

Interim Report Q2 2005

Telephone Conference, Stockholm July 12, 2005



Åke Svensson

President and CEO

January – June 2005 in brief

- Sales SEK 8,433 m. (8,370)
- Net income SEK 386 m. (519)
- Earnings per share SEK 3.52 (4.65)
- Order bookings SEK 6,962 m. (8,734)
- Order backlog SEK 43 bn (46)
- Operating income SEK 570 m (763)
- Income after financial items SEK 544 m. (725)
- SEK 250 m. provision for Swedish helicopter program
- Forecast adjusted for helicopter program provision

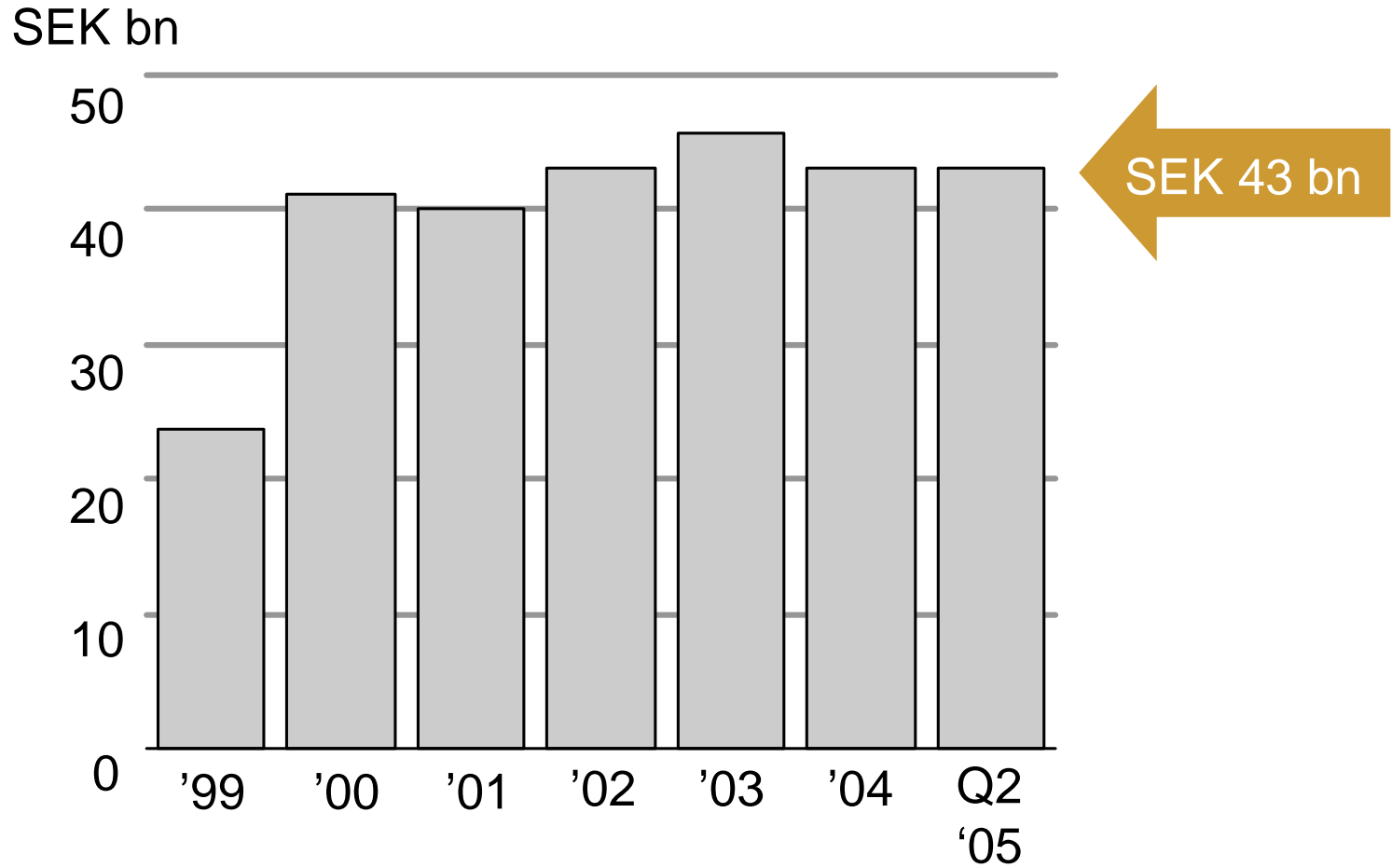
Command and control systems for Swedish helicopter program delayed

