



**SAAB** | **75** YEARS OF  
DEFENCE AND  
SECURITY

# **INTERIM REPORT**

JANUARY–JUNE  
2012

# RESULTS AND SUMMARY

## JANUARY–JUNE 2012

### RESULTS JANUARY–JUNE 2012:

- Order bookings amounted to MSEK 11,644 (10,646) and the order backlog at the end of June 2012 was MSEK 37,069 (40,657).
- Sales increased 4 per cent to MSEK 11,805 (11,313). Excluding acquisitions the development was flat. Exchange rates had no significant impact on sales.
- Gross income amounted to MSEK 3,566 (3,040), corresponding to a gross margin of 30.2 per cent (26.9).
- Operating income was MSEK 1,124 (1,065), corresponding to an operating margin of 9.5 per cent (9.4). This included a positive non-recurring item of MSEK 207 from reduction of a potential earn-out liability. 2011 included capital gains of MSEK 253.
- Net income was MSEK 803 (695), with earnings per share after dilution of SEK 7.61 (6.45).
- Operating cash flow amounted to MSEK 196 (2,334). The operating cash flow was lower mainly as a result of utilisation of and reduction in advances and milestone payments compared to the same period 2011.
- The outlook statement for 2012 has changed as a result of a positive non-recurring item during the first half-year.

### CHANGED OUTLOOK STATEMENT 2012:

In 2012, we estimate that sales will increase slightly compared to 2011.

The operating margin in 2012, excluding material net capital gains and other non-recurring items, is expected to be in line with the operating margin in 2011, excluding material net capital gains, of 7.5 per cent.

Previous outlook statement 2012:

In 2012, we estimate that sales will increase slightly compared to 2011.

The operating margin in 2012, excluding material net capital gains, is expected to be in line with the operating margin in 2011, excluding material net capital gains, of 7.5 per cent.

### FINANCIAL HIGHLIGHTS

MSEK	Jan–Jun 2012	Jan–Jun 2011	Change, %	Apr–Jun 2012	Apr–Jun 2011	Jan–Dec 2011
Order bookings	11,644	10,646	9	7,644	5,431	18,907
Order backlog	37,069	40,657	-9	1,412 <sup>3)</sup>	-300 <sup>3)</sup>	37,172
Sales	11,805	11,313	4	6,232	5,861	23,498
Gross income	3,566	3,040	17	1,992	1,613	6,707
Gross margin, %	30.2	26.9		32.0	27.5	28.5
Operating income (EBIT)	1,124	1,065	6	726	697	2,941
Operating margin, %	9.5	9.4		11.6	11.9	12.5
Net income	803	695	16	538	418	2,217
Earnings per share before dilution, SEK	7.88	6.72		5.23	4.06	21.19
Earnings per share after dilution, SEK	7.61	6.45		5.06	3.89	20.38
Return on equity, % <sup>1)</sup>	18.4	7.9				18.1
Operating cash flow <sup>2)</sup>	196	2,334	-92	244	1,775	2,477
Operating cash flow per share after dilution, SEK	1.80	21.38		2.24	16.26	22.69

<sup>1)</sup> The return on equity is measured over a rolling 12-month period

<sup>2)</sup> Operating cash flow includes cash flow from operating activities of MSEK 107 (2,252) and cash flow from investing activities excluding change in short-term investments and other interest-bearing financial assets of MSEK 89 (82)

<sup>3)</sup> Refer to quarterly change

## **STATEMENT BY THE PRESIDENT AND CEO, HÅKAN BUSKHE:**

We secured several important large orders in the first half-year, including a significant development and support order for Gripen from the Swedish Procurement Agency, FMV.

A Declaration of Intent was signed between Sweden and Switzerland about a potential joint acquisition of Gripen as well as co-operation in other areas within security and defence. It was signed in conjunction with the Swedish Minister for Defence, Karin Enström's, visit to Switzerland in June for a bilateral meeting with her Swiss colleague, Federal Councillor Ueli Maurer.

Currently, we see a greater interest in Gripen than perhaps ever before.

Our efforts to become more local in strategically important markets continued. At the beginning of 2012 the market areas India, South Africa and North America were established. In the second quarter, the successful creation of the market area North America was extended to include the region of South America, aligning Saab's presence on the whole American continent.

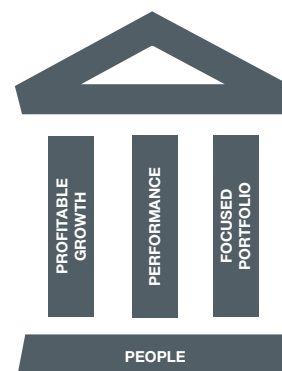
The announcement of the intended public offer for the Dutch Traffic Management services company, HITT N.V. during the period is a step in line with our goal to strengthen our global, leading market position in the Traffic Management field. The intended acquisition will strengthen our position, especially in civilian growth markets such as China and India.

In order to develop our technology leadership and secure future offerings in current challenging market conditions, we see a continued need to invest in internally funded development.

The operating cashflow was lower as a result of utilised, and reduced, advances and milestone payments compared to the same period 2011. It remains a priority to ensure a strong operational cash-flow generation.

General market conditions remain challenging.

### **SAAB'S STRATEGIC PRIORITIES**



Saab's operations are divided into six business areas for control and reporting purposes: Aeronautics, Dynamics, Electronic Defence Systems, Security and Defence

Solutions, Support and Services and the independent subsidiary Combitech.

In addition, Corporate comprises Group staff and departments and secondary opera-

tions. It also includes the leasing fleet of Saab 340 and Saab 2000 aircraft.

MSEK	Jan-Jun 2012	Jan-Jun 2011	Change, %	Apr-Jun 2012	Apr-Jun 2011	Jan-Dec 2011
Order bookings	11,644	10,646	9	7,644	5,431	18,907
Order backlog	37,069	40,657	-9	1,412 <sup>1)</sup>	-300 <sup>1)</sup>	37,172
Sales	11,805	11,313	4	6,232	5,861	23,498

<sup>1)</sup> Refer to quarterly change

## ORDERS, SALES AND INCOME

### Orders

#### Second quarter 2012

Order bookings in the second quarter increased compared to the same period 2011. It included four significant orders from the Swedish Defence Material Administration (FMV) for Gripen development, support and maintenance through 2016 of SEK 3.6 billion.

#### January-June 2012

Order bookings increased in the first half-year compared to the same period 2011, mainly as a result of significant orders received in 2012 from FMV related to Gripen.

For a detailed list of major orders received, see below.

In all, 77 per cent (87) of order bookings were attributable to defence-related operations.

46 per cent (54) of order bookings were from customers outside Sweden.

During the first half-year 2012, index and price changes had a positive effect on order bookings of MSEK 112 (163).

### ORDERS BY MARKET REGION

MSEK	Jan-Jun 2012	Jan-Jun 2011
Sweden	6,282	4,880
EU excluding Sweden	1,973	1,461
Rest of Europe	460	125
Americas	1,682	813
Asia	402	2,377
Africa	380	448
Australia, etc.	465	542
<b>Total</b>	<b>11,644</b>	<b>10,646</b>

Orders received, where the order sum was larger than MSEK 100, represented 53 per cent (52) of total order bookings.

The order backlog at the end of the period amounted to MSEK 37,069, compared to MSEK 37,172 at the beginning of the year.

#### ORDER BACKLOG DURATION:

2012: SEK 10.4 billion

2013: SEK 11.9 billion

2014: SEK 6.6 billion

2015: SEK 3.7 billion

After 2015: SEK 4.5 billion

#### THE ORDER BACKLOG PRIMARILY INCLUDES:

- Gripen system to Sweden and on export
- Structures and subsystems for the aircraft producers Airbus and Boeing
- Airborne early warning systems
- Active and passive countermeasure systems
- Missile systems for air, sea and land
- Command and control, avionics and fire control systems
- Radar systems
- Training systems
- Civil security solutions
- Support and service solutions

### LARGE ORDERS RECEIVED JAN-JUN 2012

Large orders received (approx. values MSEK)	Country	Order value
Support and development agreement for Gripen	Sweden	3,600
Contract extension, Airbus for the A320-family Aileron Airbus	France	701
Ammunition to the Carl-Gustaf M3 weapon system	Australia	199
Carl-Gustaf man-portable weapon systems and ammunition	U.S.	187
Upgrade of command and control system on aircraft carrier	Thailand	180
Electronics for the Norwegian CV90 Infantry Fighting Vehicle	Norway	131
System maintenance and development studies reg. Gripen	Sweden	128
Maintenance of airborne radar system Erieye	Sweden	125
Deployable Tactical Engagement Simulation training system	UK	121
Next generation of laser-based training systems	U.S.	120
Sight and Fire control system UTAAS (Universal Tank and Anti-Aircraft Sight)	Norway	110
Modernisation of all weather radar stations	Sweden	100

**Sales**

**Second quarter 2012**

Exchange rates had no significant impact on sales.

**January–June 2012**

Sales increased 4 per cent in the first half year compared to 2011 as a result of acquisitions.

Exchange rates had no significant impact on sales.

Sales in markets outside Sweden amounted to MSEK 7,414 (6,918), or 63 per cent (61) of total sales.

Of sales, 84 per cent (85) was related to the defence market.

**SALES BY MARKET REGION**

MSEK	Jan–Jun 2012	Jan–Jun 2011
Sweden	4,391	4,395
EU excluding Sweden	2,243	2,094
Rest of Europe	142	156
Americas	1,201	798
Asia	2,468	2,447
Africa	698	954
Australia, etc.	662	469
<b>Total</b>	<b>11,805</b>	<b>11,313</b>

**SALES BY MARKET SEGMENT**

MSEK	Jan–Jun 2012	Jan–Jun 2011
Air	4,753	5,218
Land	4,028	3,333
Naval	1,171	1,010
Civil Security	836	611
Commercial Aeronautics	619	613
Other	398	528
<b>Total</b>	<b>11,805</b>	<b>11,313</b>

**Income, margin and profitability  
Second quarter 2012**

The gross margin improved in the second quarter as a result of a different product and project mix compared to the same period 2011.

The sale of aircraft in Saab's lease fleet of turboprop aircraft contributed positively to the gross margin.

The operating income was positively impacted by a reduced potential earn-out liability related to the acquisition of Saab Sensis of MSEK 207. We estimate it to be unlikely that we will pay the level previously provided for the agreed additional consideration related to the Saab Sensis acquisition in 2011. This is based on the current published information regarding the United States Air Force's acquisition strategy and schedules, including funding profiles for specific programmes where Saab Sensis is involved. Therefore, the potential earn-out liability was reduced by MSEK 207.

