

Q2

JANUARY-JUNE 2020

Order bookings

BSEK

14.1

Sales

BSEK

16.9

Operating margin

7.2%

Comment by the President and CEO, Micael Johansson:

Strong orders and continued good profitability

During the second quarter of 2020, the COVID-19 pandemic had a major impact on people, countries and companies around the world. The situation affects Saab as well, but our defence business remains strong. Our civil business, on the other hand, is facing a larger impact from the pandemic, with demand in civil aviation being significantly down. Despite these challenges, Saab showed a strong performance in the second quarter and results for the first half-year were in line with last year.

Since the COVID-19 outbreak, Saab has effectively utilised modern technology to interact with existing and new customers. This enabled further increases in orders during the quarter and successful execution of key milestones. A number of measures were taken to adjust costs in operations that have been adversely impacted by the ongoing crisis. This work is expected to continue in 2020. Given the ongoing pandemic, Saab cannot however rule out further impact on its business, particularly in the supply chain. Saab is entering the third quarter with a strong order backlog, which continues to support a significant portion of this year's expected sales. For 2020, the aim remains that operational cash flow will be positive.

Saab continues to execute on its strategy with a focus on further internationalisation and investments in the product portfolio's core areas. Focus is also on project execution and Saab remains committed to its long-term financial goals for growth and profitability.

Orders

Order bookings in the first half of 2020 increased by 45 per cent to SEK 14,070 million (9,710). The increase was a result of continued demand for defence products and solutions, where Saab in this challenging time, signed both large and mid-sized orders. Growth in small orders was 9 per cent. Orders in the second quarter included support contracts for both Gripen and SK60 for Sweden, orders for Airborne Early Warning and Control (AEW&C) systems and orders from the U.S., Estonia and Latvia for Carl-Gustaf systems.

Sales and operating income

Sales in the first half of 2020 were in line with the same period in 2019 at SEK 16,876 million (16,941). In the second quarter, Saab reported sales growth of 5 per cent driven by good project execution and increased deliveries in several business areas.

Operating income amounted to SEK 1,212 million (1,221) in the first half of the year, corresponding to a margin of 7.2 per cent (7.2). The negative impact on the civil business was offset by higher sales volumes within the defence business and cost reductions.

During the quarter, Saab delivered the first GlobalEye Swing Role Surveillance System to the United Arab Emirates. In addition, the first flight trials were completed with the new fighter X-band AESA radar. During the quarter, the partnership with the UK regarding the Future Combat Air System (FCAS) was intensified and new studies were conducted.

Operational cash flow

Operational cash flow strengthened in the first half and was SEK 235 million (-2,702). The improvement mainly relates to milestone payments from major programmes as well as deferments of taxes and fees.

OUTLOOK STATEMENT FOR 2020: Due to uncertainty related to the scope and duration of COVID-19, it was stated in the first quarter interim report of 2020 that the previous forecast for the full-year 2020 could not be confirmed. Saab reiterates this assessment.

Financial highlights

MSEK	Jan-Jun 2020	Jan-Jun 2019	Change, %	Q2 2020	Q2 2019	Change, %	Full Year 2019
Order bookings	14,070	9,710	45	9,247	5,228	77	27,216
Order backlog	90,458	94,236	-4				93,293
Sales	16,876	16,941	0	8,836	8,445	5	35,433
Gross income	3,711	3,788	-2	1,831	1,937	-5	8,035
Gross margin, %	22.0	22.4		20.7	22.9		22.7
EBITDA	1,918	1,893	1	1,004	974	3	4,305
EBITDA margin, %	11.4	11.2		11.4	11.5		12.1
Operating income (EBIT)	1,212	1,221	-1	652	630	3	2,937
Operating margin, %	7.2	7.2		7.4	7.5		8.3
Net income	860	826	4	518	429	21	2,025
of which Parent Company's shareholders' interest	855	831	3	521	433	20	1,983
Earnings per share after dilution, SEK ¹⁾	6.40	6.20		3.90	3.23		14.81
Return on equity, % ²⁾	10.0	10.5					10.0
Operational cash flow	235	-2,702		1,817	-779		-1,300
Free cash flow	22	-3,126		1,722	-989		-2,036
Free cash flow per share after dilution, SEK	0.16	-23.32		12.89	-7.38		-15.20
	133,690,023	134,064,875		133,625,118	134,039,937		133,929,292

¹⁾ Average number of shares after dilution

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

Orders

Second quarter 2020

Order bookings amounted to SEK 9,247 million (5,228) in the second quarter of 2020. Bookings of small orders grew 14 per cent and medium-sized orders increased 102 per cent. Order bookings in the second quarter included support contracts for both Gripen and SK60 for Sweden, orders for Airborne Early Warning and Control (AEW&C) systems, orders of Carl-Gustaf ammunition and AT4 within the framework contract with the U.S. and orders for Carl-Gustaf systems for Estonia and Latvia.

January-June 2020

Order bookings amounted to SEK 14,070 million (9,710) in the first half of 2020, corresponding to an increase of 45 per cent. Bookings of small orders grew 9 per cent compared to 2019 and amounted to SEK 7,056 million (6,464).

In the first half of 2020, index and price changes had a positive effect on order bookings of SEK 376 million, compared to SEK 355 million in 2019.

The order backlog at the end of the period amounted to SEK 90,458 million, compared to SEK 93,293 million at the beginning of the year. In total, 70 per cent (67) of the order backlog is attributable to markets outside Sweden.

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

Sales

Second quarter 2020

Sales in the second quarter amounted to SEK 8,836 million (8,445). The business areas Dynamics and Surveillance saw strong increases due to a high level of deliveries within Dynamics and high project activity within Surveillance. The business areas Aeronautics, Support and Services, and Kockums also increased turnover, due to a high activity level. COVID-19 negatively affected IPS through lower demand and production mainly associated with the commercial aircraft industry, which led to lower sales.

January-June 2020

Sales amounted to SEK 16,876 million (16,941), in the first half of 2020, in line with the same period in 2019. In the first half of 2020, Surveillance and Kockums showed positive growth as a result of higher project activity. Sales growth in IPS declined due to the COVID-19 situation, while sales in other business areas were in line with the first half of 2019.

Sales from markets outside Sweden decreased to SEK 9,991 million (10,606), corresponding to 59 per cent (63) of total sales. 87 per cent (85) of sales were related to the defence market.

Sales growth

Per cent	Jan-Jun 2020	Jan-Jun 2019	Q2 2020	Q2 2019	Full Year 2019
Organic sales growth	0	7	5	5	6
Acquisitions	-	-	-	-	-
Currency effects regarding revaluation of foreign subsidiaries	0	1	0	1	1
Total sales growth	0	8	5	6	7

Sales per region

MSEK	Jan-Jun 2020	Jan-Jun 2019	Change, %
Sweden	6,885	6,335	9
Rest of Europe	2,815	2,573	9
North America	1,900	1,672	14
Latin America	2,136	2,280	-6
Asia	2,159	3,068	-30
Africa	101	181	-44
Australia, etc.	880	832	6
Total	16,876	16,941	0

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

Order distribution

Orders exceeding MSEK 100 accounted for 50% (33) of total orders during January-June 2020.



Order backlog duration:

2020: SEK **15.6** billion
 2021: SEK **25.7** billion
 2022: SEK **18.6** billion
 2023: SEK **14.7** billion
 After 2023: SEK **15.9** billion

Defence/Civil

A total of 85% (80) of order bookings was attributable to defence-related operations during January-June 2020.

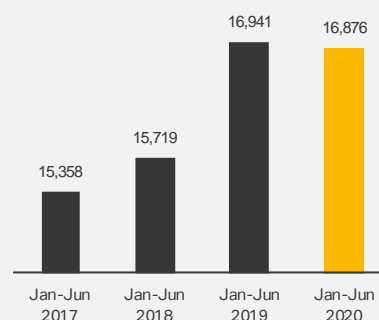


Market

A total of 59% (62) of order bookings was related to markets outside Sweden during January-June 2020.



Sales MSEK



Income

Second quarter 2020

The gross margin in the second quarter was 20.7 per cent (22.9). The decline is largely explained by the downturn in the civil business, affecting the gross margin negatively.

Operating income amounted to SEK 652 million (630) with an operating margin of 7.4 per cent (7.5). The operating margin was in line with the same period in 2019. The negative impact of the civil business was offset by higher sales volumes within the defence related business as well cost reduction.

Saab has in accordance with the temporary rules introduced in Sweden in connection with COVID-19, received compensation for all sick leave costs in the Swedish operations in the months April-June. The support is paid out to all Swedish employers and does not require an application. The support amounts to SEK 29 million and is recognised as other operating income in each business area. During the quarter, Saab did not apply for short-time work allowances for employees of the business units Aerostructures and Combitech within the business area Industrial Products and Services (IPS).

January-June 2020

The gross margin in the first half-year was 22.0 per cent (22.4).

Total depreciation, amortisation and write-downs amounted to SEK 706 million (672). Depreciation of tangible fixed assets amounted to SEK 578 million (543).

Expenditures for internally funded investments in R&D amounted to SEK 1,286 million (1,195), of which SEK 730 million (702) has been capitalised. Capitalised expenditures are mainly attributable to the development of Gripen E/F for future exports.

Amortisation and write-downs of intangible fixed assets amounted to SEK 128 million (129), of which amortisation and write-downs of capitalised development expenditures amounted to SEK 70 million (71). The share of income in associated companies and joint ventures amounted to SEK -5 million (-54).

Operating income amounted to SEK 1,212 million (1,221) with an operating margin of 7.2 per cent (7.2). Profitability was in line with the previous year despite the negative impact on the civil business.

Financial net

MSEK	Jan-Jun 2020	Jan-Jun 2019
Financial net related to pensions	-37	-46
Net interest items	-32	-39
Currency gains/losses	31	-26
Lease liability interest	-48	-51
Other financial items	-12	15
Total	-98	-147

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 interest on liquid assets, short-term investments as well as interest expenses on short- and long-term interest-bearing liabilities and interest on interest-rate swaps.

Currency gains/losses recognised in the financial net are mainly related to currency hedges of the tender portfolio, which are measured at fair value through profit and loss. In 2020, the Group has been positively affected by gains on derivatives that hedge tenders in foreign currency, while the result was negative in 2019.

Lease liability interest consist of the interest portion related to lease liabilities recognised in the balance sheet.