- Development of command and control systems - Tactical Mission System (TMS) - for Swedish helicopter program delayed
- SEK 250 m. provision for additional costs
- Total contract value SEK 2 bn

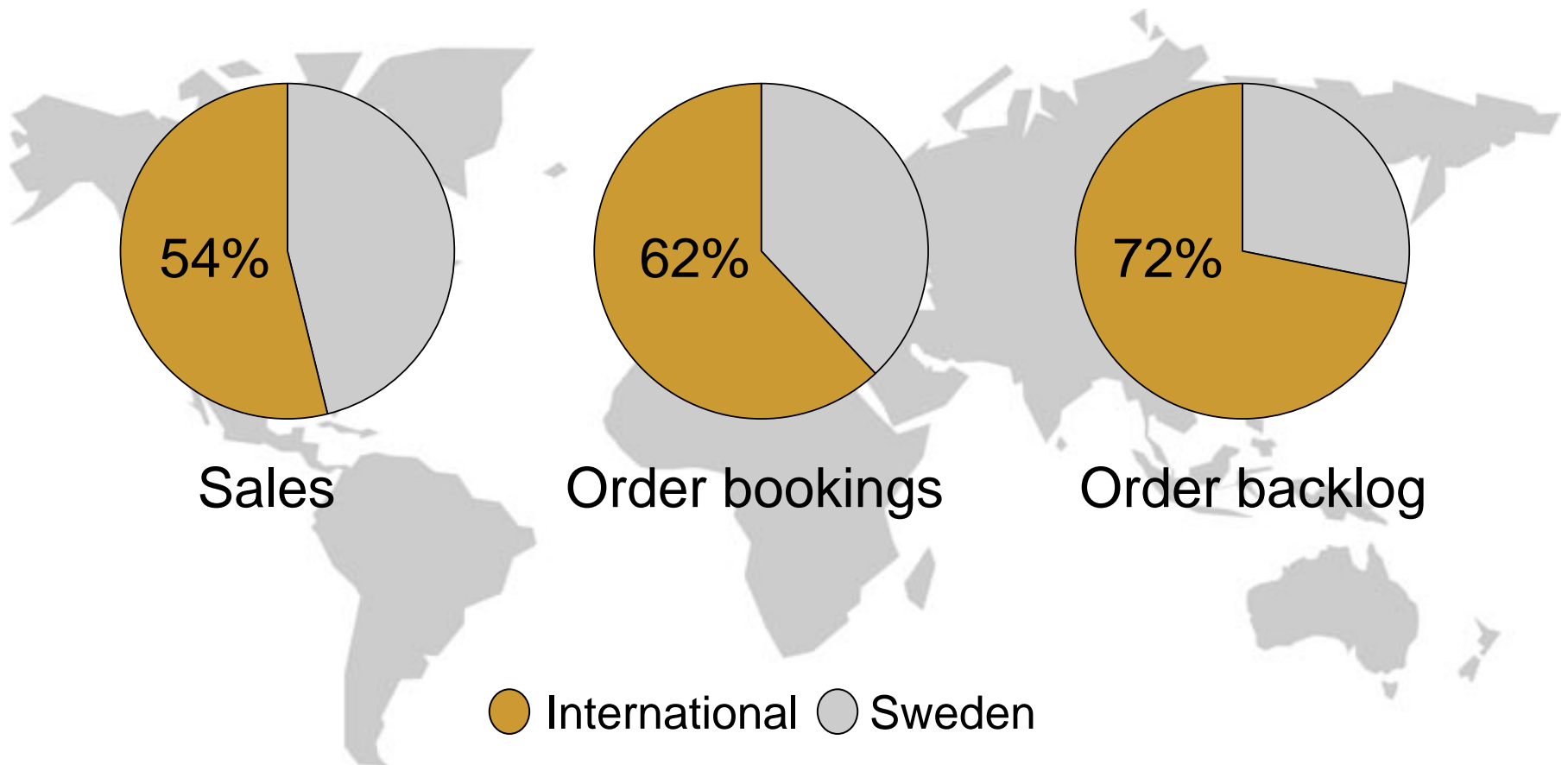
Continued staff reductions

- More than 1,000 employees laid off 2003–2004 in Sweden
- 760 given notice in 2005
- Total redundancies of 1,000–1,500 employees in 2005 and 2006

