43	0.80	5.49	1.57
Earnings per share after dilution, SEK ³⁾	1.71	1.99	10.32	0.24	1.42	0.79	5.45	1.55
1) Includes depreciation/amortisation and write-downs of which depreciation of leasing aircraft	-234 -	-230 -	-253 -	-243 -	-235 -	-228 -	-230 -1	-221 -2
2) Average number of shares before dilution	106,094,093	105,992,435	105,900,182	105,781,884	105,643,700	105,533,455	105,438,516	106,060,673
3) Average number of shares after dilution	106,912,764	106,853,562	106,688,771	106,529,247	106,442,012	106,402,040	106,239,161	106,888,805

QUARTERLY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

MSEK	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014
Net income for the period	191	223	1,109	36	167	90	586	170
Other comprehensive income/loss:								
Items that will not be reversed in the income statement:								
Revaluation of net pension obligations	-433	-513	339	-233	1,257	-524	-173	-324
Tax attributable to revaluation of net pension obligations	95	113	-73	51	-276	115	36	71
Total	-338	-400	266	-182	981	-409	-137	-253
Items that may be reversed in the income statement:								
Translation differences	134	-41	-66	-63	-156	265	174	169
Net gain/loss on available-for-sale financial assets	-	-	-90	-6	-3	72	10	-77
Net gain/loss on cash flow hedges	-179	144	190	-187	56	-79	-315	-517
Tax attributable to net gain/loss on cash flow hedges	34	-36	-39	49	-14	15	67	114
Total	-11	67	-5	-207	-117	273	-64	-311
Other comprehensive income/loss for the period	-349	-333	261	-389	864	-136	-201	-564
Net comprehensive income/loss for the period	-158	-110	1,370	-353	1,031	-46	385	-394
of which Parent Company's shareholders' interest	-181	-127	1,375	-335	1,024	-57	381	-398
of which non-controlling interest	23	17	-5	-18	7	11	4	4

KEY RATIOS BY QUARTER

MSEK	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014
Equity/assets ratio, (%)	31.9	33.9	36.8	35.1	37.2	37.0	38.5	40.1
Return on capital employed, % ³⁾	11.3	11.3	11.2	8.1	8.7	10.6	11.1	9.7
Return on equity, % ³⁾	13.0	12.7	11.5	7.8	8.6	9.3	9.9	7.6
Equity per share, SEK ^{1) 3)}	113.25	120.17	121.28	108.36	111.48	106.54	107.02	103.41
Free cash flow, MSEK ³⁾	1,096	2,955	869	487	-1,141	-941	1,006	-710
Free cash flow per share after dilution, SEK ^{2) 3)}	10.25	27.65	8.15	4.57	-10.72	-8.84	9.47	-6.64
1) Number of shares excluding treasury shares	106,160,381	106,027,804	105,957,065	105,843,298	105,720,470	105,566,929	105,499,980	105,377,052
2) Average number of shares after dilution	106,912,764	106,853,562	106,688,771	106,529,247	106,442,012	106,402,040	106,239,161	106,888,805

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 2016	Operating margin	Q1 2016	Operating margin	Q4 2015	Operating margin	Q3 2015	Operating margin
Sales								
Aeronautics	1,739		1,622		2,114		1,686	
Dynamics	1,044		1,072		1,555		892	
Surveillance	2,051		1,801		2,613		1,458	
Support and Services	1,326		1,284		2,795		934	
Industrial Products and Services	969		873		1,022		762	
Saab Kockums	489		632		599		433	
Internal sales	-554		-494		-628		-378	
Total	7,064		6,790		10,070		5,787	
Operating income/loss								
Aeronautics	102	5.9%	67	4.1%	305	14.4%	120	7.1%
Dynamics	39	3.7%	40	3.7%	294	18.9%	28	3.1%
Surveillance	73	3.6%	55	3.1%	318	12.2%	3	0.2%
Support and Services	137	10.3%	98	7.6%	417	14.9%	-27	-2.9%
Industrial Products and Services	25	2.6%	53	6.1%	104	10.2%	8	1.0%
Saab Kockums	25	5.1%	34	5.4%	-19	-3.2%	68	15.7%
Corporate	-84		-53		-72		-14	
Total	317	4.5%	294	4.3%	1,347	13.4%	186	3.2%

