

STRENGTHENED OFFERING



CEO Comment: Håkan Buskhe

The security and defence market remains challenging and competition is fierce. During the first half-year of 2014, Saab has developed and strengthened its product portfolio. In order to offer products and solutions that our customers want, the investments in research and development as well as cost efficient solutions are key. The business area Electronic Defence Systems launched unique solutions during the period, that give the established Giraffe AMB and Arthur systems leading functionality and design.

The interest for Gripen remains strong internationally. The development of Gripen E progress according to time plan and budget and will be delivered to Sweden, starting 2018. The negotiations with Brazil regarding Gripen NG continue and both parties' ambition is to reach an agreement in 2014. In July, a Memorandum of Understanding was signed with the Brazilian aircraft producer Embraer regarding joint development and production of Gripen for Brazil.

During the first half-year, Saab strength-

ened its position as one of the world's leading companies in military training systems and received orders from both the Finnish armed forces and the UK Ministry of Defence.

Order bookings in the business area Dynamics were negatively affected by the continued challenging market situation, and by delays in customers' procurement decisions. We see no change in the market situation short-term, but continue to develop our offer to safeguard the business area's long-term potential.

In June, an agreement was reached to acquire ThyssenKrupp Marine Systems AB (former Kockums). This enables the expansion of the naval offer, as announced earlier this year, and makes Saab one of few companies in the world with the ability to develop, produce and deliver comprehensive defence solutions for air, land and sea. The closing of the transaction is planned for July 2014.

The Swedish Defence Materiel Administration (FMV) has during the first half-year placed orders for construction and production plans for the next generation submarines and to conduct a mid-life update of two Gotland-class submarines. Also, a Letter of Intent was signed with FMV regarding the Swedish armed forces' underwater capability, comprising potential orders of over SEK 11 billion.

Saab's order bookings decreased in the period, compared to the same period 2013 where

we received development orders amounting to SEK 13.2 billion attributable to Gripen E.

Sales amounted to MSEK 10,972 (11,748), a decrease of 7 per cent, mainly due to lower sales within Dynamics.

The reported operating income amounted to MSEK 643 (545) with an operating margin of 5.9 per cent (4.6). The operating income for the same period 2013 was negatively impacted by a non-recurring item of MSEK 231 attributable to a lost legal dispute. The operating income adjusted for non-recurring items amounted to MSEK 643 (776) and the operating margin was 5.9 per cent (6.6). The business area Electronic Defence Systems reported a positive operating income, while continuing to invest in development of new radar and sensor technology.

The efficiency measures announced in 2013 progress according to plan and in total, the number of FTE's and external consultants has been reduced by approx. 850 since the beginning of 2013.

The operational cash flow was negative, mainly due to timing differences in deliveries and milestone payments. During the second half-year 2014 we have more planned milestone deliveries and we therefore estimate that the operational cash flow will be positive.

Earnings per share after dilution amounted to SEK 3.80 (2.48).

OUTLOOK STATEMENT 2014:

- In 2014, we estimate that sales will be in line with 2013.
- The operating margin in 2014, excluding material non-recurring items, is expected to be somewhat higher than the operating margin in 2013, excluding material non-recurring items.

Excluding material non-recurring items, the operating margin was 6.6 per cent in 2013.

Financial Highlights

MSEK	Jan-Jun 2014	Jan-Jun 2013	Change, %	Apr-Jun 2014	Apr-Jun 2013	Jan-Dec 2013
Order bookings	8,126	22,036	-63	4,048	3,171	49,809
Order backlog	57,180	44,337	29			59,870
Sales	10,972	11,748	-7	5,692	5,886	23,750
Gross income	2,896	3,211	-10	1,535	1,599	6,328
Gross margin, %	26.4	27.3		27.0	27.2	26.6
Operating income before depreciation/amortisation and write-downs (EBITDA)	1,059	1,042	2	583	398	2,367
EBITDA margin, %	9.7	8.9		10.2	6.8	10.0
Operating income (EBIT)	643	545	18	373	149	1,345
Operating margin, %	5.9	4.6		6.6	2.5	5.7
Net income	412	263	57	236	1	742
Earnings per share before dilution, SEK	3.83	2.56		2.19	0.02	6.98
Earnings per share after dilution, SEK	3.80	2.48		2.17	0.02	6.79
Return on equity, % ¹⁾	7.7	8.7				6.3
Free cash flow ²⁾	-1,390	-1,073		-1,074	-748	-1,460
Free cash flow per share after dilution, SEK	-12.95	-9.83		-10.00	-6.85	-13.38

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

2) As of 1 January 2014, free cash flow is reported for the Group. It was previously named operating cash flow.

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 business area Combitech.

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

tions. It also includes the leasing fleet of Saab 340.

Orders and Sales

Orders

Second quarter 2014

Major orders received during the second quarter 2014 included orders from FMV regarding construction and production plans for the next generation submarines and to conduct a mid-life update of two Gotland-class submarines. The orders refer to the period 2014-2015 and the order value amounts to MSEK 467. Also, the parties have signed a Letter of Intent regarding the Swedish armed forces' underwater capability. The Letter of Intent refers to the period 2015-2024 and comprises potential orders of approximately SEK 11.2 billion.

Saab also entered into an agreement with FMV to provide advanced aerial target services to the Swedish Armed Forces. The agreement will come into effect during the period 2014–2020 and is valued at MSEK 300.

In June, an order was received to provide

the maintenance and capital expenditure works for the electronic security system for a 300 bed Correctional Centre in Southern Queensland, Australia. The contract refers to the coming 14 years and has a total value of MSEK 166.

January–June 2014

Orders received during the first half-year 2014, in addition to the above mentioned, included an order from FMV for support and maintenance of Gripen for the Swedish Armed Forces throughout 2014. The order comprises support and maintenance operations and ensures the continued operation of Gripen in Sweden, the Czech Republic, Hungary and Thailand.

The Finnish Defence Forces ordered military training systems, including support for seven years starting in 2014.

A three-year contract for support and service of weapon simulators was signed

with the UK Ministry of Defence. Since 1994, Saab has supplied operational support to the Direct Fire Weapon Effects Simulator (DFWES) system designed to enable live collective Battle Group training in the UK, Canada and on a smaller scale in Germany.

Brazil ordered RBS 70 VSHORAD (Very Short Range Air Defence System) for the army. The order included deliveries of man-portable launchers, missiles and associated equipment.

For a detailed list of major orders received during the first half-year of 2014, see note 3, page 24.

In all, 72 per cent (91) of order bookings were attributable to defence-related operations and 63 per cent (29) were attributable to markets outside Sweden.

During the first half-year of 2014, index and price changes had a positive effect on order bookings of MSEK 219 compared to a negative effect of MSEK 34 during the same period in 2013.

Orders received, where the total order value exceeded MSEK 100, represented 40 per cent (77) of total order bookings. The order backlog at the end of the period amounted to MSEK 57,180, compared to MSEK 59,870 at the beginning of the year.

Order backlog duration

- 2014: SEK 11.1 billion
- 2015: SEK 11.7 billion
- 2016: SEK 7.8 billion
- 2017: SEK 4.9 billion
- After 2017: SEK 21.7 billion

Sales

Second quarter 2014

Currency effects had no material impact on sales.

January–June 2014

During the first half-year of 2014, sales decreased by 7 per cent compared to the same period in 2013. Acquisitions had no material impact on sales, while currency effects had a negative impact of 1 per cent.

Sales in markets outside Sweden amounted to MSEK 6,090 (6,723), or 56 per cent (57) of total sales. 78 per cent (81) of sales were related to the defence market.

Order bookings by Market Region

MSEK	Jan–Jun 2014	Jan–Jun 2013	Change, %
Sweden	2,995	15,737	-81
EU excluding Sweden	2,245	1,664	35
Rest of Europe	221	268	-18
Americas	1,019	1,817	-44
Asia	910	2,096	-57
Africa	288	180	60
Australia, etc.	448	274	64
Total	8,126	22,036	-63

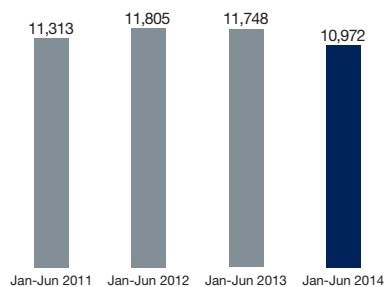
Sales by Market Region

MSEK	Jan–Jun 2014	Jan–Jun 2013	Change, %
Sweden	4,882	5,025	-3
EU excluding Sweden	1,789	1,898	-6
Rest of Europe	212	247	-14
Americas	1,263	1,407	-10
Asia	1,969	2,127	-7
Africa	308	462	-33
Australia, etc.	549	580	-5
Total	10,972	11,748	-7

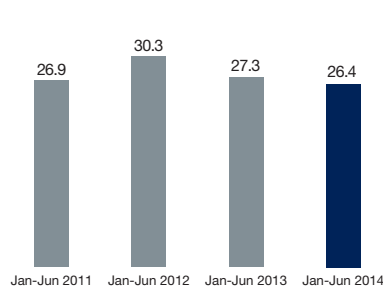
Sales by Market Segment

MSEK	Jan–Jun 2014	Jan–Jun 2013	Change, %
Air	5,185	5,304	-2
Land	2,374	3,167	-25
Naval	1,194	1,105	8
Civil Security	1,085	997	9
Commercial Aeronautics	860	795	8
Other	274	380	-28
Total	10,972	11,748	-7

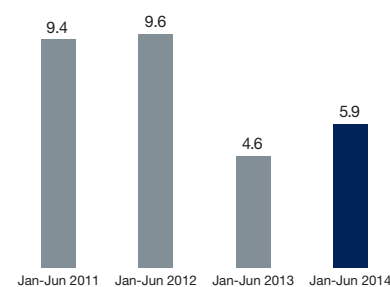
Sales, MSEK



Gross margin, %



Operating margin, %



Income

Second quarter 2014

The gross margin during the second quarter was 27.0 per cent (27.2). The operating income amounted to MSEK 373 (149) with an operating margin of 6.6 percent (2.5).

The second quarter 2013 was negatively impacted by a non-recurring item amounting to MSEK 231 related to a lost legal dispute concerning the command and control system DACCIS. The operating income adjusted for non-recurring items amounted to MSEK 373 (380) and the operating margin was 6.6 per cent (6.5).