Order backlog



Trend towards increased international sales



Important orders and events 2Q 2005

- Acquisition of Grintek Ltd of South Africa finalized
- Production order from Germany's Diehl BGT Defense (DBD) for subsystems of the IRIS-T IR-guided air-to-air missile worth approximately SEK 850 m. IRIS-T developed in international joint project between Germany, Sweden, Italy, Spain, Norway and Greece
- Agreement with the Swedish Armed Forces to take responsibility for winding up operations at the Östersund Garrison. AerotechTelub estimates the order value at SEK 50 m.
- General agreement with the Swedish Defense Materiel Administration, FMV, for consulting services focusing on resource consultants in the fields of Sensors and Telecom Services. The order is worth approximately SEK 100 m. a year for all ten suppliers
- Development contracts by ESA for development of highly integrated microelectronics to enable more compact computer systems for satellites
- Britain's world-class Empire Test Pilots' School selects Gripen.

Neuron

- Awaiting a decision by the government on Sweden's participation in the European development of a demonstrator for the Neuron unmanned combat aircraft
- Project complements Gripen program
- Represents an important opportunity, by taking a leading role in future-oriented research project
- Unmanned aerial technology completely in line with Defense decisions and Aviation and Space strategy Swedish parliament and government have supported after several years of analysis



TUAV – Tactical Unmanned Aerial Vehicle

- Pre-study
- Modular family
- Certified for operations within "Single European Sky"
- Advanced autonomy, easy to operate
- Multi-role
- Cost effective, low life-cycle cost and small footprint
- Affordable



GRIPEN Program



UCAV Program

Contract

Tech. baseline

NEURON



First Flight

Demo Flights

UAV Technology Program



Demo 07

UMAV Program

Sim Adv Capabilities

Demo Adv Capabilities

**SHARC Demonstrator
FILUR**



Stealth Demo

Ugglan



Common Operating Systems



2004 2005 2006 2007 2008 2009 2010

Order bookings and order backlog

SEK millions	Order bookings	Order bookings	Order
	6 months	6 months	backlog
	2005	2004	June 30, 2005
Defense & Security Solutions	3,490	2,318	4,703
Systems & Products	2,453	2,916	15,865
Aeronautics	1,342	3,547	24,088
Corporate	20	309	0
Internal	-343	-356	-1,711
Saab Group	6,962	8,734	42,945

Sales

SEK millions	H1 2005	H1 2004	Change	2004
Defense & Security Solutions	2,443	2,223	9.9%	4,557
Systems & Products	3,420	3,263	4.8%	6,826
Aeronautics	3,278	3,059	7.2%	6,796
Corporate/Internal	-708	-175		-331
Saab Group	8,433	8,370	0.8%	17,848

Operating income, EBIT

SEK millions	H1 2005	<i>margin</i>	H1 2004	<i>margin</i>	2004	<i>margin</i>
Defense & Sec. Solutions	277	11.3%	176	7.9%	402	8.8%
Systems & Products	389	11.4%	279	8.6%	617	9.0%
Aeronautics	-41	-1.3%	333	10.9%	751	11.1%
Corporate/Other	-55		-25		83	
Saab Group	570	6.8%	763	9.1%	1,853	10.4%

Operating income, EBIT excl. structural costs

SEK millions	H1 2005	<i>margin</i>	H1 2004	<i>margin</i>	2004	<i>margin</i>
Defense & Sec. Solutions	291	11.9%	196	8.8%	455	10.0%
Systems & Products	398	11.6%	303	9.3%	706	10.3%
Aeronautics	54	1.6%	346	11.3%	779	11.5%
Corporate/Other	-55		-25		96	
Total	688	8.2%	820	9.8%	2,036	11.4%
Structural costs	-118		-57		-183	
Saab Group	570	6.8%	763	9.1%	1,853	10.4%

