

# January – June Interim Report 2006

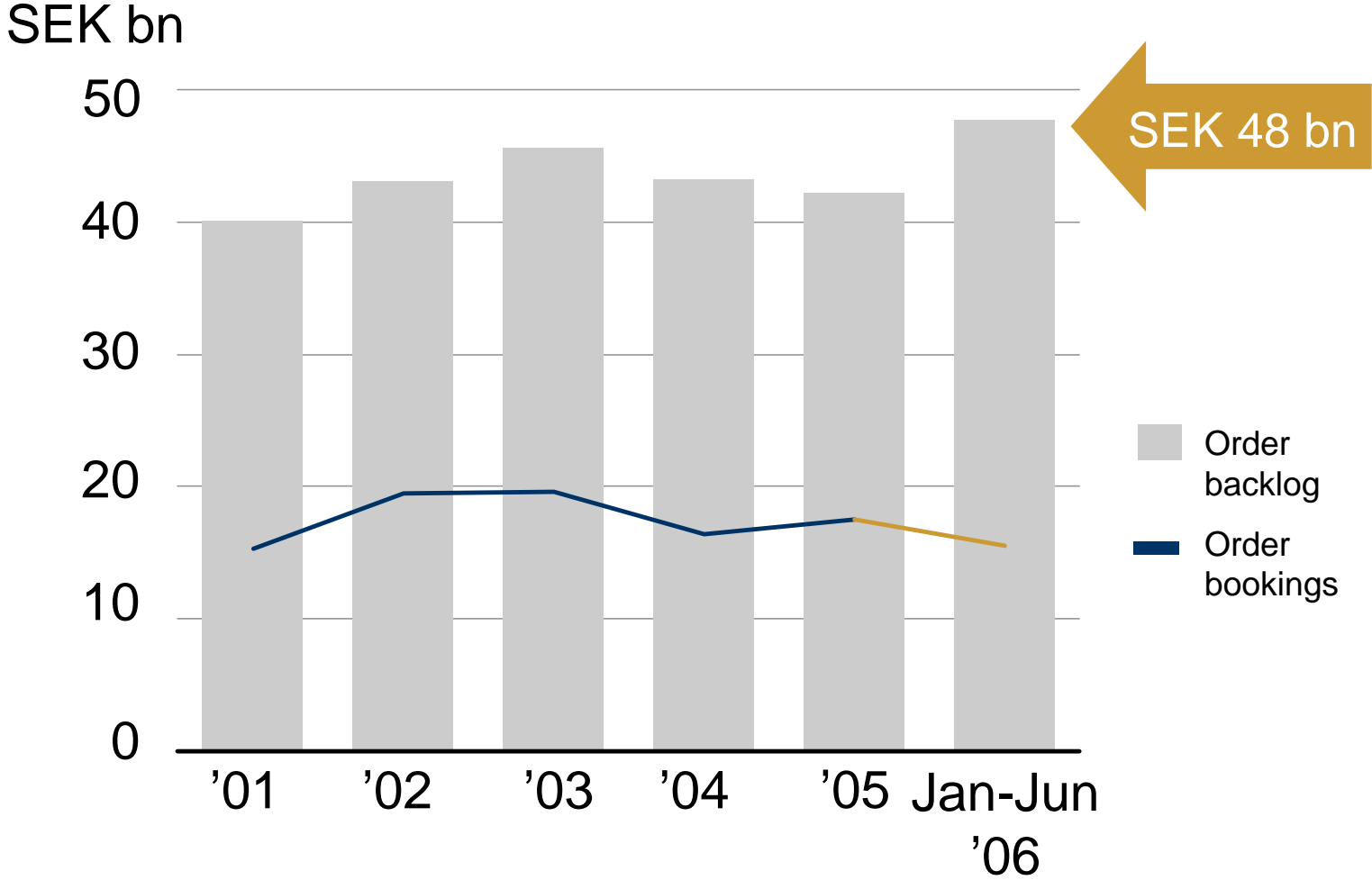
Telephone conference, Stockholm, July 14, 2006

