

**SAAB**

PRESS INFORMATION

Handläggare *Handled by*
Iréne Svensson

Datum *Date*
July 9, 2004

Referens *Reference*
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Interim report JANUARY – JUNE 2004

- Sales amounted to SEK 8,370 m. (8,273)
- Net income for the period was SEK 427 m. (240)
- Earnings per share amounted to SEK 4.00 (2.25)
- Order bookings in the first half-year amounted to SEK 8.7 bn (12.4), of which SEK 4.5 bn (6) during the second quarter. The order backlog is now slightly over SEK 46.2 bn (45.6)
- Operating income amounted to SEK 673 m. (441) and income after financial items was SEK 638 m. (362)
- Operating cash flow amounted to SEK 261 m. (733)
- The Czech Republic signed an agreement to lease 14 Gripen aircraft

Statement by the CEO

"I am happy to report that the agreement with the Czech Republic to lease 14 Gripen aircraft has now been signed. Gripen is well-established in the global market, basic development work has been completed, and internationally it is highly competitive after successes in South Africa, Hungary and now most recently the Czech Republic. A number of successful campaigns in the global market have demonstrated that Gripen is one of the leading fighter aircraft systems in the world.

Saab is with its high technology an important growth engine in Sweden, with a strong focus on advanced research and development. As an element in the long-term contacts it maintains with universities and institutes of technology in Sweden and abroad, Saab has joined with Linköping University to establish a competence center for research and development in the area of aviation system technology. I see this as an important prerequisite for our international research and development cooperation.

In late 2004 the Swedish Parliament will make an important defence decision for the period 2005–2007. The decision-making process includes an active dialogue between the armed forces, the defence industry and various political experts.

Although we cannot yet say with certainty what the short- and long-term consequences of the decision will be for Saab, we feel it is necessary to further adapt our resources. We will continue to improve operating efficiency in order to remain competitive and profitable.

Saab AB (publ)

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During the first half-year a total of 359 employees were given notice of termination, including 104 during the second quarter. The lay-offs, which are due to fewer development orders, primarily affect development engineers.

Sales after the second quarter were in line with the previous year but are expected to rise by about 5 percent for the full-year. Operating income was charged during the second quarter with restructuring costs of SEK 57 m., after which the operating margin for the second quarter and on a cumulative basis amounts to 8 percent. Order bookings remained high and are dominated by customers outside Sweden. At the end of the period the order backlog amounts to just over SEK 46 billion, slightly higher than the beginning of the year. Export markets now account for 67 percent of the order backlog.

In general I would also like to add that I am pleased with the continuous improvement of our operations. Since three years we have systematically worked on upgrading the performance of the combined operations of Saab and Celsius and created "one Saab". Today we have a well structured business and operating margins have increased.

In accordance with earlier forecasts, I feel that our objective of a 10 percent operating margin is within reach, though still with the reservation that the costs to reduce development resources due to current capacity utilization in our development operations will affect opportunities to reach the objective.

We expect continued organic growth of about 5 percent in 2004 and are continuing to analyze acquisitions to strengthen our presence in key markets and enter new ones."

Major orders during the second quarter 2004

April – June

- The Czech Republic signed an Agreement for the lease of 14 Gripen aircraft. Saab is responsible for modification work and technical support during the 10-year lease period.
- AT4CS anti-armour weapon, "Urban Warfare concept," for US Army. First order from US for new-generation AT4.
- Deployable instrumentation training systems (DITS) for US Army's national defence. Order value USD 14 m.
- Follow-on order for the RBS70 BOLIDE missile from the Australian Army. Order value approx. SEK 180 m.
- Ammunition for the man-portable Carl-Gustaf anti-armour systems for the Australian Army. Order value approx. SEK 260 m.
- Contract for RAKEL, an abbreviation for radio communication for efficient command. The Swedish Defence Materiel Administration's procurement is subject to inquiry by the county administrative court. The order has not yet been booked.

At the beginning of July, a contract was signed with the Finnish army for fire control systems for combat vehicles. The order value amounts to SEK 150 m.