MSEK	Jan–Jun 2012	Jan–Jun 2011	Change, %	Apr–Jun 2012	Apr–Jun 2011	Jan–Dec 2011
Gross income	3,566	3,040	17	1,992	1,613	6,707
Gross margin, %	30.2	26.9		32.0	27.5	28.5
Internally funded investments in research and development	768	571	35	433	305	1,355
Operating income before depreciation/amortisation and write-downs (EBITDA)	1,686	1,604	5	1,007	968	4,088
EBITDA margin, %	14.3	14.2		16.2	16.5	17.4
Operating income (EBIT)	1,124	1,065	6	726	697	2,941
Operating margin, %	9.5	9.4		11.6	11.9	12.5
Income before tax (EBT)	1,077	932	16	709	548	2,783
Net income	803	695	16	538	418	2,217
Earnings per share before dilution, SEK	7.88	6.72		5.23	4.06	21.19
Earnings per share after dilution, SEK	7.61	6.45		5.06	3.89	20.38

**January–June 2012**

The gross margin improved in the first half-year as a result of a different product and project mix compared to the same period 2011.

The sale of aircraft in Saab's lease fleet of turboprop aircraft contributed positively to the gross margin.

Marketing expenses increased in the first half-year as a result of an increased level of marketing activities across the Group as well as activities related to the build-up of a stronger local presence in chosen markets.

Total depreciation, amortisation and write-downs amounted to MSEK 593 (600).

Depreciation and write-down of tangible fixed assets amounted to MSEK 188 (163), while depreciation of the leasing fleet amounted to MSEK 31 (61).

The expenditures in research and development that are internally funded increased to MSEK 768 (571), of which a total of MSEK 17 (1) have been capitalised. In order to develop our technology leadership and secure future offerings in current challenging market conditions, we see a continued need to invest in internally funded development.

Amortisation and write-down of intangible fixed assets amounted to MSEK 374 (376), of which amortisation and write-down of capitalised development costs amounted to MSEK 306 (292).

The share of income in associated companies, MSEK -2 (-9), related primarily to net income in Hawker Pacific Airservices Ltd.

The operating income included a non-recurring item of MSEK 207 related to the reduced potential earn-out liability for the acquisition of Saab Sensis in 2011. See page 4 for more information.

**BALANCE SHEET KEY INDICATORS**

MSEK	30 Jun 2012	30 Jun 2011	Change	31 Dec 2011
Net liquidity <sup>1)</sup>	5,047	5,262	-215	5,333
Intangible fixed assets	6,493	6,046	447	6,699
Goodwill	4,345	3,457	888	4,223
Capitalised development costs	1,668	2,125	-457	1,950
Other intangible fixed assets	480	464	16	526
Tangible fixed assets, etc. <sup>2)</sup>	4,119	4,526	-407	4,572
Inventories	4,671	3,891	780	4,334
Accounts receivable	2,945	3,359	-414	3,153
Other receivables	2,726	3,043	-317	3,579
Accrued revenues <sup>3)</sup>	2,005	2,267	-262	2,643
Advance payments from customers	862	1,279	-417	1,022
Equity/assets ratio, (%)	44.4	39.1		41.1
Return on equity, (%) <sup>4)</sup>	18.4	7.9		18.1
Equity per share, SEK <sup>5)</sup>	126.11	111.16	14.95	122.94

<sup>1)</sup> The Group's net liquidity refers to liquid assets, short-term investments and interest-bearing receivables less interest-bearing liabilities and provisions for pensions. For a detailed break-down of interest-bearing receivables and interest-bearing liabilities, see note 6, page 30.

<sup>2)</sup> Including tangible fixed assets, lease assets, biological assets and investment properties.

<sup>3)</sup> Amounts due from customers (long-term customer contracts according to the percentage of completion method).

<sup>4)</sup> The return on equity is measured over a rolling 12-month period.

<sup>5)</sup> Number of shares excluding treasury shares; 2012 Jun: 105,658,633; 2011 Dec: 105,331,958; 2011 Jun 104,975,480.

**FINANCIAL NET**

MSEK	Jan–Jun 2012	Jan–Jun 2011
Project interest from unutilised advance payment	-8	-18
Net interest items	24	-8
Currency gains	21	2
Financial net related to pensions	-71	-29
Other net financial items	-13	-80
<b>Total</b>	<b>-47</b>	<b>-133</b>

Project interest is the return received on unutilised advance payments from customers that are received in connection with some orders. The return generated from this advance financing is recognised in gross income and reduces financial net.

The currency gains reported above are related to the tender portfolio where the hedges were valued at fair value. Other net financial items consisted of income from shares in associated companies and other exchange rate effects, for example exchange rate changes related to liquid assets in currencies other than SEK.

The financial net related to pensions decreased as a result of an increased unreported actuarial loss during 2011, which led to an increased amortisation of actuarial losses.

Current and deferred taxes amounted to MSEK -274 (-237), equivalent to an effective tax rate of 25 per cent (25).

The pre-tax return on capital employed was 22.3 per cent (13.0) and the after-tax return on equity was 18.4 per cent (7.9), both measured over a rolling 12-month period.

## FINANCIAL POSITION AND LIQUIDITY

### Financial position

Since the start of 2012, the net cash position has decreased by MSEK 286 and amounted to MSEK 5,047 at the end of June 2012.

In 2009, Saab changed its view on the application of the accounting principles for development costs. As a result of this more conservative view, development costs are capitalised at a later stage in all projects and all capitalised development costs are amortised over maximum ten years. As a result of this, the capitalised development costs have been reduced from MSEK 3,628 at the end of 2008 to MSEK 1,668 at the end of June 2012.

The intangible fixed assets increased during the first half-year 2012, compared to the same period 2011, as a result of the increased goodwill resulting from the acquisition of Saab Sensis that was finalised during the third quarter 2011.

Inventories increased as a result of timing differences in procurement, production and deliveries during the year. Inventories are recognised after deducting utilised advances.

Tangible fixed assets decreased as a result of divestment of lease assets and investment properties.

Short-term interest-bearing liabilities decreased by MSEK 55 from the beginning of the year.

Provisions for pensions amounted to MSEK 12 (5). During the period, the Saab Pension Fund was capitalised with a total of MSEK 0 (0).

For more information about the Group's defined-benefit plans, see note 9, page 31.

### Cash flow

Operating cash flow amounted to MSEK 196 (2,334). The lower level of operating cash flow in the first half-year compared to the same period 2011 was mainly a result of utilisation of and reduction in advances and milestone payments.

The operating cash flow was distributed between cash flow from core operating activities of MSEK 181 (2,230), acquisitions and divestments of operations and associated companies of MSEK 79 (140) and the leasing aircraft business of MSEK -64 (-36).

Saab has an established programme to sell accounts receivable to strengthen its financial position and increase financial flexibility. As per 30 June 2012, net receivables of MSEK 731 were sold, compared to MSEK 1,036 at 30 June 2011 and MSEK 872 at 31 December 2011. Hence, it had a negative impact of MSEK 141 on operating cash flow for the first half-year 2012.

For more detailed information about the operating cash flow, see note 7, pages 30-31.

## ACQUISITIONS AND DIVESTMENTS

In January 2012, Saab announced that the independent subsidiary Combitech had acquired the consulting firm Sörman Intressenter AB, parent company of Sörman Information AB (Sörman). Sörman had 168 employees.

In June 2012, Saab announced it had acquired 100 per cent of the shares in Täby Displayteknik AB, a subsidiary of ISD Technologies AB. Täby Displayteknik had twelve employees and develops simulator solutions. It has for example developed the Joint Fires Synthetic Training (JFIST\*) for virtual joint exercises with the various weapons systems used by air, naval and ground forces.

For more information regarding these acquisitions, see note 8 and page 31.

No other significant acquisitions or divestments were made during the first half-year 2012.

## CAPITAL EXPENDITURES AND PERSONNEL

### Capital expenditures

Gross capital expenditures in property, plant and equipment, excluding lease assets, amounted to MSEK 185 (129).

Investments in intangible assets amounted

to MSEK 28 (10) of which MSEK 17 (1) related to capitalised product development and MSEK 11 (9) to other intangible assets.

### Personnel

At 30 June 2012, the Group had 13,626 employees, compared to 13,068 at the beginning of the year. The number of FTE's (Full Time Equivalents) at the end of the period was 13,461, compared to 12,850 at the beginning of the year. The increase of FTE's is related to the acquisition of Sörman Information in January 2012 and on-going recruitments in areas with high demand.

During the second quarter 2012, Saab announced it will start investigating how its local defence divisions could be reorganised in South Africa to meet local and global financial challenges. The ambition is to have a new consolidated organisation in place later this year. Affected divisions will include the local operations of Electronic Defence Systems, Support and Services as well as Saab Systems Grintek (reported in business area Security and Defence Solutions).

## 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 the product. 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 significant risk-taking in various respects. The key risk areas are political, operating and financial risks.

Various policies and instructions govern the management of significant risks. Saab conducts significant development projects and manages the associated risks.

FOR A GENERAL DESCRIPTION OF THE RISK AREAS FOR 2012, SEE PAGES 62-65 OF THE ANNUAL REPORT FOR 2011.



#### OTHER IMPORTANT EVENTS JANUARY – JUNE 2012

- Saab announced that Combitech had acquired Sörman Information AB. The acquisition is part of Combitech's strategy to expand its range of services and grow in the Nordic consultancy market. Following the acquisition of Sörman, Combitech has an annual turnover of approximately SEK 1.1 billion and 1,100 employees.
- Saab held its Annual General Meeting in Stockholm on 19 April. All members of the Saab Board of Directors were re-elected. The Saab Board of Directors therefore consists of Håkan Buskhe, Johan Forssell, Sten Jakobsson, Per-Arne Sandström, Cecilia Stegö Chilò, Åke Svensson, Lena Treschow Torell, Marcus Wallenberg and Joakim Westh. Marcus Wallenberg was re-elected by the General Meeting as Chairman of the Board of Saab AB. At the statutory Board meeting following the Annual General Meeting, Sten Jakobsson was elected Vice Chairman of the Board.
- Saab announced that Magnus Örnberg had been appointed new Chief Financial Officer (CFO). He takes up his position on 1 November, and will become part of the group management team.
- Saab announced that it intends to make a cash offer for 100 per cent of the issued and outstanding shares of HITT N.V.. HITT develops technology and implements projects to improve safety and security at airports and in maritime environments. HITT is headquartered in Apeldoorn, the Netherlands, and is listed on the NYSE Euronext Amsterdam stock exchange. It has 188 employees who are mainly based in the Netherlands, North America and Hong Kong. The intended acquisition is in line with Saab's overall strategy to strengthen the position on the global Traffic Management market.
- Saab announced it will set up a Saab Americas Market Area. The business will be headed by Jonas Hjelm, who will leave his present post as Marketing Director in Saab's Management Group at the same time, on 1 January 2013.

