

**SAAB**

Strong sales growth and positive cash flow

KEY HIGHLIGHTS Q2 2021

- Orders increased 7% and the order backlog amounted to SEK 96.7bn.
- Organic sales growth of 15% driven by high project activity and deliveries.
- EBITDA increased 19% to SEK 1,196m (1,004), a margin of 11.8% (11.4).
- Operating income improved 10% and amounted to SEK 715m (652), corresponding to a margin of 7.1% (7.4), including costs for right-sizing measures of SEK 85 million.
- Operational cash flow was SEK 3,152m (1,817) due to large milestone payments received in the quarter.
- New organizational structure including Operational Excellence function effective as of July 1, 2021.
- Changed outlook: Organic sales growth for the full year 2021 to be around 10% (previous outlook was an organic sales growth in line with long-term target of 5%).

FINANCIAL HIGHLIGHTS

MSEK	Jan-Jun 2021	Jan-Jun 2020	Change, %	Q2 2021	Q2 2020	Change, %	Full Year 2020
Order bookings	15,746	14,070	12	9,875	9,247	7	42,328
Order backlog	96,714	90,458	7				99,816
Sales	19,219	16,876	14	10,131	8,836	15	35,431
Gross income	4,047	3,711	9	2,113	1,831	15	5,676
Gross margin, %	21.1	22.0		20.9	20.7		16.0
EBITDA	2,262	1,918	18	1,196	1,004	19	2,833
EBITDA margin, %	11.8	11.4		11.8	11.4		8.0
Operating income (EBIT)	1,312	1,212	8	715	652	10	1,315
Operating margin, %	6.8	7.2		7.1	7.4		3.7
Net income	910	860	6	514	518	-1	1,092
of which Parent Company's shareholders' interest	897	855	5	505	521	-3	1,073
Earnings per share after dilution, SEK	6.73	6.40		3.78	3.90		8.01
Return on equity, % ¹⁾	5.2	10.0					5.1
Operational cash flow	2,992	235		3,152	1,817		2,773
Free cash flow	2,763	22		3,028	1,722		3,753
Free cash flow per share after dilution, SEK	20.72	0.16		22.69	12.89		28.03
Average number of shares after dilution	133,351,912	133,690,023		133,446,047	133,625,118		133,877,141

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

Q2

Order bookings

9.9 ^{BSEK}

Sales growth

15 %

Operating margin

7.1 %

JANUARY-JUNE 2021

COMMENTS FROM THE CEO

Strong sales growth and positive cash flow



Micael Johansson
President & CEO

The activity in the defence market continued to be favourable in the second quarter and demand in our main markets remained good. This benefits Saab's growth both internationally and in Sweden, supporting our multi-domestic strategy.

In the quarter, orders continued to grow and increased 7%, amounting to SEK 9.9 billion. We secured a Future Development and Support contract for the Swedish Gripen C/D and orders for Training solutions for the Netherlands and for the U.S. Marine Corps. We also received orders for radar components for the G/ATOR system in the U.S., a Helicopter 15 support contract with Sweden and a contract for radar warning equipment for the German Tornado aircraft. Our solid order backlog is now amounting to SEK 97 billion, a good contributor for future sales growth.

Organic sales increased 15% in the quarter driven by high activity level and deliveries in our defence projects. The civil aviation business still reported a decline in sales. Five out of six business areas showed improved volumes. For the first half of the year we delivered organic sales growth of 15%. Combined with our strong backlog for this year, we now increase our outlook on organic sales growth in 2021 to be around 10%.

The strong sales in the quarter contributed positively to earnings and EBITDA increased 19%, corresponding to a margin of 11.8% (11.4). Operating income increased by 10% and was SEK 715 million (652), with a margin of 7.1% (7.4). This includes right-sizing measures from the closure of our Barracuda facility in the U.S. and adjusted capacity in our operations in South Africa. These measures had a negative impact on operating income of SEK 85 million, corresponding to 0.8% margin impact. We reiterate our EBIT margin outlook for 2021.

As of July 1st, our new organisation, where six business areas becomes four, and the new Operational Excellence function, came into effect. The aim is to improve efficiency in our business by removing internal interfaces, drive synergies in operations and improve customer interaction.

The uncertainty of the pandemic, along with ongoing travel and other restrictions, continues to impact predictability. This also impacts some areas of the supply chain, however, we continue to have a close dialogue with our suppliers to mitigate the effects.

Operational cash flow in the quarter improved significantly and amounted SEK 3.2 billion (1.8). The majority of this year's large milestone payments were received in the first half of the year. We reiterate the outlook of positive operational cash flow for the full year.

A commitment to society has been at the core of Saab's business since its founding, supporting nations to keep people and society safe. In our commitment to contribute to a sustainable society, we are also working actively to reduce the environmental impact, from our operations, the value-chain and products.

During the first half of the year, a project to identify and prioritise group-wide climate-related risks and opportunities was conducted, through the Task Force on Climate Related Financial Disclosures (TCFD) framework. Moreover, together with Swedish industry, a concept for flexible production and resilience was presented to better prepare Sweden for the next crisis.

To visualize our progress in our sustainability work, in this interim report we have started to describe our sustainability progress. I am confident that Saab is well positioned on its journey to create long-term sustainable value for all our stakeholders and society as a whole.

Outlook for 2021*

SALES GROWTH:

Organic sales growth for the full year to be around 10 per cent.

Previous outlook: Organic sales growth to be in line with our long-term target of 5 per cent.

OPERATING INCOME:

EBIT margin for the full year to be in line with adjusted EBIT margin of 7.4 per cent in 2020.

OPERATIONAL CASH FLOW:

Positive for the full year.

**The uncertainty surrounding Covid-19 and its future effects remains high.*

Orders

SECOND QUARTER 2021

Order bookings amounted to SEK 9,875 million (9,247) in the second quarter of 2021. Bookings of medium-sized orders increased 14 per cent and small orders grew 3 per cent. Key order bookings in the quarter included Future Development and Support contract for the Gripen C/D fighters of SEK 998 million, and a support contract for Helicopter 15 of SEK 550 million, both from FMV in Sweden. Dynamics received important orders for delivery of combat training systems, both from the Netherlands of SEK 1.4 billion and the U.S. Marine Corps of SEK 452 million.

JANUARY-JUNE 2021

Order bookings amounted to SEK 15,746 million (14,070), an increase of 12 per cent. This was mainly due to growth in large orders amounting to SEK 2,981 million (1,492). In addition to the large order from the Netherlands for combat training systems received in the second quarter, an order of SEK 1,571 million for Gripen support and maintenance received in the first quarter contributed positively. Medium-sized orders grew 4 per cent and amounted to 5,759 (5,522). Bookings of small orders declined 1 per cent in the period and amounted to SEK 7,006 million (7,056).

In the period, index and price changes had a positive effect on order bookings of SEK 428 million, compared to SEK 376 million in 2020.

The order backlog at the end of the period amounted to SEK 96,714 million, compared to SEK 99,816 million at the beginning of the year. In total, 70 per cent of the order backlog is attributable to markets outside Sweden, compared to 71 per cent at the beginning of the year.

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

Sales

SECOND QUARTER 2021

Sales in the second quarter amounted to SEK 10,131 million (8,836) and corresponded to a 15 per cent organic growth. Dynamics contributed with a sales growth of 52 per cent compared to the second quarter 2020 due to a high delivery and activity level. In addition to Dynamics, Kockums also showed a strong sales growth of 19 per cent driven by increased activity levels. Apart from Support and Services, all business areas grew sales in the second quarter.

JANUARY-JUNE 2021

Sales amounted to SEK 19,219 million (16,876), corresponding to an organic sales increase of 15 per cent. The business areas Aeronautics, Dynamics, Surveillance and Support and Services reported sales growth thanks to a high activity level in projects such as Gripen and GlobalEye, as well as high level of deliveries within Dynamics. Sales volumes in IPS continued to be negatively impacted by the downturn in demand in the civil aviation industry.

Sales from markets outside Sweden increased to SEK 12,244 million (9,991), corresponding to 64 per cent (59) of total sales. In the period, all regions reported sales growth. 90 per cent (87) of sales were related to the defence business.

SALES GROWTH

Per cent	Jan-Jun 2021	Jan-Jun 2020	Q2 2021	Q2 2020	Full Year 2020
Organic sales growth	15	0	15	5	1
Acquisitions	-	-	-	-	-
Currency effects regarding revaluation of foreign subsidiaries	-1	0	0	0	-1
Total sales growth	14	0	15	5	0

SALES PER REGION

MSEK	Jan-Jun 2021	Jan-Jun 2020	Change, %
Sweden	6,975	6,885	1
Rest of Europe	3,080	2,815	9
North America	2,200	1,900	16
Latin America	3,108	2,136	46
Asia	2,548	2,159	18
Africa	153	101	51
Australia, etc.	1,155	880	31
Total	19,219	16,876	14

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

Order distribution

Orders exceeding MSEK 100 accounted for 56% (50) of total orders during January-June 2021.



Order backlog duration:

2021: SEK **17.3** billion
 2022: SEK **28.4** billion
 2023: SEK **17.4** billion
 2024: SEK **14.1** billion
 After 2024: SEK **19.5** billion

Defence/Civil

A total of 88% (85) of order bookings was attributable to defence-related operations during January-June 2021.

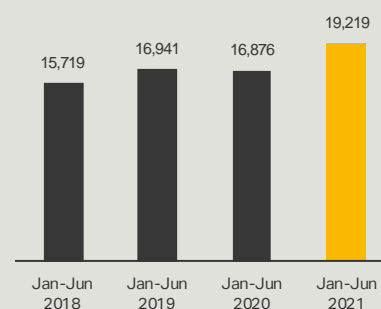


Market

A total of 54% (59) of order bookings was related to markets outside Sweden during January-June 2021.



Sales Jan-Jun, MSEK



Income

SECOND QUARTER 2021

The gross margin in the second quarter was in line with last year at 20.9 per cent (20.7). The gross income increased with 15 per cent due to improved sales volumes.

The strong sales volumes in the quarter contributed positively to earnings and EBITDA increased 19 per cent, corresponding to a margin of 11.8 per cent (11.4).

