

**SAAB****PRESS INFORMATION**Handläggare *Handled by*

Iréne Svensson

Datum *Date*

October 22, 2004

Referens *Reference*

CU 04:075 E

**INTERIM REPORT
January– September 2004**

- Sales amounted to SEK 12,089 m. (11,722).
- Net income for the period was SEK 560 m. (327).
- Earnings per share amounted to SEK 5.22 (3.07).
- Order bookings after three quarters amounted to SEK 11,300 m. (15,123). The order backlog amounts to SEK 45 billion (46).
- Operating income amounted to SEK 931 m. (625) and income after financial items was SEK 839 m. (507).

Statement by the CEO

”Order bookings continue to come primarily from the international market. Volume during the quarter led to a slight reduction in the total order backlog, which now stands at approximately SEK 45 billion.

Among major orders during the quarter was the fire control system for the Finnish Army and test and flight trials of the BOL Countermeasures Dispensing System for the Australian Air Force’s F-18s. In mid-October an order was received from the Swedish Defence Materiel Administration worth slightly over SEK 500 m. for a new tactical support and training system for Gripen. The system, called PETRA (Planning, Evaluation, Training, Rehearsal and Analysis), will be an important support for the Gripen program in Sweden and abroad. In October Saab also received orders from U.S. Defense for Ultra Lightweight Camouflage Net Systems with a value exceeding SEK 720 m.

The development of the network-based defence concept has taken another step forward through the creation of the Network Centric Operation Industry Consortium (NCOIC), founded of leading U.S. and European Defense and IT companies, including Saab. NCOIC’s aim is to accelerate the interoperability of information systems and recommend standards.

Saab AB (publ)

Postadress

Postal address

SE-581 88 Linköping
Sweden

Telefon

Telephone

+46 (0)13 18 00 00

Telefax

+46 (0)13 18 00 11

Organisationsnummer

Registration no.

556036-0793

Momsregnummer

VAT no.

SE556036079301



Discussions are under way between BAE Systems and Saab on the future of their joint sales and marketing organization for the Gripen fighter, Gripen International. The aim is to continue the cooperation in a way that Saab can assume greater responsibility for future export contracts.

The Finnish company ELESCO has been acquired as step in increasing the marketing potential for our command and control systems in the Nordic region.

Year-to-date sales amounted to SEK 12,089 m., slightly higher than the year-earlier period. Sales are expected to rise year-on-year during the remainder of 2004.

Third quarter income includes charges to terminate the torpedo contract with the Brazilian Navy in July. Together with structural costs for shedding personnel, this resulted in operating income of SEK 931 m. and a margin of 7.7%, slightly less than forecast.

Saab's underlying earning capacity continued to develop according to plan, however. Operating income for the period, excluding structural and termination costs, amounts to SEK 1,170 m., with a margin of 9.7 %, in line with the forecast for the year.

In late 2004 the Swedish Parliament will vote on the defence budget for the period 2005 – 2007. In the defence bill presented in mid-September – without the support of a parliamentary majority – the financial parameters indicated cut-backs in the range of SEK 3 billion.

The final parameters of the budget will not be determined until December 2004, when Parliament casts its vote. We are therefore unable at this point to assess the long-term effects for Saab. At present, indications are that we will continue to be forced to adapt our resources and I am increasingly concerned about the possible drain of our high-technology research capabilities. We expect to be able to estimate the short-term effects on our operations from a staffing and cost standpoint when we release the year-end report in February 2005

I expect, as in previous years, that the fourth quarter will be a significant one in terms of income. In accordance with earlier forecasts, therefore I feel that our objective of a 10 percent operating margin is within reach, excluding the SEK 160 m. cost for the terminated torpedo contract and with the reservation that the costs to reduce development resources due to current capacity utilization in our development operations may affect possibilities to reach the objective. We also expect continued organic growth of about 5 percent in 2004 and are continuing to analyze acquisitions to strengthen our presence in key markets and enter new ones."

Major orders and highlights

Military customers accounted for 62 percent of orders during the third quarter, while commercial customers accounted for 38 percent. Order bookings continue to be dominated by orders from outside Sweden. The share of orders from these customers during the period was 59 percent.



