

Q2

INTERIM REPORT
JANUARY-JUNE 2018

Order backlog

% outside Sweden

65

Sales

MSEK

15,719

Operating margin

Per cent

5.8

Comment by the President and CEO, Håkan Buskhe:

Efficient project execution in focus

Demand for high-tech defence and security solutions remained strong in the first half of 2018. Security concerns and rapid technological developments have led to increased investment in defence materiel in many regions of the world.

During the first half of 2018, Saab achieved important milestones in several major development projects. This includes the successful first flight of the new generation GlobalEye Airborne Early Warning & Control system and the launch of the Swedish Navy's HMS Gotland submarine after a mid-life upgrade and modification. The Gripen E programme is also progressing as planned. Execution of major projects was a priority for Saab in the first half-year and will remain so going forward.

Order bookings and sales

Order bookings of medium-sized orders were strong in the first half of 2018. In total, order bookings amounted to SEK 12.7 billion. A large order was received during the period for Gripen development and operational support worth SEK 1.4 billion. Large orders received in the same period of 2017 totalled SEK 10.7 billion. Interest in Saab's products remains high.

Sales amounted to SEK 15.7 billion with organic growth of 1 per cent. The business areas Aeronautics, Surveillance and Kockums saw strong growth driven by increased activity in major projects.

Operating income

Operating income amounted to SEK 905 million (886) and the operating margin was 5.8 per cent (5.8). The operating margin improved during the period within several business areas, and as expected the operating margin was negatively affected within the business area Dynamics by a lower delivery level than in the same period of 2017.

Operational cash flow amounted to SEK -2,750 million (-443), according to plan. The main reason for the negative cash flow was a high level of capital employed within the Gripen operations and utilisation of previously received advances and milestone payments.

The financial net had a negative impact on net income due to changes in market value of derivatives related to hedged tenders mainly in USD.

Performance

Our efforts to improve efficiency continued in the first half of 2018, at the same time that an analysis is underway to identify measures to further increase productivity. The aim is to launch them this autumn.

OUTLOOK STATEMENT FOR 2018: We estimate that sales growth in 2018 will be in line with Saab's long-term financial goal: annual organic sales growth of 5 per cent. (unchanged)

The operating margin in 2018, excluding material non-recurring items, is expected to improve compared to 2017, bringing Saab a step closer to its financial goal: an operating margin of 10 per cent per year over a business cycle.

Financial highlights

MSEK	Jan-Jun 2018	Jan-Jun 2017 ¹⁾	Change, %	Q2 2018	Q2 2017	Full Year 2017 ¹⁾
Order bookings	12,664	20,554	-38	6,529	10,853	30,841
Order backlog	104,473	112,769	-7			107,233
Sales	15,719	15,358	2	7,953	7,772	31,666
Gross income	3,537	3,469	2	1,799	1,686	7,543
Gross margin, %	22.5	22.6		22.6	21.7	23.8
EBITDA	1,323	1,314	1	669	568	3,089
EBITDA margin, %	8.4	8.6		8.4	7.3	9.8
Operating income (EBIT)	905	886	2	458	347	2,250
Operating margin, %	5.8	5.8		5.8	4.5	7.1
Net income	450	660	-32	199	264	1,508
of which Parent Company's shareholders' interest	425	643	-34	183	253	1,477
Earnings per share after dilution, SEK ²⁾	3.95	5.99		1.70	2.36	13.75
Return on equity, % ³⁾	9.7	11.2				10.9
Operational cash flow	-2,750	-443		-539	-1,429	1,388
Free cash flow	-3,192	-532		-781	-1,429	852
Free cash flow per share after dilution, SEK	-29.66	-4.96		-7.25	-13.30	7.93

¹⁾ 2017 has been restated according to the new accounting principles regarding revenue recognition (IFRS 15).

²⁾ Average number of shares after dilution

³⁾ Return on equity is measured over a rolling 12-month period.

107,634,456

107,332,919

107,678,230

107,423,697

107,400,920

The comparative year 2017 is restated to reflect the new accounting principle that applies as of 2018 for revenue recognition, IFRS 15 Revenue from Contracts with Customers. For more information, see note 2.

Orders

Second quarter 2018

Order bookings amounted to MSEK 6,529 (10,853) in the second quarter 2018. Compared to the same period of 2017 order bookings decreased by 40 per cent. The decrease is a result of Saab having received large orders valued at a total of SEK 5.5 billion in the second quarter 2017.

January-June 2018

Order bookings amounted to MSEK 12,664 (20,554) in the first half of 2018. During the period, Saab received a large order for Gripen development and operational support in Sweden worth SEK 1.35 billion. Order bookings regarding medium-sized orders increased compared to the same period of 2017.

Compared to the same period of 2017 order bookings decreased by 38 per cent. The change is a result of Saab having received large orders valued at a total of SEK 10.7 billion in the first half of 2017.

Orders of less than MSEK 100 amounted to SEK 5.3 billion (5.3).

During the first half-year 2018, index and price changes had a positive effect on order bookings of MSEK 102 compared to MSEK 135 in the same period of 2017.

The order backlog at the end of the period amounted to MSEK 104,473 compared to MSEK 107,233 at the beginning of the year. In total, 65 per cent of the order backlog is attributable to markets outside Sweden.

For more information about orders received, see Business Area comments on pages 7, 8 and 9.

Sales

Second quarter 2018

Sales amounted to MSEK 7,953 (7,772) in the second quarter. Sales increased in all business areas except Dynamics, which had fewer deliveries during the period compared to 2017.

January-June 2018

Sales in the first half-year increased in several business areas and amounted to MSEK 15,719 (15,358). The large part of the increase is related to a high activity level within the Gripen operations. Airborne early warning and control systems also maintained a high activity level during the period. Kockums' sales rose within both the submarine and the surface vessel operations.

Sales from markets outside Sweden amounted to MSEK 8 966 (8 802), corresponding to 57 per cent (57), of total sales. 85 per cent (84) of sales related to the defence market.

Sales growth

Per cent	Jan-Jun 2018	Jan-Jun 2017	Q2 2018	Q2 2017	Year 2017
Organic sales growth	1	10	1	11	11
Acquisitions	1	-	1	-	-
Currency effects regarding revaluation of foreign subsidiaries	-	1	-	1	-
Total sales growth	2	11	2	12	11

Sales per region

MSEK	Jan-Jun 2018	Jan-Jun 2017	Change, %
Sweden	6,753	6,556	3
Rest of Europe	2,169	2,236	-3
North America	1,333	1,290	3
Latin America	1,690	1,136	49
Asia	2,969	3,431	-13
Africa	184	277	-34
Australia, etc.	621	432	44
Total	15,719	15,358	2

Large orders, Jan-Jun 2018	MSEK
Operational and development support Gripen	1,350

Order distribution

Orders exceeding MSEK 100 accounted for 58% (74) of total orders during the period.



Order backlog duration:

2018: SEK **14.2** billion
 2019: SEK **23.0** billion
 2020: SEK **18.2** billion
 2021: SEK **17.9** billion
 After 2021: SEK **31.2** billion

Defence/Civil

A total of 83% (90) of order bookings was attributable to defence-related operations during the period.

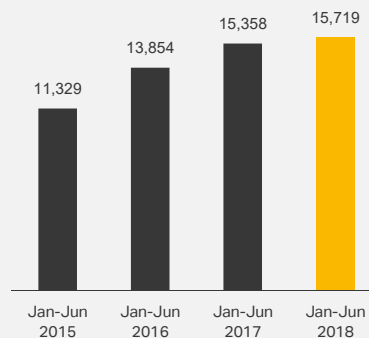


Market

A total of 65% (47) of order bookings was related to markets outside Sweden during the period.



Sales MSEK



Income

Second quarter 2018

The gross margin during the second quarter was 22.6 per cent (21.7). The gross margin strengthened mainly due to an improved gross margin within Surveillance.

Operating income amounted to MSEK 458 (347) with an operating margin of 5.8 per cent (4.5). The operating margin improved mainly due to higher profitability within the business areas Surveillance and Industrial Products and Services.

January-June 2018

The gross margin in the first half-year was 22.5 per cent (22.6).

Total depreciation and amortisation amounted to MSEK 418 (428). Depreciation of tangible fixed assets amounted to MSEK 295 (273).

Internally funded R&D expenditures amounted to MSEK 1,082 (925), of which MSEK 484 (334) was capitalised. Internally funded R&D is mainly related to radar and sensor technology as well as the T-X program. Expenditures for the T-X program were lower than the same period 2017. Capitalised expenditures are mainly attributable to the development of Gripen E/F for future exports and the GlobalEye Airborne Early Warning & Control system.

Amortisation of intangible fixed assets amounted to MSEK 123 (155), of which amortisation of capitalised development expenditures amounted to MSEK 66 (91). The share of income in associated companies and joint ventures amounted to MSEK -19 (-7).

Operating income amounted to MSEK 905 (886) with an operating margin of 5.8 per cent (5.8). The operating margin strengthened during the period within several business areas, and as expected the operating margin was negatively affected within the business area Dynamics by lower deliveries than in the same period 2017.

Financial net

MSEK	Jan-Jun 2018	Jan-Jun 2017
Financial net related to pensions	-33	-34
Net interest items	-38	-24
Currency gains/losses	-210	50
Other financial items	-49	-1
Total	-330	-9

The financial net related to pensions is the financial cost for net pension obligations recognised in the balance sheet. See note 12 for more information regarding defined-benefit pension plans.

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

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

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

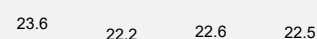
Tax

Current and deferred taxes amounted to MSEK -125 (-217), equivalent to an effective tax rate of 22 per cent (25). The announced corporate tax cut in Sweden led to a lower tax rate due to the restatement of deferred taxes.

Return on capital employed and equity

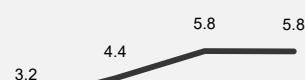
The pre-tax return on capital employed was 9.6 per cent (10.5) and the after-tax return on equity was 9.7 per cent (11.2), both measured over a rolling 12-month period.

