



Handled by

Göran Wedholm/Iréne Svensson

Date

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Reference

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## THE 2003 REPORT

- Sales amounted to SEK 17,250 m. (16,538).
- Net income for the year was SEK 746 m. (732).
- Earnings per share amounted to SEK 7.00 (6.87).
- The proposed dividend per share is SEK 3.50 (3.50).
- Order bookings totaled SEK 19.6 billion (19.5), of which SEK 4.5 billion in the fourth quarter (3.8). The order backlog thereby amounts to SEK 46 billion (43).
- Operating income amounted to SEK 1,293 m. (1,220) and income after financial items was SEK 1,073 m. (993).
- Operating cash flow was SEK 545m. (-92).

### Statement by the CEO

"In 2003 Saab's order bookings remained good and the order backlog grew to its highest level ever. Growth has primarily taken place in the international market. These orders are a clear indication of our ability to adapt to changing market conditions and of the success of our technological expertise in gaining a foothold in new markets. Income for 2003 was slightly higher than the previous year, and the operating margin amounted to 9.3 percent excluding the costs for adaptation of resources, which is satisfactory and in line with our expectations.

We were awarded a number of strategically significant orders, primarily from outside Sweden, though also from the Swedish customer. One example is Hungary, which decided in early 2003 to enhance its Gripen order, thereby confirming its commitment to Gripen as its future defence system. In December the Czech Republic made the same decision as well. In camouflage net systems, we have signed a long-term framework agreement in U.S. that further strengthens Saab's position as a world-leading supplier in signature management products. Sweden has decided to invest in a future-oriented, network-centric defence, and Saab has attained a leading position as a systems integrator in the development and build-up stages.

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As previously mentioned, we also face a number of challenges. One major issue in 2004 is the future direction of Swedish defence allocations, where the “defence decision” this autumn will be crucial. It has previously been announced that the military’s main focus will be on a network-centric task force and the ability to take part in international missions. The boundary between military and commercial systems will gradually be erased as the focus shifts to protection of vulnerable infrastructure and a safer society. This is positive for Saab and consistent with our image as a high-technology company with the capability to integrate complex systems. On the other hand, it is unclear to what extent resources will be allocated for new development projects and, if so, when. Such projects are extremely important to our ability to maintain capacity and competence. If they are further delayed, we will be forced to lay off more employees in addition to those who were let go in 2003. We are positive, however, to the future opportunities for Swedish development orders from cooperative international projects.

Another issue that has been raised in recent years is Sweden’s future demand for Gripen aircraft. Through the orders we have received from Hungary and now the Czech Republic, we have already proven that we can also successfully handle this situation. We will remain positive to discussing new solutions that benefit all parties concerned. Our goal is to find solutions that will make it easier for more countries to choose the Gripen system to meet their defence needs while at the same time completing deliveries of batch 3 to the Swedish Air Force. A constructive cooperation can free up capacity for new development projects and create the prospects of new business opportunities.

The streamlining of Saab’s core operations continued during the year through divestments and complementary acquisitions. Organizational efficiency has been improved now that business units report directly to Group Management. The changes taking place in our operating environment, including fewer long-term Swedish development projects, forced us during the year to lay off 1,000 employees in a number of units within the Group. Due to the structural costs that were incurred in connection with the adaptation of resources, income for the year only improved slightly, which was indicated in connection with the nine-month report. Income excluding structural costs has continued to develop according to plan.

Our basic strategy is unchanged for 2004 and beyond. We are focused on growing in export markets. In our Swedish home market, the goal is that Saab will remain the obvious partner, with top-flight expertise in systems integration. Saab’s ability to combine systems integration know-how at the highest level with the capability of developing and manufacturing defence materiel suited to international needs in a number of segments makes us well prepared to meet new demands and capitalize on future business opportunities. We will remain active in the search for further opportunities for structural transactions and cooperations that help us to meet our goals.

For 2004 we stand well prepared, and I believe our objective of a 10% operating margin is within reach, although we may be forced to further adapt our resources depending on what happens with regard to development orders. We also anticipate opportunities for continued organic sales growth of approximately 5% in 2004.”



## Major events and structural developments

Hungary decided in early 2003 to enhance its Gripen order, thereby confirming its commitment to Gripen as its future defence system. Now the Czech Republic has made the same decision as well. Sweden has decided to invest in a future-oriented, network-centric defence, and Saab has attained a leading position as a systems integrator in the development and build-up stages. Major orders for naval fire control directors have been received from Norway, Finland and South Korea, demonstrating that Saab's products can be integrated with all types of command and control systems. Orders have been received as part of the European missile project Meteor, and Saab will be responsible for testing and integration work on Gripen, among other things. Major international orders have been received for missile systems, anti-armor systems and simulation and combat training systems. Sweden has signed an agreement in principle to participate in a European cooperation on the development of future unmanned fighter aircraft. In camouflage net systems, Saab has signed a long-term framework agreement in the U.S. that further strengthens its position as a world-leading supplier in signature management products. In its commercial operations, Saab signed an agreement with Airbus on the development and production of the Mid and Outer Fixed Leading Edge of the wing on the new A380 "superjumbo."