- PETRA, new tactical support and training system for Gripen. The order, received in mid-October, is worth slightly over SEK 500m.
- Ultra Lightweight Camouflage Net Systems to U.S. Defense. Order value exceeding SEK 720 m. (US dollar 100 m.)
- Maiden flight for the first Gripen fighter ordered for export, aimed for the Czech Air Force
- Fire control system for the Finnish Army's CV9030 combat vehicles. Order value SEK 150 m.
- Order for test and flight trials of BOL Countermeasures Dispensing System for the Australian Air Force's F-18s.
- Multiple orders for signaling, power and telecommunication systems for rail traffic information.
- Golden Air leases Saab 2000 aircraft.
- Saab conducted the first totally autonomous flight with its unmanned aerial vehicle, the SHARC technical demonstrator.
- Saab is participating in the global Network Centric Operations Industry Consortium (NCOIC), which aims to establish architecture standards.
- AerotechTelub was ranked highest among IT consultants that provide services to government authorities in Stockholm County. Framework agreements have purchase volumes of approximately SEK 1 – 1.5 billion per year.
- The conversion period for Saab's convertible debenture loan has expired. In total, SEK 245 m. has been converted to 2,690,669 B shares, diluting the share capital by 2.53%.
- The torpedo contract with the Brazilian Navy has been terminated through mutual agreement. The termination costs are estimated in the income statement at SEK 160 m.
- The oilrig Petrobras XXIII has been sold in the period. The disposal has not affected income. Cash has increased with USD 23 m.

Structural changes

On October 1 Saab strengthened its position in the Finnish defense market by acquiring 49% of the Finnish defense company Elesco, with an option to acquire the remaining shares.

Organization

As previously announced Ingemar Andersson, Jan Nygren and Kenth-Åke Jönsson have assumed their responsibilities as Executive Vice Presidents. Göran Sjöblom, Executive Vice President, retired on September 30. His duties have been assumed by Lars Wahlund, Senior Vice President, Financial Control, and Peter Sandehed, Senior Vice President, Treasury. Anne Gynnerstedt has been appointed General Counsel for Saab as of October 1.

**Description of operations**

Saab is one of the world's leading high-technology companies, with its main operations in defence, aviation and space. Operations focus on select areas in defence electronics, missile systems and space electronics, as well as military and commercial aviation. Saab, which is also active in technical services and maintenance, is organized in around 20 business units within five business areas. The business units report directly to Group Management.

Business areas

Saab Systems & Electronics focuses on information, command and control, and simulation systems, as well as avionics, electronic warfare, signature management and commercial electronics.

Saab Aerospace develops and manufactures military aircraft systems, acts as a partner in subsystems to manufacturers of large commercial aircraft, and is a supplier of subsystems to the entire space market.

Saab Technical Support and Services focuses on the growing market for high technology services in aviation, command and control, information, communications and sensors.

Saab Bofors Dynamics, which encompasses Saab's operations in precision engagement, develops and produces missile systems, portable anti-armor systems and underwater systems.

Saab Aviation System comprises Saab's leasing and customer support operation in regional aviation.



Sales, income and orders

Sales

Group sales rose by 3 percent during the first nine months to SEK 12,089 m. (11,722) and are expected to rise by approximately 5 percent on an annual basis. Seventy-eight (78) percent of sales was related to defense. Sales to foreign markets accounted for 48 percent (48). Sales in the third quarter were SEK 3,719 m. (3,449).

Sales for *Systems & Electronics* were higher than the previous year at SEK 3,546 m. (3,157). The increase mainly relates to higher exports and sales by operations outside Sweden, including command and control, training and signature management systems.

Aerospace posted higher sales than the previous year, SEK 4,188 m. (3,721). Sales include 11 (11) Gripen aircraft, of which 3 (3) in the third quarter. The sales increase is attributable to, among other things, a higher invoice value in deliveries of batch 3 of Gripen and higher invoicing by Aerostructure operations. For the year as a whole, 16 aircraft are expected to be sold and delivered to customers.

Sales for the business units in *Technical Support and Services* decreased marginally compared with the corresponding period of the previous year due to continued weak growth in the market.

Sales for *Dynamics* were slightly lower than the previous year, SEK 2,089 m. (2,179). Lower invoicing for certain missile programs was compensated by higher invoicing in underwater operations, particularly for remote-controlled underwater vehicles.

Sales for *Aviation Services* were slightly higher than the corresponding period of 2003 despite the impact of a weak U.S. dollar. Sales remain at a historically low level, however, as a result of generally lower passenger traffic and lower demand for maintenance services.

