

**SAAB**

PRESS INFORMATION

Handläggare *Handled by*

Irène Svensson

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THE 2004 REPORT

- Sales amounted to SEK 17,848 m. (17,250).
- Net income for the year was SEK 1,091 m. (746).
- Earnings per share amounted to SEK 10.08 (7.00).
- The proposed dividend per share is SEK 3,75 (3.50).
- Order bookings amounted to SEK 16,444 m. (19,606). The order backlog amounts to SEK 43 billion (46).
- Operating income amounted to SEK 1,657 m. (1,293) and income after financial items was SEK 1,511 m. (1,073).

Statement by the CEO

“Saab’s order bookings in 2004 reached the expected level, and the order backlog remains high, at SEK 43 billion. Orders were booked mainly in the international market. The Gripen order from the Czech Republic, major orders for missile and anti-armor systems and the success of the ultra lightweight camouflage net system in the U.S. have helped to raise the share of exports in the order backlog.

Sales amounted to SEK 17,848 m. Taking into account the deconsolidation of Nexplo, organic growth was 5.4 percent, in line with our expectations.

Consolidated income continued to improve. Thanks to our underlying earnings strength, we reached an operating margin before structural costs of over 10 percent after a positive fourth quarter. The negative impact of the Brazilian torpedo contract was offset by capital gains and positive contract settlements, due to which income slightly exceeded our forecast. Including structural costs, the operating margin was 9.3 percent.

During the year we were forced to lay off 350 employees. The main reason was a lack of development orders from the Swedish defense. The employees in question worked mainly in research and development.

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In mid-December 2004 the Swedish Parliament set the defense budget for the period 2005–2007, gradually reducing the annual budget by SEK3 billion by 2007. The Armed Forces are again reassessing materiel plans, and while we anticipate some new development needs will arise, the orders for the Swedish defense industry are probably very limited. It is my feeling that this, together with demands to rationalize our operations, will force us to absorb significant costs to further adapt our resources. Although there is still uncertainty in terms of volume and timing, we should expect these costs to be in the range of SEK 250 m. in both 2005 and 2006, with a reduction of 1,000 - 1,500 employees in Sweden during that period.

While Swedish development projects are shrinking, we continue to internationalize in order to capture market share. Export sales will remain an important focus at the same time that a large part of Saab's financial strength will be used for new international acquisitions. Continued export market successes in January 2005 emphasize our objective towards an increasing internationalisation. Among several orders received for UTAAS Fire Control System for the Dutch Army's, worth more than SEK 800 m., and for additional Mid- and Outer Fixed Leading Edges for the Airbus A380 program, to a value of some SEK 225 m., all underline this development.

Saab's broadening towards the security systems for society sector is strengthened through the RAKEL-project, a shared radio communication system, of which the purchasing process recently is approved by the Swedish Supreme Administrative Court. Saab's portion is SEK 500 m. out of a total order value for RAKEL worth SEK 2,3 bn.

For 2005 our overall estimation is that we will grow organically by approximately 5 percent, in line with 2004. Efforts to grow through acquisitions continue as well. For example, if our offer for Grintek in South Africa is accepted, it would add an additional SEK 1.5 billion in sales.

The current year, the IFRS accounting principles will be implemented from January 1, 2005, would generate an operating margin before structural costs below last year's level. Income after structural costs will then be slightly lower than 2004, but our long-term objective of 10 percent remains unchanged, however.

Moving forward, Saab is focusing its efforts on three main areas where it has built up world-leading – and in some cases unique – competence. From January 2005 the company will be divided into three new business segments that reflect the specific conditions for each segment. A strategy has been laid down for each segment – *“Defense & Security Solutions”*, *“Systems & Products”* and *“Aeronautics”* – and management and control will be exercised at the Group Management level. Our goal is to be even more effective in our export efforts, in developing new systems for national security, and in promoting development in the aviation area, especially as regards the Gripen program.

Reporting according to the new structure will begin with the report for the first quarter of 2005, at which time comparative figures for previous periods will be presented.”

**Major orders and highlights during the period**

Military customers accounted for 78 percent of orders in 2004, while commercial customers accounted for 22 percent. Order bookings continue to be dominated by orders from outside Sweden. The share of orders from these customers was 62 percent during the period.

October – December 2004

- Saab acquires the remaining 51 percent of Finnish defense corporation Elesco.
- Airbus contract to supply A400M. Order value could reach SEK 400 m.
- RBS 70 air defense missile system for Czech Republic and Latvia. Total order value SEK 400 m.
- StriC air defense system upgrade for Swedish Air Force. Order value SEK 100 m.
- Component maintenance agreement with Embraer Aviation International for regional jet aircraft. Order value could reach SEK 100 m.
- Ultra Lightweight Camouflage Net System for U.S. defense. Order value slightly over SEK 700 m.
- Tactical support and training system, PETRA, for the Gripen fighter. Deliveries to Sweden, Hungary and Czech Republic. Order value slightly over SEK 500 m.

Structural changes

Saab has the intention to acquire additional shares in South Africa's Grintek, a manufacturer and supplier active in telecommunications, defense and control systems, to slightly more than 70 percent holding, in addition to the 21 percents Saab initially acquired in early 2004.

Saab acquires the Finnish defense company Elesco. The acquisition is made in two steps: at first 49 percent acquired and subsequently the remaining 51 percent in December.

Saab and Jernkontoret, the Swedish Steel Producers' Association, jointly establish a technical consulting company called CSM NDT Certification AB. The new company is organized within Saab in CSM Materialteknik AB.

Saab divests Saab Communications, active in short-range radio communication.

Through a directed share issue to the minority shareholder, the ownership share of Hawker Pacific has been decreased to 49 percent from 75 percent.

Organisation

Saab Bofors Underwater Systems AB changes its name to Saab Underwater Systems AB.

Saab establishes a company in South Africa, Saab South Africa Ltd.

**Internal restructurings**

Effective January 1, 2005 Saab's business units will primarily be divided into three business segments, in addition to Corporate. The three segments are Defense & Security Solutions, Systems & Products and Aeronautics. Reports to Group Management, the Board of Directors, the stock market and other outside shareholders will reflect the new organization. In connection with the release of Saab's report for the first quarter of 2005, comparative figures for previous periods will be made available.

