



INTERIM REPORT

JANUARY–JUNE

2006 Q2

- 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)

Statement by the CEO:

"The first half year 2006 was a very successful period for Saab. Income was stable, order bookings were high and we completed strategic acquisitions of major importance to the future. At mid-year Saab had its largest order backlog ever."



SAAB

Largest order backlog ever and future-oriented acquisitions

Statement by the CEO:

"The first half year 2006 was a very successful period for Saab. Income was stable, order bookings were high and we completed strategic acquisitions of major importance to the future. At mid-year Saab had its largest order backlog ever."

Sales rose by 12 percent to nearly SEK 9.5 billion, of which 61 percent is attributable to sales outside Sweden. Operating income rose to SEK 953 million (570). The operating margin rose to 10.1 percent (6.8).

Order bookings amounted to SEK 15,580 m. As a result, Saab at mid-year had the largest order backlog in its history. Order bookings and the order backlog are both dominated by orders from markets outside Sweden.

A strategically important acquisition

The acquisition of Ericsson Microwave Systems (EMW) is very important strategically and for the long term. Saab gains access to world-leading expertise in radar and sensor operations that complements our existing competencies and creates new business opportunities in international markets.

We also strengthen our product portfolio with a number of advanced and internationally successful systems. The opportunities to develop complete security and surveillance systems for defence and commercial applications are enhanced. At the same time we can maintain and develop Sweden's cutting-edge competence and advanced export products in high-technology areas.

Continued growth in South Africa

In South Africa, Saab and Denel have reached agreement to form a company to develop and manufacture aerostructures. Saab broadens the market and complements

its production capacity in aerostructures at the same time that it creates a base for further development of South Africa's aerostructures industry.

Stronger Nordic base

During the period Saab broadened and strengthened its Nordic base. In Finland, Saab and TietoEnator established a cooperation during the first quarter through a new joint venture, TietoSaab Systems Oy. During the second quarter an agreement was reached to acquire Maersk Data Defense, a leader in high-technology communication and information systems for defence markets. Like Saab, Maersk Data Defense has developed solutions to meet terrorist threats, natural disasters and other nonmilitary threats to citizens and society.

Increased interest in Gripen

In late March the first five Gripen aircraft were handed over to Hungary. Gripen has already been in operational service in Sweden and the Czech Republic and from 2008 will be in South Africa, where the first aircraft were delivered in June. During the year we have noted increased interest from other countries. Saab has submitted responses to



Åke Svensson
President and CEO.

initial Requests for Information (RFI) from Denmark and Norway.

After the conclusion of the period Saab received an order for continued development of the Gripen system from the Swedish Defence Material Administration (FMV) worth SEK 1 billion for development work and software upgrades.

Broad, well-filled order book

One reason for the record high order backlog of SEK 48 billion is that the contract earlier signed with Pakistan for an airborne surveillance system has become effective now that all the conditions are finalized. Saab has also been awarded a number of other major orders. In the commercial aviation market, Saab during the first half-year received additional orders for the Boeing Dreamliner and signed a renewed contract from Airbus for ailerons. The new contract is worth an estimated SEK 350 million.

Another important order was received from the U.S. Army for the Ultra-Lightweight Camouflage Net System (ULCANS), where we have initially booked USD 20 m. The order is part of a USD 1.8 billion framework agreement over a ten-year period, where each order is awarded in competition with an additional supplier. Moreover, Saab Ericsson Space has received important orders and consolidated its position as Europe's largest supplier of commercial satellite equipment.

Forecast 2006

Saab's long-term financial objectives remain unchanged: 5 percent organic growth and an operating margin of 10 percent over a business cycle.

For 2006 Saab expects growth of nearly 10 percent. The organic growth will be somewhat lower than 5 percent and the remainder is due to the inclusion of Grintek for the whole year as well as the acquisition of EMW from September 2006. The growth forecast remains unchanged, since the effect of a later-than-expected start to work on the surveillance system for Pakistan will be offset by higher sales for four months following the acquisition of EMW.

In accordance with the previous forecast, the underlying operating margin, excluding EMW, is expected to reach the 10-percent target before structural costs of approximately SEK 250 million charged against income 2006.

A more detailed account of the effect of the acquisition of EMW on the Saab Group's income statement and balance sheet will be provided in connection with the interim report on operations through September 2006, which will be released on October 20 subject to the approval of the acquisition by relevant authorities."

IMPORTANT ACQUISITIONS SECOND QUARTER 2006

Saab has reached an agreement with Ericsson to acquire Ericsson Microwave Systems' (EMW) defence-related operations with around 1,250 employees. The purchase price of SEK 3.8 billion includes Ericsson's 40-percent interest in Saab Ericsson Space. The acquisition is expected to be finalized in September 2006 after approval by competition authorities. The product portfolio includes the weapon locating system Arthur, the air surveillance system Giraffe and the operational airborne surveillance system Erieye,

which is part of the system Saab Surveillance Systems. EMW also supplies the radar for Gripen, which gives Saab greater flexibility in further developing this system. In the area of radar and sensors, opportunities are created for the development of complete security and surveillance systems for defence and commercial applications. The acquisition of EMW also paves the way for further international growth. EMW's radar systems are used in over 30 countries. Exports account for approximately 65 percent of sales.

Saab and Denel of South Africa have signed an agreement to establish a new company to produce and develop aerostructures. The company will initially be 20-

percent owned by Saab and 80-percent by Denel, with the option for Saab to become the majority owner. Saab is investing SEK 70 m., while the South African government is responsible for the large part of the investments while the company is built up. South Africa has ordered eight A400M transport aircraft from Airbus and will participate in the program's industrial cooperation. Saab's operations in South Africa will now generate annual sales of approximately SEK 2 billion with over 2,100 employees, clearly distinguishing South Africa as Saab's second home market.

Saab has reached an agreement to acquire Maersk Data Defense. The preliminary acquisition price is estimated at DKK 73 m. based on current-year income. Maersk Data Defense has around 210 employees with sales of DKK 187 million. The contract is subject to the approval of relevant authorities.

