



**SAAB**

# **INTERIM REPORT**

## JANUARY–JUNE

### 2010

# RESULTS AND SUMMARY JANUARY–JUNE 2010

## RESULTS JANUARY–JUNE 2010:

- Order bookings amounted to MSEK 10,516 (8,096) and the order backlog at the end of the period amounted to SEK 38.9 billion (42.4 billion)
- Sales decreased by 3 percent to MSEK 11,377 (11,695), also adjusted for exchange rate effects
- Gross income amounted to MSEK 2,712 (3,037), corresponding to a gross margin of 23.8 percent (26.0). Adjusted for non-recurring items, the gross margin was 24.4 percent (25.3)
- Operating income was MSEK 402 (622), corresponding to an operating margin of 3.5 percent (5.3). Adjusted for non-recurring items, the operating margin was 4.5 percent (4.9). Recurring figures included charges of MSEK 290, mainly related to a terminated contract in Security and Defence Solutions
- Net income was MSEK 246 (265), with earnings per share after dilution of SEK 2.25 (2.46)
- Operating cash flow amounted to MSEK 2,233 (-243)
- The outlook for 2010 has changed

## CHANGED OUTLOOK FOR 2010:

We remain cautious regarding order intake and foresee sales and profitability at about the same level as 2009.

Our long-term financial targets remain.

Previous outlook: We remain cautious regarding order intake and foresee sales on the same level as 2009. Due to the effect of continued business improvement activities we expect profitability to increase. Our long-term financial targets remain.

## FINANCIAL HIGHLIGHTS

MSEK	Jan–Jun 2010	Jan–Jun 2009	Change, %	Apr–Jun 2010	Apr–Jun 2009	Jan–Dec 2009
Order bookings	10,516	8,096	30	5,038	3,995	18,428
Order backlog	38,859	42,414	-8	-695 <sup>2)</sup>	-1,744 <sup>2)</sup>	39,389
Sales	11,377	11,695	-3	5,993	6,283	24,647
Operating income (EBIT)	402	622	-35	276	472	1,374
Operating margin, %	3.5	5.3		4.6	7.5	5.6
Adjusted operating margin, <sup>1)</sup> %	4.5	4.9		5.7	6.7	5.4
Net income	246	265	-7	174	292	699
Earnings per share before dilution, SEK	2.33	2.51		1.68	2.75	6.45
Earnings per share after dilution, SEK	2.25	2.46		1.62	2.69	6.28
Return on equity, <sup>3)</sup> %	6.5	-5.3				7.0
Operating cash flow	2,233	-243	-	2,306	213	1,447
Operating cash flow per share after dilution, SEK	20.46	-2.23		21.13	1.95	13.26
	-110	50		-68	50	50

<sup>1)</sup> Adjusted for non-recurring items impacting operating income, for more information see page 4

<sup>2)</sup> Refers to quarterly change

<sup>3)</sup> The return on equity is measured over a rolling 12-month period

## STATEMENT BY THE PRESIDENT AND CEO:

“Order bookings increased for several of our business areas during the first half-year, even though we still see some delays in customer decision making processes. Sales were at the expected level and the operating cash flow was strong as a result of our business activities being delivered according to plan.

Profitability was negatively impacted by a terminated contract in our civil security business and lower capacity utilization pending larger orders. As a consequence, we change our outlook for 2010. Previously we estimated profitability to increase compared to 2009, whereas now the profitability is expected to remain at about the same level as in 2009.

Our strategy, focusing on value creation by delivering on our strategic priorities to increase our market focus, create a more focused portfolio and more efficient operations, remain firm,” says President and CEO Åke Svensson.

As of 1 January 2010 Saab's operations are divided into five business areas for control and reporting purposes: Aeronautics, Dynamics, Electronic Defence Systems, Security and Defence Solutions and Support and Services.

In addition, Corporate comprises Group staff and departments and secondary operations. It also includes the leasing fleet of Saab 340 and Saab 2000 aircraft. As of 1 January 2010, Combitech is reported as part of Corporate.

MSEK	Jan–Jun 2010	Jan–Jun 2009	Change, %	Apr–Jun 2010	Apr–Jun 2009	Jan–Dec 2009
Order bookings*	10,516	8,096	30	5,038	3,995	18,428
Order backlog	38,859	42,414	-8	-695 <sup>1)</sup>	-1,744 <sup>1)</sup>	39,389
Sales	11,377	11,695	-3	5,993	6,283	24,647

<sup>1)</sup> Refers to quarterly change.

\*See note 3, page 28, for more information about the order intake during Jan–June 2010.

## ORDERS, SALES AND INCOME

### Orders

#### Second quarter 2010

Order bookings for the second quarter amounted to MSEK 5,038 (3,995) and included an order from the Swedish Defence Materiel Administration (FMV) for a Tactical Unmanned Aerial Vehicle system (TUAV), orders for the Carl-Gustaf man-portable weapon system as well as components of the system. Orders from FMV to develop an avionics system for the Swedish Armed Forces' Gripen aircraft and for the continuous support of Gripen's operational capacity were received. Following the contract recently signed between Kockums and FMV for next-generation submarines, an order was received from Kockums AB for overall design of the combat management system as well as solutions for integrating the system. An order was also received for an upgrade of the combat management and fire control systems for the Finnish Navy's Rauma class missile boats. An order from the Australian Defence Material Organisation (DMO) for provision of the Giraffe AMB radar system and related services was also received in the period and a contract signed within the civil security area was a significant breakthrough for Saab's security solutions in the central European market.

Orders of about MSEK 220 were cancelled within Security and Defence Solutions as a result of a terminated civil security contract.

#### January–June 2010

In addition to the orders mentioned above, the first half-year included a contract for further deliveries of the RBS 70 ground-based air defence system to the Finnish Army and orders from FMV for development of the existing Gripen fleet, system maintenance of Gripen and the upgrade and further development of Gripen's reconnaissance system. A support contract was signed covering the maintenance and support of delivered training systems used by the British Army.

In all, 90 percent of order bookings (79) is attributable to defence-related operations and 42 percent (51) is from customers outside Sweden.

Index and price changes had no significant effect on order bookings in the period. During the first half-year 2009 index and price changes had a positive effect of approximately MSEK 500.

Orders received where the order sum was more than MSEK 100 represented 57 percent (40) of total order bookings.

The order backlog at the end of the period was MSEK 38,859 (42,414), compared to MSEK 39,389 at the beginning of the year.

#### ORDER BACKLOG DURATION:

2010: SEK 10.6 billion  
 2011: SEK 12.5 billion  
 2012: SEK 6.3 billion  
 2013: SEK 3.5 billion  
 After 2013: SEK 6.0 billion

#### THE ORDER BACKLOG PRIMARILY INCLUDES:

- Gripen to Sweden and on export
- Structures and subsystems for the aircraft producers Airbus and Boeing
- Airborne early warning systems
- Active and passive countermeasure systems
- Missile systems for air, sea and land
- Anti-tank systems
- Command and control, avionics and fire control systems
- Radar systems
- Civil security solutions

**Sales**

**Second quarter 2010**

Sales were not significantly impacted by exchange rate effects during the period.

Approximately two percentage points of the sales decrease in the second quarter 2010 compared to 2009 was an effect of lower revenue recognition for the terminated contract in Security and Defence Solutions.

**January–June 2010**

Sales were not significantly impacted by exchange rate effects during the period.

Approximately one percentage point of the sales decrease in the first half-year 2010 compared to 2009 was an effect of lower revenue recognition for the terminated contract in Security and Defence Solutions.

Sales in markets outside Sweden amounted to MSEK 6,858 (7,979), or 60 percent (68) of total sales.

Of sales, 84 percent (87) was related to the defence market.

**TOTAL SALES BY REGION**

MSEK	Jan–June 2010	Jan–June 2009
Sweden	4,519	3,716
EU excluding Sweden	2,201	2,612
Rest of Europe	172	144
Americas	1,063	872
Asia	1,688	2,334
Africa	1,264	1,603
Australia, etc.	470	414
<b>Total</b>	<b>11,377</b>	<b>11,695</b>

**TOTAL SALES BY MARKETS**

MSEK	Jan–June 2010	Jan–June 2009
Air	5,084	5,780
Land	3,405	3,214
Naval	1,018	1,007
Civil Security	693	740
Commercial Aeronautics	663	416
Other	514	538
<b>Total</b>	<b>11,377</b>	<b>11,695</b>

As of 1 January 2010, Joint Operations are no longer reported as a separate market area.

**Income, margin and profitability**

**Second quarter 2010**

The gross margin amounted to 24.0 percent (26.6). Adjusted for non-recurring items, the gross margin was 24.5 percent (25.4).

Operating income in the second quarter amounted to MSEK 276 (472), corresponding to an operating margin of 4.6 percent (7.5). Adjusted for non-recurring items the operating margin was 5.7 percent (6.7).

Recurring figures included a provision of MSEK 150 related to a terminated contract in Security and Defence Solutions that impacted profitability negatively in the second quarter.

Within Electronic Defence Systems a claim related to a finalized project where Saab has reduced its estimated risk share impacted profitability positive.

**January–June 2010**

The gross margin amounted to 23.8 percent (26.0). Adjusted for non-recurring items, the gross margin was 24.4 percent (25.3).

Operating income in the first half-year amounted to MSEK 402 (622), corresponding to an operating margin of 3.5 percent (5.3). Adjusted for non-recurring items, the operating margin was 4.5 percent (4.9).

MSEK	Jan–Jun 2010	Jan–Jun 2009	Change, %	Apr–Jun 2010	Apr–Jun 2009	Jan–Dec 2009
Gross income	2,712	3,037	-11	1,441	1,672	6,137
Gross margin, %	23.8	26.0		24.0	26.6	24.9
Adjusted gross margin*, %	24.4	25.3		24.5	25.4	24.6
Internally funded investments in research and development	522	558	-6	237	283	1,194
Operating income before depreciation/amortisation and write-downs (EBITDA)	998	1,213	-18	564	778	2,598
Margin, %	8.8	10.4		9.4	12.4	10.5
Operating income (EBIT)	402	622	-35	276	472	1,374
Operating margin, %	3.5	5.3		4.6	7.5	5.6
Adjusted operating margin*, %	4.5	4.9		5.7	6.7	5.4
Income before tax (EBT)	310	363	-15	211	400	976
Net income	246	265	-7	174	292	699
Earnings per share before dilution, SEK	2.33	2.51		1.68	2.75	6.45
Earnings per share after dilution, SEK	2.25	2.46		1.62	2.69	6.28

\*See page 4 for more information about non-recurring items.

Recurring figures included provisions of MSEK 290, related to projects in Security and Defence Solutions, that impacted profitability negatively in the period.

Within Electronic Defence Systems a claim related to a finalized project where Saab has reduced its estimated risk share impacted profitability positive.

Internally funded investments in research and development amounted to MSEK 522 (558), of which a total of MSEK 20 (47) has been capitalised. Amortisation and write-down of intangible fixed assets amounted to MSEK 434 (421) in the period, of which amortisation and write-down of capitalised development costs amounted to MSEK 349 (330).