#### IMPORTANT EVENTS AFTER THE CONCLUSION OF THE PERIOD

- In July 2012, the independent subsidiary Combitech, announced it had acquired 70 per cent of the shares in Bayes Risk Management AS, Norway, with an option to acquire the additional 30 per cent of the shares within 18 months. Bayes Risk Management AS has about 30 employees.
- With reference to the joint press release by Saab AB and HITT N.V. of June 7, 2012 regarding the intended public offer by Saab for all the issued and outstanding ordinary shares in HITT, Saab and HITT announce that the preparations for the offer are well on track. The advice of the HITT works council has been requested and the consultation process is ongoing. Saab announced it expects to submit a request for approval of its offer document to the Netherlands' Authority for the Financial Markets ("AFM") before mid July. It is currently expected that the offer can be launched early/mid August 2012, subject to approval of the AFM and fulfilment or waiver of the other pre-offer conditions.

For information on major orders received during January–June 2012 see page 3 and the business area comments on pages 8–13.



## AERONAUTICS

MSEK	Jan-Jun 2012	Jan-Jun 2011	Change, %	Apr-Jun 2012	Apr-Jun 2011	Jan-Dec 2011
Order bookings	3,873	2,555	52	3,056	1,592	3,807
Order backlog	13,841	14,848	-7	1,352 <sup>1)</sup>	-242 <sup>1)</sup>	13,091
Sales	3,123	3,343	-7	1,704	1,835	6,351
Operating income before depreciation/amortisation and write-downs (EBITDA)	278	361	-23	142	220	579
EBITDA margin, %	8.9	10.8		8.3	12.0	9.1
Operating income (EBIT)	162	236	-31	84	157	332
Operating margin, %	5.2	7.1		4.9	8.6	5.2
Operating cash flow	-129	665	-119	-7	225	223
Defence/Civil (% of sales)	86/14	88/12		84/16	88/12	86/14
No. of employees	2,863	2,796	2	64 <sup>1)</sup>	-28 <sup>1)</sup>	2,748
No. FTEs	2,764	2,660	4	42 <sup>1)</sup>	-15 <sup>1)</sup>	2,670

For a description of business area activities, see note 3.

<sup>1)</sup> Refer to a quarterly change

### HIGHLIGHTS

#### ORDERS RECEIVED

- Orders received in the first half-year included an order received from FMV for continual maintenance and updates for the Gripen C/D. Saab also received four orders from FMV for Gripen development, support and maintenance through 2016. The sum of total orders for Aeronautics related to these four orders amounted to MSEK 1,883.
- Orders received also included new order bookings of about SEK 1 billion in the first half-year 2012 for deliveries to the Boeing 787 programme, the Airbus A380 programme and the Airbus A320 programme.
- Orders received, where the order sum exceeded MSEK 100, represented 82 per cent (76) of total order bookings.

#### SALES

- Sales decreased compared to the same period 2011, as 2011 included production and deliveries of Gripen aircraft for South Africa as well as a higher activity level related to Thailand.
- Markets outside Sweden accounted for 37 per cent (46) of sales.

#### INCOME AND MARGIN

- The operating margin decreased compared to the same period 2011, mainly as a result of the divestment of the ownership in Denel Saab Aerostructures SA that generated a capital gain before tax of MSEK 58 in the first half-year 2011.

#### CASH FLOW

- Operating cash flow was negative in the first half-year due to utilisation of and reduction in advances and milestone payments.

#### EMPLOYEES

- The number of employees increased in the first half-year compared to year-end 2011 as a result of a higher activity level.

## DYNAMICS

MSEK	Jan-Jun 2012	Jan-Jun 2011	Change, %	Apr-Jun 2012	Apr-Jun 2011	Jan-Dec 2011
Order bookings	1,427	2,379	-40	873	851	4,246
Order backlog	4,481	5,885	-24	-496 <sup>1)</sup>	-217 <sup>1)</sup>	5,460
Sales	2,394	2,046	17	1,359	1,084	4,335
Operating income before depreciation/amortisation and write-downs (EBITDA)	368	292	26	218	166	652
EBITDA margin, %	15.4	14.3		16.0	15.3	15.0
Operating income (EBIT)	283	212	33	175	123	484
Operating margin, %	11.8	10.4		12.9	11.3	11.2
Operating cash flow	382	392	-3	321	52	588
Defence/Civil (% of sales)	93/7	92/8		92/8	90/10	92/8
No. of employees	1,502	1,473	2	21 <sup>1)</sup>	47 <sup>1)</sup>	1,475
No. FTE	1,536	1,473	4	16 <sup>1)</sup>	57 <sup>1)</sup>	1,494

For a description of the business area activities, see note 3.

<sup>1)</sup> Refer to a quarterly change

### HIGHLIGHTS

#### ORDERS RECEIVED

- Orders received in the first half-year were lower than the same period 2011. 2011 included a large order for ammunition to the Carl-Gustaf man-portable weapon system of MSEK 1,155.
- Large orders received included a contract with the U.S. Special Operations Command to supply additional Carl-Gustaf man-portable weapon systems and ammunition as well as an order placed under a standing offer signed in early 2011, for ammunition to the Carl-Gustaf M3 weapon system from Australia.
- Smaller orders received in the period included for example orders for the Carl-Gustaf and AT4 man-portable weapon systems and for underwater ROVs (Remotely Operated Vehicles).
- Orders received, where the order sum exceeded MSEK 100, represented 27 per cent (65) of total order bookings.

#### SALES

- Sales increased in the first half-year compared to 2011 as a result of a high activity level in large projects.
- Markets outside Sweden accounted for 88 per cent (78) of sales.

#### INCOME AND MARGIN

- The operating margin in the first half-year increased due to a more favourable product mix and increased sales.

#### CASH FLOW

- Operating cash flow was higher in the second quarter 2012, compared to 2011, due to timing differences in advance payments related to large orders.

## ELECTRONIC DEFENCE SYSTEMS

MSEK	Jan-Jun 2012	Jan-Jun 2011	Change, %	Apr-Jun 2012	Apr-Jun 2011	Jan-Dec 2011
Order bookings	1,547	2,164	-29	1,027	930	3,229
Order backlog	6,066	8,245	-26	-138 <sup>1)</sup>	-137 <sup>1)</sup>	6,855
Sales	2,289	2,129	8	1,108	1,094	4,561
Operating income before depreciation/amortisation and write-downs (EBITDA)	515	464	11	318	298	785
EBITDA margin, %	22.5	21.8		28.7	27.2	17.2
Operating income (EBIT)	301	217	39	210	181	297
Operating margin, %	13.1	10.2		19.0	16.5	6.5
Operating cash flow	75	723	-90	-110	277	413
Defence/Civil (% of sales)	99/1	99/1		99/1	99/1	99/1
No. of employees	2,572	2,447	5	7 <sup>1)</sup>	9 <sup>1)</sup>	2,557
No. FTEs	2,533	2,367	7	25 <sup>1)</sup>	21 <sup>1)</sup>	2,494

For a description of the business area activities, see note 3.

<sup>1)</sup> Refer to a quarterly change

### HIGHLIGHTS

#### ORDERS RECEIVED

- Orders received decreased in the first half-year compared to the same period 2011, mainly as a result of a continued challenging market situation and delays in customers' investment decision processes.
- Saab received four orders from FMV for Gripen development, support and maintenance through 2016. The sum of total orders for Electronic Defence Systems related to these four orders amounted to MSEK 476.
- FMV also placed an order for maintenance of the Erieye airborne radar system.
- Smaller orders received in the period included for example an order for the Sea Giraffe radar to General Dynamics for the Littoral Combat Ships in the U.S..
- Orders received, where the order sum exceeded MSEK 100, represented 42 per cent (44) of total order bookings.

#### SALES

- Sales in the first half-year increased compared to the same period last year as a result of a higher activity level in large projects.
- Markets outside Sweden accounted for 78 per cent (71) of sales.

#### INCOME AND MARGIN

- The operating income in the first half-year improved compared to the same period 2011, partly as a result of a positive non-recurring item from a reduction in the potential earn-out liability related to the acquisition of Sensis that contributed with MSEK 154 to the operating income. The operating income in the first half-year 2011 included a capital gain before tax of MSEK 122 from the divestment of the ownership share of 42.4 per cent in the South African system engineering company Grintek Ewaton.
- The underlying operating margin was negatively impacted by the challenging market situation in South Africa, which was compensated for by a favourable project and product mix in the period.
- The integration of Saab Sensis continued as planned in the period.

#### CASH FLOW

- Operating cash flow was lower in the first half-year compared to 2011 due to timing differences in milestone payments.

#### EMPLOYEES

- During the second quarter Saab announced that it will start investigating how its local defence divisions could be reorganised in South Africa to meet local and global financial challenges. The ambition is to have a new consolidated organisation in place later this year. Affected divisions will include the local operations of Electronic Defence Systems.

**SECURITY AND DEFENCE SOLUTIONS**

MSEK	Jan-Jun 2012	Jan-Jun 2011	Change, %	Apr-Jun 2012	Apr-Jun 2011	Jan-Dec 2011
Order bookings	2,106	1,805	17	859	1,028	4,582
Order backlog	7,164	7,561	-5	-445 <sup>1)</sup>	-191 <sup>1)</sup>	7,712
Sales	2,677	2,575	4	1,354	1,272	5,704
Operating income before depreciation/amortisation and write-downs (EBITDA)	217	181	20	123	89	502
EBITDA margin, %	8.1	7.0		9.1	7.0	8.8
Operating income (EBIT)	149	138	8	89	67	394
Operating margin, %	5.6	5.4		6.6	5.3	6.9
Operating cash flow	-324	645	-150	-153	539	584
Defence/Civil (% of sales)	71/29	72/28		74/26	76/24	74/26
No. of employees	3,019	2,603	16	33 <sup>1)</sup>	98 <sup>1)</sup>	2,994
No. of FTEs	3,041	2,604	17	46 <sup>1)</sup>	113 <sup>1)</sup>	2,995

For a description of the business area activities, see note 3.

<sup>1)</sup> Refer to a quarterly change

**HIGHLIGHTS**

**ORDERS RECEIVED**

- Orders received increased in the first half-year compared to the same period 2011, as a result of the acquisition of Saab Sensis.
- Saab signed a five year contract with the U.S. Federal Aviation Administration (FAA) for the Airport Surface Surveillance Capability (ASSC) programme. Orders received in the first half-year 2012 included orders from the programme of approximately MSEK 166.
- In addition, Saab signed a two year extension for the Deployable Tactical Engagement Simulation training system (DTES) managed service from the UK Ministry of Defence and also secured multi-year contract for the next generation laser-based training systems for the U.S. Army's armored combat vehicles.
- An order was received from BAE Systems, Sweden, for sight and fire control system UTAAS (Universal Tank and Anti-Aircraft Sight) covering new sight systems, including virtual image displays, and upgrade and modification of the existing systems on combat vehicle CV9030N, for the Norwegian Army.
- An order was also received from the Royal Thai Navy for the upgrading of the command and control system on the aircraft carrier H.T.M.S. Chakri Naruebet.
- Orders received, where the order sum exceeded MSEK 100, represented 32 per cent (27) of total order bookings.

**SALES**

- Sales decreased in the first half-year, excluding the addition of the acquisition of Saab Sensis, compared to the same period 2011, mainly as a result of continued challenging market conditions in South Africa.
- Markets outside Sweden accounted for 74 per cent (77) of sales.