IMPORTANT ORDERS SECOND QUARTER 2006

The last conditions have been finalized in the contract signed with Pakistan in October 2005 to supply an airborne surveillance system. The contract has entered into force and the order was booked in the second quarter of 2006. The order value is SEK 8.3 billion.

Saab has received an initial order worth USD 20 million from the U.S. Army for the Ultra-Lightweight Camouflage Net System (ULCANS). This is the first award in a 10-year contract potentially worth USD 1.8 billion, where each order is open to competition.

Saab has won a renewed contract with Airbus UK to supply ailerons for the wings of the Airbus A318, A319, A320 and A321. The deal is estimated at SEK 350 million. Prior to signing the new contract, Saab developed new composite technology that reduces manufacturing costs by up to 25 percent.

Saab Ericsson Space has been selected to supply onboard equipment for the first four satellites for Europe's new satellite navigation system "Galileo." The total order value for Saab Ericsson Space in this phase is EUR 30 m.

Saab has entered into a new five-year spares support agreement with Colgan Air for its fleet of 38 Saab 340A and 340B aircraft. The contract is valued at over SEK 230 million.

Saab Ericsson Space has received an order for guidance computers and telemetry antennas for 25 Ariane launchers and for frequency converters for two telecommunication satellites being built by EADS Astrium. The total order value is approximately SEK 140 million.

After the conclusion of the second quarter Saab received an order from the Swedish Defence Material Administration

(FMV) for continued development of the Gripen system valued at SEK 1 billion. The order is part of continuous development work and software upgrades for the Gripen system.

SALES, INCOME AND ORDERS

Sales

Group sales rose compared with the previous year to SEK 9,456 m. (8,433), an increase of 12 percent. Organic growth was slightly over 3 percent, and the remainder was attributable to the acquisition of Saab Grintek on May 31, 2005. Second-quarter sales amounted to SEK 5,145 m. (4,611), an increase of 12 percent, of which the acquisition of Saab Grintek accounts for approximately 5 percent.

Of sales, 78 percent (82) related to the defence market. Sales in foreign markets exceeded sales in the home market and amounted to 61 percent (54).

Sales for Defence and Security Solutions rose to SEK 3,672 m. (2,861). The increase is mainly due to the consolidation of Saab Grintek and increased volumes in the business unit Saab Aerotech. Second-quarter sales amounted to SEK 1,934 m. (1,600).

Sales for Systems and Products decreased to SEK 3,361 m. (3,420) mainly due to lower volumes for Saab Training Systems, Saab Ericsson Space and Saab Underwater Systems. Saab Barracuda's sales rose in the U.S. market, which remains strong. Second-quarter sales amounted to SEK 1,879 m. (1,874).

Aeronautics' sales increased to SEK 3,125 m. (2,832). Saab Aerosystems' sales rose due to higher invoicing for the Gripen system in export markets. Saab Aerostructures is raising its invoicing for Airbus programs according to plan. Second-quarter sales amounted to SEK 1,534 m. (1,552).

Income, margin and profitability

Operating income amounted to SEK 953 m. (570), corresponding to a margin of 10.1 percent (6.8). Operating income was affected by the gain of SEK 180 m. on the sale of the subsidiary Saab Metech and structural costs of SEK 91 m. (118). Excluding structural costs, the margin was 11.0 percent (8.2). Operating income for the second quarter amounted to SEK 404 m. (225), corresponding to a margin of 7.8 percent (4.9).

Operating income for Defence and Security Solutions amounted to SEK 344 m. (288) with an operating margin of 9.4 percent (10.1). The income improvement was mainly due

to higher margins in Saab Aerotech and the consolidation of Saab Grintek. Structural costs amounted to SEK 33 m. (30). Operating income for the second quarter amounted to SEK 152 m. (175).

Systems and Products' operating income was in line with the previous year, amounting to SEK 382 m. (387). Income decreased for Saab Training Systems, mainly as a result of lower volumes. Income improvements were reported for Saab Avitronics and Saab Barracuda, while Saab Bofors Dynamics' income was in line with the previous year. The operating margin was 11.4 percent (11.3). Structural costs amounted to SEK 13 m. (9). Operating income for the second quarter was SEK 239 m. (218).

Operating income for Aeronautics improved to SEK 173 m. (-58), mainly because the second quarter of 2005 was charged with provisions of SEK 250 m. for the helicopter program. Structural costs of SEK 43 m. (79) were charged against income. The operating margin was 5.5 percent (-2.0). Operating income for the second quarter amounted to SEK 101 m. (-155).

Corporate reported operating income of SEK 54 m. (-47), of which the result for the second quarter was SEK -88 m. (-13). Income for the period was affected positively by the gain of SEK 180 m. on the sale of Saab Metech. Second-quarter income was affected negatively by SEK 100 m. by the revaluation of a long-term receivable carrying no interest due to the delay in a tax dispute. Corporate consists of shared Group expenses, expenses and income attributable to support operations, trading, results from certain operating companies and results in connection with liquidations. Consequently, results vary between periods. Results from leasing operations for the Saab 340 and Saab 2000 fleet, which are reported in Corporate, had no impact on operating income for the period. As of June 30 the leasing fleet comprised 190 Saab 340 and Saab 2000 aircraft, a decrease of 27 since the beginning of the year. Of the leasing fleet, 132 aircraft are covered by portfolio insurance, 42 are guaranteed by the Swedish Export Credits Guarantee Board and 15 are financed with non-recourse loans. One aircraft in the fleet is uninsured.

The Group's gross income rose to SEK 2,350 m. (1,804), corresponding to a gross margin of 24.9 percent (21.4). The increase is attributable to improved gross margins for all business segments.

Marketing and administrative expenses are higher than the previous year mainly due to the acquisition of Saab Grintek. Of the period's internally funded investments in research and development, a total of SEK 166 m. (138) has

been capitalized and SEK 249 m. (187) has been charged to operating income for the year, which includes amortization of SEK 57 m. (39). Other operating income includes the capital gain of SEK 180 m. on the sale of Saab Metech, currency gains and results from secondary activities. Other operating expenses consist of a receivable revaluation, exchange rate differences and capital losses. Project interest from unutilized advance payments reduced the financial net by SEK 33 m. (34) and is reported as gross income.