Depreciation and write-down of tangible fixed assets amounted to MSEK 162 (170), while depreciation of the leasing fleet

amounted to MSEK 76 (96).

The Billion+ programme is progressing according to plan. In the first half-year 2010, the cost reductions contributed about 2 percentage points to the reported operating margin (see page 13 for more information).

The share of income in associated companies, MSEK -9 (-53), primarily relates to net income in Hawker Pacific and associated companies in the venture portfolio.

Net financial income and expenses amounted to MSEK -92 (-259), of which project interest from unutilised advance payments reduced financial income by MSEK -7 (-26), while also reducing the cost of goods sold correspondingly. Net interest items for the Group amounted to MSEK -25 (-32).

Currency gains of MSEK 41 (-142) related to the tender portfolio. Other net interest items amounted to MSEK -101 (-59)

and mainly consisted of amortisation of actuarial losses for pensions and exchange rate effects and a reversal of a provision for a capital contribution to an associated company.

Current and deferred taxes during the period amounted to MSEK -64 (-98), or an effective tax rate of 21 percent (27). The low tax rate compared to normal effective rate is an effect of tax-exempt income.

The pre-tax return on capital employed was 9.5 percent (-1.0) and the after-tax return on equity was 6.5 percent (-5.3), both measured over a rolling 12-month period.

MSEK	Jan–Jun 2010	Jan–Jun 2009	Apr–Jun 2010	Apr–Jun 2009	Jan–Dec 2009
<b>NON-RECURRING ITEMS</b>					
<b>Non-recurring items impacting gross income</b>					
Structural costs	-67	-75	-25	-75	-275
Revaluation of remaining risks in regional aircraft portfolio		150		150	350
<b>Additional non-recurring items impacting operating income</b>					
Structural costs	-33	-25	-33	-25	-25
Results from divestments	-10		-10		
<b>TOTAL NON-RECURRING ITEMS</b>	<b>-110</b>	<b>50</b>	<b>-68</b>	<b>50</b>	<b>50</b>

## BALANCE SHEET KEY INDICATORS

MSEK	30 June 2010	31 Dec 2009	Change	30 June 2009
Net liquidity/debt (-) <sup>1)</sup>	1,359	-634	1,993	-2,157
Intangible fixed assets	6,742	7,108	-366	7,532
Goodwill	3,484	3,457	27	3,472
Capitalised development costs	2,718	3,038	-320	3,379
Other intangible fixed assets	540	613	-73	681
Tangible fixed assets, etc. <sup>2)</sup>	5,043	4,919	124	5,544
Inventories	4,942	4,698	244	4,969
Accounts receivable	2,393	2,837	-444	3,689
Accrued revenues <sup>3)</sup>	2,437	3,010	-573	3,482
Advance payments	564	442	122	890
Equity/assets ratio (%)	37.7	35.1		30.0
Return on equity <sup>4)</sup> (%)	6.5	7.0		-5.3
Equity per share before dilution, SEK	102.02	91.83	10.19	99.91

<sup>1)</sup> 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.

<sup>2)</sup> Including tangible fixed assets, lease assets, biological assets and investment properties.

<sup>3)</sup> Amounts due from customers (long-term customer contracts according to the percentage of completion method).

<sup>4)</sup> The return on equity is measured over a rolling 12-month period.

## FINANCIAL POSITION AND LIQUIDITY

### Financial position

Since the start of 2010, the net cash position has increased by MSEK 1,993 to MSEK 1,359 at the end of the period. The increase is related to positive operating cash flow in the second quarter.

Intangible assets have decreased due to amortisation of capitalised product development in combination with lower capitalisation of development costs as of 2009. As of 1 January, 2009, Saab changed its view on the application of the accounting principles for development costs. As a result of this more conservative view, development costs are now capitalised at a later stage in all projects and all development costs on the balance sheet are amortised over not more than ten years.

Inventories increased during the period due to delivery preparations for major projects and delays in a few projects. Inventories are recognised after deducting utilised

advances. Other receivables mainly relate to accrued revenues (after deducting utilised advances).

Provisions for pensions amounted to MSEK 4 (4). During the first half-year 2010, the Saab Pension Fund was capitalised with a total of MSEK 70 (59). The purpose of the fund is to secure defined-benefit pension plans. The market value of the Saab Pension Fund was MSEK 3,664 (3,196) at the end of the period, compared to an obligation of MSEK 5,107 (4,525) according to IAS 19. The solvency margin was 72 percent (71). In a comparison with the obligation according to the FPG/PRI system, the solvency margin was 92 percent (85).

### Cash flow

Operating cash flow amounted to MSEK 2,233 (-243) in the first half-year and was distributed between cash flow from core operating activities of MSEK 2,118 (-413), acquisitions and divestments of subsidiaries

and associated companies of MSEK 133 (-57) and the regional aircraft business of MSEK -18 (227). Cash flow from operating activities improved mainly as an effect of several milestone payments that were received during the period and a continued focus on collecting receivables.

During the third quarter 2009, Saab launched an accounts receivable sales programme to strengthen its financial position and increase financial flexibility. The accounts receivables sold are in most cases related to customers with high credit worthiness and one hundred percent of the value of the receivables is sold at attractive funding levels. As per 30 June, receivables of MSEK 734 were sold, compared to MSEK 411 at 31 March 2010 and MSEK 789 at 31 December 2009.

In Aeronautics, some projects will enter into final stages of completion during the second half-year of 2010. This will lead to a reduction of customer advances and a lower cash flow generation in the period.

## ACQUISITIONS AND DIVESTMENTS

In May 2010, Saab divested a property holding company, Saab Bofors Industrier AB. The price was MSEK 133, which impacted cash flow positively. The transaction generated a capital gain of MSEK 12 in the first half-year.

In May 2010, Saab acquired the remaining 66.7 percent of the shares in the associated company OPAX AS in Norway. The purchase price was MNOK 0.1. The purchase agreement contains a supplemental purchase price estimated at MNOK 15. The surplus value of MNOK 15 is allocated to goodwill. The acquisition has a marginal effect on future sales and income.

In June 2010, Saab divested all the shares in the associated company EURENCO S.A. (19.9 percent) to the majority owner of the company. The transaction had no effect on the net liquidity and generated no capital gain or loss.

In June, Saab divested 25 percent of the votes, corresponding to five percent of the capital, in Saab South Africa (Pty) Ltd to the South African holding company Sekunjalo Investment Ltd. Based on the company's performance, the buyer will over time be entitled to increase its share of the capital up to maximum 25 percent. The transaction generated a capital loss of MSEK 22.

No other significant acquisitions or divestments were made during the period.

#### **CAPITAL EXPENDITURES AND PERSONNEL**

##### **Capital expenditures**

Gross capital expenditures in property, plant and equipment, excluding lease assets, amounted to MSEK 105 (111).

Investments in intangible assets amounted to MSEK 30 (58) and related primarily to capitalised product development.

##### **Personnel**

At the end of the first half-year 2010, the Group had 12,844 employees, compared to 13,159 at the beginning of 2010. The amount of FTE's (Full Time Equivalent) at the end of the period was 12,357, compared to 12,737 at the beginning of the year.

On 19 January, Saab served notice to 115 factory employees at Saab AB in Linköping, Sweden, as a result of continued streamlining measures and synergies within the Aeronautics business area. Structural costs of approximately MSEK 30 were booked during the first quarter 2010.

On 8 March, Saab announced that Saab Bofors Dynamics will be giving notice to 70 employees in Karlskoga, Sweden, as a result of low order volumes. No structural costs were announced as a result of this measure.

#### **RISKS AND UNCERTAINTIES**

Saab's operations primarily involve the development, production and supply of technologically advanced hardware and software to customers around the world. The international part of the business is growing.

Projects generally entail significant investments, long periods of time and technological development or refinement of the product. 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 significant risk-taking in various respects. The key risk areas are

political, operating and financial risks. Various policies and instructions govern the management of significant risks.

Saab conducts significant development projects and manages the associated risks.

For a general description of the risk areas for 2010, see pages 52-55 of the annual report for 2009.

Earlier this year, Saab was informed by the Maritime and Commercial Court in Copenhagen that a judgement would be issued in June 2010 in a case related to the DACCIS Command and Control System, sold to the Danish Defence Acquisition and Logistics Organization (FMT). The judgement issuance date has been delayed to August 2010.

More information about this can be found in Note 12 on page 31 of this report.

#### IMPORTANT EVENTS JANUARY – MARCH 2010

- Åke Svensson announced that he is resigning as President and CEO of Saab. He has been appointed President of the Association of Swedish Engineering Industries and takes up his new position on 1 September, 2010, until which he will remain as President and CEO of Saab.
- Ahead of the Annual General Meeting 2010, Saab announced that the nomination committee had recommended that Joakim Westh, Cecilia Stegö Chilò and Johan Forssell for election to the Board of Directors. Marcus Wallenberg, Erik Belfrage, Sten Jakobsson, George Rose, Per-Arne Sandström, Åke Svensson and Lena Treschow Torell were recommended for re-election. Marcus Wallenberg was recommended as Chairman of the Board. Lennart Johansson, Peter Nygårds and Michael J. O'Callaghan declined re-election.
- During the the first quarter a provision of MSEK 140 was recorded in Security and Defence Solutions to cover for higher estimated costs to complete deliveries. It was mainly related to a a contract signed with OKG Aktiebolag in March 2008, with an order sum of MSEK 392, covering the supply of physical security for the Oskarshamn nuclear power station as a general contractor. In addition, a write-down of capitalised development costs of MSEK 20 was made.

#### IMPORTANT EVENTS APRIL – JUNE 2010

- Håkan Buskhe was appointed as the new President and CEO of Saab and will take office on 1 September 2010. He is currently the CEO of E.ON Sweden and President of E.ON Nordic, with operations in the Nordic countries and Poland.
- A contract with OKG Aktiebolag covering the supply of physical security for the Oskarshamn nuclear power station as a general contractor was terminated. A charge of MSEK 150 was reserved in the second quarter of 2010 to cover costs relating to the terminated contract.
- On request by shareholders, 3,347,180 A-shares in Saab AB were converted into B-shares. Through the conversion the total voting rights in the company have been reduced from 156,439,071 to 126,314,451. Saab AB has a total of 109,150,344 registered shares, of which, 1,907,123 A-shares and 107,243,221 B-shares.
- A new strategic partner to Saab AB that takes up a shareholding position in Saab South Africa (Pty) Ltd, Investment holding company Sekunjalo Investment Ltd led by Chairman Dr M. Iqbal Survé, was announced.

#### IMPORTANT EVENTS AFTER THE CONCLUSION OF THE PERIOD

- A contract was signed for multispectral camouflage products and services. The order has a total value of approximately MSEK 670 and will be delivered over four years.

For information on major orders received during January–June 2010 see page 2, the business area comments on pages 8–12 and note 3 on page 28.