Organization

As an element in its export marketing, Saab, together with BAE SYSTEMS, now will develop the future cooperation between the companies in order to optimize Gripen's marketing and sales organization for further international efforts. The ambition is that Saab takes an increasing marketing responsibility in the future.

A new business unit formed during the period, Saab Systems, comprises the command and control operations of SaabTech. Saab Systems also includes operations in Australia (Saab Systems Pty) and South Africa (GrIDS). Dan-Åke Enstedt was named General Manager of Saab Systems and Lars-Erik Wige became General Manager of Aerotech Telub.

Celsius Metech is changing its name to Saab Metech. The name change affects companies in Sweden, Denmark, Finland and Germany.

Saab is forming a company in South Africa, and Per Erlandsson, Head of Saab Corporate Legal Affairs and Secretary of the Board of Directors, has been appointed Chief Executive Officer as of August 1, 2004.

The board meeting on July 9 appointed Jan Nygren and Kenth-Åke Jönsson as Executive Vice Presidents responsible for portions of Saab's business operations.

Effective January 1, 2004 Saab Ericsson Space is reported in the Aerospace business area.

Description of operations

Saab Systems & Electronics focuses on information, command and control, and simulation systems, as well as avionics, electronic warfare, signature management and commercial electronics.

Saab Aerospace develops and manufactures military aircraft systems, acts as a partner in subsystems to manufacturers of large commercial aircraft, and is a supplier of subsystems to the entire space market.

Saab Technical Support and Services focuses on the growing market for high technology services in aviation, command and control, information, communications and sensors.

Saab Bofors Dynamics, which encompasses Saab's operations in precision engagement, develops and produces missile systems, portable anti-armor systems and underwater systems.

Saab Aviation Services comprises Saab's leasing and customer support operation in regional aviation.

Sales, income and orders

Sales

Group sales rose by 1 percent during the first half-year to SEK 8,370 m. (8,273) and are expected to rise by approximately 5 percent on an annual basis. Eighty (78) percent of sales was related to defense. Sales to foreign markets accounted for 48 percent (47).

Sales in the second quarter were SEK 4,557 m. (4,240).



Sales for *Systems & Electronics* were higher than the previous year at SEK 2,382 m. (2,189). Sales for all units in *Systems & Electronics* rose or remained on par with the corresponding period of the previous year.

Aerospace posted higher sales than the previous year, SEK 2,824 m. (2,585). Sales include 8 (8) Gripen aircraft, of which 5 (3) in the second quarter. The production rate is approximately 17 aircraft per year. Negotiations have started between the Industrial Group IGJAS, and the Swedish Armed Forces and FMV for the contract terms for batch 3 of Gripen.

Sales for the business units in *Technical Support and Services* decreased marginally compared with the corresponding period of the previous year due to continued weak growth in the market.

Sales for *Dynamics* remained at the same level as the previous year. Lower invoicing for certain missile programs was compensated by higher invoicing in underwater operations.

Recently the Brazilian Navy has raised concerns regarding the Torpedo 2000 project. Saab is responding to those concerns but can at present not judge how the project may be affected.

Sales for *Aviation Services* were slightly higher than the corresponding period of 2003 but remain at a low level as a result of generally lower passenger traffic and lower demand for maintenance services.

Income, margin and profitability

Operating income amounted to SEK 673 m. (441), corresponding to a margin of 8.0 percent (5.3).

Operating income for defence-related operations continued to improve compared with the previous year. Income was also affected by structural provisions totaling SEK 57 m. (185). During the first half-year operating income was affected by structural costs in avionics of SEK 24 m., in *Aerospace* operations of SEK 13 m. and in *Technical Support & Services* of SEK 20 m. The previous year was affected by structural provisions in underwater operations of SEK 75 m., for coordinating command and control systems and avionics operations of SEK 75 m. and for further changes in space operations of SEK 35 m.