Other net financial items consist of realised and unrealised results from 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 SEK -254 million (-248), equivalent to an effective tax rate of 23 per cent (23).

Return on capital employed and equity

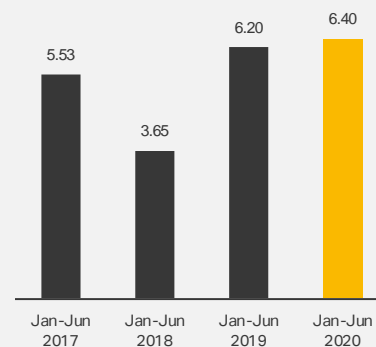
The return on capital employed was 8.7 per cent (9.1) and the return on equity was 10.0 per cent (10.5), both measured over a rolling 12-month period.

Operating margin, %



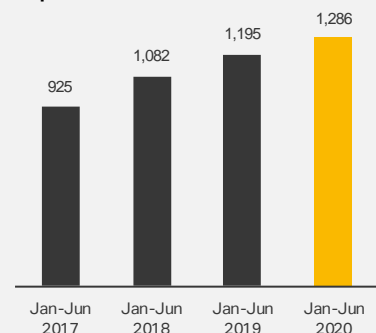
Jan-Jun 2017 Jan-Jun 2018 Jan-Jun 2019 Jan-Jun 2020

Earnings per share after dilution, SEK



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

Internally funded R&D expenditures, MSEK



Financial position and liquidity

At the end of June 2020, net debt was SEK 7,360 million, an increase of SEK 291 million compared to year-end 2019, when net debt amounted to SEK 7,069 million.

Cash flow from operating activities amounted to SEK 1,776 million (-1,479).

Due to invoicing and milestone payments in large projects, contract assets decreased by SEK 1,225 million compared to year-end 2019, at the same time that contract liabilities decreased by SEK 1,778 million due to utilisation of advances.

Inventories increased by SEK 1,245 million during the period. The increase mainly relates to future deliveries within the business areas Dynamics and Support and Services.

Net provisions for pensions, excluding the special employer's contribution, amounted to SEK 4,834 million as of 30 June 2020, compared to SEK 4,722 million at year-end 2019. The change had a negative effect on net debt of SEK 112 million. For further information on Saab's defined-benefit pension plans, see note 12.

Tangible fixed assets amounted to SEK 6,491 (5,985) million at the end of the period.

Right-of-use assets recognised in the balance sheet amounted to SEK 2,483 (2,577) million at the end of the period.

Net investments in the first half of 2020 amounted to SEK 1,554 million (1,412). Investments in tangible fixed assets amounted to SEK 687 million (648).

Investments in intangible fixed assets amounted to SEK 882 million (790), of which SEK 730 million (702) related to capitalised R&D expenditures. Capitalised R&D in the balance sheet increased by SEK 660 million. The increase is mainly related to investments to develop Gripen E/F for future exports. Of the total investments in intangible fixed assets, SEK 152 million (88) related to other intangible fixed assets. The increase mainly relates to IT security investments.

As of 30 June 2020, short-term investments and liquid assets amounted to SEK 6,932 million, a decrease of SEK 549 million compared to year-end 2019.

Capital employed increased by SEK 371 million during the period to SEK 36,337 million. The increase in capital employed is mainly related to the level of completion within the Gripen programmes and future deliveries within Dynamics.

In the first quarter of 2020, Saab signed a 24-month Revolving Credit Facility Agreement of SEK 4 billion to strengthen the company's financial flexibility, and if needed to refinance future loan maturities.

Change in net debt Jan-Jun 2020

	MSEK
Net liquidity (+) / net debt (-), 31 Dec 2019	-7,069
Cash flow from operating activities	1,776
Change in net pension obligation	-112
Net investments	-1,554
Sale of subsidiaries and acquisitions of operations	-2
Sale of and investments in financial assets	18
Conversion of loan receivable to associated company	-197
Dividend to and transactions with non-controlling interest	-13
Additional lease liabilities	-174
Currency impact and unrealised results from financial investments	-33
Net liquidity (+) / net debt (-), 30 Jun 2020 ¹⁾	-7,360
¹⁾ Net debt excluding net provisions for pensions, lease liabilities and interest-bearing receivables, 30 Jun 2020	-463

Key indicators of financial position and liquidity

MSEK	30 Jun 2020	31 Dec 2019	Change	30 Jun 2019
Net liquidity / debt ²⁾	-7,360	-7,069	-291	-8,001
Intangible fixed assets	11,193	10,465	728	9,805
Goodwill	5,335	5,355	-20	5,351
Capitalised development costs	5,240	4,580	660	3,961
Other intangible fixed assets	618	530	88	493
Tangible fixed assets, etc ³⁾	6,861	6,591	270	6,332
Right of use assets ⁴⁾	2,483	2,549	-66	2,577
Inventories	11,720	10,475	1,245	10,159
Accounts receivable	4,244	5,198	-954	3,858
Contract assets	11,009	12,234	-1,225	11,895
Contract liabilities	7,121	8,899	-1,778	7,238
Equity/assets ratio, %	36.2	34.8		34.0
Return on equity, %	10.0	10.0		10.5
Equity per share, SEK ¹⁾	160.03	154.48	5.55	144.44
1) Number of shares excluding treasury shares	133,174,124	132,926,363		133,383,129

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 special employers' contribution attributable to pensions. 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 right-of-use assets for leases.

Cash flow

Second quarter 2020

Operational cash flow for the second quarter amounted to SEK 1,817 million (-779). It is defined as cash flow from operating activities and acquisitions and divestments of intangible and tangible fixed assets. Cash flow from operating activities excludes taxes and other financial items but includes amortisation of lease liabilities.

Saab has an established programme to sell trade receivables in order to increase financial flexibility. This programme was not utilised in the second quarter 2020 and as of 30 June 2020 receivables with a value of SEK 0 million (0) have been sold. As of 31 March 2020, receivables with a value of SEK 548 million had been sold, which means that in the second quarter 2020 the programme negatively affected operational cash flow by SEK 548 million.

On 30 March, Sweden introduced the possibility to apply for a deferment of taxes and fees for three months as part of the state support package for Swedish companies in connection with COVID-19 pandemic. Due to current uncertainty, Saab utilised the opportunity to strengthen its liquidity and in the second quarter 2020 received a deferment on its employer social security contributions, preliminary taxes for salaries and VAT for the Swedish part of the Group. This had a positive cash flow effect on working capital in the second quarter of SEK 1,761 million. The deferred payments will be made within one year.

Adjusted for the tax and fee deferments as well as the negative effect of the account receivables programme during the quarter, underlying operational cash flow amounted to SEK 604 million (-779), mainly attributable to milestone payments from major programmes.

Free cash flow amounted to SEK 1,722 million (-989). For more detailed information on cash flow, see note 10.

January-June 2020

Operational cash flow amounted to SEK 235 million (-2,702). It is defined as cash flow from operating activities and acquisitions and divestments of intangible and tangible fixed assets. Cash flow from operating activities excludes taxes and other financial items but includes amortisation of lease liabilities.

Adjusted for the tax and fee deferments, underlying operational cash amounted to SEK -1,526 million (-2,702) for the first half of 2020.

Free cash flow amounted to SEK 22 million (-3,126). For more detailed information on cash flow, see note 10.

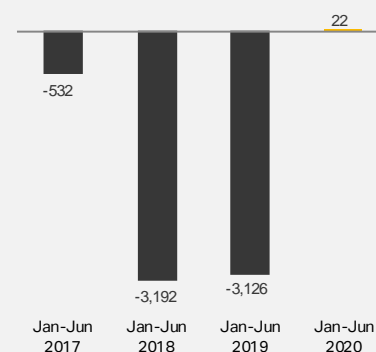
There can be big differences in cash flow between reporting periods as the timing of milestone payments in large projects greatly varies depending on when milestones are passed.

	Jan-Jun 2020	Jan-Jun 2019
Cash flow from operating activities before changes in working capital, excluding taxes and other financial items ¹⁾	1,999	2,130
Change in working capital	-210	-3,420
Cash flow from operating activities excluding taxes and other financial items	1,789	-1,290
Cash flow from investing activities ²⁾	-1,554	-1,412
Operational cash flow	235	-2,702
Taxes and other financial items	-229	-386
Sale of and investments in financial assets and operations	16	-38
Free cash flow	22	-3,126

1) Including amortisation of lease liabilities

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

Free cash flow, MSEK



Operating segments

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

The Group's operating segments recognise all lease contracts as expenses on straight-line basis over the lease term.

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Business Area Aeronautics

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

Business Area Dynamics

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

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Business Area Surveillance

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

Business Area Support and Services

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

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Business Area Industrial Products and Services

The business units within Industrial Products and Services are focused mainly on 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, Advanced Pilot Training Systems and Aeronautical Solutions.

MSEK	Jan-Jun 2020	Jan-Jun 2019	Change, %	Q2 2020	Q2 2019	Full Year 2019
Order bookings	1,073	884	21	702	734	2,979
Order backlog	39,168	44,148	-11			42,120
Sales	4,025	4,095	-2	2,054	1,971	8,218
EBITDA	362	392	-8	189	180	737
EBITDA margin, %	9.0	9.6		9.2	9.1	9.0
Operating income (EBIT)	330	363	-9	172	166	677
Operating margin, %	8.2	8.9		8.4	8.4	8.2
Operational cash flow	-1,064	-2,440		-297	-804	-1,591
Defence/Civil (% of sales)	100/0	100/0		100/0	100/0	100/0
No. of FTE's	3,462	3,354	3			3,421

Sales, income and margin

Sales decreased slightly in the first half of 2020 due to the high activity level in Gripen development in recent years, at the same time the business is in an early production stage. Operating income was lower than the same period in 2019, partly due to high marketing costs associated with major campaigns and tender work.

Cash flow

Cash flow for the first half-year was negative as a result of a continued working capital build-up related to the ongoing Gripen programmes. The business area's cash flow is closely tied to key milestone payments.

Order distribution

Orders exceeding MSEK 100 accounted for 32% (49) of total orders during January-June 2020.



Market

Sales in markets outside Sweden amounted to 51% (51) during January-June 2020.



