



**SAAB**

# **INTERIM REPORT**

JANUARY–JUNE  
2011

# RESULTS AND SUMMARY

## JANUARY–JUNE 2011

### RESULTS JANUARY–JUNE 2011:

- Order bookings amounted to MSEK 10,646 (10,516) and the order backlog at the end of the period amounted to MSEK 40,657 (38,859)
- Sales amounted to MSEK 11,313 (11,377), a flat development adjusted for exchange rates effects
- Gross income amounted to MSEK 3,040 (2,712), corresponding to a gross margin of 26.9 per cent (23.8)
- Operating income was MSEK 1,065 (402), corresponding to an operating margin of 9.4 per cent (3.5). 2011 included capital gains of MSEK 253, whereas the Group in 2010 had structural costs and negative results from divestments of MSEK 110 and costs related to a terminated contract of MSEK 310.
- Net income was MSEK 695 (246), with earnings per share after dilution of SEK 6.45 (2.25)
- Operating cash flow amounted to MSEK 2,334 (2,233)

### OUTLOOK 2011 REMAINS UNCHANGED:

In 2011, we estimate that sales will decline slightly compared to 2010.

The operating margin, excluding material net capital gains, is expected to increase slightly in 2011 compared to the adjusted operating margin 2010 of 6.5 per cent.

### FINANCIAL HIGHLIGHTS

| MSEK  | Jan–June<br>2011 | Jan–June<br>2010 | Change,<br>% | Apr–June<br>2011   | Apr–June<br>2010   | Jan–Dec<br>2010 |
|---|------------------|------------------|--------------|--------------------|--------------------|-----------------|
| Order bookings                                    | 10,646           | 10,516           | 1            | 5,431              | 5,038              | 26,278          |
| Order backlog                                     | 40,657           | 38,859           | 5            | -300 <sup>2)</sup> | -695 <sup>2)</sup> | 41,459          |
| Sales   | 11,313           | 11,377           | -1           | 5,861              | 5,993              | 24,434          |
| Gross income                                      | 3,040            | 2,712            | 12           | 1,613              | 1,441              | 5,591           |
| Gross margin, %                                   | 26.9             | 23.8             |              | 27.5               | 24.0               | 22.9            |
| Operating income (EBIT)                           | 1,065            | 402              | 165          | 697                | 276                | 975             |
| Operating margin, %                               | 9.4              | 3.5              |              | 11.9               | 4.6                | 4.0             |
| Net income  | 695              | 246              | 183          | 418                | 174                | 454             |
| Earnings per share before dilution, SEK           | 6.72             | 2.33             |              | 4.06               | 1.68               | 4.12            |
| Earnings per share after dilution, SEK            | 6.45             | 2.25             |              | 3.89               | 1.62               | 3.97            |
| Return on equity, <sup>1)</sup> %                 | 7.9              | 6.5              |              | -                  | -                  | 4.1             |
| Operating cash flow                               | 2,334            | 2,233            | 5            | 1,775              | 2,306              | 4,349           |
| Operating cash flow per share after dilution, SEK | 21.38            | 20.46            |              | 16.26              | 21.13              | 39.84           |

<sup>1)</sup> The return on equity is measured over a rolling 12-month period

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

## **STATEMENT BY THE PRESIDENT AND CEO, HÅKAN BUSKHE:**

“In the first six months well-executed projects led to an improved performance and, together with divestment of non-core assets, this resulted in a significantly increased net cash position.

Market conditions remained challenging, which is reflected in a book-to-bill ratio below one and a flat sales development.

Our strategic priorities are to create profitable growth, to increase performance and to continuously adapt our portfolio. Our employees provide a solid foundation needed to achieve these ambitions.

In order to create profitable growth, we are gradually increasing our global presence. This year we have received important orders, such as orders from the Royal Thai Navy. We have established a strong presence in key markets such as in India, Brazil and the UK. In India, a strategic agreement was entered into with Mahindra Satyam to establish a Saab India Technology Centre. We opened a research and development centre in Brazil with a focus on energy and the environment within transport and logistics, defence and security, and urban development. In the UK we announced the opening of a new UK office in London and a new Saab Design Centre in which we will leverage on British engineering expertise.

We also announced that we intend to acquire Sensis Corporation in the U.S., creating a stronger foundation for growth in the North American market. Sensis has a strong local presence in the U.S. within radar and sensors and a world-leading position in the Air Traffic Management market. Their offering is an excellent complement to the existing Saab offering. Within Radar and Sensors our combined product portfolios will create growth opportunities, especially in the U.S. Within Air Traffic Management, with Sensis world-leading market position and our combined product portfolios, we will address a larger share of a growing global market. Due to good market potential in the relevant segments and the identified significant medium- to long-term operational synergies, we believe the integration of Sensis into the Saab Group will be value creative.

The work to adapt our portfolio is continuing. After closing of the first six months, on 14 July, we announced our largest divestment this year, i.e. the divestment of our 57.8 per cent share in C3 Technologies, with an approximate cash consideration of MSEK 1,009 and capital gain of around MSEK 906, which will be booked in the third quarter. Including this transaction, year to date, we have divested assets, generating about SEK 1.2 billion in capital gains.

The drive and commitment of our employees make our improvements possible. We founded a training and competence development Academy during the spring to ensure we leverage from the knowledge of our employees in the best way. This is a step to ensure we have the correct skills to achieve our set goals,” says Saab’s President and CEO Håkan Buskhe.

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–June<br>2011 | Jan–June<br>2010 | Change,<br>% | Apr–June<br>2011   | Apr–June<br>2010   | Jan–Dec<br>2010 |
|-----------------|------------------|------------------|--------------|--------------------|--------------------|-----------------|
| Order bookings* | 10,646           | 10,516           | 1            | 5,431              | 5,038              | 26,278          |
| Order backlog   | 40,657           | 38,859           | 5            | -300 <sup>1)</sup> | -695 <sup>1)</sup> | 41,459          |
| Sales           | 11,313           | 11,377           | -1           | 5,861              | 5,993              | 24,434          |

\* See note 3, page 27, for more information about the order intake during January–June 2011.

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

## ORDERS, SALES AND INCOME

### Orders

#### Second quarter 2011

During the second quarter 2011 large orders received included an order for the AT4 man-portable weapon system and an order from the Swedish Defence Material Administration (FMV) for the support and maintenance of Helicopter 15 (Agusta 109 LUHS), operated by the Swedish Armed Forces. FMV also placed orders for development of the existing material system 39 (edition 19) on the Gripen system and an order for system maintenance and development studies for the Gripen system.

The Royal Thai Navy placed two orders for the upgrading of combat management and fire control systems on two frigates of the Naresuan class.

In addition a framework agreement was secured with the U.S. Army Program Executive Office of Simulation, Training and Instrumentation (PEO STRI). The framework agreement covers radio systems for communication (LT2-IRS) for live training.

#### January–June 2011

In addition to the orders received mentioned above several orders from FMV related to the Gripen system were received. An order was received regarding development work and modification to subsystems, another for ensuring the operative capability of the system and one order was received

for the continuous system maintenance and updating tasks for the Gripen C/D.

A significant order was received for ammunition to the Carl-Gustaf man-portable weapon system and an order was received for an airborne Electronic Warfare self-protection system (named IDAS, Integrated Defensive Aids Suite).

An order was received from LIG Nex1, the prime contractor of the Republic of Korea, for the weapon locating system ARTHUR. Saab also received orders from the UK Ministry of Defence to enhance their existing provision of live training capabilities to the British Army abroad and in the UK.

Saab assumed responsibility for Scandinavian Air Ambulance Holding AB's (SAA) technical and maintenance personnel and operations for the helicopters and aircraft as the agreement signed in December 2010 between Saab and SAA came into force. At the same time, an order in this eight-year contract, was received.

For a detailed list of major orders received see Note 3, page 27.

In all, 87 per cent (90) of order bookings were attributable to defence-related operations and 54 per cent (42) of order bookings were from customers outside Sweden.

During the first half-year 2011 index and price changes had a positive effect on order bookings of MSEK 163 (-44).

Orders received where the order sum was larger than MSEK 100 represented 52 per cent (57) of total order bookings.

The order backlog at the end of the period amounted to MSEK 40,657 (38,859), compared to 41,459 at the beginning of the year.

#### ORDER BACKLOG DURATION:

2011: SEK 10.2 billion  
 2012: SEK 13.3 billion  
 2013: SEK 7.0 billion  
 2014: SEK 4.6 billion  
 After 2014: SEK 5.6 billion

#### THE ORDER BACKLOG PRIMARILY INCLUDES:

- Gripen system 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
- Command and control, avionics and fire control systems
- Radar systems
- Training systems
- Civil security solutions
- Support and service solutions

**Sales**

**Second quarter 2011**

Exchange rates had a one per cent negative impact on sales due to depreciation of the USD and ZAR to SEK.

In the second quarter 2010 sales was decreased with approximately MSEK 100 as an effect of lower revenue recognition related to a terminated contract in Security and Defence Solutions.

**January–June 2011**

Exchange rates had a one per cent negative impact on sales due to depreciation of the USD and ZAR to SEK.

In 2010 sales was decreased with approximately MSEK 100 as an effect of lower revenue recognition related to a terminated contract in Security and Defence Solutions.

Sales in markets outside Sweden amounted to MSEK 6,918 (6,858), or 61 per cent (60) of total sales.

Of sales, 85 per cent (84) was related to the defence market.

**TOTAL SALES BY REGION**

| MSEK                | Jan–June<br>2011 | Jan–June<br>2010 |
|---------------------|------------------|------------------|
| Sweden              | 4,395            | 4,519            |
| EU excluding Sweden | 2,094            | 2,201            |
| Rest of Europe      | 156              | 172              |
| Americas            | 798              | 1,063            |
| Asia                | 2,447            | 1,688            |
| Africa              | 954              | 1,264            |
| Australia, etc.     | 469              | 470              |
| <b>Total</b>        | <b>11,313</b>    | <b>11,377</b>    |

**TOTAL SALES BY MARKET**

| MSEK                   | Jan–June<br>2011 | Jan–June<br>2010 |
|------------------------|------------------|------------------|
| Air                    | 5,218            | 5,084            |
| Land                   | 3,333            | 3,405            |
| Naval                  | 1,010            | 1,018            |
| Civil Security         | 611              | 693              |
| Commercial Aeronautics | 613              | 663              |
| Other                  | 528              | 514              |
| <b>Total</b>           | <b>11,313</b>    | <b>11,377</b>    |

**Income, margin and profitability  
Second quarter 2011**

The gross margin amounted to 27.5 per cent (24.0).

During the second quarter 2010 the gross margin was negatively affected by structural costs of MSEK 25 and by MSEK 150 due to a terminated contract in Security and Defence Solutions.

**January–June 2011**

The gross margin for the first half-year amounted to 26.9 per cent (23.8).

In the first half-year 2010 the gross margin was negatively affected by structural costs of MSEK 67 and by MSEK 290 due to a terminated contract in Security and Defence Solutions.

Total depreciation, amortisation and write-downs amounted to MSEK 600 (672).

Depreciation and write-down of tangible fixed assets amounted to MSEK 163 (162), while depreciation of the leasing fleet amounted to MSEK 61 (76).

The expenditures in research and development that are internally funded amounted to MSEK 571 (522), of which a total of MSEK 1 (20) has been capitalised.

Amortisation and write-down of intangible fixed assets amounted to MSEK 376 (434),

| MSEK   | Jan–June<br>2011 | Jan–June<br>2010 | Change,<br>% | Apr–June<br>2011 | Apr–June<br>2010 | Jan–Dec<br>2010 |
|--|------------------|------------------|--------------|------------------|------------------|-----------------|
| Gross income   | 3,040            | 2,712            | 12           | 1,613            | 1,441            | 5,591           |
| Gross margin, %  | 26.9             | 23.8             |              | 27.5             | 24.0             | 22.9            |
| Internally funded investments in research and development                  | 571              | 522              | 9            | 305              | 237              | 1,203           |
| Operating income before depreciation/amortisation and write-downs (EBITDA) | 1,604            | 998              | 61           | 968              | 564              | 2,187           |
| Margin, %  | 14.2             | 8.8              |              | 16.5             | 9.4              | 9.0             |
| Operating income (EBIT)  | 1,065            | 402              | 165          | 697              | 276              | 975             |
| Operating margin, %  | 9.4              | 3.5              |              | 11.9             | 4.6              | 4.0             |
| Income before tax (EBT)  | 932              | 310              | 201          | 548              | 211              | 776             |
| Net income   | 695              | 246              | 183          | 418              | 174              | 454             |
| Earnings per share before dilution, SEK                                    | 6.72             | 2.33             |              | 4.06             | 1.68             | 4.12            |
| Earnings per share after dilution, SEK                                     | 6.45             | 2.25             |              | 3.89             | 1.62             | 3.97            |

of which amortisation and write-down of capitalised development costs amounted to MSEK 292 (349). In 2010, it included a write-down of capitalised development costs of MSEK 20.