January–June 2014

The gross margin in the first half-year of 2014 amounted to 26.4 per cent (27.3). Total depreciation and amortisation amounted to

MSEK 421 (513). Depreciation of tangible fixed assets amounted to MSEK 188 (189), while depreciation of the leasing fleet amounted to MSEK 5 (16).

Internally funded expenditures in research and development (R&D) amounted to MSEK 666 (676), of which a total of MSEK 76 (11) was capitalised. During the period capitalisation was at a higher level than during the same period in 2013 as orders were received for technology within the radar and sensor technology investment focus. A large proportion of internally funded investments were made within this area during the period.

Amortisation of intangible fixed assets amounted to MSEK 228 (308), of which amortisation of capitalised development expenditures amounted to MSEK 159 (227).

The share of income in associated companies amounted to MSEK 3 (15).

The operating income amounted to MSEK 643 (545) with an operating margin of 5.9 per cent (4.6). Adjusted for non-recurring items, the operating income amounted to MSEK 643 (776) and the operating margin was 5.9 per cent (6.6).

During the first half-years 2014 and 2013, reversal of risk provisions related to Saab's leasing fleet of turbo prop aircraft (SAL), contributed positively to the operating income.

Implementation of the efficiency measures that were initiated during 2013 progressed as planned.

Financial Net

MSEK	Jan–Jun 2014	Jan–Jun 2013
Financial net related to pensions	-28	-35
Net interest items	8	23
Currency gains/losses	3	-33
Other net financial items	-72	-135
Total	-89	-180

Financial net related to pensions is based on the current net pension liability.

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

Currency gains/losses reported in financial net are related to hedges of the tender portfolio which are valued at fair value.

Other net financial items consist of cost attributable to the programme for sales of accounts receivables, unrealised results from market valuation of short-term investments, project interest and other currency effects, for example changes related to liquid assets in currencies other

than SEK. In the second quarter 2013, a non-recurring item of MSEK 83, related to a lost legal dispute concerning the command and control system DACCIS, was reported in financial net.

In 2013, Saab invested in the Indian company Pipavav Defence and Offshore Engineering Company Limited. A combination of negative currency effects and share price development resulted in a value decline of MSEK 19 during the first quarter of 2014.

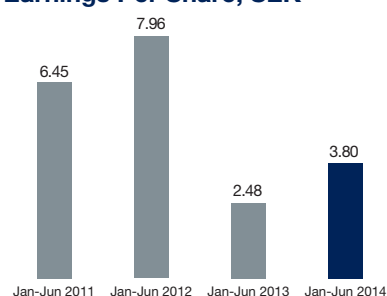
Tax

Current and deferred taxes amounted to MSEK -142 (-102), equivalent to an effective tax rate of 26 per cent (28).

Return on Capital Employed and on Equity

The pre-tax return on capital employed was 9.8 per cent (10.5) and the after-tax return on equity was 7.7 per cent (8.7), both measured over a rolling 12-month period.

Earnings Per Share, SEK



The graph illustrates earnings per share after dilution.

Financial Position and Liquidity

Financial position

At the end of June 2014, the net liquidity amounted to MSEK -1,598, a decrease of MSEK 2,411 during 2014 compared to year-end 2013.

Cash flow from operating activities amounted to MSEK -1,015. Provisions for pensions, excluding special employers' contribution, as of 30 June 2014 amounted to MSEK 1,957, compared to MSEK 1,389 at year-end 2013, and had a negative impact of MSEK 568 on net liquidity. The increase in provisions was mainly due to the decrease in the discount rate used in the valuation of pension obligations from 4.00 per cent to 3.25 per cent during the period, which partly was mitigated by a strong return on plan assets.

For more information about Saab's defined benefit plans, see note 10, page 28.

Net liquidity was negatively impacted by net investments amounting to approximately MSEK 375 and dividend to shareholders of MSEK 479 during the first half-year 2014.

Currency exchange rate differences in liquid assets and unrealised results from financial investments had a positive impact of MSEK 26 on net liquidity.

In 2009, Saab changed its view on the

application of 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 a maximum period of ten years. Capitalised development costs have been reduced from MSEK 3,628 at the end of 2008 to MSEK 1,261 by the end of June 2014.

Inventories increased during the first half-year 2014 due to higher activity levels in projects where milestone deliveries will be made later this year. Inventories are recognised after deducting utilised advances.

Capital expenditures

Gross capital expenditures in property, plant and equipment, amounted to MSEK 299 (231).

Investments in intangible assets amounted to MSEK 97 (35), of which MSEK 76 (11) related to capitalised product development and MSEK 21 (24) to other intangible assets.

Cash flow

As of 2014, operational cash flow is recognised by business area unlike before when free cash flow was reported by business area and called operating cash flow.

Cash flow from operating activities includ-

ing taxes and other financial items amounted to MSEK -777 (-196), see note 8, page 27.

During the second quarter 2013, payments of MSEK 314 related to a lost legal dispute concerning the command and control system DACCIS were made.

Saab has an established programme to sell accounts receivable to strengthen its financial position and increase financial flexibility. As of 30 June 2014, net receivables of MSEK 391 were sold, compared to MSEK 555 on 31 December 2013. Hence, it had a negative impact on cash flow from operating activities of MSEK 164 during the first half-year 2014.

The operational cash flow amounted to MSEK -1,097 (-400). It is defined as cash flow from operating activities, excluding taxes and other financial items, and acquisitions and divestments of intangible assets, tangible assets and lease assets. The somewhat lower level of operational cash flow in the first half-year of 2014 compared to 2013 is mainly attributable to timing differences in invoicing, milestone deliveries and payments.

Free cash flow amounted to MSEK -1,390 (-1,073).

For more detailed information about the free cash flow, see note 8, pages 26-27.

Financial Position Key Indicators and Liquidity

MSEK	30 Jun 2014	30 Jun 2013	Change	31 Dec 2013
Net liquidity ¹⁾	-1,598	1,060	-2,658	813
Intangible fixed assets	6,264	6,605	-341	6,340
Goodwill	4,652	4,597	55	4,605
Capitalised development costs	1,261	1,540	-279	1,338
Other intangible fixed assets	351	468	-117	397
Tangible fixed assets, etc. ²⁾	3,743	3,752	-9	3,763
Inventories	5,497	4,568	929	4,563
Accounts receivable	2,636	2,955	-319	3,295
Other receivables	4,057	2,745	1,312	3,727
Amounts due from customers ³⁾	3,530	2,226	1,304	3,074
Advance payments from customers	926	801	125	818
Equity/assets ratio, (%)	42.7	42.4		44.0
Return on equity, (%) ⁴⁾	7.7	8.7		6.3
Equity per share, SEK ⁵⁾	108.20	108.69	-0.49	114.04

1) The Group's net liquidity 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, page 24.

2) Including tangible fixed assets, lease 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) The return on equity is measured over a rolling 12-month period.

5) Number of shares excluding treasury shares; 2014 Jun: 106,604,525; 2013 Jun: 106,123,078; 2013 Dec: 106,414,144.

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

AERONAUTICS

MSEK	Jan–Jun 2014	Jan–Jun 2013	Change, %	Apr–Jun 2014	Apr–Jun 2013	Jan–Dec 2013
Order bookings	991	11,239	-91	360	406	29,677
Order backlog	31,896	19,061	67			34,113
Sales	3,208	3,482	-8	1,631	1,717	6,869
Operating income before depreciation/amortisation and write-downs (EBITDA)	266	311	-14	133	158	603
EBITDA margin, %	8.3	8.9		8.2	9.2	8.8
Operating income (EBIT)	236	237	-	118	121	456
Operating margin, %	7.4	6.8		7.2	7.0	6.6
Operational cash flow	-329	-292		-145	150	-227
Defence/Civil (% of sales)	81/19	84/16		78/22	81/19	83/17
No. of FTEs	3,206	3,101	3			3,210

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

ORDERS RECEIVED

- Order bookings in the first half-year 2014 included an order from FMV for services regarding support and maintenance of Gripen.
- Order bookings within business unit Aerostructures increased as Airbus received more orders for A380 and Boeing received orders for the B787, Dreamliner.
- During 2013, several orders were received concerning the Gripen E programme, of which SEK 10.3 billion was attributable to the business area during the first half-year.
- Orders received, where the order sum exceeded MSEK 100, represented 67 per cent (96) of total order bookings.

SALES, INCOME AND MARGIN

- The activity level within Gripen E remained high.
- Sales decreased during the first half-year 2014 compared to the same period in 2013, mainly as 2013 included invoicing of previously generated costs.
- The operating margin increased slightly during the first half-year 2014 compared to 2013, due to decreased amortisation.
- Markets outside Sweden accounted for 28 per cent (28) of sales.

CASH FLOW

- Operational cash flow was negative due to timing differences in project execution and milestone payments from customers.

DYNAMICS

MSEK	Jan–Jun 2014	Jan–Jun 2013	Change, %	Apr–Jun 2014	Apr–Jun 2013	Jan–Dec 2013
Order bookings	849	1,359	-38	400	606	3,345
Order backlog	3,978	4,277	-7			4,548
Sales	1,446	1,848	-22	730	971	3,566
Operating income before depreciation/amortisation and write-downs (EBITDA)	95	241	-61	52	146	428
EBITDA margin, %	6.6	13.0		7.1	15.0	12.0
Operating income (EBIT)	64	213	-70	36	129	366
Operating margin, %	4.4	11.5		4.9	13.3	10.3
Operational cash flow	-33	445		-138	204	461
Defence/Civil (% of sales)	86/14	88/12		85/15	91/9	88/12
No. of FTEs	1,457	1,577	-8			1,523

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

Comparative numbers for 2013 have been restated following organisational and structural changes, see note 14.

ORDERS RECEIVED

- The market situation remains challenging for Dynamics and order bookings were lower during the first half-year 2014, compared to the same period 2013.
- During the period, an order for RBS 70 VSHO-RAD (Very Short Range Air Defence) was received from the Brazilian army.
- Orders received, where the order sum exceeded MSEK 100, represented 0 per cent (44) of total order bookings.

SALES, INCOME AND MARGIN

- Sales decreased in the first half-year 2014 compared to the same period in 2013 as a result of lower order bookings in 2013.
- The operating margin was lower during the first half-year 2014 compared to the same period in 2013, as a result of lower sales.
- Markets outside Sweden accounted for 83 per cent (85) of sales.

CASH FLOW

- Operational cash flow was negative during the first half-year 2014, due to timing differences in deliveries and milestone payments.