Åke Svensson  
*President and CEO*

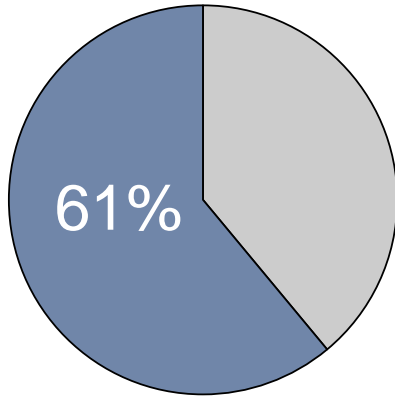
# January – June in brief

- Sales SEK 9,456 m. (8,433)
- Net income for the period SEK 729 m. (386)
- Earnings per share SEK 6.56 (3.52)
- Operating income SEK 953 m. (570),  
income after financial items SEK 936 m. (544)
- Order bookings SEK 15,580 m. (6,962)
- Order backlog SEK 48 billion (43)

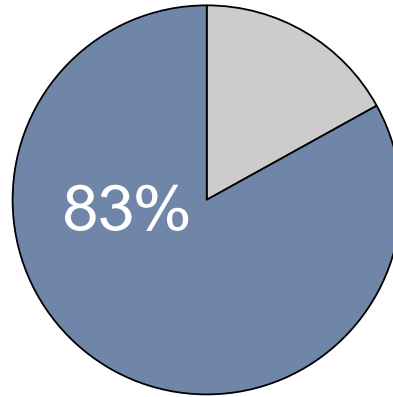
# Order backlog and order bookings



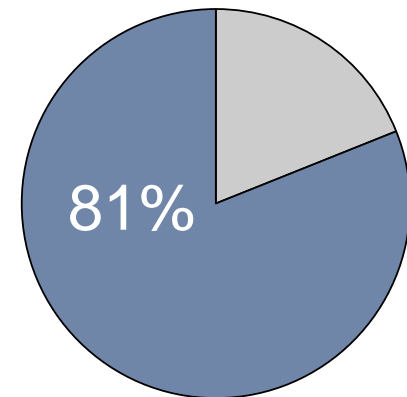
# Increasing international sales



Sales



Order bookings

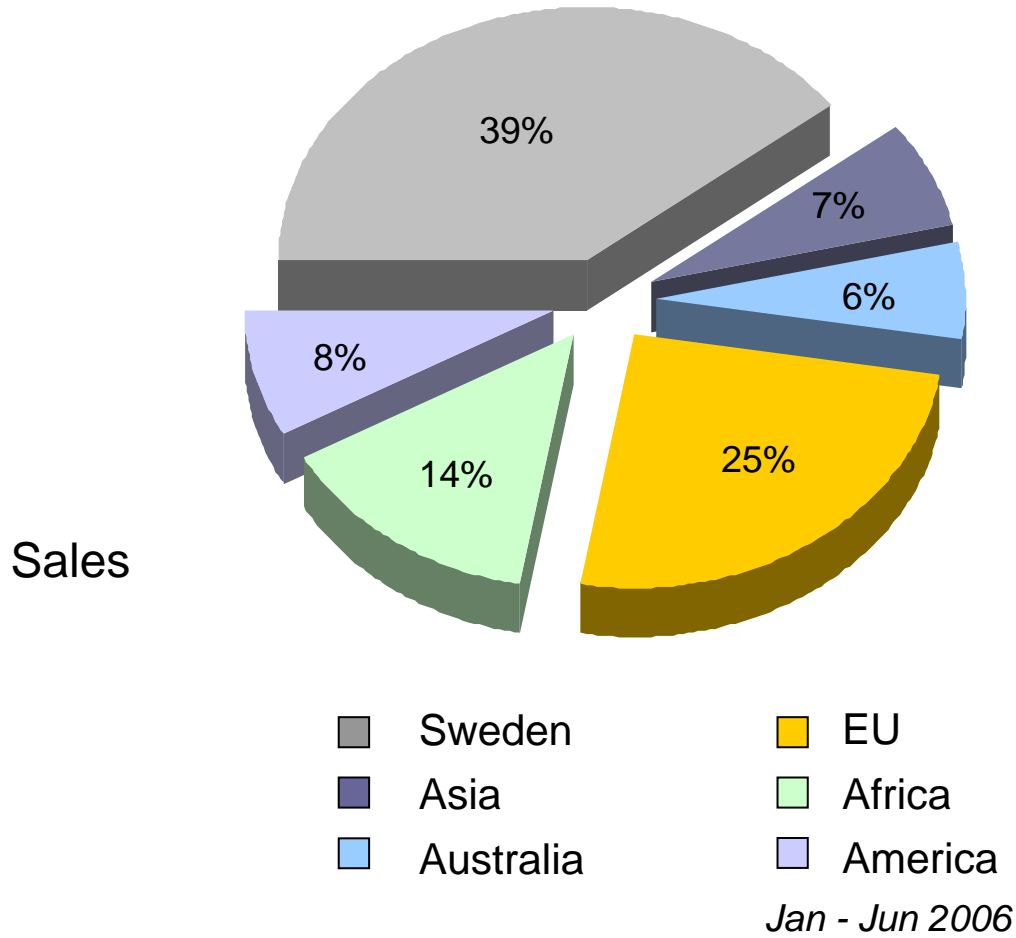


Order backlog

○ Sweden    ● International

*Jan - Jun 2006*

# Geographical markets



# Important acquisitions 2Q 2006

## **Ericsson Microwave Systems (EMW)**

- Total purchase price SEK 3.8 bn
- Ericsson's 40 percent in Saab Ericsson Space included
- EMW to be a fully integrated business unit within Saab, consolidated in the Systems and Products segment
- Pending authority approvals
- To be consolidated as of September

## **Saab and Denel to create a new aerostructures company in South Africa**

- Operations begin with 600 employees from Denel Aviation
- Initial 20% ownership, with option for majority ownership
- SEK 70 m. investment
- Management team from Saab Aerostructures
- Kjell Johnsson appointed managing director

## **Maersk Data Defence**

- Purchase price DKK 79 m. (preliminary)
- Communications and Command and control systems
- Sales DKK 187 m.
- 210 employees

# Important orders 2Q 2006

- Contract for airborne surveillance system to Pakistan has entered into force. Order booked in second quarter. Order value SEK 8.3 billion.
- Initial order worth USD 20 million from U.S. Army for ultra-lightweight camouflage net system (ULCANS). First award in 10-year contract potentially worth USD 1.8 billion, where each order is open to competition.