Operating income amounted to MSEK 1,065 (402), corresponding to an operating margin of 9.4 per cent (3.5).

2011 includes capital gains of MSEK 253, whereas the Group in 2010 had structural costs and negative results from divestments of MSEK 110 and costs related to a terminated contract of MSEK 310.

The share of income in associated companies, MSEK -9 (-9), primarily relates to net income in Hawker Pacific Airservices Ltd.

#### FINANCIAL NET

| MSEK   | Jan–June 2011 | Jan–June 2010 |
|--|---------------|---------------|
| Project interest from unutilised advance payment | -18           | -7            |
| Net interest items                               | -8            | -25           |
| Currency gains                                   | 2             | 41            |
| Financial net related to pensions                | -29           | -84           |
| Other net interest items                         | -80           | -17           |
| <b>Total</b>                                     | <b>-133</b>   | <b>-92</b>    |

Currency gains part of the financial net related to the tender portfolio where the hedged part was valued at market value. Other net interest items consisted of income from shares in associated companies and other exchange rate effects. Other exchange rate effects included an accounting loss related to a pre-maturity closing of an interest rate swap.

Current and deferred taxes amounted to MSEK -237 (-64), or an effective tax rate of 25 per cent (21). Tax-exempt income both in 2011 and in 2010 led to a lower tax rate in both periods.

The pre-tax return on capital employed was 13.0 per cent (9.5) and the after-tax return on equity was 7.9 per cent (6.5), both measured over a rolling 12-month period.

#### BALANCE SHEET KEY INDICATORS

| MSEK                                      | 30 June 2011 | 30 June 2010 | Change | 31 Dec 2010 |
|---|--------------|--------------|--------|-------------|
| Net liquidity/debt (-) <sup>1)</sup>      | 5,262        | 1,359        | 3,903  | 3,291       |
| Intangible fixed assets                   | 6,046        | 6,742        | -696   | 6,413       |
| Goodwill                                  | 3,457        | 3,484        | -27    | 3,470       |
| Capitalised development costs             | 2,125        | 2,718        | -593   | 2,428       |
| Other intangible fixed assets             | 464          | 540          | -76    | 515         |
| Tangible fixed assets, etc. <sup>2)</sup> | 4,526        | 5,043        | -517   | 4,741       |
| Inventories                               | 3,891        | 4,942        | -1,051 | 4,100       |
| Accounts receivable                       | 3,359        | 2,393        | 966    | 3,052       |
| Other receivables                         | 3,043        | 3,694        | -651   | 3,630       |
| Accrued revenues <sup>3)</sup>            | 2,267        | 2,437        | -170   | 2,472       |
| Advance payments from customers           | 1,279        | 564          | 715    | 643         |
| Equity/assets ratio, (%)                  | 39.1         | 37.7         | -      | 39.1        |
| Return on equity, (%) <sup>4)</sup>       | 7.9          | 6.5          | -      | 4.1         |
| Equity per share, SEK <sup>5)</sup>       | 111.16       | 102.02       | 9.14   | 107.66      |

<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. For a detailed break-down of interest-bearing receivables and interest-bearing liabilities, see note 7, 8 and 9, page 29 and 30.

<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.

<sup>5)</sup> Number of shares excluding treasury shares; 2011 June: 104,975,480; 2010 June: 105,532,164; 2010 Dec: 104,717,729.

#### FINANCIAL POSITION AND LIQUIDITY

##### Financial position

Since the start of 2011, the net cash position has increased by MSEK 1,971 and amounted to MSEK 5,262 at the end of June 2011. Major reasons for the improvement in the net cash position is an increased profitability, an increased level of customer advances, milestone payments and proceeds from divestitures.

Intangible assets have decreased due to amortisation of capitalised product development. 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 capitalised at a later stage in all projects and all capitalised development costs are amortised over maximum ten years.

During the first half-year 2011 inventories

decreased as a result of deliveries during the second quarter 2011. Inventories are recognised after deducting utilised advances.

Other receivables decreased as a result of the divestment of the shares in Aker Holding AS and the reduction of accrued revenues (after deducting utilised advances).

Short-term interest-bearing liabilities decreased by MSEK 57 from the beginning of the period to MSEK 532 at 30 June.

Provisions for pensions amounted to MSEK 5 (4). During the period, the Saab Pension Fund was capitalised with a total of MSEK 0 (70). The fund was set up in 2006 with the overall objective to secure the Group's defined-benefit pension plans and at the same time hedge the interest rate volatility of the pension liability and reduce the overall cost of pensions.

For more information about the Saab Pension fund, see Note 10, page 31.

**Cash flow**

Operating cash flow amounted to MSEK 2,334 (2,233) in the first half-year 2011. The increase is mainly related to milestone and advance payments received. It was distributed between cash flow from core operating activities of MSEK 2,230 (2,118), acquisitions and divestments of operations and associated companies of MSEK 140 (133) and the leasing aircraft business of MSEK -36 (-18).

Saab has an established programme to sell accounts receivable to strengthen its financial position and increase financial flexibility. The accounts receivable sold are in most cases related to customers with high credit worthiness and one hundred per cent of the value of the receivables is sold at attractive funding levels. As per 30 June 2011, net receivables of MSEK 1,036 were sold, compared to MSEK 734 at 30 June 2010 and MSEK 1,409 at 31 December 2010. Hence it had a negative impact of MSEK 373 on cash flow for the period.

In Aeronautics, some projects entered into final stages of completion in 2010 and 2011. This will lead to a reduction of customer advances and a lower cash flow generation as these projects are finalised.

For more detailed information about the operating cash flow, see Note 9, page 30.

**ACQUISITIONS AND DIVESTMENTS**

On 14 December 2010, Saab announced the signing of an eight-year agreement with Scandinavian Air Ambulance Holding AB and in addition Saab acquired inventories and equipment. The purchase price, including the mentioned assets, amounted to MSEK 41 and the surplus value is estimated to MSEK 24. The surplus value is preliminary allocated to other intangible assets. The eight-year agreement consisted of Saab taking over the responsibility of the Group's technical and maintenance personnel and operations of their helicopters and aircraft. In addition, Saab invested MSEK 25 in convertibles in Scandinavian Air Ambulance during the first quarter 2011.

Saab acquired assets from the Czech company E-COM, with its main operations in development and production of virtual simulators. E-COM has approximately 120 employees. The assets were acquired for MSEK 17 during the second quarter 2011. It is integrated into the Security and Defence Solutions business area.

Saab signed an agreement to divest its ownership share of 42.4 per cent in South African system engineering company Grintek Ewation to Cassidian, a division of EADS. The transaction closed in the second quarter of 2011 and generated a capital gain before tax of MSEK 122 and a positive cash flow of MSEK 189, which was recorded in business area Electronic Defence Systems.

Saab divested its 20 per cent share in the South African company Denel Saab Aerostructures Pty Ltd. The transaction generated a capital gain of MSEK 58 and a positive cash flow of MSEK 61. This was recorded in Aeronautics during the second quarter 2011.

On 8 April 2011, Saab announced it has received additional consideration for the divestment of Saab Space of MSEK 60. The consideration has been recorded as a capital gain in Corporate in the second quarter 2011.

On 19 April, Saab announced it had divested its 36 per cent share in the image processing company Image Systems AB to Digital Vision AB. Image Systems AB has been a part of Saab Venture's portfolio since 2008. The price received was MSEK 17, which impacted cash flow positively in the second quarter 2011. The transaction generated a capital gain of MSEK 13, which was recorded in Corporate during the first quarter 2011.

Saab utilized its option to divest its shares in Aker Holding AS, which were acquired in 2007. The exercise of the put option generated cash of MSEK 400 to Saab and had a positive impact on the operating cash flow and net liquidity by MSEK 130. The transaction had no impact on the results.

On 30 May 2011, Saab announced it had increased its co-operation with the Swedish systems development company ISD Technologies Int AB. Saab Ventures also acquired 30 per cent of the shares in the company for MSEK 11.

On 29 June 2011 Saab announced a definitive agreement to acquire the U.S. company Sensis Corporation (Sensis), a leading provider of air traffic management (ATM) solutions and surveillance technologies, for approximately MUSD 155 (about MSEK 1,008). In addition, the parties agreed on a potential earn out payment of maximum MUSD 40 (about MSEK 260) by 2014. The acquisition advances Saab's strategy to increase its North American presence. It also strengthens the product portfolio within radar, sensors, ATM, and defence systems development. The transaction is pending approval from, among others, competition authorities in the U.S. and closing is expected in the third quarter of 2011.

**OVERVIEW CAPITAL GAINS 2011**

| MSEK                      | Jan–June 2011 |
|---------------------------|---------------|
| Grintek Ewation           | 122           |
| Saab Space                | 60            |
| Image Systems             | 13            |
| Denel Saab Aerostructures | 58            |
| <b>Total</b>              | <b>253</b>    |

No other significant acquisitions or divestments were made during the first half-year 2011.



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

##### **Capital expenditures**

Gross capital expenditures in property, plant and equipment, excluding lease assets, amounted to MSEK 129 (105).

Investments in intangible assets amounted to MSEK 10 (30) of which MSEK 1 (20) are related to capitalised product development and MSEK 9 (10) to other intangible assets.

##### **Personnel**

At 30 June 2011, the Group had 12,541 employees, compared to 12,536 at the beginning of the year. The number of FTE's (Full Time Equivalents) at the end of the period was 12,201, compared to 12,097 at the beginning of the year. The increase of FTEs is related to the integration of the acquired Czech company E-COM.

#### **RISKS AND UNCERTAINTIES**

Saab's operations primarily involve the development, production and supply of technologically advanced hardware and software to customers around the world.

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 2011, see pages 56-58 of the annual report for 2010.



OTHER IMPORTANT EVENTS JANUARY – JUNE 2011

- Saab announced it has signed a 5 year credit facility of SEK 4 billion to refinance the existing credit facility with maturity in March 2012. The terms of the credit facility reflects the Saab Group's strong financial position and contains no financial covenants. The credit margin is 0.65 per cent with commitment fee of 35 per cent of margin. The facility is self-arranged and the agreement was signed with a total of 8 banks with a MSEK 500 commitment each.
- Saab held the Annual General Meeting 2011 of Saab AB on Thursday 7 April 2011 in Stockholm. Håkan Buskhe and Michael O'Callaghan were elected to the Saab Board of Directors and Johan Forssell, Sten Jakobsson, Per-Arne Sandström, Cecilia Stegö Chilò, Åke Svensson, Lena Treschow Torell, Marcus Wallenberg and Joakim Westh were re-elected as Board Members. Erik Belfrage and George Rose declined re-election. Marcus Wallenberg was re-elected as Chairman of the Board of Saab AB.
- Saab announced it had received information from the Indian Ministry of Defence that Gripen has not been shortlisted for the Indian Medium Multi-Role Combat Aircraft (MMRCA) programme.
- Saab launched an investigation after details emerged in the Swedish media about a contract with a South African consultant about which Saab had no prior knowledge. After having completed a review of the contract and the financial transactions of the company Sanip Pty Ltd during the period in question it was revealed that approximately 24 million rand was paid from BAE Systems to Sanip. These payments were transferred to the South African consultant shortly thereafter. The investigation and assembled materials were submitted to the attorney Tomas Nilsson who thereafter commented on the investigation and handed it over to the Swedish National Anti-Corruption Unit.
- Saab announced that the Board has decided to utilize its authorization to repurchase the company's own shares of series B in order to hedge the company's Share Matching Plans and Performance Share Plans. 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 20 July 2011 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.
- On 16 June, 2011 Saab announced that Michael O'Callaghan, member of Saab's Board of Directors, had notified the Board of Directors that he with immediate effect resigns from his position as a result of BAE Systems' sale of its shareholding in Saab AB.
- Saab announced that it will form an Academy for stronger focus on training and competence development of Saab employees. The Academy will be headed by Mikael Grodzinsky, who will leave his position as Head of Group Human Resources within the Saab Group Management during the autumn 2011.