Saab has expanded its cooperation with Grintek of South Africa by forming Grintron Integrated Defence Solutions, GrIDS, which is active in command and control systems. GrIDS is part of Grintron, which is owned to 51 percent by Grintek and 49 percent by Saab. Saab also announced an offer to acquire 21 percent of the shares in Grintek. The acquisition was formally approved in January 2004.

Saab, Patria of Finland and Group SNPE of France signed an agreement to merge their propellant and explosives operations, SNPE Matériaux Energétiques and Nexplo Industries, into a new company called EURENCO, European Energetic Corporation, headquartered in Paris. Saab will own 19.9 percent of the new company. The final agreement was signed on January 22, 2004.

Effective January 1, Combitech Systems was transferred from Saab Systems & Electronics to Saab Technical Support and Services as part of the coordination of the Group's commercial consulting operations.

On July 14, 2003 Åke Svensson took over as President and CEO of Saab, succeeding Bengt Halse, who retired. Ingemar Andersson was appointed Executive Vice President for business activities. Saab thereby has two Executive Vice Presidents, Ingemar Andersson and Göran Sjöblom, who is responsible for operational activities.

## Operations

Saab is one of the world's leading high-technology companies, with its main activities focused on aerospace and defense. The operations cover clearly defined areas within defense electronics, missile systems & space electronics and military and civil aviation. Saab is also active in high-technology services and maintenance. Saab is organized in



some 20 business units which are reported in six business areas. From 2003 the business units report directly to Group Management.

### **Business areas**

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

**Saab Aerospace**, which has the overall systems integration capability required to build complete aircraft and defense systems, develops and manufactures military aircraft systems and acts as a partner in subsystems to manufacturers of large commercial aircraft.

**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 Ericsson Space** develops and produces computers, antennas, microwave electronics and mechanical systems for the space industry. From 2004 these operations will be reported as a business unit of the Aerospace business area.

**Saab Aviation Services'** core consists of Saab's leasing and customer support operation in regional aviation.

### Sales, income and orders

#### **Sales**

Group sales in 2003 were 4.3 percent higher than the previous year and amounted to SEK 17,250 m. (16,538). 80 (76) percent of sales was related to defense. Sales to foreign markets rose to 46 (41) percent. Sales during the fourth quarter were SEK 5,528 m. (4,830).

Sales of all operations in *Systems & Electronics* rose to SEK 4,677 m. (4,499) compared with the same period last year. Barracuda and TransponderTech substantially raised their sales compared with the previous year, Barracuda through acquisitions in the U.S. and TransponderTech through substantial growth in the transponder market. SaabTech and Training reported moderate growth. During the year Combitech Systems, which generates a turnover of SEK 200 m. (245) on an annual basis, was consolidated with Technical Support and Services.

The sales increase in *Aerospace*, from SEK 4,782 m. to SEK 5,151 m., is due to the upgrade of Gripen aircraft which will be delivered to Hungary and the start of deliveries of batch 3 of Gripen. Sales include 18 (20) Gripen aircraft, of which 7 (4) in the fourth quarter. Deliveries to Airbus amounted to SEK 221 m. (188) during the year.



Business area *Technical Support and Services* experienced weak growth due to delayed order bookings and continued weakness in the telecom market. The sales increase compared with the previous year is the result of the internal takeover of Combitech Systems. In total, sales for the business area amounted to SEK 3,032 m. (2,922) in 2003.

*Dynamics'* sales increase to SEK 3,113 m. (2,825) is mainly attributable to increased deliveries of anti-armor weapons and development work on NLAW, the next generation of portable anti-armor systems.

*Space* has been affected by continued pressure in the commercial telecom market and for European space programs. Sales rose to SEK 624 m. (605), which is approximately 20 percent lower than in 2001, however.

Lower sales for *Aviation Services* are the result of generally lower passenger traffic and lower demand for maintenance services. Sales declined to SEK 1,095 m. (1,328).

#### **Income, margin and profitability**

Operating income amounted to SEK 1,293 m. (1,220), corresponding to a margin of 7.5 percent (7.4). Operating income from defense-related operations continued to improve compared with the previous year. At the same time, however, consolidated income was affected by structural charges totaling SEK 309 m. (40), of which SEK 130 m. (0) relates to the finalized integration of Celsius' operations and the remainder to the adaptation of resources in Aerospace, Technical Support & Services and Space. Operating income before structural costs improved to SEK 1,602 m. (1,260), corresponding to a margin of 9.3 percent (7.6). Operating income after structural costs was SEK 668 m. (542) in the fourth quarter. The margin was 12.1 percent (11.2).

Operating income for *Systems & Electronics* amounted to SEK 327 m. (311), with an operating margin of 7.0 percent (6.9). The improvement in income was due to volume gains for Saab Barracuda, a more favorable product mix for SaabTech, and Saab TransponderTech's positive result for 2003. Training continued to generate good results. Structural costs amounted to SEK 83 m. (0).