**INCOME AND MARGIN**

- The operating income in the first half-year increased compared to the same period 2011, as a result of a one time effect from a reduction in the potential earn-out liability related to the acquisition of Sensis that contributed with MSEK 53 to the operating income.
- The underlying profitability was lower than in the same period 2011, partly related to the challenging market situation in South Africa.
- The integration of Saab Sensis continued as planned in the period.

**CASH FLOW**

- Operating cash flow was negative in the first half-year 2012. The decrease compared to 2011 is due to timing differences of milestone payments.

**EMPLOYEES**

- During the second quarter, Saab announced that it will start investigating how its local defence divisions could be reorganised in South Africa to meet local and global financial challenges. The ambition is to have a new consolidated organisation in place later this year. Affected divisions will include the local operations of Security and Defence Solutions.

## SUPPORT AND SERVICES

MSEK	Jan-Jun 2012	Jan-Jun 2011	Change, %	Apr-Jun 2012	Apr-Jun 2011	Jan-Dec 2011
Order bookings	2,983	1,959	52	2,028	1,036	3,174
Order backlog	5,942	4,997	19	1,308 <sup>1)</sup>	259 <sup>1)</sup>	4,455
Sales	1,623	1,688	-4	844	781	3,428
Operating income before depreciation/amortisation and write-downs (EBITDA)	170	191	-11	98	112	444
EBITDA margin, %	10.5	11.3		11.6	14.3	13.0
Operating income (EBIT)	161	182	-12	94	107	426
Operating margin, %	9.9	10.8		11.1	13.7	12.4
Operating cash flow	535	391	37	113	256	420
Defence/Civil (% of sales)	78/22	80/20		80/20	79/21	80/20
No. of employees	1,774	1,744	2	11 <sup>1)</sup>	3 <sup>1)</sup>	1,742
No. FTEs	1,775	1,710	4	6 <sup>1)</sup>	-7 <sup>1)</sup>	1,737

For a description of the business area activities, see note 3.

<sup>1)</sup> Refer to a quarterly change

### HIGHLIGHTS

#### ORDERS RECEIVED

- Orders received in the first half-year increased compared to the same period 2011. It included signing of a long-term contract with the Swedish Meteorological and Hydrological Institute (SMHI) and FMV for the modernisation and systems upgrade of all twelve weather radar stations in Sweden.
- Saab also received four orders from FMV for Gripen development, support and maintenance through 2016. The sum of total orders for Support and Services related to these four orders amounted to MSEK 1,242.
- An order was received from BAE Systems, Sweden, for the supply of automotive electronics for displaying vehicle, command and sensor information. The deliveries include a computer network and operator displays as well as digital video systems with cameras.
- Orders received, where the order sum exceeded MSEK 100, represented 46 per cent (30) of total order bookings.

#### SALES

- Sales in the first half-year decreased compared to the same period 2011 as a result of a different project mix.
- Markets outside Sweden accounted for 26 per cent (20) of sales.

#### INCOME AND MARGIN

- The operating income in the first half-year was lower than in the same period 2011 as a result of lower sales and a different project mix.

#### CASH FLOW

- The operating cash flow in the first half-year was at a higher level than in 2011 due to payments for major milestones in large projects.

#### EMPLOYEES

- The number of employees increased in the first half-year compared to 2011 mainly as a result of the growing demand related to helicopter maintenance and service operations.
- During the second quarter Saab announced that it will start investigating how its local defence divisions could be reorganised in South Africa to meet local and global financial challenges. The ambition is to have a new consolidated organisation in place later this year. Affected divisions will include the local operations of Support and Services.

**COMBITECH**

MSEK	Jan-Jun 2012	Jan-Jun 2011	Change, %	Apr-Jun 2012	Apr-Jun 2011	Jan-Dec 2011
Order bookings	637	541	18	391	299	1,118
Order backlog	385	272	42	27 <sup>1)</sup>	42 <sup>1)</sup>	344
Sales	672	496	35	361	257	1,000
Operating income before depreciation/amortisation and write-downs (EBITDA)	63	49	29	22	20	94
EBITDA margin, %	9.4	9.9		6.1	7.8	9.4
Operating income (EBIT)	60	48	25	21	20	92
Operating margin, %	8.9	9.7		5.8	7.8	9.2
Operating cash flow	3	83	-96	17	30	87
Defence/Civil (% of sales)	51/49	54/46		55/45	54/46	52/48
No. of employees	1,216	852	43	18 <sup>1)</sup>	6 <sup>1)</sup>	923
No. FTEs	1,144	792	44	-2 <sup>1)</sup>	-8 <sup>1)</sup>	856

For a description of the business area activities, see note 3.

<sup>1)</sup> Refer to a quarterly change

**HIGHLIGHTS**

**SALES**

- Sales increased in the first half-year, compared to 2011, as a result of the acquisition of Sörman Information acquired in January 2012, and the establishment of a development centre in Trollhättan, Sweden. In order to achieve the sales growth the number of full time equivalents increased by 288 persons, of which 168 were related to the acquisition of Sörman Information. Business activities with customers other than Saab accounted for 60 per cent (61).
- Markets outside Sweden accounted for 1 per cent (2) of sales.

**INCOME AND MARGIN**

- The operating income increased in the first half-year, compared to 2011, as a result of the acquisition of Sörman Information and the establishment of a development centre in Trollhättan, Sweden.
- The profitability in the first half-year compared to 2011 decreased as a result of a slightly changed sales mix and a somewhat lower capacity utilisation.

**CASH FLOW**

- The operating cash flow was lower in the first half-year as a result of the acquisition of Sörman Information.

**EMPLOYEES**

- At the beginning of 2012, a development centre was established in Trollhättan, Sweden, where 100 employees have been hired during the first half-year 2012. The development centre offers complete engineering development packages on a consultancy basis in the Nordic industrial market including, but not limited to, the automotive sector.

## **CORPORATE**

Corporate reported operating income of MSEK 8 (32).

The sale of aircraft in Saab's lease fleet of turboprop aircraft contributed positively to the operating income.

The first half-year 2011 included a capital gain of MSEK 13 from the sale of Image Systems AB to Digital Vision AB and an additional consideration for the divestment of Saab Space of MSEK 60.

## **PARENT COMPANY**

### **Sales and income**

The Parent Company includes units within the business areas Aeronautics, Electronic Defence Systems, Security and Defence Solutions and Support and Services. Group staff and Group support are included as well. The Parent Company's sales in the first half-year amounted to MSEK 7,500 (7,593). Operating income was MSEK 626 (142). The operating income in the first half-year 2011 included expenses of approximately MSEK 330 regarding increased pension obligations according to the FPG/PRI system due to changed mortality assumptions.

Net financial income and expenses was MSEK 91 (334). After appropriations of MSEK 0 (0) and taxes of MSEK -221 (-110), net income for the period amounted to MSEK 496 (366).

### **Liquidity, finance, capital expenditures and number of employees**

The Parent Company's net liquidity amounted to MSEK 11 at 30 June 2012 compared to MSEK 516 at 31 December 2011.

Gross capital expenditures in property, plant and equipment amounted to MSEK 113 (71). Investments in intangible assets amounted to MSEK 10 (10). At the end of June 2012, the Parent Company had 8,175 employees, compared to 7,873 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.

### **Share repurchase**

Saab held 3,491,711 treasury shares as of 30 June 2012 compared to 3,818,386 at year-end 2011. The Annual General Meeting on 19 April 2012 authorised the Board of Directors to repurchase up to 10 per cent of the shares of Saab to hedge the share matching plan and performance share plan.

### **Owners**

According to SIS Ägarservice, Saab's largest shareholders as of 30 June 2012 are Investor AB, the Wallenberg foundations, Swedbank Robur Funds, AFA Insurance, Unionen, SHB Funds, SEB Funds, the Fourth AP-Fund, Länsförsäkringar funds and Orkla ASA.



**CONSOLIDATED INCOME STATEMENT**

MSEK	Note	Jan-Jun 2012	Jan-Jun 2011	Rolling 12- months	Jan-Dec 2011
Sales	3	11,805	11,313	23,990	23,498
Cost of goods sold		-8,239	-8,273	-16,757	-16,791
Gross income		3,566	3,040	7,233	6,707
Gross margin, %		30.2	26.9	30.2	28.5
Other operating income		272	346	1,277	1,351
Marketing expenses		-1,079	-828	-2,130	-1,879
Administrative expenses		-567	-600	-1,184	-1,217
Research and development costs		-1,057	-862	-2,123	-1,928
Other operating expenses		-9	-22	-64	-77
Share of income in associated companies		-2	-9	-9	-16
Operating income (EBIT) <sup>1)</sup>	3	1,124	1,065	3,000	2,941
Operating margin, %		9.5	9.4	12.5	12.5
Share of income in associated companies		1	1	4	4
Financial income		80	52	190	162
Financial expenses		-128	-186	-266	-324
Net financial items		-47	-133	-72	-158
Income before taxes		1,077	932	2,928	2,783
Taxes		-274	-237	-603	-566
Net income for the period		803	695	2,325	2,217
of which Parent Company's shareholders' interest		831	704	2,352	2,225
of which non-controlling interest		-28	-9	-27	-8
Earnings per share before dilution, SEK <sup>2)</sup>		7.88	6.72	22.35	21.19
Earnings per share after dilution, SEK <sup>3)</sup>		7.61	6.45	21.54	20.38
<sup>1)</sup> INCLUDES DEPRECIATION/AMORTISATION AND WRITE-DOWNS		-593	-600	-1,254	-1,261
OF WHICH DEPRECIATION OF LEASING AIRCRAFT		-31	-61	-84	-114
<sup>2)</sup> AVERAGE NUMBER OF SHARES BEFORE DILUTION		105,465,221	104,839,198	105,295,326	104,982,315
<sup>3)</sup> AVERAGE NUMBER OF SHARES AFTER DILUTION		109,150,344	109,150,344	109,150,344	109,150,344

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

MSEK	Jan-Jun 2012	Jan-Jun 2011	Rolling 12- months	Jan-Dec 2011
Net income for the period	803	695	2,325	2,217
Other comprehensive income:				
Translation differences	51	-93	84	-60
Net gain/loss on cash flow hedges	-68	183	-507	-256
Share of other comprehensive income in associated companies	-	-26	-	-26
Tax attributable to other comprehensive income	18	-47	134	69
Other comprehensive income for the period	1	17	-289	-273
<b>Net comprehensive income for the period</b>	<b>804</b>	<b>712</b>	<b>2,036</b>	<b>1,944</b>
of which Parent Company's shareholders' interest	828	740	2,083	1,995
of which non-controlling interest	-24	-28	-47	-51