IMPORTANT EVENTS AFTER THE CONCLUSION OF THE PERIOD

- Saab announced that Carina Brorman has been appointed as new Senior Vice President and Head of Group Communications. She will be assuming the position on 1 October 2011 and will join the Group Management.
- On 14 July, 2011 Saab announced it has agreed to divest its shares, corresponding to 57.8 per cent on a fully diluted base, in the 3D mapping company C3 Technologies AB (C3). The cash consideration for the divestment amounts to approximately MSEK 1,009 and the transaction will generate a capital gain of approximately MSEK 906. It will have a positive impact on earnings per share fully diluted of approximately SEK 8.10 in 2011. Going forward Saab will continue to serve the defence, governmental and professional geographic information (GIS) market with Rapid 3D Mapping applications through R3DM, a business development project within the business area Dynamics. The transaction is expected to close in the third quarter of 2011, subject to customary closing conditions.

For information on major orders received during January–June 2011 see page 3, the business area comments on pages 9–13 and note 3 on page 27.

## AERONAUTICS

| MSEK   | Jan–June<br>2011 | Jan–June<br>2010 | Change,<br>% | Apr–June<br>2011   | Apr–June<br>2010   | Jan–Dec<br>2010 |
|--|------------------|------------------|--------------|--------------------|--------------------|-----------------|
| Order bookings   | 2,555            | 3,529            | -28          | 1,592              | 1,447              | 6,901           |
| Order backlog  | 14,848           | 15,603           | -5           | -242 <sup>1)</sup> | -252 <sup>1)</sup> | 15,636          |
| Sales  | 3,343            | 3,401            | -2           | 1,835              | 1,698              | 6,741           |
| Operating income before depreciation/amortisation and write-downs (EBITDA) | 361              | 194              | 86           | 220                | 80                 | 438             |
| Margin, %  | 10.8             | 5.7              |              | 12.0               | 4.7                | 6.5             |
| Operating income (EBIT)  | 236              | 71               | 232          | 157                | 18                 | 191             |
| Operating margin, %  | 7.1              | 2.1              |              | 8.6                | 1.1                | 2.8             |
| Operating cash flow  | 665              | 262              | 154          | 225                | 295                | 30              |
| Defence/Civil (% of sales)   | 88/12            | 89/11            |              | 88/12              | 91/9               | 89/11           |
| No. of employees   | 2,796            | 2,941            | -5           | -28 <sup>1)</sup>  | -47 <sup>1)</sup>  | 2,874           |
| No. FTEs   | 2,660            | 2,732            | -3           | -15 <sup>1)</sup>  | -56 <sup>1)</sup>  | 2,670           |

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

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

### HIGHLIGHTS

#### ORDERS RECEIVED

- Orders received in the first half-year 2011 included several orders from FMV related to the Gripen system, including an order for development of the existing material system 39 (edition 19) on the Gripen system and an order for system maintenance and development studies for the Gripen system.
- Orders received in the first half-year 2010 included an order of MSEK 2,000 from FMV concerning development of the existing Gripen fleet.
- Orders received where the order sum exceeded MSEK 100 represented 76 per cent (91) of total order bookings.

#### SALES

- Sales decreased in the first half-year 2011. Gripen aircraft deliveries to South Africa had a lower project activity level in 2011. In the second quarter the activity level on the order received in 2010 for the Gripen system to Thailand increased.
- Markets outside Sweden accounted for 46 per cent (46) of sales.

#### INCOME AND MARGIN

- The operating margin improved in the first half-year 2011 due to the change in project mix. In addition, the ownership in Denel Saab Aerostructures SA was divested and the transaction generated a capital gain before tax of MSEK 58.
- During 2010 structural costs of MSEK 85 was recorded, related to lay-offs, as a consequence of the reorganisation of Aeronautics announced in 2009.

#### CASH FLOW

- Operating cash flow in the first half-year 2011 improved strongly compared to 2010 as a result of several milestone payments received in major projects.
- During 2010 and 2011 some projects entered into final stages of completion. This will lead to a reduction of customer advances and a lower cash flow generation as these projects are finalised.

#### EMPLOYEES

- The amount of employees and FTEs have decreased since the beginning of the year. The decrease is a result of efficiency measures taken in 2009 and 2010.

## DYNAMICS

| MSEK   | Jan–June<br>2011 | Jan–June<br>2010 | Change,<br>% | Apr–June<br>2011   | Apr–June<br>2010   | Jan–Dec<br>2010 |
|--|------------------|------------------|--------------|--------------------|--------------------|-----------------|
| Order bookings   | 2,379            | 1,760            | 35           | 851                | 1,126              | 3,312           |
| Order backlog  | 5,885            | 6,597            | -11          | -217 <sup>1)</sup> | -26 <sup>1)</sup>  | 5,546           |
| Sales  | 2,046            | 2,153            | -5           | 1,084              | 1,167              | 4,741           |
| Operating income before depreciation/amortisation and write-downs (EBITDA) | 292              | 337              | -13          | 166                | 213                | 516             |
| Margin, %  | 14.3             | 15.7             |              | 15.3               | 18.3               | 10.9            |
| Operating income (EBIT)  | 212              | 259              | -18          | 123                | 174                | 322             |
| Operating margin, %  | 10.4             | 12.0             |              | 11.3               | 14.9               | 6.8             |
| Operating cash flow  | 392              | 590              | -34          | 52                 | 601                | 1,044           |
| Defence/Civil (% of sales)   | 92/8             | 94/6             |              | 90/10              | 95/5               | 94/6            |
| No. of employees   | 1,473            | 1,614            | -9           | 47 <sup>1)</sup>   | -68 <sup>1)</sup>  | 1,483           |
| No. FTE  | 1,473            | 1,587            | -7           | 57 <sup>1)</sup>   | -102 <sup>1)</sup> | 1,469           |

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

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

### HIGHLIGHTS

#### ORDERS RECEIVED

- Orders received in the first half-year 2011 increased mainly due to a order received for ammunition to the Carl-Gustaf man-portable weapon amounting to MSEK 1,155.
- Orders received where the order sum exceeded MSEK 100 represented 65 per cent (68) of total order bookings.

#### SALES

- Sales decreased in the first half-year 2011 mainly as a result of a lower order intake in 2010.
- Markets outside Sweden accounted for 78 per cent (74) of sales.

#### INCOME AND MARGIN

- Profitability in the first half-year 2011 decreased, mainly as a result of a lower sales volume and higher level of marketing expenses compared to 2010.

#### CASH FLOW

- Operating cash flow in the first half-year 2011 decreased as a result of milestone payments received in the first half-year 2010 that were not repeated in 2011.

#### EMPLOYEES

- The amount of employees are at the same level as at the beginning of the year.

**ELECTRONIC DEFENCE SYSTEMS**

| MSEK   | Jan–June<br>2011 | Jan–June<br>2010 | Change,<br>% | Apr–June<br>2011   | Apr–June<br>2010   | Jan–Dec<br>2010 |
|--|------------------|------------------|--------------|--------------------|--------------------|-----------------|
| Order bookings   | 2,164            | 1,849            | 17           | 930                | 748                | 5,494           |
| Order backlog  | 8,245            | 6,906            | 19           | -137 <sup>1)</sup> | -369 <sup>1)</sup> | 8,240           |
| Sales  | 2,129            | 2,099            | 1            | 1,094              | 1,159              | 4,354           |
| Operating income before depreciation/amortisation and write-downs (EBITDA) | 464              | 413              | 12           | 298                | 242                | 589             |
| Margin, %  | 21.8             | 19.7             |              | 27.2               | 20.9               | 13.5            |
| Operating income (EBIT)  | 217              | 151              | 44           | 181                | 114                | 99              |
| Operating margin, %  | 10.2             | 7.2              |              | 16.5               | 9.8                | 2.3             |
| Operating cash flow  | 723              | 327              | 121          | 277                | -48                | 594             |
| Defence/Civil (% of sales)   | 99/1             | 99/1             |              | 99/1               | 99/1               | 99/1            |
| No. of employees   | 2,447            | 2,527            | -3           | 9 <sup>1)</sup>    | -26 <sup>1)</sup>  | 2,453           |
| No. FTEs   | 2,367            | 2,427            | -2           | 21 <sup>1)</sup>   | -73 <sup>1)</sup>  | 2,356           |

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

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

**HIGHLIGHTS**

**ORDERS RECEIVED**

- Orders received in the first half-year 2011 included an airborne Electronic Warfare self-protection system (named IDAS, Integrated Defensive Aids Suite) and an order from LIG Nex1, the prime contractor of the Republic of Korea, for the weapon locating system ARTHUR.
- Orders received where the order sum exceeded MSEK 100 represented 44 per cent (36) of total order bookings.

**SALES**

- Markets outside Sweden accounted for 71 per cent (62) of sales.

**INCOME AND MARGIN**

- The profitability in the first half-year 2011 increased as a result of the divestment of its ownership share of 42.4 per cent in South African system engineering company Grintek Ewation to Cassidian, a division of EADS. The transaction generated a capital gain before tax of MSEK 122.
- 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 due to customer advances received and the divestment of the ownership share in Grintek Ewation, which impacted cashflow with MSEK 189.

**EMPLOYEES**

- The number of employees was at about the same level as in the beginning of the year.

## SECURITY AND DEFENCE SOLUTIONS

| MSEK   | Jan–June<br>2011 | Jan–June<br>2010 | Change,<br>% | Apr–June<br>2011   | Apr–June<br>2010   | Jan–Dec<br>2010 |
|--|------------------|------------------|--------------|--------------------|--------------------|-----------------|
| Order bookings   | 1,805            | 1,708            | 6            | 1,028              | 788                | 6,647           |
| Order backlog  | 7,561            | 7,109            | 6            | -191 <sup>1)</sup> | -477 <sup>1)</sup> | 8,434           |
| Sales  | 2,575            | 2,627            | -2           | 1,272              | 1,427              | 6,210           |
| Operating income before depreciation/amortisation and write-downs (EBITDA) | 181              | -137             | -            | 89                 | -84                | 265             |
| Margin, %  | 7.0              | -5.2             | -            | 7.0                | -5.9               | 4.3             |
| Operating income (EBIT)  | 138              | -202             | -            | 67                 | -106               | 137             |
| Operating margin, %  | 5.4              | -7.7             | -            | 5.3                | -7.4               | 2.2             |
| Operating cash flow  | 645              | 688              | -6           | 539                | 703                | 1,066           |
| Defence/Civil (% of sales)   | 72/28            | 70/30            | -            | 76/24              | 74/26              | 67/33           |
| No. of employees   | 2,603            | 2,564            | 2            | 98 <sup>1)</sup>   | 1 <sup>1)</sup>    | 2,525           |
| No. of FTEs  | 2,604            | 2,535            | 3            | 113 <sup>1)</sup>  | -12 <sup>1)</sup>  | 2,498           |

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

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

### HIGHLIGHTS

#### ORDERS RECEIVED

- Orders received in the first half-year 2011 included orders from the UK Ministry of Defence to enhance their existing provision of live training capabilities to the British Army abroad and in the UK. An order was also received from Kriminalvården, the Swedish Prison and Probation Service, for the communication solution Tactical consisting of ten operator positions to be used for prisons in Sweden. During the second quarter the Royal Thai Navy placed two orders for the upgrading of combat management and fire control systems on two frigates of the Naresuan class.
- In addition a framework agreement was secured with the U.S. Army Program Executive Office of Simulation, Training and Instrumentation (PEO STRI). The framework agreement covers radio systems for communication (LT2-IRS) for live training.
- Orders received where the order sum exceeded MSEK 100 represented 27 per cent (33) of total order bookings.

#### SALES

- Markets outside Sweden accounted for 77 per cent (75) of sales.

#### INCOME AND MARGIN

- In the first half-year 2011 profitability improved due to efficiency improvements and a changed project mix. In addition, the first half-year 2010, profitability was negatively impacted by costs related to a terminated contract about MSEK 290. A write-down of capitalised development was also made of MSEK 20.

#### CASH FLOW

- Operating cash flow was at the same level as in 2010 with deliveries against milestones in the majority of our projects.

#### EMPLOYEES

- The number of employees increased mainly as a result of the integration of the acquired Czech training and simulation company E-COM.