Business Area Dynamics

Business units

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

MSEK	Jan-Jun 2020	Jan-Jun 2019	Change, %	Q2 2020	Q2 2019	Full Year 2019
Order bookings	3,947	3,146	25	2,663	2,041	6,706
Order backlog	15,345	13,905	10			14,264
Sales	2,862	2,929	-2	1,744	1,537	6,140
EBITDA	372	310	20	263	178	792
EBITDA margin, %	13.0	10.6		15.1	11.6	12.9
Operating income (EBIT)	329	273	21	242	160	716
Operating margin, %	11.5	9.3		13.9	10.4	11.7
Operational cash flow	-733	61		-180	-74	158
Defence/Civil (% of sales)	95/5	94/6		95/5	94/6	94/6
No. of FTE's	2,692	2,318	16			2,353

Order distribution

Orders exceeding MSEK 100 accounted for 55% (50) of total orders during January-June 2020.



Market

Sales in markets outside Sweden amounted to 74% (79) during January-June 2020.



Orders

Order bookings increased in the first half of 2020 compared to the same period last year. In the second quarter, the business area received orders for the Carl-Gustaf system, with two new customers ordering the latest M4 generation. The business area continued to receive important orders from customers such as the British Army as well as purchases as part of the existing framework agreement from the U.S. Army. The order backlog for the business area is at a historically high level.

Sales, income and margin

Sales were slightly lower in the first half of 2020 but strengthened in the second quarter, when the delivery rate was higher than the same period last year. The operating margin strengthened to 13.9% in the quarter mainly due to higher volumes and improved efficiency. The business area has maintained a high production rate with many planned deliveries during the year.

Cash flow

Operational cash flow was negative in the first half-year mainly due to accelerated production and an inventory build-up ahead of upcoming deliveries.

Business Area Surveillance

Business units

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

MSEK	Jan-Jun 2020	Jan-Jun 2019	Change, %	Q2 2020	Q2 2019	Full Year 2019
Order bookings	3,393	2,196	55	2,300	883	9,390
Order backlog	15,984	13,481	19			16,465
Sales	3,793	3,519	8	2,065	1,795	7,699
EBITDA	534	450	19	238	289	1,151
EBITDA margin, %	14.1	12.8		11.5	16.1	14.9
Operating income (EBIT)	381	303	26	160	213	853
Operating margin, %	10.0	8.6		7.7	11.9	11.1
Operational cash flow	435	222		936	324	1,156
Defence/Civil (% of sales)	100/0	99/1		100/0	99/1	100/0
No. of FTE's	3,747	3,644	3			3,687

Orders

During the first half-year, Surveillance had strong order bookings, both large and medium-sized orders. In the second quarter, an order was received for the Erieye AEW&C Airborne Early Warning and control system, but new orders were also signed with the U.S. and Australia for radar and command and control systems.

Sales, income and margin

Sales in the first half-year saw good growth, driven by a high level of business activity. Operating income and the margin for the period improved compared to 2019. During the second quarter, income was negatively affected by COVID-19 in businesses outside Sweden.

Cash flow

Key milestones were reached in the second quarter, including the delivery of the first GlobalEye Airborne Early Warning and Control to the United Arab Emirates. This contributed to stronger operational cash flow for Surveillance.

Order distribution

Orders exceeding MSEK 100 accounted for 67% (45) of total orders during January-June 2020.



Market

Sales in markets outside Sweden amounted to 80% (80) during January-June 2020.



Business Area Support and Services

Business units

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

MSEK	Jan-Jun 2020	Jan-Jun 2019	Change, %	Q2 2020	Q2 2019	Full Year 2019
Order bookings	3,029	1,476	105	2,152	798	4,099
Order backlog	9,392	9,555	-2			8,986
Sales	2,663	2,641	1	1,353	1,292	5,821
EBITDA	307	332	-8	170	145	762
EBITDA margin, %	11.5	12.6		12.6	11.2	13.1
Operating income (EBIT)	295	322	-8	164	140	742
Operating margin, %	11.1	12.2		12.1	10.8	12.7
Operational cash flow	1,160	-57		1,417	160	11
Defence/Civil (% of sales)	89/11	85/15		90/10	84/16	86/14
No. of FTE's	2,001	1,902	5			1,912

Order distribution

Orders exceeding MSEK 100 accounted for 62% (0) of total orders during January-June 2020.



Market

Sales in markets outside Sweden amounted to 44% (54) during January-June 2020.



Orders

During the first half of 2020, the business area reported a significant increase in order bookings compared to the same period in 2019. A support contract for Gripen Sweden, an extended support and maintenance agreement with the Swedish Armed Forces for the SK60 trainer aircraft, and the order for the Erieye AEW&C Airborne Early Warning and Control system contributed to the increased order bookings in the second quarter.

Sales, income and margin

Sales increased slightly in the first half of 2020, driven by continued high level of project execution. Deteriorating market conditions in the civil business could not be fully compensated, however, by the stronger profitability in other parts of the business in the second quarter.

Cash flow

Operational cash flow significantly improved due to key milestones, including the delivery of the first GlobalEye Airborne Early Warning and Control system to the United Arab Emirates in the quarter. This contributed to positive operational cash flow for Support and Services.

Business Area Industrial Products and Services

Business units

Aerostructures, Avionics Systems, Traffic Management, and Combitech.

MSEK	Jan-Jun 2020	Jan-Jun 2019	Change, %	Q2 2020	Q2 2019	Full Year 2019
Order bookings	2,834	2,541	12	1,638	1,235	5,515
Order backlog	8,855	9,362	-5			9,035
Sales	2,971	3,246	-8	1,372	1,672	6,556
EBITDA	-15	182	-108	-61	92	324
EBITDA margin, %	-0.5	5.6		-4.4	5.5	4.9
Operating income (EBIT)	-54	140	-139	-81	71	238
Operating margin, %	-1.8	4.3		-5.9	4.2	3.6
Operational cash flow	509	-282		443	-154	-302
Defence/Civil (% of sales)	32/68	30/70		31/69	31/69	30/70
No. of FTE's	3,622	3,634	-			3,635

Order backlog

The civil aviation business continued to decline in the second quarter due to COVID-19. Order bookings for other businesses increased, however, mainly related to the technical consulting services unit Combitech.

Sales, income and margin

Sales in several business units decreased in the first half of 2020 compared to 2019 and the business area reported a negative result due to the major slowdown in production in the civil aviation business. Measures were taken in the second quarter to counter the negative effects, including shorter working hours and staff audits. The focus going forward will be on continuously adapting capacity to current market conditions

Cash flow

Operational cash flow improved in the first half-year, mainly driven by the improvement in the business unit Combitech's cash flow.

Order distribution

Orders exceeding MSEK 100 accounted for 5% (9) of total orders during January-June 2020.



Market

Sales in markets outside Sweden amounted to 52% (54) during January-June 2020.



Business Area Kockums

Business units

Submarines and Surface Ships.

MSEK	Jan-Jun 2020	Jan-Jun 2019	Change, %	Q2 2020	Q2 2019	Full Year 2019
Order bookings	740	544	36	250	299	1,216
Order backlog	4,029	5,718	-30			4,852
Sales	1,562	1,502	4	756	705	3,007
EBITDA	69	50	38	34	6	124
EBITDA margin, %	4.4	3.3		4.5	0.9	4.1
Operating income (EBIT)	51	31	65	25	-3	88
Operating margin, %	3.3	2.1		3.3	-0.4	2.9
Operational cash flow	206	200		172	34	-70
Defence/Civil (% of sales)	100/0	100/0		100/0	100/0	100/0
No. of FTE's	1,231	1,237	-			1,219

Order distribution

Orders exceeding MSEK 100 accounted for 24% (0) of total orders during January-June 2020.



Market

Sales in markets outside Sweden amounted to 4% (6) during January-June 2020.



Order backlog

Order bookings, during the first half-year, increased with important contracts signed with FMV in Sweden.

Sales, income and margin

Saab Kockums' sales and operating income increased in the first half of 2020 compared to 2019. A high activity level in both submarines and surface ships contributed positively. The focus is on transitioning from development to production and strengthening the business area's profitability. Measures were initiated in the second quarter to increase productivity in the business area.

Cash flow

Operational cash flow was positive in the first half-year.

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. The minority portfolio contains Saab's interests in Vricon Inc, UMS Skeldar AG and Ventures.

Corporate reported operating income of SEK -120 million (-211) in the first half of 2020. Operational cash flow attributable to Corporate amounted to SEK -278 million (-406) during the first half-year.

Acquisitions and divestments 2020

No significant acquisitions or divestments were made in the first half of 2020.

Share repurchase

Saab held 2,671,723 treasury shares as of 30 June 2020, compared to 2,919,484 at year-end 2019. The Annual General Meeting in 2020 authorised the Board of Directors to repurchase a maximum of 1,465,000 Series B shares to secure delivery of shares to participants in Saab's incentive programme and for subsequent transfers on the stock exchange to cover certain costs associated with LTI 2021, mainly social security costs. The Annual General Meeting also decided to authorise the Board, before the next Annual General Meeting, to decide on the acquisition of Series B shares up to a maximum of 10 percent of the total number of shares in the company. The purpose of the authorisation is to be able to adjust the company's capital structure and thereby contribute to increased shareholder value as well as to enable continued use of repurchased shares in connection with potential acquisitions of companies and for the company's share-related incentive programmes.

Risks and uncertainties

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

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

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

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

For a general description of the risk areas, see the annual report 2019, pages 48-52.

COVID-19 update

COVID-19 impacted Saab's operations in the second quarter of 2020 in the form of lower demand primarily for products and services in the Group's civil businesses, related to the civil aviation industry. Moreover, the pandemic has slightly impacted production capabilities for certain smaller businesses outside Sweden. Limits on deliveries to countries that have been severely affected by COVID-19 have also had a negative impact on sales and cash flow.

Saab has taken a number of measures to mitigate the pandemic's impact on its business, and to reduce and manage future risk associated with COVID-19. In businesses where demand is down, capacity, including staffing, is being reassessed. Saab has introduced shorter working hours for employees in Aerostructures and Combitech, but has not applied for state support for these measures. To further strengthen liquidity, Saab as a precaution at an early stage of the pandemic applied for and received a tax and fee deferment for its Swedish operations. In the first half of 2020, Saab signed a revolving credit facility to strengthen the company's financial flexibility. In addition, the Annual General Meeting on 1 April 2020 resolved to withdraw the dividend proposal for the full-year 2019.