The business segments will be managed by Group Management. Their strategic direction will be laid down, and implementation of plans initiated and monitored, through Group Management's chairmanship of the business units. Overall responsibility for each segment will be delegated within Group Management.

Defense & Security Solutions supplies technical support and services, combat management system products, "system-of-system" solutions and lifecycle commitments for services and solutions. In this area, Saab has a strong position in its home market, where its focus is to become a leader in net-centric defense and national security. An expansion is also under way in selected international markets based on a strong local presence. The segment's business units include Saab Systems, AerotechTelub, Saab TransponderTech, Saab Contracting, Saab Metech and CSM Materialteknik. The segment is expected to account for approximately 25 percent of consolidated sales, of which approximately 40 percent will be generated in the export market.

Systems & Products develops and manufactures complete systems at various levels, including further development and upgrades, studies and demonstrators, and often maintenance and components. Lifecycle commitments, including operation of supplied systems, are also part of the offering. Operations, which are global, are developed through acquisitions and effective international alliances and partnerships. Key product areas consist of electronic warfare systems, systems for training and simulation, signature management, missile and anti-armor systems, torpedo and underwater systems and equipment for the space industry. The segment's business units include SaabTech, Saab Training Systems, Saab Barracuda, Saab Bofors Dynamics, Saab Underwater Systems and Saab Ericsson Space. The segment is expected to account for approximately 40 percent of consolidated sales, of which approximately 65 percent will be generated in the export market.

Aeronautics, which includes both military and commercial operations, is dominated by the advanced Gripen program. Commercial operations are expanding in the area of subsystems and components for the major manufacturers of passenger and transport planes, Airbus and Boeing. Maintenance and support for the fleet of Saab 340 and Saab 2000 as well as certain other aircraft are also included in these operations. Saab's business model is to offer lifecycle commitments for the Gripen program in the home market and to support an effective export program. Investments in new programs are based in part on Sweden's participation in international programs and risk-sharing in commercial programs. The segment's business units include Saab Aerosystems, Gripen International, Saab Aerostructures, Saab Aviation Services, Saab Aviocomp and Saab Nyge Aero. The segment is expected to account for approximately 40 percent of consolidated sales, of which approximately 40 percent will be generated in the export market. The strong home market is based on deliveries of Gripen to Sweden. The order backlog is more heavily weighted toward exports and includes orders for Gripen from South Africa, Hungary and the Czech Republic.



Corporate comprises Group staffs and departments, certain central investments and peripheral operations being held for sale. The leasing fleet of 266 Saab 340 and Saab 2000 aircraft is also included in *Corporate*. Operational responsibility for the leasing fleet lies with Aeronautics. The elimination of internal sales corresponds to approximately 5 percent.

Description of operations

Saab is one of the world's leading high-technology companies, with its main operations in defense, aviation and space. Operations focus on select areas in defense 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 2004

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

Sales, income and orders**Sales**

Group sales were 3.5 percent higher in 2004 than the previous year and amounted to SEK 17,848 m. (17,250). Eighty percent (78) of sales was related to defense. Sales to foreign markets rose to 48 percent (46).

Sales in the fourth quarter were SEK 5,759 m. (5,528).

Sales for *Systems & Electronics* were higher than the previous year at SEK 5,223 m. (4,677). The increase mainly relates to higher exports and sales by operations outside Sweden, including for command and control, training and signature management systems.



Aerospace posted higher sales than the previous year, at SEK 6,410 m. (5,775). Sales include 16 (18) Gripen aircraft, of which 5 (7) in the fourth 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 Aerostructures operations.

Sales for the business units in *Technical Support and Services* decreased marginally compared with the previous year due to continued weak market growth. Sales amounted to SEK 2,966 m. (3,032).

Sales for *Dynamics* were slightly lower than the previous year, at SEK 3,073 m. (3,113). Lower invoicing for certain missile programs was compensated by higher invoicing in underwater operations, particularly for remote-controlled underwater vehicles.

Sales for *Aviation Services* amounted to SEK 1,180 m. (1,095), slightly exceeding the previous year 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 1,657 m. (1,293), corresponding to a margin of 9.3 percent (7.5). Operating income for defense-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 183 m. (309) and by termination costs of SEK 160 m. Operating income in the fourth quarter amounted to SEK 726 m. (668) and were charged with structural costs of SEK 104 m. (44).

Operating income for *Systems & Electronics* amounted to SEK 462 m. (327), with an operating margin of 8.8 percent (7.0). The income improvement was mainly due to higher volume and a more favorable product mix. Structural costs amounted to SEK 129 m. (83).

Operating income for *Aerospace* rose to SEK 677 m. (558) as a result of a higher volumes and margins in Aerostructures as well as lower structural costs. Space, which as of 2004 is reported in the business area, also achieved a positive result. *Aerospace* posted an operating margin of 10.6 percent (9.7). Structural costs amounted to SEK 28 m. (136).

Technical Support and Services reported operating income of SEK 257 m. (232), with an operating margin of 8.7 percent (7.7). Operating income was affected positively by higher capacity utilization at Saab Metech and Combitech Systems, among other things. Income includes structural costs of SEK 26 m. (35).

Dynamics' operating income fell to SEK 150 m. (172). 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. The operating margin was 4.9 percent (5.5). The previous year was charged with structural costs of SEK 55 m. for underwater systems.

Operating income for *Aviation Services* remains under pressure from low volumes, although favorable results from certain structural measures contributed to income of SEK 103 m. (87).



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 sales of associated companies and a property, higher results by operating companies and a better trading result.

As a whole, administrative and marketing expenses are unchanged compared with the previous year. The period's internally funded investments in research and development amounted to SEK 758 m. (798), of which SEK 419 m. (395) has been capitalized and SEK 388 m. (414) has been charged to operating income for the year, which includes depreciation of SEK 49 m. (11).

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

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 178 m. (306) are included in gross income and SEK 5 m. (3) in administrative and marketing expenses.