Income, margin and profitability

Consolidated operating income amounted to SEK 931 m. (625), corresponding to a margin of 7.7 percent (5.3). Operating income for defence-related operations continued to improve compared with the previous year, although other operations developed favorably as well. Income was affected by structural provisions totaling SEK 79 m. (265) and termination costs of SEK 160 m. Operating income in the third quarter amounted to SEK 258 m. (184) and were charged with structural costs of SEK 22 m. (80) and termination costs of SEK 160 m.

Operating income for *Systems & Electronics* amounted to SEK 321 m. (106), with an operating margin of 9.1 percent (3.4). The income improvement was mainly due to higher volume and a more favorable product mix. Structural costs amounted to SEK 45 m. (75).



Operating income for *Aerospace* rose to SEK 421 m. (343) as a result of a higher volumes and margins in Aerostuctures as well as lower structural costs. Space, which as of 2004 is reported in the business area, also achieved a positive result. The operating margin for *Aerospace* was 10.1 percent (9.3). Structural costs amounted to SEK 14 m. (80).

Technical Support and Services reported operating income of SEK 137 m. (166) with an operating margin of 6.6 percent (7.8). Operating income was adversely affected by low volumes in certain business units and structural costs of SEK 20 m. (0).

Dynamics' operating income fell to SEK 16 m. (50). The current year includes charges of SEK 160 m. to terminate the torpedo contract with the Brazilian Navy. The income improvement is otherwise due to a more favorable product mix and further efficiency improvements. The operating margin was 0.8 percent (2.3). The previous year was charged with structural costs of SEK 75 m. for underwater systems.

Operating income for *Aviation Services* remains under pressure from low volumes, although favorable transactions involving structural reserves contributed to income of SEK 50 m. (72).

Operating income for *Corporate/Other Operations* consists of shared Group expenses, trading results, results from operating companies and results in connection with liquidations. Results can therefore vary between periods. The improvement from the previous year is attributable in part to the gain on a property sale, higher results by operating companies and a better trading result.

As a whole, administrative and marketing expenses decreased slightly compared with the previous year. The period's internally funded investments in research and development amounted to SEK 531 m. (612), of which SEK 284 m. (333) has been capitalized and SEK 247 m. (279) has been charged to operating income for the year, which includes depreciation.

Other operating income during both the present and previous years includes capital gains, currency gains and income from secondary activities. Other operating expenses consist of exchange rate differences and capital losses.

Beginning with this report, provisions for structural costs are divided by line item in the income statement. Comparisons with the previous year are adjusted according to the same principles. Thus, restructuring costs of SEK 72 m. (262) are included in gross income and SEK 7 m. (3) in administrative and marketing expenses. Through the second quarter, SEK 57 m. was reported as other operating expenses. For 2003 as a whole, restructuring costs (reported as other operating expenses) amounted to SEK 309 m. These costs are now divided between cost of goods sold, (SEK 306 m.) and administrative and selling expenses (SEK 3 m.).

Project interest on unutilized advance payments reduced the financial net by SEK 47 m. (93) and is reported in gross income.



Net financial income and expenses amounted to SEK -92 m. (-118). The average return on external investments was 4.30 percent (3.84). Compared with the previous year the financial net has been positively affected by higher returns on financial investments and negatively affected with write-down of financial assets amounted to SEK 13m. in the third quarter. The Group's income after financial items amounted to SEK 839 m. (507). Current and deferred taxes amounted to SEK -261 m. (-167).

Net income for the period was SEK 560 m. (327), corresponding to earnings per share of SEK 5.22 (3.07).

The pre-tax return on capital employed was 15.4 percent (11.4). The after-tax return on shareholders' equity was 13.8 percent (9.8).

Orders

Group order bookings amounted to SEK 11,300 m. (15,123), of which 64 percent (62) came from customers outside Sweden. Important orders during the third quarter are covered in the section "Major orders." The order backlog at the end of the period was SEK 44,668 m., against SEK 45,636 m. at the beginning of the year. Export markets account for 68 (63) percent of the order backlog.

Liquidity, finance and investments

Finance and liquidity

Liquid funds including interest-bearing receivables, less liabilities to credit institutions and the convertible debenture loan, have decreased by SEK 1,025 m. since the beginning of the year to SEK 2,928 m. (3,650). The Group's net liquidity after deducting provisions for pensions amounted to SEK -25 m., against SEK 578 m. at the beginning of the year. The change is due to negative operating cash flow, the dividend paid and conversion of convertible debenture loan.