Operating income in the second quarter amounted to SEK 368 m. (215)

Operating income for *Systems & Electronics* amounted to SEK 169 m. (48), with an operating margin of 7.1 percent (2.2). The income improvement was mainly due to higher volume, a more favorable product mix for Saab Systems, Saab Tech and Saab Transponder Tech, and lower structural costs.

Operating income for *Aerospace* decreased to SEK 276 m. (290) as a result of a lower margin in connection with the transition to batch 3 of Gripen and provisions for ongoing resource modifications. *Space*, which as of 2003 is reported in the business area, posted a positive result. The operating margin was 9.8 percent (11.2).

Technical Support and Services reported operating income of SEK 103 m. (119), which includes a provision for structural costs of SEK 20 m. (0). The operating margin was 7.0 percent (7.9).

Dynamics' income improved to SEK 137 m. (13). The previous year was charged with structural costs for underwater systems of SEK 75 m. The income improvement is otherwise due to a more favorable product mix and continued efficiency measures. The operating margin was 8.5 percent (0.8).



Operating income for *Aviation Services* remains under pressure from low volumes, but favorable transactions involving structural reserves contributed to income of SEK 27 m. (48).

Operating income for *Corporate/Other Operations* consists of shared Group expenses, trading results, results from operating companies and results in connection with liquidations. Results can therefore vary between periods. The improvement from the previous year is attributable to, among other things, higher results by operating companies and a better trading result.

As a whole, administration and marketing expenses decreased slightly compared with the previous year. The period's internally funded investments in research and development amounted to SEK 383 m. (429), of which SEK 223 m. (220) has been capitalized and SEK 160 m. (209) has been charged to operating income for the year, which includes depreciation. Other operating income during both the present and previous years includes capital gains, currency gains and income from secondary activities. Other operating expenses consist of currency and capital losses as well as a provision for structural costs of SEK 75 m. (40). Project interest on unutilized advance payments reduced the financial net by SEK 30 m. (65) and is reported in gross income.

Net financial income and expenses amounted to SEK -35 m. (-79). The average return on external investments was 4.90 percent (4.26). Compared with the previous year the financial net has been positively affected by higher returns on financial investments. The Group's income after financial items amounted to SEK 638 m. (362). Current and deferred taxes amounted to SEK -200 m. (-116).

Net income for the period was SEK 427 m. (240), corresponding to earnings per share of SEK 4.00 (2.25).

The pre-tax return on capital employed was 15.4 percent (12.0). The after-tax return on shareholders' equity was 13.5 percent (10.9).

Orders

Group order bookings amounted to SEK 8,734 m. (12,363), of which 65 percent (60) came from customers outside Sweden. Important orders during the second quarter are covered in the section "Major orders." The order backlog at the end of the period was SEK 46,212 m., against SEK 45,636 m. at the beginning of the year. Export markets account for 67 (62) percent of the order backlog.

Liquidity, finance and investments

Finance, liquidity and cash flow

Liquid funds including interest-bearing receivables, less liabilities to credit institutions and the convertible debenture loan, decreased by SEK 408 m. to SEK 3,545 m. (4,038) compared with the beginning of the year. The Group's net liquidity after deducting provisions for pensions increased to SEK 615 m. from SEK 578 m. at the beginning of the year. In March 2004 an agreement was signed with Carnegie's joint pension fund, after which SEK 504 m. was contributed. The fund's assets under management as of June 30, 2004 have been reported net against Provisions for pensions.

The Group's equity/assets ratio was 26.6 percent (23.5), compared with 24.7 percent at the beginning of the year. Shareholders' equity amounted to SEK 7,268 m. (6,575), corresponding to SEK 67.56. (61.73) per share compared with 66.52 at the beginning of the year.

**Cash flow**

Operating cash flow was positive during the first half-year, amounting to SEK 261 m. (733), and was distributed between cash flow from operations of SEK 398 m. (788), acquisitions/divestments SEK -88 m. (0), and the regional aircraft business SEK -49 m. (-55). Cash flow by business area is indicated in the table on page 14.