Operating income grew 10 per cent to SEK 715 million (652) with an operating margin of 7.1 per cent (7.4). The operating margin decreased somewhat following increased amortisation of capitalised development costs and increased R&D expenses compared to the second quarter 2020 while volume growth had a positive contribution. The operating income includes right-sizing measures from the closure of the Barracuda facility in the U.S. and capacity adjustments in the operations in South Africa of SEK 85 million. These measures had a negative impact on operating margin with 0.8 per cent.

JANUARY-JUNE 2021

The gross margin during the first half of 2021 was 21.1 per cent (22.0). The decline, compared to last year, is mainly explained by Aeronautics due to the project estimate adjustments related to Covid-19 taken in Q3 2020 and ramp-up costs in the T-7A programme. Gross income for the period increased 9 per cent to due improved sales volumes.

Total depreciation, amortisation and write-downs amounted to SEK 950 million (706). Depreciation of tangible fixed assets amounted to SEK 610 million (578).

Expenditures for internally funded investments in R&D amounted to SEK 1,106 million (1,286), of which SEK 510 million (730) 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 340 million (128), of which amortisation and write-downs of capitalised development expenditures amounted to SEK 275 million (70). The increase is mainly explained by amortisation of airborne surveillance systems, amounting to MSEK 187 in the first half of 2021.

The share of income in associated companies and joint ventures amounted to SEK -27 million (-5).

Operating income increased by 8 per cent in the half-year and amounted to SEK 1,312 million (1,212), corresponding to an operating margin of 6.8 per cent (7.2) following increased R&D expenses and amortisation of capitalised development costs. The costs for the right-sizing measures in the second quarter had an impact on operating margin with 0.5 per cent for the first half of the year.

Financial net

MSEK	Jan-Jun 2021	Jan-Jun 2020
Financial net related to pensions	-27	-37
Net interest items	-29	-32
Currency gains/losses	-18	31
Lease liability interest	-49	-48
Other financial items	-35	-12
Total	-158	-98

The financial net related to pensions is the financial cost for net pension obligations recognised in the balance sheet. See note 13 for more information regarding defined-benefit pension plans.

Net interest items refer to interest on liquid assets, short-term investments and 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.

During the first half of 2021, the Group had a negative impact on results from derivatives that hedge tenders in foreign currency while the result was positive in the comparative period.

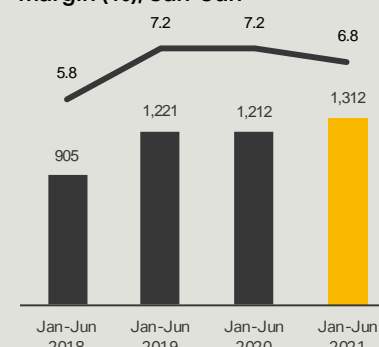
Lease liability interest consists of the interest portion related to lease liabilities recognised in the balance sheet.

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.

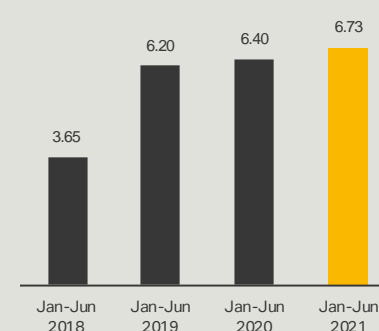
Tax

Current and deferred taxes amounted to SEK -244 million (-254), which means that the effective tax rate amounted to 21 per cent (23).

Operating income (MSEK) and margin (%), Jan-Jun

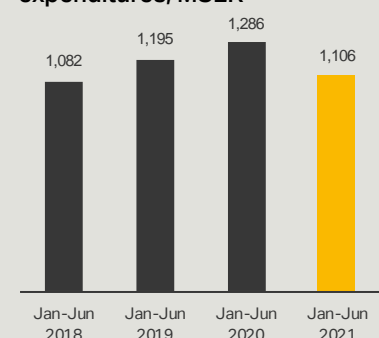


Earnings per share after dilution, SEK



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 2021, net debt was SEK 1,485 million, a decrease of SEK 2,788 million compared to year-end 2020, when net debt amounted to SEK 4,273 million.

Cash flow from operating activities improved and amounted to SEK 4,319 million (1,776).

Due to invoicing and milestone payments in large projects, contract assets decreased by SEK 1,053 million, while contract liabilities increased by SEK 823 million compared to year-end 2020. Inventories increased by SEK 810 million during the first half of 2021, mainly related to future deliveries within Dynamics and Support and Services.

Net provisions for pensions, excluding the special employer's contribution, amounted to SEK 4,525 million as of 30 June 2021, compared to SEK 5,067 million at year-end 2020. The change had a positive effect on net debt of SEK 542 million. For further information on Saab's benefit pension plans, see note 13.

Tangible fixed assets amounted to SEK 6,919 million at period end compared to 6,608 at the end of 2020.

Right-of-use assets recognised in the balance sheet amounted to SEK 2,447 million compared to 2,516 million at the end of 2020.

Net investments in the first half of the year amounted to SEK 1,324 million (1,554). Investments in tangible fixed assets amounted to SEK 667 million (687).

Investments in intangible fixed assets amounted to SEK 669 million (882), of which SEK 510 million (730) related to capitalised R&D expenditures. Capitalised R&D in the balance sheet increased by SEK 236 million. The increase was mainly related to investments to develop Gripen E/F for future exports. Of the total investments in intangible fixed assets, SEK 159 million (152) related to other intangible fixed assets. The increase mainly relates to IT security.

As of 30 June 2021, short-term investments and liquid assets amounted to SEK 12,016 million, an increase of SEK 1,639 million compared to year-end 2020. In the second quarter a dividend of SEK 622 million was paid to the Parent Company's shareholders.

Capital employed decreased by SEK 161 million during the first half of 2021 to SEK 36,548 million. The return on capital employed was 4.4 per cent (8.7) and the return on equity was 5.2 per cent (10.0), both measured over a rolling 12-month period. Performance indicators for return on capital employed and return on equity have been significantly impacted by items affecting comparability in 2020.

Change in net debt Jan-Jun 2021

	MSEK
Net liquidity (+) / net debt (-), 31 Dec 2020	-4,273
Cash flow from operating activities	4,319
Change in net pension obligation	542
Net investments	-1,324
Dividend	-622
Dividend to and transactions with non-controlling interest	52
Additional lease liabilities	-162
Other items, currency impact and unrealised results from financial investments	-17
Net liquidity (+) / net debt (-), 30 Jun 2021 ¹⁾	-1,485
¹⁾ Net liquidity (+) / net debt (-) excluding net provisions for pensions, lease liabilities and interest-bearing receivables, 30 Jun 2021	5,069

Key indicators of financial position and liquidity

MSEK	30 Jun 2021	31 Dec 2020	Change	30 Jun 2020
Net liquidity / debt ¹⁾	-1,485	-4,273	2,788	-7,360
Intangible fixed assets	11,888	11,520	368	11,193
Goodwill	5,190	5,141	49	5,335
Capitalised development costs	5,935	5,699	236	5,240
Other intangible fixed assets	763	680	83	618
Tangible fixed assets, etc ²⁾	7,295	6,984	311	6,861
Right of use assets ³⁾	2,447	2,516	-69	2,483
Inventories	11,062	10,252	810	11,720
Accounts receivable	3,793	4,062	-269	4,244
Contract assets	8,847	9,900	-1,053	11,009
Contract liabilities	9,232	8,409	823	7,121
Equity/assets ratio, %	36.3	35.7		36.2
Return on equity, %	5.2	5.1		10.0
Equity per share, SEK	168.50	162.34	6.16	160.03
Number of shares excluding treasury shares	132,557,343	132,247,073		133,174,124

¹⁾ The Group's net liquidity/debt refers to liquid assets, short-term investments and interest-bearing receivables less interest-bearing liabilities and provisions for pensions excluding provisions for special employers' contribution attributable to pensions. For a detailed break-down of interest-bearing receivables and interest-bearing liabilities, see note 8.

²⁾ Including tangible fixed assets and biological assets.

³⁾ Relate to right-of-use assets for leases.

Cash flow

SECOND QUARTER 2021

Operational cash flow for the second quarter amounted to SEK 3,152 million (1,817). This improvement was a result of decreased working capital due to deliveries and large milestone payments during the quarter.

Operational cash flow 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.

Free cash flow amounted to SEK 3,028 million (1,722). For more detailed information on cash flow, see note 11.

JANUARY-JUNE 2021

Cash flow from operations, excluding taxes and other financial items, amounted to SEK 4,316 million (1,789) and improved compared to the same period last year, as a result of good activity level in projects and deliveries in several of Saab's projects, which had a positive effect on working capital.

Operational cash flow amounted to SEK 2,992 million (235). Cash flow improved as a result of higher EBITDA, lower investments and improved cash flow from large milestone payments. The majority of this year's large milestone payments were received in the first half of the year.

Free cash flow amounted to SEK 2,763 million (22). For more detailed information on cash flow, see note 11.

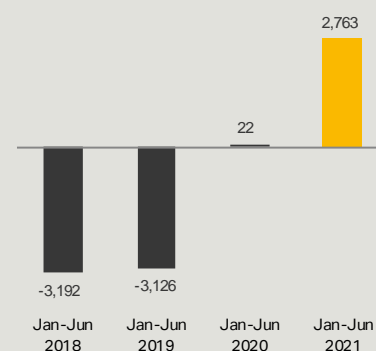
There can be big differences in cash flow between reporting periods as the timing of milestone payments in large projects greatly varies depending on when milestones are passed.

	Jan-Jun 2021	Jan-Jun 2020
Cash flow from operating activities before changes in working capital, excluding taxes and other financial items ¹⁾	2,487	1,999
Change in working capital	1,829	-210
Cash flow from operating activities excluding taxes and other financial items	4,316	1,789
Cash flow from investing activities ²⁾	-1,324	-1,554
Operational cash flow	2,992	235
Taxes and other financial items	-219	-229
Sale of and investments in financial assets and operations	-10	16
Free cash flow	2,763	22

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



Business Area Aeronautics

BUSINESS UNITS: Gripen E/F, Gripen C/D, Advanced Pilot Training Systems and Aeronautical Solutions.