## SUPPORT AND SERVICES

| MSEK   | Jan–June<br>2011 | Jan–June<br>2010 | Change,<br>% | Apr–June<br>2011  | Apr–June<br>2010  | Jan–Dec<br>2010 |
|--|------------------|------------------|--------------|-------------------|-------------------|-----------------|
| Order bookings   | 1,959            | 1,887            | 4            | 1,036             | 963               | 4,124           |
| Order backlog  | 4,997            | 4,339            | 15           | 259 <sup>1)</sup> | 143 <sup>1)</sup> | 4,743           |
| Sales  | 1,688            | 1,577            | 7            | 781               | 834               | 3,403           |
| Operating income before depreciation/amortisation and write-downs (EBITDA) | 191              | 183              | 4            | 112               | 123               | 366             |
| Margin, %  | 11.3             | 11.6             |              | 14.3              | 14.7              | 10.8            |
| Operating income (EBIT)  | 182              | 175              | 4            | 107               | 119               | 351             |
| Operating margin, %  | 10.8             | 11.1             |              | 13.7              | 14.3              | 10.3            |
| Operating cash flow  | 391              | 406              | -4           | 256               | 156               | 894             |
| Defence/Civil (% of sales)   | 80/20            | 75/25            |              | 79/21             | 74/26             | 78/22           |
| No. of employees   | 1,744            | 1,763            | -1           | 3 <sup>1)</sup>   | -5 <sup>1)</sup>  | 1,721           |
| No. FTEs   | 1,710            | 1,729            | -1           | -7 <sup>1)</sup>  | -4 <sup>1)</sup>  | 1,688           |

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

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

### HIGHLIGHTS

#### ORDERS RECEIVED

- Orders received in the first half-year 2011 included an order related to the eight-year agreement signed with Scandinavian Air Ambulance Holding AB in December 2010 and that came into force during the first quarter. A major order was also received from FMV for the support and maintenance of Helicopter 15 (Agusta 109 LUHS), operated by the Swedish Armed Forces.
- Orders received where the order sum exceeded MSEK 100 represented 30 per cent (17) of total order bookings.

#### SALES

- Sales in the first half-year 2011 increased due to a steady and strong inflow of smaller orders during the period.
- Markets outside Sweden accounted for 20 per cent (28) of sales.

#### INCOME AND MARGIN

- Profitability in the first half-year 2011 remained at a good level due to a stable activity level.

#### CASH FLOW

- The operating cash flow in the first half-year 2011 was lower compared to 2010 due to timing differences of milestone payments.

#### EMPLOYEES

- Following a higher activity level, the number of employees and FTEs increased during the first half-year 2011.

## CORPORATE

Corporate reported operating income of MSEK 80 (-52). The first half-year 2011 includes a capital gain of MSEK 13 from the sale of Image Systems AB to Digital Vision AB and an additional consideration for the divestment of Saab Space of MSEK 60.

## 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 in the first half-year 2011 amounted to MSEK 7,593 (7,136). Operating income was MSEK 303 (291).

The operating income in the first half-year 2011 included expenses of approximately MSEK 330 regarding increased pension obligations according to the FPG/PRI system due to changed mortality assumptions, see also note 10 on page 31.

The operating income in the first half-year 2010 included expenses of MSEK 290 mainly related to a terminated contract in Security and Defence Solutions and structural costs of MSEK 85 in Aeronautics related to lay-offs announced in January 2010 as well as the reorganisation announced in 2009.

Net financial income and expenses was MSEK 334 (285). After appropriations of MSEK 0 (0) and taxes of MSEK -110 (-83), net income for the period amounted to MSEK 527 (493).

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

The Parent Company's net liquidity amounted to MSEK 138 (-4,540) at 30 June 2011 compared to a net debt of MSEK 2,395 at 31 December 2010.

The change in net liquidity is related to a strong operating cash flow and the divestment of shares in Aker Holding AS that impacted the net cash position positive by approximately MSEK 1,500.

Gross capital expenditures in property, plant and equipment amounted to MSEK 71 (56). Investments in intangible assets amounted to MSEK 10 (10). At the end of June 2011, the Parent Company had 7,825 employees, compared to 7,915 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 4,174,864 treasury shares as of 30 June 2011 compared to 4,432,615 at year-end 2010.

The Annual General Meeting on 7 April 2011 authorised the Board of Directors to repurchase 1,340,000 shares to hedge the year's share matching plan and performance share plan. During the second quarter Saab announced that the Board has decided to utilize its authorization and that 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 20 July 2011 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

According to SIS Ägarservice, Saab's largest shareholders as of 30 June 2011 are Investor AB, the Wallenberg foundations, Swedbank Robur funds, Nordea Funds, Unionen, Orkla ASA, SHB Funds, the Fourth AP-Fund, AFA Insurances and Länsförsäkringar Funds.

On 8 June, 2011 Saab AB was notified that BAE Systems had sold all shares in Saab AB. Prior to this they held 10.2 per cent of the capital and 8.8 per cent of the votes.



**CONSOLIDATED INCOME STATEMENT**

| MSEK   | Note | Jan-June<br>2011 | Jan-June<br>2010 | Rolling 12-<br>months | Jan-Dec<br>2010 |
|--|------|------------------|------------------|-----------------------|-----------------|
| Sales  | 3    | 11,313           | 11,377           | 24,370                | 24,434          |
| Cost of goods sold   |      | -8,273           | -8,665           | -18,451               | -18,843         |
| Gross income   |      | 3,040            | 2,712            | 5,919                 | 5,591           |
| Gross margin, %  |      | 26.9             | 23.8             | 24.3                  | 22.9            |
| Other operating income   |      | 346              | 81               | 487                   | 222             |
| Marketing expenses   |      | -828             | -868             | -1,687                | -1,727          |
| Administrative expenses  |      | -600             | -587             | -1,248                | -1,235          |
| Research and development costs                                   |      | -862             | -851             | -1,831                | -1,820          |
| Other operating expenses   |      | -22              | -76              | -16                   | -70             |
| Share of income in associated companies                          |      | -9               | -9               | 14                    | 14              |
| Operating income (EBIT) <sup>1)</sup>                            | 3    | 1,065            | 402              | 1,638                 | 975             |
| Operating margin, %  |      | 9.4              | 3.5              | 6.7                   | 4.0             |
| Share of income in associated companies                          |      | 1                | 24               | 3                     | 26              |
| Financial income   |      | 52               | 105              | 63                    | 116             |
| Financial expenses   |      | -186             | -221             | -306                  | -341            |
| Net financial items  |      | -133             | -92              | -240                  | -199            |
| Income before taxes  |      | 932              | 310              | 1,398                 | 776             |
| Taxes  | 4    | -237             | -64              | -495                  | -322            |
| Net income for the period  |      | 695              | 246              | 903                   | 454             |
| of which Parent Company's shareholders' interest                 |      | 704              | 246              | 891                   | 433             |
| of which non-controlling interest                                |      | -9               | -                | 12                    | 21              |
| Earnings per share before dilution, SEK <sup>2)</sup>            |      | 6.72             | 2.33             | 8.51                  | 4.12            |
| Earnings per share after dilution, SEK <sup>3)</sup>             |      | 6.45             | 2.25             | 8.17                  | 3.97            |
| <sup>1)</sup> INCLUDES DEPRECIATION/AMORTISATION AND WRITE-DOWNS |      | -600             | -672             | -1,286                | -1,358          |
| OF WHICH DEPRECIATION OF LEASING AIRCRAFT                        |      | -61              | -76              | -131                  | -146            |
| <sup>2)</sup> AVERAGE NUMBER OF SHARES BEFORE DILUTION           |      | 104,839,198      | 105,521,211      | 104,876,829           | 105,217,786     |
| <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<br>2011 | Jan-June<br>2010 | Rolling 12-<br>months | Jan-Dec<br>2010 |
|---|------------------|------------------|-----------------------|-----------------|
| Net income for the period                                   | 695              | 246              | 903                   | 454             |
| Other comprehensive income:                                 |                  |                  |                       |                 |
| Translation differences for the period                      | -93              | 97               | -174                  | 16              |
| Net gain/loss on cash flow hedges                           | 183              | 147              | 802                   | 766             |
| Share of other comprehensive income in associated companies | -26              | 1                | -25                   | 2               |
| Tax attributable to other comprehensive income              | -47              | -39              | -209                  | -201            |
| Other comprehensive income for the period                   | 17               | 206              | 394                   | 583             |
| <b>Net comprehensive income for the period</b>              | <b>712</b>       | <b>452</b>       | <b>1,297</b>          | <b>1,037</b>    |
| of which Parent Company's shareholders' interest            | 740              | 437              | 1,309                 | 1,006           |
| of which non-controlling interest                           | -28              | 15               | -12                   | 31              |

**QUARTERLY INCOME STATEMENT**

| MSEK   | Q2 2011     | Q1 2011     | Q4 2010     | Q3 2010     | Q2 2010     | Q1 2010     | Q4 2009     | Q3 2009     |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Sales  | 5,861       | 5,452       | 8,053       | 5,004       | 5,993       | 5,384       | 7,768       | 5,184       |
| Cost of goods sold   | -4,248      | -4,025      | -6,413      | -3,765      | -4,552      | -4,113      | -5,883      | -3,969      |
| Gross income   | 1,613       | 1,427       | 1,640       | 1,239       | 1,441       | 1,271       | 1,885       | 1,215       |
| Gross margin, %  | 27.5        | 26.2        | 20.4        | 24.8        | 24.0        | 23.6        | 24.3        | 23.4        |
| Other operating income   | 273         | 73          | 101         | 40          | 45          | 36          | 2           | 74          |
| Marketing expenses   | -430        | -398        | -480        | -379        | -483        | -385        | -515        | -371        |
| Administrative expenses  | -290        | -310        | -431        | -217        | -271        | -316        | -285        | -249        |
| Research and development costs                                   | -456        | -406        | -579        | -390        | -392        | -459        | -567        | -405        |
| Other operating expenses   | -10         | -12         | -1          | 7           | -60         | -16         | -38         | -4          |
| Share of income in associated companies                          | -3          | -6          | 1           | 22          | -4          | -5          | 21          | -11         |
| Operating income/loss (EBIT) <sup>1)</sup>                       | 697         | 368         | 251         | 322         | 276         | 126         | 503         | 249         |
| Operating margin, %  | 11.9        | 6.7         | 3.1         | 6.4         | 4.6         | 2.3         | 6.5         | 4.8         |
| Share of income in associated companies                          | -           | 1           | 2           | -           | 24          | -           | 1           | -           |
| Financial income   | -13         | 65          | -30         | 41          | 33          | 72          | 20          | 12          |
| Financial expenses   | -136        | -50         | -31         | -89         | -122        | -99         | -63         | -109        |
| Net financial items  | -149        | 16          | -59         | -48         | -65         | -27         | -42         | -97         |
| Income/loss before taxes   | 548         | 384         | 192         | 274         | 211         | 99          | 461         | 152         |
| Taxes  | -130        | -107        | -172        | -86         | -37         | -27         | -138        | -41         |
| Net income/loss for the period                                   | 418         | 277         | 20          | 188         | 174         | 72          | 323         | 111         |
| of which Parent Company's shareholders' interest                 | 425         | 279         | 8           | 179         | 177         | 69          | 313         | 105         |
| of which non-controlling interest                                | -7          | -2          | 12          | 9           | -3          | 3           | 10          | 6           |
| Earnings per share before dilution, SEK <sup>2)</sup>            | 4.06        | 2.66        | 0.09        | 1.70        | 1.68        | 0.65        | 2.97        | 0.99        |
| Earnings per share after dilution, SEK <sup>3)</sup>             | 3.89        | 2.56        | 0.08        | 1.64        | 1.62        | 0.63        | 2.87        | 0.96        |
| <sup>1)</sup> INCLUDES DEPRECIATION/AMORTISATION AND WRITE-DOWNS | -301        | -299        | -355        | -331        | -326        | -346        | -387        | -326        |
| OF WHICH DEPRECIATION OF LEASING AIRCRAFT                        | -30         | -31         | -33         | -37         | -38         | -38         | -38         | -42         |
| <sup>2)</sup> AVERAGE NUMBER OF SHARES BEFORE DILUTION           | 104,903,636 | 104,774,760 | 104,710,852 | 105,118,070 | 105,526,371 | 105,515,851 | 105,506,219 | 106,169,379 |
| <sup>3)</sup> AVERAGE NUMBER OF SHARES AFTER DILUTION            | 109,150,344 | 109,150,344 | 109,150,344 | 109,150,344 | 109,150,344 | 109,150,344 | 109,150,344 | 109,150,344 |