EMPLOYEES

- The number of FTE's decreased in the first half-year 2014, as a result of the efficiency measures implemented in 2013 which included downsizing, mainly at the production unit in Karlskoga, Sweden.

ELECTRONIC DEFENCE SYSTEMS

MSEK	Jan–Jun 2014	Jan–Jun 2013	Change, %	Apr–Jun 2014	Apr–Jun 2013	Jan–Dec 2013
Order bookings	1,587	4,610	-66	649	917	7,587
Order backlog	8,582	8,633	-1			9,171
Sales	2,206	2,197	-	1,232	1,046	4,560
Operating income before depreciation/amortisation and write-downs (EBITDA)	224	169	33	156	58	373
EBITDA margin, %	10.2	7.7		12.7	5.5	8.2
Operating income (EBIT)	15	-69		51	-57	-115
Operating margin, %	0.7	-3.1		4.1	-5.4	-2.5
Operational cash flow	-418	211		-17	82	116
Defence/Civil (% of sales)	96/4	97/3		96/4	97/3	97/3
No. of FTEs	2,534	2,574	-2			2,588

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

Comparative numbers for 2013 have been restated following organisational and structural changes, see note 14.

ORDERS RECEIVED

- Orders received in the first half-year 2014 included orders for the weapon locating system ARTHUR. The market remains challenging with delays in customers' procurement processes that affect order bookings.
- During 2013, several orders were received concerning the Gripen E programme, of which SEK 3.2 billion was attributable to the business area during the first half-year.
- Orders received, where the order sum exceeded MSEK 100, represented 30 per cent (69) of total order bookings.

SALES, INCOME AND MARGIN

- Markets outside Sweden accounted for 71 per cent (75) of sales.
- The operating income was positive in the second quarter, which resulted in a positive operating income for the first half-year 2014. The increased operating margin is attributable to a changed product mix and effects of the efficiency measures implemented in 2013.

CASH FLOW

- The operational cash flow was negative due to timing differences in milestone payments and deliveries.

EMPLOYEES

- The number of FTE's decreased in the first half-year 2014, compared to year-end 2013, as a result of the ongoing efficiency measures.

SECURITY AND DEFENCE SOLUTIONS

MSEK	Jan–Jun 2014	Jan–Jun 2013	Change, %	Apr–Jun 2014	Apr–Jun 2013	Jan–Dec 2013
Order bookings	3,073	1,758	75	1,752	833	4,736
Order backlog	6,307	5,411	17			5,571
Sales	2,396	2,385	-	1,240	1,288	5,095
Operating income before depreciation/amortisation and write-downs (EBITDA)	109	102	7	98	95	328
EBITDA margin, %	4.5	4.3		7.9	7.4	6.4
Operating income (EBIT)	63	45	40	75	67	213
Operating margin, %	2.6	1.9		6.0	5.2	4.2
Operational cash flow	-206	-60		-70	-8	122
Defence/Civil (% of sales)	63/37	65/35		64/36	65/35	67/33
No. of FTEs	2,533	2,951	-14			2,843

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

Comparative numbers for 2013 have been restated following organisational and structural changes, see note 14.

ORDERS RECEIVED

- Order bookings increased during the first half-year 2014, compared to the same period in 2013, partly due to orders for military training systems from Finland and Great Britain.
- FMV placed orders for construction and production plans for the next generation submarine and to conduct a mid-life update of two Gotland-class submarines. The orders refer to the period 2014-2015 and the order value amounts to MSEK 467. In addition, the parties have signed a Letter of Intent regarding the Swedish armed forces' underwater capability. The Letter of Intent refers to the period 2015-2024 and includes potential orders of approximately SEK 11.2 billion.

- In June, an order was received for maintenance and capital expenditure works for the electronic security system at a correctional centre in Australia.
- Orders received, where the order sum exceeded MSEK 100, represented 46 per cent (0) of total order bookings.

SALES, INCOME AND MARGIN

- Markets outside Sweden accounted for 77 per cent (76) of sales.
- The operating margin in the first half-year 2014 increased compared to the same period 2013, mainly due to efficiency measures initiated in 2013. Profitability in the traffic management operations remained negatively affected by a challenging market situation.

CASH FLOW

- The operational cash flow was negative, mainly due to timing differences between activity and milestone payments.

EMPLOYEES

- The number of FTE's decreased in the first half-year 2014, compared to year-end 2013, partly due to the deconsolidation of Saab Grintek Technologies (Pty) Ltd as of 31 March 2014. The number of employees has increased within business unit Naval Systems.

SUPPORT AND SERVICES

MSEK	Jan–Jun 2014	Jan–Jun 2013	Change, %	Apr–Jun 2014	Apr–Jun 2013	Jan–Dec 2013
Order bookings	1,746	3,223	-46	1,009	498	4,602
Order backlog	6,725	7,308	-8			6,683
Sales	1,737	1,802	-4	898	931	3,772
Operating income before depreciation/amortisation and write-downs (EBITDA)	218	249	-12	127	142	517
EBITDA margin, %	12.6	13.8		14.1	15.3	13.7
Operating income (EBIT)	209	240	-13	122	138	498
Operating margin, %	12.0	13.3		13.6	14.8	13.2
Operational cash flow	81	-145		-323	-132	-149
Defence/Civil (% of sales)	78/22	77/23		77/23	79/21	79/21
No. of FTEs	1,775	1,845	-4			1,840

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

Comparative numbers for 2013 have been restated following organisational and structural changes, see note 14.

ORDERS RECEIVED

- During the first half-year 2014, an order was received from FMV regarding support and maintenance of Gripen in Sweden, the Czech Republic, Hungary and Thailand.
- During the second quarter, Saab signed an agreement with FMV to provide advanced aerial target services to the Swedish Armed Forces. The contract is valid for the period 2014–2020 and the total value is MSEK 300.
- During 2013, an order was received concerning the Gripen E programme, of which SEK 1.3 billion was attributable to the business area during the first half-year.
- Orders received, where the order sum exceeded MSEK 100, represented 38 per cent (72) of total order bookings.

SALES, INCOME AND MARGIN

- Sales decreased slightly during the first half-year 2014, compared to the same period 2013, due to fewer large orders. Meanwhile, sales attributable to small orders increased.
- Markets outside Sweden accounted for 36 per cent (34) of sales.
- The operating margin showed a decrease during the first half-year 2014, compared to the first half-year 2013, due to lower sales and fewer partial deliveries.

CASH FLOW

- The operational cash flow was positive during the first half-year 2014. During the second quarter, the operational cash flow was negative due to timing differences in advances and deliveries.

EMPLOYEES

- The number of FTE's decreased during the first half-year 2014, compared to year-end 2013, as a result of the efficiency measures initiated in 2013.

COMBITECH

MSEK	Jan–Jun 2014	Jan–Jun 2013	Change, %	Apr–Jun 2014	Apr–Jun 2013	Jan–Dec 2013
Order bookings	863	822	5	445	398	1,740
Order backlog	497	457	9			540
Sales	908	847	7	461	424	1,684
Operating income before depreciation/amortisation and write-downs (EBITDA)	53	82	-35	26	36	157
EBITDA margin, %	5.8	9.7		5.6	8.5	9.3
Operating income (EBIT)	49	77	-36	24	33	148
Operating margin, %	5.4	9.1		5.2	7.8	8.8
Operational cash flow	35	156		-22	78	162
Defence/Civil (% of sales)	57/43	58/42		54/46	60/40	59/41
No. of FTEs	1,358	1,331	2			1,345

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

Comparative numbers for 2013 have been restated following organisational and structural changes, see note 14.

SALES

- Sales increased slightly during the first half-year 2014, compared to the same period in 2013.
- Markets outside Sweden accounted for 8 per cent (8) of sales.

INCOME AND MARGIN

- The operating income decreased during the first half-year 2014 compared to the same period in 2013, due to lower utilisation of consultants in the beginning of the year.

CASH FLOW

- The operational cash flow was at a lower level in the first half-year 2014 compared to the same period 2013, as working capital increased as a result of higher sales.

EMPLOYEES

- The number of FTE's increased during the first half year 2014, compared to year-end 2013.

Corporate

Corporate reported operating income of MSEK 7 (-198).

During the first half-year of 2014 and 2013 reversal of risk provisions, attributable to the remaining risks related to Saab's lease fleet of turboprop aircraft, contributed positively to the operating income.

In 1997, Saab discontinued the manufacturing of turboprop aircraft. As of 30 June 2014, Saab has a lease fleet consisting of 19 (57) turboprop Saab 340. Of the fleet, 14 (42) are financed through US leverage leases. Rents from these leases are insured through The Swedish Export Credits Guarantee Board, EKN. 5 (15) 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 by 2015.

During the second quarter 2013, a payment amounting to MSEK 314 related to a lost legal dispute regarding the command and control system DACCIS was made. MSEK 231 of the payment was booked in operating income and MSEK 83 concerning interest cost in financial net.

Acquisitions and divestments 2014

During the first quarter, Saab's subsidiary Saab South Africa (Pty) Ltd deconsolidated its stake in the South African subsidiary Saab Grintek Technologies (Pty) Ltd. The deconsolidation of the operations resulted in a capital gain before taxes of MZAR 20 (approx. MSEK 12), which was reported in the business area Security and Defence Solutions. See Saab's interim report for January-March 2014 for further information.

In June, Saab announced that it had entered into an agreement with ThyssenKrupp Industrial Solutions AG regarding acquisition of ThyssenKrupp Marine Systems AB (former Kockums). The purchase price is MSEK 340 and existing funds will be used to finance the acquisition. The transaction is subject to approval by the board and the supervisory bodies of ThyssenKrupp Group and the Swedish Competition Authority. These approvals are expected during July 2014. Thereafter the takeover will be completed. The transaction's effect on Saab's result for 2014 is estimated to be non-material.

No other significant acquisitions or divestments were made during the first half-year 2014.

Personnel and other

Personnel (FTE's)

As of 30 June 2014, the Group had 13,863 employees, compared to 14,140 at the beginning of the year. The number of Full Time Equivalents (FTE's) at the end of the period was 13,658, compared to 14,122 at the beginning of the year. The decrease of FTE's is mainly related to the deconsolidation of the operations in the South African subsidiary Saab Grintek Technologies (Pty) Ltd with 265 FTE's and the result of efficiency measures initiated in 2013.