Due to continued uncertainty about the future impact on Saab, an outlook statement for 2020 has not been issued. Saab's overarching strategy and long-term financial goals remain unchanged. The impact of the COVID-19 related risks Saab reported in the interim report for the first quarter has been limited, but the risks remain:

- Lower order bookings due to limitations on meetings, travel and restrictions by government authorities.
- Operations are dependent on access to and subcontractors' ability to supply components and subsystems. Access to raw materials is good today, but the risk of delays of key deliveries cannot be ruled out.
- Operations could be affected by high sick leave and decisions by authorities that affect the ability of employees to work effectively.
- Delays from suppliers or disruptions in Saab's own operations can result in that deliveries and milestone payments of contracts cannot be ensured in time.

Owners

Saab's largest shareholders as of 30 June 2020:

	% of capital	% of votes
Investor AB	30.2	40.4
Knut och Alice Wallenbergs stiftelse	8.8	7.7
Första AP-fonden	5.6	4.9
AFA Försäkring	2.6	2.2
Vanguard	2.1	1.8
Schroders	1.8	1.6
Swedbank Robur fonder	1.6	1.4
Alliance Bernstein	1.5	1.3
Unionen	1.4	1.2
Nordea Fonder	1.3	1.1

Source: Modular Finance

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

Personnel

	30 Jun 2020	31 Dec 2019
Number of employees	17,971	17,420
FTE's	17,854	17,299

Number of employees has increased by 174 and FTEs by 170 during the first quarter of 2020 related to Dynamics contract to support Germany's training center GÜZ.

Other events in January-June 2020 in brief:

- In January, Saab started assembly production of its section of the T-7A advanced trainer in Linköping. The T-7A has been developed and is being produced together with Boeing for the U.S. Air Force.
- In January, it was announced that Gunnar Wieslander leaves the role as head of the business area Kockums and member of Saab's Group Management.
- On 29 January, Saab appointed Lars Tossman as the new head of business area Kockums. Lars Tossman assumed his new position 1 February at which point he also became a member of Saab's Group Management.
- In March, Saab presented "Gripen for Canada Team", which also includes the Canadian companies IMP Aerospace & Defence, CAE, Peraton Canada and GE Aviation. With the support of the Swedish government, Saab is offering Gripen E for Canada's future fighter requirement of 88 new aircraft to replace the Royal Canadian Air Force's existing CF-18 Hornet fleet.
- On March 4, it was announced that Saab Digital Air Traffic Solutions (SDATS) has been selected to provide a Digital Tower system as an Operational Concept Demonstrator for the Royal Air Force at their air force base by Lossiemouth in the United Kingdom.
- In March, Saab announced an order from the United Kingdom's Ministry of Defence for a mid-life extension and support for the Arthur weapon locating system.
- On March 16, Saab announced that Chief Financial Officer Magnus Örnberg leaves his position during Q2 2020.
- In March, the production of the two-seater fighter aircraft Gripen F for Brazil started in Linköping.
- On March 26, it was announced that Saab has signed a 24-month Revolving Credit Facility Agreement of SEK 4 billion with a group of three banks.
- On 1 April, the Annual General Meeting was held in Stockholm.
- In April, Saab received an order from the Swedish Civil Contingencies Agency (MSB) for aerial firefighting capabilities.
- In April, Saab signed an agreement with the UK Ministry of Defence for the provision of support and services for the Direct Fire Weapon Effects Simulator (DFWES), valued at SEK 320 million.
- In April, Saab successfully completed the first air trials with its new fighter X-band Active Electronically Scanned Array (AESA) radar.
- In April, Saab delivered the first GlobalEye Swing Role Surveillance System to the United Arab Emirates (UAE).
- In May, Saab's Board of Directors appointed Christian Luiga as the new CFO and deputy CEO starting September 2020. Anders Carp was also appointed deputy CEO.
- In May, Saab signed a contract for an Airborne Early Warning and Control (AEW&C) system based on the Saab 2000 aircraft and Erieye AEW&C. The order value was SEK 1,553 million.
- In May, Saab extended its support and maintenance agreement for the SK60 trainer aircraft. The contract is valued at SEK 875 million and is valid for the period 2020-2025 with an option for 2026.
- In May, Estonia and Latvia placed orders for the Carl-Gustaf® M4 weapon system. The orders were placed under the previously signed framework agreements with the Swedish Defence Materiel Administration (FMV).
- In June, Saab received an order from FMV for support and maintenance of the Gripen system in the period July 2020 through March 2021. The order value is SEK 687 million.
- In June, Saab's partner Maxar Technologies announced that it was exercising a call option on Saab's entire shareholding in Vricon Inc. The transaction, which closed in July 2020, has a positive cash flow effect of USD 117 million and is expected to contribute a capital gain of approximately SEK 1 billion.

For more information on significant order received during the 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:

- On 1 July, Saab announced completed the divestment of all its shares in the U.S.-based joint venture Vricon Inc.
- In July, production of the Gripen E/F fighter began at Saab's new plant in Brazil.
- On 9 July, Saab received an initial order amounting to SEK 485 million from FMV for the life extension of the Torpedo 62 system.
- On 16 July, Saab signed a support agreement with the United Arab Emirates regarding the AEW&C solution GlobalEye. The agreement is valid 2020 and 2022, with an order value of 144.9 MUSD.
- On 16 July, Saab announced that it has received an order for Carl-Gustaf ammunition and AT4 systems from the U.S. Army for a value of USD 100 million (930 MSEK). The order intake was booked in the second quarter 2020.

First tests of the Saab Lightweight Torpedo



In June, Saab and the Swedish Defence Materiel Administration (FMV) conducted the first tests with the Saab Lightweight Torpedo (SLWT) from both a submarine and a surface vessel. Saab's new, lightweight torpedo is a flexible and advanced anti-submarine weapon for challenging and littoral underwater conditions.

Saab starts production of Gripen in Brazil



Saab's first aerostructures plant outside Sweden for Gripen E/F, in São Bernardo do Campo, Brazil, has started production. The site produces sections of Gripen, which will then be delivered for final assembly at the Embraer plant in Gavião Peixoto, Brazil, and to Saab in Linköping.

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.

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

Vision

It is a human right to feel safe.

Mission

To make people safe by pushing intellectual and technological boundaries.

Business concept

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

Organisation

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

To strengthen Saab's market focus and manage global sales priorities, Saab has a central marketing organisation managed by a marketing and sales manager.



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 manufacturing of complex systems that stretch over several reporting periods. Revenue from long-term customer contracts are recognised 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. Revenues from service assignments are 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 control 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

Saab's strategy is based on four priority areas: working closely with customers, focusing on operational efficiency, innovation as a business critical means, and continuously optimizing our portfolio. Sustainability affects everything we do and is therefore the core of our strategy. Engaged employees who develop their skills through continuous learning makes all parts of the strategy work together and supports Saab to reach its goals.

Market

Further increase local presence and partnerships in strategic markets while maintaining position in Sweden. Focus export sales efforts to established markets.

Innovation

Explore and enable scaling of new opportunities through managing innovation as business critical, supporting our innovation performance and promoting an innovation friendly culture.

Portfolio

Improve product portfolio efficiency by concentrating product development and industrialization to core areas. Investments in product development and innovation in strategic markets.

Performance

Focus on fulfilling current commitments and continuously work to increase efficiency, not least with the help of digitisation.

Consolidated income statement

MSEK	Note	Jan-Jun 2020	Jan-Jun 2019	Rolling 12 Months	Full Year 2019
Sales	4	16,876	16,941	35,368	35,433
Cost of goods sold		-13,165	-13,153	-27,410	-27,398
Gross income		3,711	3,788	7,958	8,035
<i>Gross margin, %</i>		22.0	22.4	22.5	22.7
Other operating income		86	112	191	217
Marketing expenses		-1,218	-1,278	-2,549	-2,609
Administrative expenses		-725	-765	-1,448	-1,488
Research and development costs		-626	-564	-1,199	-1,137
Other operating expenses		-11	-18	-69	-76
Share in income of associated companies and joint ventures		-5	-54	44	-5
Operating income (EBIT) ¹⁾	3	1,212	1,221	2,928	2,937
<i>Operating margin, %</i>		7.2	7.2	8.3	8.3
Financial income		99	78	211	190
Financial expenses		-197	-225	-492	-520
Net financial items		-98	-147	-281	-330
Income before taxes		1,114	1,074	2,647	2,607
Taxes		-254	-248	-588	-582
Net income for the period		860	826	2,059	2,025
of which Parent Company's shareholders' interest		855	831	2,007	1,983
of which non-controlling interest		5	-5	52	42
Earnings per share before dilution, SEK ²⁾		6.43	6.22	15.09	14.88
Earnings per share after dilution, SEK ³⁾		6.40	6.20	15.02	14.81
1) Of which depreciation/amortisation and write-downs		-706	-672	-1,402	-1,368
2) Average number of shares before dilution		133,025,422	133,501,206	133,007,468	133,245,360
3) Average number of shares after dilution		133,690,023	134,064,875	133,645,763	133,929,292

Consolidated statement of comprehensive income

MSEK	Jan-Jun 2020	Jan-Jun 2019	Rolling 12 Months	Full Year 2019
Net income for the period	860	826	2,059	2,025
Other comprehensive income/loss:				
Items that will not be reversed in the income statement:				
Revaluation of net pension obligations	-64	-720	44	-612
Tax attributable to revaluation of net pension obligations	13	148	-11	124
Total	-51	-572	33	-488
Items that may be reversed in the income statement:				
Translation differences	-229	205	-219	215
Cash flow hedges	103	95	209	201
Tax attributable to cash flow hedges	-18	-21	-40	-43
Total	-144	279	-50	373
Other comprehensive income/loss for the period	-195	-293	-17	-115
Net comprehensive income/loss for the period	665	533	2,042	1,910
of which Parent Company's shareholders' interest	689	531	2,015	1,857
of which non-controlling interest	-24	2	27	53