### QUARTERLY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| MSEK  | Q2 2011    | Q1 2011    | Q4 2010   | Q3 2010    | Q2 2010    | Q1 2010    | Q4 2009    | Q3 2009    |
|---|------------|------------|-----------|------------|------------|------------|------------|------------|
| Net income/loss for the period                              | 418        | 277        | 20        | 188        | 174        | 72         | 323        | 111        |
| Other comprehensive income:                                 |            |            |           |            |            |            |            |            |
| Translation differences                                     | 55         | -148       | 77        | -158       | 90         | 7          | 103        | -180       |
| Net gain/loss on cash flow hedges                           | -107       | 290        | -19       | 638        | -54        | 201        | 15         | 616        |
| Share of other comprehensive income in associated companies | -18        | -8         | -8        | 9          | 1          | -          | 1          | 9          |
| Tax attributable to other comprehensive income              | 29         | -76        | 6         | -168       | 14         | -53        | 1          | -163       |
| Other comprehensive income for the period                   | -41        | 58         | 56        | 321        | 51         | 155        | 120        | 282        |
| <b>Net comprehensive income for the period</b>              | <b>377</b> | <b>335</b> | <b>76</b> | <b>509</b> | <b>225</b> | <b>227</b> | <b>443</b> | <b>393</b> |
| of which Parent Company's shareholders' interest            | 382        | 358        | 65        | 504        | 217        | 220        | 441        | 378        |
| of which non-controlling interest                           | -5         | -23        | 11        | 5          | 8          | 7          | 2          | 15         |

### KEY RATIOS BY QUARTER

|   | Q2 2011     | Q1 2011     | Q4 2010     | Q3 2010     | Q2 2010     | Q1 2010     | Q4 2009     | Q3 2009     |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Equity/assets ratio (%)   | 39.1        | 40.4        | 39.1        | 41.1        | 37.7        | 37.9        | 35.1        | 32.9        |
| Return on capital employed, % <sup>1)</sup>                     | 13.0        | 9.9         | 7.9         | 10.1        | 9.5         | 10.8        | 10.3        | 0.6         |
| Return on equity, % <sup>1)</sup>                               | 7.9         | 5.8         | 4.1         | 7.0         | 6.5         | 7.9         | 7.0         | -3.3        |
| Equity per share, SEK <sup>2)</sup>                             | 111.16      | 111.06      | 107.66      | 106.94      | 102.02      | 101.98      | 99.91       | 95.63       |
| Operating cash flow, MSEK                                       | 1,775       | 559         | 2,200       | -84         | 2,306       | -73         | 1,270       | 420         |
| Operating cash flow per share after dilution, SEK <sup>3)</sup> | 16.26       | 5.12        | 20.16       | -0.77       | 21.13       | -0.67       | 11.64       | 3.85        |
| <sup>1)</sup> MEASURED OVER A ROLLING 12-MONTH PERIOD           |             |             |             |             |             |             |             |             |
| <sup>2)</sup> NUMBER OF SHARES EXCLUDING TREASURY SHARES        | 104,975,480 | 104,831,791 | 104,717,729 | 104,703,975 | 105,532,164 | 105,520,577 | 105,511,124 | 105,501,314 |
| <sup>3)</sup> AVERAGE NUMBER OF SHARES AFTER DILUTION           | 109,150,344 | 109,150,344 | 109,150,344 | 109,150,344 | 109,150,344 | 109,150,344 | 109,150,344 | 109,150,344 |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

| MSEK                                | Note | 30/6/2011     | 31/12/2010    | 30/6/2010     |
|-------------------------------------|------|---------------|---------------|---------------|
| <b>ASSETS</b>                       |      |               |               |               |
| <b>Fixed assets</b>                 |      |               |               |               |
| Intangible fixed assets             | 6    | 6,046         | 6,413         | 6,742         |
| Tangible fixed assets               |      | 3,014         | 3,052         | 3,130         |
| Lease assets                        |      | 986           | 1,154         | 1,422         |
| Biological assets                   |      | 299           | 299           | 255           |
| Investment properties               |      | 227           | 236           | 236           |
| Shares in associated companies      |      | 267           | 251           | 360           |
| Financial investments               |      | 200           | 203           | 93            |
| Long-term receivables               |      | 951           | 856           | 1,357         |
| Deferred tax assets                 |      | 13            | -             | 119           |
| <b>Total fixed assets</b>           |      | <b>12,003</b> | <b>12,464</b> | <b>13,714</b> |
| <b>Current assets</b>               |      |               |               |               |
| Inventories                         |      | 3,891         | 4,100         | 4,942         |
| Derivatives                         |      | 800           | 1,105         | 1,041         |
| Tax receivables                     |      | 22            | 46            | 33            |
| Accounts receivable                 |      | 3,359         | 3,052         | 2,393         |
| Other receivables                   |      | 3,043         | 3,630         | 3,694         |
| Prepaid expenses and accrued income |      | 791           | 680           | 1,030         |
| Short-term investments              |      | 3,235         | 1,544         | 440           |
| Liquid assets                       | 9    | 3,081         | 2,544         | 1,694         |
| <b>Total current assets</b>         |      | <b>18,222</b> | <b>16,701</b> | <b>15,267</b> |
| <b>Assets held for sale</b>         |      | <b>-</b>      | <b>113</b>    | <b>-</b>      |
| <b>TOTAL ASSETS</b>                 | 13   | <b>30,225</b> | <b>29,278</b> | <b>28,981</b> |

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

| MSEK  | Note | 30/6/2011     | 31/12/2010    | 30/6/2010     |
|---|------|---------------|---------------|---------------|
| <b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>             |      |               |               |               |
| <b>Shareholders' equity</b>                             |      |               |               |               |
| Parent Company's shareholders' interest                 |      | 11,669        | 11,274        | 10,766        |
| Non-controlling interest                                |      | 142           | 170           | 164           |
| <b>Total shareholders' equity</b>                       |      | <b>11,811</b> | <b>11,444</b> | <b>10,930</b> |
| <b>Long-term liabilities</b>                            |      |               |               |               |
| Long-term interest-bearing liabilities                  | 7    | 1,110         | 1,117         | 1,114         |
| Other liabilities                                       |      | 224           | 294           | 318           |
| Provisions for pensions                                 | 10   | 5             | 5             | 4             |
| Other provisions  |      | 1,917         | 2,207         | 2,278         |
| Deferred tax liabilities                                |      | 932           | 803           | 808           |
| <b>Total long-term liabilities</b>                      |      | <b>4,188</b>  | <b>4,426</b>  | <b>4,522</b>  |
| <b>Current liabilities</b>                              |      |               |               |               |
| Short-term interest-bearing liabilities                 | 7    | 532           | 589           | 631           |
| Advance payments from customers                         |      | 1,279         | 643           | 564           |
| Accounts payable  |      | 1,505         | 1,799         | 1,266         |
| Derivatives   |      | 465           | 750           | 1,407         |
| Tax liabilities   |      | 266           | 265           | 253           |
| Other liabilities                                       |      | 875           | 819           | 700           |
| Accrued expenses and deferred income                    |      | 8,585         | 7,751         | 8,037         |
| Provisions  |      | 719           | 792           | 671           |
| <b>Total current liabilities</b>                        |      | <b>14,226</b> | <b>13,408</b> | <b>13,529</b> |
| <b>Liabilities attributable to assets held for sale</b> |      | <b>-</b>      | <b>-</b>      | <b>-</b>      |
| <b>Total liabilities</b>                                |      | <b>18,414</b> | <b>17,834</b> | <b>18,051</b> |
| <b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>       | 13   | <b>30,225</b> | <b>29,278</b> | <b>28,981</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 PARENT COMPANY'S SHARE HOLDERS' INTEREST | NON-CONTROLLING INTEREST | TOTAL SHARE HOLDERS' EQUITY |
|--|---------------|-----------------------------|--------------------------------|---------------------|---------------------|-------------------|--|--------------------------|-----------------------------|
| 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>                 |
| Acquisition 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>               |
| Opening balance, 1 January 2011                  | 1,746         | 543                         | 648                            | -12                 | 51                  | 8,298             | 11,274   | 170                      | <b>11,444</b>               |
| Net comprehensive income for the period          |               |                             | 120                            | -84                 |                     | 704               | 740  | -28                      | <b>712</b>                  |
| Transactions with shareholders:                  |               |                             |                                |                     |                     |                   |  |                          |                             |
| Share matching plan                              |               |                             |                                |                     |                     | 21                | 21   |                          | <b>21</b>                   |
| Dividend   |               |                             |                                |                     |                     | -367              | -367   |                          | <b>-367</b>                 |
| Acquisition and sale of non-controlling interest |               |                             |                                |                     |                     | 1                 | 1  |                          | <b>1</b>                    |
| Closing balance, 30 June 2011                    | 1,746         | 543                         | 768                            | -96                 | 51                  | 8,657             | 11,669   | 142                      | <b>11,811</b>               |



**CONSOLIDATED STATEMENT OF CASH FLOWS**

| MSEK   | Note | Jan–June<br>2011 | Jan–June<br>2010 | Jan–Dec<br>2010 |
|--|------|------------------|------------------|-----------------|
| <b>Operating activities</b>  |      |                  |                  |                 |
| Income after financial items   |      | 932              | 310              | 776             |
| Transferred to pension fund  |      | -                | -70              | -147            |
| Adjustments for items not affecting cash flows                               |      | 305              | 1,093            | 2,317           |
| Income tax paid  |      | -206             | -58              | -196            |
| <b>Cash flow from operating activities before changes in working capital</b> |      | <b>1,031</b>     | <b>1,275</b>     | <b>2,750</b>    |
| <b>Cash flow from changes in working capital</b>                             |      |                  |                  |                 |
| Increase(-)/Decrease(+) in inventories                                       |      | 175              | -168             | 586             |
| Increase(-)/Decrease(+) in current receivables                               |      | -162             | 1,134            | 855             |
| Increase(+)/Decrease(-) in advance payments from customers                   |      | 648              | 111              | 194             |
| Increase(+)/Decrease(-) in other current liabilities                         |      | 817              | -34              | 399             |
| Increase(+)/Decrease(-) in provisions  |      | -257             | -141             | -297            |
| <b>Cash flow from operating activities</b>                                   |      | <b>2,252</b>     | <b>2,177</b>     | <b>4,487</b>    |
| <b>Investing activities</b>  |      |                  |                  |                 |
| Investments in intangible fixed assets                                       |      | -9               | -10              | -70             |
| Capitalised development costs  |      | -1               | -20              | -47             |
| Investments in tangible fixed assets   |      | -129             | -105             | -262            |
| Investments in lease assets  |      | -                | -1               | -2              |
| Sale of tangible fixed assets  |      | 2                | 9                | 11              |
| Sale of lease assets   |      | 71               | 42               | 65              |
| Investments in and sale of short-term investments                            | 9    | -1,691           | 111              | -993            |
| Sale of and investments in other financial assets                            |      | 333              | 22               | -6              |
| Investments in operations and associated companies, net effect on liquidity  |      | -127             | -                | -               |
| Sale of subsidiaries and associated companies, net effect on liquidity       |      | 267              | 133              | 161             |
| <b>Cash flow from investing activities</b>                                   |      | <b>-1,284</b>    | <b>181</b>       | <b>-1,143</b>   |
| <b>Financing activities</b>  |      |                  |                  |                 |
| Repayments of loans  |      | -51              | -1,932           | -1,950          |
| Repurchase of shares   |      | -                | -                | -80             |
| Dividend paid to Parent Company's shareholders                               |      | -367             | -237             | -237            |
| <b>Cash flow from financing activities</b>                                   |      | <b>-418</b>      | <b>-2,169</b>    | <b>-2,267</b>   |
| <b>Cash flow for the period</b>  |      | <b>550</b>       | <b>189</b>       | <b>1,077</b>    |
| Liquid assets at the beginning of the year                                   |      | 2,544            | 1,463            | 1,463           |
| Exchange rate difference in liquid assets                                    |      | -13              | 42               | 4               |
| <b>Liquid assets at the end of period</b>                                    | 9    | <b>3,081</b>     | <b>1,694</b>     | <b>2,544</b>    |