Operating income for *Aerospace* decreased slightly to SEK 573 m. (579). The business unit's income was affected compared with the previous year by structural costs of SEK 101 m. Income improved due to higher volumes and an improved result from Nyge Aero, which had reported a loss in the previous year. The operating margin was 11.1 percent (12.1).

The higher operating income for *Technical Support and Services* – SEK 232 m. (207) – is the result of a higher capacity utilization and cost cuts at AerotechTelub. The operating margin amounted to 7.7 percent (7.1). Structural costs for the business area amounted to SEK 35 m.



*Dynamics'* income improvement to SEK 172 m. (102) is mainly attributable to volume increases, a more favorable product mix and continued efficiency measures. The operating margin was 5.5 percent (3.6). Structural costs for *Dynamics* amounted to SEK 55 m. and related to underwater systems.

Income for *Space* amounted to SEK -15 m. (-62). Structural measures and efficiency improvements at *Space* continued, leading to a positive result of SEK 20 m. (-22) before structural costs of SEK 35 m. (40).

Operating income for *Aviation Services* was affected by lower volume and amounted to SEK 87 m. (136). The operating margin decreased to 7.9 percent (10.2).

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 years.

To increase transparency in the reporting, the structural provisions totaling SEK 309 m. (40) are reported both separately by business area and at the aggregate level in the accounting of results of operations.

Administration and marketing expenses decreased slightly compared with the previous year. The period's internally funded investments in research and development amounted to SEK 798 m. (812), of which SEK 395 m. (360) has been capitalized and SEK 414 m. (457) has been charged to operating income for the year, which includes depreciation. Other operating income during both the present and previous years consists mainly of capital gains, currency gains and income from secondary activities. Other operating expenses consist of currency and capital losses. The present year also includes the provision made for structural changes of SEK 309 m. (40). Project interest on unutilized advance payments reduced the financial net by SEK 114 m. (200) and is reported in gross income.

Net financial income and expenses amounted to SEK -220 m. (-227). The average return on external investments was 3.95 percent (4.84). Compared with the previous year, the financial net has been positively affected by a lower interest rate on pension debt but negatively affected by lower returns on financial investments and the revaluation of financial receivables. The Group's income after financial items amounted to SEK 1,073 m. (993). Current and deferred taxes amounted to SEK -315 m. (-273).

Net income for the year was SEK 746 m. (732), corresponding to earnings per share of SEK 7.00 (6.87).

The pre-tax return on capital employed was 12.7 percent (11.6). The after-tax return on shareholders' equity was 10.8 percent (10.8).

**Orders**

Group order bookings amounted to SEK 19,606 m. (19,521), of which SEK 4,483 m. (3,807) in the fourth quarter. Of order bookings, 60 percent came from customers outside Sweden. Order bookings during the fourth quarter included, among others things, development and integration work for the European air-to-air missile Meteor, a support contract for the German combat training center GÜT, Ultra Lightweight Camouflage Net Systems for the U.S., anti-tank weapons for France, etc. and orders for naval director systems.

The order backlog at the end of the period amounted to SEK 45,636 m., against SEK 43,082 m. at the beginning of the year. Export markets account for 65 (59) percent of the order backlog. The order backlog consists in large part of contracts that stretch over long periods of time. Saab's policy is to hedge the foreign currency exposure in all firm orders, due to which the recent changes in exchange rates, particularly with regard to USD, had a marginal effect on earnings.

**Balance sheet**

The Group's goodwill amounts to SEK 1,627 m., of which SEK 1,430 m. is attributable to the acquisition of Celsius. The remainder, SEK 197 m., relates primarily to SaabTech, Combitech Systems and Barracuda. All goodwill is allocated to the business areas. The increase in the goodwill and intangible assets item compared with the previous year relates to the capitalization of product development. Property, plant and equipment are used mainly in the core business. Lease assets relate mainly to the regional aircraft leasing portfolio. Long-term interest-bearing receivables consist of a financial lease on an oil rig, among other things. Shares and participations consist of, among others, the shares in Nammo, Grintron, b-business partners and Itekta Venture AB. Receivables for deferred taxes are reported net after deduction of deferred tax in untaxed reserves and relate mainly to unutilized tax deductions for previous provisions and unutilized tax loss carryforwards. Inventories are reported net after deduction of utilized advance payments of SEK 2.8 bn. Just over half of other receivables consists of accounts receivable; the remainder includes VAT receivables and interim items. Liquid funds increased mainly due to a positive cash flow. The minority interest in subsidiaries increased due to a capital contribution to Nexplo and consists thereafter mainly of the minority interests in Saab Ericsson Space, Nexplo and Hawker Pacific. Provisions for pensions increased slightly during the year. Other provisions consist mainly of the phase-out reserve for Regional Aircraft, provisions for the leasing portfolio and restructuring and project reserves in connection with the acquisition of Celsius. The convertible debenture loan is issued to personnel. Lease obligations refer to the leasing portfolio of regional aircraft. Other liabilities include supplier and VAT liabilities and accrued costs.