**QUARTERLY INCOME STATEMENT**

MSEK	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010
Sales	6,232	5,573	7,347	4,838	5,861	5,452	8,053	5,004
Cost of goods sold	-4,240	-3,999	-5,091	-3,427	-4,248	-4,025	-6,413	-3,765
Gross income	1,992	1,574	2,256	1,411	1,613	1,427	1,640	1,239
Gross margin, %	32.0	28.2	30.7	29.2	27.5	26.2	20.4	24.8
Other operating income	231	41	47	958	273	73	101	40
Marketing expenses	-622	-457	-619	-432	-430	-398	-480	-379
Administrative expenses	-292	-275	-374	-243	-290	-310	-431	-217
Research and development costs	-578	-479	-621	-445	-456	-406	-579	-390
Other operating expenses	-6	-3	-27	-28	-10	-12	-1	7
Share of income in associated companies	1	-3	-3	-4	-3	-6	1	22
Operating income (EBIT) <sup>1)</sup>	726	398	659	1,217	697	368	251	322
Operating margin, %	11.6	7.1	9.0	25.2	11.9	6.7	3.1	6.4
Share of income in associated companies	-	1	2	1	-	1	2	-
Financial income	37	43	32	78	-13	65	-30	41
Financial expenses	-54	-74	-71	-67	-136	-50	-31	-89
Net financial items	-17	-30	-37	12	-149	16	-59	-48
Income before taxes	709	368	622	1,229	548	384	192	274
Taxes	-171	-103	-203	-126	-130	-107	-172	-86
Net income for the period	538	265	419	1,103	418	277	20	188
of which Parent Company's shareholders' interest	552	279	413	1,108	425	279	8	179
of which non-controlling interest	-14	-14	6	-5	-7	-2	12	9
Earnings per share before dilution, SEK <sup>2)</sup>	5.23	2.65	3.92	10.55	4.06	2.66	0.09	1.70
Earnings per share after dilution, SEK <sup>3)</sup>	5.06	2.56	3.78	10.15	3.89	2.56	0.08	1.64
<sup>1)</sup> INCLUDES DEPRECIATION/AMORTISATION AND WRITE-DOWNS	-296	-297	-329	-332	-301	-299	-355	-331
OF WHICH DEPRECIATION OF LEASING AIRCRAFT	-15	-16	-23	-30	-30	-31	-33	-37
<sup>2)</sup> AVERAGE NUMBER OF SHARES BEFORE DILUTION	105,546,890	105,383,552	105,214,551	104,904,903	104,903,636	104,774,760	104,710,852	105,118,070
<sup>3)</sup> AVERAGE NUMBER OF SHARES AFTER DILUTION	109,150,344	109,150,344	109,150,344	109,150,344	109,150,344	109,150,344	109,150,344	109,150,344

**QUARTERLY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

MSEK	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010
Net income for the period	538	265	419	1,103	418	277	20	188
Other comprehensive income:								
Translation differences	99	-48	42	-9	55	-148	77	-158
Net gain/loss on cash flow hedges	-184	116	-27	-412	-107	290	-19	638
Share of other comprehensive income in associated companies	-	-	-	-	-18	-8	-8	9
Tax attributable to other comprehensive income	49	-31	7	109	29	-76	6	-168
Other comprehensive income for the period	-36	37	22	-312	-41	58	56	321
<b>Net comprehensive income for the period</b>	<b>502</b>	<b>302</b>	<b>441</b>	<b>791</b>	<b>377</b>	<b>335</b>	<b>76</b>	<b>509</b>
of which Parent Company's shareholders' interest	518	310	434	821	382	358	65	504
of which non-controlling interest	-16	-8	7	-30	-5	-23	11	5

**KEY RATIOS BY QUARTER**

	Q2 2012	Q1 2012	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010
Equity/assets ratio (%)	44.4	43.4	41.1	39.7	39.1	40.4	39.1	41.1
Return on capital employed, % <sup>1)</sup>	22.3	21.7	22.2	19.2	13.0	9.9	7.9	10.1
Return on equity, % <sup>1)</sup>	18.4	17.4	18.1	15.2	7.9	5.8	4.1	7.0
Equity per share, SEK <sup>2)</sup>	126.11	125.86	122.94	119.01	111.16	111.06	107.66	106.94
Operating cash flow, MSEK	244	-48	217	-74	1,775	559	2,200	-84
Operating cash flow per share after dilution, SEK <sup>3)</sup>	2.24	-0.44	1.99	-0.68	16.26	5.12	20.16	-0.77

<sup>1)</sup> MEASURED OVER A ROLLING 12-MONTH PERIOD

<sup>2)</sup> NUMBER OF SHARES EXCLUDING TREASURY SHARES

<sup>3)</sup> AVERAGE NUMBER OF SHARES AFTER DILUTION

105,658,633	105,435,146	105,331,958	105,097,144	104,975,480	104,831,791	104,717,729	104,703,975
109,150,344	109,150,344	109,150,344	109,150,344	109,150,344	109,150,344	109,150,344	109,150,344

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

MSEK	Note	30/6/2012	31/12/2011	30/6/2011
<b>ASSETS</b>				
<b>Fixed assets</b>				
Intangible fixed assets	5	6,493	6,699	6,046
Tangible fixed assets		3,273	3,272	3,014
Lease assets		507	771	986
Biological assets		305	305	299
Investment properties		34	224	227
Shares in associated companies		284	288	267
Financial investments		196	197	200
Long-term receivables		1,019	1,046	951
Deferred tax assets		86	86	13
<b>Total fixed assets</b>		<b>12,197</b>	<b>12,888</b>	<b>12,003</b>
<b>Current assets</b>				
Inventories		4,671	4,334	3,891
Derivatives		435	520	800
Tax receivables		34	23	22
Accounts receivable		2,945	3,153	3,359
Other receivables		2,726	3,579	3,043
Prepaid expenses and accrued income		1,054	829	791
Short-term investments		3,874	4,555	3,235
Liquid assets	7	2,256	1,918	3,081
<b>Total current assets</b>		<b>17,995</b>	<b>18,911</b>	<b>18,222</b>
<b>TOTAL ASSETS</b>	12	<b>30,192</b>	<b>31,799</b>	<b>30,225</b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT.)**

MSEK	Note	30/6/2012	31/12/2011	30/6/2011
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
<b>Shareholders' equity</b>				
Parent Company's shareholders' interest		13,325	12,950	11,669
Non-controlling interest		92	119	142
<b>Total shareholders' equity</b>		<b>13,417</b>	<b>13,069</b>	<b>11,811</b>
<b>Long-term liabilities</b>				
Long-term interest-bearing liabilities	6	1,220	1,218	1,110
Other liabilities		287	439	224
Provisions for pensions	9	12	12	5
Other provisions		1,536	1,728	1,917
Deferred tax liabilities		877	1,012	932
<b>Total long-term liabilities</b>		<b>3,932</b>	<b>4,409</b>	<b>4,188</b>
<b>Current liabilities</b>				
Short-term interest-bearing liabilities	6	465	520	532
Advance payments from customers		862	1,022	1,279
Accounts payable		1,657	1,785	1,505
Derivatives		500	628	465
Tax liabilities		312	244	266
Other liabilities		740	747	875
Accrued expenses and deferred income		7,720	8,629	8,585
Provisions		587	746	719
<b>Total current liabilities</b>		<b>12,843</b>	<b>14,321</b>	<b>14,226</b>
<b>Total liabilities</b>		<b>16,775</b>	<b>18,730</b>	<b>18,414</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	12	<b>30,192</b>	<b>31,799</b>	<b>30,225</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

MSEK	CAPITAL STOCK	OTHER CAPITAL CONTRIBUTIONS	NET RESULT OF CASH FLOW HEDGES	TRANSLATION RESERVE	REVALUATION RESERVE	RETAINED EARNINGS	TOTAL PARENT COMPANY'S SHARE HOLDERS' INTEREST	NON-CONTROLLING INTEREST	TOTAL SHARE HOLDERS' EQUITY
Opening balance, 1 January 2011	1,746	543	648	-12	51	8,298	11,274	170	<b>11,444</b>
Net comprehensive income for the period			120	-84		704	740	-28	<b>712</b>
Transactions with shareholders:									
Share matching plan						21	21		<b>21</b>
Dividend						-367	-367		<b>-367</b>
Acquisition and sale of non-controlling interest						1	1	-	<b>1</b>
Closing balance, 30 June 2011	1,746	543	768	-96	51	8,657	11,669	142	<b>11,811</b>
Opening balance, 1 January 2012	1,746	543	457	-51	51	10 204	12 950	119	<b>13 069</b>
Net comprehensive income for the period			-54	51		831	828	-24	<b>804</b>
Reallocation of revaluation reserve					-40	40	-		<b>-</b>
Transactions with shareholders:									
Share matching plan						21	21		<b>21</b>
Dividend						-474	-474		<b>-474</b>
Acquisition and sale of non-controlling interest						-	-	-3	<b>-3</b>
Closing balance, 30 June 2012	1,746	543	403	-	11	10 622	13 325	92	<b>13 417</b>



**CONSOLIDATED STATEMENT OF CASH FLOWS**

MSEK	Note	Jan-Jun 2012	Jan-Jun 2011	Jan-Dec 2011
<b>Operating activities</b>				
Income after financial items		1,077	932	2,783
Transferred to pension fund		-	-	-132
Adjustments for items not affecting cash flows		349	305	141
Income tax paid		-243	-206	-450
<b>Cash flow from operating activities before changes in working capital</b>		<b>1,183</b>	<b>1,031</b>	<b>2,342</b>
<b>Cash flow from changes in working capital</b>				
Increase(-)/Decrease(+) in inventories		-331	175	-243
Increase(-)/Decrease(+) in current receivables		879	-162	-96
Increase(+)/Decrease(-) in advance payments from customers		-158	648	409
Increase(+)/Decrease(-) in other current liabilities		-1,159	817	610
Increase(+)/Decrease(-) in provisions		-307	-257	-630
<b>Cash flow from operating activities</b>		<b>107</b>	<b>2,252</b>	<b>2,392</b>
<b>Investing activities</b>				
Investments in intangible fixed assets		-11	-9	-26
Capitalised development costs		-17	-1	-15
Investments in tangible fixed assets		-185	-129	-325
Investments in lease assets		-	-	-1
Sale of tangible fixed assets		2	2	23
Sale of lease assets		221	71	301
Sale of and investments in short-term investments		672	-1,691	-2,967
Investments in and sale of other financial assets		-5	333	306
Investments in operations and associated companies, net effect on liquidity	8	-95	-127	-1,135
Sale of subsidiaries and associated companies, net effect on liquidity		174	267	1,264
<b>Cash flow from investing activities</b>		<b>756</b>	<b>-1,284</b>	<b>-2,575</b>
<b>Financing activities</b>				
Repayments of loans		-54	-51	-50
Dividend paid to Parent Company's shareholders		-474	-367	-367
<b>Cash flow from financing activities</b>		<b>-528</b>	<b>-418</b>	<b>-417</b>
<b>Cash flow for the period</b>		<b>335</b>	<b>550</b>	<b>-600</b>
Liquid assets at the beginning of the year		1,918	2,544	2,544
Exchange rate difference in liquid assets		3	-13	-26
<b>Liquid assets at end of period</b>	7	<b>2,256</b>	<b>3,081</b>	<b>1,918</b>