MSEK	Q2 2015	Operating margin	Q1 2015	Operating margin
Sales				
Aeronautics	1,364		1,098	
Dynamics	794		768	
Surveillance	1,712		1,522	
Support and Services	1,183		1,100	
Industrial Products and Services	912		866	
Saab Kockums	476		339	
Internal sales	-501		-304	
Total	5,940		5,389	
Operating income/loss				
Aeronautics	30	2.2%	54	4.9%
Dynamics	-106	-13.4%	-41	-5.3%
Surveillance	-39	-2.3%	38	2.5%
Support and Services	72	6.1%	87	7.9%
Industrial Products and Services	67	7.3%	34	3.9%
Saab Kockums	124	26.1%	55	16.2%
Corporate	9		-17	
Total	157	2.6%	210	3.9%

2015 has been restated according to the structural changes described in the annual report 2015, page 35.

MULTI-YEAR OVERVIEW

MSEK	2015	2014	2013	2012	2011
Order bookings	81,175	22,602	49,809	20,683	18,907
Order backlog at 31 December	113,834	60,128	59,870	34,151	37,172
Sales	27,186	23,527	23,750	24,010	23,498
<i>Sales in Sweden, %</i>	<i>42</i>	<i>45</i>	<i>41</i>	<i>36</i>	<i>37</i>
<i>Sales in Europe excluding Sweden, %</i>	<i>18</i>	<i>19</i>	<i>20</i>	<i>21</i>	<i>20</i>
<i>Sales in North America, %</i>	<i>9</i>	<i>10</i>	<i>11</i>	<i>11</i>	<i>8</i>
<i>Sales in Latin America, %</i>	<i>6</i>	<i>2</i>	<i>2</i>	<i>1</i>	<i>-</i>
<i>Sales in Rest of the world, %</i>	<i>25</i>	<i>24</i>	<i>26</i>	<i>31</i>	<i>35</i>
Operating income (EBIT)	1,900	1,659	1,345	2,050	2,941
<i>Operating margin, %</i>	<i>7.0</i>	<i>7.1</i>	<i>5.7</i>	<i>8.5</i>	<i>12.5</i>
Depreciation/amortisation less depreciation/amortisation of lease aircraft	959	864	1,022	1,136	1,147
EBITDA	2,859	2,523	2,367	3,186	4,088
<i>EBITDA margin, %</i>	<i>10.5</i>	<i>10.7</i>	<i>10.0</i>	<i>13.3</i>	<i>17.4</i>
Income after financial items	1,731	1,523	979	2,003	2,783
Net income for the year	1,402	1,168	742	1,560	2,217
Total assets	35,088	29,556	27,789	28,938	31,799
Equity	12,912	11,373	12,227	11,280	13,069
Free cash flow ¹⁾	-726	-1,094	-1,460	-396	2,477
<i>Return on capital employed, % ¹⁾</i>	<i>11.2</i>	<i>11.1</i>	<i>9.1</i>	<i>14.6</i>	<i>22.2</i>
<i>Return on equity, % ¹⁾</i>	<i>11.5</i>	<i>9.9</i>	<i>6.3</i>	<i>12.8</i>	<i>18.1</i>
<i>Equity/assets ratio, %</i>	<i>36.8</i>	<i>38.5</i>	<i>44.0</i>	<i>39.0</i>	<i>41.1</i>
Earnings per share before dilution, SEK ¹⁾	12.88	10.86	6.98	15.00	21.19
Earnings per share after dilution, SEK ¹⁾	12.79	10.78	6.79	14.52	20.38
Dividend per share, SEK	5.00	4.75	4.50	4.50	4.50
Equity per share, SEK ¹⁾	121.28	107.02	114.04	105.43	122.94
Number of employees at year-end	14,685	14,716	14,140	13,968	13,068
Number of shares excluding treasury shares as of 31 December	105,957,065	105,499,980	106,414,144	105,930,829	105,331,958
Average number of shares before dilution	105,714,805	106,125,666	106,125,107	105,632,911	104,982,315
Average number of shares after dilution	106,450,263	106,916,255	109,150,344	109,150,344	109,150,344