Share repurchase

Saab held 2,545,819 treasury shares as of 30 June 2014, compared to 2,736,200 at year-end 2013. The Annual General Meeting on 8 April 2014 authorised the Board of Directors to repurchase up to 10 per cent of Saab's shares to hedge the Share Matching Plan and Performance Share Plan. On 5 June

2014, the Board of Directors decided to use the authorisation for this purpose. Purchase of shares can be made as of 21 July 2014 up to the Annual General Meeting 2015.

Owners

According to SIS Ägarservice, Saab's largest shareholders as of 30 June 2014 were Investor AB, the Wallenberg foundations, Swedish Robur Funds, AFA Insurance, Unionen, SHB Funds, Nordea Funds, SEB Funds, Norges Bank Investment Management and DFA funds (USA).

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 in addition to the establishment of operations abroad.

Operations entail not insignificant risk-taking in various respects. The key risk areas are political, operational 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, see pages 51-54 of the Annual Report 2013.

Other significant events January–June 2014

- On 8 April 2014, Saab held its Annual General Meeting of shareholders in Stockholm. In accordance with the nomination committee's proposal Håkan Buskhe, Johan Forssell, Sten Jakobsson, Sara Mazur, Per-Arne Sandström, Cecilia Stegö Chilò, Lena Treschow Torell, Marcus Wallenberg, and Joakim Westh were re-elected to the Board of Directors. Marcus Wallenberg was re-elected Chairman of the Board. At the statutory Board meeting following the annual General meeting, Sten Jakobsson was re-elected Vice Chairman of the Board.
- In March, Saab announced the signing of a Memorandum of Understanding (MoU) with the Swiss company Pilatus. It concerns a cooperation to provide a PC-21 training solution for the Swedish Air Force if they decide to replace their SK 60.
- The Swiss people voted "no" to the proposed financing of the Gripen procurement in a referendum held in May.
- In June, Saab announced that the Board of Directors made the decision to repurchase own shares of series B in order to ensure delivery of shares to participants in Saab's long-term Share Matching Plan and Performance Share Plan.
- In June, Saab issued bonds of MSEK 600 with maturity on 19 December 2019 under the existing Medium Term Note programme.

For information regarding large orders received between January and June 2014, see page 2 and the comments regarding Business Areas on pages 5 to 7 and also note 3 on page 24.

Significant events after the conclusion of the period

- Saab's subsidiary, Saab Defense and Security USA, LLC (SDAS), received an order from the U.S. Army for radio systems to improve communication capabilities during live training exercises. The order value amounts to approximately MSEK 70.
- In July, an order was received from FMV regarding design plans for a New Lightweight Torpedo (NLT). The order value amounts to MSEK 43. The order is part of the Letter of Intent regarding the Swedish armed forces' underwater capability which was signed in June 2014
- In July, Saab and European Defence Agency (EDA) signed a framework agreement for potential orders of Carl-Gustaf ammunition to Estonia, Latvia, Lithuania, the Czech Republic and Poland. The agreement will last five years and includes a possible renewal of two more years. The agreement includes potential orders of approximately MSEK 460.
- Saab and Embraer announced in July the signing of a Memorandum of Understanding to partner in joint programme management for the F-X2 Project, pursuant to the selection of the Gripen NG as Brazil's next generation fighter jet. Under this agreement, Embraer will perform a leading role in the overall programme performance as well as undertake an extensive share of work in the production and delivery of both the single and two-seat versions of the state-of-the-art Gripen NG aircraft for the Brazilian Air Force.

CONSOLIDATED INCOME STATEMENT

MSEK	Note	Jan–Jun 2014	Jan–Jun 2013	Rolling 12-months	Jan–Dec 2013
Sales	3	10,972	11,748	22,974	23,750
Cost of goods sold		-8,076	-8,537	-16,961	-17,422
Gross income		2,896	3,211	6,013	6,328
Gross margin, %		26.4	27.3	26.2	26.6
Other operating income		92	58	238	204
Marketing expenses		-1,004	-1,046	-2,040	-2,082
Administrative expenses		-581	-554	-1,138	-1,111
Research and development costs		-749	-892	-1,619	-1,762
Other operating expenses		-14	-247	-24	-257
Share of income in associated companies		3	15	13	25
Operating income (EBIT)¹⁾	3	643	545	1,443	1,345
Operating margin, %		5.9	4.6	6.3	5.7
Share of income in associated companies		-	1	-1	-
Financial income		32	31	63	62
Financial expenses		-121	-212	-337	-428
Net financial items		-89	-180	-275	-366
Income before taxes		554	365	1,168	979
Taxes		-142	-102	-277	-237
Net income for the period		412	263	891	742
of which Parent Company's shareholders' interest		408	271	878	741
of which non-controlling interest		4	-8	13	1
Earnings per share before dilution, SEK ²⁾		3.83	2.56	8.25	6.98
Earnings per share after dilution, SEK ³⁾		3.80	2.48	8.11	6.79
1) Includes depreciation/amortisation and write-downs of which depreciation of leasing aircraft		-421 -5	-513 -16	-955 -14	-1,047 -25
2) Average number of shares before dilution		106,501,737	105,980,577	106,385,687	106,125,107
3) Average number of shares after dilution		107,344,747	109,150,344	108,248,239	109,150,344

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

As of 2014, the dilution of number of shares is calculated based on the effects of all potential shares (Share Matching Plan and Performance Share Plan) that give rise to a dilution effect. Previously, a simplified method was used where the dilution effect was calculated based on all treasury shares.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

MSEK	Jan–Jun 2014	Jan–Jun 2013	Rolling 12-months	Jan–Dec 2013
Net income for the period	412	263	891	742
Other comprehensive income:				
Items that will not be reversed in the income statement:				
Revaluation of net pension obligations	-723	1,086	-554	1,255
Tax attributable to revaluation of net pension obligations	159	-239	113	-285
Total	-564	847	-441	970
Items that may be reversed in the income statement:				
Translation differences	174	-38	80	-132
Net gain/loss on available-for-sale assets	94	-63	157	-
Net gain/loss on cash flow hedges	-331	-277	-309	-255
Tax attributable to net gain/loss on cash flow hedges	72	64	67	59
Total	9	-314	-5	-328
Other comprehensive income/loss for the period	-555	533	-446	642
Net comprehensive income/loss for the period	-143	796	445	1,384
of which Parent Company's shareholders' interest	-150	822	427	1,399
of which non-controlling interest	7	-26	18	-15

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

QUARTERLY INCOME STATEMENT

MSEK	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012
Sales	5,692	5,280	7,279	4,723	5,886	5,862	7,306	4,899
Cost of goods sold	-4,157	-3,919	-5,426	-3,459	-4,287	-4,250	-5,031	-3,541
Gross income	1,535	1,361	1,853	1,264	1,599	1,612	2,275	1,358
Gross margin, %	27.0	25.8	25.5	26.8	27.2	27.5	31.1	27.7
Other operating income	47	45	83	63	29	29	6	60
Marketing expenses	-520	-484	-565	-471	-533	-513	-640	-472
Administrative expenses	-301	-280	-338	-219	-291	-263	-368	-280
Research and development costs	-385	-364	-490	-380	-434	-458	-638	-401
Other operating expenses	-7	-7	-19	9	-238	-9	-7	-3
Share of income in associated companies	4	-1	10	-	17	-2	27	-
Operating income (EBIT)¹⁾	373	270	534	266	149	396	655	262
Operating margin, %	6.6	5.1	7.3	5.6	2.5	6.8	9.0	5.3
Share of income in associated companies	-	-	-	-1	-	1	-	1
Financial income	10	22	15	16	13	18	31	42
Financial expenses	-64	-57	-189	-27	-151	-61	-55	-58
Net financial items	-54	-35	-174	-12	-138	-42	-24	-15
Income before taxes	319	235	360	254	11	354	631	247
Taxes	-83	-59	-73	-62	-10	-92	-81	-78
Net income for the period	236	176	287	192	1	262	550	169
of which Parent Company's shareholders' interest	233	175	281	189	2	269	549	167
of which non-controlling interest	3	1	6	3	-1	-7	1	2
Earnings per share before dilution, SEK ²⁾	2.19	1.64	2.64	1.78	0.02	2.54	5.19	1.58
Earnings per share after dilution, SEK ³⁾	2.17	1.63	2.57	1.73	0.02	2.46	5.03	1.53
1) Includes depreciation/amortisation and write-downs of which depreciation of leasing aircraft	-211 -1	-210 -4	-278 -2	-256 -7	-256 -7	-257 -9	-279 -10	-317 -12
2) Average number of shares before dilution	106,549,332	106,454,142	106,342,403	106,196,870	106,028,640	105,932,515	105,868,651	105,732,553
3) Average number of shares after dilution	107,393,267	107,299,002	109,150,344	109,150,344	109,150,344	109,150,344	109,150,344	109,150,344

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).

As of 2014, the dilution of number of shares is calculated based on the effects of all potential shares (Share Matching Plan and Performance Share Plan) that give rise to a dilution effect. Previously, a simplified method was used where the dilution effect was calculated based on all treasury shares.

QUARTERLY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

MSEK	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012
Net income for the period	236	176	287	192	1	262	550	169
Other comprehensive income:								
Items that will not be reversed in the income statement:								
Revaluation of net pension obligations	-42	-681	68	101	647	439	23	-462
Tax attributable to revaluation of net pension obligations	9	150	-24	-22	-142	-97	-22	121
Total	-33	-531	44	79	505	342	1	-341
Items that may be reversed in the income statement:								
Translation differences	148	26	28	-122	42	-80	-18	-214
Net loss on available-for-sale financial assets	94	-	116	-53	-63	-	-	-
Net gain/loss on cash flow hedges	-251	-80	-174	196	-300	23	-118	246
Tax attributable to net gain/loss on cash flow hedges	53	19	39	-44	68	-4	61	-65
Total	44	-35	9	-23	-253	-61	-75	-33
Other comprehensive income/loss for the period	11	-566	53	56	252	281	-74	-374
Net comprehensive income for the period	247	-390	340	248	253	543	476	-205
of which Parent Company's shareholders' interest	237	-387	335	242	262	560	481	-203
of which non-controlling interest	10	-3	5	6	-9	-17	-5	-2

KEY RATIOS BY QUARTER

MSEK	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012
Equity/assets ratio (%)	42.7	44.4	44.0	44.6	42.4	41.5	39.0	38.4
Return on capital employed, % ¹⁾	9.8	8.3	9.1	10.2	10.5	14.2	14.6	15.1
Return on equity, % ¹⁾	7.7	5.5	6.3	8.8	8.7	13.3	12.8	12.2
Equity per share, SEK ²⁾	108.20	110.47	114.04	110.94	108.69	110.81	105.43	101.88
Free cash flow, MSEK	-1,074	-316	553	-940	-748	-325	264	-856
Free cash flow per share after dilution, SEK ³⁾	-10.00	-2.95	5.07	-8.61	-6.85	-2.98	2.42	-7.84

1) Measured over a rolling 12-month period

2) Number of shares excluding treasury shares

3) Average number of shares after dilution

106,604,525	106,494,139	106,414,144	106,270,662	106,123,078	105,934,201	105,930,829	105,806,472
107,393,267	107,299,002	109,150,344	109,150,344	109,150,344	109,150,344	109,150,344	109,150,344

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).