**QUARTERLY INFORMATION**

| MSEK                           | Q2 2011      | Operating margin | Q1 2011      | Operating margin | Q4 2010      | Operating margin | Q3 2010      | Operating margin |
|--------------------------------|--------------|------------------|--------------|------------------|--------------|------------------|--------------|------------------|
| <b>Sales</b>                   |              |                  |              |                  |              |                  |              |                  |
| Aeronautics                    | 1,835        |                  | 1,508        |                  | 2,062        |                  | 1,278        |                  |
| Dynamics                       | 1,084        |                  | 962          |                  | 1,565        |                  | 1,023        |                  |
| Electronic Defence Systems     | 1,094        |                  | 1,035        |                  | 1,350        |                  | 905          |                  |
| Security and Defence Solutions | 1,272        |                  | 1,303        |                  | 2,201        |                  | 1,382        |                  |
| Support and Services           | 781          |                  | 907          |                  | 1,070        |                  | 756          |                  |
| Corporate                      | 261          |                  | 243          |                  | 313          |                  | 224          |                  |
| Internal sales                 | -466         |                  | -506         |                  | -508         |                  | -564         |                  |
| <b>Total</b>                   | <b>5,861</b> |                  | <b>5,452</b> |                  | <b>8,053</b> |                  | <b>5,004</b> |                  |
| <b>Operating income</b>        |              |                  |              |                  |              |                  |              |                  |
| Aeronautics                    | 157          | 8.6%             | 79           | 5.2%             | 63           | 3.1%             | 57           | 4.5%             |
| Dynamics                       | 123          | 11.3%            | 89           | 9.3%             | 32           | 2.0%             | 31           | 3.0%             |
| Electronic Defence Systems     | 181          | 16.5%            | 36           | 3.5%             | -58          | -4.3%            | 6            | 0.7%             |
| Security and Defence Solutions | 67           | 5.3%             | 71           | 5.4%             | 209          | 9.5%             | 130          | 9.4%             |
| Support and Services           | 107          | 13.7%            | 75           | 8.3%             | 107          | 10.0%            | 69           | 9.1%             |
| Corporate                      | 62           | -                | 18           | -                | -102         | -                | 29           | -                |
| <b>Total</b>                   | <b>697</b>   | <b>11.9%</b>     | <b>368</b>   | <b>6.7%</b>      | <b>251</b>   | <b>3.1%</b>      | <b>322</b>   | <b>6.4%</b>      |

| 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>      |

**MULTI-YEAR OVERVIEW**

| MSEK   | 2010   | 2009   | 2008   | 2007   | 2006   |
|--|--------|--------|--------|--------|--------|
| Order bookings   | 26,278 | 18,428 | 23,212 | 20,846 | 27,575 |
| Order backlog at 31 Dec.   | 41,459 | 39,389 | 45,324 | 47,316 | 50,445 |
| Sales  | 24,434 | 24,647 | 23,796 | 23,021 | 21,063 |
| Sales in Sweden, %   | 38     | 31     | 32     | 35     | 35     |
| Sales in EU excluding Sweden, %  | 19     | 23     | 25     | 28     | 29     |
| Sales in Americas, %   | 9      | 8      | 6      | 7      | 9      |
| Sales in Rest of the World, %  | 34     | 38     | 37     | 30     | 27     |
| Operating income (EBIT)  | 975    | 1,374  | 166    | 2,607  | 1,745  |
| Operating margin, %  | 4.0    | 5.6    | 0.7    | 11.3   | 8.3    |
| Operating income before depreciation/amortisation and write-downs, excluding leasing aircraft (EBITDA) | 2,187  | 2,598  | 1,515  | 3,685  | 2,519  |
| EBITDA margin, %   | 9.0    | 10.5   | 6.4    | 16.0   | 12.0   |
| Income/loss after financial items  | 776    | 976    | -406   | 2,449  | 1,693  |
| Net income/loss for the year   | 454    | 699    | -242   | 1,941  | 1,347  |
| Total assets   | 29,278 | 30,430 | 32,890 | 33,801 | 32,771 |
| Operating cash flow  | 4,349  | 1,447  | 659    | -1,603 | -1,900 |
| Return on capital employed, %  | 7.9    | 10.3   | 1.4    | 19.4   | 14.5   |
| Return on equity, %  | 4.1    | 7.0    | -2.4   | 18.5   | 13.8   |
| Equity/assets ratio, %   | 39.1   | 35.1   | 28.4   | 32.6   | 30.6   |
| Earnings per share before dilution, SEK <sup>2) 4)</sup>   | 4.12   | 6.45   | -2.31  | 17.68  | 11.91  |
| Earnings per share after dilution, SEK <sup>3) 4)</sup>  | 3.97   | 6.28   | -2.31  | 17.60  | 11.91  |
| Dividend per share, SEK  | 3.50   | 2.25   | 1.75   | 4.50   | 4.25   |
| Equity per share, SEK <sup>1)</sup>  | 107.66 | 99.91  | 86.49  | 101.53 | 89.80  |
| Number of employees at year-end  | 12,536 | 13,159 | 13,294 | 13,757 | 13,577 |

<sup>1)</sup> NUMBER OF SHARES EXCLUDING TREASURY SHARES AS OF 31 DECEMBER 2010: 104,717,729; 2009:105,511,124; 2008: 106,829,893; 2007: 108,150,344; 2006: 109,150,344

<sup>2)</sup> AVERAGE NUMBER OF SHARES 2010: 105,217,786; 2009: 106,335,553; 2008: 107,515,049; 2007: 108,668,700; 2006: 109,150,344

<sup>3)</sup> AVERAGE NUMBER OF SHARES 2010/2009: 109,150,344; 2008: 107,515,049; 2007/2006: 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 2011 | Jan-June 2010 | Jan-Dec 2010 |
|------------------------|------------------|---------------|---------------|--------------|
| Organic sales growth   | 5                | -1            | -3            | -1           |
| Operating margin, %*   | 10               | 9.4           | 3.5           | 4.0          |
| Equity/assets ratio, % | 30               | 39.1          | 37.7          | 39.1         |

\*IN THE FIRST HALF-YEAR 2011, OPERATING INCOME INCLUDED CAPITAL GAINS OF MSEK 253, WHEREAS THE GROUP IN THE FIRST HALF-YEAR 2010 HAD STRUCTURAL COSTS AND NEGATIVE RESULTS FROM DIVESTMENTS OF MSEK 110 AND COSTS RELATED TO A TERMINATED PROJECT OF MSEK 310.

**PARENT COMPANY INCOME STATEMENT**

| MSEK                          | Jan-June<br>2011 | Jan-June<br>2010 | Jan-Dec<br>2010 |
|-------------------------------|------------------|------------------|-----------------|
| Sales                         | 7,593            | 7,136            | 14,745          |
| Cost of goods sold            | -6,060           | -5,652           | -11,523         |
| Gross income                  | 1,533            | 1,484            | 3,222           |
| Gross margin, %               | 20.2             | 20.8             | 21.9            |
| Operating income and expenses | -1,230           | -1,193           | -2,599          |
| Operating income (EBIT)       | 303              | 291              | 623             |
| Operating margin, %           | 4.0              | 4.1              | 4.2             |
| Financial income and expenses | 334              | 285              | 1,279           |
| Income after financial items  | 637              | 576              | 1,902           |
| Appropriations                | -                | -                | -83             |
| Income before taxes           | 637              | 576              | 1,819           |
| Taxes                         | -110             | -83              | -430            |
| Net income for the period     | 527              | 493              | 1,389           |

**PARENT COMPANY BALANCE SHEET**

| MSEK  | Note | 30/6/2011     | 31/12/2010    | 30/6/2010     |
|---|------|---------------|---------------|---------------|
| <b>ASSETS</b>                                     |      |               |               |               |
| <b>Fixed assets</b>                               |      |               |               |               |
| Intangible fixed assets                           |      | 133           | 127           | 90            |
| Tangible fixed assets                             |      | 2,168         | 2,205         | 2,223         |
| Financial fixed assets                            |      | 10,740        | 12,369        | 12,963        |
| <b>Total fixed assets</b>                         |      | <b>13,041</b> | <b>14,701</b> | <b>15,276</b> |
| <b>Current assets</b>                             |      |               |               |               |
| Inventories, etc.                                 |      | 2,686         | 2,782         | 3,380         |
| Current receivables                               |      | 4,987         | 5,974         | 9,468         |
| Short-term investments                            |      | 3,235         | 1,544         | 440           |
| Liquid assets                                     |      | 2,577         | 1,935         | 951           |
| <b>Total current assets</b>                       |      | <b>13,485</b> | <b>12,235</b> | <b>14,239</b> |
| <b>TOTAL ASSETS</b>                               |      | <b>26,526</b> | <b>26,936</b> | <b>29,515</b> |
| <b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>       |      |               |               |               |
| <b>Equity</b>                                     |      |               |               |               |
| Restricted equity                                 |      | 3,004         | 3,007         | 3,011         |
| Unrestricted equity                               |      | 4,387         | 4,203         | 3,384         |
| <b>Total shareholders' equity</b>                 |      | <b>7,391</b>  | <b>7,210</b>  | <b>6,395</b>  |
| <b>Provisions and liabilities</b>                 |      |               |               |               |
| Untaxed reserves                                  |      | 502           | 502           | 419           |
| Provisions  |      | 1,664         | 1,657         | 1,876         |
| Liabilities                                       | 7    | 16,969        | 17,567        | 20,825        |
| <b>Total provisions and liabilities</b>           |      | <b>19,135</b> | <b>19,726</b> | <b>23,120</b> |
| <b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b> |      | <b>26,526</b> | <b>26,936</b> | <b>29,515</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 2010.

## NOTE 2

### ACCOUNTING PRINCIPLES

The consolidated accounts for the first half-year 2011 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, Reporting by Legal Entities. The Group's accounting principles are described on pages 73-80 of the annual report 2010.

The Group and the Parent Company applies the same accounting principles and methods of computation as described in the annual report for 2010 and no significant changes with impact on Saab's accounting have been applied from 2011.

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 2010.

## 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. Saab has a strong position in Sweden and the main part of sales are generated in Europe. In addition Saab has a local presence in South Africa, Australia, the US and selected other countries globally. Saab's operating and management structure was changed as a result of a reorganisation as of 1 January 2010 and is as of that date 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.

**NOTE 3 CONTINUED**

## SALES AND ORDER INFORMATION

**Sales by business area**

| MSEK                              | Jan–Jun<br>2011 | Jan–Jun<br>2010 | Change,<br>% | Apr–Jun<br>2011 | Apr–Jun<br>2010 | Roll-<br>ing 12<br>months | Jan–Dec<br>2010 |
|-----------------------------------|-----------------|-----------------|--------------|-----------------|-----------------|---------------------------|-----------------|
| Aeronautics                       | 3,343           | 3,401           | -2           | 1,835           | 1,698           | 6,683                     | 6,741           |
| of which external sales           | 3,250           | 3,297           | -1           | 1,788           | 1,647           | 6,435                     | 6,482           |
| of which internal sales           | 93              | 104             | -11          | 47              | 51              | 248                       | 259             |
| Dynamics                          | 2,046           | 2,153           | -5           | 1,084           | 1,167           | 4,634                     | 4,741           |
| of which external sales           | 1,978           | 2,118           | -7           | 1,063           | 1,147           | 4,508                     | 4,648           |
| of which internal sales           | 68              | 35              | 94           | 21              | 20              | 126                       | 93              |
| Electronic Defence<br>Systems     | 2,129           | 2,099           | 1            | 1,094           | 1,159           | 4,384                     | 4,354           |
| of which external sales           | 1,758           | 1,660           | 6            | 950             | 890             | 3,464                     | 3,366           |
| of which internal sales           | 371             | 439             | -15          | 144             | 269             | 920                       | 988             |
| Security and Defence<br>Solutions | 2,575           | 2,627           | -2           | 1,272           | 1,427           | 6,158                     | 6,210           |
| of which external sales           | 2,498           | 2,567           | -3           | 1,222           | 1,397           | 6,017                     | 6,086           |
| of which internal sales           | 77              | 60              | 28           | 50              | 30              | 141                       | 124             |
| Support and Services              | 1,688           | 1,577           | 7            | 781             | 834             | 3,514                     | 3,403           |
| of which external sales           | 1,539           | 1,445           | 7            | 706             | 773             | 3,178                     | 3,084           |
| of which internal sales           | 149             | 132             | 13           | 75              | 61              | 336                       | 319             |
| Corporate/eliminations            | -468            | -480            | -            | -205            | -292            | -1,003                    | -1,015          |
| of which external sales           | 290             | 290             | -            | 132             | 139             | 768                       | 768             |
| of which internal sales           | -758            | -770            | -            | -337            | -431            | -1,771                    | -1,783          |
| <b>Total</b>                      | <b>11,313</b>   | <b>11,377</b>   | <b>-1</b>    | <b>5,861</b>    | <b>5,993</b>    | <b>24,370</b>             | <b>24,434</b>   |