MSEK	Jan-Jun 2021	Jan-Jun 2020	Change, %	Q2 2021	Q2 2020	Full Year 2020
Order bookings	2,064	1,073	92	1,196	702	2,025
Order backlog	34,399	39,168	-12			36,838
Sales	4,503	4,025	12	2,210	2,054	7,307
EBITDA	348	362	-4	171	189	-431
EBITDA margin, %	7.7	9.0		7.7	9.2	-5.9
Operating income (EBIT)	307	330	-7	149	172	-500
Operating margin, %	6.8	8.2		6.7	8.4	-6.8
Operational cash flow	-633	-1,064		620	-297	-2,226

ORDER DISTRIBUTION

Orders exceeding MSEK 100 accounted for 85% (32) of total orders during January-June 2021.



MARKET

Sales in markets outside Sweden amounted to 62% (51) during January-June 2021.



Orders

- Aeronautics showed good order intake in the second quarter, driven mainly by the Future Gripen C/D development support contract to Sweden.
- The Business Area is active in ongoing market campaigns such as Gripen E/F for Finland and Canada.

Sales, income and margin

- Sales revenues increased in the second quarter due to high activity level in the Gripen E/F to Sweden and Brazil.
- Operating margin was lower compared to the quarter last year. This was mainly due to the project estimate adjustments in the Gripen E/F programmes related to Covid-19 in Q3 2020.

Cash flow

- Cash flow in the second quarter was positive driven by milestone payments.
- The negative cash flow for the first half of the year was a result of capital build-up related to the ongoing Gripen and T-7 programmes.

Business Area Dynamics

BUSINESS UNITS: Ground Combat, Missile Systems, Underwater Systems, Barracuda and Training and Simulation.

MSEK	Jan-Jun 2021	Jan-Jun 2020	Change, %	Q2 2021	Q2 2020	Full Year 2020
Order bookings	4,568	3,947	16	3,489	2,663	9,231
Order backlog	16,974	15,345	11			16,527
Sales	4,145	2,862	45	2,647	1,744	6,913
EBITDA	567	372	52	393	263	917
EBITDA margin, %	13.7	13.0		14.8	15.1	13.3
Operating income (EBIT)	524	329	59	371	242	829
Operating margin, %	12.6	11.5		14.0	13.9	12.0
Operational cash flow	-240	-733		286	-180	551

ORDER DISTRIBUTION

Orders exceeding MSEK 100 accounted for 60% (55) of total orders during January-June 2021.



MARKET

Sales in markets outside Sweden amounted to 77% (74) during January-June 2021.



Orders

- Order intake continued to be favourable in Dynamics where Training & Simulation and Ground Combat secured important orders in the second quarter.
- In the quarter, Saab signed contracts for the delivery of a combat training solution to the Dutch armed forces, live training systems to the U.S. Marine Corps and for Carl-Gustaf ammunition to the U.S. Armed Forces.

Sales, income and margin

- Sales revenues continued to grow strongly in the second quarter, driven by increased activity level and deliveries.
- Operating income improved as a result of increased volumes compared to the same quarter last year.
- Costs related to closure of the U.S. based Barracuda operation of SEK 60 million impacted margins negatively.

Cash flow

- Operational cash flow improved compared to the same quarter last year as a result of increased deliveries.
- The strong growth in Dynamics however resulted in an increase in working capital for future deliveries.

Business Area Surveillance

BUSINESS UNITS: Radar Solutions, Electronic Warfare Systems, Combat Systems and Cyber Security.

MSEK	Jan-Jun 2021	Jan-Jun 2020	Change, %	Q2 2021	Q2 2020	Full Year 2020
Order bookings	3,850	3,393	13	2,530	2,300	13,928
Order backlog	21,614	15,984	35			22,183
Sales	4,549	3,793	20	2,164	2,065	7,888
EBITDA	640	534	20	292	238	852
EBITDA margin, %	14.1	14.1		13.5	11.5	10.8
Operating income (EBIT)	388	381	2	165	160	505
Operating margin, %	8.5	10.0		7.6	7.7	6.4
Operational cash flow	2,321	435		940	936	1,281

ORDER DISTRIBUTION

Orders exceeding MSEK 100 accounted for 59% (67) of total orders during January-June 2021.



MARKET

Sales in markets outside Sweden amounted to 80% (80) during January-June 2021.



Orders

- Order intake in the second quarter increased and further strengthened the order backlog in Surveillance.
- Contracts were signed for an upgrade of the radar warning equipment on Germany's Tornado aircrafts as well as orders from the U.S. Navy for the radar systems AN/SPN-50(V).

Sales, income and margin

- High activity level continued resulting in increased sales in the second quarter.
- Operating income was in line with corresponding quarter last year.
- A favourable project mix was offset by increased amortization cost, impacting margins negatively.
- Cost for adjusted capacity of SEK 21 million in our operations in South Africa also affected margins negatively.

Cash flow

- Operational cash flow amounted to SEK 940 million in the quarter, driven by milestone payments mainly in the GlobalEye project.

Business Area Support and Services

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

MSEK	Jan-Jun 2021	Jan-Jun 2020	Change, %	Q2 2021	Q2 2020	Full Year 2020
Order bookings	2,850	3,029	-6	1,276	2,152	11,945
Order backlog	14,496	9,392	54			14,238
Sales	2,693	2,663	1	1,236	1,353	6,521
EBITDA	387	307	26	175	170	788
EBITDA margin, %	14.4	11.5		14.2	12.6	12.1
Operating income (EBIT)	270	295	-8	117	164	711
Operating margin, %	10.0	11.1		9.5	12.1	10.9
Operational cash flow	2,057	1,160		1,612	1,417	1,856

ORDER DISTRIBUTION

Orders exceeding MSEK 100 accounted for 56% (62) of total orders during January-June 2021.



MARKET

Sales in markets outside Sweden amounted to 50% (44) during January-June 2021.



Orders

- Order intake declined in the quarter with key contracts being from Sweden for Helicopter 15 and a contract from the Bulgarian Air Force for the delivery of Deployable Maintenance Facilities.
- The order intake in the corresponding period last year was particularly strong, driven by support contracts for Gripen and SK60 to Sweden.

Sales, income and margin

- Sales declined in the second quarter, mainly due to lower activity in the business unit Airborne ISR.
- Operating income and margins also declined compared to the same quarter last year. This was mainly due to increased amortization cost related to GlobalEye.

Cash flow

- Operational cash flow improved in the quarter and was SEK 1.6bn, driven by large milestone payments related to the GlobalEye.

Business Area Industrial Products and Services

BUSINESS UNITS: Aerostructures, Avionics Systems, Traffic Management and Combitech

MSEK	Jan-Jun 2021	Jan-Jun 2020	Change, %	Q2 2021	Q2 2020	Full Year 2020
Order bookings	2,561	2,834	-10	1,420	1,638	5,611
Order backlog	8,658	8,855	-2			8,794
Sales	2,779	2,971	-6	1,477	1,372	5,846
EBITDA	85	-15	-	41	-61	-322
EBITDA margin, %	3.1	-0.5	-	2.8	-4.4	-5.5
Operating income (EBIT)	50	-54	-	23	-81	-398
Operating margin, %	1.8	-1.8	-	1.6	-5.9	-6.8
Operational cash flow	429	509		-22	443	1,028

ORDER DISTRIBUTION

Orders exceeding MSEK 100 accounted for 7% (5) of total orders during January-June 2021.



MARKET

Sales in markets outside Sweden amounted to 46% (52) during January-June 2021.



Orders

- Market conditions for Combitech continued to be favourable in the second quarter while the civil aviation market remained weak.
- Good order intake in the business unit Combitech was offset by decreased order intake in the civil aviation business units.

Sales, income and margin

- Sales increased in the second quarter, driven by Combitech and the business unit Traffic Management.
- Operating income for the quarter improved compared to the same period last year. This was due to profitability improvements in several business units.

Cash flow

- Operational cash flow was negative compared to the same quarter last year, which was mainly related to deferred payments for employer contributions due to Covid-19.

Business Area Kockums

BUSINESS UNITS: Submarines, Surface Ships and Docksta.

MSEK	Jan-Jun 2021	Jan-Jun 2020	Change, %	Q2 2021	Q2 2020	Full Year 2020
Order bookings	888	740	20	436	250	1,801
Order backlog	2,968	4,029	-26			3,631
Sales	1,553	1,562	-1	899	756	3,027
EBITDA	79	69	14	43	34	153
EBITDA margin, %	5.1	4.4		4.8	4.5	5.1
Operating income (EBIT)	59	51	16	32	25	119
Operating margin, %	3.8	3.3		3.6	3.3	3.9
Operational cash flow	-114	206		1	172	983

ORDER DISTRIBUTION

Orders exceeding MSEK 100 accounted for 25% (24) of total orders during January-June 2021.



MARKET

Sales in markets outside Sweden amounted to 7% (4) during January-June 2021.



Orders

- Order intake during the second quarter increased compared to the same period last year.
- Focus remains on securing new orders, both in export markets as well as in the home market.

Sales, income and margin

- Sales increased in the second quarter driven by ongoing high activity levels across key programs
- Operating margins improved as a result of higher volumes as well as increased productivity and cost savings.

Cash flow

- Cash flow in the second quarter declined due to lower milestone payments from projects compared to last year.

Corporate

Corporate comprises Group staff, Group departments and other operations including Saab's minority portfolio in Corporate, outside the core operations. The minority portfolio contains Saab's interests in UMS Skeldar AG and Ventures. Corporate reported operating income of SEK -286 million (-120) during the first half of 2021.

Operational cash flow attributable to Corporate amounted to SEK -828 million (-278) for the first half of 2021. The change was primarily related to the effects from the restructuring of the Group's currency contract portfolio in the first quarter of 2021. This had a positive impact on business area IPS cash flow, while the corresponding amount had a negative impact on the Corporate cash flow.

Acquisitions and divestments 2021

During the first half of 2021, there were no major acquisitions or divestments.

Share repurchase

Saab held 3,288,504 treasury shares as of 30 June 2021, compared to 3,598,774 at year-end 2020. The Annual General Meeting in 2021 authorised the Board of Directors to repurchase a maximum of 1,370,000 Series B shares to secure delivery of shares to participants in Saab's long-term incentive programmes 2022. 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.

In June the Board of Directors decided to utilise its authorisation to repurchase own shares of series B in order to secure delivery of shares to participants in Saab's long-term 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 2020, pages 54-58.

Covid-19 risk

Saab is closely monitoring the effects of the pandemic such as ongoing travel restrictions and the global shortage of certain categories of components. For Saab, the uncertainty surrounding Covid-19 is primarily linked to disruptions in the supply chain, lock-downs in society and the market conditions in civil operations. In the areas where demand has decreased, a review of capacity, including staffing, is ongoing.