## Liquidity, finance and investments

### **Finance, liquidity and cash flow**

Liquid funds including interest-bearing receivables, less liabilities to credit institutions and the convertible debenture loan, rose by SEK 190 m. to SEK 3,953 m. (3,763) compared with the beginning of the year. The Group's net liquidity after deduction of provisions for pensions rose to SEK 495 m. from SEK 352 m. at the beginning of the year.

The Group's equity/assets ratio was 24.4 percent, compared with 24.3 percent at the beginning of the year. Shareholders' equity amounted to SEK 7,003 m. (6,833), corresponding to SEK 65.75 (64.17) per share.

### **Cash flow**

Operating cash flow was positive during the year, amounting to SEK 545 m. (-92), and was distributed between cash flow from operations of SEK 675 m. (154), acquisitions/divestments SEK 42 m. (-80) and the regional aircraft business SEK -172 m. (-166). Cash flow by business area is indicated in the table on page 16.

## **Capital expenditures, research and development and personnel**

### **Capital expenditures**

Capital expenditures in property, plant and equipment, excluding leasing assets, amounted to SEK 472 m. (623).

### **Research and development**

In order to maintain a leading position in its business areas, the Group allocates considerable resources to research and development, where approximately 2,700 persons are employed. Investments in research and development are made primarily for customers in the business areas Saab Systems and Electronics, Saab Aerospace and Saab Bofors Dynamics. The year's total expenditures for research and development amounted to SEK 3,690 m. (4,138), of which SEK 2,892 m. (3,287) relates to customer-funded development.

Internally financed development related mainly to the export version of the Gripen, but also to further development of combat training centers, electronic warfare and missile systems, and anti-armor programs. From 2002 part of the company-funded development expenditures are capitalized in the balance sheet due to a change in accounting principles. Of the year's development expenditures, a total of SEK 395 m. (360) was carried forward and SEK 414 m. (457) was charged against income for the year, which includes amortization of SEK 11 m. (5). After the year's capitalization and amortization, the closing balance of capitalized product development amounts to SEK 778 m. (394).

### **Personnel**

At the end of the period the Group had 13,316 employees, against 14,036 at the beginning of the year.



During the year lay-offs were announced affecting a total of around 1,000 employees, of whom about 800 have received their notices.

## Parent Company

### **Sales and income**

Sales of the Parent Company amounted to SEK 5,094 m. (4,788). Operating income was SEK 315 m. (418). Net financial income and expenses amounted to SEK 552 m. (221) and income after financial items was SEK 867 m. (639). Of the financial net, SEK 707 m. (547) consists of Group contributions, dividends and write-downs of shares in subsidiaries. After appropriations of SEK -23 m. (-23) and paid and deferred tax of SEK -103 m. (-154), net income for the year amounted to SEK 741 m. (462).

### **Liquidity, finance and investments**

Liquid funds less liabilities to credit institutions amounted to SEK -727 m. (775). The year's gross capital expenditures in property, plant and equipment amounted to SEK 179 m. (278). At year-end the Parent Company had 4,136 employees, compared with 4,308 at the beginning of the year.

### **Proposed dividend and repurchase of own shares**

For 2003, the Board of Directors and the President propose to distribute to the shareholders SEK 3.50 (3.50) per share or a total of SEK 373 m. (373), corresponding to 50 percent (51) of the Group's net income. April 2, 2004 has been proposed as the record date, and the dividend is expected to be distributed on April 7, 2004.

Further, the Board of Directors will propose as in the previous year that the Annual General Meeting authorize the Board to decide to repurchase up to 10 percent of the company's total shares outstanding. As proposed, the mandate would be valid until the next Annual General Meeting. The purpose of the authorization is to provide the Board with increased scope for action in working with the company's capital structure and to enable acquisitions where considered appropriate. Such repurchases may be effected over the stock exchange or through offerings to shareholders. It is also proposed that the Board's mandate include the possibility to transfer repurchased shares in accordance with current legislation.

### **Annual General Meeting**

The Annual General Meeting will be held at Kungliga Tennishallen in Stockholm on Tuesday, March 30, 2004 at 6:00 p.m. (CET). Saab's audited annual report will be available at the company's office in Linköping. The printed Annual Report will be distributed upon request to shareholders from February 24, 2004.

### **Owner and nomination procedure**

Saab's principal owners were at the year end 2003 BAE SYSTEMS, Investor AB, the Wallenberg foundations, Robur funds, AMF Pension, AMF Pensionsfonder, Eikos fund, Nordea funds, SEB funds, SEB-Trygg Insurance, JP Morgan Chase Bank, Skandia and several U.S. and U.K funds.

Four shareholder representatives have been selected to work with Chairman Anders Scharp to draft a proposal for the Board of Directors to be presented to the Annual General Meeting



for approval. The representatives are Adine Grate Axén, Investor; Marianne Nilsson, Robur; Christer Elmehagen, AMF Pension, and Mats Gustafsson, SEB Fonder.