Project interest on unutilized advance payments reduced the financial net by SEK 76 m. (114) and is reported in gross income.

Net financial income and expenses amounted to SEK -146 m. (-220). The average return on external investments was 4.28 percent (3.95). Compared with the previous year the financial net has been affected positively by higher returns on financial investments and lower write-downs of financial assets. The Group's income after financial items amounted to SEK 1,511 m. (1,073). Current and deferred taxes amounted to SEK -385 m. (-315).

Net income for the period was SEK 1,091 m. (746), corresponding to earnings per share of SEK 10.08 (7.00).

The pre-tax return on capital employed was 15.5 percent (12.7). The after-tax return on shareholders' equity was 14.5 percent (10.8).

Orders

Group order bookings amounted to SEK 16,444 m. (19,606), of which SEK 5,144 m. (4,483) in the fourth quarter. Sixty-two percent (60) of orders came from customers outside Sweden. Important orders during the fourth quarter are covered in the section "Major orders." The order backlog at the end of the period was SEK 43,162 m., against SEK 45,636 m. at the beginning of the year. Export markets account for 70 (65) percent of the order backlog. Deconsolidation of Hawker Pacific and Nexplo has decreased the order backlog.

**Balance sheet**

The Group's goodwill amounts to SEK 1,489 m., of which SEK 1,331 m. relates to the acquisition of Celsius. The remaining goodwill, SEK 158 m., relates primarily to Saab Tech and Combitech Systems. All goodwill is divided by business area. The increase in "goodwill and intangible assets" compared with the previous year relates to the capitalization of product development. Property, plant and equipment are used primarily within the core business. Lease assets relate to the lease portfolio of regional aircraft. Long-term interest-bearing receivables mainly comprise receivables from asset sales. Shares, etc. include the shares in Nammo, Grintek and Grintron, Hawker Pacific, EURENCO and Iteksa Venture. The increase during the year is attributable to the acquisition of Grintek; Hawker Pacific, which is reported as an associated company as of the closing day; and the share in EURENCO. Receivables for deferred taxes are reported net after deducting deferred tax in untaxed reserves and relate mainly to unutilized tax deductions for previous provisions and tax loss carryforwards. Inventories including work on contract are reported net after deducting advance payments of SEK 4.1 billion. Other receivables consist of accounts receivable, accrued income, VAT receivables and interim items. Cash and marketable securities were affected by a positive operating cash flow and the dividend paid. The minority interest was reduced through the divestment of Nexplo and the fact that Hawker Pacific is now an associated company. The minority interest now consists mainly of the interest in Saab Ericsson Space. Provisions for pensions were reduced due to a payment to a pension fund, among other things. The fund's assets are reported net against Provisions for pensions. Other provisions consist mainly of provisions regarding regional aircraft. The convertible debenture loan issued to employees was converted during the year. Lease commitments relate to the lease portfolio of regional aircraft. Other liabilities include accounts payable, VAT liabilities, prepaid income and accrued expenses.

Liquidity and finance**Finance and liquidity**

Liquid funds, including interest-bearing receivables, less liabilities to credit institutions and the convertible debenture loan, have decreased by SEK 138 m. since the beginning of the year to SEK 3,815 m. (3,953). The Group's net liquidity after deducting provisions for pensions amounted to SEK 781 m., against net liquidity of SEK 578 m. at the beginning of the year. The change is due to positive operating cash flow, the dividend paid and the conversion of a 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 December 31, 2004 have been reported net against Provisions for pensions.

The Group's equity/assets ratio was 29.7 percent, against 24.7 percent at the beginning of the year. Shareholders' equity amounted to SEK 7,964 m. (7,101), corresponding to SEK 72.96 per share, compared with SEK 66.67 at the beginning of the year.

**Cash flow**

Operating cash flow was positive during the year, amounting to SEK 325 m. (545), and was distributed between cash flow from operations of SEK 259 m. (675), acquisitions/divestments SEK 71 m. (42), and the regional aircraft business SEK -5 m. (-172). Cash flow by business area is indicated in the table on page 22.

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

The Group's gross capital expenditures in property, plant and equipment, excluding leasing assets, amounted to SEK 348 m. (472).

Research and development

To maintain a leading position in its business areas, the Group allocates considerable resources to research and development, where approximately 2,400 persons are employed. Investments in research and development are made primarily for customers in the business areas Saab Systems & Electronics, Saab Aerospace and Saab Bofors Dynamics. The year's total expenditures for research and development amounted to SEK 3,929 m. (3,690), of which SEK 3,171 m. (2,892) relates to customer-funded development.

Internally financed development related mainly to the export version of Gripen and further development of electronic warfare and missile systems. 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 419 m. (395) was carried forward and SEK 388 m. (414) was charged against income for the year, which includes amortization of SEK 49 m. (11). After the year's capitalization and amortization, the closing balance of capitalized product development amounts to SEK 1,148 m. (778).

Personnel

At the end of the period the Group had 11,936 employees, against 13,414 at the beginning of the year.

Parent Company**Sales and income**

The business units Aerosystems and Aerostructures are part of the Parent Company. Sales of the Parent Company amounted to SEK 5,715 m. (5,094). Operating income was SEK 535 m. (315). Net financial income and expenses amounted to SEK 402 m. (552) and income after financial items was SEK 937 m. (867). Of the financial net, SEK 491 m. (707) consists of Group contributions, dividends and write-downs of shares in subsidiaries. After appropriations of SEK 215 m. (-23) and paid and deferred tax of SEK -324 m. (-103), net income for the year amounted to SEK 828 m. (741).

Liquidity, finance and investments

Liquid funds less liabilities to credit institutions amounted to SEK 1,318 m. (-727). The year's gross capital expenditures in property, plant and equipment amounted to SEK 81 m. (179). At year-end the Parent Company had 3,715 employees, compared with 4,136 at the beginning of the year.

**Proposed dividend and share repurchase**

For 2003, the Board of Directors and the President propose to distribute to the shareholders SEK 3,75 (3.50) per share, or a total of SEK 409 m. (373), corresponding to 38 percent (50) of the Group's net income. April 11 has been proposed as the record date, and the dividend is expected to be distributed on April 14, 2005.