Gross margin, %



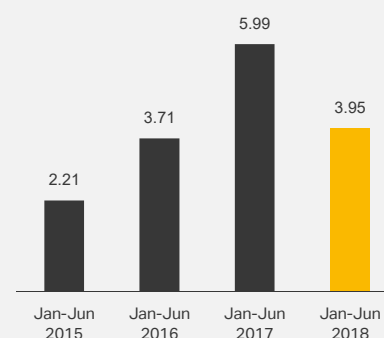
Jan-Jun 2015 Jan-Jun 2016 Jan-Jun 2017 Jan-Jun 2018

Operating margin, %

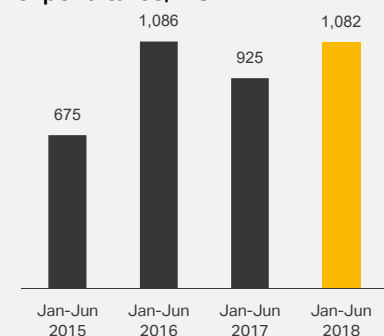


Jan-Jun 2015 Jan-Jun 2016 Jan-Jun 2017 Jan-Jun 2018

Earnings per share after dilution, SEK



Internally funded R&D expenditures, MSEK



Financial position and liquidity

At the end of June 2018, net debt was MSEK 6,489, an increase of MSEK 4,655 compared to year-end 2017, when net debt amounted to MSEK 1,834.

Cash flow from operating activities amounted to MSEK -2,003.

Accounts receivable decreased by MSEK 687 during the period due to deliveries mainly made within the business areas Dynamics and Surveillance.

Due to the level of completion of large projects, contractual assets increased by MSEK 2,384 during the period at the same time that the contractual liabilities decreased by MSEK 1,484.

Inventories increased by MSEK 869 during the period. The increase mainly relates to future deliveries within the business area Dynamics.

Net provisions for pensions, excluding the special employer's contribution, amounted to MSEK 3,429 as of 30 June 2018, compared to MSEK 2,646 at year-end 2017. The change had a negative effect on net debt of MSEK 783. The increase in provisions is mainly due to a reduction in the discount rate used to calculate the pension obligation to 2,25 per cent from 2,50 per cent during the period and an increase in the inflation assumption to 2,00 per cent from 1,75 per cent. For further information on Saab's defined-benefit pension plans, see note 12.

Tangible fixed assets amounted to MSEK 5,693 at the end of the period. As of 1 January 2018, investment properties are no longer recognised as a separate item and are included in tangible fixed assets.

During the period, net investments amounted to approximately MSEK 1,247 (955). Investments in tangible fixed assets amounted to MSEK 667 (556). Investments in intangible fixed assets amounted to MSEK 586 (421), of which MSEK 484 (334) related to capitalised R&D expenditures and MSEK 102 (87) to other intangible fixed assets. In addition, a dividend of MSEK 588 was paid to the Parent Company's shareholders.

Capitalised development expenditures on the balance sheet increased by MSEK 380. The increase is mainly related to investments to develop Gripen E/F for future exports.

As of 30 June 2018, short-term investments and liquid assets amounted to MSEK 5,616, a decrease of MSEK 1,055 compared to year-end 2017. MSEK 2,750 in funding was raised during the first half of 2018. For further information on Saab's liabilities to credit institutions, see note 7.

In total, capital employed increased by MSEK 3,011 during the period to MSEK 26,310.

Currency exchange rate differences in liquid assets and unrealised results from financial investments had a negative effect on net debt of MSEK 42.

Key indicators of financial position and liquidity

MSEK	30 Jun 2018	31 Dec 2017	Change	30 Jun 2017
Net liquidity / debt ²⁾	-6,489	-1,834	-4,655	-3,196
Intangible fixed assets	8,407	7,862	545	7,276
Goodwill	5,294	5,177	117	5,120
Capitalised development costs	2,740	2,360	380	1,893
Other intangible fixed assets	373	325	48	263
Tangible fixed assets, etc ³⁾	6,045	5,663	382	5,360
Inventories	9,116	8,247	869	8,101
Accounts receivable	3,655	4,342	-687	3,711
Contract assets ⁴⁾	10,384	8,000	2,384	7,308
Contract liabilities ⁴⁾	8,028	9,512	-1,484	7,422
Equity/assets ratio, %	28.7	31.7		32.3
Return on equity, %	9.7	10.9		11.2
Equity per share, SEK ¹⁾	126.17	131.96	-5.79	122.15

1) Number of shares excluding treasury shares

107,051,054

106,823,782

106,605,294

2) The Group's net liquidity/debt refers to liquid assets, short-term investments and interest-bearing receivables less interest-bearing liabilities and provisions for pensions excluding provisions for pensions attributable to special employers' contribution. For a detailed break-down of interest-bearing receivables and interest-bearing liabilities, see note 7.

3) Including tangible fixed assets and biological assets.

4) Relate to long-term customer contracts and services according to IFRS 15 revenue recognition over time.

Change in net debt Jan-Jun 2018

	MSEK
Net liquidity (+) / net debt (-), 31 Dec 2017	-1,834
Cash flow from operating activities	-2,003
Change in net pension obligation	-783
Net investments	-1,247
Sale of subsidiaries and acquisitions of operations	8
Dividend	-588
Currency impact and unrealised results from financial investments	-42
Net liquidity (+) / net debt (-), 30 Jun 2018	-6,489

Cash flow

Cash flow from operating activities, excluding taxes and other financial items, amounted to MSEK -1,503 (512), see note 10.

Saab has an established programme to sell trade receivables in order to strengthen its financial position and increase financial flexibility. The programme has not been utilised since 31 December 2016. Saab's aim is to utilise this programme in situations where greater financial flexibility is needed.

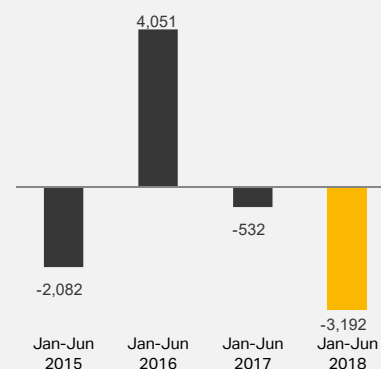
Operational cash flow amounted to MSEK -2,750 (-443). It is defined as cash flow from operating activities excluding taxes and other financial items, as well as acquisitions and divestments of intangible and tangible fixed assets. Cash flow is negative mainly as a result of the combination of increased capital employed in major projects and utilisation of previously received advances and milestone payments.

Free cash flow amounted to MSEK -3,192 (-532). For more detailed information on cash flow, see note 10.

	Total Group Jan-Jun 2018	Total Group Jan-Jun 2017
Cash flow from operating activities before changes in working capital, excluding taxes and other financial items	1,655	1,517
Change in working capital	-3,158	-1,005
Cash flow from operating activities excluding taxes and other financial items	-1,503	512
Cash flow from investing activities ¹⁾	-1,247	-955
Operational cash flow	-2,750	-443
Taxes and other financial items	-500	-83
Sales and acquisitions	58	-6
Free cash flow	-3,192	-532

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

Free cash flow, MSEK



Operating segments

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

Page

7

Business Area Aeronautics

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

Business Area Dynamics

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

8

Business Area Surveillance

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

Business Area Support and Services

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

9

Business Area Industrial Products and Services

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

Business Area Kockums

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

Business Area Aeronautics

Business units

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

MSEK	Jan-Jun 2018	Jan-Jun 2017	Change, %	Q2 2018	Q2 2017	Full Year 2017
Order bookings	2,148	1,718	25	759	1,104	3,295
Order backlog	48,389	52,301	-7			50,154
Sales	3,913	3,543	10	1,871	1,865	7,267
EBITDA	285	209	36	108	118	528
EBITDA margin, %	7.3	5.9		5.8	6.3	7.3
Operating income (EBIT)	258	186	39	95	106	478
Operating margin, %	6.6	5.2		5.1	5.7	6.6
Operational cash flow	-1,963	232		-414	-746	1,264
Defence/Civil (% of sales)	99/1	99/1		99/1	99/1	99/1
No. of FTE's	3,098	3,013	3			3,073

Orders

During the first half-year, Saab received an order from FMV valued at MSEK 1,350 to provide operational and development support for Gripen during a period of three years from 2018 to 2020. FMV also ordered an upgrade of the Gripen C/D system, to improve and modify existing capabilities in a previous upgrade, which was introduced across the Swedish fleet in 2016.

Sales, income and margin

Sales increased in the first half-year mainly due to a higher activity level within Gripen development and production for Brazil.

The operating margin improved due to the higher activity level and also because R&D expenditures for the T-X program were lower compared to the first half of 2017.

Interest in the Gripen system is high and investments to develop Gripen E/F for future exports continued in the second quarter, when development was capitalised.

Cash flow

Cash flow was negative as a result of increased capital employed and utilisation of received advances.

Order distribution

Orders exceeding MSEK 100 accounted for 76% (52) of total orders during the period.



Market

Sales in markets outside Sweden amounted to 41% (34) during the period.



Business Area Dynamics

Business units

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

MSEK	Jan-Jun 2018	Jan-Jun 2017	Change, %	Q2 2018	Q2 2017	Full Year 2017
Order bookings	2,573	6,277	-59	1,218	1,990	8,615
Order backlog	12,094	12,451	-3			11,597
Sales	2,120	2,381	-11	1,064	1,235	5,617
EBITDA	127	268	-53	63	113	765
EBITDA margin, %	6.0	11.3		5.9	9.1	13.6
Operating income (EBIT)	90	226	-60	44	92	680
Operating margin, %	4.2	9.5		4.1	7.4	12.1
Operational cash flow	-390	183		-419	46	1,105
Defence/Civil (% of sales)	92/8	93/7		91/9	93/7	94/6
No. of FTE's	2,184	2,117	3			2,143

Order distribution

Orders exceeding MSEK 100 accounted for 63% (85) of total orders during the period.



Market

Sales in markets outside Sweden amounted to 68% (71) during the period.



Orders

During the first half-year, Finland selected Saab as a major supplier for the Finnish Navy's Squadron 2000 Mid-Life Upgrade programme. Within the framework of the programme Saab signed a contract to produce and deliver the New Lightweight Torpedo. This was the first export order for this new torpedo.