Capital expenditures

The Group's capital expenditures in property, plant and equipment, excluding leasing assets, amounted to SEK 162 m. (238).

Personnel

At the end of the period the Group had 12,758 employees, against 13,414 at the beginning of the year.

Parent Company

Sales by the Parent Company amounted to SEK 2,295 m. (2,351). Operating income was SEK 205 m. (152) and income after financial items was SEK 148 m. (52).

Liquid funds less liabilities to credit institutions amounted to SEK -1.221 m. (-555), against SEK -727 m. at year-end 2003. Gross capital expenditures in property, plant and equipment amounted to SEK 48 m. (98). At the end of the period the Parent Company had 3,747 employees, compared with 4,136 at the beginning of the year.

Owners

Saab's principal owners are BAE SYSTEMS, Investor AB, the Wallenberg foundations, Robur funds, AMF Pension, Nordea funds, Eikos fund, AMF Pensionsfonder, SEB funds, SEB-Trygg Insurance, JP SHB/SPP fund and Skandia.

Accounting principles

This interim report has been prepared in accordance with the Swedish Financial Accounting Standards Council's recommendation "Interim reporting RR20." The same accounting principles have been used as in the most recent annual report, with the exception that as of 2004 the Group reports its pension commitments according to RR29, which means that the future commitment at the time of retirement is reported as the liability. The pension commitment is classified as either defined-benefit or defined-contribution. Saab has both defined-benefit plans – primary the ITP plan – and defined-contribution plans. The reporting of defined-benefit plans is affected by a number of actuarial assumptions such as lifespan, employee turnover, discount rate and future wage increases. During the first quarter of 2004 Saab estimated the effect of the change in accounting principles for defined-benefit plans. The opening balance of "Provisions for pensions" amounts to SEK 3,375 m. when calculated according to RR29, compared with SEK 3,458 m. according to the annual report for 2003.

Linköping, July 9, 2004

Åke Svensson
President and Chief Executive Officer

**Review report**

We have reviewed this interim report in accordance with the recommendation issued by the Swedish Institute of Authorized Public Accountants. A review is considerably limited in scope compared with an audit. Nothing has come to our attention that causes us to believe that the interim report does not comply with the requirements of the Securities and Clearing Operations Act and the Annual Accounts Act.

Linköping, July 9, 2004

Ernst & Young AB
Björn Fernström
Authorized Public Accountant

Caj Nackstad
Authorized Public Accountant
KPMG Bohlins AB

Financial information dates:

The Interim Report for January – September 2004 will be published on October 22, 2004.
The 2004 Report will be published on February 17, 2005.

For further information, please contact:

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Press conference with CEO Åke Svensson:

Today, Friday, July 9, 2:00 p.m. (CET)
World Trade Center, Stockholm
Contact Peter Larsson, Press Secretary

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International teleconference:

Today, Friday, July 9, 4:00 p.m. (CET)
Contact Marita Sidén for registration and further information

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Income statement

SEK m.	6 mos. 2004	6 mos. Rolling 2003 12 mos.	12 mos. 2003
Sales	8,370	8,273	17,347
Cost of goods sold	-6,426	-6,261	-13,162
Gross income	1,944	2,012	4,185
<i>Margin</i>	23.2%	24.3%	24.1%
Marketing expenses	-649	-650	-1,249
Administrative expenses	-458	-533	-908
Research and development costs	-160	-209	-365
Other operating income	47	28	176
Other operating expenses	-85	-208	-394
Share in income of associated cos.	34	1	80
Operating income ¹⁾	673	441	1,525
<i>Margin</i>	8.0%	5.3%	8.8%
Financial income and expenses	-35	-79	-176
Income after financial items	638	362	1,349
Taxes	-200	-116	-399
Minority interest	-11	-6	-17
Net income for the year	427	240	933
Earnings per share, SEK ²⁾	4.00	2.25	8.75
after full conversion, SEK ³⁾	3.91	2.20	8.62

¹⁾ Includes depreciation of -558 of which depreciation of lease assets -243 of which goodwill amortization -81 -589 -492 -165 -1,116 -528 -1,147