As of 2014, the dilution of number of shares is calculated based on the effects of all potential shares (Share Matching Plan and Performance Share Plan) that give rise to a dilution effect. Previously, a simplified method was used where the dilution effect was calculated based on all treasury shares.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MSEK	Note	30/6/2014	31/12/2013	30/6/2013
ASSETS				
Fixed assets				
Intangible fixed assets	5	6,264	6,340	6,605
Tangible fixed assets		3,357	3,239	3,182
Lease assets		59	197	233
Biological assets		296	296	304
Investment properties		31	31	33
Shares in associated companies and joint ventures		455	367	778
Financial investments		369	295	378
Long-term receivables	10	122	122	114
Deferred tax assets		255	239	237
Total fixed assets		11,208	11,126	11,864
Current assets				
Inventories		5,497	4,563	4,568
Derivatives		254	396	312
Tax receivables		206	62	45
Accounts receivable		2,636	3,295	2,955
Other receivables		4,057	3,727	2,745
Prepaid expenses and accrued income		1,189	854	1,058
Short-term investments		969	2,002	1,620
Liquid assets	8	1,188	1,764	2,207
Total current assets		15,996	16,663	15,510
TOTAL ASSETS		27,204	27,789	27,374

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT.)

MSEK	Note	30/6/2014	31/12/2013	30/6/2013
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity				
Parent Company's shareholders' interest		11,535	12,136	11,535
Non-controlling interest		79	91	81
Total shareholders' equity		11,614	12,227	11,616
Long-term liabilities				
Long-term interest-bearing liabilities	6	1,692	1,095	103
Other liabilities		194	179	309
Provisions for pensions	10	2,412	1,680	1,792
Other provisions		882	1,043	1,144
Deferred tax liabilities		262	501	371
Total long-term liabilities		5,442	4,498	3,719
Current liabilities				
Short-term interest-bearing liabilities	6	334	718	1,804
Advance payments from customers		926	818	801
Accounts payable		1,647	1,918	1,738
Derivatives		510	316	406
Tax liabilities		138	61	37
Other liabilities		769	839	659
Accrued expenses and deferred income		5,322	5,735	6,098
Provisions		502	659	496
Total current liabilities		10,148	11,064	12,039
Total liabilities		15,590	15,562	15,758
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		27,204	27,789	27,374

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

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 2013	1,746	543	531	-226	11	8,563	11,168	112	11,280
Net comprehensive income for the period January-June 2013			-201	-32	-63	1,118	822	-26	796
Transactions with shareholders:									
Share matching plan						22	22		22
Dividend						-477	-477		-477
Acquisition and sale of non-controlling interest								-5	-5
Closing balance, 30 June 2013	1,746	543	330	-258	-52	9,226	11,535	81	11,616
Net comprehensive income for the period July-December 2013			16	-95	63	593	577	11	588
Transactions with shareholders:									
Share matching plan						24	24		24
Dividend								-1	-1
Closing balance, 31 December 2013	1,746	543	346	-353	11	9,843	12,136	91	12,227
Opening balance, 1 January 2014	1,746	543	346	-353	11	9,843	12,136	91	12,227
Net comprehensive income for the period January-June 2014			-260	172	94	-156	-150	7	-143
Transactions with shareholders:									
Share matching plan						25	25		25
Dividend						-479	-479		-479
Acquisition and sale of non-controlling interest						3	3	-19	-16
Closing balance, 30 June 2014	1 746	543	86	-181	105	9 236	11 535	79	11 614

CONSOLIDATED STATEMENT OF CASH FLOWS

MSEK	Note	Jan–Jun 2014	Jan–Jun 2013	Jan–Dec 2013
Operating activities				
Income after financial items		554	365	979
Adjustments for items not affecting cash flow		521	556	1,224
Income tax paid		-225	-299	-368
Cash flow from operating activities before changes in working capital		850	622	1,835
Cash flow from changes in working capital				
Increase(-)/Decrease(+) in inventories		-920	-162	-147
Increase(-)/Decrease(+) in current receivables		28	-215	-1,346
Increase(+)/Decrease(-) in advance payments from customers		102	257	278
Increase(+)/Decrease(-) in other current liabilities		-806	-963	-1,005
Increase(+)/Decrease(-) in provisions		-269	-146	-277
Cash flow from operating activities		-1,015	-607	-662
Investing activities				
Investments in intangible fixed assets		-21	-24	-44
Capitalised development costs		-76	-11	-24
Investments in tangible fixed assets		-299	-231	-543
Sale of tangible fixed assets		4	6	46
Sale of lease assets		72	56	81
Sale of and investments in short-term investments	8	1,033	2,314	1,936
Dividend from joint ventures		-	-	430
Sale of and investments in other financial assets		25	-249	-238
Investments in operations and associated companies, net effect on liquidity	9	-38	-15	-68
Sale of group and associated companies, net effect on liquidity		-18	-	-
Cash flow from investing activities		682	1,846	1,576
Financing activities				
Repayments of loans		-393	-156	-1,100
Raising of loans		600	-	845
Dividend paid to Parent Company's shareholders		-479	-477	-477
Dividend paid to non-controlling interest		-	-	-1
Cash flow from financing activities		-272	-633	-733
Cash flow for the period				
Liquid assets at the beginning of the period		1,764	1,616	1,616
Exchange rate difference in liquid assets		29	-15	-33
Liquid assets at end of period	8	1,188	2,207	1,764

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

QUARTERLY INFORMATION

MSEK	Q2 2014	Operating margin	Q1 2014	Operating margin	Q4 2013	Operating margin	Q3 2013	Operating margin
Sales								
Aeronautics	1,631		1,577		1,996		1,391	
Dynamics	730		716		1,183		535	
Electronic Defence Systems	1,232		974		1,413		950	
Security and Defence Solutions	1,240		1,156		1,650		1,060	
Support and Services	898		839		1,168		802	
Combitech	461		447		500		337	
Corporate	-		1		-		-	
Internal sales	-500		-430		-631		-352	
Total	5,692		5,280		7,279		4,723	
Operating income								
Aeronautics	118	7.2%	118	7.5%	102	5.1%	117	8.4%
Dynamics	36	4.9%	28	3.9%	190	16.1%	-36	-6.7%
Electronic Defence Systems	51	4.1%	-36	-3.7%	-71	-5.0%	25	2.6%
Security and Defence Solutions	75	6.0%	-12	-1.0%	124	7.5%	44	4.2%
Support and Services	122	13.6%	87	10.4%	153	13.1%	105	13.1%
Combitech	24	5.2%	25	5.6%	54	10.8%	17	5.0%
Corporate	-53	-	60	-	-18	-	-6	-
Total	373	6.6%	270	5.1%	534	7.3%	266	5.6%

MSEK	Q2 2013	Operating margin	Q1 2013	Operating margin	Q4 2012	Operating margin	Q3 2012	Operating margin
Sales								
Aeronautics	1,717		1,765		1,678		1,275	
Dynamics	971		877		1,512		873	
Electronic Defence Systems	1,046		1,151		1,182		805	
Security and Defence Solutions	1,288		1,097		2,019		1,280	
Support and Services	931		871		1,091		697	
Combitech	424		423		439		299	
Corporate	-		-		-		-	
Internal sales	-491		-322		-615		-330	
Total	5,886		5,862		7,306		4,899	
Operating income								
Aeronautics	121	7.0%	116	6.6%	125	7.4%	72	5.6%
Dynamics	128	13.2%	84	9.6%	233	15.4%	105	12.0%
Electronic Defence Systems	-57	-5.4%	-12	-1.0%	-106	-9.0%	-78	-9.7%
Security and Defence Solutions	67	5.2%	-22	-2.0%	209	10.4%	59	4.6%
Support and Services	138	14.8%	102	11.7%	215	19.7%	34	4.9%
Combitech	33	7.8%	44	10.4%	44	10.0%	18	6.0%
Corporate	-281	-	84	-	-65	-	52	-
Total	149	2.5%	396	6.8%	655	9.0%	262	5.3%

2013 has been restated according to the changed accounting principles for joint arrangements (IFRS 11) and to the structural change described in note 14.
2012 has been restated according to the changed accounting principles for pensions (IAS 19).

MULTI-YEAR OVERVIEW

MSEK	2013	2012	2011	2010	2009
Order bookings	49,809	20,683	18,907	26,278	18,428
Order backlog at 31 December	59,870	34,151	37,172	41,459	39,389
Sales	23,750	24,010	23,498	24,434	24,647
Sales in Sweden, %	41	36	37	38	31
Sales in EU excluding Sweden, %	17	19	19	19	23
Sales in Americas, %	13	12	8	9	8
Sales in the rest of the world, %	30	33	36	34	38
Operating income (EBIT)	1,345	2,050	2,941	975	1,374
Operating margin, %	5.7	8.5	12.5	4.0	5.6
Operating income before depreciation/amortisation and write-downs, excluding leasing aircraft (EBITDA)	2,367	3,186	4,088	2,187	2,598
EBITDA margin, %	10.0	13.3	17.4	9.0	10.5
Income/loss after financial items	979	2,003	2,783	776	976
Net income/loss for the year	742	1,560	2,217	454	699
Total assets	27,789	28,938	31,799	29,278	30,430
Free cash flow	-1,460	-396	2,477	4,349	1,447
Return on capital employed, %	9.1	14.6	22.2	7.9	10.3
Return on equity, %	6.3	12.8	18.1	4.1	7.0
Equity/assets ratio, %	44.0	39.0	41.1	39.1	35.1
Earnings per share before dilution, SEK ^{2) 4)}	6.98	15.00	21.19	4.12	6.45
Earnings per share after dilution, SEK ^{3) 4)}	6.79	14.52	20.38	3.97	6.28
Dividend per share, SEK	4.50	4.50	4.50	3.50	2.25
Equity per share, SEK ¹⁾	114.04	105.43	122.94	107.66	99.91
Number of employees at year-end	14,140	13,968	13,068	12,536	13,159

1) Number of shares excluding treasury shares as of 31 December 2013: 106,414,144; 2012: 105,930,829; 2011: 105,331,958; 2010: 104,717,729; 2009: 105,511,124.