Net financial income and expenses amounted to SEK -17 m. (-26). The average return on external investments was 2.03 percent (4.65). The financial net was affected negatively by unrealized changes in the value of liquidity investments of SEK -21 m. (16). The Group's income after financial items amounted to SEK 936 m. (544). Current and deferred taxes amounted to SEK -207 m. (-158), which means an effective tax rate of 22 percent (29). The low effective tax is due to tax-exempt capital gains of SEK 180 m.

Net income for the period was SEK 729 m. (386), of which the minority interest was SEK 13 m. (2). Earnings per share amounted to SEK 6.56 (3.52).

For the most recent twelve-month period the pretax return on capital employed was 18.8 percent and the after-tax return on equity was 17.1 percent.

Orders

The Group's order bookings amounted to SEK 15,580 m. (6,962). Order bookings in the second quarter amounted to SEK 11,431 m. (3,161) and were dominated by the order for an airborne surveillance system valued at approximately SEK 8.3 billion. Eighty-three percent (62) of orders came from customers outside Sweden. Orders received during the second quarter are listed in the section, "Important orders." The order backlog at the end of the period amounted to SEK 47,660 m., against SEK 42,198 m. at the beginning of the year. International markets accounted for 81 percent (72) of the order backlog.

FINANCIAL POSITION, LIQUIDITY AND INVESTMENTS

Financial position and liquidity

Compared with the beginning of the year, cash and marketable securities less liabilities to credit institutions have decreased by SEK 2,290 m. to SEK 2,854 m. (4,023). The decrease is attributable to the capitalization of the Saab Pension Fund by SEK 2,503 m. in the first quarter of 2006. The Group's net liquidity including interest-bearing receivables after deducting provisions for pensions increased to SEK 3,161 m. from SEK 2,856 m. at the beginning of the year. The Group's equity/assets ratio was 34 percent, against 31 percent at the beginning of the year. Shareholders' equity related to the Parent Company's shareholders amounted to SEK 9,233 m. (8,184), compared with SEK 9,179 m. at the beginning of the year, or SEK 84.59 (74.98) per share. In the second quarter a dividend of SEK 437 m. was paid to the Parent Company's shareholders. Translation differences for the period have affected shareholder's equity related to the Parent Company's shareholders negatively by SEK 312 m. For other changes in the shareholder's equity see the reconciliation on page 13.

Cash flow

Operating cash flow amounted to SEK 758 m. (1,300) during the period and was distributed between cash flow from operating activities of SEK 287 m. (1,605), the sale of Nammo and Saab Metech of SEK 620 m., other acquisitions and divestments of Group companies of SEK -73 m. (-80) and aircraft leasing operations of SEK -76 m. (-225). During the period 22 Saab 340 and Saab 2000 were sold, due to which working capital decreased and cash flow from investing activities was affected positively. See also note 6 on page 21. Cash flow by business segment is shown in the table on page 19.

Acquisitions and divestments

During the first quarter a joint venture was formed with TietoEnator – TietoSaab Systems Oy. The new company, in which Saab holds a 40-percent share, was formed through a non-cash issue with Saab contributing the net assets of Elesco Oy. TietoEnator also received SEK 48 m. in cash. The transaction generated goodwill of SEK 48 m.

On March 27 the subsidiary Saab Metech AB was sold. The purchase price of SEK 253 m. resulted in a gain of SEK 180 m. If the divestment had taken place on January 1, 2006,

the Group's sales would have been SEK 57 m. lower in the first quarter at SEK 4,254 m., while operating income would have decreased by SEK 7 m. to SEK 542 m. The first-quarter's net income would have decreased by SEK 5 m., excluding capital gains, to SEK 423 m.

On May 1 Saab acquired 100 percent of the shares in the South African electronics engineering company Aerospace Monitoring and Systems (Pty) Ltd (AMS). The purchase price was 25 million rand, which means that reported goodwill was 20 million rand. The acquisition was financed with liquid assets. Including liquid assets in the acquired company, the group's liquid assets declined by 20 million rand or approximately SEK 21 m. AMS has 75 employees with sales of approximately 58 million rand in 2005.

The transfer of ownership of EMW is expected in September 2006. Further information on the financial effects of the acquisition will be provided in the interim report for the third quarter, when the acquisition analysis is completed. Saab Ericsson Space has previously been consolidated in the Saab Group; the acquisition primarily impacts the minority interest. Since the total purchase price refers to both the acquisition of EMW and Saab Ericsson Space, in connection with the acquisition analysis the purchase price will be subdivided, with a significant share related to EMW. The acquisition, which will be financed with liquid assets, requires the approval of competition authorities.

The acquisition of Maersk Data Defense in Denmark is conditional on government approval. The transfer of ownership is scheduled for the third quarter. The preliminary purchase price is DKK 73 m. Sales for 2005 amounted to DKK 187 m. with a margin of approximately 7 percent and 210 employees. An acquisition analysis will be provided in the interim report for the third quarter. The acquisition will be financed with liquid assets.

Saab has reached an agreement with Denel of South Africa to initially acquire 20 percent of a new aerostructures company with the option to acquire a majority interest after three years. Operations in the new company are scheduled to start in August 2006. The acquisition will be reported according to the equity method. According to the agreement, Saab will contribute SEK 70 m. to the new company. Because the majority owner will contribute the capital needed to ensure a positive result during the initial buildup phase, the impact on Saab's result will be nil under the first three years.

Capital expenditures

The Group's gross capital expenditures in property, plant and equipment, excluding lease assets, amounted to SEK 171 m. (118).

Commitments and contingent liabilities

During the second quarter Saab signed binding agreements to acquire the shares in Ericsson Microwave Systems for SEK 3.8 billion, to acquire the shares in Maersk Data Defense for DKK 73 m. and to contribute SEK 70 m. to the new company formed with Denel.