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

2013 has been restated according to the changed accounting principles for joint arrangements (IFRS 11).

2012 has been restated according to the changed accounting principles for pensions (IAS 19).

Financials for 2011 are not restated.

KEY RATIOS AND GOALS

	Long-term target	Jan-Jun 2016	Jan-Jun 2015	Full Year 2015
Organic sales growth, %	5	23	-6	11
Operating margin, %	10	4.4	3.2	7.0
Equity/assets ratio, %	30	31.9	37.2	36.8

PARENT COMPANY INCOME STATEMENT

MSEK	Jan-Jun 2016	Jan-Jun 2015	Full Year 2015
Sales	8,855	7,284	18,022
Cost of goods sold	-7,123	-5,719	-14,209
Gross income	1,732	1,565	3,813
<i>Gross margin, %</i>	<i>19.6</i>	<i>21.5</i>	<i>21.2</i>
Operating income and expenses	-1,952	-1,568	-3,605
Operating income (EBIT)	-220	-3	208
<i>Operating margin, %</i>	<i>-2.5</i>	<i>-0.0</i>	<i>1.2</i>
Financial income and expenses	-43	52	68
Income after financial items	-263	49	276
Appropriations	-	-	-160
Income before taxes	-263	49	116
Taxes	24	-46	-153
Net income for the period	-239	3	-37

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.

PARENT COMPANY BALANCE SHEET

MSEK	Note	30 Jun 2016	31 Dec 2015	30 Jun 2015
ASSETS				
Fixed assets:				
Intangible fixed assets		692	803	975
Tangible fixed assets		2,904	2,882	2,714
Financial fixed assets		7,623	7,474	7,759
Total fixed assets		11,219	11,159	11,448
Current assets:				
Inventories		4,012	3,668	5,301
Current receivables		8,655	10,133	8,448
Short term investments		5,699	2,994	1,773
Liquid assets		1,212	211	337
Total current assets		19,578	17,006	15,859
TOTAL ASSETS		30,797	28,165	27,307
SHAREHOLDERS' EQUITY AND LIABILITIES				
Equity:				
Restricted equity		2,977	2,977	2,983
Unrestricted equity		4,288	5,020	5,016
Total shareholders' equity		7,265	7,997	7,999
Untaxed reserves, provisions and liabilities:				
Untaxed reserves		2,139	2,139	1,979
Provisions		852	755	593
Liabilities	6	20,541	17,274	16,736
Total untaxed reserves, provisions and liabilities		23,532	20,168	19,308
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		30,797	28,165	27,307

Liquidity, financing, capital expenditures and number of employees

The Parent Company's net debt amounted to MSEK 2,350 at 30 June 2016 compared to MSEK 5,154 at 31 December 2015.

Investments in tangible fixed assets amounted to MSEK 176 (265). Investments in intangible assets amounted to MSEK 61 (34). At the end of the period, the Parent Company had 8,749 employees, compared to 8,632 at the beginning of the year.

A major part of the Group's operations are 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.

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 Gustavslundsvägen 42, Bromma, with the mailing address P.O. Box 12062, SE-102 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 2015.

NOTE 2 Accounting principles

The consolidated accounts for the first half-year of 2016 are prepared according to IAS 34 Interim Financial Reporting and the Annual Accounts Act. The Parent Company's accounts have been prepared according to the Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2, Reporting by Legal Entities. The Group's accounting principles are described on pages 72 to 73 as well as in the notes on material profit/loss and balance sheet items in the annual report 2015.