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 of 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 Wednesday, April 6, 2005 at 6:00 p.m. (CET). Saab's annual report will be available at the company's office in Linköping. The printed Annual Report will be distributed to shareholders upon request from March 1, 2005.

Owner and nomination committee

Saab's 15 largest shareholders are BAE SYSTEMS, Investor AB, the Wallenberg foundations, Robur funds, Nordea funds, Eikos fund, AMF Pension, SEB funds, AMF Pensionsfonder, SHB/SPP funds, Odin funds, JP Morgan Chase Bank, Nordea Bank and Skandia Liv.

In a press release dated October 22, 2004 BAE SYSTEMS announced that it intends to reduce its ownership interest to approximately 20 percent of the shares, corresponding to approximately 20 percent of the votes.

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; Pia Rudengren, Knut and Alice Wallenberg Foundation; Mats Lagerqvist, Robur; and Olof Neiglick, Nordea funds.

Accounting principles

This 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 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 decreased by SEK 83 m. Deferred tax receivables have increased by SEK 51 m. and the receivable related to the special employer's debt has risen by SEK 36 m. This means that unrestricted equity increased by SEK 98 m. from the start of the year.

Transition to International Financial Reporting Standards, IFRS

As of January 1, 2005 Saab will apply the International Financial Reporting Standards approved by the EU in the consolidated accounts. Reporting for 2005 will include comparative figures for 2004 restated in accordance with IFRS.

The transition to IFRS means that comparative figures for 2004 will have to be restated with the exception of recommendations IAS 32/IAS 39 Financial Instruments and IFRS 5 Non-current Assets Held for Sale. These recommendations will be applied from 2005, which means that the opening balance for 2005 will contain the effects of these recommendations. The rules on introduction of IFRS and restatements can be found in IFRS 1, First-time Adoption of International Financial Reporting Standards.

According to the Stockholm Stock Exchange's recommendation from November 2004, listed companies must provide information on the most significant effects of the transition to IFRS in their year-end reports for 2004, as Saab has done below.

Quarterly information for 2004 restated according to IFRS will be presented as regards the income statement in the first interim report for 2005. The balance sheet for each quarter will be published in each interim report.

IFRS project

The Annual Report for 2003 reported that a project organization had been formed to identify the differences between IFRS and current reporting, estimate the transitional effects and assume responsibility for implementing IFRS.

In 2004 the project group reported continuously to the CFO, who in turn informed the Audit Committee and the Board of Directors.

Effects of transition to IFRS

The following recommendations have affected Saab's reporting.

IFRS 3	Business combinations
IFRS 5	Non-current Assets Held for Sale
IAS 7	Statement of cash flow
IAS 16	Property, Plant and Equipment
IAS 21	The Effects of Changes in Foreign Exchange Rates
IAS 27	Consolidated and Separate Financial Statements
IAS 36	Impairment of Assets
IAS 38	Intangible Assets
IAS 32/39	Financial Instruments



IFRS 1, First-time Adoption of International Financial Reporting Standards, grants a number of voluntary exemptions when introducing IFRS. Saab has decided to utilize the following exemptions:

- Only business combinations after January 1, 2004 will be restated according to IFRS 3.
- Certain tangible fixed assets will be recognized at fair value as of January 1, 2004, using it as their assumed acquisition value.
- Comparative figures for IAS 39 Financial Instruments will not be restated.

Amendments to the rules are still a possibility, as are changes in their application due to differences in international interpretations. Following are descriptions of the most significant changes and preliminary effects on income and financial position.

IFRS 3 Business combinations

IFRS 3 creates changes in the way business acquisitions are reported and eliminates the systematic amortization of goodwill. The purchase price of a business combination must also be allocated across identifiable intangible assets such as trademarks, customer relations, etc. Intangible assets are amortized over their estimated useful lives, with the exception of those with an indeterminate economic life, such as goodwill. Goodwill must be tested annually to determine whether the asset has been impaired. Furthermore, allocations for restructuring measures are not permitted in the acquisition analysis.

Saab has not restated any acquisitions prior to January 1, 2004. Impairment tests for goodwill will be done at least once a year. Write-downs in 2004 amounted to SEK 21 m. Goodwill amortization according to Swedish accounting rules amounted to SEK 129 m. in 2004. This amortization is reversed in the IFRS accounts for the comparative year 2004. No additional amortization requirements were identified when goodwill amortization for 2004 was reversed. For acquisitions in 2004, the application of IFRS 3 has not caused any differences compared with the previous accounting principles.

IFRS 5 Non-current Assets Held for Sale

IFRS 5 applies from 2005 and Saab will apply IFRS 5 for the first time in its opening balance for 2005. IFRS 5 means that non-current assets held for sale are reported separately in the balance sheet. Assets held for sale are valued at the lower of reported value and net realizable value and are not depreciated.

IAS 7 Cash Flow Statements

According to IAS 7, Cash Flow Statements, cash and cash equivalents with a remaining maturity of over three months on the closing date may not be classified as liquid assets. According to Swedish practice, they are included in the balance sheet item "Cash and marketable securities" despite that they were exposed to a slight risk of a change in value and were intended for cash management purposes. In the opening balance for 2004, SEK 4,243 m. was reported as cash and marketable securities, of which SEK 3,290 m. had a maturity of longer than three months. In the closing balance for 2004, cash and marketable securities amounted to SEK 4,319 m., of which SEK 3,926 m. had a maturity of longer than three months.

**IAS 16 Property, Plant and Equipment**

IAS 16 requires that depreciation is applied on a component basis if the components have different useful lives. Generalized depreciation schedules are not acceptable.

In the case of certain assets, book value cannot be used in a retroactive application of IAS 16. In accordance with the transitional rules, fair value has instead been used as the assumed acquisition value. This applies to around 800 of Saab's buildings.

This means that book value increases by SEK 609 m. as of January 1, 2004, which creates a deferred tax liability of SEK 170 m. As a result, shareholders' equity increases by SEK 439 m. Depreciation for 2004 decreases by SEK 13 m. compared with the previous accounting principles.