Due to the pandemic, Saab cannot rule out future risks related to the effects of Covid-19. Furthermore, the pandemic has had a negative impact on production capacity at certain operations outside Sweden and the risk of a broader impact on the Group remains.

Saab has taken a number of measures to offset the negative effects of the pandemic on its operations and is working to reduce the risks, especially in the supply chain related to Covid-19.

Saab's overall strategy and long-term financial goals remain unchanged.

Covid-19 related risks that may affect Saab in the future are:

- Lower order bookings due to limitations on meetings, travel and restrictions by government authorities.
- Travel restrictions affecting development work, customer verification, suppliers and partners.
- Operations are dependent on access to and subcontractors' ability to supply components and subsystems. Access to material supply and risk of delays to key deliveries cannot be ruled out and may as a result impact the Group's sales and production cost.
- 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 to Saab's own operations could lead to deliveries and milestone payments of contracts not being reached on time.

OWNERS

Saab's largest shareholders as of 30 June 2021:

	% of capital	% of votes
Investor AB	30.2	40.5
Knut och Alice Wallenbergs stiftelse	8.8	7.8
Alliance Bernstein	5.1	4.5
First Swedish National Pension Fund	3.5	3.1
Vanguard	2.0	1.8
Unionen	1.4	1.2
Norges Bank	1.3	1.2
Life Insurance Skandia	1.1	1.0
AFA Insurance	1.1	1.0
BlackRock	1.0	0.9

SOURCE: MODULAR FINANCE

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

Personnel

	30 Jun 2021	31 Dec 2020
Number of employees	18,228	18,073
FTE's	18,098	17,985

Sustainability

SUSTAINABILITY AT SAAB

A commitment to society has been at the core of Saab's business since its founding, supporting nations to keep people and society safe. The foundation of Saab's sustainability commitment is to create value for all its stakeholders in a responsible way. Sustainability is therefore integrated in all aspects of the strategy and operations and lays the foundation for the company's long-term development and growth. Through its operations, Saab contributes to most of the UN's Sustainability Development Goals (SDG). The SDGs that Saab has the biggest opportunity to influence and which have a strong connection to the business strategy, has been identified as: Goal 4 Quality education, Goal 5 Gender equality, Goal 9 Industry innovation and infrastructure, Goal 13 Climate action and Goal 16 Peace, Justice and strong institutions (see Annual and Sustainability Report p.63).

Based on opportunities to make a difference through business and operations, Saab's sustainability priorities can be summarized in three commitments: Defence and security capability, Leading compliance programs, and responsibility for people and environment across the value chain (see Annual and Sustainability Report p.60). We are proud of the robust processes and management of sustainability risks within our operations. However, we are concerned about the increased challenges the world faces with climate change and increased geopolitical tensions. We therefore see the need to further develop our sustainability work.

In the interim reports, Saab will start to describe its sustainability work and progress. Saab's ambition is to develop the quarterly and annual sustainability reporting incrementally going forward. A key component of this development will be stakeholder dialogue, materiality analysis and to develop the sustainability strategy further.

Saab's Sustainability Commitment

Defence and security capability	→	Industrial Cooperation
4 QUALITY EDUCATION	→	Product safety
9 INDUSTRY INNOVATION AND INFRASTRUCTURE	→	Research & Development
Leading compliance programs	→	Anti-corruption
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	→	Export compliance
	→	Information security
Responsibility for people and environment	→	Diversity
5 GENDER EQUALITY	→	Environment
13 CLIMATE ACTION	→	Health and safety

HIGHLIGHTS DURING THE PERIOD

- During the first half of 2021, Saab has conducted a thorough and extensive project to identify group-wide climate-related financial risks and opportunities, through the TCFD-framework.¹
- Saab is currently developing a global Occupational Health and Safety e-learning, which will contribute to Saab's global OHS-programme.
- In May, Saab's new Head of Sustainability, Eva Axelsson, was appointed. Eva will be responsible for driving the sustainability work at Saab.
- The result of the ongoing analysis of the EU taxonomy regulation will further be incorporated in the reporting.

ENVIRONMENT

To strengthen competitiveness in the future and contribute to a sustainable society, Saab is working actively to reduce its environmental impact, from both its own operations, the value-chain and its products. Saab's environmental strategy is focused on reducing our own climate impact, phasing out hazardous substances and using the resources more efficiently.

In the beginning of 2018 Saab set a target to reduce carbon emissions by 33% by 2030, counted from the levels in 2017. During the first half of 2021, we reached a total reduction of 49%² compared to 2017.

The reduction has been most apparent within the area of business travel, which has decreased by 65 per cent, largely due to travel restrictions from the pandemic. Conscious initiatives to reduce emissions have also had an impact in 2021, such as to increase energy efficiency and the amount of renewable energy. One example of this is at Saab's sites in South Africa, where systematic work has been performed to increase energy efficiency by installing solar panels and more recently the purchase of renewable energy certificates for all remaining electricity consumed this year. This has resulted in a reduction of emissions of 1,700 tonnes in the first half of 2021. This along with energy efficiency measures by our facility management, such as the ongoing replacement of the few remaining oil furnaces, will continue to substantially reduce emissions from our energy usage.

PEOPLE

Employees are the driving force that will ensure that Saab can stay at the forefront of technology. Saab works on the fact that a more even gender distribution among our recruiting managers will contribute to the Group attracting and recruiting more women as employees. Based on this approach, Saab has managed to keep the share of women as managers and employees at a relatively high level compared to industry peers. The share of women managers shall be at least 30% and the share of women employees shall be at least 25%. As of the second quarter, the share is 24% and 27%, respectively. Continuous activities are ongoing to increase the numbers.

Occupational Health and Safety (OHS) is a prioritised sustainability area for Saab and the company has worked systemically with this for many years. During the second quarter, Saab continued its work to incorporate more international Saab-sites into the global OHS-programme.

¹ Task Force on Climate Related Financial Disclosures

² Saab estimates, H1 2021 compared to H1 2017

Significant events in January-June 2021:

- On 18 March, Saab announced changes in the organization and management for further growth. Saab is adapting the organisation so that governance and management will better support the company's growth ambitions. A clearer connection is being created between business area, core area and services. Customer interaction is simplified, internal interfaces are removed and there is increased focus on operational efficiency.
- On 31 March, Saab and the Swedish Defence Materiel Administration (FMV) extended a contract to provide support and maintenance services for Gripen. The order value amounts to approximately SEK 1.6 billion for the period from 1 April 2021 to 31 December 2022. Saab has booked SEK 1.5 billion of the order value in Q1.
- On 13 April, Saab held its fully digital Annual General Meeting and through electronic connection in accordance with the temporary law applicable during 2021. The Annual General Meeting decided on a dividend of SEK 4.70 per share to the shareholders. Payment of the dividend is expected to be made from Euroclear Sweden AB, on Tuesday, April 20, 2021. For more information, <https://www.saab.com/about/corporate-governance/shareholders-meeting/annual-general-meeting-2021>.
- On 5 May, Saab received an order from the Swedish Defence Materiel Administration, FMV, to provide future development support for Gripen. Total order value is SEK 998m
- On 21 May, Carl-Johan Bergholm was presented as the new head of Saab's Business Area Surveillance. Charlotta Björklund was presented as the new head of the function Operational Excellence. Both were selected as members of Saab's Group Management.
- On 11 June, Saab's board utilised the authorisation to repurchase own shares of series B in order to secure delivery of shares to participants in Saab's long-term Share Matching Plan, Performance Share Plan and Special Projects Incentive.

For more information on significant order received during the year, see page 3 and the comments on the business areas on pages 7-9 and in note 3. All press releases can be found on <https://www.saab.com/newsroom>.

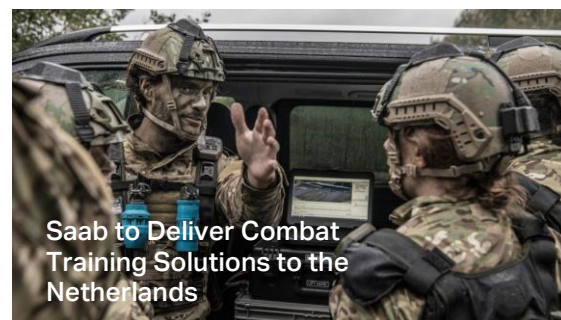
Events after the conclusion of the period:

- New organizational structure effective as of July 1, 2021.
- During the period 9 July – 15 July 2021, Saab AB repurchased in total 236.000 own shares of series B as part of the share buy-back programme initiated by the Board of Directors in order to secure delivery of shares to participants in Saab's long-term Share Matching Plan, Performance Share Plan and Special Projects Incentive.



Saab Makes First T-7A Delivery

"The T-7A represents a remarkable engineering feat of aircraft development; all achieved through excellent collaboration with Boeing and the use of digital engineering and advanced manufacturing. It has been extremely rewarding to pioneer this accelerated development timeline and to deliver the resulting accuracy, visibility, and communication into production," said Jonas Hjelm, Senior VP and head of Saab BA Aeronautics.



Saab to Deliver Combat Training Solutions to the Netherlands

"This order will ensure that the Royal Netherlands Army and the Netherlands Marine Corps are equipped with innovative, flexible training solutions and the required training capability. This will enable them to train at the point-of-need and as close to reality as possible. At the same time, they will remain fully interoperable with NATO and other allied nations," says Åsa Thegström, Head of Saab's business unit Training & Simulation.