In March 2004 an agreement was signed with Carnegie's joint pension fund, after which SEK 504 m. was contributed. The fund's assets under management as of September 30, 2004 have been reported net against Provisions for pensions.

The Group's equity/assets ratio was 27.8 percent (24.5), against 24.7 percent at the beginning of the year. Shareholders' equity amounted to SEK 7,499 m. (6,677), corresponding to SEK 68.70 (62.69) per share, compared with SEK 66.52 at the beginning of the year.

Cash flow

Operating cash flow was negative during the first nine months of the year, amounting to SEK -467 m. (298), and was distributed between cash flow from operations of SEK -499 m. (419), acquisitions/divestments SEK 54 m. (0), and the regional aircraft business SEK -22 m. (-121). The negative cash flow was affected by, among other things, the utilization of SEK 1,092 m. in advance payments from customers. Cash flow by business area is indicated in the table on page 16.

**Capital expenditures**

The Group's gross capital expenditures in property, plant and equipment, excluding lease assets, amounted to SEK 262 m. (330).

Personnel

At the end of the period the Group had 12,539 employees, against 13,414 at the beginning of the year.

Owners

Saab's principal owners are BAE SYSTEMS, Investor AB, the Wallenberg foundations, Robur funds, Nordea funds, Eikos fund, AMF Pension, SEB funds, AMF pension funds, SHB/SPP funds, Skandia, JP Morgan Chase Bank and SEB-Trygg Insurance.

Accounting principles

This interim report has been prepared in accordance with the Swedish Financial Accounting Standards Council's recommendation "Interim reporting RR20." The same accounting principles have been used as in the most recent annual report, with the exception that as of 2004 the Group reports its pension commitments according to RR29, which means that the future commitment at the time of retirement is reported as the liability. The pension commitment is classified as either defined-benefit or defined-contribution. Saab has both defined-benefit plans – primary the ITP plan – and defined-contribution plans. The reporting of defined-benefit plans is affected by a number of actuarial assumptions such as lifespan, employee turnover, discount rate and future wage increases. During the first quarter of 2004 Saab estimated the effect of the change in accounting principles for defined-benefit plans. The opening balance of "Provisions for pensions" amounts to SEK 3,375 m. when calculated according to RR29, compared with SEK 3,458 m. in the annual report for 2003. Provisions for pensions have therefore declined by SEK 83 m. Deferred tax claims have declined by SEK 23 m. and the receivable related to the special employer's contribution has risen by SEK 20 m. This means that unrestricted equity have increased by SEK 80 m. since the start of the year.

This interim report has not been subject to review by the company's auditors.

Linköping, October 22, 2004

Åke Svensson
President and Chief Executive Officer



Financial information dates:

The 2004 Report will be published on February 17, 2005.

The Interim Report for January – March 2005 will be published on April 21, 2005

The Interim Report for January – June 2005 will be published on July 12, 2005

For further information, please contact:

Lars Wahlund, SVP, Corporate Financial Control Tel. +46-734-18 71 35

Irène Svensson, Head of Corporate Communications Tel. +46-734-18 71 30

International press conference with CEO Åke Svensson:

Today, Friday, October 22, 2004, 2:00 p.m. (CET)

Saab Training Systems, Huskvarna

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

International teleconference:

Today, Friday, October 22, 2004, 4:00 p.m. (CET)

Contact Göran Wedholm for registration and

further information

Tel. +46-13-18 71 21

Tel.+46-734-18 71 21

**Income statement**

SEK m.	9 mos. 2004	9 mos. 2003	Rolling 12 mos.	12 mos. 2003
Sales	12,089	11,722	17,617	17,250
Cost of goods sold	-9,369	-9,121	-13,551	-13,303
Gross income	2,720	2,601	4,066	3,947
<i>Margin</i>	22.5%	22.2%	23.1%	22.9%
Marketing expenses	-978	-958	-1,271	-1,251
Administrative expenses	-665	-750	-900	-985
Research and development costs	-247	-279	-382	-414
Other operating income	92	44	205	157
Other operating expenses	-35	-52	-191	-208
Share in income of associated cos.	44	19	72	47
Operating income ¹⁾	931	625	1,599	1,293
<i>Margin</i>	7.7%	5.3%	9.1%	7.5%
Financial income and expenses	-92	-118	-194	-220
Income after financial items	839	507	1,405	1,073
Taxes	-261	-167	-409	-315
Minority interest	-18	-13	-17	-12
Net income for the year	560	327	979	746
Earnings per share, SEK ²⁾	5.22	3.07	9.14	7.00
after dilution, SEK ³⁾	5.22	2.99	9.05	6.91
¹⁾ Includes depreciation of	-834	-862	-1,119	-1,147
of which depreciation of lease assets	-362	-403	-487	-528
of which goodwill amortization	-118	-127	-160	-169