2) Average number of shares 2013: 106,125,107; 2012: 105,632,911; 2011: 104,982,315; 2010: 105,217,786; 2009: 106,335,553.

3) Average number of shares 2013/2012/2011/2010/2009: 109,150,344.

4) 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 2014	Jan–Jun 2013	Jan–Dec 2013
Organic sales growth, %	5	-6	-1	-2
Operating margin, %	10	5.9	4.6	5.7
Equity/assets ratio, %	30	42.7	42.4	44.0

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 and earlier periods are not restated.

PARENT COMPANY INCOME STATEMENT

MSEK	Jan–Jun 2014	Jan–Jun 2013	Jan–Dec 2013
Sales	7,919	8,254	16,521
Cost of goods sold	-5,927	-6,250	-12,556
Gross income	1,992	2,004	3,965
Gross margin, %	25.2	24.3	24.0
Operating income and expenses	-1,539	-1,812	-3,303
Operating income (EBIT)	453	192	662
Operating margin, %	5.7	2.3	4.0
Financial income and expenses	104	-64	707
Income after financial items	557	128	1,369
Appropriations	-	-	-284
Income before taxes	557	128	1,085
Taxes	-121	-62	-200
Net income for the period	436	66	885

PARENT COMPANY

Sales and income

The Parent Company includes units within the business areas Aero-nautics, Electronic Defence Systems, Security and Defence Solutions and Support and Services. Group staff and Group support are included as well. The business areas Dynamics and Combitech are subsidiaries to Saab AB and are not a part of the Parent Company.

The Parent Company's sales in the first six months of 2014 amounted to MSEK 7,919 (8,254). Operating income was MSEK 453 (192).

Net financial income and expenses was MSEK 104 (-64). After appropriations of MSEK 0 (0) and taxes of MSEK -121 (-62), net income for the period amounted to MSEK 436 (66).

Liquidity, finance, capital expenditures and number of employees

The Parent Company's net debt amounted to MSEK 2,511 at 30 June 2014 compared to MSEK 2,079 at 30 June 2013.

Gross capital expenditures in property, plant and equipment amounted to MSEK 237 (183). Investments in intangible assets amounted to MSEK 19 (23). At the end of the period, the Parent Company had 8,691 employees, compared to 8,781 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.

PARENT COMPANY BALANCE SHEET

MSEK	Note	30/6/2014	31/12/2013	30/6/2013
ASSETS				
Fixed assets				
Intangible fixed assets		1,243	1,392	1,516
Tangible fixed assets		2,399	2,279	2,194
Financial fixed assets		7,664	7,695	8,287
Total fixed assets		11,306	11,366	11,997
Current assets				
Inventories, etc.		4,231	3,653	3,538
Current receivables		7,200	6,738	5,598
Short-term investments		957	1,990	1,612
Liquid assets		494	1,268	1,576
Total current assets		12,882	13,649	12,324
TOTAL ASSETS		24,188	25,015	24,321
SHAREHOLDERS' EQUITY AND LIABILITIES				
Equity				
Restricted equity		2,989	2,989	2,996
Unrestricted equity		4,974	4,992	4,140
Total shareholders' equity		7,963	7,981	7,136
Provisions and liabilities				
Untaxed reserves		1,560	1,560	1,276
Provisions		907	1,051	1,087
Liabilities	6	13,758	14,423	14,822
Total provisions and liabilities		16,225	17,034	17,185
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		24,188	25,015	24,321

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, Bromma, 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 2013.

NOTE 2 Accounting Principles

The consolidated accounts for the first half-year 2014 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 70-77 of the annual report 2013.

The Group and the Parent Company apply the same accounting principles and methods of computation as described in the annual report 2013 except for joint venture accounting (see note 13 for further information).

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 2013.

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 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 US 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 business area Combitech. Comparative numbers for 2013 have been adjusted due to a new structure, see note 14 for more information.

Aeronautics

Aeronautics engages in advanced development of military and civil aviation technology. 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

Dynamics offers a highly competitive product range comprising ground combat weapons, missile systems, torpedoes, unmanned underwater vehicles and signature management systems for armed forces as well as niche products for the civil and the defence market, such as unmanned underwater vehicles for the off-shore industry.

Electronic Defence Systems

These operations are based on Saab's close interaction with customers requiring efficient solutions for surveillance and for threat detection, location and protection. This has created a unique competence in the area of radar and electronic warfare, and a product portfolio covering airborne, land-based and naval radar, electronic support measures and self-protection systems. For increased flight mission efficiency and flight safety we supply avionics for both civil and military customers.

Security and Defence Solutions

The operations comprise combat management systems for the navy, air force and army, and also design, construction and maintenance of submarines. The portfolio in addition includes systems for training and simulation, security systems, solutions for secure communication as well as systems for maritime and air traffic management.

Support and Services

Support and Services offers reliable, cost-efficient service and support for all of Saab's markets. 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 company in the Saab Group, is one of Sweden's largest technology consulting firms. Combitech combines technological excellence with deep industry knowledge, comprehensive understanding and a particular focus on environment and security.

NOTE 3 Continued

SALES AND ORDER INFORMATION

Sales by business area

MSEK	Jan–Jun 2014	Jan–Jun 2013	Change %	Apr–Jun 2014	Apr–Jun 2013	Rolling 12-months	Jan–Dec 2013
Aeronautics	3,208	3,482	-8	1,631	1,717	6,595	6,869
of which external sales	3,123	3,401	-8	1,585	1,678	6,425	6,703
of which internal sales	85	81	5	46	39	170	166
Dynamics	1,446	1,848	-22	730	971	3,164	3,566
of which external sales	1,374	1,785	-23	702	930	3,019	3,430
of which internal sales	72	63	14	28	41	145	136
Electronic Defence Systems	2,206	2,197	-	1,232	1,046	4,569	4,560
of which external sales	1,993	1,969	1	1,120	912	4,074	4,050
of which internal sales	213	228	-7	112	134	495	510
Security and Defence Solutions	2,396	2,385	-	1,240	1,288	5,106	5,095
of which external sales	2,325	2,325	-	1,204	1,243	4,991	4,991
of which internal sales	71	60	18	36	45	115	104
Support and Services	1,737	1,802	-4	898	931	3,707	3,772
of which external sales	1,643	1,734	-5	846	902	3,480	3,571
of which internal sales	94	68	38	52	29	227	201
Combitech	908	847	7	461	424	1,745	1,684
of which external sales	510	477	7	243	221	958	925
of which internal sales	398	370	8	218	203	787	759
Corporate/eliminations	-929	-813	-	-500	-491	-1,912	-1,796
of which external sales	4	57	-	-8	-	27	80
of which internal sales	-933	-870	-	-492	-491	-1,939	-1,876
Total	10,972	11,748	-7	5,692	5,886	22,974	23,750

Sales by geographical market

MSEK	Jan–Jun 2014	% of sales	Jan–Jun 2013	% of sales	Jan–Dec 2013	% of sales
Sweden	4,882	44	5,025	43	9,814	41
Rest of EU	1,789	16	1,898	16	3,933	17
Rest of Europe	212	2	247	2	621	3
Total Europe	6,883	63	7,170	61	14,368	60
North America	978	9	1,296	11	2,611	11
Latin America	285	3	111	1	376	2
Asia	1,969	18	2,127	18	4,311	18
Africa	308	3	462	4	930	4
Australia, etc.	549	5	582	5	1,154	5
Total	10,972	100	11,748	100	23,750	100

Information on large customers

In the first half-year 2014, 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 3,755 (3,931).

Seasonal variation

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

Order bookings by business area

MSEK	Jan–Jun 2014	Jan–Jun 2013	Change %	Apr–Jun 2014	Apr–Jun 2013	Jan–Dec 2013
Aeronautics	991	11,239	-91	360	406	29,677
Dynamics	849	1,359	-38	400	606	3,345
Electronic Defence Systems	1,587	4,610	-66	649	917	7,587
Security and Defence Solutions	3,073	1,758	75	1,752	833	4,736
Support and Services	1,746	3,223	-46	1,009	497	4,602
Combitech	863	822	5	445	398	1,740
Internal	-983	-975	1	-567	-487	-1,878
Total	8,126	22,036	-63	4,048	3,171	49,809

Order backlog by business area

MSEK	30/6/2014	31/12/2013	30/6/2013
Aeronautics	31,896	34,113	19,061
Dynamics	3,978	4,548	4,277
Electronic Defence Systems	8,582	9,171	8,633
Security and Defence Solutions	6,307	5,571	5,411
Support and Services	6,725	6,683	7,308
Combitech	497	540	457
Internal	-805	-756	-810
Total	57,180	59,870	44,337

OPERATING INCOME

Operating income by business area

MSEK	Jan–Jun 2014	% of sales	Jan–Jun 2013	% of sales	Rolling 12-months	Jan–Dec 2013
Aeronautics	236	7.4	237	6.8	455	456
Dynamics	64	4.4	213	11.5	217	366
Electronic Defence Systems	15	0.7	-69	-3.1	-31	-115
Security and Defence Solutions	63	2.6	45	1.9	231	213
Support and Services	209	12.0	240	13.3	467	498
Combitech	49	5.4	77	9.1	120	148
The business areas' total operating income	636	5.8	743	6.4	1,459	1,566
Corporate	7	-	-198	-	-16	-221
Total operating income	643	5.9	545	4.6	1,443	1,345

Depreciation/amortisation and write-downs by business area

MSEK	Jan–Jun 2014	Jan–Jun 2013	Change %	Apr–Jun 2014	Apr–Jun 2013	Rolling 12-months	Jan–Dec 2013
Aeronautics	30	74	-59	15	37	103	147
Dynamics	31	28	11	16	17	65	62
Electronic Defence Systems	209	238	-12	105	115	459	488
Security and Defence Solutions	46	57	-19	23	28	104	115
Support and Services	9	9	-	5	4	19	19
Combitech	4	5	-20	2	3	8	9
Corporate – lease aircraft	5	16	-69	1	7	14	25
Corporate – other	87	86	1	44	45	183	182
Total	421	513	-18	211	256	955	1,047