- Renewed contract with Airbus UK to supply ailerons for Airbus A318, A319, A320 and A321. Deal estimated at SEK 350 million.
- Saab Ericsson Space selected to supply onboard equipment for first four satellites for Europe's new satellite navigation system "Galileo". Total order value in this phase EUR 30 m.
- New five-year spares support agreement with Colgan Air for its fleet of 38 Saab 340A and 340B aircraft. Contract valued at over SEK 230 million.
- Saab Ericsson Space order for production of guidance computers and telemetry antennas for 25 Ariane launchers and for frequency converters for two telecommunication satellites being built by EADS Astrium. Total order value approximately SEK 140 million.
- Order from the Swedish Defence Material Administration (FMV) for continued development of the Gripen system valued at SEK 1 billion after conclusion of second quarter.

# January – June 2006 Financials

Telephone conference, Stockholm, July 14, 2006

Lars Wahlund  
*CFO*



# Order bookings and order backlog

	Order bookings 6 months	Order bookings 6 months	Order backlog
<b>SEK millions</b>	<b>2006</b>	<b>2005</b>	<b>June 30, 2006</b>
Defence & Security Solutions	11,901	3,863	13,366
Systems & Products	2,411	2,453	15,301
Aeronautics	1,947	918	20,438
Corporate	21	66	65
Internal	-700	-338	-1,510
<b>Saab Group</b>	<b>15,580</b>	<b>6,962</b>	<b>47,660</b>

# Sales

SEK millions	6 months 2006	6 months 2005	Change	2005	2004*
Defence & Security	3,672	2,861	28.3%	6,303	4,557
Systems & Products	3,361	3,420	-1.7%	7,397	6,826
Aeronautics	3,125	2,832	10.3%	6,775	6,796
Corporate	118	43		82	659
Internal	-820	-723		-1,243	-990
<b>Saab Group</b>	<b>9,456</b>	<b>8,433</b>	<b>12.1%</b>	<b>19,314</b>	<b>17,848</b>