**Accounting principles**

The Group follows all the recommendations of the Swedish Financial Accounting Standards Council applicable to 2003. The new recommendations have not had a material impact on the Group's financial results and position; the only effect is additional disclosures. Sales and operating income by business area for the year 2002 have not been adjusted for the internal reorganization of Combitech Systems.

Linköping, February 12, 2004

Åke Svensson  
President and Chief Executive Officer

**Financial information dates:**

*Interim Report for January – March 2004 will be published on April 14, 2004*

*Interim Report for January – June 2004 will be published on July 9, 2004*

*Interim Report for January – September 2004 will be published on October 22, 2004*

**For further information, please contact:**

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*Irène Svensson, Head of Corporate Communications Tel. +46-8-463 01 30*

**Press conference with CEO Åke Svensson:**

*Today, Thursday, February 12, 3:00 p.m. (CET), World Trade Center, Stockholm*

**Telephone interview with CEO Åke Svensson:**

*Today, Thursday, February 12*

*Tel. +46-13-18 00 18*

*Contact Peter Larsson*

*Tel. +46-734-18 00 18*

**International teleconference:**

*Today, Thursday, February 12, 4:30 p.m. (CET)*

*Tel. +46-13-18 71 49*

*Contact Marita Sidén for registration and further information*

*Tel. +46-734-18 71 49*

***The 2003 report can also be accessed on the Internet at [www.saab.se](http://www.saab.se)***

**Income statement**

<b>SEK m.</b>	<b>2003</b>	<b>2002</b>	<b>Q4 2003</b>	<b>Q4 2002</b>
<b>Sales</b>	<b>17,250</b>	<b>16,538</b>	<b>5,528</b>	<b>4,830</b>
Cost of goods sold	-12,997	-12,496	-4,138	-3,522
<b>Gross income</b>	<b>4,253</b>	<b>4,042</b>	<b>1,390</b>	<b>1,308</b>
<i>Margin</i>	<i>24.7%</i>	<i>24.4%</i>	<i>25.1%</i>	<i>27.1%</i>
Marketing expenses	-1,250	-1,325	-293	-335
Administrative expenses	-983	-1,043	-235	-267
Research and development costs	-414	-457	-135	-148
Other operating income	157	282	113	172
Other operating expenses	-517	-274	-200	-173
Share in income of associated cos.	47	-5	28	-15
<b>Operating income <sup>1)</sup></b>	<b>1,293</b>	<b>1,220</b>	<b>668</b>	<b>542</b>
<i>Margin</i>	<i>7.5%</i>	<i>7.4%</i>	<i>12.1%</i>	<i>11.2%</i>
Result from financial investments	-220	-227	-102	-142
<b>Income after financial items</b>	<b>1,073</b>	<b>993</b>	<b>566</b>	<b>400</b>
Taxes	-315	-273	-148	-80
Minority interest	-12	12	1	2
<b>Net income for the year</b>	<b>746</b>	<b>732</b>	<b>419</b>	<b>322</b>
Earnings per share, SEK <sup>2) 4)</sup>	7.00	6.87	3.93	3.02
after full conversion, SEK <sup>3) 4)</sup>	6.91	6.78	3.85	2.97

<sup>1)</sup> Includes depreciation of	-1,147	-1,168	-285	-274
of which depreciation of lease assets	-528	-528	-125	-128
of which goodwill amortization	-169	-176	-42	-46

<sup>2)</sup> Average number of shares 2003: 106,513,969 and 2002: 106,487,407

<sup>3)</sup> Number of shares after full conversion 109,247,175

<sup>4)</sup> See page 16, "Earnings per share"

**Sales by business area**

<b>SEK m.</b>	<b>2003</b>	<b>2002</b>	<b>Change</b>	<b>Q4 2003</b>	<b>Q4 2002</b>
Saab Systems & Electronics	4,677	4,499	4.0%	1,520	1,482
Saab Aerospace	5,151	4,782	7.7%	1,850	1,217
Saab Tech Support & Services	3,032	2,922	3.8%	904	906
Saab Bofors Dynamics	3,113	2,825	10.2%	934	887
Saab Ericsson Space	624	605	3.1%	204	198
Saab Aviation Services	1,095	1,328	-17.5%	289	309
Corporate/Other	407	493	-17.4%	101	137
Internal sales	-849	-916		-274	-306
<b>Saab Group</b>	<b>17,250</b>	<b>16,538</b>	<b>4.3%</b>	<b>5,528</b>	<b>4,830</b>