**AERONAUTICS**

MSEK	Jan–June 2010	Jan–June 2009	Change, %	Apr–June 2010	Apr–June 2009	Jan–Dec 2009
Order bookings	3,529	1,468	140	1,447	378	3,417
Order backlog	15,603	17,179	-9	-252 <sup>2)</sup>	-1,601 <sup>2)</sup>	15,476
Sales	3,401	3,956	-14	1,698	2,113	7,571
Operating income before depreciation/amortisation and write-downs (EBITDA)	194	82	137	80	17	255
Margin, %	5.7	2.1		4.7	0.8	3.4
Operating income/loss (EBIT)	71	-41	-	18	-44	6
Operating margin, %	2.1	-1.0		1.1	-2.1	0.1
Adjusted operating margin, <sup>1)</sup> %	4.6	1.5		3.6	2.7	1.4
Operating cash flow	262	-475	-	295	-165	-434
Defence/Civil (% of sales)	89/11	93/7		91/9	94/6	91/9
No. of employees	2,941	3,065	-4	-47 <sup>2)</sup>	-26 <sup>2)</sup>	3,015

<sup>1)</sup> Non-recurring items

Structural costs

-85      -100      -43      -100      -100

<sup>2)</sup> Refers to quarterly change

For a description of business area activities, see note 3.

**HIGHLIGHTS**
**ORDERS RECEIVED**

- Orders received in the first half-year 2010 included orders from FMV concerning development of the Gripen existing fleet, system maintenance of Gripen, an upgrade and further development of Gripen's reconnaissance system, development of avionics system for Gripen, continuous support of Gripen's operational capabilities and an order for a tactical unmanned Aerial vehicle system (TUAV).
- Orders received where the order sum were more than MSEK 100 represented 91 percent (72) of total order bookings.

**SALES**

- Sales in the first half-year of 2010 decreased by 14 percent compared to 2009. The decrease is mainly related to lower project activity levels in major orders, such as the Gripen aircraft deliveries to Thailand and South Africa, compared to last year.
- Markets outside Sweden accounted for 46 percent (64) of sales in the first half-year 2010.

**INCOME AND MARGIN**

- Profitability in the first half-year 2010 improved compared to the same period in 2009 due to a more favourable projectmix and good results from the reorganisation within Aeronautics during 2009 as well as the effects of the Billion+ programme.

**CASH FLOW**

- Operating cash flow in the first half-year 2010 improved mainly as a result of advances received in major projects.
- During the second half-year of 2010 some projects will near completion, which will lead to a reduction of customer advances and a lower cash-flow generation in the period.

**EMPLOYEES**

- The Aeronautics business area was reorganised in 2009. As a consequence, Saab served notice of lay-offs to 300 employees at Saab AB in Linköping, Sweden on 24 April 2009. The remaining structural cost related to this reorganisation of about MSEK 50 will be recorded in 2010 and 2011.
- As a result of continued streamlining measures and synergies within the Aeronautics business area, Saab announced it will serve notice to 115 factory employees at Saab AB in Linköping on 19 January 2010. Structural costs were estimated at MSEK 30 and were booked during the first quarter 2010.

## DYNAMICS

MSEK	Jan–June 2010	Jan–June 2009	Change, %	Apr–June 2010	Apr–June 2009	Jan–Dec 2009
Order bookings	1,760	1,789	-2	1,126	820	3,133
Order backlog	6,597	8,103	-19	-26 <sup>2)</sup>	-344 <sup>2)</sup>	6,980
Sales	2,153	2,155	-	1,167	1,150	4,580
Operating income before depreciation/amortisation and write-downs (EBITDA)	337	259	30	213	141	466
Margin, %	15.7	12.0		18.3	12.3	10.2
Operating income (EBIT)	259	169	53	174	94	269
Operating margin, %	12.0	7.8		14.9	8.2	5.9
Adjusted operating margin, <sup>1)</sup> %	11.5	7.8		13.9	8.2	9.8
Operating cash flow	590	-75	-	601	-178	369
Defence/Civil (% of sales)	94/6	90/10		95/5	90/10	91/9
No. of employees	1,614	1,781	-9	-68 <sup>2)</sup>	-24 <sup>2)</sup>	1,739

<sup>1)</sup> Non-recurring items

Structural costs for lay-offs

Results from divestments

12

12

-180

<sup>2)</sup> Refers to quarterly change

For a description of the business area activities, see note 3.

## HIGHLIGHTS

### ORDERS RECEIVED

- Orders received in the first half-year 2010 included an order for the air defence system RBS 70 from Finland. Two contracts were signed for components to the Carl-Gustaf man-portable weapon system and one order was received for delivery of the Carl-Gustaf man-portable weapon system.
- Orders received where the order sum was more than MSEK 100 represented 68 percent (28) of total order bookings.

### SALES

- Sales were flat mainly as a result of continued delivery delays and a lower order intake in 2009.
- Markets outside Sweden accounted for 74 percent (87) of sales in the first half-year 2010.

### INCOME AND MARGIN

- Profitability in the first half-year 2010 increased as a result of more efficient operations and the effects from the Billion+ programme.
- A property holding company was divested in the period for MSEK 133, which impacted cash flow positively. The transaction generated a capital gain of MSEK 12.

### CASH FLOW

- Operating cash flow in the first half-year 2010 was positive due to deliveries and major milestone payments during the second quarter.

### EMPLOYEES

- On 8 March 2010, Saab announced that it will serve notice of 70 redundancies in Karlskoga, Sweden, due to reduced order volumes. Those affected are employed under a collective agreement and work with support weapons. This downsizing will be made in 2010. No structural costs were announced as a result of this measure.
- The number of employees decreased in the period mainly as a result of lay-offs announced in June 2009.

**ELECTRONIC DEFENCE SYSTEMS**

MSEK	Jan–June 2010	Jan–June 2009	Change, %	Apr–June 2010	Apr–June 2009	Jan–Dec 2009
Order bookings	1,849	1,002	85	748	599	2,625
Order backlog	6,906	8,374	-18	-369 <sup>1)</sup>	-401 <sup>1)</sup>	7,159
Sales	2,099	2,087	1	1,159	1,099	4,670
Operating income before depreciation/amortisation and write-downs (EBITDA)	413	342	21	242	191	551
Margin, %	19.7	16.4		20.9	17.4	11.8
Operating income (EBIT)	151	75	101	114	48	24
Operating margin, %	7.2	3.6		9.8	4.4	0.5
Operating cash flow	327	168	95	-48	-165	506
Defence/Civil (% of sales)	99/1	99/1		99/1	98/2	99/1
No. of employees	2,527	2,632	-4	-26 <sup>1)</sup>	17 <sup>1)</sup>	2,601

<sup>1)</sup> Refers to quarterly change

For a description of the business area activities, see note 3.

**HIGHLIGHTS**

**ORDERS RECEIVED**

- Orders received during the first half-year 2010 increased strongly as a result of the orders received from FMV for the development of the Gripen aircraft. This includes further adjustments to improve Gripen's operational capabilities, such as the upgrade and further development of its reconnaissance system. An order from the Australian Defence Materiel Organisation (DMO) for provision of the Giraffe AMB radar system and related services was also received in the period.
- Orders received where the order sum was more than MSEK 100 represented 36 percent (18) of total order bookings.

**SALES**

- Sales in the first half-year of 2010 increased slightly as a result of high project activity levels in major projects.
- Markets outside Sweden accounted for 62 percent (67) of sales during the first half-year 2010.

**INCOME AND MARGIN**

- In the first half-year 2010 profitability improved as a result of a claim related to a finalized project where Saab has reduced its estimated risk share.

**CASH FLOW**

- Operating cash flow improved in the first half-year, but was negative in the second quarter due to delays related to important project deliveries.

**EMPLOYEES**

- The number of employees decreased as a result of the Billion+ programme.

**SECURITY AND DEFENCE SOLUTIONS**

MSEK	Jan–June 2010	Jan–June 2009	Change, %	Apr–June 2010	Apr–June 2009	Jan–Dec 2009
Order bookings	1,708	2,742	-38	788	1,233	6,045
Order backlog	7,109	7,944	-11	-477 <sup>2)</sup>	268 <sup>2)</sup>	7,746
Sales	2,627	2,399	10	1,427	1,339	5,800
Operating income before depreciation/amortisation and write-downs (EBITDA)	-137	155	-	-84	118	397
Margin, %	-5.2	6.5		-5.9	8.8	6.8
Operating income (EBIT)	-202	105	-	-106	94	278
Operating margin, %	-7.7	4.4		-7.4	7.0	4.8
Adjusted operating margin, <sup>1)</sup> %	-7.1	4.4		-6.4	7.0	4.8
Operating cash flow	688	370	86	703	563	-217
Defence/Civil (% of sales)	70/30	68/32		74/26	70/30	67/33
No. of employees	2,564	2,518	2	1 <sup>2)</sup>	56 <sup>2)</sup>	2,568

<sup>1)</sup> Non-recurring items

Structural cost

-15

-15

<sup>2)</sup> Refers to quarterly change

For a description of the business area activities, see note 3.

**HIGHLIGHTS**

**ORDERS RECEIVED**

- Orders received in the first half-year 2010 decreased compared to the same period of 2009 and included an order for maintenance and support of a combat training system from the British Army, an order within the civil security area and an order from Kockums AB for the overall design of the combat management system as well as solutions for integrating the system aboard next-generation submarines for Sweden. An order was also received for an upgrade of the combat management and fire control systems for the Finnish Navy's Rauma class missile boats.
- The first half-year 2009 contained major order bookings in the area of civil security of about MSEK 900 which were not repeated in 2010.
- Orders of about MSEK 220 were cancelled during the period as a result of the terminated contract with OKG Aktiebolag.
- Orders received where the order sum was more than MSEK 100 represented 33 percent (47) of total order bookings.

**SALES**

- Sales rose in the first half-year as a result of an increase in project activity levels, mainly related to orders received in 2009. In particular Training and Simulation continued to deliver good sales development.
- Sales decreased with about MSEK 100 in the first half-year 2010 compared to 2009 as an effect of lower revenue recognition for the terminated contract with OKG Aktiebolag.

- Markets outside Sweden accounted for 75 percent (71) of sales during the first half-year 2010.

**INCOME AND MARGIN**

- During the first half-year 2010, profitability was negatively impacted by costs mainly related to a terminated contract. In the first quarter, a provision of MSEK 140 was recorded to cover higher estimated costs to complete deliveries. It mainly related to a contract with OKG Aktiebolag within the civil security business. This contract, originally signed in March 2008, with an order sum of MSEK 392, covered the supply of physical security for Oskarshamn nuclear power station as a general contractor, was terminated in the second quarter. A further charge of MSEK 150 was recorded in the second quarter to cover costs relating to the termination. In addition, a write-down of capitalised development costs of MSEK 20 was made in the first half-year.

**CASH FLOW**

- Operating cash flow improved due to milestone payments received.