IAS 19 Employee benefits

As of January 1, 2004 Saab applies RR 29 "Employee benefits," which essentially agrees with IAS 19. According to the transitional rules in IFRS 1, actuarial gains and losses prior to January 1, 2004 can be set at zero and reported directly against shareholders' equity as per the transition date. Since the timing of the introduction of RR 29 agrees with the introduction of IAS 19, there is no transitional effect owing to IFRS. For the effects of the introduction of RR 29, see Accounting principles on page 11.

IAS 21 The Effects of Changes in Foreign Exchange Rates

IAS 21 states that an operating report must be prepared in the functional currency, which means that valuations are made in this currency as well. According to RR 8, foreign operations are classified as independent or integrated, where independent subsidiaries are translated at the closing rate and integrated subsidiaries are translated according to the monetary method. The terms integrated and independent are not found in IAS 21; the key is which currency is most important to the operation (the functional currency). Financial statements are prepared in the functional currency and translated to Swedish kronor at the closing rate in terms of the balance sheet and the average rate for the income statement.

In 2004 Saab had subsidiaries classified as integrated, which were therefore translated to Saab's reporting currency according to the monetary method. Within Saab Aviation Services, certain operations utilize USD as their functional currency. This means that valuations are made in the functional currency and translated according to the current method, in spite of the fact that the operations are conducted primarily in Sweden. The change in reporting in the balance sheet for opening balances for 2004 has the greatest effect on lease assets SEK +410 m., lease obligations SEK +255 m., provisions SEK +497 m., inventories SEK -156 m. and shareholders' equity SEK -433 m., which are now translated at the closing rate, not historical acquisition rates. Income for 2004 improves by SEK 43 m. compared with the previous accounting principles.

Accumulated exchange rate differences as of January 1, 2004 will not be set at zero.

**IAS 27 Consolidated and Separate Financial Statements**

According to IAS 27, the minority interest in net income does not reduce income. The minority interest in the balance sheet must be reported as a separate item in shareholders' equity. The effect on net income amounts to SEK 35 m. and in the opening balance for 2005 shareholders' equity increases by SEK 93 m.

IAS 36 Impairment of Assets

According to the previously applied principles, Saab tested whether revaluations were needed when there were indications of reduced value. According to the new principles, an impairment test must be done at least once a year for intangible assets with an indefinite useful life, which therefore are not amortized. No need for revaluations was identified as of January 1 or December 31, 2004.

IAS 38 Intangible assets

The Swedish Financial Accounting Standards Council's recommendation RR15 Intangible Assets has been applied as of 2002; the restatement of prior years was not permitted. IAS 38, on the other hand, will be applied retroactively. IAS 38 has not necessitated any changes with regard to capitalized development expenses during the period 2002 to 2004. For the period prior to 2002, no development expenses have been identified that could be capitalized.

IAS 32/39 Financial Instruments

Reporting and valuations according to IAS 32/39 will be applied from 2005 without restating the comparative year 2004.

IAS 39 requires that financial assets and liabilities are classified in different categories and are then reported and valued according to the principles that apply to each category.

Financial derivatives such as forward contracts, options and swaps will be reported in the balance sheet at fair value. The change in the value of these instruments will be reported in the income statement, except in cases of hedging instruments.

Refer also to the income statement and balance sheet on pages 16 and 19.

Linköping, February 17, 2005

Åke Svensson
President and Chief Executive Officer



SAAB

15 (26)
PRESS INFORMATION

Financial information dates:

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

The Interim Report for January – September 2005 will be published on October 21, 2005

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International press conference with CEO Åke Svensson:

Today, Thursday, February 17, 2005, 2:00 p.m. (CET)

WTC, Stockholm

Contact Peter Larsson, Press Secretary

Tel. +46-734-18 00 18

International teleconference:

Today, Thursday, February 17, 2005, 4:00 p.m. (CET)

Contact Marita Sidén to register

Tel. +46-13-18 71 49

**Income statement**

SEK m.	2004	2003	Q4 2004	Q4 2003
Sales	17,848,	17,250	5,759	5,528
Cost of goods sold	-13,776	-13,303	-4,407	-4,182
Gross income	4,072	3,947	1,352	1,346
<i>Margin</i>	22.8%	22.9%	23.5%	24.3%
Marketing expenses	-1,290	-1,251	-312	-293
Administrative expenses	-948	-985	-283	-235
Research and development costs	-388	-414	-141	-135
Other operating income	175	157	83	113
Other operating expenses	-39	-208	-4	-156
Share in income of associated cos.	75	47	31	28
Operating income ¹⁾	1,657	1,293	726	668
<i>Margin</i>	9.3%	7.5%	12.6%	12.1%
Financial income and expenses	-146	-220	-54	-102
Income after financial items	1,511	1,073	672	566
Taxes	-385	-315	-124	-148
Minority interest	-35	-12	-17	1
Net income for the year	1,091	746	531	419
Earnings per share, SEK ²⁾	10.08	7.00	4.86	3.93
after full conversion, SEK ³⁾	10.08	6.91	4.86	3.85
¹⁾ Includes depreciation of	-1,109	-1,147	-275	-285
of which depreciation of lease assets	-474	-528	-112	-125
of which goodwill amortization	-129	-139	-33	-35
of which amortization other intangible assets	-29	-30	-7	-7

²⁾ Average number of shares 2004: 108,234,126 and 2003: 106,513,969

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

Sales by business area

SEK m.	2004	2003	Change	Q4 2004	Q4 2003
Saab Systems & Electronics	5,223	4,677	11.7%	1,677	1,520
Saab Aerospace	6,410	5,775	11.0%	2,222	2,054
Saab Tech Support & Services	2,966	3,032	-2.2%	905	904
Saab Bofors Dynamics	3,073	3,113	-1.3%	984	934
Saab Aviation Services	1,180	1,095	7.8%	315	289
Corporate/Other	37	407		21	101
Internal sales	-1,041	-849		-365	-274
Saab Group	17,848	17,250	3.5%	5,759	5,528