**Operating income by business area**

SEK m.	2003	% of sales	2002	% of sales	Q4 2003	% of sales	Q4 2002	% of sales
Saab Systems & Electr	327	7.0%	311	6.9%	221	14.5%	185	12.5%
Saab Aerospace	573	11.1%	579	12.1%	195	10.5%	162	13.3%
Saab Techn Supp & Serv	232	7.7%	207	7.1%	68	7.5%	68	7.5%
Saab Bofors Dynamics	172	5.5%	102	3.6%	122	13.1%	41	4.6%
Saab Ericsson Space	-15	neg	-62	neg	18	8.8%	-2	neg
Saab Aviation Services	87	7.9%	136	10.2%	15	5.2%	52	16.8%
Corporate/Other	-83	neg	-53	neg	29		36	
<b>Saab Group</b>	<b>1,293</b>	<b>7.5%</b>	<b>1,220</b>	<b>7.4%</b>	<b>668</b>	<b>12.1%</b>	<b>542</b>	<b>11.2%</b>

**Operating income by business area, excl. structural costs**

m.	2003	% of sales	2002	% of sales
Saab Systems & Electr	410	8.8%	311	6.9%
Saab Aerospace	674	13.1%	579	12.1%
Saab Techn Supp & Serv	267	8.8%	207	7.1%
Saab Bofors Dynamics	227	7.3%	102	3.6%
Saab Ericsson Space	20	3.2%	-22	neg
Saab Aviation Services	87	7.9%	136	10.2%
Corporate/Other	-83	neg	-53	neg
Structural costs	-309	N/a	-40	N/a
<b>Saab Group</b>	<b>1,293</b>	<b>7.5%</b>	<b>1,220</b>	<b>7.4%</b>

**Quarterly information**

SEK m.	January-March		April-June	
	2003	2002	2003	2002
<b>Sales</b>				
Saab Systems & Electr	981	893	1,208	1,245
Saab Aerospace	1,145	1,086	1,151	1,502
Saab Techn Supp & Serv	676	671	834	795
Saab Bofors Dynamics	882	580	723	777
Saab Ericsson Space	149	135	140	165
Saab Aviation Services	267	362	264	336
Corporate/Other	98	136	103	127
Internal sales	-165	-333	-183	-193
	<b>4,033</b>	<b>3,530</b>	<b>4,240</b>	<b>4,754</b>
<b>Operating income</b>				
Saab Systems & Electr	51	34	-3	72
Saab Aerospace	158	133	161	173
Saab Techn Supp & Serv	59	41	60	54
Saab Bofors Dynamics	-36	-5	49	17
Saab Ericsson Space	0	-42	-29	2
Saab Aviation Services	19	29	29	32
Corporate/Other	-25	-44	-52	-22
	<b>226</b>	<b>146</b>	<b>215</b>	<b>328</b>
Net financial income	-48	-48	-31	-52
<b>Income after financial net</b>	<b>178</b>	<b>98</b>	<b>184</b>	<b>276</b>
<b>Net income for the period</b>	<b>119</b>	<b>78</b>	<b>121</b>	<b>185</b>
<b>Earnings per share <sup>1)</sup></b>	<b>1.12</b>	<b>0.73</b>	<b>1.13</b>	<b>1.74</b>



**Quarterly information, cont.**

SEK m.	July-September				October-December			
	2003		2002		2003		2002	
<b>Sales</b>								
Saab Systems & Electr	968		879		1,520		1,482	
Saab Aerospace	1,005		977		1,850		1,217	
Saab Techn Supp & Serv	618		550		904		906	
Saab Bofors Dynamics	574		581		934		887	
Saab Ericsson Space	131		107		204		198	
Saab Aviation Services	275		321		289		309	
Corporate/Other	105		93		101		137	
Internal sales	-227		-84		-274		-306	
	<b>3,449</b>		<b>3,424</b>		<b>5,528</b>		<b>4,830</b>	
<b>Operating income</b>								
Saab Systems & Electr	58	6.0%	20	2.3%	221	14.5%	185	12.5%
Saab Aerospace	59	5.9%	111	11.4%	195	10.5%	162	13.3%
Saab Techn Supp & Serv	45	7.3%	44	8.0%	68	7.5%	68	7.5%
Saab Bofors Dynamics	37	6.4%	49	8.4%	122	13.1%	41	4.6%
Saab Ericsson Space	-4	neg	-20	neg	18	8.8%	-2	neg
Saab Aviation Services	24	8.7%	23	7.2%	15	5.2%	52	16.8%
Corporate/Other	-35	N/a	-23	N/a	29	N/a	36	N/a
	<b>184</b>	<b>5.3%</b>	<b>204</b>	<b>6.0%</b>	<b>668</b>	<b>12.1%</b>	<b>542</b>	<b>11.2%</b>
Net financial income	-39		15		-102		-142	
<b>Income after financial net</b>	<b>145</b>		<b>219</b>		<b>566</b>		<b>400</b>	
<b>Net income for the period</b>	<b>87</b>		<b>147</b>		<b>419</b>		<b>322</b>	
<b>Earnings per share <sup>1)</sup></b>	<b>0.82</b>		<b>1.38</b>		<b>3.93</b>		<b>3.02</b>	