Consolidated statement of financial position

MSEK	Note	30 Jun 2020	31 Dec 2019	30 Jun 2019
ASSETS				
Fixed assets:				
Intangible fixed assets	6	11,193	10,465	9,805
Tangible fixed assets		6,491	6,223	5,985
Biological assets		370	368	347
Right of use assets		2,483	2,549	2,577
Shares in associated companies and joint ventures		801	672	639
Financial investments		28	26	25
Long-term receivables	12	564	752	654
Deferred tax assets		206	266	454
Total fixed assets		22,136	21,321	20,486
Current assets:				
Inventories		11,720	10,475	10,159
Derivatives		1,373	1,444	1,468
Tax receivables		146	26	233
Accounts receivable		4,244	5,198	3,858
Contract assets		11,009	12,234	11,895
Other receivables		798	710	564
Prepaid expenses and accrued income		1,140	969	1,050
Short-term investments		5,032	5,794	6,268
Liquid assets	10	1,900	1,687	1,354
Total current assets		37,362	38,537	36,849
TOTAL ASSETS		59,498	59,858	57,335
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity:				
Parent Company's shareholders' interest		21,312	20,535	19,266
Non-controlling interest		243	274	231
Total shareholders' equity		21,555	20,809	19,497
Long-term liabilities:				
Long-term lease liabilities		2,096	2,138	2,169
Other long-term interest-bearing liabilities	7	6,505	6,513	6,527
Other liabilities		162	180	194
Provisions for pensions	12	6,083	6,014	5,970
Other provisions		1,367	1,344	1,255
Deferred tax liabilities		130	40	24
Total long-term liabilities		16,343	16,229	16,139
Current liabilities:				
Short-term lease liabilities		430	434	409
Other short-term interest-bearing liabilities	7	890	1,322	2,308
Contract liabilities		7,121	8,899	7,238
Accounts payable		2,600	3,221	2,794
Derivatives		1,491	1,706	1,839
Tax liabilities		123	71	239
Other liabilities		2,435	1,193	781
Accrued expenses and deferred income		5,835	5,272	5,435
Provisions		675	702	656
Total current liabilities		21,600	22,820	21,699
Total liabilities		37,943	39,049	37,838
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		59,498	59,858	57,335

Consolidated statement of changes in equity

MSEK	Capital stock	Ongoing rights issue	Other capital contributions	Net result of cash flow hedges	Translation reserve	Revaluation reserve	Retained earnings	Total parent company's shareholders' interest	Non-controlling interest	Total shareholders' equity
Opening balance, 1 January 2019	1,746	428	6,099	-386	447	11	11,067	19,412	221	19,633
Net comprehensive income/loss for the period January-June 2019				75	197		259	531	2	533
Transactions with shareholders:										
Rights issue	428	-428								
Repurchase of shares							-151	-151		-151
Share matching plan							78	78		78
Dividend							-601	-601	-	-601
Acquisition and sale of non-controlling interest							-3	-3	8	5
Closing balance, 30 June 2019	2,174	-	6,099	-311	644	11	10,649	19,266	231	19,497
Net comprehensive income/loss for the period July-December 2019				83	7		1,236	1,326	51	1,377
Transactions with shareholders:										
Repurchase of shares							-150	-150		-150
Share matching plan							107	107		107
Dividend							-	-	-4	-4
Acquisition and sale of non-controlling interest							-14	-14	-4	-18
Closing balance, 31 December 2019	2,174	-	6,099	-228	651	11	11,828	20,535	274	20,809
Opening balance, 1 January 2020	2,174	-	6,099	-228	651	11	11,828	20,535	274	20,809
Net comprehensive income/loss for the period				93	-208		804	689	-24	665
Transactions with shareholders:										
Share matching plan							92	92		92
Dividend							-	-	-10	-10
Acquisition and sale of non-controlling interest							-4	-4	3	-1
Closing balance, 30 June 2020	2,174	-	6,099	-135	443	11	12,720	21,312	243	21,555

Consolidated statement of cash flows

MSEK	Note	Jan-Jun 2020	Jan-Jun 2019	Full Year 2019
Operating activities:				
Income after financial items		1,114	1,074	2,607
Adjustments for items not affecting cash flows		1,010	1,131	2,132
Dividend from associated companies and joint ventures		44	-	20
Income tax paid		-182	-264	-408
Cash flow from operating activities before changes in working capital		1,986	1,941	4,351
Cash flow from changes in working capital:				
Contract assets and liabilities		-543	-3,060	-1,649
Inventories		-1,322	-838	-1,141
Other current receivables		622	1,413	176
Other current liabilities		1,245	-839	-218
Provisions		-212	-96	-325
Cash flow from operating activities		1,776	-1,479	1,194
Investing activities:				
Capitalised development costs		-730	-702	-1,392
Investments in other intangible fixed assets		-152	-88	-196
Investments in tangible fixed assets		-687	-648	-1,213
Sales and disposals of tangible fixed assets		15	26	32
Investments in and sale of short-term investments		752	2,771	3,219
Investments in financial assets		-74	-111	-171
Sale of financial assets		21	34	35
Investments in operations	11	-2	-	-
Cash flow from investing activities		-857	1,282	314
Financing activities:				
Repayments of loans		-2,785	-	-990
Amortisation of lease liabilities		-216	-198	-415
Raising of loans		2,328	5	8
Rights issue		-	11	11
Repurchase of shares		-	-151	-301
Dividend paid to Parent Company's shareholders		-	-601	-601
Dividend paid to non-controlling interest		-12	-	-24
Transactions with non-controlling interest		-1	4	8
Cash flow from financing activities		-686	-930	-2,304
Cash flow for the period		233	-1,127	-796
Liquid assets at the beginning of the period		1,687	2,451	2,451
Exchange rate difference in liquid assets		-20	30	32
Liquid assets at end of period	10	1,900	1,354	1,687

Quarterly consolidated income statement

MSEK	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Sales	8,836	8,040	10,578	7,914	8,445	8,496	11,018	6,419
Cost of goods sold	-7,005	-6,160	-8,009	-6,236	-6,508	-6,645	-8,230	-4,980
Gross income	1,831	1,880	2,569	1,678	1,937	1,851	2,788	1,439
Gross margin, %	20.7	23.4	24.3	21.2	22.9	21.8	25.3	22.4
Other operating income	67	19	81	24	94	18	57	10
Marketing expenses	-579	-639	-742	-589	-658	-620	-735	-611
Administrative expenses	-360	-365	-385	-338	-391	-374	-378	-365
Research and development costs	-317	-309	-325	-248	-300	-264	-277	-326
Other operating expenses	5	-16	-69	11	-18	-	-22	-224
Share of income in associated companies and joint ventures	5	-10	69	-20	-34	-20	-11	16
Operating income (EBIT) ¹⁾	652	560	1,198	518	630	591	1,422	-61
Operating margin, %	7.4	7.0	11.3	6.5	7.5	7.0	12.9	-1.0
Financial income	39	60	35	77	32	46	113	48
Financial expenses	-19	-178	-100	-195	-98	-127	-211	-90
Net financial items	20	-118	-65	-118	-66	-81	-98	-42
Income before taxes	672	442	1,133	400	564	510	1,324	-103
Taxes	-154	-100	-229	-105	-135	-113	-316	11
Net income for the period	518	342	904	295	429	397	1,008	-92
of which Parent Company's shareholders' interest	521	334	883	269	433	398	982	-94
of which non-controlling interest	-3	8	21	26	-4	-1	26	2
Earnings per share before dilution, SEK ²⁾	3.91	2.51	6.63	2.02	3.24	2.98	8.28	-0.81
Earnings per share after dilution, SEK ³⁾	3.90	2.50	6.60	2.01	3.23	2.97	8.23	-0.81
1) Of which depreciation/amortisation and write-downs	-352	-354	-365	-331	-344	-328	-232	-266
2) Average number of shares before dilution	133,087,362	132,963,482	132,875,322	133,103,705	133,476,269	133,526,144	118,568,062	115,728,074
3) Average number of shares after dilution	133,625,118	133,701,893	133,553,690	133,702,351	134,039,937	134,137,373	119,253,394	116,499,013

Quarterly consolidated statement of comprehensive income

MSEK	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Net income for the period	518	342	904	295	429	397	1,008	-92
Other comprehensive income/loss:								
Items that will not be reversed in the income statement:								
Revaluation of net pension obligations	-706	642	757	-649	-1,130	410	-742	-28
Tax attributable to revaluation of net pension obligations	145	-132	-158	134	232	-84	153	6
Total	-561	510	599	-515	-898	326	-589	-22
Items that may be reversed in the income statement:								
Translation differences	-301	72	-167	177	29	176	18	-110
Net gain/loss on cash flow hedges	254	-151	216	-110	133	-38	-257	67
Tax attributable to net gain/loss on cash flow hedges	-52	34	-45	23	-31	10	64	-11
Total	-99	-45	4	90	131	148	-175	-54
Other comprehensive income/loss for the period	-660	465	603	-425	-767	474	-764	-76
Net comprehensive income/loss for the period	-142	807	1,507	-130	-338	871	244	-168
of which Parent Company's shareholders' interest	-131	820	1,484	-158	-342	873	212	-159
of which non-controlling interest	-11	-13	23	28	4	-2	32	-9

Key ratios by quarter

MSEK	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Equity/assets ratio, (%)	36.2	35.3	34.8	33.6	34.0	35.4	35.0	29.0
Return on capital employed, % ³⁾	8.7	8.5	9.1	11.0	9.1	8.5	8.7	7.7
Return on equity, % ³⁾	10.0	9.3	10.0	13.1	10.5	8.6	8.1	7.1
Equity per share, SEK ^{1) 3)}	160.03	160.89	154.48	142.99	144.44	152.12	145.43	114.05
Free cash flow, MSEK ³⁾	1,722	-1,700	2,955	-1,865	-989	-2,137	2,504	-2,507
Free cash flow per share after dilution, SEK ^{2) 3)}	12.89	-12.71	22.13	-13.95	-7.38	-15.93	21.00	-21.52

1) Number of shares excluding treasury shares

133,174,124 133,000,600 132,926,363 132,824,280 133,383,129 133,569,408 133,482,880 115,524,571

2) Average number of shares after dilution

133,625,118 133,701,893 133,553,690 133,702,351 134,039,937 134,137,373 119,253,394 116,499,013