²⁾ Average number of shares 2004: 107,444,338 and 2003: 106,510,374

³⁾ Average number of shares 2004: 107,444,338, after dilution 2003: 109,247,175. The conversion period for the convertible debenture loan has expired 15.07.2004

Sales by business area

SEK m.	9 mos. 2004	9 mos. 2003	Change	Q3 2004	Q3 2003	Rolling 12 mos.	12 mos. 2003
Saab Systems & Electronics	3,546	3,157	12.3%	1,164	968	5,066	4,677
Saab Aerospace	4,188	3,721	12.6%	1,364	1,136	6,242	5,775
Saab Tech Support & Services	2,061	2,128	-3.1%	585	618	2,965	3,032
Saab Bofors Dynamics	2,089	2,179	-4.1%	478	574	3,023	3,113
Saab Aviation Services	865	806	7.3%	295	275	1,154	1,095
Corporate/Other	16	306		6	105	117	407
Internal sales	-676	-575		-173	-227	-950	-849
Saab Group	12,089	11,722	3.1%	3,719	3,449	17,617	17,250

**Operating income by business area**

SEK m.	9 mos. 2004	% of sales	9 mos. 2003	% of sales	Rolling 12 mos.	% of sales	12 mos. 2003	% of sales
Saab Systems & Electr	321	9.1%	106	3.4%	542	10.7%	327	7.0%
Saab Aerospace	421	10.1%	343	9.2%	636	10.2%	558	9.7%
Saab Techn Supp & Serv	137	6.6%	166	7.8%	203	6.9%	232	7.7%
Saab Bofors Dynamics	16	0.8%	50	2.3%	138	4.6%	172	5.5%
Saab Aviation Services	50	5.8%	72	8.9%	65	5.6%	87	7.9%
Corporate/Other	-14		-112		15		-83	
Saab Group	931	7.7%	625	5.3%	1 599	9.1%	1,293	7.5%

Operating income by business area with structural costs reported separately

SEK m.	9 mos. 2004	% of sales	9 mos. 2003	% of sales	Rolling 12 mos.	% of sales	12 mos. 2003	% of sales
Saab Systems & Electr	366	10.3%	181	5.7%	595	11.7%	410	8.8%
Saab Aerospace	435	10.4%	458	12.3%	671	10.7%	694	12.0%
Saab Techn Supp & Serv	157	7.6%	166	7.8%	258	8.7%	267	8.8%
Saab Bofors Dynamics	16	0.8%	125	5.7%	118	3.9%	227	7.3%
Saab Aviation Services	50	5.8%	72	8.9%	65	5.6%	87	7.9%
Corporate/Other	-14		-112		15		-83	
Subtotal	1,010	8.4%	890	7.6%	1,722	9.8%	1,602	9.3%
Structural costs	-79		-265		-123		-309	
Saab Group	931	7.7%	625	5.3%	1,599	9.1%	1,293	7.5%

Quarterly information

SEK m.	January-March		April-June						
	2004	2003	2004	2003					
Sales									
Saab Systems & Electr	959	925	1,423	1,264					
Saab Aerospace	1,272	1,294	1,552	1,291					
Saab Techn Supp & Serv	719	732	757	778					
Saab Bofors Dynamics	795	882	816	723					
Saab Aviation Services	276	267	294	264					
Corporate/Other	5	98	5	103					
Internal sales	-213	-165	-290	-183					
	3,813	4,033	4,557	4,240					
Operating income									
Saab Systems & Electr	33	55	136	-7	3.4%	5.9%	9.6%	-7	<i>neg.</i>
Saab Aerospace	138	158	138	132	10.8%	12.2%	8.9%	132	10.2%
Saab Techn Supp & Serv	60	55	43	64	8.3%	7.5%	5.7%	64	8.2%
Saab Bofors Dynamics	69	-36	68	49	8.7%	<i>neg.</i>	8.3%	49	6.8%
Saab Aviation Services	18	19	9	29	6.5%	7.1%	3.1%	29	11.0%
Corporate/Other	-13	-25	-26	-52	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>	-52	<i>n/a</i>
	305	226	368	215	8.0%	5.6%	8.1%	215	5.1%
Net financial income	-2	-48	-33	-31					
Income after financial net	303	178	335	184					
Net income for the period	205	119	222	121					
Earnings per share	1.92	1.12	2.08	1.13					
Number of shares, thousands	106,523	106,510	107,229	106,510					



Quarterly information, cont.