Operating income by business area

SEK m.	2004	% of sales	2003	% of sales	Q4 2004	% of sales	Q4 2003	% of sales
Saab Systems & Electr	462	8.8%	327	7.0%	141	8.4%	221	14.5%
Saab Aerospace	677	10.6%	558	9.7%	256	11.5%	213	10.4%
Saab Techn Supp & Serv	257	8.7%	232	7.7%	120	13.3%	68	7.5%
Saab Bofors Dynamics	150	4.9%	172	5.5%	134	13.6%	122	13.1%
Saab Aviation Services	103	8.7%	87	7.9%	53	16.8%	15	5.2%
Corporate/Other	8		-83		22		29	
Saab Group	1,657	9.3%	1 293	7.5%	726	12.6%	668	12.1%

Operating income by business area with structural costs reported separately

SEK m.	2004	% of sales	2003	% of sales	Q4 2004	% of sales	Q4 2003	% of sales
Saab Systems & Electr	591	11.3%	410	8.8%	225	13.4%	229	15.1%
Saab Aerospace	705	11.0%	694	12.0%	270	12.2%	236	11.5%
Saab Techn Supp & Serv	283	9.5%	267	8.8%	126	13.9%	101	11.2%
Saab Bofors Dynamics	150	4.9%	227	7.3%	134	13.6%	102	10.9%
Saab Aviation Services	103	8.7%	87	7.9%	53	16.8%	15	5.2%
Corporate/Other	8		-83		22		29	
Subtotal	1,840	10.3%	1,602	9.3%	830	14.4%	712	12.9%
Structural costs	-183		-309		-104		-44	
Saab Group	1,657	9.3%	1,293	7.5%	726	12.6%	668	12.1%

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
Saab Aerospace	138	158	138	132
Saab Techn Supp & Serv	60	55	43	64
Saab Bofors Dynamics	69	-36	68	49
Saab Aviation Services	18	19	9	29
Corporate/Other	-13	-25	-26	-52
	305	226	368	215
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
No. 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		1,677		1,520	
Saab Aerospace	1,364		1,136		2,222		2,054	
Saab Techn Supp & Serv	585		618		905		904	
Saab Bofors Dynamics	478		574		984		934	
Saab Aviation Services	295		275		315		289	
Corporate/Other	6		105		21		101	
Internal sales	-173		-227		-365		-274	
	3,719		3,449		5,759		5,528	
Operating income								
Saab Systems & Electr	152	13.1%	58	6.0%	141	8.4%	221	14.5%
Saab Aerospace	145	10.6%	55	4.8%	256	11.5%	213	10.4%
Saab Techn Supp & Serv	34	5.8%	45	7.3%	120	13.3%	68	7.5%
Saab Bofors Dynamics	-121	neg.	37	6.4%	134	13.6%	122	13.1%
Saab Aviation Services	23	7.8%	24	8.7%	53	16.8%	15	5.2%
Corporate/Other	25	n/a	-35	n/a	22	n/a	29	n/a
	258	6.8%	184	5.3%	726	12.6%	668	12.1%
Net financial income	-57		-39		-54		-102	
Income after financial net	201		145		672		566	
Net income for the period	133		87		531		419	
Earnings per share	1.22		0.82		4.86		3.93	
No. of shares, thousands	109,150		106,510		109,150		106,514	

Total depreciation/amortization by business area

SEK m.	2004	2003	Q4 2004	Q4 2003
Saab Systems & Electronics	199	194	54	55
Saab Aerospace	208	180	50	45
Saab Technical Support & Services	120	120	30	30
Saab Bofors Dynamics	86	85	23	21
Saab Aviation Services – lease assets	474	528	112	125
Saab Aviation Services – other	14	13	4	3
Corporate/Other	8	27	2	6
Saab Group	1,109	1,147	275	285

Of which amortization of goodwill and other intangible assets by business area

SEK m.	2004	2003	Q4 2004	Q4 2003
Saab Systems & Electronics	84	85	25	21
Saab Aerospace	1	9	-2	2
Saab Technical Support & Services	43	43	11	11
Saab Bofors Dynamics	29	29	7	7
Saab Aviation Services	1	1	-	0
Corporate/Other	0	2	-1	1
Saab Group	158	169	40	42

**Sales by geographic market**

SEK m.	2004	% of sales	2003	% of sales
Sweden	9,265	52%	9,348	54%
Rest of EU ¹⁾	4,604	25%	4,260	25%
Rest of Europe	474	3%	455	3%
Total, Europe	14,343	80%	14,063	82%
North America	1,335	7%	1,013	6%
Latin America	106	1%	175	1%
Asia	887	5%	948	5%
Australia, etc.	1,171	7%	1,039	6%
Africa	6	-	12	-
Saab Group	17,848	100%	17,250	100%

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

Balance sheet

SEK m.	Dec. 31 2004	Jan. 1 2004	Dec. 31 2003
Assets			
Goodwill and other intangible assets	2,693	2,497	2,497
Property, plant and equipment, etc.	3,772	4,230	4,230
Lease assets	4,230	5,038	5,038
Long-term interest-bearing receivables	459	765	765
Shares, etc.	770	415	415
Deferred tax receivables	690	1,032	981
Inventories, etc.	4,091	4,133	4,133
Short-term interest-bearing receivables	145	39	39
Other receivables	5,609	6,383	6,363
Cash and marketable securities	4,319	4,243	4,243
Total assets	26,778	28,775	28,704
Shareholders' equity and liabilities			
Shareholders' equity	7,964	7,101	7,003
Minority interest in subsidiaries	93	147	147
Provisions for pensions	3,034	3,375	3,458
Deferred tax liabilities	50		
Other provisions	1,714	2,234	2,234
Liabilities to credit institutions	1,108	862	862
Convertible debenture loan		232	232
Lease obligations	2,179	2,597	2,597
Advance payments from customers, net	2,860	3,990	3,990
Other liabilities	7,776	8,237	8,181
Total shareholders' equity and liabilities	26,778	28,775	28,704

**Shareholders' equity**

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

SEK m.	Total
Opening balance	7,003
Net income for the period	1,091
Adjustment due to change in principle for pension commitments	98
Dividend paid to shareholders	-373
Conversion of convertible debenture loan	240
Translation difference, etc.	-95
Closing balance	7,964