Personnel

At the end of the period the Group had 12,303 employees, against 12,830 at the beginning of the year. The decrease is mainly attributable to the sale of Saab Metech.

Parent Company

The Parent Company's sales during the first half year amounted to SEK 5,215 m. (3,512). Operating income was SEK 474 m. (-18) and income before tax amounted to SEK 728 m. (170).

The Parent Company's net liquidity amounted to SEK 844 m. (1,669), against SEK 3,220 m. at the beginning of the year. Gross capital expenditures in property, plant and equipment amounted to SEK 118 m. (40). The number of employees at the end of the period was 7,024, compared with 5,070 at the beginning of the year. As of January 1, 2006 the Parent Company includes the operations of the business units AeroTech Telub, excluding consulting operations, Saab Communication, Saab Aircraft, Saab Nyge Aero and from May 1, 2006 the operations of Saab Aviocomp. The business units listed above, excluding Saab Communication, together form the new business unit Saab Aerotech. Saab Aerosystems, Saab Aerostructures and the Swedish parts of Saab Systems and Saab Avitronics had previously been included in the Parent Company.

Owners

Saab's 15 largest shareholders are Investor AB, BAE Systems, the Wallenberg foundations, AMF Pension funds, Robur funds, JP Morgan Chase Bank, Odin funds, SEB funds, Nordea funds, Kas Depository Trust Company, AMF Pension, HQ funds, Morgan Stanley, Skandia Liv and SHB/SPP funds.

Linköping, July 14, 2006

Åke Svensson

President and Chief Executive Officer

Audit report

Introduction

We have reviewed the interim report for the period January 1 to June 30, 2006, for Saab AB (publ). Management is responsible for the preparation and fair presentation of this interim financial information in accordance with IAS 34. 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 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 accompanying interim financial information does not give a true and fair view of the financial position of the entity as at June 30, 2006, and of its financial performance and its cash flows for the six month period then ended in accordance with IAS 34.

Linköping, July 14, 2006

Ernst & Young AB

Björn Fernström

Authorized Public Accountant

Deloitte AB

Tommy Mårtensson

Authorized Public Accountant

Financial information dates:

Interim Report January – September 2006 will be published on October 20, 2006.

The 2006 Report will be published on February 15, 2007.

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Press conference

with President and CEO Åke Svensson and CFO Lars Wahlund

Today, Friday, July 14, 2006, 9:30 a.m. (CET)

World Trade Center, Stockholm

Contact Peter Larsson, Press Secretary, tel +46-734-18 00 18

International teleconference :

Today, Friday, July 14, 2006, 4:00 p.m. (CET)

Contact Marita Sidén to register and for further information,
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Income statement

SEK m.	Note	6 mos. 2006	6 mos. 2005	Rolling 12 mos.	12 mos. 2005
Sales	3	9,456	8,433	20,337	19,314
Cost of goods sold		-7,106	-6,629	-15,480	-15,003
Gross income		2,350	1,804	4,857	4,311
Gross margin		24.9%	21.4%	23.9%	22.3%
Other operating income		239	40	521	322
Marketing expenses		-693	-599	-1,297	-1,203
Administrative expenses		-579	-487	-1,224	-1,132
Research and development costs		-249	-187	-614	-552
Other operating expenses		-123	-40	-242	-159
Share in income of associated companies		8	39	34	65
Operating income ¹⁾	3	953	570	2,035	1,652
Operating margin		10.1%	6.8%	10.0%	8.6%
Share in income of associated companies		-13	-	-33	-20
Financial income		98	110	216	228
Financial expenses		-102	-136	-275	-309
Net financial items		-17	-26	-92	-101
Income before taxes		936	544	1,943	1,551
Taxes	4	-207	-158	-401	-352
Net income for the period		729	386	1,542	1,199
Of which Parent Company shareholders' interest		716	384	1,521	1,189
Of which minority interest		13	2	21	10
Earnings per share before and after dilution, SEK ²⁾		6.56	3.52	13.93	10.89
¹⁾ Includes depreciation of		-386	-471	-854	-939
of which depreciation of lease assets		-150	-224	-345	-419
²⁾ Average number of shares		109,150,344	109,150,344	109,150,344	109,150,344

Quarterly income statement

SEK m.	Q2 2006	Q1 2006	Q4 2005	Q3 2005	Q2 2005	Q1 2005
Sales	5,145	4,311	6,856	4,025	4,611	3,822
Cost of goods sold	-3,909	-3,197	-5,279	-3,095	-3,722	-2,907
Gross income	1,236	1,114	1,577	930	889	915
Gross margin	24.0%	25.8%	23.0%	23.1%	19.3%	23.9%
Other operating income	54	185	211	71	14	26
Marketing expenses	-358	-335	-321	-283	-307	-292
Administrative expenses	-299	-280	-405	-240	-256	-231
Research and development costs	-130	-119	-254	-111	-106	-81
Other operating expenses	-102	-21	-111	-8	-35	-5
Share in income of associated companies	3	5	11	15	26	13
Operating income ¹⁾	404	549	708	374	225	345
Operating margin	7.8%	12.7%	10.3%	9.3%	4.9%	9.0%
Share in income of associated companies	-12	-1	-20	-	-	-
Financial income	39	59	80	38	50	60
Financial expenses	-28	-74	-106	-67	-58	-78
Net financial items	-1	-16	-46	-29	-8	-18
Income before taxes	403	533	662	345	217	327
Taxes	-102	-105	-94	-100	-63	-95
Net income for the period	301	428	568	245	154	232
Of which Parent Company shareholders' interest	293	423	574	231	161	223
Of which minority interest	8	5	-6	14	-7	9
Earnings per share before and after dilution, SEK ²⁾	2.68	3.88	5.26	2.11	1.48	2.04
¹⁾ Includes depreciation of	-191	-195	-243	-225	-243	-228
of which depreciation of lease assets	-71	-79	-101	-94	-115	-109
²⁾ Average number of shares	109,150,344	109,150,344	109,150,344	109,150,344	109,150,344	109,150,344

