

Formal Annual Report 1997

Financial Review

Since 1991, Saab AB, Corporate Identity No. 556036-0793, with registered office in Linköping, has been part of the group of which the Parent Company is the listed investment company, Investor AB. The parent company of Saab AB is Saab-Scania AB.

Investor intends to investigate the possibility of broadening ownership of Saab and listing the company on the Stockholm Stock Exchange. In the event of a listing, the intention is to offer shares in Saab AB to Investor's shareholders in the first hand.

THE SAAB GROUP

The Saab Group is active in military aircraft and other high technology systems for aircraft, space and defense.

Business area *Military Aerospace* comprises the business units Gripen, General Military Programs and Future Products and Technology in the Parent Company, the subsidiary Saab Dynamics and the associated companies Ericsson Saab Avionics and CSM Materialteknik. Saab produces the first of the world's fourth generation combat aircraft, the JAS 39 Gripen. In June, an order for batch 3 of 64 Gripen aircraft was placed, bringing the total to 204, of which 28 are the two-seat version. This means continuous production of the Gripen until the beginning of 2007. By the end of 1997, a total of 48 Gripen aircraft had been delivered. The first Gripen exercises involving the full war organization were conducted by the Swedish Air Force in the autumn and the first squadron was declared operationally fully deployed shortly thereafter. Collaboration with British Aerospace in the form of a joint venture for exporting the Gripen has developed very well. Sales campaigns in response to customer inquiries are being carried on jointly in eight countries. Collaboration will provide Saab with access to an even more extensive international network, which will considerably increase export prospects for the Gripen. Operations of Dynamics comprise guided weapons, optronic systems and related subsystems and equipment. One of the main products in current manufacture is STRIX, a terminally guided mortar projectile developed jointly with Bofors. Dynamics is also engaged together with several other European companies in developing the new air-to-air missiles, IRIS-T and Meteor. Ericsson Saab Avionics develops and produces surveillance systems, electronic warfare systems and displays, and instrument panels, primarily for the Gripen.

Saab Ericsson Space is owned to 60 percent by Saab and 40 percent by Ericsson. The company develops and supplies onboard computers, antennas and other electronic and mechanical equipment for the space industry. Since autumn 1997, Saab Ericsson Space has been the parent company in its own business area, *Space*, within Saab. The organizational change reflects the increasing importance that the rapidly growing market for space systems is expected to have. There are many synergies with the defense operations and there are considered to be good prospects of translating the skills and experience of Saab and Ericsson into profitable projects. During 1997, Austrian Aerospace GmbH was formed through a merger of Schrack Aerospace GmbH and ORS GmbH. The company is owned to 78 percent by Saab Ericsson

Space AB. The merger means increased competitiveness in the international space market.

Training Systems is a world leader in its area of simulation equipment based on laser technology for aimed weapons. Its largest markets are the UK, USA and Germany.

Collaborative Programs supplies components and sub-assemblies to external customers, military aircraft and regional aircraft. Collaborative Programs is a business unit within the Parent Company. Saab's strategy for the business area is to develop the external segment, where there is potential growth both as a supplier and partner to other aircraft manufacturers.

Combitech's operations comprise commercial niches in high technology. During 1997, operations have been restructured so that the companies in Combitech - Saab Marine Electronics, Pronesto, Combitech Electronics, Combitech Software, Combitech Network, Saab Survey Systems and Image Systems - form a business unit organized directly under the Parent Company, Saab. The group is also active in traffic systems. The restructuring clarifies the purpose of Combitech: exploiting and commercializing technologies and business ideas from the military programs. The increase in value can then be realized at a suitable point in time, for example through a Stock Exchange listing, divestment or other change in ownership. The model for technical cooperation developed within Saab Combitech will be utilized more efficiently and applied throughout the Saab Group. Operations without an organic connection to other activities in the Saab Group have been, or will be, divested. During the year, Preseco, Innovativ Vision and operations in DocEye were sold, followed by Telelogic in January 1998.

Saab has decided to terminate production of the Saab 340 and Saab 2000 (*Regional Aircraft*). The reason is the deterioration in the market situation and heavy overcapacity among manufacturers of regional aircraft, which has made the operation unprofitable. Production of new regional aircraft is planned to terminate in 1999. Saab will continue to supply high quality customer support and spare parts for its regional aircraft, totaling over 500, in service throughout the world. The Saab Group will also continue to have responsibility for the 300 aircraft financed through its leasing operation. This means that the Saab Aircraft Finance Group (SAFG) will be consolidated in the Saab Group. During 1996, SAFG was a unit organized directly under the Investor Group. SAFG is included in the Saab Group's income statement under "Other operating costs" (partial consolidation), while it is fully consolidated in the balance sheet. For further information, see Note 6.