**SUPPORT AND SERVICES**

MSEK	Jan–June 2010	Jan–June 2009	Change, %	Apr–June 2010	Apr–June 2009	Jan–Dec 2009
Order bookings	1,887	1,469	28	963	849	4,057
Order backlog	4,339	3,143	38	143 <sup>2)</sup>	-119 <sup>2)</sup>	4,011
Sales	1,577	1,780	-11	834	966	3,564
Operating income before depreciation/amortisation and write-downs (EBITDA)	183	223	-18	123	116	426
Margin, %	11.6	12.5		14.7	12.0	12.0
Operating income (EBIT)	175	215	-19	119	112	410
Operating margin, %	11.1	12.1		14.3	11.6	11.5
Adjusted operating margin, <sup>1)</sup> %	11.1	12.1		14.3	11.6	12.1
Operating cash flow	406	-88	-	156	-148	81
Defence/Civil (% of sales)	75/25	70/30		74/26	73/27	77/23
No. of employees	1,763	1,765	-	-5 <sup>2)</sup>	-31 <sup>2)</sup>	1,749

<sup>1)</sup> Non-recurring items

Structural costs for lay-offs

-20

<sup>2)</sup> Refers to quarterly change

For a description of the business area activities, see note 3.

**HIGHLIGHTS**

**ORDERS RECEIVED**

- Orders received in the first half-year 2010 increased, driven by smaller and mid-sized orders received in Sweden and other regions.
- Orders received where the order sum was more than MSEK 100 represented 17 percent (17) of total order bookings.

**SALES**

- Sales in the first half-year 2010 decreased as a result of lower activity levels in major projects.
- Markets outside Sweden accounted for 28 percent (26) of sales during the first half-year 2010.

**INCOME AND MARGIN**

- Profitability was lower in the first half-year 2010 compared to the same period 2009 due to a lower level of revenue recognition within some large projects. During the second quarter 2010 profitability increased compared to the second quarter 2009 as a result of project milestone deliveries.

**CASH FLOW**

- Operating cash flow improved due to received milestone payments.

**EMPLOYEES**

- The number of employees increased slightly compared to the end of 2009 as a result of internal transfers.

## CORPORATE

Corporate reported operating income of MSEK -52 (99). The previous year included a revaluation of remaining risks associated with the regional aircraft portfolio of MSEK 150.

## THE BILLION+ PROGRAMME

Saab will continue to invest in marketing, as well as product and service development. The Billion+ programme was launched at the start of 2008 to improve internal efficiency, so that Saab can remain profitable in keeping with the Group's long-term objective.

In 2010, Saab's aim is to reduce its cost base by an additional MSEK 650 including the effects of the reduction of 500 employees, mainly through attrition. By the start of 2011, annual costs should be reduced by about SEK 1.5 billion compared to year-end 2007.

Saab estimates that about 60 percent of the cost reduction in 2010 will be generated through a reduction in cost of goods sold.

A major part of the cost reductions has been achieved in aligned processes across the Group. In addition, Saab has increased production efficiency and in particular lowered procurement and travel costs.

The Billion+ programme is progressing according to plan. In the first half-year 2010, the cost reductions contributed about 2 percentage points to the reported operating margin in the period.

## PARENT COMPANY

### Sales and income

The Parent Company includes units within the business areas Aeronautics, Electronic Defence Systems, Security and Defence Solutions and Support and Services. Group staffs and Group support are included as well. The Parent Company's sales for the first half-year 2010 amounted to MSEK 7,136 (7,475). Operating income was MSEK 291 (532). Recurring figures included provisions of MSEK 290 related to projects in Security and Defence Solutions that impacted profitability negatively in the period.

Net financial income and expenses was MSEK 285 (-187). The deviation is explained by positive currency gains in the tender portfolio, positive currency differentials, increased net interest and internal dividends. After appropriations of MSEK 0 (0) and taxes of MSEK -83 (-92), net income for the period amounted to MSEK 493 (253).

### Liquidity, finance, capital expenditures and number of employees

The Parent Company's net debt amounted to MSEK 4,540 (8,182). Gross capital expenditures in property, plant and equipment amounted to MSEK 56 (71). At the end of the first half-year, the Parent Company had 8,133 employees, compared to 8,337 at the beginning of the year.

A major part of the group's operations are 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.

## SHARE REPURCHASE

Saab held 3,618,180 treasury shares as of 30 June 2010, which is 21,040 less than at year-end 2009.

The Annual General Meeting on 15 April 2010 authorised the Board of Directors to repurchase 1,340,000 shares to hedge the year's share matching plan and performance share plan. As proposed, the mandate would apply until the next Annual General Meeting.

Saab announced on 16 June 2010 that the Board has decided to utilise its authorization for this purpose. Acquisitions will be made on NASDAQ OMX Stockholm at a price within the registered share price interval on each occasion. Acquisitions can be made as of 26 July 2010 until next year's Annual General Meeting. However no acquisitions will be made during a 30-day period prior to the public release of quarterly results, including the date of release.

### Owners

Saab's largest shareholders as of 30 June 2010 are Investor AB, BAE Systems, the Wallenberg foundations, Nordea Funds, Swedbank Robur funds, the Fourth AP-Fund, SEB Funds, SHB Funds, Odin Funds, Orkla ASA and Länsförsäkringar Funds.

**CONSOLIDATED INCOME STATEMENT**

MSEK	Note	Jan–June 2010	Jan–June 2009	Rolling 12 months	Jan–Dec 2009
Sales	3	11,377	11,695	24,329	24,647
Cost of goods sold		-8,665	-8,658	-18,517	-18,510
Gross income		2,712	3,037	5,812	6,137
Gross margin, %		23.8	26.0	23.9	24.9
Other operating income		81	73	157	149
Marketing expenses		-868	-890	-1,754	-1,776
Administrative expenses		-587	-664	-1,121	-1,198
Research and development costs		-851	-841	-1,823	-1,813
Other operating expenses		-76	-40	-118	-82
Share of income in associated companies		-9	-53	1	-43
Operating income (EBIT) <sup>1)</sup>	3	402	622	1,154	1,374
Operating margin, %		3.5	5.3	4.7	5.6
Share of income in associated companies		24	1	25	2
Financial income		105	18	137	50
Financial expenses		-221	-278	-393	-450
Net financial items		-92	-259	-231	-398
Income before taxes		310	363	923	976
Taxes	4	-64	-98	-243	-277
Net income for the period		246	265	680	699
of which Parent Company's shareholders' interest		246	268	664	686
of which non-controlling interest		-	-3	16	13
Earnings per share before dilution, SEK <sup>2)</sup>		2.33	2.51	6.27	6.45
Earnings per share after dilution, SEK <sup>3)</sup>		2.25	2.46	6.07	6.28
<sup>1)</sup> INCLUDES DEPRECIATION/AMORTISATION AND WRITE-DOWNS		-672	-687	-1,385	-1,400
OF WHICH DEPRECIATION OF LEASING AIRCRAFT		-76	-96	-156	-176
<sup>2)</sup> AVERAGE NUMBER OF SHARES BEFORE DILUTION		105,521,211	106,833,307	105,679,455	106,335,553
<sup>3)</sup> AVERAGE NUMBER OF SHARES AFTER DILUTION		109,150,344	109,150,344	109,150,344	109,150,344

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

MSEK	Jan–June 2010	Jan–June 2009	Rolling 12 months	Jan–Dec 2009
Net income for the period	246	265	680	699
Other comprehensive income:				
Translation differences for the period	97	292	20	215
Net gain/loss on cash flow hedges	147	313	778	944
Share of other comprehensive income in associated companies	1	21	11	31
Tax attributable to comprehensive income	-39	-85	-201	-247
Other comprehensive income for the period	206	541	608	943
<b>Net comprehensive income for the period</b>	<b>452</b>	<b>806</b>	<b>1,288</b>	<b>1,642</b>
of which Parent Company's shareholders' interest	437	764	1,256	1,583
of which non-controlling interest	15	42	32	59

**QUARTERLY INCOME STATEMENT**

MSEK	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008
Sales	5,993	5,384	7,768	5,184	6,283	5,412	8,188	4,583
Cost of goods sold	-4,552	-4,113	-5,883	-3,969	-4,611	-4,047	-7,544	-3,638
Gross income	1,441	1,271	1,885	1,215	1,672	1,365	644	945
Gross margin, %	24.0	23.6	24.3	23.4	26.6	25.2	7.9	20.6
Other operating income	45	36	2	74	33	40	103	89
Marketing expenses	-483	-385	-515	-371	-466	-424	-472	-408
Administrative expenses	-271	-316	-285	-249	-330	-334	-357	-336
Research and development costs	-392	-459	-567	-405	-434	-407	-738	-243
Other operating expenses	-60	-16	-38	-4	19	-59	-30	-18
Share of income in associated companies	-4	-5	21	-11	-22	-31	41	2
Operating income/loss (EBIT) <sup>1)</sup>	276	126	503	249	472	150	-809	31
Operating margin, %	4.6	2.3	6.5	4.8	7.5	2.8	-9.9	0.7
Share of income in associated companies	24	-	1	-	1	-	-11	-6
Financial income	33	72	20	12	-15	33	-6	-12
Financial expenses	-122	-99	-63	-109	-58	-220	-204	-191
Net financial items	-65	-27	-42	-97	-72	-187	-221	-209
Income/loss before taxes	211	99	461	152	400	-37	-1,030	-178
Taxes	-37	-27	-138	-41	-108	10	322	75
Net income/loss for the period	174	72	323	111	292	-27	-708	-103
of which Parent Company's shareholders' interest	177	69	313	105	294	-26	-724	-97
of which non-controlling interest	-3	3	10	6	-2	-1	16	-6
Earnings per share before dilution, SEK <sup>2)</sup>	1.68	0.65	2.97	0.99	2.75	-0.24	-6.78	-0.89
Earnings per share after dilution, SEK <sup>3)</sup>	1.62	0.63	2.87	0.96	2.69	-0.24	-6.78	-0.89
<sup>1)</sup> INCLUDES DEPRECIATION/AMORTISATION AND WRITE-DOWNS	-326	-346	-387	-326	-352	-335	-725	-232
OF WHICH DEPRECIATION OF LEASING AIRCRAFT	-38	-38	-38	-42	-46	-50	-46	-39
<sup>2)</sup> AVERAGE NUMBER OF SHARES BEFORE DILUTION	105,526,371	105,515,851	105,506,219	106,169,379	106,835,194	106,831,419	106,828,876	107,094,803
<sup>3)</sup> AVERAGE NUMBER OF SHARES AFTER DILUTION. THERE IS NO DILUTION IMPACT IF THE RESULT FOR THE PERIOD IS NEGATIVE.	109,150,344	109,150,344	109,150,344	109,150,344	109,150,344	106,831,419	106,828,876	107,094,803

**QUARTERLY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

MSEK	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008
Net income/loss for the period	174	72	323	111	292	-27	-708	-103
Other comprehensive income:								
Translation differences for the period	90	7	103	-180	152	140	84	53
Net gain/loss on cash flow hedges	-54	201	15	616	431	-118	-255	-683
Revaluation in connection with reclassification of fixed assets	-	-	-	-	-	-	51	-
Share of other comprehensive income in associated companies	1	-	1	9	21	-	-	-
Tax attributable to comprehensive income	14	-53	1	-163	-116	31	48	179
Other comprehensive income/loss for the period	51	155	120	282	488	53	-72	-451
<b>Net comprehensive income/loss for the period</b>	<b>225</b>	<b>227</b>	<b>443</b>	<b>393</b>	<b>780</b>	<b>26</b>	<b>-780</b>	<b>-554</b>
of which Parent Company's shareholders' interest	217	220	441	378	746	18	-786	-548
of which non-controlling interest	8	7	2	15	34	8	6	-6