The Group and the Parent Company apply the same accounting principles and methods of computation as described in the annual report 2015.

The interim report is abbreviated and does not contain all the information and disclosures available in the annual report and as such should be read together with the annual report 2015. The interim report information on pages 1 to 29 constitutes an integrated part of this financial report.

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 South Africa, Australia, the US, and in other selected countries. Saab's operating and management structure is divided into five business areas and one business unit, which are also operating segments; Aeronautics, Dynamics, Surveillance, Support and Services, Industrial Products and Services, and Saab Kockums. In addition, Corporate comprises Group staff and departments as well as other operations outside the core operations.

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 and protection. The portfolio covers airborne, ground-based and naval radar, electronic warfare, combat systems and C4I solutions, and traffic management systems.

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 business-to-business (B2B) customers. There is also a minority portfolio containing Saab's ownership interests in companies in various stages of development.

Saab Kockums

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

Order bookings per operating segment

MSEK	Jan-Jun	Jan-Jun	Change, %	Q2	Q2	Full Year
	2016	2015		2016	2015	
Aeronautics	493	661	-25	199	457	39,349
Dynamics	4,008	3,187	26	2,121	2,014	5,273
Surveillance	2,911	4,041	-28	1,724	2,318	15,456
Support and Services	2,230	1,277	75	1,227	708	10,557
Industrial Products and Services	2,055	1,760	17	1,302	726	3,632
Saab Kockums	812	9,733	-92	680	8,867	10,268
Internal	-1,047	-1,663		-405	-894	-3,360
Total	11,462	18,996	-40	6,848	14,196	81,175

Order bookings per region

MSEK	Jan-Jun 2016	Jan-Jun 2015	Change, %
Sweden	4,695	12,194	-61
Rest of Europe	2,164	2,805	-23
North America	629	933	-33
Latin America	-89	24	-471
Asia	3,427	2,534	35
Africa	271	202	34
Australia, etc.	365	304	20
Total	11,462	18,996	-40

Order backlog per operating segment

MSEK	30 Jun 2016	31 Dec 2015	30 Jun 2015
Aeronautics	56,607	59,476	24,587
Dynamics	8,159	6,284	6,679
Surveillance	16,856	17,707	10,600
Support and Services	13,063	13,393	7,889
Industrial Products and Services	9,806	9,587	9,517
Saab Kockums	9,619	9,928	10,425
Internal	-2,517	-2,541	-1,844
Total	111,593	113,834	67,853

NOTE 3 Continued

Order backlog per region

MSEK	30 Jun 2016	31 Dec 2015	30 Jun 2015
Sweden	40,198	41,276	42,903
Rest of Europe	10,522	10,688	10,602
North America	4,995	5,699	5,502
Latin America	39,800	40,732	656
Asia	14,550	13,679	6,279
Africa	771	886	961
Australia etc.	757	874	950
Total	111,593	113,834	67,853

Significant orders received (approx. values MSEK)

	Country	Order value
New Lightweight Torpedo system	Sweden	1,533
Ammunition for the Carl-Gustaf man-portable weapon system		1,443
Airborne Early Warning and Control (AEW&C)		1,105