An order was received from the United States Army for the shoulder-launched AT4CS RS (Confined Space Reduced Sensitivity) amounting to approximately MUSD 50 (MSEK 426).

During the period, FMV ordered the latest generation of the Carl-Gustaf M4 weapon system.

A major contract was signed with FMV for the development and production of the next generation anti-ship missile valued at SEK 3.2 billion.

Sales, income and margin

Sales and the operating margin decreased due to fewer deliveries in the first half of 2018 compared to 2017. A change in the product mix also contributed to a lower operating margin.

Cash flow

Operational cash flow was negatively affected by fewer customer deliveries in the first half-year compared to 2017.

Business Area Surveillance

Business units

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

MSEK	Jan-Jun 2018	Jan-Jun 2017	Change, %	Q2 2018	Q2 2017	Full Year 2017
Order bookings	4,042	4,439	-9	2,311	2,778	7,048
Order backlog	15,328	15,636	-2			14,764
Sales	3,577	3,152	13	1,799	1,720	6,633
EBITDA	354	356	-1	218	182	925
EBITDA margin, %	9.9	11.3		12.1	10.6	13.9
Operating income (EBIT)	219	211	4	150	107	632
Operating margin, %	6.1	6.7		8.3	6.2	9.5
Operational cash flow	-477	174		-1	-243	-60
Defence/Civil (% of sales)	99/1	99/1		99/1	98/2	98/2
No. of FTE's	3,733	3,524	6			3,601

Orders

During the first half-year, Surveillance received several medium-sized orders, including from the United Arab Emirates for additional functionality for the GlobalEye Advanced Airborne Early Warning & Control (AEW&C) solution and from FMV for Multi Tactical Data Links for the Swedish Navy. Within the framework of the Finnish Navy's Squadron 2000 Mid-Life Upgrade programme orders were received for the 9LV Combat Management System (CMS), the 9LV Fire Control System (FCS) including the Ceros 200 fire control director and the Trackfire Remote Weapon Station (RWS). Saab also received an order for the Sea Giraffe AMB multifunction radar system and related equipment.

Sales, income and margin

Sales increased in the first half-year due to a higher activity level for Airborne Surveillance Systems. This also positively affected the operating margin in the second quarter.

Cash flow

During the first half-year, the level of completion was high in several projects, which resulted in a negative cash flow.

Order distribution

Orders exceeding MSEK 100 accounted for 74% (68) of total orders during the period.



Market

Sales in markets outside Sweden amounted to 77% (76) during the period.



Business Area Support and Services

Business units

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

MSEK	Jan-Jun 2018	Jan-Jun 2017	Change, %	Q2 2018	Q2 2017	Full Year 2017
Order bookings	1,875	4,490	-58	1,152	2,485	6,199
Order backlog	11,682	13,604	-14			12,513
Sales	2,736	3,042	-10	1,400	1,347	5,818
EBITDA	342	324	6	164	156	721
EBITDA margin, %	12.5	10.7		11.7	11.6	12.4
Operating income (EBIT)	333	315	6	159	151	702
Operating margin, %	12.2	10.4		11.4	11.2	12.1
Operational cash flow	196	-49		355	176	126
Defence/Civil (% of sales)	83/17	83/17		82/18	80/20	82/18
No. of FTE's	1,867	1,913	-2			1,865

Order distribution

Orders exceeding MSEK 100 accounted for 27% (77) of total orders during the period.



Market

Sales in markets outside Sweden amounted to 57% (59) during the period.



Orders

Several medium-sized orders were received in the first half-year, including from FMV for maintenance and technical system support for flight safety equipment. Smaller orders valued at less than MSEK 100 increased significantly compared to the first half of 2017.

During the first half-year 2017, Saab received two orders in airborne ISR with a value for Support and Services of approximately SEK 2 billion. In addition, a contract was signed with FMV for continued support and maintenance of Gripen C/D with a value for Support and Services of SEK 1.2 billion.

Sales, income and margin

The main reason for the lower sales compared to the first half of 2017 is that Saab received a major order in the first half of 2017, which gave rise to higher revenue recognition at the start of the project.

The operating margin was positively affected by project execution during the period.

Cash flow

Cash flow strengthened in the second quarter due to deliveries of smaller order within several business units.

Business Area Industrial Products and Services

Business units

Aerostructures, Avionics Systems, Traffic Management, and Combitech.

MSEK	Jan-Jun 2018	Jan-Jun 2017	Change, %	Q2 2018	Q2 2017	Full Year 2017
Order bookings	2,645	3,274	-19	1,543	1,830	5,842
Order backlog	11,513	11,954	-4			11,697
Sales	2,950	2,834	4	1,559	1,450	5,635
EBITDA	124	105	18	74	25	213
EBITDA margin, %	4.2	3.7		4.7	1.7	3.8
Operating income (EBIT)	81	56	45	54	0	116
Operating margin, %	2.7	2.0		3.5	-	2.1
Operational cash flow	-144	-367		-192	-228	-296
Defence/Civil (% of sales)	31/69	29/71		30/70	28/72	29/71
No. of FTE's	3,470	3,525	-2			3,488

Orders

During the first half-year, order bookings were lower than in 2017 mainly because the business unit Traffic Management received several large orders in the same period of 2017.

Sales, income and margin

Sales within several business units increased in the first half of 2018 compared to 2017. The operating margin rose in the second quarter due to improved project execution.

Cash flow

Operational cash flow was negative due to currency transactions related to projects in the business unit Aerostructures during the period.

Order distribution

Orders exceeding MSEK 100 accounted for 18% (33) of total orders during the period.



Market

Sales in markets outside Sweden amounted to 50% (52) during the period.



Business Area Kockums

Business units

Submarines and Surface Ships.

MSEK	Jan-Jun 2018	Jan-Jun 2017	Change, %	Q2 2018	Q2 2017	Full Year 2017
Order bookings	530	1,834	-71	149	1,685	2,129
Order backlog	7,724	9,360	-17			8,815
Sales	1,625	1,384	17	880	706	2,712
EBITDA	99	87	14	50	46	180
EBITDA margin, %	6.1	6.3		5.7	6.5	6.6
Operating income (EBIT)	84	75	12	42	40	157
Operating margin, %	5.2	5.4		4.8	5.7	5.8
Operational cash flow	423	-140		434	-254	206
Defence/Civil (% of sales)	100/0	100/0		100/0	100/0	100/0
No. of FTE's	1,175	939	25			1,115

Order distribution

Orders exceeding MSEK 100 accounted for 23% (79) of total orders during the period.



Market

Sales in markets outside Sweden amounted to 10% (13) during the period.



Orders

During the first half-year, Saab signed a contract with ASC to update the Integrated Ship Control Management and Monitoring System (ISCMMMS) for four of the Royal Australian Navy's Collins Class Submarines. The order amounted to approximately MSEK 150.

Sales, income and margin

Sales increased in the first half-year due to high activity in submarines and the acquisitions of N. Sundin Dockstavarvet AB and the repair shipyard Muskövarvet AB on 29 December 2017.

Cash flow

Operational cash flow was positive due to milestone payments received during the period.

Corporate

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

Corporate reported income of MSEK -160 (-183) during the first half-year 2018.

Operational cash flow attributable to Corporate amounted to MSEK -395 (-476) in the period.

Acquisitions and divestments 2018

No significant acquisitions or divestments were made during the period.

Share repurchase

Saab held 2,099,290 treasury shares as of 30 June 2018, compared to 2,326,562 at year-end 2017. The Annual General Meeting on 10 April 2018 authorised the Board of Directors to repurchase up to 10 per cent of Saab's shares to hedge Saab's long-term incentive programmes. In June, the Board decided to utilise its authorisation to repurchase series B shares in order to secure delivery of shares to participants in Saab's long-term Share Matching Plan, Performance Share Plan and Special Projects Incentive. Shares can be acquired as of 23 July 2018 until the Annual General Meeting 2019.

Risks and uncertainties

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

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

Operations can entail various degrees of risk. The key risk areas are political, operating and financial. Various policies and instructions govern the management of material risks. Saab today conducts more projects involving major development than before, and their inherent complexity raises risk in several dimensions.

The market is characterised by challenging conditions where orders are deferred to the future partly for financial reasons, at the same time that customers are also dealing with shorter timeframes.

For a general description of the risk areas, see the annual report 2017, pages 54-57.

Owners

Saab's largest shareholders as of 30 June 2018:

	% of capital	% of votes
Investor AB	30.0	40.2
Knut and Alice Wallenberg Foundation	8.8	7.7
Swedbank Robur funds	4.7	4.1
AFA Insurance	2.8	2.5
Handelsbanken funds	2.2	1.9
Norges Bank	2.0	1.8
Unionen	1.7	1.5
Livförsäkringsbolaget Skandia	1.7	1.5
Fidelity	1.6	1.4
Lannebo funds	1.1	0.9