**KEY RATIOS BY QUARTER**

	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008
Equity/assets ratio (%)	37.7	37.9	35.1	32.9	30.0	28.6	28.4	31.2
Return on capital employed, % <sup>1)</sup>	9.5	10.8	10.3	0.6	-1.0	-0.2	1.4	16.2
Return on equity, % <sup>1)</sup>	6.5	7.9	7.0	-3.3	-5.3	-4.9	-2.4	14.5
Equity per share before dilution, SEK <sup>2)</sup>	102.02	101.98	99.91	95.63	91.83	86.54	86.49	94.33
Operating cash flow, MSEK	2,306	-73	1,270	420	213	-456	1,038	557
Operating cash flow per share after dilution, SEK <sup>3)</sup>	21.13	-0.67	11.64	3.85	1.95	-4.27	9.72	5.20
<sup>1)</sup> MEASURED OVER A ROLLING 12-MONTH PERIOD								
<sup>2)</sup> NUMBER OF SHARES BEFORE DILUTION	105,532,164	105,520,577	105,511,124	105,501,314	106,837,443	106,832,945	106,829,893	106,813,736
<sup>3)</sup> AVERAGE NUMBER OF SHARES AFTER DILUTION	109,150,344	109,150,344	109,150,344	109,150,344	109,150,344	106,831,419	106,828,676	107,094,803

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

MSEK	Note	30/6/2010	31/12/2009	30/6/2009
<b>ASSETS</b>				
<b>Fixed assets</b>				
Intangible fixed assets	6	6,742	7,108	7,532
Tangible fixed assets		3,130	3,174	3,320
Lease assets		1,422	1,464	1,742
Biological assets		255	256	243
Investment properties		236	25	239
Shares in associated companies		360	356	354
Financial investments		93	116	135
Long-term receivables		1,357	1,327	1,350
Deferred tax assets		119	284	770
<b>Total fixed assets</b>		<b>13,714</b>	<b>14,110</b>	<b>15,685</b>
<b>Current assets</b>				
Inventories		4,942	4,698	4,969
Derivatives		1,041	1,002	1,289
Tax receivables		33	43	41
Accounts receivable		2,393	2,837	3,689
Other receivables		3,694	4,696	5,415
Prepaid expenses and accrued income		1,030	705	691
Short-term investments		440	551	-
Liquid assets	8	1,694	1,463	1,224
<b>Total current assets</b>		<b>15,267</b>	<b>15,995</b>	<b>17,318</b>
<b>Assets held for sale</b>	9	-	<b>325</b>	<b>77</b>
<b>TOTAL ASSETS</b>	14	<b>28,981</b>	<b>30,430</b>	<b>33,080</b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT.)**

MSEK	Note	30/6/2010	31/12/2009	30/6/2009
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
<b>Shareholders' equity</b>				
Parent Company's shareholders' interest		10,766	10,542	9,811
Non-controlling interest		164	140	126
<b>Total shareholders' equity</b>		<b>10,930</b>	<b>10,682</b>	<b>9,937</b>
<b>Long-term liabilities</b>				
Long-term interest-bearing liabilities	7	1,114	1,126	8
Other liabilities		318	287	323
Provisions for pensions	11	4	4	4
Other provisions		2,278	2,146	2,336
Deferred tax liabilities		808	905	1,082
<b>Total long-term liabilities</b>		<b>4,522</b>	<b>4,468</b>	<b>3,753</b>
<b>Current liabilities</b>				
Short-term interest-bearing liabilities	7	631	2,519	4,501
Advance payments from customers		564	442	890
Accounts payable		1,266	1,730	1,503
Derivatives		1,407	1,181	2,015
Tax liabilities		253	212	229
Other liabilities		700	746	1,050
Accrued expenses and deferred income		8,037	7,668	8,544
Provisions		671	753	658
<b>Total current liabilities</b>		<b>13,529</b>	<b>15,251</b>	<b>19,390</b>
<b>Liabilities attributable to assets held for sale</b>	9	<b>-</b>	<b>29</b>	<b>-</b>
<b>Total liabilities</b>		<b>18,051</b>	<b>19,748</b>	<b>23,143</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	14	<b>28,981</b>	<b>30,430</b>	<b>33,080</b>

**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	NON-CONTROLLING INTEREST	TOTAL
Opening balance, 1 January 2009	1,746	543	-612	-222	51	7,734	9,240	90	<b>9,330</b>
Net comprehensive income for the period			215	281		268	764	42	<b>806</b>
Transactions with shareholders:									
Share matching plan						13	13		<b>13</b>
Dividend						-187	-187		<b>-187</b>
Purchase and sale of non-controlling interest						-19	-19	-6	<b>-25</b>
Closing balance, 30 June 2009	1,746	543	-397	59	51	7,809	9,811	126	<b>9,937</b>
Opening balance, 1 January 2010	1,746	543	84	-21	51	8,139	10,542	140	<b>10,682</b>
Net comprehensive income for the period			100	91		246	437	15	<b>452</b>
Transactions with shareholders:									
Share matching plan						23	23		<b>23</b>
Dividend						-237	-237		<b>-237</b>
Purchase and sale of non-controlling interest						1	1	9	<b>10</b>
Closing balance, 30 June 2010	1,746	543	184	70	51	8,172	10,766	164	<b>10,930</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS**

MSEK	Note	Jan–June 2010	Jan–June 2009	Jan–Dec 2009
<b>Operating activities</b>				
Income after financial items		310	363	976
Transferred to pension funds		-70	-59	-190
Adjustments for items not affecting cash flows		1,093	717	1,835
Income tax paid		-58	-62	-183
<b>Cash flow from operating activities before changes in working capital</b>		<b>1,275</b>	<b>959</b>	<b>2,438</b>
<b>Cash flow from changes in working capital</b>				
Increase(-)/Decrease(+) in inventories		-168	-584	-401
Increase(-)/Decrease(+) in current receivables		1,134	575	1,927
Increase(+)/Decrease(-) in advance payments from customers		111	-51	-485
Increase(+)/Decrease(-) in other current liabilities		-34	-764	-1,522
Increase(+)/Decrease(-) in provisions		-141	-178	-261
<b>Cash flow from operating activities</b>		<b>2,177</b>	<b>-43</b>	<b>1,696</b>
<b>Investing activities</b>				
Investments in intangible fixed assets		-10	-11	-14
Capitalised development costs		-20	-47	-67
Investments in tangible fixed assets		-105	-111	-197
Investments in lease assets		-1	-	-3
Sale of tangible fixed assets		9	6	9
Sale of lease assets		42	48	130
Sale of and investments in short-term investments	8	111	-	-551
Sale of and investments in other financial assets		22	162	224
Investment in subsidiaries, net effect on liquidity	10	-	-66	-68
Sale of subsidiaries, net effect on liquidity	10	133	9	11
<b>Cash flow from investing activities</b>		<b>181</b>	<b>-10</b>	<b>-526</b>
<b>Financing activities</b>				
Loans raised		-	604	-
Loans amortised		-1,932	-	-279
Repurchase of shares		-	-	-110
Dividend paid to Parent Company's shareholders		-237	-187	-187
Contribution from non-controlling interest		-	-	6
<b>Cash flow from financing activities</b>		<b>-2,169</b>	<b>417</b>	<b>-570</b>
<b>Cash flow for the period</b>				
		<b>189</b>	<b>364</b>	<b>600</b>
Liquid assets at the beginning of the year		1,463	822	822
Exchange rate difference in liquid assets		42	38	41
<b>Liquid assets at the end of period</b>	8	<b>1,694</b>	<b>1,224</b>	<b>1,463</b>

**QUARTERLY INFORMATION**

MSEK	Q2 2010	Operating margin	Q1 2010	Operating margin	Q4 2009	Operating margin	Q3 2009	Operating margin
<b>Sales</b>								
Aeronautics	1,698		1,703		2,133		1,482	
Dynamics	1,167		986		1,481		944	
Electronic Defence Systems	1,159		940		1,403		1,180	
Security and Defence Solutions	1,427		1,200		2,240		1,161	
Support and Services	834		743		1,032		752	
Corporate	233		219		249		223	
Internal sales	-525		-407		-770		-558	
<b>Total</b>	<b>5,993</b>		<b>5,384</b>		<b>7,768</b>		<b>5,184</b>	
<b>Operating income</b>								
Aeronautics	18	1.1%	53	3.1%	73	3.4%	-26	-1.8%
Dynamics	174	14.9%	85	8.6%	17	1.1%	83	8.8%
Electronic Defence Systems	114	9.8%	37	3.9%	-69	-4.9%	18	1.5%
Security and Defence Solutions	-106	-7.4%	-96	-8.0%	121	5.4%	52	4.5%
Support and Services	119	14.3%	56	7.5%	148	14.3%	47	6.3%
Corporate	-43	-	-9	-	213	-	75	-
<b>Total</b>	<b>276</b>	<b>4.6%</b>	<b>126</b>	<b>2.3%</b>	<b>503</b>	<b>6.5%</b>	<b>249</b>	<b>4.8%</b>

MSEK	Q2 2009	Operating margin	Q1 2009	Operating margin	Q4 2008	Operating margin	Q3 2008	Operating margin
<b>Sales</b>								
Aeronautics	2,113		1,843		2,356		1,261	
Dynamics	1,150		1,005		1,792		704	
Electronic Defence Systems	1,099		988		1,490		1,001	
Security and Defence Solutions	1,339		1,060		1,911		1,079	
Support and Services	966		814		1,098		682	
Corporate	304		226		348		292	
Internal sales	-688		-524		-807		-436	
<b>Total</b>	<b>6,283</b>		<b>5,412</b>		<b>8,188</b>		<b>4,583</b>	
<b>Operating income</b>								
Aeronautics	-44	-2.1%	3	0.2%	-1,416	-60.1%	-137	-10.9%
Dynamics	94	8.2%	75	7.5%	-37	2.1%	20	2.8%
Electronic Defence Systems	48	4.4%	27	2.7%	311	20.9%	29	2.9%
Security and Defence Solutions	94	7.0%	11	1.0%	118	6.2%	76	7.0%
Support and Services	112	11.6%	103	12.7%	139	12.7%	49	7.2%
Corporate	168	-	-69	-	76	-	-6	-
<b>Total</b>	<b>472</b>	<b>7.5%</b>	<b>150</b>	<b>2.8%</b>	<b>-809</b>	<b>-9.9%</b>	<b>31</b>	<b>0.7%</b>