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 2020	Operating margin	Q1 2020	Operating margin	Q4 2019	Operating margin	Q3 2019	Operating margin
Sales								
Aeronautics	2,054		1,971		2,329		1,794	
Dynamics	1,744		1,118		2,251		960	
Surveillance	2,065		1,728		2,304		1,876	
Support and Services	1,353		1,310		1,654		1,526	
Industrial Products and Services	1,372		1,599		1,933		1,377	
Kockums	756		806		815		690	
Internal sales	-508		-492		-708		-309	
Total	8,836		8,040		10,578		7,914	
Operating income/loss								
Aeronautics	172	8.4%	158	8.0%	192	8.2%	122	6.8%
Dynamics	242	13.9%	87	7.8%	419	18.6%	24	2.5%
Surveillance	160	7.7%	221	12.8%	361	15.7%	189	10.1%
Support and Services	164	12.1%	131	10.0%	262	15.8%	158	10.4%
Industrial Products and Services	-81	-5.9%	27	1.7%	105	5.4%	-7	-0.5%
Kockums	25	3.3%	26	3.2%	36	4.4%	21	3.0%
Corporate	-30		-90		-177		11	
Total	652	7.4%	560	7.0%	1,198	11.3%	518	6.5%
MSEK	Q2 2019	Operating margin	Q1 2019	Operating margin	Q4 2018	Operating margin	Q3 2018	Operating margin
Sales								
Aeronautics	1,971		2,124		2,654		1,489	
Dynamics	1,537		1,392		2,287		912	
Surveillance	1,795		1,724		2,302		1,518	
Support and Services	1,292		1,349		1,657		1,077	
Industrial Products and Services	1,672		1,574		1,879		1,278	
Kockums	705		797		1,029		637	
Internal sales	-527		-464		-790		-492	
Total	8,445		8,496		11,018		6,419	
Operating income/loss								
Aeronautics	166	8.4%	197	9.3%	309	11.6%	113	7.6%
Dynamics	160	10.4%	113	8.1%	422	18.5%	23	2.5%
Surveillance	213	11.9%	90	5.2%	371	16.1%	41	2.7%
Support and Services	140	10.8%	182	13.5%	320	19.3%	32	3.0%
Industrial Products and Services	71	4.2%	69	4.4%	139	7.4%	-18	-1.4%
Kockums	-3	-0.4%	34	4.3%	45	4.4%	44	6.9%
Corporate	-117		-94		-184		-296	
Total	630	7.5%	591	7.0%	1,422	12.9%	-61	-1.0%

Multi-year overview

MSEK	2019	2018	2017	2016	2015
Order bookings	27,216	27,975	30,841	21,828	81,175
Order backlog at 31 December	93,293	102,184	107,233	107,606	113,834
Sales	35,433	33,156	31,666	28,631	27,186
<i>Sales in Sweden, %</i>	37	41	42	43	42
<i>Sales in Europe excluding Sweden, %</i>	16	14	14	17	18
<i>Sales in North America, %</i>	11	10	9	10	9
<i>Sales in Latin America, %</i>	12	12	8	7	6
<i>Sales in Rest of the World, %</i>	24	24	27	23	25
Operating income (EBIT)	2,937	2,266	2,250	1,797	1,900
<i>Operating margin, %</i>	8.3	6.8	7.1	6.3	7.0
Depreciation/amortisation and write-downs less depreciation/ amortisation and write-downs of lease aircraft	1,368	916	839	946	959
EBITDA	4,305	3,182	3,089	2,743	2,859
<i>EBITDA margin, %</i>	12.1	9.6	9.8	9.6	10.5
Income after financial items	2,607	1,796	2,099	1,611	1,731
Net income for the year	2,025	1,366	1,508	1,175	1,402
Total assets	59,858	56,128	44,998	41,211	35,088
Equity	20,809	19,633	14,285	13,301	12,912
Free cash flow ¹⁾	-2,036	-3,195	852	2,359	-726
<i>Return on capital employed, % ¹⁾</i>	9.1	8.7	10.5	8.9	11.2
<i>Return on equity, % ¹⁾</i>	10.0	8.1	10.9	9.0	11.5
<i>Equity/assets ratio, %</i>	34.8	35.0	31.7	32.3	36.8
Earnings per share before dilution, SEK ¹⁾²⁾	14.88	11.27	12.79	9.85	11.90
Earnings per share after dilution, SEK ¹⁾²⁾	14.81	11.21	12.70	9.79	11.81
Dividend per share, SEK	-	4.50	5.50	5.25	5.00
Equity per share, SEK ¹⁾²⁾	154.48	145.43	121.86	114.17	111.99
Number of employees at year-end	17,420	17,096	16,427	15,465	14,685
Number of shares excluding treasury shares as of 31 December ²⁾	132,926,363	133,482,880	115,685,451	115,232,495	114,746,834
Average number of shares before dilution ²⁾	133,245,360	116,467,822	115,444,915	114,971,098	114,484,478
Average number of shares after dilution ²⁾	133,929,292	117,144,915	116,310,466	115,775,275	115,280,946

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

2) The average number of shares outstanding have for the comparative periods 2018-2015 been adjusted in accordance with IAS 33, Earnings per share, in accordance with the terms of the rights issue completed in 2018.

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

Key ratios and goals

	Long-term target	Jan-Jun 2020	Jan-Jun 2019	Full Year 2019
Organic sales growth, %	5	0	7	6
Operating margin, %	10	7.2	7.2	8.3
Equity/assets ratio, %	30	36.2	34.0	34.8

Parent company

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

Parent company income statement

MSEK	Jan-Jun 2020	Jan-Jun 2019	Full Year 2019
Sales	10,722	10,525	21,960
Cost of goods sold	-8,596	-8,194	-17,341
Gross income	2,126	2,331	4,619
Gross margin, %	19.8	22.1	21.0
Operating income and expenses	-2,232	-2,223	-4,437
Operating income (EBIT)	-106	108	182
Operating margin, %	-1.0	1.0	0.8
Financial income and expenses	-36	51	962
Income after financial items	-142	159	1,144
Appropriations	-	-	-103
Income before taxes	-142	159	1,041
Taxes	26	-53	-248
Net income for the period	-116	106	793

Parent company balance sheet

MSEK	Note	30 Jun 2020	31 Dec 2019	30 Jun 2019
ASSETS				
Fixed assets:				
Intangible fixed assets		730	658	643
Tangible fixed assets		4,136	3,967	3,886
Financial fixed assets		7,544	7,275	7,275
Total fixed assets		12,410	11,900	11,804
Current assets:				
Inventories		7,826	6,996	6,900
Current receivables		16,921	18,366	16,473
Short term investments		5,016	5,783	6,245
Liquid assets		1,317	1,007	667
Total current assets		31,080	32,152	30,285
TOTAL ASSETS		43,490	44,052	42,089
SHAREHOLDERS' EQUITY AND LIABILITIES				
Equity:				
Restricted equity		3,380	3,380	3,385
Unrestricted equity		10,907	10,931	10,282
Total shareholders' equity		14,287	14,311	13,667
Untaxed reserves, provisions and liabilities:				
Untaxed reserves		2,508	2,508	2,405
Provisions		1,668	1,582	1,504
Liabilities	7	25,027	25,651	24,513
Total untaxed reserves, provisions and liabilities		29,203	29,741	28,422
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		43,490	44,052	42,089

Liquidity, financing, capital expenditures and number of employees

The Parent Company's net debt amounted to SEK 3,091 million as of 30 June 2020 compared to SEK 2,777 million as of 31 December 2019.

Investments in tangible fixed assets amounted to SEK 380 million (410). Investments in intangible assets amounted to SEK 138 million (61). At the end of the period, the Parent Company had 10,131 employees compared to 9,885 at the beginning of the year.

Notes

To the financial statements

NOTE 1 Corporate information

Saab AB (publ.), corporate identity no. 556036-0793, has its registered office in Linköping, Sweden. The company's head office is located at Olof Palmes gata 17, 5tr, SE-111 22 Stockholm, Sweden, 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 2019.

NOTE 2 Accounting principles

The consolidated accounts for the first half-year 2020 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 and Parent Company's accounting principles are described on pages 96-97, and concerning significant income statement and balance sheet items in each note disclosure in the annual report 2019.

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 2019. All the information on pages 1-28 constitutes the interim report for the period 1 January to 30 June 2020.

The Group and the Parent Company use the accounting principles and calculation methods as described in the annual report 2019.

Important estimates and assumptions are disclosed in Note 2 in the annual report 2019. No changes have been made to them that could have a material impact on this interim report. As a consequence of COVID-19, however, Saab in the second quarter analysed whether to revise the estimates and assumptions for these areas as well as measurements of financial instruments including impairment of accounts receivable and contract assets. This has not resulted in any significant adjustments.

NOTE 3 Segment reporting

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

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

Aeronautics

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

Dynamics

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

Surveillance

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

Support and Services

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

Industrial Products and Services

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

Kockums

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

Order bookings per operating segment

	Jan-Jun 2020	Jan-Jun 2019	Change, %	Q2 2020	Q2 2019	Full Year 2019
MSEK						
Aeronautics	1,073	884	21	702	734	2,979
Dynamics	3,947	3,146	25	2,663	2,041	6,706
Surveillance	3,393	2,196	55	2,300	883	9,390
Support and Services	3,029	1,476	105	2,152	798	4,099
Industrial Products and Services	2,834	2,541	12	1,638	1,235	5,515
Kockums	740	544	36	250	299	1,216
Internal	-946	-1,077		-458	-762	-2,689
Total	14,070	9,710	45	9,247	5,228	27,216

Order bookings per region

	Jan-Jun 2020	Jan-Jun 2019	Change, %	Full Year 2019
MSEK				
Sweden	5,727	3,678	56	7,901
Rest of Europe	2,701	2,273	19	10,039
North America	2,843	2,165	31	3,646
Latin America	124	91	36	1,012
Asia	2,207	844	161	2,849
Africa	13	93	-86	324
Australia, etc.	455	566	-20	1,445
Total	14,070	9,710	45	27,216

Order backlog per operating segment

	30 Jun 2020	31 Dec 2019	30 Jun 2019
MSEK			
Aeronautics	39,168	42,120	44,148
Dynamics	15,345	14,264	13,905
Surveillance	15,984	16,465	13,481
Support and Services	9,392	8,986	9,555
Industrial Products and Services	8,855	9,035	9,362
Kockums	4,029	4,852	5,718
Internal	-2,315	-2,429	-1,933
Total	90,458	93,293	94,236

Order backlog per region

MSEK	30 Jun 2020	31 Dec 2019	30 Jun 2019
Sweden	27,513	28,661	31,324
Rest of Europe	15,761	15,911	11,223
North America	7,584	6,644	7,341
Latin America	29,587	31,619	32,730
Asia	6,841	6,697	8,076
Africa	443	553	509
Australia etc.	2,729	3,208	3,033
Total	90,458	93,293	94,236