**QUARTERLY INFORMATION**

MSEK	Q2 2012	Operating margin	Q1 2012	Operating margin	Q4 2011	Operating margin	Q3 2011	Operating margin
<b>Sales</b>								
Aeronautics	1,704		1,419		1,740		1,268	
Dynamics	1,359		1,035		1,565		724	
Electronic Defence Systems	1,108		1,181		1,453		979	
Security and Defence Solutions	1,354		1,323		1,819		1,310	
Support and Services	844		779		954		786	
Combitech	361		311		304		200	
Corporate	-		-		-		-	
Internal sales	-498		-475		-488		-429	
<b>Total</b>	<b>6,232</b>		<b>5,573</b>		<b>7,347</b>		<b>4,838</b>	
<b>Operating income</b>								
Aeronautics	84	4.9%	78	5.5%	74	4.3%	22	1.7%
Dynamics	175	12.9%	108	10.4%	212	13.5%	60	8.3%
Electronic Defence Systems	210	19.0%	91	7.7%	38	2.6%	42	4.3%
Security and Defence Solutions	89	6.6%	60	4.5%	147	8.1%	109	8.3%
Support and Services	94	11.1%	67	8.6%	165	17.3%	79	10.1%
Combitech	21	5.8%	39	12.5%	41	13.5%	3	1.5%
Corporate	53	-	-45	-	-18	-	902	-
<b>Total</b>	<b>726</b>	<b>11.6%</b>	<b>398</b>	<b>7.1%</b>	<b>659</b>	<b>9.0%</b>	<b>1,217</b>	<b>25.2%</b>

MSEK	Q2 2011	Operating margin	Q1 2011	Operating margin	Q4 2010	Operating margin	Q3 2010	Operating margin
<b>Sales</b>								
Aeronautics	1,835		1,508		2,062		1,278	
Dynamics	1,084		962		1,565		1,023	
Electronic Defence Systems	1,094		1,035		1,350		905	
Security and Defence Solutions	1,272		1,303		2,201		1,382	
Support and Services	781		907		1,070		756	
Combitech	257		239		277		187	
Corporate	4		4		36		37	
Internal sales	-466		-506		-508		-564	
<b>Total</b>	<b>5,861</b>		<b>5,452</b>		<b>8,053</b>		<b>5,004</b>	
<b>Operating income</b>								
Aeronautics	157	8.6%	79	5.2%	63	3.1%	57	4.5%
Dynamics	123	11.3%	89	9.3%	32	2.0%	31	3.0%
Electronic Defence Systems	181	16.5%	36	3.5%	-58	-4.3%	6	0.7%
Security and Defence Solutions	67	5.3%	71	5.4%	209	9.5%	130	9.4%
Support and Services	107	13.7%	75	8.3%	107	10.0%	69	9.1%
Combitech	20	7.8%	28	11.7%	35	12.6%	7	3.7%
Corporate	42	-	-10	-	-137	-	22	-
<b>Total</b>	<b>697</b>	<b>11.9%</b>	<b>368</b>	<b>6.7%</b>	<b>251</b>	<b>3.1%</b>	<b>322</b>	<b>6.4%</b>

**MULTI-YEAR OVERVIEW**

MSEK	2011	2010	2009	2008	2007
Order bookings	18,907	26,278	18,428	23,212	20,846
Order backlog at 31 Dec.	37,172	41,459	39,389	45,324	47,316
Sales	23,498	24,434	24,647	23,796	23,021
Sales in Sweden, %	37	38	31	32	35
Sales in EU excluding Sweden, %	19	19	23	25	28
Sales in Americas, %	8	9	8	6	7
Sales in Rest of the World, %	36	34	38	37	30
Operating income (EBIT)	2,941	975	1,374	166	2,607
Operating margin, %	12.5	4.0	5.6	0.7	11.3
Operating income before depreciation/amortisation and write-downs, excluding leasing aircraft (EBITDA)	4,088	2,187	2,598	1,515	3,685
EBITDA margin, %	17.4	9.0	10.5	6.4	16.0
Income/loss after financial items	2,783	776	976	-406	2,449
Net income/loss for the year	2,217	454	699	-242	1,941
Total assets	31,799	29,278	30,430	32,890	33,801
Operating cash flow	2,477	4,349	1,447	659	-1,603
Return on capital employed, %	22.2	7.9	10.3	1.4	19.4
Return on equity, %	18.1	4.1	7.0	-2.4	18.5
Equity/assets ratio, %	41.1	39.1	35.1	28.4	32.6
Earnings per share before dilution, SEK <sup>2) 4)</sup>	21.19	4.12	6.45	-2.31	17.68
Earnings per share after dilution, SEK <sup>3) 4)</sup>	20.38	3.97	6.28	-2.31	17.60
Dividend per share, SEK	4.50	3.50	2.25	1.75	4.50
Equity per share, SEK <sup>1)</sup>	122.94	107.66	99.91	86.49	101.53
Number of employees at year-end	13,068	12,536	13,159	13,294	13,757

<sup>1)</sup> NUMBER OF SHARES EXCLUDING TREASURY SHARES AS OF 31 DECEMBER 2011: 105,331,958; 2010: 104,717,729; 2009:105,511,124; 2008: 106,829,893; 2007: 108,150,344

<sup>2)</sup> AVERAGE NUMBER OF SHARES 2011: 105,214,551; 2010: 105,217,786; 2009: 106,335,553; 2008: 107,515,049; 2007: 108,668,700

<sup>3)</sup> AVERAGE NUMBER OF SHARES 2011/2010/2009: 109,150,344; 2008: 107,515,049; 2007: 109,150,344

<sup>4)</sup> NET INCOME FOR THE YEAR LESS NON-CONTROLLING INTEREST DIVIDED BY THE AVERAGE NUMBER OF SHARES

**KEY RATIOS AND TARGETS**

	Long-term target	Jan-Jun 2012	Jan-Jun 2011	Jan-Dec 2011
Organic sales growth	5	-	-1	-4
Operating margin, % <sup>1)</sup>	10	9.5	9.4	12.5
Equity/assets ratio, %	30	44.4	39.1	41.1

<sup>1)</sup> IN JAN-DEC 2011, OPERATING INCOME INCLUDED CAPITAL GAINS OF MSEK 1,169

**PARENT COMPANY INCOME STATEMENT**

MSEK	Jan-Jun 2012	Jan-Jun 2011	Jan-Dec 2011
Sales	7,500	7 593	15,415
Cost of goods sold	-5,235	-6 121	-11,785
Gross income	2,265	1 472	3,630
Gross margin, %	30.2	19,4	23.5
Operating income and expenses	-1,639	-1 330	-2,811
Operating income (EBIT)	626	142	819
Operating margin, %	8.3	1,9	5.3
Financial income and expenses	91	334	1,525
Income after financial items	717	476	2,344
Appropriations	-	-	-293
Income before taxes	717	476	2,051
Taxes	-221	-110	-462
Net income for the period	496	366	1,589

**PARENT COMPANY BALANCE SHEET**

MSEK	Note	30/6/2012	31/12/2011	30/6/2011
<b>ASSETS</b>				
<b>Fixed assets</b>				
Intangible fixed assets		1,786	1,938	2 118
Tangible fixed assets		2,144	2,137	2 168
Financial fixed assets		8,097	8,178	7 105
<b>Total fixed assets</b>		<b>12,027</b>	<b>12,253</b>	<b>11 391</b>
<b>Current assets</b>				
Inventories, etc.		3,306	3,152	2 686
Current receivables		4,937	6,395	4 987
Short-term investments		3,839	4,511	3 235
Liquid assets		1,597	1,237	2 577
<b>Total current assets</b>		<b>13,679</b>	<b>15,295</b>	<b>13 485</b>
<b>TOTAL ASSETS</b>		<b>25,706</b>	<b>27,548</b>	<b>24 876</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Restricted equity		2,999	3,001	3 005
Unrestricted equity		4,034	3,989	2 736
<b>Total shareholders' equity</b>		<b>7,033</b>	<b>6,990</b>	<b>5 741</b>
<b>Provisions and liabilities</b>				
Untaxed reserves		795	795	502
Provisions		1,292	1,503	1 664
Liabilities	6	16,586	18,260	16 969
<b>Total provisions and liabilities</b>		<b>18,673</b>	<b>20,558</b>	<b>19 135</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>25,706</b>	<b>27,548</b>	<b>24 876</b>

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 1

### CORPORATE INFORMATION

Saab AB (publ), corporate identity no. 556036-0793, with registered office in Linköping, Sweden. The address of the company's head office is Gustavslundsvägen 42, Stockholm, with the mailing address Box 12062, SE-102 22 Stockholm, Sweden, and the telephone number +46-8-463 00 00. Saab has been listed on NASDAQ OMX Stockholm since 1998 and on the large cap list from October 2006. The company's operations, including subsidiaries and associated companies, are described in the annual report for 2011.

## NOTE 2

### ACCOUNTING PRINCIPLES

The consolidated accounts for the first half-year 2012 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 82-89 of the annual report 2011.

The Group and the Parent Company apply the same accounting principles and methods of computation as described in the annual report for 2011 and no significant changes with impact on Saab's accounting have been applied since 2011.

The half-year 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 for 2011.

For information of the new pension accounting standards, IAS 19 Employee Benefits (Amendments), as of 2013, see note 9.

## NOTE 3

### SEGMENT REPORTING

Saab is one of the world's leading high-technology companies, with its main operations in defence, aviation and civil security. Operations are primarily focused on well-defined areas in defence electronics and missile 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 U.S. and other selected countries globally. Saab's operating and management structure is divided into six business areas, which also represent operating segments, Aeronautics, Dynamics, Electronic Defence Systems, Security and Defence Solutions, Support and Services, and the independent subsidiary Combitech. The business areas are

described below.

### Aeronautics

These operations include the development of civil and military aviation technology at a high level. The product portfolio includes the Gripen fighter and Unmanned Aerial Systems (UAS). Aeronautics also manufactures aircraft components for Saab's own aircraft as well as for passenger aircraft produced by others.

### Dynamics

The product portfolio comprises various types of advanced weapon systems such as support weapons, missiles, torpedoes, Remotely Operated Vehicles (ROVs) and signature management systems that are used to make it more difficult for various types of sensors to detect and identify people or objects.

### Electronic Defence Systems

These operations, which are based on Saab's extensive expertise in radar and electronic warfare, develop sophisticated solutions for detection, localisation and protection. The product portfolio includes air and land-based sensor and radar systems, systems for electronic warfare, defence electronics and aeronautics.

### Security and Defence Solutions

These operations address both the military and the civil security market with a competitive product portfolio consisting of C4ISR (computerized command, control, communications and intelligence) systems, airborne early warning systems, solutions for civil security, training and simulation systems, and solutions for telecom operators.