<sup>1)</sup> Average number of shares 2003: 106,513,969 and 2002: 106,487,407

**Total depreciation/amortization by business area**

SEK m.	2003	2002	Q4 2003	Q4 2002
Saab Systems & Electronics	194	198	55	28
Saab Aerospace	148	143	38	36
Saab Technical Support & Services	120	113	30	34
Saab Bofors Dynamics	85	97	21	24
Saab Ericsson Space	32	35	7	8
Saab Aviation Services – lease assets	528	528	125	128
Saab Aviation Services - other	13	15	3	5
Corporate/Other	27	39	6	11
<b>Saab Group</b>	<b>1,147</b>	<b>1,168</b>	<b>285</b>	<b>274</b>

**Of which goodwill amortization by business area**

SEK m.	2003	2002	Q4 2003	Q4 2002
Saab Systems & Electronics	85	95	21	24
Saab Aerospace	8	10	2	3
Saab Technical Support & Services	43	36	11	9
Saab Bofors Dynamics	29	29	7	7
Saab Ericsson Space	1	1	0	0
Saab Aviation Services	1	1	0	1
Corporate/Other	2	4	1	2
<b>Saab Group</b>	<b>169</b>	<b>176</b>	<b>42</b>	<b>46</b>

**Sales by geographic market**

<b>SEK m.</b>	<b>2003</b>	<b>2002</b>	<b>Change</b>
Sweden	9,348	9,707	-4%
Rest of EU	3,921	3,280	20%
Rest of Europe	794	616	29%
<b>Total, Europe</b>	<b>14,063</b>	<b>13,603</b>	<b>3%</b>
North America	1,013	1,267	-20%
Latin America	175	185	-5%
Asia	948	536	77%
Australia, etc.	1,039	937	11%
Africa	12	10	20%
<b>Saab Group</b>	<b>17,250</b>	<b>16,538</b>	<b>4%</b>

**Balance sheet**

<b>SEK m.</b>	<b>Dec. 31, 2003</b>	<b>Dec. 31, 2002</b>
<b>Assets</b>		
Goodwill and other intangible assets	2,497	2,297
Property, plant and equipment, etc.	4,230	4,325
Lease assets	5,038	5,672
Long-term interest-bearing receivables	765	1,053
Shares, etc.	415	413
Deferred tax receivables	981	1,279
Inventories, etc.	4,133	3,745
Short-term interest-bearing receivables	39	55
Other receivables	6,363	5,413
Cash and marketable securities	4,243	3,857
<b>Total assets</b>	<b>28,704</b>	<b>28,109</b>
<b>Shareholders' equity and liabilities</b>		
Shareholders' equity	7,003	6,833
Minority interest in subsidiaries	147	110
Provision for pensions	3,458	3,411
Other provisions	2,234	2,600
Liabilities to credit institutions	862	972
Convertible debenture loan	232	230
Lease obligations	2,597	2,926
Advance payments from customers, net	3,990	3,775
Other liabilities	8,181	7,252
<b>Total shareholders' equity and liabilities</b>	<b>28,704</b>	<b>28,109</b>

**Shareholders' equity**

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

<b>SEK m.</b>	<b>Total</b>
Balance at beginning of year	6,833
Net income for the year	746
Dividend	-373
Translation difference, etc.	-203
<b>Balance at end of period</b>	<b>7,003</b>

**Personnel by business area**

<b>Number</b>	<b>Dec. 31, 2003</b>	<b>Dec. 31, 2002</b>	<b>Change</b>
Saab Systems & Electronics	2,651	3,026	-375
Saab Aerospace	4,160	4,379	-219
Saab Technical Supp & Serv	2,905	2,760	145
Saab Bofors Dynamics	1,718	1,904	-186
Saab Ericsson Space	537	634	-97
Saab Aviation Services	799	815	-16
Corporate/Other operations	546	518	28
<b>Saab Group</b>	<b>13,316</b>	<b>14,036</b>	<b>-720</b>

**Subdivided balance sheet, December 31, 2003**

<b>SEK m.</b>	<b>Saab</b>	<b>Saab Aircraft Leasing</b>	<b>Eliminations</b>	<b>Saab Group</b>
<b>Assets</b>				
Goodwill and other intangible assets	2,497			2,497
Property, plant and equipment, etc.	4,228	2		4,230
Lease assets		5,038		5,038
Long-term interest-bearing receivables	765			765
Shares, etc.	1,915		-1,500	415
Deferred tax receivables	1,267		-286	981
Inventories, etc.	4,129			4,133
Short-term interest-bearing receivables	39			39
Other receivables	5,513	850		6,363
Cash and marketable securities	3,956	287		4,243
<b>Total assets</b>	<b>24,309</b>	<b>6,181</b>	<b>-1,786</b>	<b>28,704</b>
<b>Shareholders' equity and liabilities</b>				
Shareholders' equity	6,757	1,746	-1,500	7,003
Minority interests in subsidiaries	150	-3		147
Provision for pensions	3,458			3,458
Other provisions	1,941	579	-286	2,234
Liabilities to credit institutions	862			862
Convertible debenture loan	232			232
Lease obligations		2,597		2,597
Advance payments from customers, net	3,990			3,990
Other liabilities	6,919	1,262		8,181
<b>Total shareholders' equity and liabilities</b>	<b>24,309</b>	<b>6,181</b>	<b>-1,786</b>	<b>28,704</b>