Sales per operating segment

MSEK	Jan-Jun 2020	Jan-Jun 2019	Q2 2020	Q2 2019	Rolling Months	Full Year 2019
Aeronautics	4,025	4,095	2,054	1,971	8,148	8,218
Dynamics	2,862	2,929	1,744	1,537	6,073	6,140
Surveillance	3,793	3,519	2,065	1,795	7,973	7,699
Support and Services	2,663	2,641	1,353	1,292	5,843	5,821
Industrial Products and Services	2,971	3,246	1,372	1,672	6,281	6,556
Kockums	1,562	1,502	756	705	3,067	3,007
Internal	-1,000	-991	-508	-527	-2,017	-2,008
Total	16,876	16,941	8,836	8,445	35,368	35,433

Sales per region

MSEK	Jan-Jun 2020	% of sales	Jan-Jun 2019	% of sales	Full Year 2019	% of sales
Sweden	6,885	41	6,335	37	13,188	37
Rest of Europe	2,815	17	2,573	15	5,677	16
North America	1,900	11	1,672	10	3,889	11
Latin America	2,136	13	2,280	13	4,314	12
Asia	2,159	13	3,068	18	6,464	18
Africa	101	1	181	1	357	1
Australia, etc.	880	5	832	5	1,544	4
Total	16,876	100	16,941	100	35,433	100

Information on large customers

During the first three months of 2020, Saab had two customers that separately accounted for 10 per cent or more of the Group's sales. The Swedish Defence is a customer of all business areas and total sales amounted to SEK 5,788 million (5,104). The Brazilian State is a customer primarily to business area Aeronautics and total sales amounted to SEK 1,989 million (2,034).

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 2020	% of sales	Jan-Jun 2019	% of sales	Rolling 12 Months	Full Year 2019
Aeronautics	330	8.2	363	8.9	644	677
Dynamics	329	11.5	273	9.3	772	716
Surveillance	381	10.0	303	8.6	931	853
Support and Services	295	11.1	322	12.2	715	742
Industrial Products and Services	-54	-1.8	140	4.3	44	238
Kockums	51	3.3	31	2.1	108	88
The operating segments' operating income	1,332	7.9	1,432	8.5	3,214	3,314
Corporate	-120		-211		-286	-377
Total	1,212	7.2	1,221	7.2	2,928	2,937

Depreciation/amortisation and write-downs per operating segment

MSEK	Jan-Jun 2020	Jan-Jun 2019	Change, %	Q2 2020	Q2 2019	Rolling 12 Months	Full Year 2019
Aeronautics	32	29	10	17	14	63	60
Dynamics	43	37	16	21	18	82	76
Surveillance	153	147	4	78	76	304	298
Support and Services	12	10	20	6	5	22	20
Industrial Products and Services	39	42	-7	20	21	83	86
Kockums	18	19	-5	9	9	35	36
Corporate	409	388	5	201	201	813	792
Total	706	672	5	352	344	1,402	1,368

Operational cash flow per operating segment

MSEK	Jan-Jun 2020	Jan-Jun 2019	Q2 2020	Q2 2019	Rolling 12 Months	Full Year 2019
Aeronautics	-1,064	-2,440	-297	-804	-215	-1,591
Dynamics	-733	61	-180	-74	-636	158
Surveillance	435	222	936	324	1,369	1,156
Support and Services	1,160	-57	1,417	160	1,228	11
Industrial Products and Services	509	-282	443	-154	489	-302
Kockums	206	200	172	34	-64	-70
Corporate	-278	-406	-674	-265	-534	-662
Total	235	-2,702	1,817	-779	1,637	-1,300

Capital employed per operating segment

MSEK	30 Jun 2020	31 Dec 2019	30 Jun 2019
Aeronautics	7,223	5,237	5,875
Dynamics	5,027	4,182	3,664
Surveillance	8,961	7,813	8,005
Support and Services	4,703	4,255	3,838
Industrial Products and Services	5,037	5,064	4,864
Kockums	1,247	1,236	1,216
Corporate	4,139	8,179	8,192
Total	36,337	35,966	35,654

Full time equivalents (FTE's) per operating segment

Number at end of the period	30 Jun 2020	31 Dec 2019	30 Jun 2019
Aeronautics	3,462	3,421	3,354
Dynamics	2,692	2,353	2,318
Surveillance	3,747	3,687	3,644
Support and Services	2,001	1,912	1,902
Industrial Products and Services	3,622	3,635	3,634
Kockums	1,231	1,219	1,237
Corporate	1,099	1,072	1,056
Total	17,854	17,299	17,145

NOTE 4 Distribution of sales

MSEK	Aeronautics		Dynamics		Surveillance		Support and Services		Industrial Products and Services		Kockums		Corporate/ elimination		Group	
	Jan-Jun 2020	Jan-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jan-Jun 2020	Jan-Jun 2019	Jan-Jun 2020	Jan-Jun 2019
	External sales	3,919	3,945	2,765	2,847	3,652	3,399	2,599	2,582	2,329	2,530	1,553	1,492	59	146	16,876
Internal sales	106	150	97	82	141	120	64	59	642	716	9	10	-1,059	-1,137	-	-
Total sales	4,025	4,095	2,862	2,929	3,793	3,519	2,663	2,641	2,971	3,246	1,562	1,502	-1,000	-991	16,876	16,941
Sales by customer:																
Military customers	3,917	3,945	2,642	2,689	3,646	3,371	2,308	2,190	636	573	1,553	1,492	47	135	14,749	14,395
Civilian customers	2	-	123	158	6	28	291	392	1,693	1,957	-	-	12	11	2,127	2,546
Total external sales	3,919	3,945	2,765	2,847	3,652	3,399	2,599	2,582	2,329	2,530	1,553	1,492	59	146	16,876	16,941
Sales by significant source:																
Long-term customer contracts	3,421	3,509	837	1,170	2,686	2,330	996	1,165	1,119	1,465	1,165	1,098	17	135	10,241	10,872
Services	478	434	380	331	740	680	1,330	1,068	1,062	965	360	356	33	11	4,383	3,845
Products	20	2	1,548	1,346	226	389	273	349	148	100	28	38	9	-	2,252	2,224
Total external sales	3,919	3,945	2,765	2,847	3,652	3,399	2,599	2,582	2,329	2,530	1,553	1,492	59	146	16,876	16,941
Sales by domain:																
Air	3,916	3,945	167	250	1,782	1,698	1,830	1,706	155	125	-	-	20	122	7,870	7,846
Land	3	-	1,916	1,912	615	554	436	465	271	301	-	-	5	9	3,246	3,241
Naval	-	-	670	576	1,197	1,088	80	100	7	8	1,553	1,492	22	15	3,529	3,279
Civil Security	-	-	5	106	-	15	94	85	954	983	-	-	4	-	1,057	1,189
Commercial Aeronautics	-	-	-	-	-	-	159	226	531	755	-	-	4	-	694	981
Other	-	-	7	3	58	44	-	-	411	358	-	-	4	-	480	405
Total external sales	3,919	3,945	2,765	2,847	3,652	3,399	2,599	2,582	2,329	2,530	1,553	1,492	59	146	16,876	16,941
Sales recognition method:																
Over time	3,891	3,939	1,123	1,484	3,273	2,975	2,110	1,991	1,564	1,510	1,475	1,477	44	135	13,480	13,511
Point in time	28	6	1,642	1,363	379	424	489	591	765	1,020	78	15	15	11	3,396	3,430
Total external sales	3,919	3,945	2,765	2,847	3,652	3,399	2,599	2,582	2,329	2,530	1,553	1,492	59	146	16,876	16,941

NOTE 5 Dividend to Parent Company's shareholders

The Annual General Meeting 2020 held on 1 April decided that no dividend will be paid to the Parent Company's shareholders. This is due to current circumstances related to COVID-19. The Saab Board of Directors still confirms its assessment of the company's dividend capacity for the financial year 2019, but due to the uncertainty the COVID-19 outbreak is creating in the world, the Board decided to withdraw its dividend proposal to the Annual General Meeting of SEK 4.70 per share. When the situation can be better analysed, the Board will assess the possibility of a new dividend proposal for 2019.

NOTE 6 Intangible fixed assets

MSEK	30 Jun 2020	31 Dec 2019	30 Jun 2019
Goodwill	5,335	5,355	5,351
Capitalised development costs	5,240	4,580	3,961
Other intangible assets	618	530	493
Total	11,193	10,465	9,805

NOTE 7 Net liquidity/debt

MSEK	30 Jun 2020	31 Dec 2019	30 Jun 2019
Assets:			
Liquid assets	1,900	1,687	1,354
Short-term investments	5,032	5,794	6,268
Total liquid investments	6,932	7,481	7,622
Short-term interest-bearing receivables	61	58	45
Long-term interest-bearing receivables	402	521	483
Long-term receivables attributable to pensions	28	28	6
Total interest-bearing assets	7,423	8,088	8,156
Liabilities:			
Lease liabilities	2,526	2,572	2,578
Liabilities to credit institutions	7,344	7,789	8,787
Liabilities to associated companies and joint ventures	46	45	45
Other interest-bearing liabilities	5	1	4
Provisions for pensions ¹⁾	4,862	4,750	4,743
Total interest-bearing liabilities and provisions for pensions	14,783	15,157	16,157
Net liquidity (+) / net debt (-)	-7,360	-7,069	-8,001

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

Committed credit lines

MSEK	Facilities	Drawings	Available
Revolving credit facility (Maturity 2022)	10,000	-	10,000
Overdraft facility (Maturity 2020)	70	-	70
Total	10,070	-	10,070

Parent Company

MSEK	30 Jun 2020	31 Dec 2019	30 Jun 2019
Long-term liabilities to credit institutions	6,504	6,512	6,526
Short-term liabilities to credit institutions	839	1,276	2,261
Total	7,343	7,788	8,787

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

Under the terms of this programme, Saab has issued fixed rate bonds as well as Floating Rate Notes (FRN). During March 2020, bonds amounting to SEK 850 million matured. Furthermore, loans amounting to SEK 425 million expiring May 2020 were repurchased. Three new bonds expiring 2028, 2029 and 2030 were issued for a total of SEK 825 million. Altogether, loans outstanding under the MTN programme amounted to SEK 6,295 million at the end of the reporting period. In December 2015, Saab signed Schuldschein loan agreements amounting to EUR 100 million.