### Support and Services

These operations offer reliable, cost-effective service and support for all markets where Saab is active. This primarily includes integrated support solutions, technical maintenance and logistics, and products, solutions and services for military and civil missions in locations with limited infrastructure.

### Combitech

Combitech, an independent subsidiary in the Saab Group, is one of Sweden's largest technology consulting firms. They create solutions for our customers' specific needs through a combination of high technology and strong competence within environment and security.

**NOTE 3 CONTINUED**

## SALES AND ORDER INFORMATION

**Sales by business area**

MSEK	Jan-Jun 2012	Jan-Jun 2011	Change, %	Apr-Jun 2012	Apr-Jun 2011	Rolling 12- months	Jan- Dec 2011
Aeronautics	3,123	3,343	-7	1,704	1,835	6,131	6,351
of which external sales	3,029	3,250	-7	1,657	1,788	5,947	6,168
of which internal sales	94	93	1	47	47	184	183
Dynamics	2,394	2,046	17	1,359	1,084	4,683	4,335
of which external sales	2,327	1,978	18	1,319	1,063	4,568	4,219
of which internal sales	67	68	-1	40	21	115	116
Electronic Defence Systems	2,289	2,129	8	1,108	1,094	4,721	4,561
of which external sales	1,970	1,758	12	936	950	4,140	3,928
of which internal sales	319	371	-14	172	144	581	633
Security and Defence Solutions	2,677	2,575	4	1,354	1,272	5,806	5,704
of which external sales	2,605	2,498	4	1,311	1,222	5,614	5,507
of which internal sales	72	77	-6	43	50	192	197
Support and Services	1,623	1,688	-4	844	781	3,363	3,428
of which external sales	1,502	1,539	-2	792	706	3,106	3,143
of which internal sales	121	149	-19	52	75	257	285
Combitech	672	496	35	361	257	1,176	1,000
of which external sales	403	305	32	205	152	716	618
of which internal sales	269	191	41	156	105	460	382
Corporate/eliminations	-973	-964	-498	-462	-1,890	-1,881	
of which external sales	-31	-15	12	-20	-101	-85	
of which internal sales	-942	-949	-510	-442	-1,789	-1,796	
<b>Total</b>	<b>11,805</b>	<b>11,313</b>	<b>4</b>	<b>6,232</b>	<b>5,861</b>	<b>23,990</b>	<b>23,498</b>

**Sales by geographical market**

MSEK	Jan-Jun 2012	% of sales	Jan-Jun 2011	% of sales	Jan-Dec 2011	% of sales
Sweden	4,391	37	4,395	39	8,679	37
Rest of EU	2,243	19	2,094	19	4,514	19
Rest of Europe	142	1	156	1	320	1
<b>Total Europe</b>	<b>6,776</b>	<b>57</b>	<b>6,645</b>	<b>59</b>	<b>13,513</b>	<b>57</b>
North America	1,161	10	771	7	1,803	8
Latin America	40	-	27	-	96	-
Asia	2,468	21	2,447	22	5,176	22
Africa	698	6	954	8	1,789	8
Australia, etc.	662	6	469	4	1,121	5
<b>Total</b>	<b>11,805</b>	<b>100</b>	<b>11,313</b>	<b>100</b>	<b>23,498</b>	<b>100</b>

**Information on large customers**

Saab has one customer that accounts for 10 per cent or more of the Group's sales: the Swedish Defence Materiel Administration (FMV). FMV is a customer of all our business areas, and total sales during the first half year 2012 amounted to MSEK 3,166 (3,284).

**Seasonal variation**

A major part of our business is related to larger 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 the other quarters. The fourth quarter is also usually affected by higher deliveries, mainly within Dynamics.

**Order bookings by business area**

MSEK	Jan-Jun 2012	Jan-Jun 2011	Change, %	Jan-Dec 2011
Aeronautics	3,873	2,555	52	3,807
Dynamics	1,427	2,379	-40	4,246
Electronic Defence Systems	1,547	2,164	-29	3,229
Security and Defence Solutions	2,106	1,805	17	4,582
Support and Services	2,983	1,959	52	3,174
Combitech	637	541	18	1,118
Corporate	-	1	-	1
Internal	-929	-758		-1,250
<b>Total</b>	<b>11,644</b>	<b>10,646</b>	<b>9</b>	<b>18,907</b>

**Order backlog by business area**

MSEK	30/6/2012	31/12/2011	30/6/2011
Aeronautics	13,841	13,091	14,848
Dynamics	4,481	5,460	5,885
Electronic Defence Systems	6,066	6,855	8,245
Security and Defence Solutions	7,164	7,712	7,561
Support and Services	5,942	4,455	4,997
Combitech	385	344	272
Corporate	-	-	9
Internal	-810	-745	-1,160
<b>Total</b>	<b>37,069</b>	<b>37,172</b>	<b>40,657</b>

## OPERATING INCOME

**Operating income by business area**

MSEK	Jan-Jun 2012	% of sales	Jan-Jun 2011	% of sales	Rolling 12- months	Jan- Dec 2011
Aeronautics	162	5.2	236	7.1	258	332
Dynamics	283	11.8	212	10.4	555	484
Electronic Defence Systems	301	13.1	217	10.2	381	297
Security and Defence Solutions	149	5.6	138	5.4	405	394
Support and Services	161	9.9	182	10.8	405	426
Combitech	60	8.9	48	9.7	104	92
The business areas' total operating income	1,116	9.5	1,033	9.1	2,108	2,025
Corporate	8		32		892	916
<b>Total operating income</b>	<b>1,124</b>	<b>9.5</b>	<b>1,065</b>	<b>9.4</b>	<b>3,000</b>	<b>2,941</b>



**NOTE 3 CONTINUED**
**Depreciation/amortisation and write-downs by business area**

MSEK	Jan-Jun 2012	Jan-Jun 2011	Change, %	Apr-Jun 2012	Apr-Jun 2011	Rolling 12-months	Jan-Dec 2011
Aeronautics	116	125	-7	58	63	238	247
Dynamics	85	80	6	43	43	173	168
Electronic Defence Systems	214	247	-13	108	117	455	488
Security and Defence Solutions	68	43	58	34	22	133	108
Support and Services	9	9	-	4	5	18	18
Combitech	3	1	200	1	-	4	2
Corporate – lease aircraft	31	61	-49	15	30	84	114
Corporate – other	67	34	97	33	21	149	116
<b>Total</b>	<b>593</b>	<b>600</b>	<b>-1</b>	<b>296</b>	<b>301</b>	<b>1,254</b>	<b>1,261</b>

## OPERATING CASH FLOW AND CAPITAL EMPLOYED

**Operating cash flow by business area**

MSEK	Jan-Jun 2012	Jan-Jun 2011	Rolling 12-months	Jan-Dec 2011
Aeronautics	-129	665	-571	223
Dynamics	382	392	578	588
Electronic Defence Systems	75	723	-235	413
Security and Defence Solutions	-324	645	-385	584
Support and Services	535	391	564	420
Combitech	3	83	7	87
Corporate	-346	-565	381	162
<b>Total</b>	<b>196</b>	<b>2,334</b>	<b>339</b>	<b>2,477</b>

**Capital employed by business area**

MSEK	30/6/2012	31/12/2011	30/6/2011
Aeronautics	2,125	2,103	2,205
Dynamics	2,165	2,359	2,176
Electronic Defence Systems	4,568	5,037	4,460
Security and Defence Solutions	3,573	3,309	2,006
Support and Services	1,018	1,243	1,049
Combitech	380	381	332
Corporate	1,285	387	1,230
<b>Total</b>	<b>15,114</b>	<b>14,819</b>	<b>13,458</b>

## EMPLOYEES

**Employees by business area**

Number at end of period	30/6/2012	31/12/2011	Change	30/6/2011
Aeronautics	2,863	2,748	115	2,796
Dynamics	1,502	1,475	27	1,473
Electronic Defence Systems	2,572	2,557	15	2,447
Security and Defence Solutions	3,019	2,994	25	2,603
Support and Services	1,774	1,742	32	1,744
Combitech	1,216	923	293	852
Corporate	680	629	51	626
<b>Total</b>	<b>13,626</b>	<b>13,068</b>	<b>558</b>	<b>12,541</b>

**NOTE 4**

## DIVIDEND TO PARENT COMPANY'S SHAREHOLDERS

The Annual General Meeting on 19 April 2012, approved the Board of Directors' dividend proposal. A dividend of SEK 4.50 per share (3.50), totalling MSEK 474 (367), was paid on 27 April 2012.

**NOTE 5**

## INTANGIBLE FIXED ASSETS

MSEK	30/6/2012	31/12/2011	30/6/2011
Goodwill	4,345	4,223	3,457
Capitalised development costs	1,668	1,950	2,125
Other intangible assets	480	526	464
<b>Total</b>	<b>6,493</b>	<b>6,699</b>	<b>6,046</b>

**NOTE 6**

NET LIQUIDITY

MSEK	30/6/2012	31/12/2011	30/6/2011
<b>Assets</b>			
Liquid assets	2,256	1,918	3,081
Short-term investments	3,874	4,555	3,235
<b>Total liquid investments</b>	<b>6,130</b>	<b>6,473</b>	<b>6,316</b>
Short-term interest-bearing receivables	351	368	282
Long-term interest-bearing receivables	121	99	167
Long-term interest-bearing financial investments	142	143	144
<b>Total interest-bearing assets</b>	<b>6,744</b>	<b>7,083</b>	<b>6,909</b>
<b>Liabilities</b>			
Liabilities to credit institutions	1,104	1,149	1,220
Liabilities to associates and JVs	423	449	373
Other interest-bearing liabilities	158	140	49
Provisions for pensions	12	12	5
<b>Total interest-bearing liabilities</b>	<b>1,697</b>	<b>1,750</b>	<b>1,647</b>
<b>NET LIQUIDITY</b>	<b>5,047</b>	<b>5,333</b>	<b>5,262</b>

**Committed credit lines**

MSEK	Facilities	Drawings	Available
Revolving credit facility (Maturity 2016)	4,000	-	4,000
Overdraft facility (Maturity 2012)	120	10	110
<b>Total</b>	<b>4,120</b>	<b>10</b>	<b>4,110</b>

**Parent Company**

MSEK	30/6/2012	31/12/2011	30/6/2011
Long-term liabilities to credit institutions	1,100	1,100	1,100
Short-term liabilities to credit institutions	-	-	-
<b>Total</b>	<b>1,100</b>	<b>1,100</b>	<b>1,100</b>

In December 2009 Saab established a Medium Term Note programme (MTN) of SEK 3 billion in order to enable the issuance of long-term loans on the capital market. Under the terms of this programme Saab has issued bonds and Floating Rate Notes of MSEK 1,100.