Source: Modular Finance

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

Personnel

	30 Jun 2018	31 Dec 2017
Number of employees	16,733	16,427
FTE's	16,426	16,171

Other events January-June 2018

- Saab announced that it would demonstrate its anti-submarine warfare (ASW) training system, the AUV62-AT, for the U.S. Navy (USN). The AUV62-AT is an artificial acoustic system that mimics a submarine.
- In January, Saab inaugurated a new development centre, STC (Saab Technology Centre), in Tampere, Finland. For the first stage, Saab established a unit at the STC with a focus on Electronic Warfare (EW).
- Saab and Lund University signed a strategic collaboration agreement. Together, they will develop activities within education and research for the benefit of both parties, and make competence, resources and facilities available to both parties. Among the focus areas of the collaboration are electromagnetic field theory, computer sciences, energy sciences and structural mechanics.
- Saab announced in March that Ann-Kristin Adolfsson, Chief Strategy Officer, has been appointed Head of Saab Ventures. Due to her new role, Ann-Kristin Adolfsson left Group Management.
- Saab received an order from the Defence Material Organisation, DMO, for support and update of simulators to the Netherlands Army's Mobile Combat Training Centre. The order value amounted to MSEK 115.
- On March 14, Saab successfully completed the first flight of the new GlobalEye Airborne Early Warning & Control aircraft, in Linköping, Sweden. GlobalEye combines air, maritime and ground surveillance in one swing-role solution. The system provides users with extended radar range with the Erieye ER radar and better range with the Global 6000 jet platform, combined with the ability to perform multiple roles using a single solution, including search and rescue, border surveillance and military operations.
- The Annual General Meeting on 10 April 2018 resolved to pay shareholders a dividend of SEK 5.50 per share (total MSEK 588). The record date was 12 April 2018 and the dividend was paid out on 17 April 2018.
- The Annual General Meeting resolved to re-elect Håkan Buskhe, Sten Jakobsson, Danica Kragic Jensfelt, Sara Mazur, Daniel Nodhäll, Bert Nordberg, Cecilia Stegö Chilò, Erika Söderberg Johnson, and Joakim Westh and to re-elect Marcus Wallenberg as Chairman of the Board.
- Saab Digital Air Traffic Solutions AB announced that it had been selected by Scandinavian Mountains Airport to install and operate digital towers at its airport. This is the first time digital tower services will be put into operation at a new airport. It also marks the first time Saab will deliver true digital air navigation service provider capabilities. The contract includes the installation of the Saab R-TWR system at the airport in 2018-19 and initial operations from the digital tower centre in Sundsvall from December 2019 for a period of ten years. The airport primarily serves destinations within the region, including the Sälen and Trysil ski resorts, mainly during the winter season, thus enabling the airport to make use of the flexibility of digital tower services from a centralised location.
- In May, Saab unveiled a manufacturing facility for Gripen aerostructures: Saab Aeronáutica Montagens (SAM), in the city of São Bernardo do Campo, in São Paulo state, Brazil.

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

Events after the conclusion of the period

- In July, FMV extended Saab's support and maintenance contract for Helicopter 15 in Sweden. Helicopter 15 (HKP 15) has been in operation in the Swedish Armed Forces for almost 15 years and, since 2012, Saab has had an exclusive agreement to ensure flight time availability. FMV has now chosen to call another option to extend Saab's agreement until the end of 2021.

HMS Gotland



After an extensive mid-life upgrade (MLU) to meet the naval challenges of the future, the Swedish submarine HMS Gotland was relaunched in the second quarter and then began testing at sea.

About Saab

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

Short facts

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

- Saab has approximately 16,700 employees
- Local presence in approximately 35 countries
- Customers in more than 100 countries

Vision

It is a human right to feel safe.

Mission

To make people safe by pushing intellectual and technological boundaries.

Business concept

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

Organisation

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

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



Revenue model

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

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

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

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

Financial goals

Sales

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

Operating margin

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

Equity/assets ratio

The equity/assets ratio will exceed 30 per cent.

Dividend

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



Saab's strategy

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

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

Market

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

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

Efficiency

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

Innovation

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

Consolidated income statement

MSEK	Note	Jan-Jun 2018	Jan-Jun 2017	Rolling 12 Months	Full Year 2017
Sales	4	15,719	15,358	32,027	31,666
Cost of goods sold		-12,182	-11,889	-24,416	-24,123
Gross income		3,537	3,469	7,611	7,543
Gross margin, %		22.5	22.6	23.8	23.8
Other operating income		89	66	127	104
Marketing expenses		-1,298	-1,192	-2,536	-2,430
Administrative expenses		-723	-731	-1,485	-1,493
Research and development costs		-664	-682	-1,330	-1,348
Other operating expenses		-17	-37	-67	-87
Share in income of associated companies and joint ventures		-19	-7	-51	-39
Operating income (EBIT) ¹⁾	3	905	886	2,269	2,250
Operating margin, %		5.8	5.8	7.1	7.1
Financial income		32	113	40	121
Financial expenses		-362	-122	-512	-272
Net financial items		-330	-9	-472	-151
Income before taxes		575	877	1,797	2,099
Taxes		-125	-217	-499	-591
Net income for the period		450	660	1,298	1,508
of which Parent Company's shareholders' interest		425	643	1,259	1,477
of which non-controlling interest		25	17	39	31
Earnings per share before dilution, SEK ²⁾		3.98	6.04	11.79	13.86
Earnings per share after dilution, SEK ³⁾		3.95	5.99	11.70	13.75
1) Includes depreciation/amortisation and write-downs		-418	-428	-829	-839
2) Average number of shares before dilution		106,918,084	106,488,262	106,816,584	106,601,672
3) Average number of shares after dilution		107,634,456	107,332,919	107,597,675	107,400,920

Consolidated statement of comprehensive income

MSEK	Jan-Jun 2018	Jan-Jun 2017	Rolling 12 Months	Full Year 2017
Net income for the period	450	660	1,298	1,508
Other comprehensive income/loss:				
Items that will not be reversed in the income statement:				
Revaluation of net pension obligations	-941	-304	-827	-190
Tax attributable to revaluation of net pension obligations	149	67	125	43
Total	-792	-237	-702	-147
Items that may be reversed in the income statement:				
Translation differences	265	-218	228	-255
Cash flow hedges	43	467	207	631
Tax attributable to cash flow hedges	-11	-104	-44	-137
Total	297	145	391	239
Other comprehensive income/loss for the period	-495	-92	-311	92
Net comprehensive income/loss for the period	-45	568	987	1,600
of which Parent Company's shareholders' interest	-64	542	947	1,553
of which non-controlling interest	19	26	40	47

Consolidated statement of financial position

MSEK	Note	30 Jun 2018	31 Dec 2017	30 Jun 2017
ASSETS				
Fixed assets:				
Intangible fixed assets	6	8,407	7,862	7,276
Tangible fixed assets		5,693	5,311	5,009
Biological assets		352	352	351
Shares in associated companies and joint ventures		676	700	751
Financial investments		28	26	162
Long-term receivables	12	667	662	588
Deferred tax assets		256	238	208
Total fixed assets		16,079	15,151	14,345
Current assets:				
Inventories		9,116	8,247	8,101
Derivatives		1,291	1,139	1,106
Tax receivables		287	26	132
Accounts receivable		3,655	4,342	3,711
Contract assets		10,384	8,000	7,308
Other receivables		444	522	559
Prepaid expenses and accrued income		812	900	947
Short-term investments		3,345	4,469	3,024
Liquid assets	10	2,271	2,202	1,579
Total current assets		31,605	29,847	26,467
TOTAL ASSETS		47,684	44,998	40,812
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity:				
Parent Company's shareholders' interest		13,507	14,097	13,022
Non-controlling interest		193	188	168
Total shareholders' equity		13,700	14,285	13,190
Long-term liabilities:				
Long-term interest-bearing liabilities	7	8,736	6,235	5,590
Other liabilities		205	210	195
Provisions for pensions	12	4,390	3,424	3,433
Other provisions		1,100	1,024	848
Deferred tax liabilities		170	274	38
Total long-term liabilities		14,601	11,167	10,104
Current liabilities:				
Short-term interest-bearing liabilities	7	405	92	127
Contract liabilities		8,028	9,512	7,422
Accounts payable		2,692	2,958	2,554
Derivatives		1,550	1,093	1,055
Tax liabilities		111	120	183
Other liabilities		877	805	708
Accrued expenses and deferred income		5,235	4,483	4,945
Provisions		485	483	524
Total current liabilities		19,383	19,546	17,518
Total liabilities		33,984	30,713	27,622
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		47,684	44,998	40,812

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 shareholders' interest	Non-controlling interest	Total shareholders' equity
Opening balance, 1 January 2017	1,746	543	-779	525	11	11,110	13,156	145	13,301
Effects of change in accounting principles, IFRS15						-164	-164		-164
Adjusted opening balance, 1 January 2017	1,746	543	-779	525	11	10,946	12,992	145	13,137
Net comprehensive income/loss for the period January-June 2017			352	-215		405	542	26	568
Transactions with shareholders:									
Share matching plan						47	47		47
Dividend						-559	-559	-3	-562
Closing balance, 30 June 2017	1,746	543	-427	310	11	10,839	13,022	168	13,190
Net comprehensive income/loss for the period July-December 2017			125	-40		926	1,011	21	1,032
Transactions with shareholders:									
Share matching plan						64	64		64
Dividend								-1	-1
Closing balance, 31 December 2017	1,746	543	-302	270	11	11,829	14,097	188	14,285
Opening balance, 1 January 2018	1,746	543	-302	270	11	11,829	14,097	188	14,285
Effects of change in accounting principles, IFRS9			34			-38	-4		-4
Adjusted opening balance, 1 January 2018	1,746	543	-268	270	11	11,791	14,093	188	14,281
Net comprehensive income/loss for the period			40	263		-367	-64	19	-45
Transactions with shareholders:									
Share matching plan						66	66		66
Dividend						-588	-588	-12	-600
Acquisition and sale of non-controlling interest								-2	-2
Closing balance, 30 June 2018	1,746	543	-228	533	11	10,902	13,507	193	13,700

Consolidated statement of cash flows

MSEK	Note	Jan-Jun 2018	Jan-Jun 2017	Full Year 2017
Operating activities:				
Income after financial items		575	877	2,099
Adjustments for items not affecting cash flows		953	613	1,479
Dividend from associated companies and joint ventures		-	18	26
Income tax paid		-373	-74	-272
Cash flow from operating activities before changes in working capital		1,155	1,434	3,332
Cash flow from changes in working capital:				
Contract assets and liabilities		-3,814	-2,122	-718
Inventories		-824	-938	-972
Other current receivables		790	1,348	925
Other current liabilities		856	738	704
Provisions		-166	-31	-107
Cash flow from operating activities		-2,003	429	3,164
Investing activities:				
Investments in intangible fixed assets		-102	-87	-193
Capitalised development costs		-484	-334	-871
Investments in tangible fixed assets		-667	-556	-1,093
Sales and disposals of tangible fixed assets		6	22	25
Investments in and sale of short-term investments		1,116	1,515	63
Investments in financial assets		-16	-45	-30
Sale of financial assets		61	-	104
Investments in operations	11	5	-	-170
Sale of subsidiaries		3	-	-
Cash flow from investing activities		-78	515	-2,165
Financing activities:				
Repayments of loans		-34	-176	-1,301
Raising of loans		2,750	-	1,700
Dividend paid to Parent Company's shareholders		-588	-559	-559
Dividend paid to non-controlling interest		-	-3	-4
Transactions with non-controlling interest		-18	-	-
Cash flow from financing activities		2,110	-738	-164
Cash flow for the period		29	206	835
Liquid assets at the beginning of the period		2,202	1,402	1,402
Exchange rate difference in liquid assets		40	-29	-35
Liquid assets at end of period	10	2,271	1,579	2,202