Sales per operating segment

MSEK	Jan-Jun 2016	Jan-Jun 2015	Change, %	Q2 2016	Q2 2015	Rolling 12 Months	Full Year 2015
Aeronautics	3,361	2,462	37	1,739	1,364	7,161	6,262
of which external sales	3,163	2,320	36	1,633	1,228	6,777	5,934
of which internal sales	198	142	39	106	136	384	328
Dynamics	2,116	1,562	35	1,044	794	4,563	4,009
of which external sales	2,067	1,486	39	1,021	762	4,465	3,884
of which internal sales	49	76	-36	23	32	98	125
Surveillance	3,852	3,234	19	2,051	1,712	7,923	7,305
of which external sales	3,730	3,130	19	1,990	1,653	7,631	7,031
of which internal sales	122	104	17	61	59	292	274
Support and Services	2,610	2,283	14	1,326	1,183	6,339	6,012
of which external sales	2,494	2,198	13	1,280	1,133	6,108	5,812
of which internal sales	116	85	36	46	50	231	200
Industrial Products and Services	1,842	1,778	4	969	912	3,626	3,562
of which external sales	1,270	1,341	-5	651	671	2,542	2,613
of which internal sales	572	437	31	318	241	1,084	949
Saab Kockums	1,121	815	38	489	476	2,153	1,847
of which external sales	1,119	814	37	488	475	2,150	1,845
of which internal sales	2	1	-	1	1	3	2
Corporate/eliminations	-1,048	-805		-554	-501	-2,054	-1,811
of which external sales	11	40		1	18	37	66
of which internal sales	-1,059	-845		-555	-519	-2,091	-1,877
Total	13,854	11,329	22	7,064	5,940	29,711	27,186

Sales per region

MSEK	Jan-Jun 2016	% of sales	Jan-Jun 2015	% of sales	Full Year 2015	% of sales
Sweden	5,945	43	5,595	49	11,399	42
Rest of Europe	2,294	17	2,193	19	4,933	18
North America	1,366	10	1,102	10	2,477	9
Latin America	848	6	196	2	1,584	6
Asia	2,683	19	1,541	14	5,370	20
Africa	218	2	229	2	541	2
Australia, etc.	500	4	473	4	882	3
Total	13,854	100	11,329	100	27,186	100

Information on large customers

In the first half-year 2016, 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 4,834 (4,414).

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 with other quarters. The fourth quarter is also usually affected by a higher number of deliveries, mainly within Dynamics.

NOTE 3 Continued

Operating income per operating segment

MSEK	Jan-Jun 2016	% of sales	Jan-Jun 2015	% of sales	Rolling 12 Months	Full Year 2015
Aeronautics	169	5.0	84	3.4	594	509
Dynamics	79	3.7	-147	-9.4	401	175
Surveillance	128	3.3	-1	-	449	320
Support and Services	235	9.0	159	7.0	625	549
Industrial Products and Services	78	4.2	101	5.7	190	213
Saab Kockums	59	5.3	179	22.0	108	228
The operating segments' operating income	748	5.4	375	3.3	2,367	1,994
Corporate	-137		-8		-223	-94
Total	611	4.4	367	3.2	2,144	1,900

Depreciation/amortisation and write-downs per operating segment

MSEK	Jan-Jun 2016	Jan-Jun 2015	Change, %	Q2 2016	Q2 2015	Rolling 12 Months	Full Year 2015
Aeronautics	19	20	-5	10	10	38	39
Dynamics	34	34	-	17	15	74	74
Surveillance	248	248	-	126	126	500	500
Support and Services	8	10	-20	3	5	19	21
Industrial Products and Services	18	19	-5	9	10	46	47
Saab Kockums	17	17	-	8	9	34	34
Corporate	120	115	4	61	60	249	244
Total	464	463	0	234	235	960	959

Operational cash flow per operating segment

MSEK	Jan-Jun 2016	Jan-Jun 2015	Q2 2016	Q2 2015	Rolling 12 Months	Full Year 2015
Aeronautics	1,120	-159	-391	-205	647	-632
Dynamics	138	-155	245	-127	192	-101
Surveillance	1,955	-326	389	-324	2,232	-49
Support and Services	1,714	-248	445	-28	1,325	-637
Industrial Products and Services	-41	-32	82	-77	-24	-15
Saab Kockums	227	71	-13	92	964	808
Corporate	-920	-957	380	-332	163	126
Total	4,193	-1,806	1,137	-1,001	5,499	-500