Consolidated income statement

MSEK	Note	Jan-Jun 2021	Jan-Jun 2020	Rolling 12 Months	Full Year 2020
Sales	4,5	19,219	16,876	37,774	35,431
Cost of goods sold	5	-15,172	-13,165	-31,762	-29,755
Gross income		4,047	3,711	6,012	5,676
Gross margin, %		21.1	22.0	15.9	16.0
Other operating income	5	25	86	1,230	1,291
Marketing expenses		-1,123	-1,218	-2,244	-2,339
Administrative expenses		-687	-725	-1,371	-1,409
Research and development costs		-871	-626	-1,576	-1,331
Other operating expenses	5	-52	-11	-434	-393
Share in income of associated companies and joint ventures	5	-27	-5	-202	-180
Operating income (EBIT) ¹⁾	3	1,312	1,212	1,415	1,315
Operating margin, %		6.8	7.2	3.7	3.7
Financial income		65	99	196	230
Financial expenses		-223	-197	-459	-433
Net financial items		-158	-98	-263	-203
Income before taxes		1,154	1,114	1,152	1,112
Taxes		-244	-254	-10	-20
Net income for the period		910	860	1,142	1,092
of which Parent Company's shareholders' interest		897	855	1,115	1,073
of which non-controlling interest		13	5	27	19
Earnings per share before dilution, SEK ²⁾		6.77	6.43	8.40	8.07
Earnings per share after dilution, SEK ³⁾		6.73	6.40	8.35	8.01
1) Of which depreciation/amortisation and write-downs		-950	-706	-1,762	-1,518
2) Average number of shares before dilution		132,399,374	133,025,422	132,696,962	133,009,986
3) Average number of shares after dilution		133,351,912	133,690,023	133,557,651	133,877,141

Consolidated statement of comprehensive income

MSEK	Jan-Jun 2021	Jan-Jun 2020	Rolling 12 Months	Full Year 2020
Net income for the period	910	860	1,142	1,092
Other comprehensive income/loss:				
Items that will not be reversed in the income statement:				
Revaluation of net pension obligations	736	-64	548	-252
Tax attributable to revaluation of net pension obligations	-152	13	-111	54
Total	584	-51	437	-198
Items that may be reversed in the income statement:				
Translation differences	221	-229	-213	-663
Cash flow hedges	-383	103	382	868
Tax attributable to cash flow hedges	78	-18	-84	-180
Total	-84	-144	85	25
Other comprehensive income/loss for the period	500	-195	522	-173
Net comprehensive income/loss for the period	1,410	665	1,664	919
of which Parent Company's shareholders' interest	1,393	689	1,630	926
of which non-controlling interest	17	-24	34	-7

Consolidated statement of financial position

MSEK	Note	30 Jun 2021	31 Dec 2020	30 Jun 2020
ASSETS				
Fixed assets:				
Intangible fixed assets	7	11,888	11,520	11,193
Tangible fixed assets		6,919	6,608	6,491
Biological assets		376	376	370
Right of use assets		2,447	2,516	2,483
Shares in associated companies and joint ventures		478	496	801
Financial investments		33	30	28
Long-term receivables		817	617	564
Deferred tax assets		269	231	206
Total fixed assets		23,227	22,394	22,136
Current assets:				
Inventories		11,062	10,252	11,720
Derivatives		961	1,677	1,373
Tax receivables		134	28	146
Accounts receivable		3,793	4,062	4,244
Contract assets		8,847	9,900	11,009
Other receivables		1,039	899	798
Prepaid expenses and accrued income		1,152	979	1,140
Short-term investments		8,799	8,104	5,032
Liquid assets	11	3,217	2,273	1,900
Total current assets		39,004	38,174	37,362
TOTAL ASSETS		62,231	60,568	59,498
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity:				
Parent Company's shareholders' interest		22,336	21,466	21,312
Non-controlling interest		236	178	243
Total shareholders' equity		22,572	21,644	21,555
Long-term liabilities:				
Long-term lease liabilities		2,053	2,095	2,096
Other long-term interest-bearing liabilities	8	5,583	5,291	6,505
Other liabilities		80	100	162
Provisions for pensions	13	5,896	6,445	6,083
Other provisions		2,284	2,197	1,367
Deferred tax liabilities		272	56	130
Total long-term liabilities		16,168	16,184	16,343
Current liabilities:				
Short-term lease liabilities		451	444	430
Other short-term interest-bearing liabilities	8	1,365	2,168	890
Contract liabilities		9,232	8,409	7,121
Accounts payable		3,307	3,302	2,600
Derivatives		561	965	1,491
Tax liabilities		117	42	123
Other liabilities		787	778	2,435
Accrued expenses and deferred income		6,920	5,939	5,835
Provisions		751	693	675
Total current liabilities		23,491	22,740	21,600
Total liabilities		39,659	38,924	37,943
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		62,231	60,568	59,498

Consolidated statement of changes in equity

MSEK	Capital stock	Other capital contributions	Net result of cash flow hedges	Translation reserve	Revaluation reserve	Retained earnings	Total parent company's shareholders' interest	Non-controlling interest	Total shareholders' equity
Opening balance, 1 January 2020	2,174	6,099	-228	651	11	11,828	20,535	274	20,809
Net comprehensive income/loss for the period January-June 2020			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
Net comprehensive income/loss for the period July-December 2020			593	-427		71	237	17	254
Reallocation of revaluation reserve					-11	11			
Transactions with shareholders:									
Repurchase of shares						-242	-242		-242
Share matching plan						95	95		95
Dividend								1	1
Acquisition and sale of non-controlling interest						64	64	-83	-19
Closing balance, 31 December 2020	2,174	6,099	458	16	-	12,719	21,466	178	21,644
Opening balance, 1 January 2021	2,174	6,099	458	16	-	12,719	21,466	178	21,644
Net comprehensive income/loss for the period			-305	217		1,481	1,393	17	1,410
Transactions with shareholders:									
Share matching plan						87	87		87
Dividend						-622	-622	-	-622
Acquisition and sale of non-controlling interest						12	12	41	53
Closing balance, 30 June 2021	2,174	6,099	153	233	-	13,677	22,336	236	22,572

Consolidated statement of cash flows

MSEK	Note	Jan-Jun 2021	Jan-Jun 2020	Full Year 2020
Operating activities:				
Income after financial items		1,154	1,114	1,112
Adjustments for items not affecting cash flows		1,496	1,010	2,033
Dividend from associated companies and joint ventures		-	44	63
Income tax paid		-160	-182	-144
Cash flow from operating activities before changes in working capital		2,490	1,986	3,064
Cash flow from changes in working capital:				
Contract assets and liabilities		1,874	-543	1,704
Inventories		-794	-1,322	95
Other current receivables		241	622	805
Other current liabilities		688	1,245	468
Provisions		-180	-212	-336
Cash flow from operating activities		4,319	1,776	5,800
Investing activities:				
Capitalised development costs		-510	-730	-1,353
Investments in other intangible fixed assets		-159	-152	-269
Investments in tangible fixed assets		-667	-687	-1,269
Sales and disposals of tangible fixed assets		12	15	23
Investments in and sale of short-term investments		-718	752	-2,312
Investments in financial assets, associated companies and joint ventures		-55	-74	-97
Sale of financial assets, associated companies and joint ventures		-	21	1,110
Investments in operations		-20	-2	-4
Sale of subsidiaries		19	-	169
Cash flow from investing activities		-2,098	-857	-4,002
Financing activities:				
Repayments of loans		-1,218	-2,785	-3,077
Amortisation of lease liabilities		-222	-216	-437
Raising of loans		704	2,328	2,728
Repurchase of shares		-	-	-242
Dividend paid to Parent Company's shareholders		-622	-	-
Dividend paid to non-controlling interest		-	-12	-12
Transactions with non-controlling interest		52	-1	-85
Cash flow from financing activities		-1,306	-686	-1,125
Cash flow for the period		915	233	673
Liquid assets at the beginning of the period		2,273	1,687	1,687
Exchange rate difference in liquid assets		29	-20	-87
Liquid assets at end of period	11	3,217	1,900	2,273

Quarterly consolidated income statement

MSEK	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Sales	10,131	9,088	12,491	6,064	8,836	8,040	10,578	7,914
Cost of goods sold	-8,018	-7,154	-10,352	-6,238	-7,005	-6,160	-8,009	-6,236
Gross income	2,113	1,934	2,139	-174	1,831	1,880	2,569	1,678
Gross margin, %	20.9	21.3	17.1	-2.9	20.7	23.4	24.3	21.2
Other operating income	3	22	102	1,103	67	19	81	24
Marketing expenses	-570	-553	-629	-492	-579	-639	-742	-589
Administrative expenses	-351	-336	-336	-348	-360	-365	-385	-338
Research and development costs	-465	-406	-441	-264	-317	-309	-325	-248
Other operating expenses	-	-52	-23	-359	5	-16	-69	11
Share of income in associated companies and joint ventures	-15	-12	-46	-129	5	-10	69	-20
Operating income (EBIT) ¹⁾	715	597	766	-663	652	560	1,198	518
Operating margin, %	7.1	6.6	6.1	-10.9	7.4	7.0	11.3	6.5
Financial income	2	63	94	37	39	60	35	77
Financial expenses	-68	-155	-142	-94	-19	-178	-100	-195
Net financial items	-66	-92	-48	-57	20	-118	-65	-118
Income before taxes	649	505	718	-720	672	442	1,133	400
Taxes	-135	-109	-115	349	-154	-100	-229	-105
Net income for the period	514	396	603	-371	518	342	904	295
of which Parent Company's shareholders' interest	505	392	598	-380	521	334	883	269
of which non-controlling interest	9	4	5	9	-3	8	21	26
Earnings per share before dilution, SEK ²⁾	3.81	2.96	4.50	-2.85	3.91	2.51	6.63	2.02
Earnings per share after dilution, SEK ³⁾	3.78	2.94	4.48	-2.83	3.90	2.50	6.60	2.01
1) Of which depreciation/amortisation and write-downs	-481	-469	-463	-349	-352	-354	-365	-331
2) Average number of shares before dilution	132,476,942	132,321,807	132,762,787	133,226,313	133,087,362	132,963,482	132,875,322	133,103,705
3) Average number of shares after dilution	133,446,047	133,213,468	133,553,781	134,048,466	133,625,118	133,701,893	133,553,690	133,702,351

Quarterly consolidated statement of comprehensive income

MSEK	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Net income for the period	514	396	603	-371	518	342	904	295
Other comprehensive income/loss:								
Items that will not be reversed in the income statement:								
Revaluation of net pension obligations	328	408	326	-514	-706	642	757	-649
Tax attributable to revaluation of net pension obligations	-68	-84	-65	106	145	-132	-158	134
Total	260	324	261	-408	-561	510	599	-515
Items that may be reversed in the income statement:								
Translation differences	-86	307	-293	-141	-301	72	-167	177
Net gain/loss on cash flow hedges	79	-462	819	-54	254	-151	216	-110
Tax attributable to net gain/loss on cash flow hedges	-28	106	-166	4	-52	34	-45	23
Total	-35	-49	360	-191	-99	-45	4	90
Other comprehensive income/loss for the period	225	275	621	-599	-660	465	603	-425
Net comprehensive income/loss for the period	739	671	1,224	-970	-142	807	1,507	-130
of which Parent Company's shareholders' interest	732	661	1,213	-976	-131	820	1,484	-158
of which non-controlling interest	7	10	11	6	-11	-13	23	28