\* Not restated to new organization

# Operating income, EBIT

SEK millions	6 months		6 months			
	2006	<i>margin</i>	2005	<i>margin</i>	2005	<i>margin</i>
Defence & Security	344	9.4%	288	10.1%	635	10.1%
Systems & Products	382	11.4%	387	11.3%	818	11.1%
Aeronautics	173	5.5%	-58	-2.0%	144	2.1%
Corporate	54		-47		55	
<b>Saab Group</b>	<b>953</b>	<b>10.1%</b>	<b>570</b>	<b>6.8%</b>	<b>1,652</b>	<b>8.6%</b>

# Operating income, EBIT excl. structural costs

SEK millions	6 months		6 months			
	2006	<i>margin</i>	2005	<i>margin</i>	2005	<i>margin</i>
Defence & Security	377	10.3%	318	11.1%	679	10.8%
Systems & Products	395	11.8%	396	11.6%	862	11.7%
Aeronautics	216	6.9%	21	0.7%	271	4.0%
Corporate	56		-47		161	
<b>Total</b>	<b>1,044</b>	<b>11.0%</b>	<b>688</b>	<b>8.2%</b>	<b>1,973</b>	<b>10.2%</b>
Structural costs	-91		-118		-321	
<b>Saab Group</b>	<b>953</b>	<b>10.1%</b>	<b>570</b>	<b>6.8%</b>	<b>1,652</b>	<b>8.6%</b>

# Income statement

SEK millions	6 months 2006	6 months 2005	2005	2004
<b>Sales</b>	<b>9,456</b>	<b>8,433</b>	<b>19,314</b>	<b>17,848</b>
Cost of goods sold	-7,106	-6,629	-15,003	-13,596
<b>Gross margin</b>	<b>2,350</b>	<b>1,804</b>	<b>4,311</b>	<b>4,252</b>
<i>Gross margin</i>	24.9%	21.4%	22.3%	23.8%
Other operating income	239	40	322	175
Marketing expenses	-693	-599	-1,203	-1,286
Administrative expenses	-579	-487	-1,132	-948
Research and development costs	-249	-187	-552	-388
Other operating expenses	-123	-40	-159	-27
Share in income of associated companies	8	39	65	75
<b>Operating income</b>	<b>953</b>	<b>570</b>	<b>1,652</b>	<b>1,853</b>
<i>Operating margin</i>	10.1%	6.8%	8.6%	10.4%
Result from financial investments	-17	-26	-101	-141
<b>Income after financial items</b>	<b>936</b>	<b>544</b>	<b>1,551</b>	<b>1,712</b>
Taxes	-207	-158	-352	-402
<b>Net income</b>	<b>729</b>	<b>386</b>	<b>1,199</b>	<b>1,310</b>
Earnings per share, SEK	6.56	3.52	10.89	11.78

# Balance sheet

SEK millions	June, 30 2006	Dec. 31 2005	Change
<b>Assets</b>			
Intangible fixed assets	3,335	3,222	113
Tangible fixed assets	4,136	4,208	-72
Lease assets	3,244	4,077	-833
Biological assets	209	217	-8
Investments properties	61	62	-1
Shares in associated companies	255	316	-61
Financial investments	117	128	-11
Long-term receivables	1,136	1,090	46
Deferred tax receivables	206	319	-113
<b>Total fixed assets</b>	<b>12,699</b>	<b>13,639</b>	<b>-940</b>
Inventories	4,293	3,962	331
Derivatives	496	434	62
Tax receivables	143	93	50
Accounts receivables	2,739	3,017	-278
Prepaid expenses and accrued income	812	608	204
Other receivables	2,877	2,578	299
Short-term investments	3,067	4,624	-1,557
Liquid assets	866	1,574	-708
<b>Total current assets</b>	<b>15,293</b>	<b>16,890</b>	<b>-1,597</b>
Assets held for sale	36	65	-29
<b>Total assets</b>	<b>28,028</b>	<b>30,594</b>	<b>-2,566</b>