During the first quarter of 2020, Saab has signed a 24-month Revolving Credit Facility Agreement of SEK 4 billion to strengthen the company's financial flexibility, and if needed to be utilised to refinance upcoming and future loan maturities. In connection with the signing, Saab utilised SEK 1,500 million, which was amortised in its entirety in the second quarter.

NOTE 8 Capital employed

MSEK	30 Jun 2020	31 Dec 2019	30 Jun 2019
Total assets	59,498	59,858	57,335
Less non-interest bearing liabilities	23,161	23,892	21,681
Capital employed	36,337	35,966	35,654

NOTE 9 Financial instruments

Classification and categorisation of financial assets and liabilities ²⁾

Carrying amount	30 Jun 2020	31 Dec 2019	30 Jun 2019
Financial assets:			
Valued at amortised cost ⁴⁾ :			
Accounts receivable, contract assets and other receivables	16,373	18,542	16,693
Liquid assets	1,900	1,687	2,560
Long-term receivables	536	724	648
Valued at fair value through profit and loss ³⁾ :			
Short-term investments	5,032	5,794	6,802
Derivatives for trading	149	146	147
Financial investments	28	26	25
Derivatives identified as hedges	1,224	1,298	1,321
Total financial liabilities	25,242	28,217	28,196
Financial liabilities:			
Valued at amortised cost:			
Interest-bearing liabilities ¹⁾	9,919	10,407	11,412
Other liabilities ⁴⁾	7,399	7,960	7,361
Valued at fair value through profit and loss ³⁾ :			
Derivatives for trading	11	15	29
Derivatives identified as hedges	1,480	1,691	1,810
Total financial liabilities	18,809	20,073	20,612
¹⁾ Fair value	9,908	10,485	11,574

²⁾ Derivatives with positive values are recognised as assets and derivatives with negative values are recognised as liabilities. Derivatives with a legal right of offset amount to MSEK 1,010.

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

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

The Group has used the same valuation methods as in the year-end closing for 2019, as described in the annual report 2019 on page 127, note 36. As of 30 June 2020, the Group had the following financial assets and liabilities at fair value:

Assets at fair value

MSEK	30 Jun 2020	Level 1	Level 2	Level 3
Bonds and interest-bearing securities	5,032	5,032	-	-
Forward exchange contracts	1,243	-	1,243	-
Currency options	5	-	5	-
Interest rate swaps	2	-	2	-
Cross currency basis swaps	123	-	123	-
Shares, participations and long-term receivables	28	-	-	28
Total	6,433	5,032	1,373	28

Liabilities at fair value

MSEK	30 Jun 2020	Level 1	Level 2	Level 3
Forward exchange contracts	1,364	-	1,364	-
Currency options	-	-	-	-
Interest rate swaps	111	-	111	-
Electricity derivatives	16	16	-	-
Total	1,491	16	1,475	-

NOTE 10 Supplemental information on statement of cash flows

Free cash flow

MSEK	Jan-Jun 2020	Jan-Jun 2019	Q2 2020	Q2 2019	Full Year 2019
Cash flow from operating activities before changes in working capital, excluding taxes and other financial items ¹⁾	1,999	2,130	1,168	1,003	4,626
Cash flow from changes in working capital:					
Contract assets and liabilities	-543	-3,060	1,822	-727	-1,649
Inventories	-1,322	-838	-421	-608	-1,141
Other current receivables	622	1,413	-1,247	653	176
Other current liabilities	1,245	-839	1,348	-272	-218
Provisions	-212	-96	-97	-46	-325
Change in working capital	-210	-3,420	1,405	-1,000	-3,157
Cash flow from operating activities excluding taxes and other financial items	1,789	-1,290	2,573	3	1,469
Investing activities:					
Investments in intangible fixed assets	-882	-790	-454	-432	-1,588
Investments in tangible fixed assets	-687	-648	-313	-371	-1,213
Sales and disposals of tangible fixed assets	15	26	11	21	32
Cash flow from investing activities ²⁾	-1,554	-1,412	-756	-782	-2,769
Operational cash flow	235	-2,702	1,817	-779	-1,300
Taxes and other financial items	-229	-386	-91	-213	-690
Sale of and investments in financial assets	18	-38	-2	3	-46
Investments in operations	-2	-	-2	-	-
Free cash flow	22	-3,126	1,722	-989	-2,036

1) Including amortisation of lease liabilities

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

Free cash flow vs. statement of cash flows

MSEK	Jan-Jun 2020	Jan-Jun 2019	Q2 2020	Q2 2019	Full Year 2019
Free cash flow	22	-3,126	1,722	-989	-2,036
Investing activities – interest-bearing:					
Short-term investments	752	2,771	332	542	3,219
Other financial investments and receivables	-71	-40	-21	-9	-90
Financing activities:					
Repayments of loans	-2,785	-	-1,510	-	-990
Raising of loans	2,328	5	-	-4	8
Rights issue	-	11	-	-	11
Repurchase of shares	-	-151	-	-151	-301
Dividend paid to the Parent Company's shareholders	-	-601	-	-601	-601
Dividend paid to non-controlling interest	-12	-	-12	-	-24
Transactions with non-controlling interest	-1	4	-	1	8
Cash flow for the period	233	-1,127	511	-1,211	-796

Liquid assets

MSEK	30 Jun 2020	31 Dec 2019	30 Jun 2019
The following components are included in liquid assets:			
Cash and bank balances	1,070	891	854
Bank deposits	830	796	500
Total according to balance sheet	1,900	1,687	1,354
Total according to statement of cash flows	1,900	1,687	1,354

NOTE 11 Business combinations

No significant acquisitions through business combinations were made in the first half of 2020.

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. Defined-benefit plans mainly relate to the Swedish operations, where the ITP2 plan accounts for more than 90 per cent of the total obligation.

Pension obligation according to IAS 19

MSEK	30 Jun 2020	31 Dec 2019	30 Jun 2019
Defined-benefit obligation	12,084	12,132	11,837
Special employers' contribution	1,221	1,264	1,227
Less assets under management	7,250	7,410	7,100
Total provisions for pensions	6,055	5,986	5,964
of which reported as long-term receivable	28	28	6

Actuarial gains and losses are recognised in other comprehensive income. Actuarial loss related to pensions for the Swedish operations amounted to SEK -64 million net in the first half-year of 2020 primarily due to the following:

The assumed discount rate has been reduced by 25 basis points, from 1.50% to 1.25%, compared to the beginning of the year. The inflation assumption has been reduced by 25 basis points, from 1.75% to 1.50%. The net of revised assumptions related to the discount rate and inflation amounted to a loss of SEK -16 million.

Positive experience adjustment has resulted in an actuarial gain of SEK 167 million.

The actuarial loss related to the special employer's contribution amounted to SEK -12 million.

The return on assets under management was lower than expected, which led to an actuarial loss of SEK -203 million.

NOTE 13 Contingent liabilities

No additional significant commitments have arisen during the first half of 2020. 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 first half of 2020.

Related parties with which the Group has transactions are described in the annual report 2019, note 38.

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

Free cash flow per share

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

Gross margin

Gross income as a percentage of sales.

Net investments

Investments, sales and disposals of intangible and tangible fixed 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.

Items affecting comparability

Items affecting comparability comprise the financial effects from events or transactions with material impact that are relevant to understand the result when comparing periods. Such events or transactions can relate to restructuring programs, costs related to disputes and legal proceedings, impairment charges and gains and losses from divestments of group companies, joint ventures or associated companies.

Operating income

Income before financial items and tax.

Operating income adjusted for items affecting comparability

Operating income (EBIT) adjusted for items classified as affecting comparability.

Operating margin adjusted for items affecting comparability

Operating income adjusted for items affecting comparability as a percentage of sales.

Operating margin

Operating income (EBIT) as a percentage of sales.

Operational cash flow

Cash flow from operating activities, excluding taxes and other financial items, amortisation of lease liabilities and investments, sales and disposals 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.

Research and development

Research and development costs are recognised separately in the income statement and comprise the cost of self-financed new and continued product development as well as amortisation and any write-down of capitalised development costs.

Research and development expenses comprise both expenses incurred as costs excluding amortization and write-downs, and expenses capitalised as development costs in the statement of financial position.

Return on capital employed

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

Return on equity

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

Glossary

C4I Command, Control, Communications, Computers, and Intelligence

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

ISR Intelligence, Surveillance and Reconnaissance systems

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 17 July 2020

Marcus Wallenberg
Chairman

Sten Jakobsson
Deputy chairman

Danica Kragic Jensfelt
Board member

Sara Mazur
Board member

Johan Menckel
Board member

Daniel Nodhäll
Board member

Bert Nordberg
Board member

Cecilia Stegö Chilò
Board member

Erika Söderberg Johnson
Board member

Joakim Westh
Board member

Stefan Andersson
Board member

Göran Gustavsson
Board member

Nils Lindskog
Board member

Micael Johansson
President and CEO and Board member

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

Important information

This interim report may contain forward-looking statements which reflect Saab AB's current view on future events and financial and operational development. Words such as "intend", "expect", "anticipate", "may", "believe", "plan", "estimate" and other expressions which imply indications or predictions of future development or trends, and which are not based on historical facts, are intended to identify forward-looking statements. Forward-looking statements inherently involve both known and unknown risks and uncertainties as they depend on future events and circumstances. Forward-looking statements do not guarantee future results or development and the actual outcome could differ materially from the forward-looking statements.

This information is such that Saab AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out below, on 17 July 2020 at 07.30 (CET).

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Press and financial analyst conference

17 July 2020 at 10.00 (CET),

You are welcome to participate by the live webcast or dial in to the conference call. It is possible to post questions both over the web and in the conference call.

Live webcast:

<http://saab-interimreport.creo.se/200717>

Conference call:

Please, dial in using one of the numbers below:

Sweden: +46 8 566 427 05

UK: +44 333 300 0804 (Pin: 94196298#)

US: +1 844 625 1570

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

Calendar

Interim report January–September 2020
Published 21 October 2020

Year-end report 2020
Published 11 February 2021

Annual General Meeting 2021
13 April, 2021 Linköping

Interim report January–March 2021
Published 23 April 2021

Interim report January–June 2021
Published 21 July 2021



2020: Q2