Quarterly consolidated income statement

MSEK	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
Sales	7,953	7,766	10,150	6,158	7,772	7,586	9,016	5,761
Cost of goods sold	-6,154	-6,028	-7,632	-4,602	-6,086	-5,803	-6,565	-4,409
Gross income	1,799	1,738	2,518	1,556	1,686	1,783	2,451	1,352
Gross margin, %	22.6	22.4	24.8	25.3	21.7	23.5	27.2	23.5
Other operating income	66	23	21	17	47	19	25	37
Marketing expenses	-700	-598	-680	-558	-629	-563	-660	-524
Administrative expenses	-352	-371	-429	-333	-379	-352	-404	-294
Research and development costs	-348	-316	-378	-288	-354	-328	-435	-327
Other operating expenses	5	-22	-33	-17	-16	-21	-21	-10
Share of income in associated companies and joint ventures	-12	-7	-24	-8	-8	1	4	-8
Operating income (EBIT) ¹⁾	458	447	995	369	347	539	960	226
Operating margin, %	5.8	5.8	9.8	6.0	4.5	7.1	10.6	3.9
Financial income	18	14	-29	37	76	37	30	19
Financial expenses	-232	-130	-77	-73	-68	-54	-88	-69
Net financial items	-214	-116	-106	-36	8	-17	-58	-50
Income before taxes	244	331	889	333	355	522	902	176
Taxes	-45	-80	-286	-88	-91	-126	-263	-54
Net income for the period	199	251	603	245	264	396	639	122
of which Parent Company's shareholders' interest	183	242	601	233	253	390	624	113
of which non-controlling interest	16	9	2	12	11	6	15	9
Earnings per share before dilution, SEK ²⁾	1.72	2.26	5.63	2.18	2.37	3.66	5.87	1.06
Earnings per share after dilution, SEK ³⁾	1.70	2.25	5.59	2.17	2.36	3.63	5.82	1.06
1) Includes depreciation/amortisation and write-downs	-211	-207	-202	-209	-221	-207	-246	-236
2) Average number of shares before dilution	106,974,902	106,861,266	106,769,705	106,660,461	106,538,205	106,438,320	106,346,321	106,223,750
3) Average number of shares after dilution	107,678,230	107,651,182	107,590,836	107,470,451	107,423,697	107,320,873	107,167,229	107,024,906

Quarterly consolidated statement of comprehensive income

MSEK	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
Net income for the period	199	251	603	245	264	396	639	122
Other comprehensive income/loss:								
Items that will not be reversed in the income statement:								
Revaluation of net pension obligations	-901	-40	-326	440	-378	74	650	-327
Tax attributable to revaluation of net pension obligations	139	10	73	-97	83	-16	-143	72
Total	-762	-30	-253	343	-295	58	507	-255
Items that may be reversed in the income statement:								
Translation differences	141	124	139	-176	-208	-10	169	125
Net gain/loss on cash flow hedges	-152	195	10	154	300	167	-344	130
Tax attributable to net gain/loss on cash flow hedges	25	-36	-6	-27	-62	-42	80	-39
Total	14	283	143	-49	30	115	-95	216
Other comprehensive income/loss for the period	-748	253	-110	294	-265	173	412	-39
Net comprehensive income/loss for the period	-549	504	493	539	-1	569	1,051	83
of which Parent Company's shareholders' interest	-547	483	476	535	-6	548	1,026	60
of which non-controlling interest	-2	21	17	4	5	21	25	23

Key ratios by quarter

MSEK	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
Equity/assets ratio, (%)	28.7	31.5	31.7	33.0	32.3	32.8	32.3	32.5
Return on capital employed, % ³⁾	9.6	9.4	10.5	11.0	10.5	9.8	8.9	11.8
Return on equity, % ³⁾	9.7	9.6	10.9	11.9	11.2	10.2	9.0	13.8
Equity per share, SEK ^{1) 3)}	126.17	136.64	131.96	127.33	122.15	127.38	123.64	113.88
Free cash flow, MSEK ³⁾	-781	-2,411	1,772	-388	-1,429	897	619	-2,311
Free cash flow per share after dilution, SEK ^{2) 3)}	-7.25	-22.40	16.47	-3.61	-13.30	8.36	5.78	-21.59
1) Number of shares excluding treasury shares	107,051,054	106,898,750	106,823,782	106,715,627	106,605,294	106,471,116	106,405,523	106,287,119
2) Average number of shares after dilution	107,678,230	107,651,182	107,590,836	107,470,451	107,423,697	107,320,873	107,167,229	107,024,906
3) For more information and explanations regarding the usage of these key ratios, please see saabgroup.com , investor, financial data, key ratios.								

Quarterly information per operating segment

MSEK	Q2 2018	Operating margin	Q1 2018	Operating margin	Q4 2017	Operating margin	Q3 2017	Operating margin
Sales								
Aeronautics	1,871		2,042		2,373		1,351	
Dynamics	1,064		1,056		2,450		786	
Surveillance	1,799		1,778		1,966		1,515	
Support and Services	1,400		1,336		1,656		1,120	
Industrial Products and Services	1,559		1,391		1,623		1,178	
Kockums	880		745		763		565	
Internal sales	-620		-582		-681		-357	
Total	7,953		7,766		10,150		6,158	
Operating income/loss								
Aeronautics	95	5.1%	163	8.0%	184	7.8%	108	8.0%
Dynamics	44	4.1%	46	4.4%	393	16.0%	61	7.8%
Surveillance	150	8.3%	69	3.9%	281	14.3%	140	9.2%
Support and Services	159	11.4%	174	13.0%	253	15.3%	134	12.0%
Industrial Products and Services	54	3.5%	27	1.9%	76	4.7%	-16	-1.4%
Kockums	42	4.8%	42	5.6%	47	6.2%	35	6.2%
Corporate	-86		-74		-239		-93	
Total	458	5.8%	447	5.8%	995	9.8%	369	6.0%
MSEK	Q2 2017	Operating margin	Q1 2017	Operating margin				
Sales								
Aeronautics	1,865		1,678					
Dynamics	1,235		1,146					
Surveillance	1,720		1,432					
Support and Services	1,347		1,695					
Industrial Products and Services	1,450		1,384					
Kockums	706		678					
Internal sales	-551		-427					
Total	7,772		7,586					
Operating income/loss								
Aeronautics	106	5.7%	80	4.8%				
Dynamics	92	7.4%	134	11.7%				
Surveillance	107	6.2%	104	7.3%				
Support and Services	151	11.2%	164	9.7%				
Industrial Products and Services	-	0.0%	56	4.0%				
Kockums	40	5.7%	35	5.2%				
Corporate	-149		-34					
Total	347	4.5%	539	7.1%				

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

Multi-year overview

MSEK	2017	2016	2015	2014	2013
Order bookings	30,841	21,828	81,175	22,602	49,809
Order backlog at 31 December	107,233	107,606	113,834	60,128	59,870
Sales	31,666	28,631	27,186	23,527	23,750
<i>Sales in Sweden, %</i>	42	43	42	45	41
<i>Sales in Europe excluding Sweden, %</i>	14	17	18	19	20
<i>Sales in North America, %</i>	9	10	9	10	11
<i>Sales in Latin America, %</i>	8	7	6	2	2
<i>Sales in Rest of the World, %</i>	27	23	25	24	26
Operating income (EBIT)	2,250	1,797	1,900	1,659	1,345
<i>Operating margin, %</i>	7.1	6.3	7.0	7.1	5.7
Depreciation/amortisation and write-downs less depreciation/ amortisation and write-downs of lease aircraft	839	946	959	864	1,022
EBITDA	3,089	2,743	2,859	2,523	2,367
<i>EBITDA margin, %</i>	9.8	9.6	10.5	10.7	10.0
Income after financial items	2,099	1,611	1,731	1,523	979
Net income for the year	1,508	1,175	1,402	1,168	742
Total assets	44,998	41,211	35,088	29,556	27,789
Equity	14,285	13,301	12,912	11,373	12,227
Free cash flow ¹⁾	852	2,359	-726	-1,094	-1,460
<i>Return on capital employed, % ¹⁾</i>	10.5	8.9	11.2	11.1	9.1
<i>Return on equity, % ¹⁾</i>	10.9	9.0	11.5	9.9	6.3
<i>Equity/assets ratio, %</i>	31.7	32.3	36.8	38.5	44.0
Earnings per share before dilution, SEK ¹⁾	13.86	10.67	12.88	10.86	6.98
Earnings per share after dilution, SEK ¹⁾	13.75	10.60	12.79	10.78	6.79
Dividend per share, SEK	5.50	5.25	5.00	4.75	4.50
Equity per share, SEK ¹⁾	131.96	123.64	121.28	107.02	114.04
Number of employees at year-end	16,427	15,465	14,685	14,716	14,140
Number of shares excluding treasury shares as of 31 December	106,823,782	106,405,523	105,957,065	105,499,980	106,414,144
Average number of shares before dilution	106,601,672	106,164,150	105,714,805	106,125,666	106,125,107
Average number of shares after dilution	107,400,920	106,906,726	106,450,263	106,916,255	109,150,344

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

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

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

Key ratios and goals

	Long-term target	Jan-Jun 2018	Jan-Jun 2017	Full Year 2017
Organic sales growth, %	5	1	10	11
Operating margin, %	10	5.8	5.8	7.1
Equity/assets ratio, %	30	28.7	32.3	31.7

Parent company

The Parent Company includes units within the business areas Aeronautics, Surveillance, Support and Services, and Industrial Products and Services as well as one unit within Dynamics. Group staff and Group support are also included. A major part of the Group's operations is included in the Parent Company. Separate notes to the Parent Company's financial statements and a separate description of risks and uncertainties for the Parent Company have therefore not been included in this interim report. The comparative year 2017 has been restated due to the new accounting principle for revenue recognition, IFRS 15, *Revenue from Contracts with Customers*, which took effect in 2018. For further information, see note 2.