Income statement

SEK millions	H1 2005	H1 2004	2004
Sales	8,433	8,370	17,848
Cost of goods sold	-6,629	-6,395	-13,596
Gross margin	1,804	1,975	4,252
<i>Gross margin</i>	21.4%	23.6%	23.8%
Marketing expenses	-599	-647	-1,286
Administrative expenses	-487	-458	-948
Research and development costs	-187	-160	-388
Other operating income	40	47	175
Other operating expenses	-40	-28	-27
Share in income of associated companies	39	34	75
Operating income	570	763	1,853
<i>Operating margin</i>	6.8%	9.1%	10.4%
Result from financial investments	-26	-38	-141
Income after financial items	544	725	1,712
Taxes	-158	-206	-402
Net income	386	519	1,310
Earnings per share, SEK	3.52	4.65	11.78

Balance sheet

SEK millions	June 30, 2005	Jan. 1, 2005	Change
Assets			
Goodwill and other intangible assets	3,135	2,822	313
Property, plant and equipment, etc.	4,475	4,343	132
Lease assets	4,517	4,371	146
Interest bearing receivables	670	604	66
Shares, etc	638	770	-132
Deferred tax receivables	471	740	-269
Inventories, etc.	4,032	2,882	1,150
Receivables related to unrealized financial instr	559	1,227	-668
Other receivables	6,459	5,403	1,056
Cash and marketable securities	5,351	4,319	1,032
Fixed assets held for sale	24	182	-158
Total assets	30,331	27,663	2,668
Shareholders' equity and liabilities			
Shareholders' equity	8,531	8,208	323
Provision for pensions	3,068	3,034	34
Deferred tax liabilities	50	50	0
Other provisions	2,504	2,239	265
Liabilities to credit institutions	1,328	1,108	220
Lease obligations	2,075	2,225	-150
Advance payments from customers, net	3,134	2,860	274
Other liabilities	9,088	7,668	1,420
Liabilities related to unrealized financial instr	533	266	267
Liabilities related to fixed assets held for sale	20	5	15
Total shareholders' equity and liabilities	30,331	27,663	2,668
Equity/assets ratio, %	28.1	30.0	

Balance sheet, June 30, 2005, subdivided

SEK millions	Saab	Saab Aircraft Leasing	Elimi- nations	Saab Group
Goodwill and other intangible assets	3,135			3,135
Property, plant and equipment	4,473	2		4,475
Lease assets		4,517		4,517
Long-term interest bearing receivables	504			504
Shares, etc	2,138		-1,500	638
Deferred tax receivables	638		-167	471
Inventories, etc.	4,028	4		4,032
Short-term interest bearing receivables	166			166
Other receivables	6,350	692		7,042
Cash and marketable securities	5,319	32		5,351
Total assets	26,751	5,247	-1,667	30,331
Shareholders' equity	8,705	1,326	-1,500	8,531
Provision for pensions	3,068			3,068
Other provisions	1,706	798		2,504
Deferred tax liabilities	50	167	-167	50
Liabilities to credit institutions	1,186	142		1,328
Lease obligations	9	2,066		2,075
Advance payments from customers, net	3,134			3,134
Other liabilities	8,893	748		9,641
Total shareholders' equity & liabilities	26,751	5,247	-1,667	30,331

Cash flow

SEK millions	H1 2005	H1 2004	2004
Cash flow from operating activities			
Income after financial items	544	638	1,712
Adjustments for items not affecting cash flow	637	515	921
Tax paid	-60	-26	-26
Cash flow from operating activities before changes in working capital	1,121	1,127	2,607
Working capital			
Inventories etc.	214	-73	-306
Receivables	-471	343	573
Advance payments from customers	112	-466	-1,126
Other liabilities	958	27	-135
Lease obligations	-470	-156	-418
Provisions	-192	-119	-330
Change in working capital	151	-444	-1,742
Cash flow from operating activities	1,272	683	865
Investments in intangible fixed assets	-138	-243	-420
Investments in/Sales of shares etc.	-72	-97	-113
Investments in tangible fixed assets	-118	-162	-348
Investments in/Sales of lease assets	335	46	41
Sales of intangible and tangible assets	21	34	116
Cash flow from investments	-28	-422	-540
Operating cash flow	1,300	261	325