NOTE 3 Continued
LARGE ORDERS RECEIVED JAN–JUN 2014

Large orders received (approx. values MSEK)	Country	Order value
Construction and production plans for the next generation submarines	Sweden	467
Military training systems	Finland	360
Aerial target services	Sweden	300
Support and service of weapon simulators	UK	220
Military training systems	UK	200
Support and maintenance of Gripen	Sweden	174
Security system for correctional centre	Australia	166

OPERATIONAL CASH FLOW AND CAPITAL EMPLOYED
Operational cash flow by business area

MSEK	Jan–Jun 2014	Jan–Jun 2013	Apr–Jun 2014	Apr–Jun 2013	Rolling 12-months	Jan–Dec 2013
Aeronautics	-329	-292	-145	150	-264	-227
Dynamics	-33	445	-138	204	-17	461
Electronic Defence Systems	-418	211	-17	82	-513	116
Security and Defence Solutions	-206	-60	-70	-8	-24	122
Support and Services	81	-145	-323	-132	77	-149
Combitech	35	156	-22	78	41	162
Corporate	-227	-715	-214	-642	-636	-1,124
Total	-1,097	-400	-929	-268	-1 336	-639

Capital employed by business area

MSEK	30/6/2014	31/12/2013	30/6/2013
Aeronautics	2,305	2,447	2,318
Dynamics	2,046	2,007	1,986
Electronic Defence Systems	4,378	4,294	4,187
Security and Defence Solutions	3,418	3,994	4,110
Support and Services	2,047	2,479	2,270
Combitech	493	505	439
Corporate	945	-261	-239
Total	15,632	15,465	15,071

PERSONNEL
Full Time Equivalents (FTEs) by business area

Number at end of period	30/6/2014	31/12/2013	30/6/2013
Aeronautics	3,206	3,210	3,101
Dynamics	1,457	1,523	1,577
Electronic Defence Systems	2,534	2,588	2,574
Security and Defence Solutions	2,533	2,843	2,951
Support and Services	1,775	1,840	1,845
Combitech	1,358	1,345	1,331
Corporate	795	773	717
Total	13,658	14,122	14,096

NOTE 4 Dividend to Parent Company's Shareholders

At the Annual General Meeting 2014 on 8 April, it was decided that the Parent Company's shareholders should receive a dividend of SEK 4.50 per share, totalling MSEK 479, which was paid on 16 April 2014.

NOTE 5 Intangible Fixed Assets

MSEK	30/6/2014	31/12/2013	30/6/2013
Goodwill	4,652	4,605	4,597
Capitalised development costs	1,261	1,338	1,540
Other intangible assets	351	397	468
Total	6,264	6,340	6,605

NOTE 6 Net Liquidity

MSEK	30/6/2014	31/12/2013	30/6/2013
Assets			
Liquid assets	1,188	1,764	2,207
Short-term investments	969	2,002	1,620
Total liquid investments	2,157	3,766	3,827
Short-term interest-bearing receivables	11	34	33
Liquid assets attributable to joint ventures	-	-	430
Long-term interest-bearing receivables	77	75	83
Long-term receivables attributable to pensions	36	36	-
Long-term interest-bearing financial investments	140	141	143
Total interest-bearing assets	2,421	4,052	4,516
Liabilities			
Liabilities to credit institutions	1,600	1,001	1,105
Liabilities to associates and joint ventures	231	244	683
Other interest-bearing liabilities	195	569	119
Provisions for pensions ¹⁾	1,993	1,425	1,549
Total interest-bearing liabilities	4,019	3,239	3,456
NET LIQUIDITY	-1,598	813	1,060

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

Committed credit lines

MSEK	Facilities	Drawings	Available
Revolving credit facility (Maturity 2016)	4,000	-	4,000
Overdraft facility (Maturity 2014)	89	-	89
Total	4,089	-	4,089

Parent Company

MSEK	30/6/2014	31/12/2013	30/6/2013
Long-term liabilities to credit institutions	1,600	1,000	-
Short-term liabilities to credit institutions	-	-	1,100
Total	1,600	1,000	1,100

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 1,600.

NOTE 7 Financial Instruments**Classification and categorisation of financial assets and liabilities***

	Fair value through profit and loss for trading	Fair value through other comprehensive income as available for sale	Designated as at fair value through profit and loss	Held-to-maturity investments	Loans receivable and accounts receivable	Financial liabilities	Derivatives identified as cash flow hedges	Derivatives identified as fair value hedges	Total financial assets and liabilities	Measured at fair value
30/6/2014										
Financial assets										
Financial investments	-	188	41	140	-	-	-	-	369	370
Long-term receivables	-	-	-	-	122	-	-	-	122	122
Derivatives										
Forward exchange contracts	7	-	-	-	-	-	234	3	244	244
Currency options	8	-	-	-	-	-	-	-	8	8
Interest rate swaps	-	-	-	-	-	-	-	-	-	-
Electricity derivatives	2	-	-	-	-	-	-	-	2	2
Total derivatives	17	-	-	-	-	-	234	3	254	254
Accounts receivable and other receivables	-	-	-	-	7,237	-	-	-	7,237	7,237
Short-term investments	-	-	969	-	-	-	-	-	969	969
Liquid assets	-	-	-	-	1,188	-	-	-	1,188	1,188
Total financial assets	17	188	1,010	140	8,547	-	234	3	10,139	10,140
Financial liabilities										
Interest-bearing liabilities	-	-	-	-	-	2,026	-	-	2,026	2,063
Derivatives										
Forward exchange contracts	33	-	-	-	-	-	401	2	436	436
Currency options	29	-	-	-	-	-	-	-	29	29
Interest rate swaps	7	-	-	-	-	-	29	-	36	36
Electricity derivatives	2	-	-	-	-	-	7	-	9	9
Total derivatives	71	-	-	-	-	-	437	2	510	510
Other liabilities	-	-	-	-	-	5,246	-	-	5,246	5,246
Total financial liabilities	71	-	-	-	-	7,272	437	2	7,782	7,819

* 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 199.

NOTE 7 Continued**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 Black-Scholes.

The following instruments were valued at fair value according to listed (unadjusted) prices on an active market on the closing date (Level 1):

- Bonds and interest-bearing securities
- Electricity derivatives
- Shares and participations

The following instruments were valued at fair value according to accepted valuation models based on observable market data (Level 2):

- **Forward exchange contracts:** Future payment flows in each currency are discounted by current market rates to the valuation day and valued to SEK at period-end exchange rates.
- **Options:** The Black-Scholes option pricing model is used in the market valuation of all options.
- **Interest rate 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.

Unlisted shares and participations: Valued according to accepted principles; e.g. for venture capital firms (Level 3).

There has been no change between levels in 2014.

As of 30 June 2014, the Group had the following financial assets and liabilities at fair value:

Assets at fair value

MSEK	30/6/2014	Level 1	Level 2	Level 3
Bonds and interest-bearing securities	969	969	-	-
Forward exchange contracts	244	-	244	-
Currency options	8	-	8	-
Interest rate swaps	-	-	-	-
Electricity derivatives	2	2	-	-
Shares and participations	229	188	-	41
Total	1,452	1,159	252	41

Liabilities at fair value

MSEK	30/6/2014	Level 1	Level 2	Level 3
Forward exchange contracts	436	-	436	-
Currency options	29	-	29	-
Interest rate swaps	36	-	36	-
Electricity derivatives	9	9	-	-
Total	510	9	501	-

NOTE 8 Supplemental Information on Statement of Cash Flows**Liquid assets**

MSEK	30/6/2014	31/12/2013	30/6/2013
The following components are included in liquid assets:			
Cash and bank balances	829	651	647
Bank deposits	359	1,113	1,486
Funds in escrow account	-	-	74
Total according to balance sheet	1,188	1,764	2,207
Total according to statement of cash flows	1,188	1,764	2,207

Free cash flow vs. statement of cash flows

MSEK	Jan–Jun 2014	Jan–Jun 2013	Jan–Dec 2013
Free cash flow	-1,390	-1,073	-1,460
Investing activities – interest-bearing:			
Short-term investments	1,033	2,314	1,936
Other financial investments and receivables	24	-2	8
Dividend from joint ventures	-	-	430
Financing activities:			
Repayments of loans	-393	-156	-1,100
Raising of loans	600	-	845
Dividend paid to the Parent Company's shareholders	-479	-477	-477
Dividend paid to non-controlling interest	-	-	-1
Cash flow for the period	-605	606	181

NOTE 8 Continued**Specification of free cash flow**

MSEK	Saab excl.acquisitions/ divestments	Acquisitions and divestments	Total Group Jan–Jun 2014	Total Group Jan–Jun 2013
Cash flow from operating activities before changes in working capital ¹⁾	1,088	-	1,088	1,033
CASH FLOW FROM CHANGES IN WORKING CAPITAL				
Inventories	-920	-	-920	-162
Receivables	28	-	28	-215
Advance payments from customers	102	-	102	257
Other current liabilities	-806	-	-806	-963
Provisions	-269	-	-269	-146
Change in working capital	-1,865	-	-1,865	-1,229
Cash flow from operating activities ²⁾	-777	-	-777	-196
INVESTING ACTIVITIES				
Investments in intangible fixed assets	-97	-	-97	-35
Investments in tangible fixed assets	-299	-	-299	-231
Sale and disposals of tangible fixed assets	4	-	4	6
Sale and disposals of lease assets	72	-	72	56
Cash flow from investing activities ³⁾	-320	-	-320	-204
OPERATIONAL CASH FLOW	-1,097	-	-1,097	-400
Taxes and other financial items	-238	-	-238	-411
Sale of and investments in financial assets	1	-	1	-247
Investments in operations and associated companies	-	-38	-38	-15
Sale of subsidiaries and associated companies	-	-18	-18	-
FREE CASH FLOW	-1,334	-56	-1,390	-1,073

1) Cash flow from operating activities before changes in working capital excluding taxes and other financial items.

2) Cash flow from operating activities excluding taxes and other financial items.

3) 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 associated companies and sale of subsidiaries and associated companies.

NOTE 9 Business Combinations

No significant acquisitions were made in the first half-year 2014.

NOTE 10 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 7,217 at 30 June 2014, compared to MSEK 6,349 at 30 June 2013, and the value of the plan assets amounted to MSEK 5,260 at 30 June 2014, compared to MSEK 4,801 at 30 June 2013. Provisions for pensions attributable to special employers' contribution amounted to MSEK 419 at 30 June 2014 and to MSEK 243 at 30 June 2013. Total provisions for pensions amount to MSEK 2,376, of which MSEK 36 is reported as long-term receivables.