Personnel by business area

Number	Dec. 31, 2004	Dec. 31, 2003	Change
Saab Systems & Electronics	2,699	2,651	48
Saab Aerospace	4,237	4,697	-460
Saab Technical Supp & Serv	2,776	3,003	-227
Saab Bofors Dynamics	1,655	1,718	-63
Saab Aviation Services	353	799	-446
Corporate/Other operations	216	546	-330
Saab Group	11,936	13,414	-1,478

Subdivided balance sheet, December 31, 2004

SEK m.	Saab	Saab Aircraft Leasing	Elimina- tions	Saab Group
Assets				
Goodwill and other intangible assets	2,693			2,693
Property, plant and equipment, etc.	3,770	2		3,772
Lease assets		4,230		4,230
Long-term interest-bearing receivables	459			459
Shares, etc.	2,270		-1,500	770
Deferred taxes	968		-278	690
Inventories, etc.	4,087	4		4,091
Short-term interest-bearing receivables	145			145
Other receivables	4,925	684		5,609
Cash and marketable securities	3,925	394		4,319
Total assets	23,242	5,314	-1,778	26,778
Shareholders' equity and liabilities				
Shareholders' equity	7,787	1,677	-1,500	7,964
Minority interest in subsidiaries	88	5		93
Provisions for pensions	3,034			3,034
Deferred tax liabilities	50			50
Other provisions	1,486	506	-278	1,714
Liabilities to credit institutions	1,108			1,108
Lease obligations		2,179		2,179
Advance payments from customers, net	2,860			2,860
Other liabilities	6,829	947		7,776
Total shareholders' equity and liabilities	23,242	5,314	-1,778	26,778

**Capital employed by business area**

SEK m.	Dec. 31, 2004	Dec. 31, 2003
Saab Systems & Electr	3,249	3,501
Saab Aerospace	3,833	3,514
Saab Tech Supp & Serv	1,620	1,628
Saab Bofors Dynamics	1,709	1,614
Saab Aviation Services	2,791	3,106
Corporate/Other	-1,003	-1,661
Saab Group	12,199	11,702

Order bookings and order backlog by business area

SEK m.	Order bookings				Order backlog	
	2004	2003	Q4 2004	Q4 2003	Dec. 31, 2004	Dec. 31, 2003
Saab Systems & Electr	4,481	4,293	1,848	1,265	8,802	9,249
Saab Aerospace	5,725	7,502	1,426	1,043	26,142	27,388
Saab Tech Supp & Serv	3,102	2,950	873	698	1,115	868
Saab Bofors Dynamics	2,836	4,574	1,102	1,481	9,263	9,793
Saab Aviation Services	1,195	1,202	304	193	-	340
Corporate/Other	37	439	21	72	-	255
Internal	-932	-1,354	-430	-269	-2,160	-2,257
Saab Group	16,444	19,606	5,144	4,483	43,162	45,636

Condensed statement of cash flows

SEK m.	2004	2003
Cash flow from operating activities		
Income after financial items	1,511	1,073
Adjustments for items not affecting cash flow	1,080	1,170
Tax paid	-26	-57
Cash flow from operating activities before changes in working capital	2,565	2,186
Working capital		
Inventories etc.	-264	-378
Receivables	573	-855
Advance payments from customers, net	-1,126	215
Other liabilities	-135	875
Lease obligations	-418	-329
Provisions	-330	-366
Change in working capital	-1,700	-838
Cash flow from operating activities	865	1,348
Investments in intangible fixed assets	-420	-397
Investments in tangible fixed assets	-348	-472
Sale of lease assets	41	-37
Sale of intangible and tangible fixed assets	116	73
Divestment and acquisition of subsidiaries	184	
Acquisition/sale of other long-term securities	-113	30
Cash flow from investing activities	-540	-803
Operating cash flow	325	545

**Cash flow by business area**

SEK m.	2004	2003
Saab Systems & Electronics	-85	223
Saab Aerospace	535	117
Saab Technical Support & Services	226	198
Saab Bofors Dynamics	-341	196
Saab Aviation Services	64	-18
Corporate/Other	-74	-171
Saab Group	325	545

Earnings per share

Earnings per share before dilution	2004	2003
Net income for the period, SEK m.	1,091	746
Weighted number of common shares outstanding	108,234,126	106,513,969
Earnings per share before dilution, SEK	10.08	7.00

Earnings per share after dilution

Net income for the period, SEK m.	1,091	746
Interest expenses on convertible debentures		12
Tax attributable to interest expenses		-3
Adjusted earnings	1,091	755
Weighted number of common shares outstanding	108,234,126	106,513,969
Adjustment for anticipated conversion of convertible debentures		2,733,206
Adjustment for options		-
Number of shares used in the calculation of earnings per share	108,234,126	109,247,175
Earnings per share after dilution, SEK	10.08	6.91

**Five-year overview**

SEK m., unless otherwise stated	2004	2003	2002	2001	2000
Order bookings	16,444	19,606	19,521	15,274	28,141
Order backlog at year-end	43,162	45,636	43,082	40,034	41,091
Sales	17,848	17,250	16,538	15,689	17,840
Foreign market sales, %	48	46	41	40	48
Operating income	1,657	1,293	1,220	1,594	1,533
Operating margin, %	9.3	7.5	7.4	10.2	8.6
Operating margin before deprec., %	12.8	11.1	11.2	14.4	13.5
Operating income excl. capital gains	1,657	1,293	1,220	944	895
Operating margin excl. capital gains, %	9.3	7.5	7.4	6.0	5.0
Income after financial items	1,511	1,073	993	1,554	1,448
Net income for the year	1,091	746	732	1,127	1,038
Total assets	26,778	28,704	28,109	29,901	31,119
Operating cash flow	325	545	-92	1,642	-1,908
Return on capital employed, %	15.5	12.7	11.6	15.5	14.6
Return on equity, %	14.5	10.8	10.8	18.3	20.0
Equity/assets ratio, %	29.7	24.4	24.3	22.3	18.2
Earnings per share, SEK ²⁾	10.08	7.00	6.87	10.59	9.75
after full conversion, SEK ³⁾	10.08	6.91	6.78	10.40	9.58
before goodwill amortization, SEK ²⁾	11.53	8.59	8.52	12.11	11.47
Dividend per share, SEK	3,75	3.50	3.50	3.25	3.00
Equity per share, SEK ¹⁾	72.96	65.75	64.17	62.74	53.26
Number of employees at year-end	11,936	13,414	14,036	14,028	15,453