Balance sheet

SEK m.	Note	June 30, 2006	Dec. 31, 2005	June 30, 2005	Jan. 1, 2005
ASSETS					
Fixed assets					
Intangible fixed assets		3,335	3,222	3,135	2,822
Tangible fixed assets		4,136	4,208	4,186	4,100
Lease assets		3,244	4,077	4,517	4,371
Biological assets		209	217	213	213
Investment properties		61	62	59	59
Shares in associated companies		255	316	403	540
Financial investments		117	128	271	263
Long-term receivables		1,136	1,090	1,121	1,006
Deferred tax receivables		206	319	417	675
Total fixed assets		12,699	13,639	14,322	14,049
Current assets					
Inventories		4,293	3,962	4,024	3,773
Derivatives		496	434	559	1,227
Tax receivables		143	93	120	108
Account receivables		2,739	3,017	3,105	2,657
Prepaid expenses and accrued income		812	608	706	635
Other receivables		2,877	2,578	2,207	1,727
Short-term investments		3,067	4,624	3,260	3,183
Cash and marketable securities	6	866	1,574	2,091	1,136
Total current assets		15,293	16,890	16,072	14,446
Assets held for sale		36	65	24	182
Total assets	11	28,028	30,594	30,418	28,677

SEK m.	Note	June 30, 2006	Dec. 31, 2005	June 30, 2005	Jan. 1, 2005
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity					
Parent Company's shareholders' interest		9,233	9,179	8,184	8,198
Minority interest		290	314	284	103
Total shareholders' equity		9,523	9,493	8,468	8,301
Long-term liabilities					
Long-term interest-bearing liabilities		725	739	826	793
Lease obligations		318	665	1,145	1,315
Other liabilities		377	388	341	344
Provisions for pensions	8	433	2,939	3,068	3,034
Other provisions		2,162	2,214	2,105	1,817
Deferred tax liabilities		28	28	50	50
Total long-term liabilities		4,043	6,973	7,535	7,353
Current liabilities					
Short-term interest-bearing liabilities		354	315	502	315
Advance payments from customers		3,177	3,528	3,134	2,860
Accounts payable		1,043	1,263	1,337	1,173
Lease obligations		697	858	930	910
Derivatives		208	365	533	266
Tax liabilities		184	167	170	92
Other liabilities		907	827	1,291	712
Accrued expenses and deferred income		7,324	6,152	6,099	6,268
Provisions		568	616	399	422
Total current liabilities		14,462	14,091	14,395	13,018
Liabilities attributable to assets held for sale		-	37	20	5
Total liabilities		18,505	21,101	21,950	20,376
Total shareholders' equity and liabilities	11	28,028	30,594	30,418	28,677

Changes in shareholders' equity

SEK m.	Equity attributable to Parent Company's shareholders					Total	Minority interest	Total shareholders' equity
	Capital stock	Other capital contributions	OTHER RESERVES Net gain on cash flow hedges	Translation reserve	Retained earnings			
Opening balance, January 1, 2006	1,746	543	6	298	6,586	9,179	314	9,493
Items reported directly in shareholders' equity:								
Translation differences for the period	-	-	-	-312	-	-312	-37	-349
Net gain on cash flow hedges	-	-	87	-	-	87	-	87
Other changes in shareholders' equity:								
Net income for the period	-	-	-	-	716	716	13	729
Transactions with owners:								
Dividend	-	-	-	-	-437	-437	-	-437
Closing balance, June 30, 2006	1,746	543	93	-14	6,865	9,233	290	9,523
Opening balance, January 1, 2005	1,746	543	-	-1	5,830	8,118	103	8,221
Effect of change in accounting principle	-	-	104	-	-24	80	-	80
Adjusted shareholders' equity, January 1, 2005	1,746	543	104	-1	5,806	8,198	103	8,301
Items reported directly in shareholders' equity:								
Translation differences for the period	-	-	-	134	-	134	9	143
Net gain on cash flow hedges	-	-	-123	-	-	-123	-	-123
Other changes in shareholders' equity:								
Net income for the period	-	-	-	-	384	384	2	386
Transactions with owners:								
Dividend	-	-	-	-	-409	-409	-	-409
Acquisition and sale of operations	-	-	-	-	-	-	170	170
Closing balance, June 30, 2005	1,746	543	-19	133	5,781	8,184	284	8,468

Statement of cash flows

SEK m.	Note	6 mos. 2006	6 mos. 2005	12 mos. 2005
Operating activities				
Income after financial items		936	544	1,551
Adjustments for items not affecting cash flow		553	767	1,398
Income tax paid		-52	-60	-110
Cash flow from operating activities before changes in working capital		1,437	1,251	2,839
Cash flow from changes in working capital				
Increase(-)/Decrease(+) in inventories		-488	214	356
Increase(-)/Decrease(+) in current receivables		-1,098	-471	-43
Increase(+)/Decrease(-) in advance payments from customers		-310	112	481
Increase(+)/Decrease(-) in lease obligations		-353	-470	-1,022
Increase(+)/Decrease(-) in other current liabilities		1,075	958	417
Increase(+)/Decrease(-) in provisions		-77	-192	-331
Cash flow from operating activities		186	1,402	2,697
Investing activities				
Investments in intangible fixed assets		-	-	-1
Sale of intangible fixed assets		-	-	-
Capitalized development costs		-166	-138	-292
Investments in tangible fixed assets		-171	-118	-296
Sale of tangible fixed assets		27	21	37
Investments in lease assets		-	335	-109
Sale of lease assets		302	-	799
Investments in and sale of financial assets		1,976	77	-1,598
Investments in subsidiaries, net effect on liquidity	7	-73	-285	-293
Sale of subsidiaries, net effect on liquidity	7	219	205	257
Cash flow from investing activities		2,114	97	-1,496
Financing activities				
Loans raised		70	217	-
Amortization of loans		-	-	-36
Pensions paid and establishment of pension fund		-2,581	-96	-356
Dividend paid to Parent Company's shareholders		-437	-409	-409
Dividend paid to minority interest		-	-	-4
Cash flow from financing activities		-2,948	-288	-805
Cash flow for the period		-648	1,211	396
Liquid assets at beginning of year		1,557	1,129	1,129
Exchange rate difference in liquid assets		-43	-	32
Liquid assets at end of period	6	866	2,340	1,557