²⁾ Average number of shares 2004: 106,875,669 and 2003: 106.513.969 and 6 month 2003:106,510,374

³⁾ Number of shares after full conversion 109,247,175

Sales by business area

SEK m.	6 mos. 2004	6 mos. 2003	Chang e	Q2 2004	Q2 2003	Rolling 12 mos. 12 mos.	12 mos. 2003
Saab Systems & Electronics	2,382	2,189	8.8%	1,423	1,208	4,870	4,677
Saab Aerospace	2,824	2,585	9.2%	1,552	1,291	6,014	5,775
Saab Tech Support & Services	1,476	1,510	-2.3%	757	834	2,998	3,032
Saab Bofors Dynamics	1,611	1,605	0.4%	816	723	3,119	3,113
Saab Aviation Services	570	531	7.3%	294	264	1,134	1,095
Corporate/Other	10	201		5	103	216	407
Internal sales	-503	-348		-290	-183	-1,004	-849
Saab Group	8,370	8,273	1.2%	4,557	4,240	17,347	17,250



Operating income by business area

SEK m.	6 mos. 2004	% of sales	6 mos. 2003	% of sales	Rolling 12 mos.	% of sales	12 mos. 2003	% of sales
Saab Systems & Electr	169	7.1%	48	2.2%	448	9.2%	327	7.0%
Saab Aerospace	276	9.8%	290	11.2%	544	9.0%	558	9.7%
Saab Techn Supp & Serv	103	7.0%	119	7.9%	216	7.2%	232	7.7%
Saab Bofors Dynamics	137	8.5%	13	0.8%	296	9.5%	172	5.5%
Saab Aviation Services	27	4.7%	48	9.0%	66	5.8%	87	7.9%
Corporate/Other	-39	neg.	-77	n/a	-45		-83	neg.
Saab Group	673	8.0%	441	5.3%	1.525	8.8%	1.293	7.5%

Quarterly information SEK m.	January-March		April-June					
	2004	2003	2004	2003				
Sales								
Saab Systems & Electr	959	925	1,423	1,264				
Saab Aerospace	1,272	1,294	1,552	1,291				
Saab Techn Supp & Serv	719	732	757	778				
Saab Bofors Dynamics	795	882	816	723				
Saab Aviation Services	276	267	294	264				
Corporate/Other	5	98	5	103				
Internal sales	-213	-165	-290	-183				
	3,813	4,033	4,557	4,240				
Operating income								
Saab Systems & Electr	33	3.4%	55	5.9%	136	9.6%	-7	neg.
Saab Aerospace	138	10.8%	158	12.2%	138	8.9%	132	10.2%
Saab Techn Supp & Serv	60	8.3%	55	7.5%	43	5.7%	64	8.2%
Saab Bofors Dynamics	69	8.7%	-36	neg.	68	8.3%	49	6.8%
Saab Aviation Services	18	6.5%	19	7.1%	9	3.1%	29	11.0%
Corporate/Other	-13	n/a	-25	n/a	-26		-52	n/a
	305	8.0%	226	5.6%	368	8.1%	215	5.1%
Net financial income	-2		-48		-33		-31	
Income after financial net	303		178		335		184	
Net income for the period	205		119		222		121	
Earnings per share	1.92		1.12		2.08		1.13	

**Quarterly information, cont.**

SEK m.	July-September		October-December		
	2004	2003	2004	2003	
Sales					
Saab Systems & Electr		968		1,520	
Saab Aerospace		1,136		2,054	
Saab Techn Supp & Serv		618		904	
Saab Bofors Dynamics		574		934	
Saab Aviation Services		275		289	
Corporate/Other		105		101	
Internal sales		-227		-274	
		3,449		5,528	
Operating income					
Saab Systems & Electr		58	6.0%	221	14.5%
Saab Aerospace		55	4.8%	213	10.4%
Saab Techn Supp & Serv		45	7.3%	68	7.5%
Saab Bofors Dynamics		37	6.4%	122	13.1%
Saab Aviation Services		24	8.7%	15	5.2%
Corporate/Other		-35	N/a	29	n/a
		184	5.3%	668	12.1%
Net financial items		-39		-102	
Income after financial net		145		566	
Net income for the period		87		419	
Earnings per share 1)		0.82		3.93	