**MULTI-YEAR OVERVIEW**

MSEK	2009	2008	2007	2006	2005
Order bookings	18,428	23,212	20,846	27,575	17,512
Order backlog at 31 Dec.	39,389	45,324	47,316	50,445	42,198
Sales	24,647	23,796	23,021	21,063	19,314
Sales in Sweden, %	31	32	35	35	44
Sales in EU excluding Sweden, %	23	25	28	29	28
Sales in Americas, %	8	6	7	9	9
Sales in Rest of the World, %	38	37	30	27	19
Operating income	1,374	166	2,607	1,745	1,652
Operating margin, %	5.6	0.7	11.3	8.3	8.6
Operating margin before depreciation/amortisation and write-downs, excluding leasing aircraft, %	10.5	6.4	16.0	12.0	11.3
Income/loss after financial items	976	-406	2,449	1,693	1,551
Net income/loss for the year	699	-242	1,941	1,347	1,199
Total assets	30,430	32,890	33,801	32,771	30,594
Operating cash flow	1,447	659	-1,603	-1,900	2,645
Return on capital employed, %	10.3	1.4	19.4	14.5	14.6
Return on equity, %	7.0	-2.4	18.5	13.8	13.5
Equity/assets ratio, %	35.1	28.4	32.6	30.6	31.0
Earnings per share before dilution, SEK <sup>2) 4)</sup>	6.45	-2.31	17.68	11.91	10.89
Earnings per share after dilution, SEK <sup>3) 4)</sup>	6.28	-2.31	17.60	11.91	10.89
Dividend per share, SEK	2.25	1.75	4.50	4.25	4.00
Equity per share, SEK <sup>1)</sup>	99.91	86.49	101.53	89.80	84.10
Number of employees at year-end	13,159	13,294	13,757	13,577	12,830

<sup>1)</sup> NUMBER OF SHARES AS OF 31 DECEMBER 2009: 105,511,124; 2008: 106,829,893; 2007: 108,150,344; 2006/2005: 109,150,344

<sup>2)</sup> AVERAGE NUMBER OF SHARES 2009: 106,335,553; 2008: 107,515,049; 2007: 108,668,700; 2006/2005: 109,150,344

<sup>3)</sup> AVERAGE NUMBER OF SHARES AFTER DILUTION 2009: 109,150,344; 2008: 107,515,049; 2007/2006/2005: 109,150,344

<sup>4)</sup> NET INCOME FOR THE YEAR LESS NON-CONTROLLING INTEREST DIVIDED BY THE AVERAGE NUMBER OF SHARES

**KEY RATIOS AND TARGETS**

	Long-term target	Jan–June 2010	Jan–June 2009	Jan–Dec 2009
Operating margin before depreciation/amortisation and write-downs, excluding leasing aircraft, %	15	8.8	10.4	10.5
Operating margin, %	10	3.5	5.3	5.6
Earnings per share after dilution, SEK <sup>1)</sup>		2.25	2.46	6.28
Return on capital employed, % <sup>2)</sup>		9.5	-1.0	10.3
Return on equity, % <sup>2)</sup>	15	6.5	-5.3	7.0
Equity/assets ratio, %	30	37.7	30.0	35.1

<sup>1)</sup> AVERAGE NUMBER OF SHARES AFTER DILUTION 109,150,344

<sup>2)</sup> RETURN ON CAPITAL EMPLOYED AND RETURN ON EQUITY ARE MEASURED OVER A ROLLING 12-MONTH PERIOD

**PARENT COMPANY INCOME STATEMENT**

MSEK	Jan–June 2010	Jan–June 2009	Jan–Dec 2009
Sales	7,136	7,475	15,385
Cost of goods sold	-5,652	-5,629	-11,276
Gross income	1,484	1,846	4,109
Gross margin, %	20.8	24.7	26.7
Marketing expenses	-575	-563	-1,138
Administrative expenses	-350	-389	-675
Research and development costs	-353	-384	-811
Other operating income	115	52	68
Other operating expenses	-30	-30	-68
Operating income (EBIT)	291	532	1,485
Operating margin, %	4.1	7.1	9.7
Financial income and expenses:			
Result from shares in Group companies	234	196	1,178
Result from shares in associated companies/joint ventures	4	-2	7
Results from other securities and receivables held as fixed assets	65	-223	-238
Other interest income and similar items	30	9	109
Interest expenses and similar items	-48	-167	-309
Income after financial items	576	345	2,232
Appropriations	-	-	3
Income before taxes	576	345	2,235
Taxes	-83	-92	-560
Net income for the period	493	253	1,675

**PARENT COMPANY BALANCE SHEET**

MSEK

30/6/2010

31/12/2009

30/6/2009

ASSETS			
<b>Fixed assets</b>			
Intangible fixed assets	90	96	112
Tangible fixed assets	2,223	2,280	2,361
Shares in Group companies	9,508	9,520	11,263
Receivables from Group companies	804	760	713
Shares in associated companies and joint ventures	458	430	327
Receivables from associated companies and joint ventures	101	116	91
Other long-term securities holdings	1,477	1,495	1,511
Other long-term receivables	9	44	45
Deferred tax assets	606	689	1,114
<b>Total fixed assets</b>	<b>15,276</b>	<b>15,430</b>	<b>17,537</b>
<b>Current assets</b>			
Inventories, etc.	3,380	3,310	3,705
Receivables from Group companies	1,837	2,828	2,770
Receivables from associated companies and joint ventures	115	100	275
Other receivables	7,516	7,953	8,472
Short-term investments	440	551	-
Liquid assets	951	788	502
<b>Total current assets</b>	<b>14,239</b>	<b>15,530</b>	<b>15,724</b>
<b>TOTAL ASSETS</b>	<b>29,515</b>	<b>30,960</b>	<b>33,261</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Shareholders' equity	5,902	4,441	4,650
Net income for the period	493	1,675	253
<b>Total shareholders' equity</b>	<b>6,395</b>	<b>6,116</b>	<b>4,903</b>
<b>Untaxed reserves</b>	<b>419</b>	<b>419</b>	<b>422</b>
<b>Provisions</b>			
Provisions for pensions and similar commitments	334	379	578
Other provisions	1,542	1,513	1,872
<b>Total provisions</b>	<b>1,876</b>	<b>1,892</b>	<b>2,450</b>
<b>Liabilities</b>			
Interest-bearing liabilities	7	2,312	4,797
Liabilities to Group companies	7,294	7,913	9,773
Advance payments from customers	3,663	3,182	3,107
Liabilities to associated companies and joint ventures	59	139	166
Other liabilities	7,497	7,187	7,643
<b>Total liabilities</b>	<b>20,825</b>	<b>22,533</b>	<b>25,486</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>29,515</b>	<b>30,960</b>	<b>33,261</b>

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 1

### CORPORATE INFORMATION

Saab AB (publ), corporate identity no. 556036-0793, with its registered office in Linköping, Sweden. The address of the company's head office is Kungsbron 1, Stockholm, with the mailing address Box 70 363, SE-107 24 Stockholm, Sweden, and the telephone number +46-8-463 00 00. Saab has been listed on NASDAQ OMX Stockholm since 1998 and on the large cap list from October 2006. The company's operations, including subsidiaries and associated companies, are described in the annual report for 2009.

## NOTE 2

### ACCOUNTING PRINCIPLES

The consolidated accounts for the first half-year 2010 are prepared according to IAS 34 Interim Financial Reporting and the Annual Accounts Act. The Parent Company's accounts have been prepared according to the Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2.3 Reporting by Legal Entities. The accounting principles have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. The Group applies the same accounting principles as described in the annual report for 2009. The Group's accounting principles are described on pages 71-78 of the annual report 2009.

The interim report is abbreviated and does not contain all the information and disclosures available in the annual report and as such should be read together with the annual report for 2009.

### New and changed accounting principles in 2010

A number of new and changed standards and interpretations from IASB and IFRIC are applied as from 2010. Only the revised IFRS 3 Business Combinations and the amended IAS 27 Consolidated and Separate Financial Statements are expected to have a material effect on the Group's financial reports.

IFRS 3 and IAS 27 are applied for reporting acquisitions and disposals of businesses. The new rules can be summarised as follows:

- Transaction costs incurred in connection with business combinations must be expensed in the income statement.
- Contingent consideration shall be recognised and measured at fair value at the acquisition date and the effect of remeasurement shall be recognised in the income statement.
- Purchase price allocation according to IFRS 3 is prepared only at the date that control is achieved. In step acquisition, consequently, net assets are remeasured to fair value only in respect of the transaction that achieved control. Any previously held interests in the acquiree are remeasured to fair value, with any gain or loss recognised in the income statement.
- Once control has been achieved, any subsequent transactions in subsidiary equity interests between the parent and non-controlling interests are accounted for within equity.
- Non-controlling interests (formerly minority interests) can be measured either at their fair value or at their proportionate interest in the net identifiable assets of the acquiree.
- The definition of business has been changed.

These changes shall be applied prospectively.

**NOTE 3**

SEGMENT REPORTING

Saab is one of the world's leading high-technology companies, with its main operations in defence, aviation and civil security. Operations are primarily focused on well-defined areas in defence electronics and missile systems as well as military and commercial aviation. Saab is also active in technical services and maintenance. While Europe is its main market, Saab has growing markets in Australia, South Africa and Asia. Saab's operating and management structure as of 1 January 2010 is divided into five business areas, which also represent operating segments, Aeronautics, Dynamics, Electronic Defence Systems, Security and Defence Solutions and Support and Services. The business areas are described below.

**Aeronautics**

These operations include the development of civil and military aviation technology at a high level. The product portfolio includes the Gripen fighter and Unmanned Aerial Systems (UAS). Aeronautics also manufactures aircraft components for Saab's own aircraft as well as passenger aircraft produced by others.

**Dynamics**

The product portfolio comprises various types of advanced weapon systems such as support weapons, missiles, torpedos, Remotely Operated Vehicles (ROVs) and signature management systems that are used to make it more difficult for various types of sensors to detect and identify people or objects.

**Electronic Defence Systems**

These operations, which are based on Saab's extensive expertise in radar and electronic warfare, develop sophisticated solutions for detection, localisation and protection. The product portfolio includes air and land-based sensor and radar systems, systems for electronic warfare, defence electronics and aeronautics.

**Security and Defence Solutions**

These operations address both the military and civil security market with a competitive product portfolio consisting of C4ISR (computerized command, control, communications and intelligence) systems, airborne early warning systems, solutions for civil security, training and simulation systems, and solutions for telecom operators.

**Support and Services**

These operations offer reliable, cost-effective service and support for all markets where Saab is active. This primarily includes integrated support solutions, technical maintenance and logistics, and products, solutions and services for military and civil missions in locations with limited infrastructure.