NOTE 11 Contingent Liabilities

No additional significant commitments have arisen during the period. With regard to the Group's 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 12 Transactions with Related Parties

Saab has signed an agreement about the sale of Saab Grintek Technologies Ltd. The transaction involves related parties to the company and has been carried through on commercial bases.

No other significant transactions have occurred during the period.

Related parties with which the Group has transactions are described in the annual report 2013, note 43.

NOTE 13 Effects of Amended Accounting Principles Regarding Joint Ventures

The Group has a 50 per cent holding in the joint venture Gripen International KB. Group holdings were reported using the proportional method through 2013; however, application of IFRS 11, Joint Arrangements, requires that holdings be reported using the equity method as of 2014. The Group's remaining holdings in joint ventures are of an insignificant amount.

Effects of application of IFRS 11 on shares in joint ventures at the end of the second quarter of 2014 are reported in accordance with the equity method as shown below. The change has not had a significant effect on the Group's income statement. For information about the other quarters and the opening balance 2013, please see the annual report 2013, note 22.

End of second quarter 2013

Financial position MSEK	30/6/2013 Actual	Adjustment IFRS 11	30/6/2013 Restated
Fixed assets	11,406	-1	11,405
Shares in joint ventures	-	459	459
Current assets	15,815	-305	15,510
Total assets	27,221	153	27,374
Total equity	11,616	-	11,616
Long-term liabilities	3,719	-	3,719
Current liabilities	11,886	153	12,039
Total liabilities	15,605	153	15,758
Total equity and liabilities	27,221	153	27,374

NOTE 14 Restated Accounting 2013 Regarding New Structure

Saab has implemented a new structure where the operations within Security and Defence Solutions which were related to Airborne Surveillance have been moved to corresponding operations within either Electronic Defence Systems or Support and Services. The reorganisation was carried through as of 1 January 2014. Additionally, a development project in Dynamics was moved to Corporate and a part of Security Defence Solutions' operations in Finland was moved to Combitech as of 1 January 2014.

Order bookings 2013

MSEK	Jan-Mar actual	Adjustment structural change	Jan-Mar restated
Aeronautics	10,833	-	10,833
Dynamics	753	-	753
EDS	3,693	-	3,693
SDS	1,620	-695	925
S&S	2,066	659	2,725
Combitech	387	37	424
Internal	-487	-1	-488
Total	18,865	-	18,865

MSEK	Jan-Jun actual	Adjustment structural change	Jan-Jun restated
Aeronautics	11,239	-	11,239
Dynamics	1,364	-5	1,359
EDS	4,633	-23	4,610
SDS	2,464	-706	1,758
S&S	2,563	660	3,223
Combitech	749	73	822
Internal	-976	1	-975
Total	22,036	-	22,036

MSEK	Jan-Sep actual	Adjustment structural change	Jan-Sep restated
Aeronautics	11,411	-	11,411
Dynamics	1,713	-5	1,708
EDS	5,393	-20	5,373
SDS	3,638	-709	2,929
S&S	2,979	658	3,637
Combitech	1,133	76	1,209
Internal	-1,238	-	-1,238
Total	25,029	-	25,029

MSEK	Jan-Dec actual	Adjustment structural change	Jan-Dec restated
Aeronautics	29,677	-	29,677
Dynamics	3,350	-5	3,345
EDS	7,620	-33	7,587
SDS	5,429	-693	4,736
S&S	3,942	660	4,602
Combitech	1,634	106	1,740
Internal	-1,843	-35	-1,878
Total	49,809	-	49,809

Order backlog 2013

MSEK	31/3/2013 actual	Adjustment structural change	31/3/2013 restated
Aeronautics	20,373	-	20,373
Dynamics	4,633	-1	4,632
EDS	8,043	721	8,764
SDS	7,485	-1,586	5,899
S&S	6,906	809	7,715
Combitech	423	57	480
Internal	-804	-	-804
Total	47,059	-	47,059

MSEK	30/6/2013 actual	Adjustment structural change	30/6/2013 restated
Aeronautics	19,061	-	19,061
Dynamics	4,282	-6	4,277
EDS	8,044	589	8,633
SDS	6,804	-1,393	5,411
S&S	6,586	722	7,308
Combitech	376	81	457
Internal	-816	7	-810
Total	44,337	-	44,337

MSEK	30/9/2013 actual	Adjustment structural change	30/9/2013 restated
Aeronautics	17,843	-	17,843
Dynamics	4,092	-5	4,088
EDS	7,849	543	8,392
SDS	6,672	-1,242	5,430
S&S	6,241	626	6,867
Combitech	438	67	505
Internal	-728	11	-718
Total	42,407	-	42,407

MSEK	31/12/2013 actual	Adjustment structural change	31/12/2013 restated
Aeronautics	34,113	-	34,113
Dynamics	4,549	-1	4,548
EDS	8,764	407	9,171
SDS	6,529	-958	5,571
S&S	6,186	497	6,683
Combitech	483	57	540
Internal	-754	-2	-756
Total	59,870	-	59,870

Sales 2013

MSEK	Jan-Mar actual	Adjustment structural change	Jan-Mar restated
Aeronautics	1,765	-	1,765
Dynamics	877	-	877
EDS	1,038	113	1,151
SDS	1,271	-174	1,097
S&S	822	49	871
Combitech	410	13	423
Corporate/internal	-321	-1	-322
Total	5,862	-	5,862

MSEK	Jan-Jun actual	Adjustment structural change	Jan-Jun restated
Aeronautics	3,482	-	3,482
Dynamics	1,848	-	1,848
EDS	1,969	228	2,197
SDS	2,774	-389	2,385
S&S	1,660	142	1,802
Combitech	820	27	847
Corporate/internal	-805	-8	-813
Total	11,748	-	11,748

MSEK	Jan-Sep actual	Adjustment structural change	Jan-Sep restated
Aeronautics	4,873	-	4,873
Dynamics	2,384	-1	2,383
EDS	2,869	278	3,147
SDS	3,963	-518	3,445
S&S	2,392	212	2,604
Combitech	1,142	42	1,184
Corporate/internal	-1,152	-13	-1,165
Total	16,471	-	16,471

MSEK	Jan-Dec actual	Adjustment structural change	Jan-Dec restated
Aeronautics	6,869	-	6,869
Dynamics	3,572	-6	3,566
EDS	4,161	399	4,560
SDS	5,891	-796	5,095
S&S	3,419	353	3,772
Combitech	1,598	86	1,684
Corporate/internal	-1,760	-36	-1,796
Total	23,750	-	23,750

EBITDA

MSEK	Jan-Mar actual	Adjustment structural change	Jan-Mar restated
Aeronautics	153	-	153
Dynamics	83	12	95
EDS	78	33	111
SDS	54	-47	7
S&S	93	14	107
Combitech	46	-	46
Corporate	137	-12	125
Total	644	-	644

Operating income (EBIT)

MSEK	Jan-Mar actual	Adjustment structural change	Jan-Mar restated
Aeronautics	116	-	116
Dynamics	72	12	84
EDS	-45	33	-12
SDS	22	-44	-22
S&S	88	14	102
Combitech	44	-	44
Corporate	99	-15	84
Total	396	-	396

MSEK	Jan-Jun actual	Adjustment structural change	Jan-Jun restated
Aeronautics	311	-	311
Dynamics	215	25	241
EDS	113	56	169
SDS	206	-104	102
S&S	204	45	249
Combitech	79	3	82
Corporate	-86	-25	-112
Total	1,042	-	1,042

MSEK	Jan-Jun actual	Adjustment structural change	Jan-Jun restated
Aeronautics	237	-	237
Dynamics	187	25	213
EDS	-125	56	-69
SDS	142	-97	45
S&S	195	45	240
Combitech	75	2	77
Corporate	-166	-31	-198
Total	545	-	545

MSEK	Jan-Sep actual	Adjustment structural change	Jan-Sep restated
Aeronautics	464	-	464
Dynamics	184	35	219
EDS	255	57	312
SDS	318	-143	175
S&S	279	80	359
Combitech	95	6	101
Corporate	-38	-35	-73
Total	1,557	-	1,557

MSEK	Jan-Sep actual	Adjustment structural change	Jan-Sep restated
Aeronautics	354	-	354
Dynamics	141	35	176
EDS	-101	57	-44
SDS	222	-133	89
S&S	265	80	345
Combitech	89	5	94
Corporate	-159	-44	-203
Total	811	-	811

MSEK	Jan-Dec actual	Adjustment structural change	Jan-Dec restated
Aeronautics	603	-	603
Dynamics	386	42	428
EDS	287	86	373
SDS	556	-228	328
S&S	383	134	517
Combitech	148	9	157
Corporate	4	-43	-39
Total	2,367	-	2,367

MSEK	Jan-Dec actual	Adjustment structural change	Jan-Dec restated
Aeronautics	456	-	456
Dynamics	324	42	366
EDS	-201	86	-115
SDS	428	-215	213
S&S	364	134	498
Combitech	140	8	148
Corporate	-166	-55	-221
Total	1,345	-	1,345

NOTE 15 Definitions

Capital employed

Total capital less non-interest-bearing liabilities.

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.

EBITDA margin

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

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.

Gross margin

Gross income as a percentage of sales revenue.

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.

Free cash flow per share

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

Operating margin

Operating income as a percentage of sales revenue.

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).

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, 18 July 2014

Marcus Wallenberg
Chairman

Johan Forssell
Board member

Sten Jakobsson
Deputy Chairman

Sara Mazur
Board member

Per-Arne Sandström
Board member

Cecilia Stegö Chilo
Board member

Lena Treschow Torell
Board member

Joakim Westh
Board member

Stefan Andersson
Board member

Catarina Carlqvist
Board member

Conny Holm
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 2014. 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 18 July 2014
PricewaterhouseCoopers AB

Håkan Malmström
*Authorised Public Accountant
Auditor in charge*

Anna-Clara af Ekenstam
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 a.m. on 18 July 2014.

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Press and financial analyst conference and webcast
with CEO Håkan Buskhe and CFO Magnus Örnberg
Today, Friday 18 July 2014 at 10:00 a.m. (CET)
Grand Hôtel, Room: New York
Blasieholmshamnen 8, Stockholm, Sweden
Contact Karoline Sandar to register
and for further information
Tel. +46-8-463 02 45
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.

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