Quarterly information ¹⁾

SEK m.	JANUARY-MARCH				APRIL-JUNE			
	2006		2005		2006		2005	
Sales								
Defence & Security Solutions	1,738		1,261		1,934		1,600	
Systems & Products	1,482		1,546		1,879		1,874	
Aeronautics	1,591		1,280		1,534		1,552	
Corporate	69		25		49		18	
Internal sales	-569		-290		-251		-433	
	4,311		3,822		5,145		4,611	
Operating income								
Defence & Security Solutions	192	11.0%	113	9.0%	152	7.9%	175	10.9%
Systems & Products	143	9.6%	169	10.9%	239	12.7%	218	11.6%
Aeronautics	72	4.5%	97	7.6%	101	6.6%	-155	-10.0%
Corporate	142		-34		-88		-13	
	549	12.7%	345	9.0%	404	7.8%	225	4.9%
Net financial items	-16		-18		-1		-8	
Income before taxes	533		327		403		217	
Net income for the period	428		232		301		154	
Earnings per share	3.88		2.04		2.68		1.48	
No. of shares, thousands	109,150		109,150		109,150		109,150	

SEK m.	JULY-SEPTEMBER				OCTOBER-DECEMBER			
	2006		2005		2006		2005	
Sales								
Defence & Security Solutions			1,409				2,033	
Systems & Products			1,297				2,680	
Aeronautics			1,391				2,552	
Corporate			15				24	
Internal sales			-87				-433	
			4,025				6,856	
Operating income								
Defence & Security Solutions			98	7.0%			249	12.2%
Systems & Products			123	9.5%			308	11.5%
Aeronautics			87	6.3%			115	4.5%
Corporate			66				36	
			374	9.3%			708	10.3%
Net financial items			-29				-46	
Income before taxes			345				662	
Net income for the period			245				568	
Earnings per share			2.11				5.26	
No. of shares, thousands			109,150				109,150	

¹⁾ For information on the business segments see note 3 on page 17.

Five-year overview

SEK m., unless otherwise stated	2005	2004 ⁵⁾	2003	2002	2001
Order bookings	17,512	16,444	19,606	19,521	15,274
Order backlog at Dec. 31	42,198	43,162	45,636	43,082	40,034
Sales	19,314	17,848	17,250	16,538	15,689
Foreign market sales, %	56	48	46	41	40
Operating income	1,652	1,853	1,293	1,220	1,594
Operating margin, %	8.6	10.4	7.5	7.4	10.2
Operating margin before depreciation, excluding depreciation of lease assets, %	11.2	13.1	11.1	11.2	14.4
Income after financial items	1,551	1,712	1,073	993	1,554
Net income for the year	1,199	1,310	746	732	1,127
Total assets	30,594	27,509	28,704	28,109	29,901
Operating cash flow	2,540	325	545	-92	1,642
Return on capital employed, %	14.6	17.3	12.7	11.6	15.5
Return on equity, %	13.5	16.7	10.8	10.8	18.3
Equity/assets ratio, %	31.0	29.9	24.4	24.3	22.3
Earnings per share, SEK ^{2) 4)}	10.89	11.78	7.00	6.87	10.59
after full conversion, SEK ^{3) 4)}	10.89	11.78	6.91	6.78	10.40
before goodwill amortization, SEK ^{2) 4)}	10.89	11.78	8.59	8.52	12.11
Dividend per share, SEK	4.00	3.75	3.50	3.50	3.25
Equity per share, SEK ¹⁾	84.10	74.89	65.75	64.17	62.74
Number of employees at year-end	12,830	11,936	13,414	14,036	14,028

¹⁾ Number of shares as of December 31, 2005: 109,150,344; 2004: 109,150,344; 2003: 106,517,563; 2002: 106,510,374; and 2001: 106,459,675

²⁾ Average number of shares 2005: 109,150,344; 2004: 108,234,126; 2003: 106,513,969; 2002: 106,487,407; and 2001: 106,459,675

³⁾ Average number of shares 2005: 109,150,344; 2004: 108,234,126, after full conversion 2001-2003: 109,247,175. Conversion of the debenture loan concluded on July 15, 2004.

⁴⁾ Net income for the period less minority interest divided by the average number of shares.

⁵⁾ Restated according to IFRS, previous years are not restated

Key ratios and targets

Percent	target	6 mos. 2006	6 mos. 2005	12 mos. 2005
Operating margin before depreciation/amortization excluding leasing, %		12.6	9.7	11.2
Operating margin after depreciation/amortization, %	10.0	10.1	6.8	8.6
Earnings per share, SEK ¹⁾		6.56	3.52	10.89
Return on capital employed before tax, %		18.8	15.2	14.6
Return on equity after tax, %	15.0	17.1	14.6	13.5
Equity/assets ratio, %	30.0	34.0	28.1	31.0
Equity per share, SEK ¹⁾		84.59	74.98	84.10

¹⁾ Average number of shares 109,150,344.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1

CORPORATE INFORMATION

Saab AB (publ), corporate identity no. 556036-0793, registered office in Linköping, Sweden, has been listed on the O-list of the Stockholm Stock Exchange since 1998 and on the Attract 40 section of the O-list since 2005. The company's operations, including subsidiaries and associated companies (the Group), are described in Note 3.

The Board of Directors and the President approved this interim report for the period January 1 – June 30, 2006 for publication on July 14, 2006.

NOTE 2

ACCOUNTING PRINCIPLES

This interim report is prepared according to the Annual Accounts Act and IAS 34.

The same accounting principles have been applied during the period as in 2005, as described on pages 56-62 of the annual report. The interim report does not contain all the information and disclosures available in the annual report, and the interim report should be read together with the annual report for 2005.