Capital employed per operating segment

MSEK	30 Jun 2016	31 Dec 2015	30 Jun 2015
Aeronautics	1,894	2,186	1,903
Dynamics	3,065	3,243	2,920
Surveillance	7,048	7,445	7,475
Support and Services	2,375	3,389	2,792
Industrial Products and Services	2,164	2,028	1,753
Saab Kockums	699	647	599
Corporate	3,479	1,641	2,116
Total	20,724	20,579	19,558

Full time equivalents (FTE's) per operating segment

Number at end of the period	30 Jun 2016	31 Dec 2015	30 Jun 2015
Aeronautics	2,809	2,723	2,677
Dynamics	2,071	2,041	2,028
Surveillance	3,627	3,563	3,606
Support and Services	2,163	2,185	2,194
Industrial Products and Services	2,405	2,381	2,365
Saab Kockums	825	803	843
Corporate	821	823	836
Total	14,721	14,519	14,549

NOTE 4 Dividend to Parent Company's shareholders

At the Annual General Meeting 2016, held 14 April, it was decided that the Parent Company's shareholders should receive a dividend of SEK 5.00 per share, totalling MSEK 530.

The record date for the dividend was set at 18 April 2016 and payment of dividend at 21 April 2016.

NOTE 5 Intangible fixed assets

MSEK	30 Jun 2016	31 Dec 2015	30 Jun 2015
Goodwill	5,069	5,045	5,061
Capitalised development costs	1,415	1,157	892
Other intangible assets	259	274	346
Total	6,743	6,476	6,299

NOTE 6 Net liquidity/debt

MSEK	30 Jun 2016	31 Dec 2015	30 Jun 2015
Assets:			
Liquid assets	1,832	850	981
Short-term investments	5,746	2,995	1,773
Total liquid investments	7,578	3,845	2,754
Short-term interest-bearing receivables	47	48	22
Long-term interest-bearing receivables	396	367	103
Long-term receivables attributable to pensions	49	49	59
Long-term interest-bearing financial investments	139	141	142
Total interest-bearing assets	8,209	4,450	3,080
Liabilities:			
Liabilities to credit institutions	5,093	4,762	4,845
Liabilities to associated companies and joint ventures	218	251	234
Other interest-bearing liabilities	590	712	584
Provisions for pensions ¹⁾	2,713	1,942	2,009
Total interest-bearing liabilities and provisions for pensions	8,614	7,667	7,672
Net liquidity (+) / net debt (-)	-405	-3,217	-4,592

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

NOTE 6 Continued

Committed credit lines

MSEK	Facilities	Drawings	Available
Revolving credit facility (Maturity 2021)	6,000	-	6,000
Overdraft facility (Maturity 2017)	96	1	95
Total	6,096	1	6,095

Parent Company

MSEK	30 Jun 2016	31 Dec 2015	30 Jun 2015
Long-term liabilities to credit institutions	5,092	4,360	2,425
Short-term liabilities to credit institutions	1	402	2,420
Total	5,093	4,762	4,845

Since 2009 Saab has a Medium Term Note programme (MTN) to enable the issuance of long-term loans on the capital market. In 2015 the MTN programme was increased from SEK 3 billion to SEK 6 billion. Under the terms of this programme Saab has issued fixed rate bonds as well as Floating Rate Notes (FRN) totalling SEK 4.2 billion. In December 2015, Saab signed Schuldschein loan agreements amounting to MEUR 100, of which MEUR 90 was settled in the fourth quarter 2015 and the first quarter 2016. The remaining MEUR 10 was settled in the second quarter 2016.