¹⁾ Average number of shares 2004: 106.875.669 and 2003: 106,513,969

Total depreciation/amortization by business area

SEK m.	6 mos. 2004	6 mos. 2003	Q2 2004	Q2 2003	12 mos. 2003
Saab Systems & Electronics	98	94	48	45	194
Saab Aerospace	102	88	51	44	180
Saab Technical Support & Services	61	66	30	38	120
Saab Bofors Dynamics	42	42	21	21	85
Saab Aviation Services – lease assets	243	279	121	124	528
Saab Aviation Services - other	7	6	4	3	13
Corporate/Other	5	14	3	6	27
Saab Group	558	589	278	281	1,147

Of which goodwill amortization by business area

SEK m.	6 mos. 2004	6 mos. 2003	Q2 2004	Q2 2003	12 mos. 2003
Saab Systems & Electronics	41	42	20	18	85
Saab Aerospace	3	4	1	2	9
Saab Technical Support & Services	22	24	11	15	43
Saab Bofors Dynamics	14	14	7	7	29
Saab Aviation Services	1	-	1	-	1



Corporate/Other	-	1	-	-	2
Saab Group	81	85	40	42	169

Sales by geographic market

SEK m.	6 mos. 2004	% of sales	6 mos. 2003	% of sales	12 mos. 2003	% of sales
Sweden	4,394	52%	4,368	53%	9,348	54%
Rest of EU	2,081	25%	1,948	23%	4,260	25%
Rest of Europe	236	3%	223	3%	455	3%
Total, Europe	6,711	80%	6,539	79%	14,063	82%
North America	575	7%	536	7%	1,013	6%
Latin America	93	1%	119	1%	175	1%
Asia	457	6%	524	6%	948	5%
Australia, etc.	531	6%	551	7%	1,039	6%
Africa	3	-	4	-	12	-
Saab Group	8,370	100%	8,273	100%	17,250	100%

¹⁾ Rest of EU includes the expanded EU as of May 1, 2004

Balance sheet

SEK m.	June 30 2004	Jan. 1 2004¹⁾	Dec. 31 2003	June 30 2003
Assets				
Goodwill and other intangible assets	2,640	2,497	2,497	2,428
Property, plant and equipment, etc.	3,997	4,230	4,230	4,271
Lease assets	4,770	5,038	5,038	5,247
Long-term interest-bearing receivables	789	765	765	918
Shares, etc.	648	415	415	411
Deferred tax receivables	840	981	981	1,175
Inventories, etc.	4,087	4,133	4,133	3,752
Short-term interest-bearing receivables	98	39	39	42
Other receivables	5,945	6,363	6,363	5,334
Cash and marketable securities	3,494	4,243	4,243	4,363
Total assets	27,308	28,704	28,704	27,941
Shareholders' equity and liabilities				
Shareholders' equity	7,268	7,086	7,003	6,575
Minority interest in subsidiaries	98	147	147	115
Provision for pensions	2,930	3,375	3,458	3,448
Other provisions	2,081	2,234	2,234	2,428
Liabilities to credit institutions	685	862	862	1,0544
Convertible debenture loan	151	232	232	231
Lease obligations	2,441	2,597	2,597	2,750
Advance payments from customers, net	3,520	3,990	3,990	3,327
Other liabilities	8,134	8,181	8,181	8,013
Total shareholders' equity and liabilities	27,308	28,704	28,704	27,941

¹⁾ Balance sheet adjusted for changed accountant principles for pension commitments

**Shareholders' equity**

The Group's shareholders' equity changed as follows during the year:

SEK m.	Total
Balance at beginning of year	7,003
Net income for the period	427
Adjustment due to changed accountant principles for pension commitments	83
Dividend paid	-373
Conversion of convertible debenture loan	97
Translation difference, etc.	31
Balance at end of period	7,268

Personnel by business area

Number	June 30, 2004	Dec. 31, 2003	Change	June 30, 2003
Saab Systems & Electronics	2,736	2,651	85	2,801
Saab Aerospace	4,412	4,697	-285	4,920
Saab Technical Supp & Serv	2,901	3,003	-102	3,058
Saab Bofors Dynamics	1,704	1,718	-14	1,723
Saab Aviation Services	815	799	16	798
Corporate/Other operations	190	546	-356	525
Saab Group	12,758	13,414	-656	13,825

Subdivided balance sheet, June 30, 2004

SEK m.	Saab	Saab Aircraft Leasing	Elimina- tions	Saab Group
Assets				
Goodwill and other intangible assets	2,640			2,640
Property, plant and equipment, etc.	3,995	2		3,997
Lease assets		4,770		4,770
Long-term interest-bearing receivables	789			789
Shares, etc.	2,148		-1,500	648
Deferred taxes	1,124		-284	840
Inventories, etc.	4,082	5		4,087
Short-term interest-bearing receivables	98			98
Other receivables	5,101	844		5,945
Cash and marketable securities	3,272	222		3,494
Total assets	23,249	5,843	-1,784	27,308
Shareholders' equity and liabilities				
Shareholders' equity	7,014	1,754	-1,500	7,268
Minority interest in subsidiaries	91	7		98
Provision for pensions	2,930			2,930
Other provisions	1,853	512	-284	2,081
	685			685



Liabilities to credit institutions	151			151
Convertible debenture loan		2,441		2,441
Lease obligations	3,520			3,520
Advance payments from customers, net	7,005	1,129		8,134
Total shareholders' equity and liabilities	23,249	5,843	-1,784	27,308

Capital employed by business area
SEK m.

	June 30, 2004	Dec. 31, 2003	June 30, 2003
Saab Systems & Electr	3,414	3,501	3,411
Saab Aerospace	3,364	3,514	2,389
Saab Tech Supp & Serv	1,461	1,628	1,538
Saab Bofors Dynamics	1,261	1,614	1,240
Saab Aviation Services	2,830	3,106	3,260
Corporate/Other	-1,197	-1,661	-415
Saab Group	11,133	11,702	11,423

Order bookings and order backlog by business area

SEK m.	Order bookings				Order backlog	
	6 mos. 2004	6 mos. 2003	Q2 2004	Q2 2003	June 30 2004	Dec. 31 2003
Saab Systems & Electr	1,770	2,167	989	1,286	9,101	9,249
Saab Aerospace	3,537	6,047	1,957	3,014	27,830	27,388
Saab Tech Supp & Serv	1,721	1,750	733	823	1,260	868
Saab Bofors Dynamics	1,513	2,143	766	1,009	9,692	9,793
Saab Aviation Services	580	739	283	234	335	340
Corporate/Other	10	272	5	195	55	255
Internal	-397	-755	-222	-514	-2,061	-2,257
Saab Group	8,734	12,363	4,511	6,047	46,212	45,636

Condensed statement of cash flows

SEK m.	6 mos. 2004	6 mos. 2003	12 mos. 2003
Cash flow from operating activities			
Income after financial items	638	362	1,073
Adjustments for items not affecting cash flow	515	589	1,170
Tax paid	-26	-16	-57
Cash flow from operating activities before changes in working capital	1,127	935	2,186
Working capital			
Inventories etc.	-73	-7	-378
Receivables	343	32	-855
Advance payments from customers, net	-466	-448	215
Other liabilities	27	761	875



Lease obligations	-156	-176	-329
Provisions	-119	-172	-366
Change in working capital	-444	-10	-838
Cash flow from operating activities	683	925	1,348
Investments in intangible fixed assets	-243	-220	-397
Investments in tangible fixed assets	-162	-238	-472
Sales of lease assets	46	146	-37
Sales of intangible and tangible fixed assets	34	71	73
Divestment of subsidiary	9	-	
Acquisition/sale of other long-term securities	-106	49	30
Cash flow from investing activities	-422	-192	-803
Operating cash flow	261	733	545