Key ratios by quarter

MSEK	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Equity/assets ratio, (%)	36.3	36.8	35.7	35.5	36.2	35.3	34.8	33.6
Return on capital employed, % ³⁾	4.4	4.3	4.3	5.4	8.7	8.5	9.1	11.0
Return on equity, % ³⁾	5.2	5.2	5.1	7.0	10.0	9.3	10.0	13.1
Equity per share, SEK ^{1) 3)}	168.50	167.59	162.32	152.91	160.03	160.89	154.48	142.99
Free cash flow, MSEK ³⁾	3,028	-265	3,055	676	1,722	-1,700	2,955	-1,865
Free cash flow per share after dilution, SEK ^{2) 3)}	22.69	-1.99	22.87	5.04	12.89	-12.71	22.13	-13.95
1) Number of shares excluding treasury shares	132,557,343	132,396,540	132,247,073	133,278,501	133,174,124	133,000,600	132,926,363	132,824,280
2) Average number of shares after dilution	133,446,047	133,213,468	133,553,781	134,048,466	133,625,118	133,701,893	133,553,690	133,702,351
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 2021	Operating margin	Q1 2021	Operating margin	Q4 2020	Operating margin	Q3 2020	Operating margin
Sales								
Aeronautics	2,210		2,293		2,594		688	
Dynamics	2,647		1,498		2,695		1,356	
Surveillance	2,164		2,385		2,540		1,555	
Support and Services	1,236		1,457		2,569		1,289	
Industrial Products and Services	1,477		1,302		1,475		1,400	
Kockums	899		654		876		589	
Corporate/elimination	-502		-501		-258		-813	
Total	10,131		9,088		12,491		6,064	
Operating income/loss								
Aeronautics	149	6.7%	158	6.9%	121	4.7%	-951	-138.2%
Dynamics	371	14.0%	153	10.2%	393	14.6%	107	7.9%
Surveillance	165	7.6%	223	9.4%	33	1.3%	91	5.9%
Support and Services	117	9.5%	153	10.5%	323	12.6%	93	7.2%
Industrial Products and Services	23	1.6%	27	2.1%	-340	-23.1%	-4	-0.3%
Kockums	32	3.6%	27	4.1%	46	5.3%	22	3.7%
Corporate	-142		-144		190		-21	
Total	715	7.1%	597	6.6%	766	6.1%	-663	-10.9%
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	
Corporate/elimination	-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%

Multi-year overview

MSEK	2020	2019	2018	2017	2016
Order bookings	42,328	27,216	27,975	30,841	21,828
Order backlog at 31 December	99,816	93,293	102,184	107,233	107,606
Sales	35,431	35,433	33,156	31,666	28,631
Sales in Sweden, %	36	37	41	42	43
Sales in Europe excluding Sweden, %	18	16	14	14	17
Sales in North America, %	11	11	10	9	10
Sales in Latin America, %	13	12	12	8	7
Sales in Rest of the World, %	22	24	24	27	23
Operating income (EBIT)	1,315	2,937	2,266	2,250	1,797
Operating margin, %	3.7	8.3	6.8	7.1	6.3
Adjusted operating income	2,738	2,937	2,564	2,250	1,797
Adjusted operating margin, %	7.4	8.3	7.7	7.1	6.3
Depreciation/amortisation and write-downs	1,518	1,368	916	839	946
EBITDA	2,833	4,305	3,182	3,089	2,743
EBITDA margin, %	8.0	12.1	9.6	9.8	9.6
Income after financial items	1,112	2,607	1,796	2,099	1,611
Net income for the year	1,092	2,025	1,366	1,508	1,175
Total assets	60,568	59,858	56,128	44,998	41,211
Equity	21,644	20,809	19,633	14,285	13,301
Free cash flow ¹⁾	3,753	-2,036	-3,195	852	2,359
Return on capital employed, % ¹⁾	4.3	9.1	8.7	10.5	8.9
Return on equity, % ¹⁾	5.1	10.0	8.1	10.9	9.0
Equity/assets ratio, %	35.7	34.8	35.0	31.7	32.3
Earnings per share before dilution, SEK ¹⁾²⁾	8.07	14.88	11.27	12.79	9.85
Earnings per share after dilution, SEK ¹⁾²⁾	8.01	14.81	11.21	12.70	9.79
Dividend per share, SEK	4.70	-	4.50	5.50	5.25
Equity per share, SEK ¹⁾²⁾	162.32	154.48	145.43	121.86	114.17
Number of employees at year-end	18,073	17,420	17,096	16,427	15,465
Number of shares excluding treasury shares as of 31 December ²⁾	132,247,073	132,926,363	133,482,880	115,685,451	115,232,495
Average number of shares before dilution ²⁾	133,009,986	133,245,360	116,467,822	115,444,915	114,971,098
Average number of shares after dilution ²⁾	133,877,141	133,929,292	117,144,915	116,310,466	115,775,275

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 2021	Jan-Jun 2020	Full Year 2020
Organic sales growth, %	5	15	0	1
Operating margin, %	10	6.8	7.2	3.7
Equity/assets ratio, %	30	36.3	36.2	35.7

Parent company

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

Parent company income statement

MSEK	Jan-Jun 2021	Jan-Jun 2020	Full Year 2020
Sales	11,756	10,722	21,986
Cost of goods sold	-9,480	-8,596	-19,518
Gross income	2,276	2,126	2,468
Gross margin, %	19.4	19.8	11.2
Operating income and expenses	-1,934	-2,232	-4,464
Operating income (EBIT)	342	-106	-1,996
Operating margin, %	2.9	-1.0	-9.1
Financial income and expenses	11	-36	1,334
Income after financial items	353	-142	-662
Appropriations	-	-	309
Income before taxes	353	-142	-353
Taxes	-73	26	258
Net income for the period	280	-116	-95

Parent company balance sheet

MSEK	Note	30 Jun 2021	31 Dec 2020	30 Jun 2020
ASSETS				
Fixed assets:				
Intangible fixed assets		847	780	730
Tangible fixed assets		4,336	4,183	4,136
Financial fixed assets		7,648	7,507	7,544
Total fixed assets		12,831	12,470	12,410
Current assets:				
Inventories		7,164	6,833	7,826
Current receivables		14,665	15,538	16,921
Short term investments		8,786	8,076	5,016
Liquid assets		2,298	1,598	1,317
Total current assets		32,913	32,045	31,080
TOTAL ASSETS		45,744	44,515	43,490
SHAREHOLDERS' EQUITY AND LIABILITIES				
Equity:				
Restricted equity		3,373	3,373	3,380
Unrestricted equity		10,535	10,789	10,907
Total shareholders' equity		13,908	14,162	14,287
Untaxed reserves, provisions and liabilities:				
Untaxed reserves		2,199	2,199	2,508
Provisions		2,600	2,539	1,668
Liabilities	8	27,037	25,615	25,027
Total untaxed reserves, provisions and liabilities		31,836	30,353	29,203
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		45,744	44,515	43,490

LIQUIDITY, FINANCING, CAPITAL EXPENDITURES AND NUMBER OF EMPLOYEES

The Parent Company's net debt amounted to SEK 1,344 million as of 30 June 2021 compared to SEK 1,224 million as of 31 December 2020.

Investments in tangible fixed assets amounted to SEK 400 million (380). Investments in intangible assets amounted to SEK 146 million (138). At the end of the period, the Parent Company had 10,169 employees compared to 10,094 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 and sustainability report 2020.

NOTE 2 ACCOUNTING PRINCIPLES

The consolidated accounts for the first half-year 2021 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 108-109, and concerning significant income statement and balance sheet items in each note disclosure in the annual report 2020.

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 2020. All the information on pages 1-28 constitutes the interim report for the period 1 January – 30 June 2021.

The Group and the Parent Company use the accounting principles and calculation methods as described in the annual report 2020.

Important estimates and assumptions are disclosed in note 2 in the annual report 2020. As a consequence of Covid-19 has Saab during the second quarter 2021 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 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 U.S., 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

MSEK	Jan-Jun 2021	Jan-Jun 2020	Change, %	Q2 2021	Q2 2020	Rolling 12 Months	Full Year 2020
Aeronautics	2,064	1,073	92	1,196	702	3,016	2,025
Dynamics	4,568	3,947	16	3,489	2,663	9,852	9,231
Surveillance	3,850	3,393	13	2,530	2,300	14,385	13,928
Support and Services	2,850	3,029	-6	1,276	2,152	11,766	11,945
Industrial Products and Services	2,561	2,834	-10	1,420	1,638	5,338	5,611
Kockums	888	740	20	436	250	1,949	1,801
Corporate/elimination	-1,035	-946		-472	-458	-2,302	-2,213
Total	15,746	14,070	12	9,875	9,247	44,004	42,328

Order bookings per region

MSEK	Jan-Jun 2021	Jan-Jun 2020	Change, %	Q2 2021	Q2 2020	Full Year 2020
Sweden	7,237	5,727	26	3,627	3,727	12,903
Rest of Europe	4,315	2,701	60	3,057	1,361	8,469
North America	2,471	2,843	-13	2,037	1,989	4,358
Latin America	174	124	40	107	100	61
Asia	897	2,207	-59	684	1,805	12,863
Africa	-29	13	-323	-30	5	-113
Australia, etc.	681	455	50	393	260	3,787
Total	15,746	14,070	12	9,875	9,247	42,328

Order backlog per operating segment

MSEK	30 Jun 2021	31 Dec 2020	30 Jun 2020
Aeronautics	34,399	36,838	39,168
Dynamics	16,974	16,527	15,345
Surveillance	21,614	22,183	15,984
Support and Services	14,496	14,238	9,392
Industrial Products and Services	8,658	8,794	8,855
Kockums	2,968	3,631	4,029
Corporate/elimination	-2,395	-2,395	-2,315
Total	96,714	99,816	90,458