**Capital employed by business area**

<b>SEK m.</b>	<b>Dec. 31, 2003</b>	<b>Dec. 31, 2002</b>
Saab Systems & Electr	3,501	3,211
Saab Aerospace	3,172	2,235
Saab Tech Supp & Serv	1,628	1,536
Saab Bofors Dynamics	1,614	1,214
Saab Ericsson Space	342	442
Saab Aviation Services	3,106	3,516
Corporate/Other	-1,661	-598
<b>Saab Group</b>	<b>11,702</b>	<b>11,556</b>

**Order bookings and order backlog by business area**

<b>SEK m.</b>	<b>Order bookings</b>				<b>Order backlog</b>	
	<b>2003</b>	<b>2002</b>	<b>Q4 2003</b>	<b>Q4 2002</b>	<b>Dec. 31, 2003</b>	<b>Dec. 31, 2002</b>
Saab Systems & Electr	4,293	5,327	1,265	1,410	9,249	9,703
Saab Aerospace	6,974	3,139	845	670	26,749	24,675
Saab Tech Supp & Serv	2,950	2,946	698	656	868	1,006
Saab Bofors Dynamics	4,574	7,000	1,481	812	9,793	8,300
Saab Ericsson Space	528	641	198	279	639	736
Saab Aviation Services	1,202	1,423	193	410	340	210
Corporate/Other	439	369	72	119	255	224
Internal	-1,354	-1,324	-269	-549	-2,257	-1,772
<b>Saab Group</b>	<b>19,606</b>	<b>19,521</b>	<b>4,483</b>	<b>3,807</b>	<b>45,636</b>	<b>43,082</b>

**Condensed statement of cash flows**

<b>SEK m.</b>	<b>2003</b>	<b>2002</b>
<b>Cash flow from operating activities</b>		
Income after financial items	1,073	993
Adjustments for items not affecting cash flow	1,170	1,207
Tax paid	-57	-25
<b>Cash flow from operating activities before changes in working capital</b>	<b>2,186</b>	<b>2,175</b>
<b>Working capital</b>		
Inventories etc.	-378	-55
Receivables	-855	-72
Advance payments from customers, net	215	-419
Other liabilities	875	9
Lease obligations	-329	-195
Provisions	-366	-383
<b>Change in working capital</b>	<b>-838</b>	<b>-1,115</b>
<b>Cash flow from operating activities</b>	<b>1,348</b>	<b>1,060</b>
Investments in intangible fixed assets	-397	-492
Investments in tangible fixed assets	-472	-623
Investments in lease assets	-37	-72
Investments in/Sales of long-term securities	30	16
Sales of intangible and tangible fixed assets	73	19
<b>Cash flow from investing activities</b>	<b>-803</b>	<b>-1,151</b>
<b>Operating cash flow</b>	<b>545</b>	<b>-92</b>

**Cash flow by business area**

<b>SEK m.</b>	<b>2003</b>	<b>2002</b>
Saab Systems & Electronics	223	-641
Saab Aerospace	15	427
Saab Technical Support & Services	198	245
Saab Bofors Dynamics	196	30
Saab Ericsson Space	102	-32
Saab Aviation Services	-18	137
Corporate/Other	-171	-258
<b>Saab Group</b>	<b>545</b>	<b>-92</b>

**Earnings per share**

<b>Earnings per share before dilution</b>	<b>2003</b>	<b>2002</b>
Net income for the period, SEK m.	746	732
Weighted number of common shares outstanding	106,513,969	106,487,407
<b>Earnings per share before dilution, SEK</b>	<b>7.00</b>	<b>6.87</b>

**Earnings per share after dilution**

Net income for the period, SEK m.	746	732
Interest expenses on convertible debentures	12	13
Tax attributable to interest expenses	-3	-4
<b>Adjusted earnings</b>	<b>755</b>	<b>741</b>

Weighted number of common shares outstanding	106,513,969	106,487,407
Adjustment for anticipated conversion of convertible debentures	2,733,206	2,759,768
Adjustment for options	-	-
Number of shares used in the calculation of earnings per share	109,247,175	109,247,175
<b>Earnings per share after dilution, SEK</b>	<b>6.91</b>	<b>6.78</b>

**Five-year overview**

<b>SEK m., unless otherwise stated</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>Pro forma</b>	
					<b>1999</b>	<b>1999</b>
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., %	14.1	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 <sup>2)</sup>	7.00	6.87	10.59	9.75	6.90	8.82
after full conversion, SEK <sup>3)</sup>	6.91	6.78	10.40	9.58	6.81	8.68
before goodwill amortization, SEK <sup>2)</sup>	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 <sup>1)</sup>	65.75	64.17	62.74	53.26	44.15	44.23
Number of employees at year-end	13,316	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.

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

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

<sup>3)</sup> Number of shares after full conversion: 109,247,175