**Sales by geographical market**

| MSEK                | Jan–Jun<br>2011 | % of<br>sales | Jan–Jun<br>2010 | % of<br>sales | Jan–Dec<br>2010 | % of<br>sales |
|---------------------|-----------------|---------------|-----------------|---------------|-----------------|---------------|
| Sweden              | 4,395           | 39            | 4,519           | 40            | 9,223           | 38            |
| Rest of EU          | 2,094           | 19            | 2,201           | 19            | 4,737           | 19            |
| Rest of Europe      | 156             | 1             | 172             | 1             | 368             | 2             |
| <b>Total Europe</b> | <b>6,645</b>    | <b>59</b>     | <b>6,892</b>    | <b>60</b>     | <b>14,328</b>   | <b>59</b>     |
| North America       | 771             | 7             | 992             | 9             | 2,083           | 9             |
| Latin America       | 27              | -             | 71              | 1             | 116             | -             |
| Asia                | 2,447           | 22            | 1,688           | 15            | 3,937           | 15            |
| Africa              | 954             | 8             | 1,264           | 11            | 2,833           | 12            |
| Australia, etc.     | 469             | 4             | 470             | 4             | 1,137           | 5             |
| <b>Total</b>        | <b>11,313</b>   | <b>100</b>    | <b>11,377</b>   | <b>100</b>    | <b>24,434</b>   | <b>100</b>    |

**Information on large customers**

Saab has one customer that accounts for 10 per cent or more of the Group's sales: the Swedish Defense Materiel Administration (FMV). FMV is a customer of all our business areas, and total sales during the first half-year 2011 amounted to MSEK 3,284 (3,286).

**Order bookings by business area**

| MSEK                           | Jan–Jun<br>2011 | Jan–Jun<br>2010 | Change,<br>% | Jan–Dec<br>2010 |
|--------------------------------|-----------------|-----------------|--------------|-----------------|
| Aeronautics                    | 2,555           | 3,529           | -28          | 6,901           |
| Dynamics                       | 2,379           | 1,760           | 35           | 3,312           |
| Electronic Defence Systems     | 2,164           | 1,849           | 17           | 5,494           |
| Security and Defence Solutions | 1,805           | 1,708           | 6            | 6,647           |
| Support and Services           | 1,959           | 1,887           | 4            | 4,124           |
| Corporate                      | 541             | 527             | 3            | 1,057           |
| Internal                       | -757            | -744            | -            | -1,257          |
| <b>Total</b>                   | <b>10,646</b>   | <b>10,516</b>   | <b>1</b>     | <b>26,278</b>   |

## LARGE ORDERS RECEIVED DURING THE FIRST HALF-YEAR 2011

| Large orders received   | Country  | Order value<br>(appr. values MSEK) |
|---|----------|------------------------------------|
| Ammunition to the Carl-Gustaf man-portable weapon system                        | -        | 1,155                              |
| System maintenance and development studies regarding Gripen                     | Sweden   | 1,034                              |
| Development and maintenance of the Gripen system                                | Sweden   | 754                                |
| Upgrade of combat management and fire control systems                           | Thailand | 454                                |
| Weapon locating system ARTHUR   | Korea    | 450                                |
| Complete support and maintenance of Helicopter 15                               | Sweden   | 350                                |
| Airborne Electronic Warfare self-protection system (IDAS)                       | -        | 250                                |
| Order within the eight year contract with Scandinavian Air Ambulance Holding AB | Sweden   | 225                                |
| Live training capabilities to the British Army                                  | UK       | 220                                |
| Deliveries of AT4 man-portable weapon system                                    | -        | 104                                |

**Order backlog by business area**

| MSEK                           | 30/6/2011     | 31/12/2010    | 30/6/2010     |
|--------------------------------|---------------|---------------|---------------|
| Aeronautics                    | 14,848        | 15,636        | 15,603        |
| Dynamics                       | 5,885         | 5,546         | 6,597         |
| Electronic Defence Systems     | 8,245         | 8,240         | 6,906         |
| Security and Defence Solutions | 7,561         | 8,434         | 7,109         |
| Support and Services           | 4,997         | 4,743         | 4,339         |
| Corporate                      | 272           | 242           | 252           |
| Internal                       | -1,151        | -1,382        | -1,947        |
| <b>Total</b>                   | <b>40,657</b> | <b>41,459</b> | <b>38,859</b> |



**NOTE 3 CONTINUED**

## OPERATING INCOME

**Operating income by business area**

| MSEK  | Jan–Jun 2011 | % of sales | Jan–Jun 2010 | % of sales | Rolling 12 month | Jan–Dec 2010 |
|---|--------------|------------|--------------|------------|------------------|--------------|
| Aeronautics                                       | 236          | 7.1        | 71           | 2.1        | 356              | 191          |
| Dynamics  | 212          | 10.4       | 259          | 12.0       | 275              | 322          |
| Electronic Defence Systems                        | 217          | 10.2       | 151          | 7.2        | 165              | 99           |
| Security and Defence Solutions                    | 138          | 5.4        | -202         | -7.7       | 477              | 137          |
| Support and Services                              | 182          | 10.8       | 175          | 11.1       | 358              | 351          |
| <b>The business areas' total operating income</b> | <b>985</b>   | <b>8.9</b> | <b>454</b>   | <b>4.1</b> | <b>1,631</b>     | <b>1,100</b> |
| Corporate   | 80           | -          | -52          | -          | 7                | -125         |
| <b>Total operating income</b>                     | <b>1,065</b> | <b>9.4</b> | <b>402</b>   | <b>3.5</b> | <b>1,638</b>     | <b>975</b>   |

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

| MSEK                           | Jan–Jun 2011 | Jan–Jun 2010 | Change, %  | Apr–Jun 2011 | Apr–Jun 2010 | Rolling 12 month | Jan–Dec 2010 |
|--------------------------------|--------------|--------------|------------|--------------|--------------|------------------|--------------|
| Aeronautics                    | 125          | 123          | 2          | 63           | 62           | 249              | 247          |
| Dynamics                       | 80           | 78           | 3          | 43           | 39           | 196              | 194          |
| Electronic Defence Systems     | 247          | 262          | -6         | 117          | 128          | 475              | 490          |
| Security and Defence Solutions | 43           | 65           | -34        | 22           | 22           | 106              | 128          |
| Support and Services           | 9            | 8            | 13         | 5            | 4            | 16               | 15           |
| Corporate – lease aircraft     | 61           | 76           | -20        | 30           | 38           | 131              | 146          |
| Corporate – other              | 35           | 60           | -42        | 21           | 33           | 113              | 138          |
| <b>Total</b>                   | <b>600</b>   | <b>672</b>   | <b>-11</b> | <b>301</b>   | <b>326</b>   | <b>1,286</b>     | <b>1,358</b> |

## OPERATING CASH FLOW AND CAPITAL EMPLOYED

**Operating cash flow by business area**

| MSEK                           | Jan–Jun 2011 | Jan–Jun 2010 | Rolling 12 month | Jan–Dec 2010 |
|--------------------------------|--------------|--------------|------------------|--------------|
| Aeronautics                    | 665          | 262          | 433              | 30           |
| Dynamics                       | 392          | 590          | 846              | 1,044        |
| Electronic Defence Systems     | 723          | 327          | 990              | 594          |
| Security and Defence Solutions | 645          | 688          | 1,023            | 1,066        |
| Support and Services           | 391          | 406          | 879              | 894          |
| Corporate                      | -482         | -40          | 279              | 721          |
| <b>Total</b>                   | <b>2,334</b> | <b>2,233</b> | <b>4,450</b>     | <b>4,349</b> |

**Capital employed by business area**

| MSEK                           | 30/6/2011     | 31/12/2010    | 30/6/2010     |
|--------------------------------|---------------|---------------|---------------|
| Aeronautics                    | 2,205         | 2,118         | 2,186         |
| Dynamics                       | 2,176         | 2,496         | 2,792         |
| Electronic Defence Systems     | 4,460         | 4,584         | 4,712         |
| Security and Defence Solutions | 2,006         | 2,282         | 2,512         |
| Support and Services           | 1,049         | 1,248         | 1,604         |
| Corporate                      | 1,562         | 427           | -1,127        |
| <b>Total</b>                   | <b>13,458</b> | <b>13,155</b> | <b>12,679</b> |

## EMPLOYEES

**Employees by business area**

| Number at end of period        | 30/6/2011     | 31/12/2010    | Change   | 30/6/2010     |
|--------------------------------|---------------|---------------|----------|---------------|
| Aeronautics                    | 2,796         | 2,874         | -78      | 2,941         |
| Dynamics                       | 1,473         | 1,483         | -10      | 1,614         |
| Electronic Defence Systems     | 2,447         | 2,453         | -6       | 2,527         |
| Security and Defence Solutions | 2,603         | 2,525         | 78       | 2,564         |
| Support and Services           | 1,744         | 1,721         | 23       | 1,763         |
| Corporate                      | 1,478         | 1,480         | -2       | 1,435         |
| <b>Total</b>                   | <b>12,541</b> | <b>12,536</b> | <b>5</b> | <b>12,844</b> |

**NOTE 4**

## TAXES

| MSEK         | Jan–Jun 2011 | Jan–Jun 2010 |
|--------------|--------------|--------------|
| Current tax  | -189         | -58          |
| Deferred tax | -48          | -6           |
| <b>Total</b> | <b>-237</b>  | <b>-64</b>   |

Current and deferred taxes during the period amounted to MSEK -237 (-64), or an effective tax rate of 25 per cent (21).

**NOTE 5**

DIVIDEND TO PARENT COMPANY'S SHAREHOLDERS

The Annual General Meeting on 7 April 2011 approved the Board's dividend proposal for 2011. Dividend of SEK 3.50 per share was paid on 15 April 2011.

**NOTE 6**

INTANGIBLE FIXED ASSETS

| MSEK                          | 30/6/2011    | 31/12/2010   | 30/6/2010    |
|-------------------------------|--------------|--------------|--------------|
| Goodwill                      | 3,457        | 3,470        | 3,484        |
| Capitalised development costs | 2,125        | 2,428        | 2,718        |
| Other intangible assets       | 464          | 515          | 540          |
| <b>Total</b>                  | <b>6,046</b> | <b>6,413</b> | <b>6,742</b> |

**NOTE 7**

INTEREST-BEARING LIABILITIES

| MSEK                               | 30/6/2011    | 31/12/2010   | 30/6/2010    |
|------------------------------------|--------------|--------------|--------------|
| Liabilities to credit institutions | 1,220        | 1,181        | 1,180        |
| Liabilities to associates and JVs  | 373          | 428          | 496          |
| Other interest-bearing liabilities | 49           | 97           | 69           |
| <b>Total</b>                       | <b>1,642</b> | <b>1,706</b> | <b>1,745</b> |

**Committed credit lines**

| MSEK                                      | Facilities   | Drawings | Available    |
|---|--------------|----------|--------------|
| Revolving credit facility (Maturity 2016) | 4,000        | -        | 4,000        |
| Overdraft facility (Maturity 2012)        | 117          | 1        | 116          |
| <b>Total</b>                              | <b>4,117</b> | <b>1</b> | <b>4,116</b> |

In the first quarter 2011, Saab signed a 5 year credit facility of SEK 4 billion to refinance the existing credit facility with maturity in March 2012.

**Parent Company**

| MSEK  | 30/6/2011    | 31/12/2010   | 30/6/2010    |
|---|--------------|--------------|--------------|
| Long-term liabilities to credit institutions  | 1,100        | 1,100        | 2,270        |
| Short-term liabilities to credit institutions | -            | 1,123        | -            |
| Other interest-bearing liabilities            | -            | -            | 42           |
| <b>Total</b>                                  | <b>1,100</b> | <b>2,223</b> | <b>2,312</b> |

In december 2009 Saab established a Medium Term Note programme (MTN) of SEK 3 billion in order to enable the issuance of long-term loans on the capital market. Under the terms of this programme Saab had issued bonds and Floating Rate Notes of MSEK 1,100.