NOTE 3

SEGMENT REPORTING

Saab is one of the world's leading high-technology companies, with its main operations in defence, aviation and space. Operations are primarily focused on well-defined areas in defence electronics, missile systems and space electronics 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 the U.S.

Description of business segments:

Defence & Security Solutions delivers technical support and services, command and control systems, system-of-systems solutions and lifecycle commitments for services and solutions.

Systems & Products develops and manufactures complete systems at various levels, including further development and upgrades, studies and demonstrators, as well as maintenance and components. Lifecycle commitments that include operation of delivered systems are part of the offering.

Aeronautics comprises both military and civilian operations and is dominated by the advanced, and important, Gripen program. Civilian operations are growing through the supply of subsystems and components to the two major manufacturers of passenger and transport aircraft, Airbus and Boeing.

Corporate comprises Group staffs and departments and peripheral operations. It also includes the leasing fleet of 190 Saab 340 and Saab 2000 aircraft.

SALES AND ORDER INFORMATION

Sales by business segment

SEK m.	6 mos. 2006	6 mos. 2005	Change	Q2 2006	Q2 2005	Rolling 12	
						mos.	12 mos. 2005
Defence & Security Solutions	3,672	2,861	28.3%	1,934	1,600	7,114	6,303
Systems & Products	3,361	3,420	-1.7%	1,879	1,874	7,338	7,397
Aeronautics	3,125	2,832	10.3%	1,534	1,552	7,068	6,775
Corporate	118	43		49	18	157	82
Internal sales	-820	-723		-251	-433	-1,340	-1,243
Saab Group	9,456	8,433	12.1%	5,145	4,611	20,337	19,314

NOTE 3 continued**Sales by geographic market**

SEK m.	6 mos. 2006	% of sales	6 mos. 2005	% of sales	12 mos. 2005	% of sales
Sweden	3,700	39%	3,910	46%	8,541	44%
Rest of EU	2,357	25%	2,520	30%	5,420	28%
Rest of Europe	111	1%	174	2%	343	2%
Total, Europe	6,168	65%	6,604	78%	14,304	74%
North America	780	8%	698	8%	1,608	8%
Latin America	19	0%	49	1%	83	0%
Asia	671	7%	403	5%	684	4%
Australia, etc.	526	6%	567	7%	1,195	6%
Africa	1,292	14%	112	1%	1,440	8%
Saab Group	9,456	100%	8,433	100%	19,314	100%

Order bookings by business segment

SEK m.	6 mos. 2006	6 mos. 2005	Q2 2006	Q2 2005	12 mos. 2005
Defence & Security Solutions	11,901	3,863	10,012	1,384	7,648
Systems & Products	2,411	2,453	930	1,634	6,726
Aeronautics	1,947	918	801	350	3,603
Corporate	21	66	11	9	243
Internal	-700	-338	-323	-216	-708
Saab Group	15,580	6,962	11,431	3,161	17,512

Order backlog by business segment

SEK m.	June 30, 2006	Dec. 31, 2005	June 30, 2005
Defence & Security Solutions	13,366	5,300	4,873
Systems & Products	15,301	16,325	15,865
Aeronautics	20,438	21,970	23,893
Corporate	65	163	22
Internal	-1,510	-1,560	-1,708
Saab Group	47,660	42,198	42,945

NOTE 3 continued

OPERATING INCOME

Operating income by business segment

SEK m.	6 mos. 2006		6 mos. 2005		Rolling 12 mos.		12 mos. 2005	
	% of sales		% of sales		% of sales		% of sales	
Defence & Security Solutions	344	9.4%	288	10.1%	691	9.7%	635	10.1%
Systems & Products	382	11.4%	387	11.3%	813	11.1%	818	11.1%
Aeronautics	173	5.5%	-58	-2.0%	375	5.3%	144	2.1%
Corporate	54		-47		156		55	
Saab Group	953	10.1%	570	6.8%	2,035	10.0%	1,652	8.6%

Operating income by business segment with structural costs reported separately

SEK m.	6 mos. 2006		6 mos. 2005		Rolling 12		12 mos. 2005	
	% of sales		% of sales		mos.	% of sales		% of sales
Defence & Security Solutions	377	10.3%	318	11.1%	738	10.4%	679	10.8%
Systems & Products	395	11.8%	396	11.6%	861	11.7%	862	11.7%
Aeronautics	216	6.9%	21	0.7%	466	4.0%	271	4.0%
Corporate	56		-47		264		161	
Total	1,044	11.0%	688	8.2%	2,329	11.5%	1,973	10.2%
Structural costs	-91		-118		-294		-321	
Saab Group	953	10.1%	570	6.8%	2,035	10.0%	1,652	8.6%

Depreciation/amortization by business segment

SEK m.	6 mos. 2006	6 mos. 2005	Q2 2006	Q2 2005	12 mos. 2005
Defence & Security Solutions	41	40	22	21	102
Systems & Products	92	86	47	45	167
Aeronautics	57	58	28	30	124
Corporate - lease assets	150	224	71	115	419
Corporate - other	46	63	23	32	127
Saab Group	386	471	191	243	939

OPERATING CASH FLOW AND CAPITAL EMPLOYED

Cash flow by business segment

SEK m.	6 mos. 2006	6 mos. 2005	12 mos. 2005
Defence & Security Solutions	373	73	539
Systems & Products	-158	209	485
Aeronautics	30	917	1,570
Corporate	513	101	-54
Saab Group	758	1,300	2,540

NOTE 3 continued**Capital employed by business segment**

SEK m.	June 30, 2006	Dec. 31, 2005	June 30, 2005
Defence & Security Solutions	3,795	3,483	3,545
Systems & Products	4,439	4,191	3,784
Aeronautics	1,468	1,330	1,375
Corporate	1,332	4,483	4,160
Saab Group	11,034	13,487	12,864

PERSONNEL

Personnel by business segment

Number at end of period	June 30, 2006	Dec. 31, 2005	Change	June 30, 2005
Defence & Security Solutions	4,510	4,737	-227	4,866
Systems & Products	4,129	4,168	-39	4,179
Aeronautics	2,960	3,189	-229	3,073
Corporate	704	736	-32	787
Saab Group	12,303	12,830	-527	12,905

NOTE 4

TAXES

SEK m	6 mos. 2006	6 mos. 2005
Current tax	-52	-60
Deferred tax	-155	-98
Total	-207	-158

NOTE 5

DIVIDEND TO PARENT COMPANY'S SHAREHOLDERS

At its meeting on February 15, 2006 the Board of Directors decided to propose to the Annual General Meeting that the Parent Company's shareholders receive a dividend of SEK 4 per share, totaling SEK 437 m. The Board's dividend motivation can be found on page 103 of the annual report 2005.