Order backlog per region

MSEK	30 Jun 2021	31 Dec 2020	30 Jun 2020
Sweden	29,101	28,819	27,513
Rest of Europe	19,639	18,374	15,761
North America	7,208	6,819	7,584
Latin America	24,202	27,129	29,587
Asia	11,498	13,155	6,841
Africa	138	237	443
Australia etc.	4,928	5,283	2,729
Total	96,714	99,816	90,458

Sales per operating segment

MSEK	Jan-Jun 2021	Jan-Jun 2020	Change, %	Q2 2021	Q2 2020	Rolling % 12 Months	Year 2020
Aeronautics	4,503	4,025	12	2,210	2,054	8	7,785
Dynamics	4,145	2,862	45	2,647	1,744	52	8,196
Surveillance	4,549	3,793	20	2,164	2,065	5	8,644
Support and Services	2,693	2,663	1	1,236	1,353	-9	6,551
Industrial Products and Services	2,779	2,971	-6	1,477	1,372	8	5,654
Kockums	1,553	1,562	-1	899	756	19	3,018
Corporate/elimination	-1,003	-1,000		-502	-508		-2,074
Total	19,219	16,876	14	10,131	8,836	15	37,774

Sales per region

MSEK	Jan-Jun 2021	% of sales	Jan-Jun 2020	% of sales	Full Year 2020	% of sales
Sweden	6,975	36	6,885	41	12,662	36
Rest of Europe	3,080	16	2,815	17	6,239	18
North America	2,200	11	1,900	11	3,938	11
Latin America	3,108	16	2,136	13	4,527	13
Asia	2,548	13	2,159	13	6,336	18
Africa	153	1	101	1	180	1
Australia, etc.	1,155	6	880	5	1,549	4
Total	19,219	100	16,876	100	35,431	100

Information on large customers

During the first half-year of 2021, 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 5,875 million (5,788). The Brazilian State is a customer primarily to business area Aeronautics and total sales amounted to SEK 2,858 million (1,989).

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 2021	% of sales	Jan-Jun 2020	% of sales	Q2 2021	Q2 2020	Rolling 12 Months	Full Year 2020
Aeronautics	307	6.8	330	8.2	149	172	-523	-500
Dynamics	524	12.6	329	11.5	371	242	1,024	829
Surveillance	388	8.5	381	10.0	165	160	512	505
Support and Services	270	10.0	295	11.1	117	164	686	711
Industrial Products and Services	50	1.8	-54	-1.8	23	-81	-294	-398
Kockums	59	3.8	51	3.3	32	25	127	119
The operating segments' operating income	1,598	8.3	1,332	7.9	857	682	1,532	1,266
Corporate	-286		-120		-142	-30	-117	49
Total	1,312	6.8	1,212	7.2	715	652	1,415	1,315

Depreciation/amortisation and write-downs per operating segment

MSEK	Jan-Jun 2021	Jan-Jun 2020	Change, %	Q2 2021	Q2 2020	Rolling 12 Months	Full Year 2020
Aeronautics	41	32	28	22	17	78	69
Dynamics	43	43	-	22	21	88	88
Surveillance	252	153	65	127	78	446	347
Support and Services	117	12	875	58	6	182	77
Industrial Products and Services	35	39	-10	18	20	72	76
Kockums	20	18	11	11	9	36	34
Corporate	442	409	8	223	201	860	827
Total	950	706	35	481	352	1,762	1,518

Operational cash flow per operating segment

MSEK	Jan-Jun 2021	Jan-Jun 2020	Q2 2021	Q2 2020	Rolling 12 Months	Full Year 2020
Aeronautics	-633	-1,064	620	-297	-1,795	-2,226
Dynamics	-240	-733	286	-180	1,044	551
Surveillance	2,321	435	940	936	3,167	1,281
Support and Services	2,057	1,160	1,612	1,417	2,753	1,856
Industrial Products and Services	429	509	-22	443	948	1,028
Kockums	-114	206	1	172	663	983
Corporate	-828	-278	-285	-674	-1,250	-700
Total	2,992	235	3,152	1,817	5,530	2,773

Capital employed per operating segment

MSEK	30 Jun 2021	31 Dec 2020	30 Jun 2020
Aeronautics	7,725	6,790	7,223
Dynamics	5,238	4,402	5,027
Surveillance	8,085	7,969	8,961
Support and Services	2,559	3,387	4,703
Industrial Products and Services	3,622	3,969	5,037
Kockums	1,237	1,230	1,247
Corporate/elimination	8,082	8,962	4,139
Total	36,548	36,709	36,337

Full time equivalents (FTE's) per operating segment

Number at end of the period	30 Jun 2021	31 Dec 2020	30 Jun 2020
Aeronautics	3,573	3,554	3,462
Dynamics	2,845	2,795	2,692
Surveillance	3,850	3,829	3,747
Support and Services	2,129	2,066	2,001
Industrial Products and Services	3,314	3,391	3,622
Kockums	1,212	1,240	1,231
Corporate	1,175	1,111	1,099
Total	18,098	17,985	17,854

NOTE 4 DISTRIBUTION OF SALES

MSEK	Aeronautics		Dynamics		Surveillance		Support and Services		Industrial Products and Services		Kockums		Corporate/elimination		Group	
	Jan-Jun 2021	Jan-Jun 2020	Jan-Jun 2021	Jan-Jun 2020	Jan-Jun 2021	Jan-Jun 2020	Jan-Jun 2021	Jan-Jun 2020	Jan-Jun 2021	Jan-Jun 2020	Jan-Jun 2021	Jan-Jun 2020	Jan-Jun 2021	Jan-Jun 2020	Jan-Jun 2021	Jan-Jun 2020
External sales	4,437	3,919	4,067	2,765	4,434	3,652	2,597	2,599	2,161	2,329	1,537	1,553	-14	59	19,219	16,876
Internal sales	66	106	78	97	115	141	96	64	618	642	16	9	-989	-1,059	-	-
Total sales	4,503	4,025	4,145	2,862	4,549	3,793	2,693	2,663	2,779	2,971	1,553	1,562	-1,003	-1,000	19,219	16,876
Sales by customer:																
Military customers	4,434	3,917	3,957	2,642	4,424	3,646	2,387	2,308	670	636	1,537	1,553	-56	47	17,353	14,749
Civilian customers	3	2	110	123	10	6	210	291	1,491	1,693	-	-	42	12	1,866	2,127
Total external sales	4,437	3,919	4,067	2,765	4,434	3,652	2,597	2,599	2,161	2,329	1,537	1,553	-14	59	19,219	16,876
Sales by significant source:																
Long-term customer contracts	4,000	3,421	1,398	837	3,271	2,686	1,439	996	930	1,119	1,157	1,165	-57	17	12,138	10,241
Services	430	478	414	380	812	740	971	1,330	1,118	1,062	380	360	16	33	4,141	4,383
Products	7	20	2,255	1,548	351	226	187	273	113	148	-	28	27	9	2,940	2,252
Total external sales	4,437	3,919	4,067	2,765	4,434	3,652	2,597	2,599	2,161	2,329	1,537	1,553	-14	59	19,219	16,876
Sales by domain:																
Air	4,432	3,916	93	167	2,142	1,782	1,948	1,830	149	155	-	-	-66	20	8,698	7,870
Land	5	3	2,917	1,916	939	615	438	436	311	271	-	-	-1	5	4,609	3,246
Naval	-	-	1,048	670	1,326	1,197	71	80	4	7	1,537	1,553	26	22	4,012	3,529
Civil Security	-	-	-	5	2	-	77	94	995	954	-	-	-1	4	1,073	1,057
Commercial Aeronautics	-	-	-	-	-	-	63	159	279	531	-	-	30	4	372	694
Other/not distributed	-	-	9	7	25	58	-	-	423	411	-	-	-2	4	455	480
Total external sales	4,437	3,919	4,067	2,765	4,434	3,652	2,597	2,599	2,161	2,329	1,537	1,553	-14	59	19,219	16,876
Sales recognition method:																
Over time	4,414	3,891	1,778	1,123	3,872	3,273	2,179	2,110	1,664	1,564	1,511	1,475	-56	44	15,362	13,480
Point in time	23	28	2,289	1,642	562	379	418	489	497	765	26	78	42	15	3,857	3,396
Total external sales	4,437	3,919	4,067	2,765	4,434	3,652	2,597	2,599	2,161	2,329	1,537	1,553	-14	59	19,219	16,876

NOTE 5 ITEMS AFFECTING COMPARABILITY

Item affecting comparability	Business Area	MSEK	Jan-Jun 2021	Jan-Jun 2020	Full Year 2020
Adjustment of project estimates, Covid-19	Aeronautics	Sales	-	-	-1,121
Adjustment of project estimates, Covid-19	Surveillance	Sales	-	-	-166
Adjustment of project estimates, Covid-19	Dynamics	Cost of goods sold	-	-	-15
Adjustment of project estimates, Covid-19	Corporate	Sales	-	-	-44
Provision for onerous contract, Covid-19	Industrial Products and Services	Cost of goods sold	-	-	-315
Write-down of inventory, Covid-19	Support and Services	Cost of goods sold	-	-	-118
Write-down of inventory, changes to product portfolio	Corporate	Cost of goods sold	-	-	-137
Write-down of shares in associated companies	Corporate	Share in income of associated companies	-	-	-113
Impairment of long-term receivable from associated companies	Corporate	Other operating expenses	-	-	-59
Write-down of shares in associated companies	Aeronautics	Share in income of associated companies	-	-	-32
Provision related to new assessment of ongoing disputes and legal proceedings for the Group	Corporate	Other operating expenses	-	-	-300
Capital gain from the divestment of shares in Vricon Inc	Corporate	Other operating income	-	-	997
Sum			-	-	-1,423

NOTE 6 DIVIDEND TO PARENT COMPANY'S SHAREHOLDERS

The Annual General Meeting 2021 held on 13 April decided on a dividend to the Parent Company's shareholders of SEK 4.70 per share, corresponding to a total dividend of SEK 622 million. Record date for the dividend was 15 April 2021 and the dividend was paid out on 20 April 2021.