¹⁾ Number of shares as of December 31, 2004: 109,150,344 2003: 106,517,563 2002: 106,510,374 and 2000-2001: 106,459,675

²⁾ Average number of shares 2004: 108,234,126 2003: 106,513,969 2002: 106,487,407 and 2000-2001: 106,459,675

³⁾ Number of shares after full conversion 2000-2003: 109,247,175



Balance sheet according to IFRS, as of January 1, 2004

SEK m.	Acc. to previous accounting principles	Consolidated accounts and business acquisitions	Tangible fixed assets	Effects of changes in exchange rates	According to IFRS Jan. 1, 2004
Assets					
Goodwill and other intangible assets	2,497				2,497
Property, plant and equipment, etc.	4,230		609	1	4,840
Lease assets	5,038			410	5,448
Long-term interest-bearing receivables	765				765
Shares, etc.	415				415
Deferred taxes	1,032		-170	233	1,095
Inventories, etc.	4,133			-156	3,977
Short-term interest-bearing receivables	39				39
Other receivables	6,383			-8	6,375
Cash and marketable securities	4,243				4,243
Total assets	28,775		439	488	29,702
Shareholders' equity and liabilities					
Shareholders' equity	7,101	147	439	-313	7,374
Minority interest in subsidiaries	147	-147			0
Provisions for pensions	3,375				3,375
Other provisions	2,234			399	2,633
Liabilities to credit institutions	862				862
Lease obligations	232				232
Advance payments from customers, net	2,597			255	2,852
Other liabilities	3,990				3,990
Total shareholders' equity and liabil	8,237			147	8,384
Shareholders' equity and liabilities	28,775		439	488	29,702

Balance sheet according to IFRS, as of December 31, 2004

SEK m.	Acc. to previous accounting principles	Consolidated accounts and business acquisitions	Tangible fixed assets	Effects of changes in exchange rates	According to IFRS Dec. 31, 2004
Assets					
Goodwill and other intangible assets	2,693	129			2,822
Property, plant and equipment, etc.	3,772		656		4,428
Lease assets	4,230			141	4,371
Long-term interest-bearing receivables	459				459
Shares, etc.	770				770
Deferred taxes	690		-184	221	727
Inventories, etc.	4,091			-171	3,920
Short-term interest-bearing receivables	145				145
Other receivables	5,609			-136	5,473
Cash and marketable securities	4,319				4,319
Total assets	26,778	129	472	55	27,434
Shareholders' equity and liabilities					
Shareholders' equity	7,964	222	472	-381	8,277
Minority interest in subsidiaries	93	-93			0
Provisions for pensions	3,034				3,034
Deferred tax liabilities	50				50
Other provisions	1,714			491	2,205
Liabilities to credit institutions	1,108				1,108
Lease obligations	2,179			46	2,225
Advance payments from customers, net	2,860				2,860
Other liabilities	7,776			-101	7,675
Total shareholders' equity and liabil	26,778	129	472	55	27,434

**Income statement according to IFRS 2004**

SEK m.	Note	Acc. to Annual Accounts Act	Effects of harmonization with IFRS	After harmonization with IFRS
Sales		17,848		17,848
Cost of goods sold	1	-13,776	180	-13,596
Gross income		4,072	180	4,253
<i>Margin</i>		22.8%		23.9%
Marketing expenses	2	-1,290	4	-1,286
Administrative expenses		-948		-948
Research and development costs		-388		-388
Other operating income		175		175
Other operating expenses	5	-39	12	-27
Share in income of associated cos.		75		75
Operating income		1,657	196	1,853
<i>Margin</i>		9.3%		10.4%
Result from securities and receivables classified as fixed assets		-11		-11
Other interest inc. and similar profit/loss items		218		218
Interest expense and similar profit/loss items	3	-353	5	-348
Income after financial items		1,511	201	1,712
Income tax	4	-385	-17	-402
Minority interest in net income	5	-35	35	0
Net income for the year		1,091	219	1,310
Earnings per share		10.08	2.02	12.10

The change in the cost of goods sold consists of the following:

Goodwill amortization	125
Inventories revalued at closing day rate	42
Lower depreciation of buildings	<u>13</u>
	180

Note 2

Relates to goodwill amortization

Note 3

Relates to translation difference from the application of the monetary method

Note 4

Income tax

Note 5

According to IAS 27, minority interests do not adjust income. Transactions with the minority are considered as owner transactions


Balance sheet according to IFRS, as of January 1, 2005

SEK m.	According to IFRS Dec. 31, 2004	Financial instruments	Fixed assets held for sale	According to IFRS Jan. 1, 2005
Assets				
Goodwill and other intangible assets	2,822			2,822
Property, plant and equipment, etc.	4,428		-39	4,389
Lease assets	4,371			4,371
Long-term interest-bearing receivables	459			459
Shares, etc.	770			770
Deferred taxes	727			727
Inventories, etc.	3,920	-1,038		2,882
Short-term interest-bearing receivabl	145			145
Other receivables	5,473	-58	-143	5,272
Receivables related to unrealized financial instruments		1,227		1,227
Cash and marketable securities	4,319			4,319
Fixed assets held for sale			182	182
Total assets	27,434	131	0	27,565
Shareholders' equity and liabilities				
Shareholders' equity	8,277	-36		8,241
Provisions for pensions	3,034			3,034
Provisions for deferred taxes	50			50
Other provisions	2,205	-97		2,108
Liabilities to credit institutions	1,108			1,108
Lease obligations	2,225			2,225
Advance payments fr customers, net	2,860			2,860
Liabilities related to unrealized financial instruments		266		266
Other liabilities	7,675	-2	-5	7,668
Liabilities related to fixed assets held for sale			5	
Total shareholders' equity and liab	27,434	131	0	27,565