**NOTE 7**

SUPPLEMENTAL INFORMATION ON STATEMENT OF CASH FLOWS

MSEK	30/6/2012	31/12/2011	30/6/2011
<b>Liquid assets</b>			
The following components are included in liquid assets:			
Cash and bank balances	621	681	622
Bank deposits	1,492	1,083	2,450
Funds in escrow account	142	139	-
Deposits on behalf of customers	1	15	9
<b>Total according to balance sheet</b>	<b>2,256</b>	<b>1,918</b>	<b>3,081</b>
<b>Total according to statement of cash flows</b>	<b>2,256</b>	<b>1,918</b>	<b>3,081</b>

**Operating cash flow vs. statement of cash flows**

MSEK	Jan-Jun 2012	Jan-Jun 2011	Jan-Dec 2011
<b>Operating cash flow</b>	<b>196</b>	<b>2,334</b>	<b>2,477</b>
Investing activities – interest-bearing:			
Short-term investments	672	-1,691	-2,967
Other financial investments and receivables	-5	325	307
Financing activities:			
Repayments of loans	-54	-51	-50
Dividend paid to the Parent Company's shareholders	-474	-367	-367
<b>Cash flow for the period</b>	<b>335</b>	<b>550</b>	<b>-600</b>

**NOTE 7 CONTINUED**

**Specification of operating cash flow during the first half-year 2012 and 2011**

MSEK	Saab excl. acquisitions / divestments and SAL	Acquisitions and divestments	Saab Aircraft Leasing	Total Group Jan-Jun 2012	Total Group Jan-Jun 2011
Cash flow from operating activities before changes in working capital	1,155	-	28	1,183	1,031
<b>CASH FLOW FROM CHANGES IN WORKING CAPITAL</b>					
Inventories	-331	-	-	-331	175
Receivables	927	-	-48	879	-162
Advance payments from customers	-158	-	-	-158	648
Other liabilities	-969	-	-190	-1,159	817
Provisions	-232	-	-75	-307	-257
Change in working capital	-763	-	-313	-1,076	1,221
<b>Cash flow from operating activities</b>	<b>392</b>	<b>-</b>	<b>-285</b>	<b>107</b>	<b>2,252</b>
<b>INVESTING ACTIVITIES</b>					
Investments in intangible fixed assets	-28	-	-	-28	-10
Investments in tangible fixed assets	-185	-	-	-185	-129
Sale of tangible fixed assets	2	-	-	2	2
Sale of lease assets	-	-	221	221	71
Sale of and investment in financial assets	-	-	-	-	8
Investments in operations and associated companies, net effect on liquidity	-	-95	-	-95	-127
Sale of subsidiaries and associated companies, net effect on liquidity	-	174	-	174	267
<b>Cash flow from investing activities excluding change in short-term investments and other interest-bearing financial assets</b>	<b>-211</b>	<b>79</b>	<b>221</b>	<b>89</b>	<b>82</b>
<b>OPERATING CASH FLOW</b>	<b>181</b>	<b>79</b>	<b>-64</b>	<b>196</b>	<b>2,334</b>

**NOTE 8**

BUSINESS COMBINATIONS AND ACQUISITIONS

In January 2012, Saab announced that the independent subsidiary Combitech had acquired the consulting firm Sörman Intressenter AB, parent company of Sörman Information AB (Sörman). Sörman had 168 employees.

In June 2012, Saab announced that it had acquired 100 per cent of the shares in Täby Displayteknik AB, a subsidiary of ISD Technologies AB. Täby Displayteknik AB had twelve employees and develops simulator solutions.

It has for example developed the Joint Fires Synthetic Training (JFIST®) for virtual joint exercises with the various weapons system used by air, naval and ground forces.

Total consideration amounted to MSEK 130, of which MSEK 88 was paid up-front in cash and MSEK 42 is estimated additional consideration that may be paid out based on future earnings. The additional consideration is capped at MSEK 105. Acquired assets consist of capitalised development costs and working capital items and amount to a total of MSEK 22. Goodwill arising from the acquisitions amount to MSEK 108, and is mainly explained by future synergies and assembled workforce. Sales from the acquired entities amount to MSEK 65.

**NOTE 9**

DEFINED-BENEFIT PLANS

Saab has defined-benefit pension plans where post-employment compensation is based on a percentage of the recipient's salary. According to IAS 19, the estimated value of the defined-benefit obligation amounted to MSEK 6,613 at 30 June 2012, compared to MSEK 6,541 at 31 December 2011, and the estimated value of the assets under management, according to assumed return on assets, amounted to MSEK 4,557 at 30 June 2012, compared to MSEK 4,446 at 31 December 2011.

**Effects of amendments to IAS 19 Employee Benefits**

Saab applies the current standard's option to apply the so-called corridor approach. This means that the effects of changes in so-called actuarial assumptions about pension liabilities and assets under management are not recognised directly but rather over the remaining period of employment (see also Note 1 and Note 37 in the Annual Report for 2011). The updated standard eliminates this option. This means that changes in actuary of assumptions, e.g. discount rates, are recognised directly in other comprehensive income. The updated standard also requires the company to use the same interest rate to discount pension liabilities as in the calculation of the projected return on assets under management.

The updated standard will be applied retroactively as of the first quarter of 2013. For Saab, this means an immediate increase in its net pension liability (classified as a financial liability) and a corresponding decrease in retained earnings after taking into account the tax effects. If the standard had been applied as of 30 June 2012, the net pension obligation would have been about MSEK 2,050 higher and retained earnings about MSEK 1,950 lower than as reported in this first half-year 2012 results. The effect on operating and net results for the first half-year 2012 would not have been material. The updated standard also contains rules regarding the reporting of the special employer's contribution. It is not yet certain how these reporting rules will impact the Swedish portion of the net pension debt. Today the Swedish portion represents 95 per cent of the Saab Group's total pension liability.

**NOTE 10**

CONTINGENT LIABILITIES

Saab has an ongoing legal dispute in Denmark with the Danish Defence Acquisition and Logistics Organization (DALO). The Maritime and Commercial Court in Copenhagen issued a judgement dismissing DALO's claim against Saab. DALO has filed an appeal against the judgement. DALO's counterclaim amounts to approximately MDKK 250.

No additional obligations have been added during the period. With regard to the Group's performance guarantees for commitments to customers, the likelihood of an outflow of resources is remote and, as a result, no value is

recognised.

#### NOTE 11

##### TRANSACTIONS WITH RELATED PARTIES

In January 2012, Combitech AB, a wholly owned independent subsidiary to Saab AB, acquired Sörman Information AB. The largest shareholder in Sörman was Investor AB. According to Saab's assessments, the purchase price was equivalent to a fair market price.

No other significant transactions have occurred during the period.

Related parties with which the Group has transactions are described in the annual report for 2011, note 43.

#### NOTE 12

##### CONDENSED SUBDIVIDED FINANCIAL POSITION AS OF 30 JUNE 2012

MSEK	Saab	Saab Aircraft Leasing	Eliminations	Saab Group
<b>ASSETS</b>				
Intangible fixed assets	6,493	-	-	6,493
Tangible fixed assets, etc.	3,612	-	-	3,612
Lease assets	2	505	-	507
Long-term interest-bearing receivables	260	3	-	263
Shares, etc.	1,838	-	-1,500	338
Other long-term receivables	893	5	-	898
Deferred tax assets	86	292	-292	86
Inventories	4,656	15	-	4,671
Short-term interest-bearing receivables	351	1,429	-1,429	351
Other current assets	6,323	85	-	6,408
Derivatives	435	-	-	435
Liquid assets and short-term investments	6,129	1	-	6,130
<b>Total assets</b>	<b>31,078</b>	<b>2,335</b>	<b>-3,221</b>	<b>30,192</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
Shareholders' equity	13,675	1,242	-1,500	13,417
Provisions for pensions	12	-	-	12
Deferred tax liabilities	1,169	-	-292	877
Other provisions	1,509	614	-	2,123
Interest-bearing liabilities	3,114	-	-1,429	1,685
Advance payments from customers	862	-	-	862
Derivatives	500	-	-	500
Other liabilities	10,237	479	-	10,716
<b>Total shareholders' equity and liabilities</b>	<b>31,078</b>	<b>2,335</b>	<b>-3,221</b>	<b>30,192</b>

Saab decided in 1997 to discontinue the manufacture of turboprop aircraft. As with other manufacturers, Saab had a business model that included lease

financing in connection with aircraft sales on the market. Saab's lease fleet at 30 June 2012 consisted of 68 turboprop Saab 340 and Saab 2000 aircraft. Of the fleet, 42 are financed through U.S. leverage leases. Rents from these leases are insured through The Swedish Export Credits Guarantee Board (EKN). 26 aircraft are financed internally and recognised as assets in the balance sheet. Provisions in the balance sheet related to the leasing portfolio are deemed sufficient for the remaining risks.

Saab estimates that the leasing portfolio will be phased out in 2015.

#### NOTE 13

##### DEFINITIONS

##### Gross margin

Gross income as a percentage of sales revenue.

##### Operating margin

Operating income as a percentage of sales revenue.

##### EBITDA margin

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

##### Capital employed

Total capital less non-interest-bearing liabilities.

##### Return on capital employed

Operating income plus financial income as a percentage of average capital employed (measured over a rolling 12-month period).

##### Return on equity

Net income for the period as a percentage of average equity (measured over a rolling 12-month period).

##### Net liquidity/net debt

Liquid assets, short-term investments and interest-bearing receivables less interest-bearing liabilities and provisions for pensions.

##### Equity/assets ratio

Equity in relation to total assets.

##### Earnings per share

Net income for the period attributable to Parent Company shareholders' interest, divided by the average number of shares before and after full dilution. There is no dilution impact if the result is negative.

##### 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.

##### Operating cash flow per share

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

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 2012

**Marcus Wallenberg**  
Chairman

**Håkan Buskhe**  
President and CEO

**Johan Forssell**  
Board member

**Sten Jakobsson**  
Board member

**Per-Arne Sandström**  
Board member

**Cecilia Stegö Chilò**  
Board member

**Joakim Westh**  
Board member

**Lena Treschow Torell**  
Board member

**Åke Svensson**  
Board member

**Catarina Carlqvist**  
Board member

**Stefan Andersson**  
Board member

**Conny Holm**  
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 2012. 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 Swedish Standard on Review Engagements SÖG 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, 19 July 2012  
**PricewaterhouseCoopers AB**

Håkan Malmström  
*Authorised Public Accountant*

Saab AB is disclosing the information herein pursuant to the Securities Markets Act and/or the Financial Instruments Trading Act.  
The information was submitted for publication at 7:30 a.m. on 19 July, 2012.

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**Press and financial analyst conference and webcast**

with CEO Håkan Buskhe and the Interim CFO, Görgen Johansson  
Today, Thursday, 19 July 2012, 10:00 a.m. (CET)  
Grand Hôtel, Blaiseholmshamnen 8, Stockholm, Sweden  
Contact Ann-Sofi Jönsson to register  
and for further information  
Tel. +46 8 463 02 14  
[www.saabgroup.com](http://www.saabgroup.com)

To see a live webcast of the event, visit <http://www.saabgroup.com/en/InvestorRelations> where it will be available together with the presentation material. All viewers will be able to post questions to the presenters. The webcast will also be available on Saab's website after the event.