Parent company income statement

MSEK	Jan-Jun 2018	Jan-Jun 2017	Full Year 2017
Sales	10,251	9,965	19,891
Cost of goods sold	-8,112	-7,850	-15,481
Gross income	2,139	2,115	4,410
Gross margin, %	20.9	21.2	22.2
Operating income and expenses	-1,979	-1,908	-4,055
Operating income (EBIT)	160	207	355
Operating margin, %	1.6	2.1	1.8
Financial income and expenses	-100	37	519
Income after financial items	60	244	874
Appropriations	-	-	-11
Income before taxes	60	244	863
Taxes	-20	-85	-216
Net income for the period	40	159	647

Parent company balance sheet

MSEK	Note	30 Jun 2018	31 Dec 2017	30 Jun 2017
ASSETS				
Fixed assets:				
Intangible fixed assets		585	543	504
Tangible fixed assets		3,486	3,228	3,133
Financial fixed assets		6,984	7,032	6,706
Total fixed assets		11,055	10,803	10,343
Current assets:				
Inventories		6,190	5,581	5,366
Current receivables		15,019	12,460	12,598
Short term investments		3,335	4,459	3,009
Liquid assets		1,334	1,181	792
Total current assets		25,878	23,681	21,765
TOTAL ASSETS		36,933	34,484	32,108
SHAREHOLDERS' EQUITY AND LIABILITIES				
Equity:				
Restricted equity		2,964	2,964	2,971
Unrestricted equity		4,376	4,868	4,311
Total shareholders' equity		7,340	7,832	7,282
Untaxed reserves, provisions and liabilities:				
Untaxed reserves		2,291	2,291	2,280
Provisions		1,208	1,089	1,002
Liabilities	7	26,094	23,272	21,544
Total untaxed reserves, provisions and liabilities		29,593	26,652	24,826
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		36,933	34,484	32,108

Liquidity, financing, capital expenditures and number of employees

The Parent Company's net debt amounted to MSEK 7,355 as of 30 June 2018 compared to MSEK 3,418 as of 31 December 2017.

Investments in tangible fixed assets amounted to MSEK 500 (277). Investments in intangible assets amounted to MSEK 34 (74). At the end of the period, the Parent Company had 9,495 employees compared to 9,357 at the beginning of the year.

Notes

To the financial statements

NOTE 1 Corporate information

Saab AB (publ), corporate identity no. 556036-0793, with registered office in Linköping, Sweden. The company's head office is located at Olof Palmes gata 17, 5tr, SE-111 22 Stockholm, Sweden, and the telephone number +46-8-463 00 00. Saab's B shares are listed on Nasdaq Stockholm since 1998 and on the large cap list as of October 2006. The company's operations, including subsidiaries, associated companies and joint ventures, are described in the annual report 2017.

NOTE 2 Accounting principles

The consolidated accounts for the first half-year of 2018 have been prepared in accordance with IAS 34 Interim Reporting and the Annual Accounts Act. The Parent Company's accounts have been prepared in accordance with the Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for Legal Entities. The Group's accounting principles are described on pages 84-85, and concerning significant income statement and balance sheet items in each note disclosure in the annual report 2017.

The interim report is condensed and does not contain all the information and disclosures in the annual report and should therefore be read together with the annual report 2017. All the information on pages 1-29 constitutes the interim report for the period 1 January to 30 June 2018.

The Group and the Parent Company use the accounting principles and calculation methods as described in the annual report 2017 with the exception that two new standards have entered into force for financial years beginning 1 January 2018: IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments. For effects of changes in accounting principles, IAS 8 and the transition rules in each standard have been applied.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers governs the recognition of revenue and replaces IAS 18 Revenue and IAS 11 Construction Contracts. The principles that IFRS 15 are built on give users of financial reports more useful information on the company's revenue. According to IFRS 15, revenue is recognised when the customer obtains control over the good or service and has the ability to use or obtain the benefits from the good or the service. The main principles of revenue recognition are based on a five-step model:

1. Identify the contract
2. Identify the performance obligations
3. Determine the transaction price
4. Allocate the transaction price to each obligation
5. Recognise revenue when the obligation is satisfied.

A performance obligation is satisfied according to the standard at a given point in time or over time. If a performance obligation is satisfied over time, one of the following criteria must be met:

- a) the customer must obtain immediate benefits when the obligation is satisfied,
- b) the company's performance creates or improves an asset that the customer controls, or
- c) the company's performance creates an asset without an alternative use for the company and the company has the right to payment for costs incurred to date, including profit.

Long-term customer contracts

A large part of the Group's operations involves long-term customer contracts with the development and manufacture of complex systems that stretch over several reporting periods. The analysis of these contracts according to the five-step model has mainly meant determining the number of performance obligations and when they are fulfilled, i.e. over time or at a given point in time. Since Saab's long-term customer contracts involve a considerable amount of customisation

and integration of goods and services, it usually means that a performance obligation has been identified, and because the cost to adapt the asset and sell it to a new customer would not be insignificant, the conclusion is that the asset is not deemed to have an alternative use. Since the contracts also normally contain clauses that cover the right to payment plus a reasonable profit for costs incurred, it means that the criteria for recognising long-term customer contracts over time are satisfied. Assignment revenue and costs are recognised as revenue or expenses in the income statement in relation to the contract's stage of completion. The stage of completion is based on a determination of the relationship between expenditures incurred for services rendered as of the closing day and estimated total expenditures to satisfy the contract. Of the total revenue, the portion corresponding to the stage of completion is recognised in each period. The stage of completion can also be determined in certain cases based on milestones or deliveries. An anticipated loss is recognised in profit or loss as soon as it is identified.

Service assignments

For Saab's service assignments, which include the sale of consulting hours and support services, at a fixed price or on current account, the customer normally obtains the benefits when the obligation is satisfied. Revenue is mainly recognised over time as the assignment is performed according to the contract.

Products

A percentage of Saab's revenue is attributable to products where development, customisation and integration are relatively minor and relates for the most part only to the manufacture of products, as well as the resale of spare parts, for example. Revenue from these contracts is recognised at a point in time, i.e. normally when control of the good has transferred to the customer in accordance with the terms of the contract.

Effects of changes in accounting principles with regard to revenue recognition

Saab applies the full retroactive approach for the transition to IFRS 15 from 2018. For a few customer contracts, the method for recognition has been adjusted. The main reason for the change is that a few long-term customer contracts cannot recognise revenue over time, due to non-compliance with the right to payment including earnings for work performed. Transition effects that arise for IFRS 15 affect the opening equity balance for the comparative year 2017 by MSEK -164 and the opening balance for 2018 by MSEK -92. Sales increase in 2017 by MSEK 272, operating income is positively affected by MSEK 95 and net income for the year by MSEK 70. Sales for the first half-year 2017 increase by MSEK 5, operating income is positively affected by MSEK 1 and net income for the period by MSEK 1. For more information, see Saab's annual report 2017, note 46. For the Parent Company, Saab AB, transition effects on the opening equity balance for 2017 amount to MSEK -8 and the opening balance for 2018 to MSEK -11. Sales are affected by MSEK -67 for the full-year 2017 and MSEK -33 for the first half-year 2017. Net income for the period was affected by MSEK -2 for the full-year 2017 and by MSEK 0 for the first half-year 2017.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments sets out the requirements for classification, measurement and accounting of financial assets and liabilities and introduces new rules for hedge accounting and impairment of financial assets and replaces most of the guidance in IAS 39. According to the standard, hedge accounting will be applied prospectively and a company does not have to restate previous periods, and Saab has not done so.

The Group's financial assets are classified in accordance with IFRS 9 in three categories: amortised cost, fair value through other comprehensive income and fair value through profit or loss, depending on whether they are financial receivables, derivatives or equity instruments and in accordance with what is described below.

Measurement of the Group's financial receivables is based on the company's choice of business model for management of financial assets. Short-term investments are held mainly for trading to invest surplus liquidity, and sales are made frequently to manage liquidity needs and maximise the return. Monitoring and measurement are done continuously at fair value through profit or loss. Assets held to collect contractual cash flows, which consist of principal and interest from operating activities such as liquid assets, accounts receivable, loans receivable, other receivables and contract assets in accordance with IFRS 15 are measured at amortised cost. Impairment of financial receivables such as accounts receivable, contract assets and receivables from associated companies and joint ventures are calculated based on expected credit losses for the entire expected maturity instead of when there is objective information indicating that the Group will not receive full payment as in the previous standards.

Derivatives are measured at fair value through profit or loss, except when hedge accounting for cash flow hedges is applied, in which case the portion determined to be an effective hedge is recognised in other comprehensive income.

Equity instruments such as shares and participations are measured continuously at fair value with changes in value recognised through profit or loss.

Effects of changes in accounting principles with regard to financial instruments

IFRS 9 does not have a significant impact on the Group's income statement or financial position. Hedge accounting is not affected, but Saab will transition to IFRS 9's hedge accounting, which is an option in the standard. The new rules for classification of financial assets do not entail any changes with the exception that a loan to an associated company is recognised according to IFRS 9 at fair value through profit or loss instead of at amortised cost. The loan amounted to MSEK 26 on 1 January 2018. The effect on the opening equity balance for 2018 amounts to MSEK -4, which is due to impairment of receivables from associated companies and joint ventures. For more information, see Saab's annual report 2017, note 46. For the Parent Company, Saab AB, the opening equity balance for 2018 is affected by MSEK -9 due to impairment of receivables from subsidiaries, associated companies and joint ventures.

IFRS 16 Leases

IFRS 16 Leases will apply to financial years beginning 1 January 2019. IFRS 16 is a new standard for reporting lease agreements that replaces IAS17 Leasing. Basically, the new standard means that for lessees the current classification of operating and finance leases disappears and is replaced by an approach where assets and liabilities for all leases are recognised in the balance sheet. During 2018, Saab continues its analysis and evaluation and prepares for the introduction of the standard as of 2019. For more information, see note 1 in the annual report 2017.