NOTE 7 Capital employed

MSEK	30 Jun 2016	31 Dec 2015	30 Jun 2015
Total assets	38,021	35,088	31,993
Less non-interest bearing liabilities	17,297	14,509	12,435
Return on capital capital employed	20,724	20,579	19,558

NOTE 8 Financial instruments

Classification and categorisation of financial assets and liabilities ¹⁾

Carrying amount	30 Jun 2016	31 Dec 2015
Financial assets:		
Financial investments at fair value through profit and loss	48	49
Financial investments held to maturity ²⁾	139	141
Long-term receivables	457	444
Derivatives identified as hedges	786	972
Derivatives at fair value through profit and loss for trading	41	86
Accounts receivable and other receivables	9,520	11,540
Short-term investments at fair value	5,746	2,995
Liquid assets	1,832	850
Total financial assets	18,569	17,077
Financial liabilities:		
Interest-bearing liabilities ³⁾	5,901	5,725
Derivatives identified as hedges	1,389	1,561
Derivatives at fair value through profit and loss for trading	46	53
Other liabilities	5,810	5,486
Total financial liabilities	13,146	12,825

¹⁾ 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 702.

²⁾ Fair value 2016 Jun: MSEK 141; 2015 Dec: MSEK 142.

³⁾ Fair value 2016 Jun: MSEK 5,908; 2015 Dec: MSEK 5,749.

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 date:

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

Level 2

According to accepted valuation models based on observable market data:

- 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 2016 the Group had the following financial assets and liabilities at fair value:

Assets at fair value

MSEK	30 Jun 2016	Level 1	Level 2	Level 3
Bonds and interest-bearing securities	5,746	5,746	-	-
Forward exchange contracts	788	-	788	-
Currency options	12	-	12	-
Cross currency basis swaps	21	-	21	-
Electricity derivatives	6	6	-	-
Shares and participations	48	-	-	48
Total	6,621	5,752	821	48

Liabilities at fair value

MSEK	30 Jun 2016	Level 1	Level 2	Level 3
Forward exchange contracts	1,258	-	1,258	-
Currency options	5	-	5	-
Interest rate swaps	159	-	159	-
Cross currency basis swaps	1	-	1	-
Electricity derivatives	12	12	-	-
Total	1,435	12	1,423	-

NOTE 9 Supplemental information on Statement of cash flows

Liquid assets

MSEK	30 Jun 2016	31 Dec 2015	30 Jun 2015
The following components are included in liquid assets:			
Cash and bank balances	1,232	850	981
Bank deposits	600	-	-
Total according to balance sheet	1,832	850	981
Total according to statement of cash flows	1,832	850	981

Free cash flow vs. statement of cash flows

MSEK	Jan-Jun 2016	Jan-Jun 2015	Q2 2016	Q2 2015	Full Year 2015
Free cash flow	4,051	-2,082	1,096	-1,141	-726
Investing activities – interest-bearing:					
Short-term investments	-2,700	-514	-194	-994	-1,722
Other financial investments and receivables	-26	-60	-19	-54	-353
Financing activities:					
Repayments of loans	-564	-	-210	-	-1,865
Raising of loans	732	2,837	111	2,829	4,758
Dividend paid to the Parent Company's shareholders	-530	-501	-530	-501	-501
Dividend paid to non-controlling interest	-	-	-	-	-10
Cash flow for the period	963	-320	254	139	-419

Free cash flow

MSEK	Total Group Jan-Jun 2016	Total Group Jan-Jun 2015	Q2 2016	Q2 2015	Total Group Full year 2015
Cash flow from operating activities before changes in working capital, excluding taxes and other financial items	1,227	613	632	273	2,706
Cash flow from changes in working capital:					
Inventories	-509	-1,070	-196	-462	349
Current receivables	1,873	-166	878	-488	-3,573
Advance payments from customers	2,453	121	-289	206	284
Other current liabilities	80	-562	591	-171	1,426
Provisions	-114	-256	-41	-98	-306
Change in working capital	3,783	-1,933	943	-1,013	-1,820
Cash flow from operating activities excluding taxes and other financial items	5,010	-1,320	1,575	-740	886
Investing activities:					
Investments in intangible fixed assets	-476	-139	-304	-64	-594
Investments in tangible fixed assets	-301	-350	-156	-200	-799
Sales and disposals of tangible fixed assets	22	3	22	3	7
Investments in financial fixed assets	-62	-	-	-	-
Cash flow from investing activities ¹⁾	-817	-486	-438	-261	-1,386
Operational cash flow	4,193	-1,806	1,137	-1,001	-500
Taxes and other financial items	-219	-262	-118	-129	-528
Sale of and investments in shares etc.	-	-10	-	-7	211
Acquisitions of operations	-	-4	-	-4	-221
Sale of subsidiaries	77	-	77	-	312
Free cash flow	4,051	-2,082	1,096	-1,141	-726

1) 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.