SEK m.	July-September		October-December			
	2004	2003	2004	2003		
Sales						
Saab Systems & Electr	1,164	968			1,520	
Saab Aerospace	1,364	1,136			2,054	
Saab Techn Supp & Serv	585	618			904	
Saab Bofors Dynamics	478	574			934	
Saab Aviation Services	295	275			289	
Corporate/Other	6	105			101	
Internal sales	-173	-227			-274	
	3,719	3,449			5,528	
Operating income						
Saab Systems & Electr	152	13.1%	58	6.0%	221	14.5%
Saab Aerospace	145	10.6%	55	4.8%	213	10.4%
Saab Techn Supp & Serv	34	5.8%	45	7.3%	68	7.5%
Saab Bofors Dynamics	-121	Neg.	37	6.4%	122	13.1%
Saab Aviation Services	23	7.8%	24	8.7%	15	5.2%
Corporate/Other	25	n/a	-35	n/a	29	n/a
	258	6.8%	184	5.3%	668	12.1%
Net financial income	-57		-39		-102	
Income after financial net	201		145		566	
Net income for the period	133		87		419	
Earnings per share	1.22		0.82		3.93	
Number of shares, thousands	109,150		106,510		106,514	

Total depreciation/amortization by business area

SEK m.	9 mos. 2004	9 mos. 2003	Q3 2004	Q3 2003	12 mos. 2003
Saab Systems & Electronics	145	139	47	45	194
Saab Aerospace	158	135	56	47	180
Saab Technical Support & Services	90	90	29	24	120
Saab Bofors Dynamics	63	64	21	22	85
Saab Aviation Services – lease assets	362	403	119	124	528
Saab Aviation Services - other	10	10	3	4	13
Corporate/Other	6	21	1	7	27
Saab Group	834	862	276	273	1,147

Of which goodwill amortization by business area

SEK m.	9 mos. 2004	9 mos. 2003	Q3 2004	Q3 2003	12 mos. 2003
Saab Systems & Electronics	59	64	18	22	85
Saab Aerospace	3	7	-	3	9
Saab Technical Support & Services	32	32	10	8	43
Saab Bofors Dynamics	22	22	8	8	29
Saab Aviation Services	1	1	-	1	1
Corporate/Other	1	1	1	-	2
Saab Group	118	127	37	42	169

**Sales by geographic market**

SEK m.	9 mos. 2004	% of sales	9 mos. 2003	% of sales	12 mos. 2003	% of sales
Sweden	6,346	52%	6,111	52%	9,348	54%
Rest of EU ¹⁾	3,038	25%	2,867	24%	4,260	25%
Rest of Europe	341	3%	297	3%	455	3%
Total, Europe	9,725	80%	9,275	79%	14,063	82%
North America	900	7%	753	6%	1,013	6%
Latin America	90	1%	139	1%	175	1%
Asia	579	5%	777	7%	948	5%
Australia, etc.	790	7%	771	7%	1,039	6%
Africa	5	-	7	-	12	-
Saab Group	12,089	100%	11,722	100%	17,250	100%

1) Rest of EU includes the expanded EU after May 1, 2004

Balance sheet

SEK m.	Sept. 30 2004	Jan. 1 2004	Dec. 31 2003	Sept. 30 2003
Assets				
Goodwill and other intangible assets	2,664	2,497	2,497	2,492
Property, plant and equipment, etc.	3,941	4,230	4,230	4,251
Lease assets	4,654	5,038	5,038	5,125
Long-term interest-bearing receivables	476	765	765	918
Shares, etc.	637	415	415	390
Deferred tax receivables	781	958	981	1,129
Inventories, etc.	4,699	4,133	4,133	3,780
Short-term interest-bearing receivables	97	39	39	16
Other receivables	5,644	6,383	6,363	5,189
Cash and marketable securities	3,376	4,243	4,243	4,008
Total assets	26,969	28,701	28,704	27,298
Shareholders' equity and liabilities				
Shareholders' equity	7,499	7,083	7,003	6,677
Minority interest in subsidiaries	106	147	147	123
Provision for pensions	2,953	3,375	3,458	3,483
Other provisions	1,893	2,234	2,234	2,393
Liabilities to credit institutions	1,021	862	862	1,061
Convertible debenture loan		232	232	231
Lease obligations	2,302	2,597	2,597	2,694
Advance payments from customers, net	2,894	3,990	3,990	3,295
Other liabilities	8,301	8,181	8,181	7,341
Total shareholders' equity and liabilities	26,969	28,701	28,704	27,298