SALES AND ORDER INFORMATION

**Sales by business area**

MSEK	Jan–June 2010	Jan–June 2009	Change, %	Apr–June 2010	Apr–June 2009	Rolling 12 months	Jan–Dec 2009
Aeronautics	3,401	3,956	-14	1,698	2,113	7,016	7,571
of which external sales	3,297	3,813	-14	1,647	2,033	6,781	7,297
of which internal sales	104	143	-27	51	80	235	274
Dynamics	2,153	2,155	-	1,167	1,150	4,578	4,580
of which external sales	2,118	2,105	1	1,147	1,124	4,473	4,460
of which internal sales	35	50	-30	20	26	105	120
Electronic Defence Systems	2,099	2,087	1	1,159	1,099	4,682	4,670
of which external sales	1,660	1,627	2	890	846	3,758	3,725
of which internal sales	439	460	-5	269	253	924	945
Security and Defence Solutions	2,627	2,399	10	1,427	1,339	6,028	5,800
of which external sales	2,567	2,314	11	1,397	1,290	5,874	5,621
of which internal sales	60	85	-29	30	49	154	179
Support and Services	1,577	1,780	-11	834	966	3,361	3,564
of which external sales	1,445	1,501	-4	773	798	2,847	2,903
of which internal sales	132	279	-53	61	168	514	661
Corporate/eliminations	-480	-682	30	-292	-384	-1,336	-1,538
of which external sales	290	335	-13	139	192	596	641
of which internal sales	-770	-1,017	24	-431	-576	-1,932	-2,179
<b>Total</b>	<b>11,377</b>	<b>11,695</b>	<b>-3</b>	<b>5,993</b>	<b>6,283</b>	<b>24,329</b>	<b>24,647</b>

**Sales by geographical market**

MSEK	Jan–June 2010	% of sales	Jan–June 2009	% of sales	Jan–Dec 2009	% of sales
Sweden	4,519	40	3,716	32	7,714	31
Rest of EU	2,201	19	2,612	22	5,675	23
Rest of Europe	172	1	144	1	280	1
<b>Total Europe</b>	<b>6,892</b>	<b>60</b>	<b>6,472</b>	<b>55</b>	<b>13,669</b>	<b>55</b>
North America	992	9	796	7	1,764	7
Latin America	71	1	76	1	154	1
Asia	1,688	15	2,334	20	4,568	19
Australia, etc.	470	4	414	3	1,015	4
Africa	1,264	11	1,603	14	3,477	14
<b>Total</b>	<b>11,377</b>	<b>100</b>	<b>11,695</b>	<b>100</b>	<b>24,647</b>	<b>100</b>

**Information on large customers**

Saab has two customers that account for 10 percent or more of the Group's sales: the Swedish Defense Materiel Administration (FMV) and the South African state through its procurement agency. FMV is a customer of all our business areas, and total sales during the first half-year 2010 amounted to MSEK 3,286 (2,649). Deliveries to South Africa were made primarily by the Aeronautics business area; sales during the first half-year 2010 amounted to MSEK 783 (1,125).

**NOTE 3 CONTINUED**

**Order bookings by business area**

MSEK	Jan–June 2010	Jan–June 2009	Change, %	Jan–Dec 2009
Aeronautics	3,529	1,468	140	3,417
Dynamics	1,760	1,789	-2	3,133
Electronic Defence Systems	1,849	1,002	85	2,625
Security and Defence Solutions	1,708	2,742	-38	6,045
Support and Services	1,887	1,469	28	4,057
Corporate	527	515	2	978
Internal	-744	-889	-	-1,827
<b>Total</b>	<b>10,516</b>	<b>8,096</b>	<b>30</b>	<b>18,428</b>

**Order backlog by business area**

MSEK	30/6/2010	31/12/2009	30/6/2009
Aeronautics	15,603	15,476	17,179
Dynamics	6,597	6,980	8,103
Electronic Defence Systems	6,906	7,159	8,374
Security and Defence Solutions	7,109	7,746	7,944
Support and Services	4,339	4,011	3,143
Corporate	252	176	187
Internal	-1,947	-2,159	-2,516
<b>Total</b>	<b>38,859</b>	<b>39,389</b>	<b>42,414</b>

LARGE ORDERS RECEIVED DURING THE FIRST HALF-YEAR 2010

Large orders received	Country	Order value (appr. values MSEK)
Development of the existing Gripen fleet	Sweden	2,000
System maintenance of Gripen	Sweden	600
Upgrade and further development of Gripen's reconnaissance system	Sweden	400
Maintenance and support of training systems	UK	150
RBS 70 ground-based air defence system	Finland	260
Tactical Unmanned Aerial Vehicle system (TUAV)	Sweden	500
Carl-Gustaf man-portable weapon system	-	670
Development of avionics system for Gripen	Sweden	450
Security solutions and installations	-	120
Continuous support of Gripen's operational capabilities	Sweden	230
Design of combat management system for next-generation submarines	Sweden	100
Combat management and fire control systems	Finland	200
Giraffe AMB radar system	Australia	190

OPERATING INCOME

**Operating income by business area**

MSEK	Jan–June 2010	% of sales	Jan–June 2009	% of sales	Rolling 12 months	% of sales	Jan–Dec 2009	% of sales
Aeronautics	71	2.1	-41	-1.0	118	1.7	6	0.1
Dynamics	259	12.0	169	7.8	359	7.8	269	5.9
Electronic Defence Systems	151	7.2	75	3.6	100	2.1	24	0.5
Security and Defence Solutions	-202	-7.7	105	4.4	-29	-0.5	278	4.8
Support and Services	175	11.1	215	12.1	370	11.0	410	11.5
<b>The business areas' total operating income</b>	<b>454</b>	<b>4.1</b>	<b>523</b>	<b>4.6</b>	<b>918</b>	<b>3.9</b>	<b>987</b>	<b>4.1</b>
Corporate	-52	-	99	-	236	-	387	-
<b>Total operating income</b>	<b>402</b>	<b>3.5</b>	<b>622</b>	<b>5.3</b>	<b>1,154</b>	<b>4.7</b>	<b>1,374</b>	<b>5.6</b>

**Depreciation/amortisation and write-downs by business area**

MSEK	Jan–June 2010	Jan–June 2009	Apr–June 2010	Apr–June 2009	Rolling 12 months	Jan–Dec 2009
Aeronautics	123	123	62	61	249	249
Dynamics	78	90	39	47	185	197
Electronic Defence Systems	262	267	128	143	522	527
Security and Defence Solutions	65	50	22	24	134	119
Support and Services	8	8	4	4	16	16
Corporate – lease aircraft	76	96	38	46	156	176
Corporate – other	60	53	33	27	123	116
<b>Total</b>	<b>672</b>	<b>687</b>	<b>326</b>	<b>352</b>	<b>1,385</b>	<b>1,400</b>

OPERATING CASH FLOW AND CAPITAL EMPLOYED

**Operating cash flow by business area**

MSEK	Jan–June 2010	Jan–June 2009	Rolling 12 months	Jan–Dec 2009
Aeronautics	262	-475	303	-434
Dynamics	590	-75	1,034	369
Electronic Defence Systems	327	168	665	506
Security and Defence Solutions	688	370	101	-217
Support and Services	406	-88	575	81
Corporate	-40	-143	1,245	1,142
<b>Total</b>	<b>2,233</b>	<b>-243</b>	<b>3,923</b>	<b>1,447</b>

**NOTE 3 CONTINUED**
**Capital employed by business area**

MSEK	30/6/2010	31/12/2009	30/6/2009
Aeronautics	2,186	2,146	2,665
Dynamics	2,792	2,880	3,175
Electronic Defence Systems	4,712	5,621	5,564
Security and Defence Solutions	2,512	3,159	2,858
Support and Services	1,604	1,807	1,836
Corporate	-1,127	-1,282	-1,647
<b>Total</b>	<b>12,679</b>	<b>14,331</b>	<b>14,451</b>

## EMPLOYEES

**Employees by business area**

Number at end of period	30/6/2010	31/12/2009	Change	30/6/2009
Aeronautics	2,941	3,015	-74	3,065
Dynamics	1,614	1,739	-125	1,781
Electronic Defence Systems	2,527	2,601	-74	2,632
Security and Defence Solutions	2,564	2,568	-4	2,518
Support and Services	1,763	1,749	14	1,765
Corporate	1,435	1,487	-52	1,515
<b>Total</b>	<b>12,844</b>	<b>13,159</b>	<b>-315</b>	<b>13,276</b>

**NOTE 4**

## TAXES

MSEK	Jan–June 2010	Jan–June 2009
Current tax	-58	-72
Deferred tax	-6	-26
<b>Total</b>	<b>-64</b>	<b>-98</b>

**NOTE 5**

## DIVIDEND TO PARENT COMPANY'S SHAREHOLDERS

The Annual General Meeting on 15 April 2010 approved the Board's proposal that the Parent Company's shareholders receive a dividend of SEK 2.25 per share, totalling MSEK 237. The record day was 20 April 2010 and the dividend was paid on 23 April 2010.

**NOTE 6**

## INTANGIBLE FIXED ASSETS

MSEK	30/6/2010	31/12/2009	30/6/2009
Goodwill	3,484	3,457	3,472
Capitalised development costs	2,718	3,038	3,379
Other intangible assets	540	613	681
<b>Total</b>	<b>6,742</b>	<b>7,108</b>	<b>7,532</b>

**NOTE 7**

## INTEREST-BEARING LIABILITIES

MSEK	30/6/2010	31/12/2009	30/6/2009
Liabilities to credit institutions	1,180	2,971	3,705
Liabilities to associates and JVs	496	632	768
Other interest-bearing liabilities	69	42	36
<b>Total</b>	<b>1,745</b>	<b>3,645</b>	<b>4,509</b>

**Committed credit lines**

MSEK	Facilities	Drawings	Available
Revolving credit facility (Maturity 2012)	4,000	-	4,000
Overdraft facility (Maturity 2010)	138	-	138
<b>Total</b>	<b>4,138</b>	<b>-</b>	<b>4,138</b>

**Parent Company**

MSEK	30/6/2010	31/12/2009	30/6/2009
Long-term liabilities to credit institutions	2,270	2,312	1,172
Short-term liabilities to credit institutions	-	1,800	3,625
Other interest-bearing liabilities	42	-	-
<b>Total</b>	<b>2,312</b>	<b>4,112</b>	<b>4,797</b>

Of liabilities to credit institutions, MSEK 1,100 (0) was issued under the Medium Term Note programme (MTN) and MSEK 0 (2,425) under the Commercial Paper programme. The loans are carried at amortised cost.

The Parent Company also has MNOK 975 in financing arranged in connection with the acquisition of 7.5 percent of the shares in Aker Holding AS in 2007. Saab's investment amounted to approximately NOK 1.2 billion, of which about 80 percent was financed through the above-mentioned loans. The risk associated with the loans has been reduced through agreements that secure this part of the invested amount, because of which the transactions in the financial position for the Group are netted as a receivable.

**NOTE 8**

SUPPLEMENTAL INFORMATION ON STATEMENT OF CASH FLOWS

**Liquid assets**

MSEK	30/6/2010	30/6/2009	31/12/2009
The following components are included in liquid assets:			
Cash and bank balances (incl. available overdraft facilities) <sup>1)</sup>	1,679	1,203	1,447
Deposits	15	21	16
<b>Total according to balance sheet</b>	<b>1,694</b>	<b>1,224</b>	<b>1,463</b>

<b>Total according to statement of cash flows</b>	<b>1,694</b>	<b>1,224</b>	<b>1,463</b>
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<sup>1)</sup> Cash and bank balances refer to short-term deposits with banks.