Cash flow by business area

SEK m.	6 mos. 2004	6 mos. 2003	12 mos. 2003
Saab Systems & Electronics	-187	74	223
Saab Aerospace	96	170	117
Saab Technical Support & Services	143	212	198
Saab Bofors Dynamics	198	331	196
Saab Aviation Services	-45	23	-18
Corporate/Other	56	-77	-171
Saab Group	261	733	545

Key ratios

SEK m.	6 mos. 2004	6 mos. 2003	12 mos. 2003
Operating margin before depreciation	11.8%	9.1%	11.1%
Operating margin before goodwill amortization	9.0%	6.4%	8.5%
Operating margin after depreciation	8.0%	5.3%	7.5%
Earnings per share, SEK ¹⁾	4.00	2.25	7.00
Earnings per share after full conversion, SEK ¹⁾	3.91	2.20	6.91
Earnings per share before goodwill amortization, SEK ¹⁾	4.75	3.05	8.59
Return on capital employed before tax	15.4%	12.0%	12.7%
Return on equity after tax	13.5%	10.9%	10.8%
Equity/assets ratio, %	26.6%	23.5%	24.4%
Equity per share, SEK ¹⁾	67.56	61.73	65.75

1) Average number of shares Jan – June 2004: 106,875,669 and Jan – June 2003: 106,510,374. Number of shares 30 June 2004, 107,581,817. Average number of shares 2003: 106,513,969. After full conversion 109,247,175

**Five-year overview**

SEK m., unless otherwise stated	2003	2002	2001	2000	Pro forma 1999	1999
Order bookings	19,606	19,521	15,274	28,141	15,267	6,849
Order backlog at year-end	45,636	43,082	40,034	41,091	29,891	23,637
Sales	17,250	16,538	15,689	17,840	18,018	9,053
Foreign market sales, %	46	41	40	48	48	38
Operating income	1,293	1,220	1,594	1,533	1,125	1,104
Operating margin, %	7.5	7.4	10.2	8.6	6.2	12.2
Operating margin before deprec., %	11.1	11.2	14.4	13.5	10.7	17.1
Operating income excl. capital gains	1,293	1,220	944	895	870	849
Operating margin excl. capital gains, %	7.5	7.4	6.0	5.0	4.8	9.4
Income after financial items	1,073	993	1,554	1,448	1,116	1,377
Net income for the year	746	732	1,127	1,038	735	939
Total assets	28,704	28,109	29,901	31,119	36,641	28,079
Operating cash flow	545	-92	1,642	-1,908	n/a	-2,368
Return on capital employed, %	12.7	11.6	15.5	14.6	n/a	21.3
Return on equity, %	10.8	10.8	18.3	20.0	n/a	21.5
Equity/assets ratio, %	24.4	24.3	22.3	18.2	12.8	16.8
Earnings per share, SEK ²⁾	7.00	6.87	10.59	9.75	6.90	8.82
after full conversion, SEK ³⁾	6.91	6.78	10.40	9.58	6.81	8.68
before goodwill amortization, SEK ²⁾	8.59	8.52	12.11	11.47	8.62	9.36
Dividend per share, SEK	3.50	3.50	3.25	3.00	n/a	2.50
Equity per share, SEK ¹⁾	65.75	64.17	62.74	53.26	44.15	44.23
Number of employees at year-end	13,414	14,036	14,028	15,453	16,665	8,031

Aside from the pro forma figures for 1999, the figures have not been revised and match those in the published information for each year.

¹⁾ Number of shares as of December 31, 2003: 106,517,563 2002: 106,510,374 and 1998-2001: 106,459,675

²⁾ Average number of shares 2003 106,513,969 2002: 106,487,407 and 1998-2001: 106,459,675

³⁾ Number of shares after full conversion: 109,247,175