# Balance sheet

SEK millions	June, 30 2006	Dec. 31 2005	Change
<b>Shareholders' equity and liabilities</b>			
Parent Company's shareholders' interest	9,233	9,179	54
Minority interest	290	314	-24
<b>Total shareholders' equity</b>	<b>9,523</b>	<b>9,493</b>	<b>30</b>
Long-term interest-bearing liabilities	725	739	-14
Lease obligations	318	665	-347
Other long-term liabilities	377	388	-11
Provision for pensions	433	2,939	-2,506
Other provisions	2,162	2,214	-52
Deferred tax liabilities	28	28	0
<b>Total long-term liabilities</b>	<b>4,043</b>	<b>6,973</b>	<b>-2,930</b>
Short-term interest-bearing liabilities	354	315	39
Advance payments from customers	3,177	3,528	-351
Accounts payable	1,043	1,263	-220
Lease obligations	697	858	-161
Derivatives	208	365	-157
Tax liabilities	184	167	17
Other liabilities	907	827	80
Accrued expenses and deferred income	7,324	6,152	1,172
Provisions	568	616	-48
<b>Total current liabilities</b>	<b>14,462</b>	<b>14,091</b>	<b>371</b>
Liabilities related to fixed assets held for sale	0	37	-37
<b>Total shareholders' equity and liabilities</b>	<b>28,028</b>	<b>30,594</b>	<b>-2,566</b>
Equity/assets ratio, %	34.0	31.0	

# Balance sheet, June 30, 2006, subdivided

SEK millions	Saab	Saab Aircraft Leasing	Eliminations	Saab Group
Intangible assets	3,335			3,335
Tangible assets	4,406			4,406
Lease assets		3,244		3,244
Long-term interest-bearing receivables	577			577
Shares, etc	1,844		-1,500	344
Deferred tax receivables	159	47		206
Inventories	4,289	4		4,293
Short-term interest-bearing receivables	65	98		163
Other assets	6,835	692		7,527
Cash and marketable securities	3,865	68		3,933
<b>Total assets</b>	<b>25,375</b>	<b>4,153</b>	<b>-1,500</b>	<b>28,028</b>
Shareholders' equity	9,481	1,542	-1,500	9,523
Provision for pensions	433			433
Other provisions	1,899	831		2,730
Deferred tax liabilities	28			28
Liabilities to credit institutions	1,079			1,079
Lease obligations		1,015		1,015
Advance payments from customers	3,177			3,177
Other liabilities	9,278	765		10,043
<b>Total shareholders' equity &amp; liabilities</b>	<b>25,375</b>	<b>4,153</b>	<b>-1,500</b>	<b>28,028</b>



# Summarised Cash flow January - June 2006

SEK millions	Actual	Saab	SAL	Divestments/ Investments
<b>Cash flow from operations</b>	<b>1,437</b>	<b>1,257</b>	<b>180</b>	<b>-</b>
Inventories	-488	-477	-11	-
Advances	-310	-310	-	-
Liabilities	1,075	1,225	-150	-
Lease obligations	-353	-	-353	-
Provisions	-77	-48	-29	-
Other assets	-1,098	-1,066	-32	-
<b>Change in working capital</b>	<b>-1,251</b>	<b>-676</b>	<b>-575</b>	<b>0</b>
Product development	-166	-166	-	-
Fixed assets	-171	-171	-	-
Leasing assets	302	-	302	-
Acquisitions	-73	-	-	-73
Divestments	680	43	17	620
<b>Cash flow from investments</b>	<b>572</b>	<b>-294</b>	<b>319</b>	<b>547</b>
<b>Operating cash flow</b>	<b>758</b>	<b>287</b>	<b>-76</b>	<b>547</b>