**Operating cash flow vs. statement of cash flows**

MSEK	Jan–June 2010	Jan–June 2009	Jan–Dec 2009
<b>Operating cash flow</b>	<b>2,233</b>	<b>-243</b>	<b>1,447</b>
Investing activities – interest-bearing:			
Short-term investments <sup>1)</sup>	111	-	-551
Other financial investments and receivables	14	190	274
Financing activities:			
Loans raised	-	604	-
Loans amortised	-1,932	-	-279
Repurchase of shares	-	-	-110
Dividend paid to the Parent Company's shareholders	-237	-187	-187
Contribution from non-controlling interest	-	-	6
<b>Cash flow for the period</b>	<b>189</b>	<b>364</b>	<b>600</b>

<sup>1)</sup> Short-term investments refer to government and mortgage bonds.

**Specification of operating cash flow Jan–June 2010**

MSEK	Saab excl. acquisitions / divestments and SAL	Acquisitions and divestments	Saab Aircraft Leasing	Total Group	Total Group Jan–June 2009
Cash flow from operating activities before changes in working capital	1,186	-	89	1,275	959
<b>CASH FLOW FROM CHANGES IN WORKING CAPITAL</b>					
Inventories	-213	-	45	-168	-584
Receivables	1,184	-	-50	1,134	575
Advance payments from customers	111	-	-	111	-51
Other liabilities	149	-	-183	-34	-764
Provisions	-173	-	32	-141	-178
Change in working capital	1,058	-	-156	902	-1,002
<b>Cash flow from operating activities</b>	<b>2,244</b>	<b>-</b>	<b>-67</b>	<b>2,177</b>	<b>-43</b>
<b>INVESTING ACTIVITIES</b>					
Investments in intangible fixed assets	-30	-	-	-30	-58
Investments in tangible fixed assets	-105	-	-	-105	-111
Investments in lease assets	-1	-	-	-1	-
Sale of tangible fixed assets	9	-	-	9	6
Sale of lease assets	-	-	42	42	48
Sale of and investment in shares, etc.	1	-	7	8	-28
Investment in subsidiaries, net effect on liquidity	-	-	-	-	-66
Sale of subsidiaries, net effect on liquidity	-	133	-	133	9
<b>Cash flow from investing activities excluding change in short-term investments and other interest-bearing financial assets</b>	<b>-126</b>	<b>133</b>	<b>49</b>	<b>56</b>	<b>-200</b>
<b>OPERATING CASH FLOW</b>	<b>2,118</b>	<b>133</b>	<b>-18</b>	<b>2,233</b>	<b>-243</b>

**NOTE 9**

ASSETS AND LIABILITIES HELD FOR SALE

No assets and liabilities are held for sale. During the second quarter, the investment and operating properties held for sale were divested, see note 10. Also, a decision was taken not to divest the real estate company that previously was held for sale.

**NOTE 10**

ACQUISITIONS AND DIVESTMENTS OF OPERATIONS

In May 2010, Saab divested the shares in a property holding company, Saab Bofors Industrier AB, to the associated company, Kontorsbolaget i Karlskoga AB. The sales price was MSEK 133. The transaction generated a capital gain of MSEK 12 during the period. The divestment has a marginal effect on future sales and income.

In May 2010, Saab acquired the remaining 66.7% of the shares in the associated company OPAX AS in Norway. The purchase price was MNOK 0.1. The purchase agreement contains a supplemental purchase price estimated at MNOK 15. The surplus value of MNOK 15 is allocated to goodwill. The acquisition has a marginal effect on future sales and income.

In June 2010, Saab divested 25 percent of the votes, corresponding to 5 percent of the capital, in Saab South Africa (Pty) Ltd to the South African holding company Sekunjalo Investment Ltd. Based on the company's performance, the buyer will over time be entitled to increase its share of the capital up to maximum 25 percent. The transaction generated a capital loss of MSEK 22.

In June 2010, Saab divested all the shares in the associated company EURENCO S.A. (19.9%) to the majority owner of the company. The transaction generated no capital gain/loss or effect on the net liquidity.

No other significant acquisitions or divestments were made during the period.

**NOTE 11**

DEFINED-BENEFIT PLANS

Saab has defined-benefit pension plans where post-employment compensation is based on a percentage of the recipient's salary. The predominant plan is the ITP plan, which is secured through a pension fund. The Saab Pension Fund had assets of MSEK 3,664 (3,196) as of 30 June 2010, compared to an obligation of MSEK 5,107 (4,525) according to IAS 19, or a solvency margin of 72 percent (71). In comparison with the obligation according to the FPG/PRI system, the solvency margin was 92 percent (85).

**NOTE 12**

CONTINGENT LIABILITIES

No additional obligations have been added during the period. With regard to the Group's performance guarantees for commitments to customers, the likelihood of an outflow of resources is remote and, as a result, no value is recognised.

Saab has been informed that a judgement will be issued by the Maritime and Commercial Court in Copenhagen in August 2010 in a case related to a Command and Control System called DACCIS, sold to the Danish Defence Acquisition and Logistics Organization (FMT). FMT terminated the DACCIS contract in February 2008 due to Saab's alleged default and issued a claim against Saab for some MDKK 143 plus interest. Saab is of the opinion that the termination was unjustified. Consequently, Saab rejected both FMT's termination and claim and issued a counterclaim for some MDKK 42 plus interest for damages caused by the unjustified termination.

If the judgement is in favour of Saab, FMT may be ordered by the Court to compensate Saab. The compensation will not exceed the damages and costs claimed by Saab. The exact amount will be dependent upon the Court's judgement. If, however, the judgement is not in favour of Saab, a provision covering the amount ordered by the Court to be paid by Saab to FMT of about MSEK 225, including interest up until August 2010, will be made. The Court's judgement can be appealed.

**NOTE 13**

TRANSACTIONS WITH RELATED PARTIES

No significant transactions have occurred during the first half-year 2010.

Related parties with which the Group has transactions are described in the annual report for 2009, note 43.

**NOTE 14**

CONDENSED SUBDIVIDED FINANCIAL POSITION AS OF 30 JUNE 2010

MSEK	Saab	Saab Aircraft Leasing	Eliminations	Saab Group
<b>ASSETS</b>				
Intangible fixed assets	6,742	-	-	6,742
Tangible fixed assets, etc.	3,621	-	-	3,621
Lease assets	5	1,417	-	1,422
Long-term interest-bearing receivables	544	-	-	544
Shares, etc.	1,919	-	-1,500	419
Other long-term receivables	832	15	-	847
Deferred tax assets	-	229	-110	119
Inventories	4,924	18	-	4,942
Short-term interest-bearing receivables	430	1,541	-1,541	430
Other current assets	6,621	99	-	6,720
Derivatives	1,041	-	-	1,041
Liquid assets and short-term investments	2,119	15	-	2,134
<b>Total assets</b>	<b>28,798</b>	<b>3,334</b>	<b>-3,151</b>	<b>28,981</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
Shareholders' equity	10,859	1,571	-1,500	10,930
Provisions for pensions	4	-	-	4
Deferred tax liabilities	918	-	-110	808
Other provisions	2,050	899	-	2,949
Interest-bearing liabilities	3,286	-	-1,541	1,745
Advance payments from customers	564	-	-	564
Derivatives	1,407	-	-	1,407
Other liabilities	9,710	864	-	10,574
<b>Total shareholders' equity and liabilities</b>	<b>28,798</b>	<b>3,334</b>	<b>-3,151</b>	<b>28,981</b>

Saab decided in 1997 to discontinue the manufacture of turboprop aircraft. As with other manufacturers, Saab had a business model that included lease financing in connection with aircraft sales on the market. Saab's lease assets at 30 June 2010 consisted of 111 turboprop Saab 340 and Saab 2000 aircraft. Of the fleet, 42 are financed through US leverage leases. Rents from these leases are insured through The Swedish Export Credits Guarantee Board (EKN); 68 aircraft are financed internally and recognised as assets in the balance sheet. There is also an obligation to repurchase one aircraft. Provisions on the balance sheet related to the leasing portfolio are deemed sufficient for the remaining risks.

Saab estimates that the leasing portfolio will be phased out at the end of 2015.

**NOTE 15**

FORECAST 2010

We remain cautious regarding order intake and foresee sales and profitability at about the same level as 2009.

Our long-term financial targets remain.

**NOTE 16**

DEFINITIONS

**Operating margin**

Operating income as a percentage of sales revenue.

**Adjusted operating margin**

Operating income adjusted for the result from divestments and non-recurring income/expenses as a percentage of sales revenue.

**Capital employed**

Total capital less non-interest-bearing liabilities.

**Return on capital employed**

Operating income plus financial income as a percentage of average capital employed (measured over a rolling 12-month period).

**Return on equity**

Net income for the period as a percentage of average equity (measured over a rolling 12-month period).

**Net liquidity/net debt**

Liquid assets, short-term investments and interest-bearing receivables less interest-bearing liabilities and provisions for pensions.

**Equity/assets ratio**

Equity in relation to total assets.

**Earnings per share**

Net income for the period attributable to Parent Company shareholders' interest, divided by the average number of shares before and after full dilution. There is no dilution impact if the result is negative.

**Equity per share**

Equity attributable to the Parent Company's shareholders divided by the number of shares at the end of the period.

**Operating cash flow per share**

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

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, 23 JULY 2010

**Marcus Wallenberg**  
Chairman

**Åke Svensson**  
President and CEO

**Erik Belfrage**  
Board member

**Sten Jakobsson**  
Board member

**Johan Forssell**  
Board member

**Cecilia Stegö Chilò**  
Board member

**Joakim Westh**  
Board member

**George Rose**  
Board member

**Lena Treschow Torell**  
Board member

**Per-Arne Sandström**  
Board member

**Catarina Carlqvist**  
Board member

**Stefan Andersson**  
Board member

**Conny Holm**  
Board member

## AUDITORS' REVIEW REPORT

### Introduction

We have reviewed the interim report for the period 1 January 2010 to 30 June 2010 for Saab AB (publ). The Board of Directors and the President are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim financial information based on our review.

### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope than an audit conducted in accordance with Standards on Auditing in Sweden RS and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information, in all material respects, is not prepared for the Group's part in accordance with IAS 34 and the Annual Accounts Act and for the Parent Company's part in accordance with the Annual Accounts Act.

LINKÖPING, 23 JULY 2010

Ernst & Young AB  
**Erik Åström**  
Authorised Public  
Accountant

Deloitte AB  
**Tommy Mårtensson**  
Authorised Public  
Accountant

Saab AB is disclosing the information herein pursuant to the Securities Markets Act and/or the Financial Instruments Trading Act. The information was submitted for publication at 7:30 a.m. on 23 July 2010.

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**Press and financial analyst conference and webcast**

with CEO Åke Svensson and CFO Lars Granlöf

Today, Friday, 23 July 2010, 10:00 a.m. (CET)

World Trade Center, Stockholm

Contact Annika Widell to register

and for further information

Tel. +46-8-463 01 47, +46-734-18 71 47

[www.saabgroup.com](http://www.saabgroup.com)

To see a live webcast of the event, visit <http://www.saabgroup.com/en/InvestorRelations> where it will be available together with the presentation material. All viewers will be able to post questions to the presenters. The webcast will also be available on Saab's website after the event.

INTERIM REPORT JANUARY–SEPTEMBER 2010  
YEAR-END REPORT 2010

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