The Parent Company had MNOK 975 in financing arranged in connection with the acquisition of 7.5 per cent of the shares in Aker Holding AS in 2007. Saab's investment amounted to approximately NOK 1.2 billion, of which about 80 per cent was financed through the above-mentioned loans.

Saab has utilized the put-option that gave Saab the right to sell the shares in Aker Holding AS. The loan was fully amortized and interest rate swap arrangement was closed. The net amount in NOK was hedged with forward contracts. The divestment had impact on the net cash position in the parent company with approximately MSEK 1,500 and on the net liquidity in the Group with approximately MSEK 130.

**NOTE 8**

NET LIQUIDITY

| MSEK   | 30/6/2011    | 31/12/2010   | 30/6/2010    |
|--|--------------|--------------|--------------|
| <b>Assets</b>                                    |              |              |              |
| Liquid assets                                    | 3,081        | 2,544        | 1,694        |
| Short-term investments                           | 3,235        | 1,544        | 440          |
| <b>Total liquid investments</b>                  | <b>6,316</b> | <b>4,088</b> | <b>2,134</b> |
| Short-term interest-bearing receivables          | 282          | 617          | 430          |
| Long-term interest-bearing receivables           | 167          | 150          | 511          |
| Long-term interest-bearing financial investments | 144          | 147          | 33           |
| <b>Total interest-bearing assets</b>             | <b>6,909</b> | <b>5,002</b> | <b>3,108</b> |
| <b>Liabilities</b>                               |              |              |              |
| Short-term interest-bearing liabilities          | 532          | 589          | 631          |
| Long-term interest-bearing liabilities           | 1,110        | 1,117        | 1,114        |
| Provisions for pensions                          | 5            | 5            | 4            |
| <b>Total interest-bearing liabilities</b>        | <b>1,647</b> | <b>1,711</b> | <b>1,749</b> |
| <b>NET LIQUIDITY/DEBT (-)</b>                    | <b>5,262</b> | <b>3,291</b> | <b>1,359</b> |

**NOTE 9**

SUPPLEMENTAL INFORMATION ON STATEMENT OF CASH FLOWS

**Liquid assets**

| <b>MSEK</b>   | <b>30/6/2011</b> | <b>30/6/2010</b> | <b>31/12/2010</b> |
|---|------------------|------------------|-------------------|
| The following components are included in liquid assets: |                  |                  |                   |
| Cash and bank balances                                  | 622              | 854              | 703               |
| Bank deposits   | 2,450            | 825              | 1,830             |
| Deposits on behalf of customers                         | 9                | 15               | 11                |
| <b>Total according to balance sheet</b>                 | <b>3,081</b>     | <b>1,694</b>     | <b>2,544</b>      |

**Total according to statement of cash flows**

**3,081      1,694      2,544**

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

| <b>MSEK</b>  | <b>Jan–Jun 2011</b> | <b>Jan–Jun 2010</b> | <b>Jan–Dec 2010</b> |
|--|---------------------|---------------------|---------------------|
| <b>Operating cash flow</b>                         | <b>2,334</b>        | <b>2,233</b>        | <b>4,349</b>        |
| Investing activities – interest-bearing:           |                     |                     |                     |
| Short-term investments <sup>1)</sup>               | -1,691              | 111                 | -993                |
| Other financial investments and receivables        | 325                 | 14                  | -12                 |
| Financing activities:                              |                     |                     |                     |
| Repayments of loans                                | -51                 | -1,932              | -1,950              |
| Repurchase of shares                               | -                   | -                   | -80                 |
| Dividend paid to the Parent Company's shareholders | -367                | -237                | -237                |
| <b>Cash flow for the period</b>                    | <b>550</b>          | <b>189</b>          | <b>1,077</b>        |

<sup>1)</sup> Short-term investments refer to government bonds, mortgage bonds, corporate bonds, bank bonds, mortgage papers and commercial papers.

**Specification of operating cash flow during the first half-year 2011 and 2010**

| <b>MSEK</b>   | <b>Saab excl. acquisitions / divestments and SAL</b> | <b>Acquisitions and divestments</b> | <b>Saab Aircraft Leasing</b> | <b>Total Group Jan–Jun 2011</b> | <b>Total Group Jan–Jun 2010</b> |
|---|--|-------------------------------------|------------------------------|---------------------------------|---------------------------------|
| Cash flow from operating activities before changes in working capital   | 956  | -                                   | 75                           | 1,031                           | 1,275                           |
| <b>CASH FLOW FROM CHANGES IN WORKING CAPITAL</b>  |  |                                     |                              |                                 |                                 |
| Inventories   | 175  | -                                   | -                            | 175                             | -168                            |
| Receivables   | -126   | -                                   | -36                          | -162                            | 1,134                           |
| Advance payments from customers   | 648  | -                                   | -                            | 648                             | 111                             |
| Other liabilities   | 962  | -                                   | -145                         | 817                             | -34                             |
| Provisions  | -256   | -                                   | -1                           | -257                            | -141                            |
| Change in working capital   | 1,403  | -                                   | -182                         | 1,221                           | 902                             |
| <b>Cash flow from operating activities</b>  | <b>2,359</b>   | <b>-</b>                            | <b>-107</b>                  | <b>2,252</b>                    | <b>2,177</b>                    |
| <b>INVESTING ACTIVITIES</b>   |  |                                     |                              |                                 |                                 |
| Investments in intangible fixed assets  | -10  | -                                   | -                            | -10                             | -30                             |
| Investments in tangible fixed assets  | -129   | -                                   | -                            | -129                            | -105                            |
| Investments in lease assets   | -  | -                                   | -                            | -                               | -1                              |
| Sale of tangible fixed assets   | 2  | -                                   | -                            | 2                               | 9                               |
| Sale of lease assets  | -  | -                                   | 71                           | 71                              | 42                              |
| Sale of and investment in financial assets  | 8  | -                                   | -                            | 8                               | 8                               |
| Investments in operations and associated companies, net effect on liquidity   | -  | -127                                | -                            | -127                            | -                               |
| Sale of subsidiaries and associated companies, net effect on liquidity  | -  | 267                                 | -                            | 267                             | 133                             |
| <b>Cash flow from investing activities excluding change in short-term investments and other interest-bearing financial assets</b> | <b>-129</b>  | <b>140</b>                          | <b>71</b>                    | <b>82</b>                       | <b>56</b>                       |
| <b>OPERATING CASH FLOW</b>  | <b>2,230</b>   | <b>140</b>                          | <b>-36</b>                   | <b>2,334</b>                    | <b>2,233</b>                    |

**NOTE 10**

## 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 3,970 (3,664) as of 30 June 2011, compared to an obligation of MSEK 4,768 (5,107) according to IAS 19, or a solvency margin of 83 per cent (72). In comparison with the obligation according to the FPG/PRI system, the solvency margin was 89 per cent (92).

The obligation according to the FPG/PRI system has increased with approximately MSEK 330 due to changed mortality assumptions, where the expected length of life increased by approximately two years, which led to a lower solvency FPG/PRI margin. These changed assumptions has affected the result in the Parent company accordingly, but the Group's income or financial position has not been affected since other accounting principles are applied for the Group. For more information, see the Annual report 2010 note 1 and note 37.

**NOTE 11**

## CONTINGENT LIABILITIES

Saab has an ongoing legal dispute in Denmark with the Danish Defence Acquisition and Logistics Organization (DALO). The Maritime and Commercial Court in Copenhagen issued a judgement dismissing DALO's claim against Saab. DALO has filed an appeal against the judgement. DALO's counterclaim amounts to approximately MDKK 250.

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.

**NOTE 12**

## TRANSACTIONS WITH RELATED PARTIES

BAE Systems announced on 8 June that it is selling its last Saab shares, since then BAE Systems is no longer classified as a related party. No other significant transactions have occurred during the first half-year 2011.

Related parties with which the Group has transactions are described in the annual report for 2010, note 44.

**NOTE 13**

## CONDENSED SUBDIVIDED FINANCIAL POSITION AS OF 30 JUNE 2011

| MSEK  | Saab          | Saab Aircraft Leasing | Eliminations  | Saab Group    |
|---|---------------|-----------------------|---------------|---------------|
| <b>ASSETS</b>                                     |               |                       |               |               |
| Intangible fixed assets                           | 6,046         | -                     | -             | 6,046         |
| Tangible fixed assets, etc.                       | 3,540         | -                     | -             | 3,540         |
| Lease assets                                      | 2             | 984                   | -             | 986           |
| Long-term interest-bearing receivables            | 311           | -                     | -             | 311           |
| Shares, etc.                                      | 1,822         | 1                     | -1,500        | 323           |
| Other long-term receivables                       | 770           | 14                    | -             | 784           |
| Deferred tax assets                               | 158           | 246                   | -391          | 13            |
| Inventories                                       | 3,876         | 15                    | -             | 3,891         |
| Short-term interest-bearing receivables           | 282           | 1,542                 | -1,542        | 282           |
| Other current assets                              | 6,868         | 65                    | -             | 6,933         |
| Derivatives                                       | 800           | -                     | -             | 800           |
| Liquid assets and short-term investments          | 6,307         | 9                     | -             | 6,316         |
| <b>Total assets</b>                               | <b>30,782</b> | <b>2,876</b>          | <b>-3,433</b> | <b>30,225</b> |
| <b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>       |               |                       |               |               |
| Shareholders' equity                              | 11,849        | 1,462                 | -1,500        | 11,811        |
| Provisions for pensions                           | 5             | -                     | -             | 5             |
| Deferred tax liabilities                          | 1,323         | -                     | -391          | 932           |
| Other provisions                                  | 1,837         | 799                   | -             | 2,636         |
| Interest-bearing liabilities                      | 3,184         | -                     | -1,542        | 1,642         |
| Advance payments from customers                   | 1,279         | -                     | -             | 1,279         |
| Derivatives                                       | 465           | -                     | -             | 465           |
| Other liabilities                                 | 10,840        | 615                   | -             | 11,455        |
| <b>Total shareholders' equity and liabilities</b> | <b>30,782</b> | <b>2,876</b>          | <b>-3,433</b> | <b>30,225</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 2011 consisted of 101 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). 59 aircraft are financed internally and recognised as assets in the balance sheet. 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 year 2015.

**NOTE 14**

DEFINITIONS

**Gross margin**

Gross income as a percentage of sales revenue.

**Operating margin**

Operating income as a percentage of sales revenue.

**EBITDA margin**

Operating income before depreciation/amortisation and write-downs less depreciation/amortisation and write-downs of lease aircrafts 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, excluding treasury 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, 19 JULY 2011

**Marcus Wallenberg**  
Chairman

**Håkan Buskhe**  
President and CEO

**Johan Forssell**  
Board member

**Sten Jakobsson**  
Board member

**Per-Arne Sandström**  
Board member

**Cecilia Stegö Chilò**  
Board member

**Joakim Westh**  
Board member

**Lena Treschow Torell**  
Board member

**Åke Svensson**  
Board member

**Catarina Carlqvist**  
Board member

**Stefan Andersson**  
Board member

**Conny Holm**  
Board member

## REVIEW REPORT

### Introduction

We have reviewed the condensed interim financial information of Saab AB for the period from 1 January to 30 June 2011. 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 Swedish 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 the Swedish Standard on Review Engagements SÖG 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review 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 International Standards on Auditing and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, the conclusion expressed based on a review does not give the same level of assurance as 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 is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act for the Group, and with the Swedish Annual Accounts Act for the Parent Company.

LINKÖPING, 19 JULY 2011

PricewaterhouseCoopers AB  
**Håkan Malmström**  
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 19 July 2011.

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**Press and financial analyst conference and webcast**

with CEO Håkan Buskhe and CFO Lars Granlöv

Today, Tuesday, 19 July 2011, 10:00 a.m. (CET)

World Trade Center, Stockholm

Contact Karin Frisk to register

and for further information

Tel. +46 8 463 02 30

[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.

CAPITAL MARKETS DAY, 2011  
INTERIM REPORT JANUARY–SEPTEMBER 2011  
YEAR-END REPORT JANUARY–DECEMBER 2011

**20 SEPTEMBER 2011**  
**PUBLISHED 21 OCTOBER 2011**  
**PUBLISHED 10 FEBRUARY 2012**