The Annual General Meeting on April 5, 2006 approved the Board's proposal and set April 10, 2006 as the record day and decided that the dividend would be paid on April 13, 2006.

NOTE 6**SUPPLEMENTAL INFORMATION ON STATEMENT OF CASH FLOWS****Liquid assets**

SEK m.	June 30, 2006	June 30, 2005	Dec. 31, 2005
The following components are included in liquid assets:			
Cash and bank balances (incl. available overdraft facilities)	798	2,062	1,243
Deposits	68	29	81
Short-term investments equated with liquid assets	-	249	250
Total according to balance sheet	866	2,340	1,574
Immediately cancelable overdraft facilities	-	-	-17
Total according to statement of cash flows	866	2,340	1,557

Operating cash flow vs. statement of cash flows

SEK m.	6 mos. 2006	6 mos. 2005	12 mos. 2005
Operating cash flow	758	1,300	2,540
Financing activities:			
Pensions	-2,581	34	-95
Loans raised	70	217	-
Amortization of loans	-	-	-36
Dividend paid to the Parent Company's shareholders	-437	-409	-409
Dividend paid to minority interest	-	-	-4
Investing activities - interest-bearing:			
Short-term investments	1,731	135	-1,553
Financial investments and receivables	-189	-66	-47
Cash flow for the period	-648	1,211	396

NOTE 7**ACQUISITIONS AND DIVESTMENTS**

During the second quarter Saab signed agreements to purchase 100% of the shares in Ericsson Microwave Systems, acquire the shares in Maersk Date Defense and form a new company with Denel. The acquisitions have not been completed as of June 30, 2006. The acquisitions will be reported in the interim report for the third quarter, as they are scheduled to be finalized in September 2006.

During the first quarter a joint venture was formed together with TietoEnator, TietoSaab Systems Oy. Saab's share is 40 percent. The company was formed through a non-cash issue where Saab contributed the net assets of Elesco Oy. In addition, TietoEnator received SEK 48 m. in cash. The transaction resulted in reported goodwill of SEK 48 m.

On March 27 the subsidiary Saab Metech AB was divested. The preliminary purchase price was SEK 253 m., which generated a profit of SEK 180 m. In the annual report 2005 Metech was reported as assets held for sale SEK 65 m. and liabilities attributable to assets held for sale SEK 37 m. The divestment had a positive effect on liquid assets of SEK 219 m. If the divestment had taken place on January 1, 2006 the Group's sales would have been SEK 57 m. lower for the

period and net income for the period would have decreased by SEK 5 m., excluding capital gains.

On May 1 Saab acquired 100 percent of the shares in the South African electronics engineering company Aerospace Monitoring and Systems (Pty) Ltd (AMS). The purchase price was 25 million rand, which means that reported goodwill was 20 million rand. The acquisition was financed with liquid assets. Including liquid assets in the acquired company, the group's liquid assets declined by 20 million rand or approximately SEK 21 m.

No intangible assets have been identified for TietoSaab Systems and AMS. Goodwill is entirely due to synergies between the operations in Defence & Security Solutions and Systems & Products. The acquisition of these companies has not had any significant effect on assets, liabilities and equity as well as sales or operating income for the period (pro forma). The effect on Group's liquidity as of June 30, 2006:

Purchase price, cash	-79
Liquid assets (acquired)	6
Net cash outflow	-73
Interest-bearing liabilities	-
Effect on Group's net liquidity	-73

NOTE 8**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 backed by two pension funds, the Saab Pension Fund and Carnegie's General Pension Fund, together with assets under management of SEK 3,027 m. per June 30, 2006. During the first half-year 2006 the funds returned SEK 27 m. and a market valuation of the assets resulted in a decrease of SEK 55 m., which means that fund assets decreased by a total of SEK 28 m. During the same period the discount rate used to calculate the pension obligations rose by approximately 0.2 percentage points. Thus, the obligation decreased more than the fund assets, due to which the solvency margin increased.

NOTE 9**COMMITMENTS AND CONTINGENT LIABILITIES**

During the second quarter Saab signed binding agreements to acquire the shares in Ericsson Microwave Systems for SEK 3.8 billion, to acquire the shares in Maersk Data Defense for DKK 72 m. and to contribute SEK 70 m. to the new aerospace company formed together with Denel. The acquisitions of EMW and Maersk Data Defense are subject to approval by authorities.

NOTE 10**TRANSACTIONS WITH RELATED PARTIES**

There are no related parties with whom the Group has significant transactions. See also the annual report for 2005, note 42.

NOTE 11**CONDENSED SUBDIVIDED BALANCE SHEET AS OF JUNE 30, 2006**

SEK m.	Saab	Saab Aircraft Leasing	Eliminations	Saab Group
Assets				
Intangible assets	3,335	-	-	3,335
Tangible fixed 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 assets	159	47	-	206
Inventories	4,289	4	-	4,293
Short-term interest-bearing receivables	65	98	-	163
Other receivables	6,835	692	-	7,527
Cash and marketable securities	3,865	68	-	3,933
Total assets	25,375	4,153	-1,500	28,028
Shareholders' equity and liabilities				
Shareholders' equity	9,481	1,542	-1,500	9,523
Provisions for pensions	433	-	-	433
Deferred tax liabilities	28	-	-	28
Other provisions	1,899	831	-	2,730
Interest-bearing liabilities	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
Total shareholders' equity and liabilities	25,375	4,153	-1,500	28,028