NOTE 3 Segment reporting

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

Aeronautics

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

Dynamics

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

Surveillance

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

Support and Services

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

Industrial Products and Services

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

Kockums

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

Order bookings per operating segment

MSEK	Jan-Jun 2018	Jan-Jun 2017	Change, %	Q2 2018	Q2 2017	Full Year 2017
Aeronautics	2,148	1,718	25	759	1,104	3,295
Dynamics	2,573	6,277	-59	1,218	1,990	8,615
Surveillance	4,042	4,439	-9	2,311	2,778	7,048
Support and Services	1,875	4,490	-58	1,152	2,485	6,199
Industrial Products and Services	2,645	3,274	-19	1,543	1,830	5,842
Kockums	530	1,834	-71	149	1,685	2,129
Internal	-1,149	-1,478		-603	-1,019	-2,287
Total	12,664	20,554	-38	6,529	10,853	30,841

Order bookings per region

MSEK	Jan-Jun 2018	Jan-Jun 2017	Change, %	Full Year 2017
Sweden	4,477	10,818	-59	13,963
Rest of Europe	2,890	2,707	7	5,116
North America	2,038	1,255	62	2,712
Latin America	75	134	-45	898
Asia	1,532	4,301	-64	5,721
Africa	72	145	-50	529
Australia, etc.	1,580	1,194	32	1,902
Total	12,664	20,554	-38	30,841

Order backlog per operating segment

MSEK	30 Jun 2018	31 Dec 2017	30 Jun 2017
Aeronautics	48,389	50,154	52,301
Dynamics	12,094	11,597	12,451
Surveillance	15,328	14,764	15,636
Support and Services	11,682	12,513	13,604
Industrial Products and Services	11,513	11,697	11,954
Kockums	7,724	8,815	9,360
Internal	-2,257	-2,307	-2,537
Total	104,473	107,233	112,769

Order backlog per region

MSEK	30 Jun 2018	31 Dec 2017	30 Jun 2017
Sweden	36,986	39,258	42,274
Rest of Europe	10,877	10,098	9,945
North America	5,628	4,810	4,867
Latin America	35,562	37,174	37,922
Asia	11,455	12,872	15,044
Africa	682	794	573
Australia etc.	3,283	2,227	2,144
Total	104,473	107,233	112,769

Sales per operating segment

MSEK	Jan-Jun 2018	Jan-Jun 2017	Q2 2018	Q2 2017	Rolling Months	Full Year 2017
Aeronautics	3,913	3,543	1,871	1,865	7,637	7,267
Dynamics	2,120	2,381	1,064	1,235	5,356	5,617
Surveillance	3,577	3,152	1,799	1,720	7,058	6,633
Support and Services	2,736	3,042	1,400	1,347	5,512	5,818
Industrial Products and Services	2,950	2,834	1,559	1,450	5,751	5,635
Kockums	1,625	1,384	880	706	2,953	2,712
Internal	-1,202	-978	-620	-551	-2,240	-2,016
Total	15,719	15,358	7,953	7,772	32,027	31,666

Sales per region

MSEK	Jan-Jun 2018	% of sales	Jan-Jun 2017	% of sales	Full Year 2017	% of sales
Sweden	6,753	43	6,556	43	13,216	42
Rest of Europe	2,169	14	2,236	15	4,496	14
North America	1,333	8	1,290	8	2,778	9
Latin America	1,690	11	1,136	7	2,653	8
Asia	2,969	19	3,431	22	7,041	22
Africa	184	1	277	2	449	1
Australia, etc.	621	4	432	3	1,033	3
Total	15,719	100	15,358	100	31,666	100

Information on large customers

During the first half-year 2018, 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 5,156 (5,449).

Seasonal variation

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

Operating income per operating segment

MSEK	Jan-Jun 2018	% of sales	Jan-Jun 2017	% of sales	Rolling 12 Months	Full Year 2017
Aeronautics	258	6.6	186	5.2	550	478
Dynamics	90	4.2	226	9.5	544	680
Surveillance	219	6.1	211	6.7	640	632
Support and Services	333	12.2	315	10.4	720	702
Industrial Products and Services	81	2.7	56	2.0	141	116
Kockums	84	5.2	75	5.4	166	157
The operating segments' operating income	1,065	6.8	1,069	7.0	2,761	2,765
Corporate	-160		-183		-492	-515
Total	905	5.8	886	5.8	2,269	2,250

Depreciation/amortisation and write-downs per operating segment

MSEK	Jan-Jun 2018	Jan-Jun 2017	Change, %	Q2 2018	Q2 2017	Rolling 12 Months	Full Year 2017
Aeronautics	27	23	17	13	12	54	50
Dynamics	37	42	-12	19	21	80	85
Surveillance	135	145	-7	68	75	283	293
Support and Services	9	9	-	5	5	19	19
Industrial Products and Services	43	49	-12	20	25	91	97
Kockums	15	12	25	8	6	26	23
Corporate	152	148	3	78	77	276	272
Total	418	428	-2	211	221	829	839

Operational cash flow per operating segment

MSEK	Jan-Jun 2018	Jan-Jun 2017	Q2 2018	Q2 2017	Rolling 12 Months	Full Year 2017
Aeronautics	-1,963	232	-414	-746	-931	1,264
Dynamics	-390	183	-419	46	532	1,105
Surveillance	-477	174	-1	-243	-711	-60
Support and Services	196	-49	355	176	371	126
Industrial Products and Services	-144	-367	-192	-228	-73	-296
Kockums	423	-140	434	-254	769	206
Corporate	-395	-476	-302	-180	-876	-957
Total	-2,750	-443	-539	-1,429	-919	1,388

Capital employed per operating segment

MSEK	30 Jun 2018	31 Dec 2017	30 Jun 2017
Aeronautics	3,638	2,191	2,286
Dynamics	3,430	3,232	3,220
Surveillance	6,744	6,103	5,653
Support and Services	3,089	3,222	2,921
Industrial Products and Services	4,205	4,178	4,146
Kockums	1,095	1,016	798
Corporate	4,109	3,357	2,623
Total	26,310	23,299	21,647

Full time equivalents (FTE's) per operating segment

Number at end of the period	30 Jun 2018	31 Dec 2017	30 Jun 2017
Aeronautics	3,098	3,073	3,013
Dynamics	2,184	2,143	2,117
Surveillance	3,733	3,601	3,524
Support and Services	1,867	1,865	1,913
Industrial Products and Services	3,470	3,488	3,525
Kockums	1,175	1,115	939
Corporate	899	886	868
Total	16,426	16,171	15,899

NOTE 4 Distribution of sales

MSEK	Aeronautics		Dynamics		Surveillance		Support and Services		Industrial Products and Services		Kockums		Corporate/ elimination		Group	
	Jan-Jun 2018	Jan-Jun 2017	Jan-Jun 2018	Jan-Jun 2017	Jan-Jun 2018	Jan-Jun 2017	Jan-Jun 2018	Jan-Jun 2017	Jan-Jun 2018	Jan-Jun 2017	Jan-Jun 2018	Jan-Jun 2017	Jan-Jun 2018	Jan-Jun 2017	Jan-Jun 2018	Jan-Jun 2017
External sales	3,707	3,323	2,013	2,302	3,445	3,008	2,666	2,963	2,251	2,306	1,619	1,383	18	73	15,719	15,358
Internal sales	206	220	107	79	132	144	70	79	699	528	6	1	-1,220	-1,051	-	-
Total sales	3,913	3,543	2,120	2,381	3,577	3,152	2,736	3,042	2,950	2,834	1,625	1,384	-1,202	-978	15,719	15,358
Sales by customer:																
Military customers	3,703	3,317	1,866	2,164	3,411	2,968	2,207	2,464	475	480	1,619	1,383	16	70	13,297	12,846
Civilian customers	4	6	147	138	34	40	459	499	1,776	1,826	-	-	2	3	2,422	2,512
Total external sales	3,707	3,323	2,013	2,302	3,445	3,008	2,666	2,963	2,251	2,306	1,619	1,383	18	73	15,719	15,358
Sales by significant source:																
Long-term customer contracts	3,377	3,036	805	1,025	2,428	2,211	1,041	1,471	1,182	1,183	1,300	1,187	18	73	10,151	10,186
Services	314	279	359	315	741	626	1,343	1,247	978	946	319	196	-	-	4,054	3,609
Products	16	8	849	962	276	171	282	245	91	177	-	-	-	-	1,514	1,563
Total external sales	3,707	3,323	2,013	2,302	3,445	3,008	2,666	2,963	2,251	2,306	1,619	1,383	18	73	15,719	15,358
Sales by domain:																
Air	3,707	3,323	164	223	1,866	1,545	1,836	2,131	171	215	-	-	11	60	7,755	7,497
Land	-	-	1,243	1,550	635	691	399	370	293	301	-	-	-	-	2,570	2,912
Naval	-	-	517	448	909	713	96	65	4	5	1,619	1,383	7	13	3,152	2,627
Civil Security	-	-	81	81	15	36	90	71	845	833	-	-	-	-	1,031	1,021
Commercial Aeronautics	-	-	-	-	1	-	245	326	576	562	-	-	-	-	822	888
Other	-	-	8	-	19	23	-	-	362	390	-	-	-	-	389	413
Total external sales	3,707	3,323	2,013	2,302	3,445	3,008	2,666	2,963	2,251	2,306	1,619	1,383	18	73	15,719	15,358
Sales recognition method:																
Over time	3,685	3,287	1,067	911	2,982	2,456	2,064	2,425	1,388	1,382	1,557	1,348	18	73	12,761	11,882
Point in time	22	36	946	1,391	463	552	602	538	863	924	62	35	-	-	2,958	3,476
Total external sales	3,707	3,323	2,013	2,302	3,445	3,008	2,666	2,963	2,251	2,306	1,619	1,383	18	73	15,719	15,358

NOTE 5 Dividend to Parent Company's shareholders

At the Annual General Meeting 2018, held 10 April, it was decided that the Parent Company's shareholders should receive a dividend of SEK 5.50 per share, totalling MSEK 588.