**Shareholders' equity**

The Group's shareholders' equity has changed as follows during the year:

SEK m.	Total
Balance at beginning of year	7,003
Net income for the period	560
Adjustment due to change in principle for pension commitments	80
Dividend paid till shareholders	-373
Conversion of convertible debenture loan	239
Translation difference, etc.	-10
Balance at end of period	7,499

Personnel by business area

Number	Sept. 30 2004	Dec. 31 2003	Change	Sept. 30 2003
Saab Systems & Electronics	2,711	2,651	60	2,725
Saab Aerospace	4,271	4,697	-426	4,781
Saab Technical Supp & Serv	2,847	3,003	-156	3,039
Saab Bofors Dynamics	1,702	1,718	-16	1,723
Saab Aviation Services	818	799	19	799
Corporate/Other operations	190	546	-356	534
Saab Group	12,539	13,414	-875	13,601

Subdivided balance sheet, September 30, 2004

SEK m.	Saab	Saab Aircraft Leasing	Elimina- tions	Saab Group
Assets				
Goodwill and other intangible assets	2,664			2,664
Property, plant and equipment, etc.	3,939	2		3,941
Lease assets		4,654		4,654
Long-term interest-bearing receivables	476			476
Shares, etc.	2,137		-1,500	637
Deferred taxes	1,094		-313	781
Inventories, etc.	4,695	4		4,699
Short-term interest-bearing receivables	97			97
Other receivables	4,892	752		5,644
Cash and marketable securities	3,118	258		3,376
Total assets	23,112	5,670	-1,813	26,969
Shareholders' equity and liabilities				
Shareholders' equity	7,280	1,719	-1,500	7,499
Minority interest in subsidiaries	94	12		106
Provision for pensions	2,953			2,953
Other provisions	1,759	447	-313	1,893
Liabilities to credit institutions	1,021			1,021
Lease obligations		2,302		2,302
Advances from customers, net	2,894			2,894
Other liabilities	7,111	1,190		8,301
Total shareholders' equity and liabilities	23,112	5,670	-1,813	26,969

**Capital employed by business area**

SEK m.	Sept. 30, 2004	Dec. 31, 2003	Sept. 30, 2003
Saab Systems & Electr	3,462	3,501	3,606
Saab Aerospace	3,640	3,514	2,390
Saab Tech Supp & Serv	1,500	1,628	1,569
Saab Bofors Dynamics	1,509	1,614	1,233
Saab Aviation Services	2,927	3,106	3,285
Corporate/Other	-1,460	-1,661	-508
Saab Group	11,578	11,702	11,575

Order bookings and order backlog by business area

SEK m.	Order bookings				Order backlog	
	9 mos. 2004	9 mos. 2003	Q3 2004	Q3 2003	Sept. 30 2004	Dec. 31 2003
Saab Systems & Electr	2,633	3,028	863	861	8,705	9,249
Saab Aerospace	4,299	6,459	762	412	27,217	27,388
Saab Tech Supp & Serv	2,229	2,252	508	502	1,143	868
Saab Bofors Dynamics	1,734	3,093	221	950	9,172	9,793
Saab Aviation Services	891	1,009	311	270	355	340
Corporate/Other	16	367	6	95	55	255
Internal	-502	-1,085	-105	-330	-1,979	-2,257
Saab Group	11,300	15,123	2,566	2,760	44,668	45,636