# Operating cash flow vs Statement of Cash flow

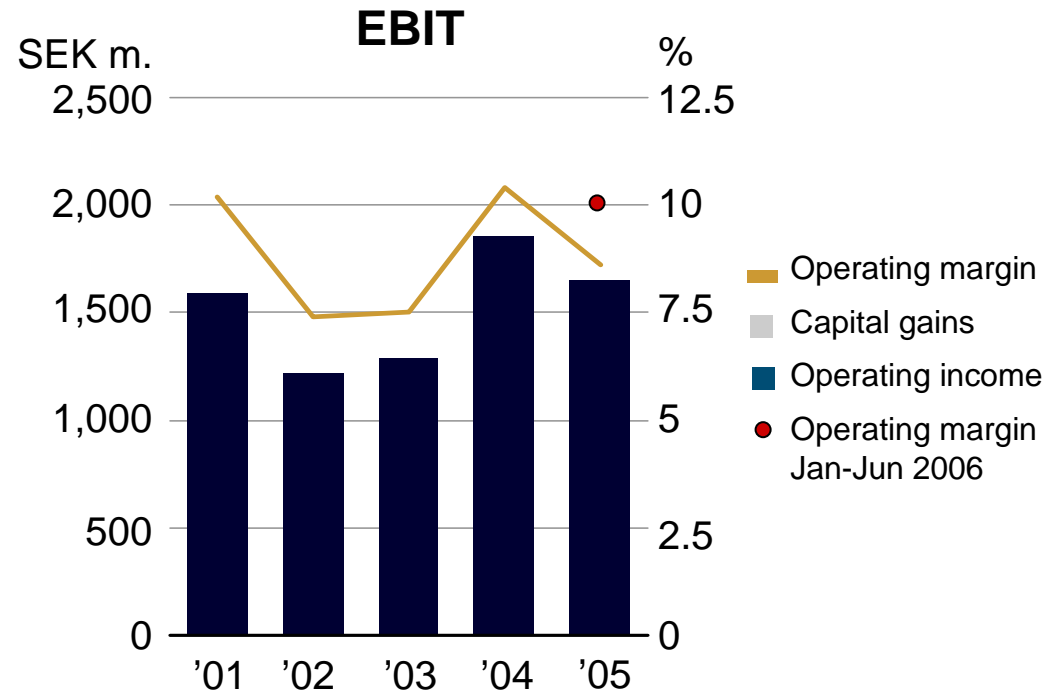
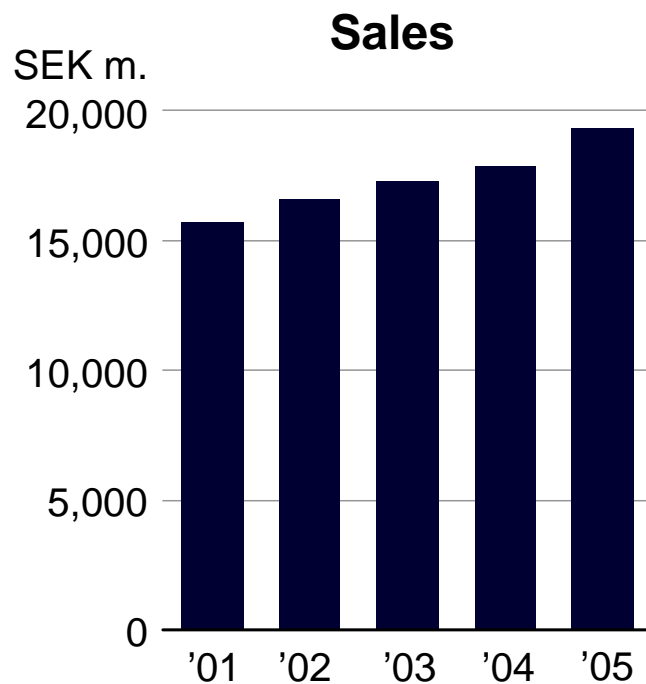
SEK millions	6 months 2006	6 months 2005	2005
<b>Operating cash flow</b>	<b>758</b>	<b>1,300</b>	<b>2,540</b>
<b>Cash flow from financing:</b>			
Pensions amortized and paid	-2,581	34	-95
Loans raised/amortized	70	217	-36
<b>Dividend</b>	<b>-437</b>	<b>-409</b>	<b>-413</b>
<b>Cash flow from investments –</b>			
<b>Interest bearing:</b>			
Short-term investments	1,731	135	-1,553
Financial investments	-189	-66	-47
<b>Statement of Cash flow</b>	<b>-648</b>	<b>1,211</b>	<b>396</b>

# Outlook and forecast

Telephone conference, Stockholm, July 14, 2006

Åke Svensson  
*President and CEO*

# Forecast 2006



- Long-term financial objectives remain unchanged: 5 percent organic growth and an operating margin of 10 percent
- Growth of nearly 10 percent expected in 2006, of which somewhat less than 5 percent organic. Remainder full-year effect of Grintek and acquisition of EMW.
- The underlying operating margin is expected to reach the 10-percent target before structural costs of approximately SEK 250 million

# Conclusions

- Successful 1st half of 2006
- Strategic acquisitions with major future potential
- Significant order bookings
- Record high order backlog
- Good profitability