The record date for the dividend was 12 April 2018 and payment of dividend at 17 April 2018.

NOTE 6 Intangible fixed assets

MSEK	30 Jun 2018	31 Dec 2017	30 Jun 2017
Goodwill	5,294	5,177	5,120
Capitalised development costs	2,740	2,360	1,893
Other intangible assets	373	325	263
Total	8,407	7,862	7,276

NOTE 7 Net liquidity/debt

MSEK	30 Jun 2018	31 Dec 2017	30 Jun 2017
Assets:			
Liquid assets	2,271	2,202	1,579
Short-term investments	3,345	4,469	3,024
Total liquid investments	5,616	6,671	4,603
Short-term interest-bearing receivables	-	14	27
Long-term interest-bearing receivables	465	454	445
Long-term receivables attributable to pensions	40	40	51
Long-term interest-bearing financial investments	-	-	136
Total interest-bearing assets	6,121	7,179	5,262
Liabilities:			
Liabilities to credit institutions	8,606	5,798	5,156
Liabilities to associated companies and joint ventures	43	45	55
Other interest-bearing liabilities	492	484	506
Provisions for pensions ¹⁾	3,469	2,686	2,741
Total interest-bearing liabilities and provisions for pensions	12,610	9,013	8,458
Net liquidity (+) / net debt (-)	-6,489	-1,834	-3,196

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

Committed credit lines

MSEK	Facilities	Drawings	Available
Revolving credit facility (Maturity 2022)	6,000	-	6,000
Overdraft facility (Maturity 2018)	44	-	44
Total	6,044	-	6,044

Parent Company

MSEK	30 Jun 2018	31 Dec 2017	30 Jun 2017
Long-term liabilities to credit institutions	8,293	5,798	5,122
Short-term liabilities to credit institutions	312	-	33
Total	8,605	5,798	5,155

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

Under the terms of this programme, Saab has issued fixed rate bonds as well as Floating Rate Notes (FRN). In April 2018, a new loan was issued of MSEK 500 and maturity 2025. As a result, outstanding loans under the MTN programme totalled MSEK 7,562. In December 2015, Saab signed Schuldschein loan agreements amounting to MEUR 100.

NOTE 8 Capital employed

MSEK	30 Jun 2018	31 Dec 2017	30 Jun 2017
Total assets	47,684	44,998	40,812
Less non-interest bearing liabilities	21,374	21,699	19,164
Capital employed	26,310	23,299	21,648

NOTE 9 Financial instruments

Classification and categorisation of financial assets and liabilities ³⁾

Carrying amount	30 Jun 2018	31 Dec 2017	30 Jun 2017
Financial assets:			
Valued at amortised cost:			
Accounts receivable, contract assets and other receivables	14,551	13,133	11,822
Liquid assets	2,271	2,202	1,579
Long-term receivables	458	481	456
Financial investments ¹⁾	-	-	136
Valued at fair value through profit and loss:			
Short-term investments	3,345	4,469	3,024
Derivatives for trading	118	109	86
Long-term receivables	35	-	-
Financial investments	28	26	26
Valued at fair value through other comprehensive income:			
Derivatives identified as hedges	1,173	1,030	1,020
Total financial liabilities	21,979	21,450	18,149
Financial liabilities:			
Valued at amortised cost:			
Interest-bearing liabilities ²⁾	9,143	6,327	5,717
Other liabilities	7,189	6,934	6,342
Valued at fair value through profit and loss:			
Derivatives for trading	48	86	47
Valued at fair value through other comprehensive income:			
Derivatives identified as hedges	1,502	1,007	1,008
Total financial liabilities	17,882	14,354	13,114

¹⁾ Fair value - - 139

²⁾ Fair value 9,349 6,412 5,839

³⁾ 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 1,151.

Valuation methods for financial assets and liabilities

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

Level 1

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

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

Level 2

According to accepted valuation models based on observable market data:

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

Level 3

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

- Unlisted shares and participations

As of 30 June 2018, the Group had the following financial assets and liabilities at fair value:

Assets at fair value

MSEK	30 Jun 2018			
	Level 1	Level 2	Level 3	
Bonds and interest-bearing securities	3,345	3,345	-	-
Forward exchange contracts	1,141	-	1,141	-
Currency options	10	-	10	-
Cross currency basis swaps	108	-	108	-
Electricity derivatives	32	32	-	-
Shares, participations and long-term receivables	63	-	-	63
Total	4,699	3,377	1,259	63

Liabilities at fair value

MSEK	30 Jun 2018			
	Level 1	Level 2	Level 3	
Forward exchange contracts	1,400	-	1,400	-
Currency options	46	-	46	-
Interest rate swaps	104	-	104	-
Electricity derivatives	-	-	-	-
Total	1,550	-	1,550	-

NOTE 10 Supplemental information on statement of cash flows

Free cash flow

MSEK	Total Group Jan-Jun 2018	Total Group Jan-Jun 2017	Q2 2018	Q2 2017	Total Group Full Year 2017
Cash flow from operating activities before changes in working capital, excluding taxes and other financial items	1,655	1,517	707	684	3,688
Cash flow from changes in working capital:					
Contract assets and liabilities	-3,814	-2,122	-1,226	-1,818	-718
Inventories	-824	-938	-350	-495	-972
Other current receivables	790	1,348	229	118	925
Other current liabilities	856	738	871	576	704
Provisions	-166	-31	-118	-10	-107
Change in working capital	-3,158	-1,005	-594	-1,629	-168
Cash flow from operating activities excluding taxes and other financial items	-1,503	512	113	-945	3,520
Investing activities:					
Investments in intangible fixed assets	-586	-421	-315	-193	-1,064
Investments in tangible fixed assets	-667	-556	-341	-309	-1,093
Sales and disposals of tangible fixed assets	6	22	4	18	25
Cash flow from investing activities ¹⁾	-1,247	-955	-652	-484	-2,132
Operational cash flow	-2,750	-443	-539	-1,429	1,388
Taxes and other financial items	-500	-83	-306	1	-356
Sale of and investments in financial assets	50	-6	56	-1	-10
Investments in operations	5	-	5	-	-170
Sale of subsidiaries	3	-	3	-	-
Free cash flow	-3,192	-532	-781	-1,429	852

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

Free cash flow vs. statement of cash flows

MSEK	Jan-Jun 2018	Jan-Jun 2017	Q2 2018	Q2 2017	Full Year 2017
Free cash flow	-3,192	-532	-781	-1,429	852
Investing activities – interest-bearing:					
Short-term investments	1,116	1,515	945	1,744	63
Other financial investments and receivables	-5	-39	22	-26	84
Financing activities:					
Repayments of loans	-34	-176	-14	-170	-1,301
Raising of loans	2,750	-	500	-	1,700
Dividend paid to the Parent Company's shareholders	-588	-559	-588	-559	-559
Dividend paid to non-controlling interest	-	-3	-	-3	-4
Transactions with non-controlling interest	-18	-	-18	-	-
Cash flow for the period	29	206	66	-443	835

Liquid assets

MSEK	30 Jun 2018	31 Dec 2017	30 Jun 2017
The following components are included in liquid assets:			
Cash and bank balances	1,366	1,463	879
Bank deposits	905	739	700
Total according to balance sheet	2,271	2,202	1,579
Total according to statement of cash flows	2,271	2,202	1,579

NOTE 11 Business combinations

No significant acquisitions through business combinations were made in the period.

NOTE 12 Defined-benefit plans

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

Pension obligation according to IAS 19

MSEK	30 Jun 2018	31 Dec 2017	30 Jun 2017
Defined-benefit obligation	10,277	9,341	9,087
Special employers' contribution	921	738	692
Less plan assets	6,848	6,695	6,397
Total provisions for pensions	4,350	3,384	3,382
of which reported as long-term receivable	40	40	51

NOTE 13 Contingent liabilities

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

NOTE 14 Transactions with related parties

No significant transactions have occurred during the period.

Related parties with which the Group has transactions are described in the annual report 2017, note 40.

NOTE 15 Definitions

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

Capital employed

Total assets less non-interest-bearing liabilities.

Earnings per share

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

EBITDA

Operating income before depreciation/amortisation and write-downs.

EBITDA margin

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

Effective tax rate

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

Equity/assets ratio

Equity in relation to total assets.

Equity per share

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

Free cash flow

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

Free cash flow per share

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

Gross margin

Gross income as a percentage of sales.

Net investments

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

Net liquidity/net debt

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

Non-recurring items

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

Operating margin

Operating income (EBIT) as a percentage of sales.

Operational cash flow

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

Order backlog

Total value of orders at the end of the period.

Order bookings

Total value of orders received during the period.

Organic sales growth

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

Return on capital employed

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

Return on equity

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

Glossary

FMV Swedish Defence Materiel Administration

FRN Floating Rate Note

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

IAS International Accounting Standards

IFRS International Financial Reporting Standards

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

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 20 July 2018

Marcus Wallenberg
Chairman

Sten Jakobsson
Deputy chairman

Danica Kragic Jensfelt
Board member

Sara Mazur
Board member

Daniel Nodhäll
Board member

Bert Nordberg
Board member

Erika Söderberg Johnson
Board member

Cecilia Stegö Chiló
Board member

Joakim Westh
Board member

Stefan Andersson
Board member

Göran Gustavsson
Board member

Nils Lindskog
Board member

Håkan Buskhe
President and CEO and Board member

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

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Press and financial analyst conference

20 July 2018 at 10.00 (CET),

Saab AB, floor 5

Olof Palmes gata 17, 111 22 Stockholm

Contact Marie Bergström to register and for more information,

ph +46 8 463 02 45

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

Live webcast:

<http://saab-interimreport.creo.se/180720/>

Conference call:

Please, dial in using one of the numbers below:

Sweden: +46 856642696

UK: +44 2030089815

US: +1 8557532237

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

Calendar

Interim report January–September 2018

Published 23 October 2018

Year-end report 2018

Published 15 February 2019

Interim report January–March 2019

Published 26 April 2019

Interim report January–June 2019

Published 19 July 2019



2018: Q2