NOTE 7 INTANGIBLE FIXED ASSETS

MSEK	30 Jun 2021	31 Dec 2020	30 Jun 2020
Goodwill	5,190	5,141	5,335
Capitalised development costs	5,935	5,699	5,240
Other intangible assets	763	680	618
Total	11,888	11,520	11,193

NOTE 8 NET LIQUIDITY/DEBT

MSEK	30 Jun 2021	31 Dec 2020	30 Jun 2020
Assets:			
Liquid assets	3,217	2,273	1,900
Short-term investments	8,799	8,104	5,032
Total liquid investments	12,016	10,377	6,932
Short-term interest-bearing receivables	71	64	61
Long-term interest-bearing receivables	404	351	402
Long-term receivables attributable to pensions	-	-	28
Total interest-bearing assets	12,491	10,792	7,423
Liabilities:			
Lease liabilities	2,504	2,539	2,526
Liabilities to credit institutions	6,900	7,412	7,344
Liabilities to associated companies and joint ventures	41	39	46
Other interest-bearing liabilities	6	8	5
Provisions for pensions ¹⁾	4,525	5,067	4,862
Total interest-bearing liabilities and provisions for pensions	13,976	15,065	14,783
Net liquidity (+) / net debt (-)	-1,485	-4,273	-7,360

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

Committed credit lines

MSEK	Facilities	Drawings	Available
Revolving credit facility (Maturity 2022 SEK 4 billion, 2023, SEK 6 billion)	10,000	-	10,000
Overdraft facility (Maturity 2021 SEK 29 million, 2022 SEK 30 million)	59	-	59
Total	10,059	-	10,059

Parent Company

MSEK	30 Jun 2021	31 Dec 2020	30 Jun 2020
Long-term liabilities to credit institutions	5,582	5,291	6,504
Short-term liabilities to credit institutions	1,318	2,121	839
Total	6,900	7,412	7,343

Since 2009, Saab has a Medium Term Note programme (MTN) to enable issuance of long-term loans on the capital market. During 2018 the MTN programme was increased to MSEK 10,000. Under the terms of this programme, Saab has issued fixed rate bonds as well as Floating Rate Notes (FRN). During the first half-year, loans with short maturity amounting to SEK 361 million were repurchased. New bonds expiring during 2025-2027 were issued for a total of SEK 700 million. Altogether, loans outstanding under the MTN programme amounted to SEK 6,751 million at the end of the reporting period.

In December 2015, Saab signed Schuldschein loan agreements amounting to EUR 100 million. Loans to a value of EUR 80 million has matured during the year and another EUR 5 million has been repurchased. Remaining value of Schuldschein loan agreements amounts to EUR 15 million.

In 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 be utilised to refinance upcoming and future loan maturities. The facility has not been utilised in the first half-year 2021.

NOTE 9 CAPITAL EMPLOYED

MSEK	30 Jun 2021	31 Dec 2020	30 Jun 2020
Total assets	62,231	60,568	59,498
Less non-interest bearing liabilities	25,683	23,859	23,161
Capital employed	36,548	36,709	36,337

NOTE 10 FINANCIAL INSTRUMENTS

Classification and categorisation of financial assets and liabilities ²⁾

Carrying amount	30 Jun 2021	31 Dec 2020	30 Jun 2020
Financial assets:			
Valued at amortised cost ⁴⁾ :			
Accounts receivable, contract assets and other receivables	13,824	15,000	16,373
Liquid assets	3,217	2,273	1,900
Long-term receivables	817	617	536
Valued at fair value through profit and loss ³⁾ :			
Short-term investments	8,799	8,104	5,032
Derivatives for trading	26	147	149
Financial investments	33	30	28
Valued at fair value through other comprehensive income ³⁾ :			
Derivatives identified as hedges	935	1,530	1,224
Total financial liabilities	27,651	27,701	25,242
Financial liabilities:			
Valued at amortised cost:			
Interest-bearing liabilities ¹⁾	9,452	9,996	9,919
Other liabilities ⁴⁾	8,848	8,105	7,399
Valued at fair value through profit and loss ³⁾ :			
Derivatives for trading	5	46	11
Valued at fair value through other comprehensive income ³⁾ :			
Derivatives identified as hedges	556	919	1,480
Total financial liabilities	18,861	19,066	18,809
¹⁾ Fair value	9,452	10,015	9,908

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 451.

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 of 2020, as described in the annual report 2020 on page 138, note 35. As of June 30 2021, the Group had the following financial assets and liabilities at fair value:

Assets at fair value

MSEK	30 Jun 2021	Level 1	Level 2	Level 3
Bonds and interest-bearing securities	8,799	8,799	-	-
Forward exchange contracts	918	-	918	-
Currency options	1	-	1	-
Interest rate swaps	17	-	17	-
Cross currency basis swaps	12	-	12	-
Electricity derivatives	13	13	-	-
Shares, participations and long-term receivables	33	-	-	33
Total	9,793	8,812	948	33

Liabilities at fair value

MSEK	30 Jun 2021	Level 1	Level 2	Level 3
Forward exchange contracts	489	-	489	-
Currency options	1	-	1	-
Interest rate swaps	71	-	71	-
Total	561	-	561	-

NOTE 11 SUPPLEMENTAL INFORMATION ON STATEMENT OF CASH FLOWS

Free cash flow

MSEK	Jan-Jun 2021	Jan-Jun 2020	Q2 2021	Q2 2020	Full year 2020
Cash flow from operating activities before changes in working capital, excluding taxes and other financial items ¹⁾	2,487	1,999	1,227	1,168	2,905
Cash flow from changes in working capital:					
Contract assets and liabilities	1,874	-543	858	1,822	1,704
Inventories	-794	-1,322	164	-421	95
Other current receivables	241	622	990	-1,247	805
Other current liabilities	688	1,245	596	1,348	468
Provisions	-180	-212	-42	-97	-336
Change in working capital	1,829	-210	2,566	1,405	2,736
Cash flow from operating activities excluding taxes and other financial items	4,316	1,789	3,793	2,573	5,641
Investing activities:					
Investments in intangible fixed assets	-669	-882	-327	-454	-1,622
Investments in tangible fixed assets	-667	-687	-325	-313	-1,269
Sales and disposals of tangible fixed assets	12	15	11	11	23
Cash flow from investing activities ²⁾	-1,324	-1,554	-641	-756	-2,868
Operational cash flow	2,992	235	3,152	1,817	2,773
Taxes and other financial items	-219	-229	-117	-91	-278
Sale of and investments in financial assets, associated companies and joint ventures	-9	18	-7	-2	1,093
Investments in operations	-20	-2	-	-2	-4
Sale of subsidiaries	19	-	-	-	169
Free cash flow	2,763	22	3,028	1,722	3,753

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 2021	Jan-Jun 2020	Q2 2021	Q2 2020	Full Year 2020
Free cash flow	2,763	22	3,028	1,722	3,753
Investing activities – interest-bearing:					
Short-term investments	-718	752	-949	332	-2,312
Other financial investments and receivables	-46	-71	-23	-21	-80
Financing activities:					
Repayments of loans	-1,218	-2,785	-365	-1,510	-3,077
Raising of loans	704	2,328	700	-	2,728
Repurchase of shares	-	-	-	-	-242
Dividend paid to the Parent Company's shareholders	-622	-	-622	-	-
Dividend paid to non-controlling interest	-	-12	-	-12	-12
Transactions with non-controlling interest	52	-1	-10	-	-85
Cash flow for the period	915	233	1,759	511	673

Liquid assets

MSEK	30 Jun 2021	31 Dec 2020	30 Jun 2020
The following components are included in liquid assets:			
Cash and bank balances	1,617	1,123	1,070
Bank deposits	1,600	1,150	830
Total according to balance sheet	3,217	2,273	1,900
Total according to statement of cash flows	3,217	2,273	1,900

NOTE 12 BUSINESS COMBINATIONS

No significant acquisitions through business combinations were made during the first half-year of 2021.

NOTE 13 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 2021	31 Dec 2020	30 Jun 2020
Defined-benefit obligation	12,809	12,774	12,084
Special employers' contribution	1,371	1,378	1,221
Less assets under management	8,284	7,707	7,250
Total provisions for pensions	5,896	6,445	6,055
of which reported as long-term receivable	-	-	28

Actuarial gains and losses are recognised in other comprehensive income. Actuarial gain related to the Swedish pension plans amounted to SEK 736 million net in the first half-year of 2021 primarily due to the following:

Assumed discount rate has increased by 50 basis points, from 1.00% to 1.50% and the inflation assumption has increased by 50 basis points, from 1.50% to 2.00% compared to the beginning of the year. The net of revised assumptions amounted to a gain of SEK 36 million.

Positive experience adjustment has resulted in an actuarial gain of SEK 8 million.

The actuarial gain related to the special employer's contribution amounted to SEK 144 million.

The return on assets under management was higher than expected, which led to an actuarial gain of SEK 548 million.

NOTE 14 CONTINGENT LIABILITIES

No additional significant commitments have arisen during the first half-year of 2021. 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 15 TRANSACTIONS WITH RELATED PARTIES

No significant transactions have occurred during the period.

Related parties with which the Group has transactions are described in the annual report 2020, note 37.

NOTE 16 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, macroeconomic developments, 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 adjusted 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.

Sales adjusted for items affecting comparability

Sales adjusted for items classified as affecting comparability

Glossary

C4I	Command, Control, Communications, Computers, and Intelligence
FMV	Swedish Defence Materiel Administration, Sw, "Försvarets Materielverk"
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, loan facility for issuance of 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 21 JULY 2021

Saab AB (publ)

Marcus Wallenberg
Chairman

Bert Nordberg
Board member

Henrik Henriksson
Board member

Danica Kragic Jensfelt
Board member

Sara Mazur
Board member

Johan Menckel
Board member

Daniel Nodhäll
Board member

Cecilia Stegö Chilò
Board member

Erika Söderberg Johnson
Board member

Joakim Westh
Board member

Stefan Andersson
Board member

Göran Andersson
Board member

Magnus Gustafsson
Board member

Micael Johansson
President and CEO and Board member

This half-year report has not been subject to review by the company's auditors.



SAAB

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Press and financial analyst conference:

21 July 2021 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/210721>

Conference call:

Please dial in using one of the numbers below:
Sweden: +46856642704
UK: +443333009273
US: +16467224956

The interim report, presentation material and the webcast will be available on
<http://www.saab.com/investors>

CALENDAR

Interim report January-September 2021

Published 22 October 2021

Year-end report 2021

Published 11 February 2022

Interim report January-March 2022

Published 22 April 2022

IMPORTANT INFORMATION

This half-year 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 21 July 2021 at 07.30 (CET)

Q2