NOTE 10 Business combinations

No significant acquisitions were made during the first half-year 2016.

NOTE 11 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 2016	30 Jun 2015
Defined-benefit obligation	8,494	7,814
Special employers' contribution	603	470
Less plan assets	5,830	5,864
Total provisions for pensions	3,267	2,420
of which reported as long-term receivable	49	59

NOTE 12 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 13 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 2015, note 40.

NOTE 14 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 less depreciation/amortisation and write-downs of lease aircraft.

EBITDA margin

Operating income before depreciation/amortisation and write-downs less depreciation/amortisation and write-downs of lease aircraft 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 and 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.

Operating margin

Operating income (EBIT) as a percentage of sales.

Operational cash flow

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

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

EKN

The Swedish Export Credits Guarantee Board

FMV

Swedish Defence Materiel Administration

FRN

Floating Rate Note

FTE

Full Time Equivalent, corresponds to one employee working full-time for one year

IAS

International Accounting Standards

IFRS

International Financial Reporting Standards

MTN

Medium Term Note, bonds with a duration of 1-15 years

SAL

Saab Aircraft Leasing, relates to Saab's leasing fleet of turboprop aircraft. This was discontinued in 2015.

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, 21 July 2016

Marcus Wallenberg
Chairman

Sten Jakobsson
Deputy chairman

Johan Forssell
Board member

Sara Mazur
Board member

Bert Nordberg
Board member

Per-Arne Sandström
Board member

Cecilia Stegö Chilò
Board member

Lena Treschow Torell
Board member

Joakim Westh
Board member

Stefan Andersson
Board member

Conny Holm
Board member

Nils Lindskog
Board member

Håkan Buskhe
President and CEO and Board member

REVIEW REPORT

Introduction

We have reviewed the condensed interim financial information of Saab AB for the period from 1 January to 30 June 2016. The board of directors and the president are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410 Review of Interim report performed by the Independent auditor of the entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is

substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, the conclusion expressed based on a review does not give the same level of assurance as conclusion expressed based on an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts act for the Group, and with the Swedish Annual Accounts act for the parent company.

Stockholm 21 July 2016
PricewaterhouseCoopers AB

Bo Hjalmarsson
Authorised Public Accountant

Saab AB is disclosing the information here in pursuant to the Securities Markets Act and/or the Financial Instruments Trading Act.
The information was submitted for publication at 7:30 (CET) on 21 July 2016.

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Press and financial analyst conference

21 July 2016 at 10.00 (CET)

Grand Hôtel, Venue: New York, Blasieholmshamnen 8, Stockholm

Contact Marie Bergström to register and more information,

ph +46 8 463 02 45

You are welcome to participate on site at Grand Hôtel, 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:

saab-interimreport.creo.se/160421

Conference call:

Please, dial in using one of the numbers below.

UK: +44 20 300 89 813

US: +1 855 753 2235

SE: +46 8 566 427 00

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

CALENDAR

INTERIM REPORT JANUARY–SEPTEMBER 2016

PUBLISHED 25 OCTOBER 2016

YEAR-END REPORT 2016

PUBLISHED 15 FEBRUARY 2017

INTERIM REPORT JANUARY–MARCH 2017

PUBLISHED 26 APRIL 2017

INTERIM REPORT JANUARY–JUNE 2017

PUBLISHED 20 JULY 2017

INTERIM REPORT JANUARY–SEPTEMBER 2017

PUBLISHED 24 OCTOBER 2017