Cash flow summary

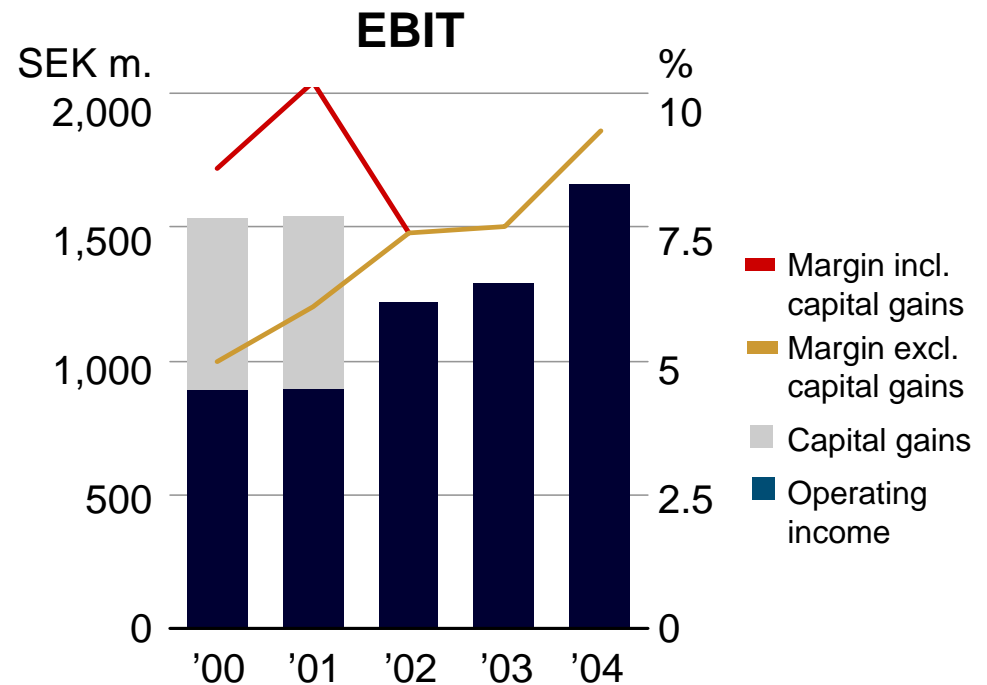
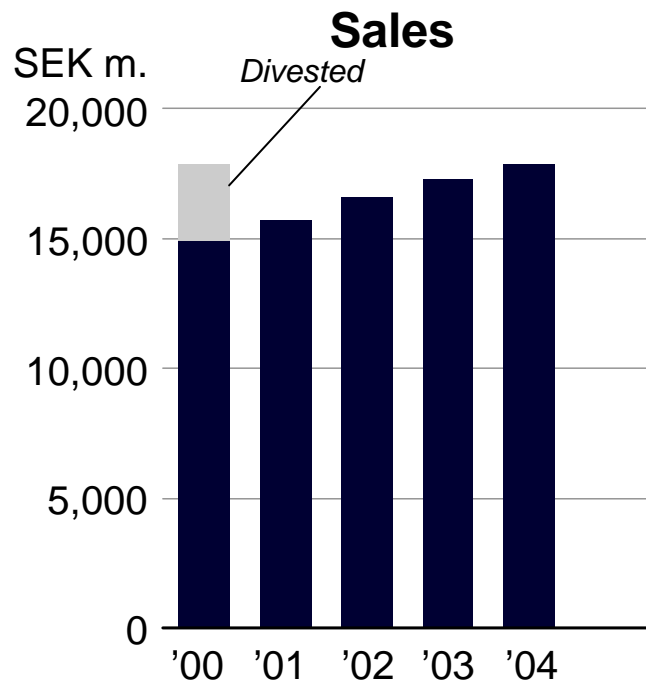
SEK millions	H1 2005	H1 2004	2004
Operations pre advances	1,553	899	1,411
Change in advances	112	-466	-1,126
Operations	1,665	433	285
Acquisitions/divestments	-80	-97	71
Saab Aircraft Leasing and regional aircraft	-225	-49	-5
Tax paid	-60	-26	-26
Total	1,300	261	325

Forecast 2005

Top-line growth 8% of which 5% organic

EBIT margin lower and income slightly lower than reported 2004 after structural costs, which was 9,3 % and SEK 1,657 m. (as previously announced). In addition the forecast is lowered by the **SEK 250 m. provision** for command and control system for Swedish helicopters

Long-term objective of 10% remains unchanged





Conclusions

- January – June in line with plans and previous estimates, excluding helicopter write-off
- Growing international operations
- Broadened scope into civil security