Condensed statement of cash flows

SEK m.	9 mos. 2004	9 mos. 2003	12 mos. 2003
Cash flow from operating activities			
Income after financial items	839	488	1,073
Adjustments for items not affecting cash flow	757	862	1,170
Tax paid	-41	-12	-57
Cash flow from operating activities before changes in working capital	1,555	1,338	2,186
Working capital			
Inventories etc.	-688	-35	-378
Receivables	650	234	-855
Advance payments from customers, net	-1,092	-480	215
Other liabilities	198	89	875
Lease obligations	-295	-232	-329
Provisions	-339	-207	-366
Change in working capital	-1,566	-631	-838
Cash flow from operating activities	-11	707	1,348
Investments in intangible fixed assets	-322	-327	-397
Investments in tangible fixed assets	-262	-330	-472
Sales of lease assets	42	144	-37
Sales of intangible and tangible fixed assets	32	77	73
Divestment of subsidiary	141	-	-
Acquisition/sale of other long-term securities	-87	27	30
Cash flow from investing activities	-456	-409	-803
Operating cash flow	-467	298	545

**Cash flow by business area**

SEK m.	9 mos. 2004	9 mos. 2003	12 mos. 2003
Saab Systems & Electronics	-37	258	223
Saab Aerospace	-363	-395	117
Saab Technical Support & Services	135	198	198
Saab Bofors Dynamics	-243	260	196
Saab Aviation Services	-108	31	-18
Corporate/Other	149	-54	-171
Saab Group	-467	298	545

Key ratios

SEK m.	9 mos. 2004	9 mos. 2003	12 mos. 2003
Operating margin before depreciation excl. leasing	11.6%	9.2%	11.1%
Operating margin before goodwill amortization	8.7%	6.4%	8.5%
Operating margin after depreciation	7.7%	5.3%	7.5%
Earnings per share, SEK ¹⁾	5.22	3.07	7.00
Earnings per share after full conversion, SEK ¹⁾	5.22	2.99	6.91
Earnings per share before goodwill amortization, SEK ¹⁾	6.31	4.26	8.59
Return on capital employed before tax	15.4%	11.4%	12.7%
Return on equity after tax	13.8%	9.8%	10.8%
Equity/assets ratio, %	27.8%	24.5%	24.4%
Equity per share, SEK ¹⁾	68.70	62.69	65.75

1) Average number of shares January – September 2004: 107,444,338 and January – September 2003: 106,510,374.

Average number of shares after dilution 2003: 109,247,175

Five-year overview

SEK m., unless otherwise stated	2003	2002	2001	2000	Pro forma 1999	1999
Order bookings	19,606	19,521	15,274	28,141	15,267	6,849
Order backlog at year-end	45,636	43,082	40,034	41,091	29,891	23,637
Sales	17,250	16,538	15,689	17,840	18,018	9,053
Foreign market sales, %	46	41	40	48	48	38
Operating income	1,293	1,220	1,594	1,533	1,125	1,104
Operating margin, %	7.5	7.4	10.2	8.6	6.2	12.2
Operating margin before deprec., %	11.1	11.2	14.4	13.5	10.7	17.1
Operating income excl. capital gains	1,293	1,220	944	895	870	849
Operating margin excl. capital gains, %	7.5	7.4	6.0	5.0	4.8	9.4
Income after financial items	1,073	993	1,554	1,448	1,116	1,377
Net income for the year	746	732	1,127	1,038	735	939
Total assets	28,704	28,109	29,901	31,119	36,641	28,079
Operating cash flow	545	-92	1,642	-1,908	n/a	-2,368
Return on capital employed, %	12.7	11.6	15.5	14.6	n/a	21.3
Return on equity, %	10.8	10.8	18.3	20.0	n/a	21.5
Equity/assets ratio, %	24.4	24.3	22.3	18.2	12.8	16.8
Earnings per share, SEK ²⁾	7.00	6.87	10.59	9.75	6.90	8.82
after full conversion, SEK ³⁾	6.91	6.78	10.40	9.58	6.81	8.68
before goodwill amortization, SEK ²⁾	8.59	8.52	12.11	11.47	8.62	9.36
Dividend per share, SEK	3.50	3.50	3.25	3.00	n/a	2.50
Equity per share, SEK ¹⁾	65.75	64.17	62.74	53.26	44.15	44.23
Number of employees at year-end	13,414	14,036	14,028	15,453	16,665	8,031

Aside from the pro forma figures for 1999, the figures have not been revised and match those in the published information for each year.

¹⁾ Number of shares as of December 31, 2003: 106,517,563 2002: 106,510,374 and 1998-2001: 106,459,675

²⁾ Average number of shares 2003 106,513,969 2002: 106,487,407 and 1998-2001: 106,459,675

³⁾ Number of shares after full conversion: 109,247,175