Pro forma 1996 includes the customer finance operation in SAFG. See also Note 40.

FUTURE DEVELOPMENT

Operations in 1998 and 1999 entail continued work on the Gripen project in the form of deliveries to the Swedish Air Force and further development of the Gripen in accordance with the order from the Swedish Defence Material Administration (FMV). Considerable efforts

will be made in further development of an export version of the Gripen, in addition to marketing and sales. Other units in Military Aerospace will also be closely linked to the Gripen. Training Systems is expected to have a continued good position in its field, even if the total market for its products will probably see a further decrease. During the period, production of the Saab 340 and Saab 2000 regional aircraft will come to an end and operations will focus on customer support for the existing fleet. Combitech's operations will primarily be orientated toward developing the present companies and actively exploiting spin-off products from the core operations in Military Aerospace.

SALES AND ORDERS

Group sales during the year increased by 6 percent to SEK 8,674 m. (8,159). Sales in foreign markets amounted to SEK 4,449 m. (4,420) or 51 (54) percent of total sales. Total exports from the Group's Swedish companies decreased to SEK 4,142 m. (4,196). Group exports to the EU market totaled SEK 1,296 m. (1,090) and total sales within the EU, excluding Sweden, amounted to SEK 1,437 m. (1,200).

SALES BY BUSINESS AREA

SEK m.	1997	1996	Change
Military Aerospace	4,480	3,471	29%
Space	594	467	27%
Training Systems	668	559	19%
Collaborative Programs	244	278	-12%
Combitech	1,073	932	15%
Less internal	-193	-69	
Saab	6,866	5,638	22%
Regional Aircraft	3,035	2,902	5%
Less internal	-1,227	-381	
Saab Group	8,674	8,159	6%

SALES BY MARKET AREA

SEK m.	1997	1996	Change
Sweden	4,225	3,739	13%
Other EU countries	1,437	1,200	19%
Other European countries	534	1,040	-49%
Total Europe	6,196	5,979	4%
North America	1,819	1,768	3%
Asia	524	290	81%
Australia, etc	74	70	6%
Other markets	61	52	17%
Saab Group	8,674	8,159	6%

The increase in sales is mainly due to a larger number of military aircraft invoiced. During the year, 20 Gripen aircraft were invoiced, compared with 14 the previous year.

Sales by business area Space increased by SEK 127 m. to SEK 594 m. following an expansion in the market for commercial satellites.

Sales of Saab Training Systems increased as a result of larger deliveries of laser simulators and totaled SEK 668 m. (559).

Sales of Combitech rose, mainly through an increase for Saab Marine Electronics.

Sales of Regional Aircraft increased, partly as a result of a higher exchange rate against the US dollar. During the year, 26 (26) Saab 340 were delivered: 21 to Mesaba, two Saab 340 AEW to FMV, two to JMSA and one to JAS in Japan. During the same period, a total of 9 (11) Saab 2000 aircraft were delivered: four to SAS, three to Crossair and two to REGIONAL.

Group order bookings amounted to SEK 16,612 m. (7,736). During the year, orders were received for further development and batch 3 of 64 Gripen aircraft, in addition to 21 Saab 340 and 12 Saab 2000 aircraft. The order backlog at the end of 1997 totaled SEK 27,122 m. (20,042), including military orders worth SEK 23,000 m. (16,000). The order backlog for Regional Aircraft amounted to 2,734 m. (2,857).

ORDER BOOKINGS

SEK m.	1997	1996	Change
Military Aerospace	11,405	2,506	8,899
Space	605	593	12
Training Systems	677	1,045	-368
Collaborative Programs	290	303	-13
Combitech	1,356	1,020	336
Less internal	-227	-130	-97
Saab	14,106	5,337	8,769
Regional Aircraft	2,706	2,702	4
Less internal	-200	-303	103
Saab Group	16,612	7,736	8,876

Order bookings for Military Aerospace amounted to SEK 11,405 m. (2,506) and comprised batch 3 of 64 Gripen aircraft. Orders were also received for further development and a new Auxiliary Power Unit (APU) for the Gripen. Development work on the next generation of the RBS15 anti-ship missile is continuing and successful tests took place during the autumn. Several important orders for IR and laser equipment were signed at the end of the year.

Order bookings for Space increased to SEK 605 m. (593). During the year, several strategically important orders were received. The European Space Agency, ESA, commissioned development work on a new measuring instrument for meteorological satellites. A similar instrument was ordered by American authorities, which enhances the company's presence in the important US market. A follow-on order for a further ten space computers for Ariane 4 launch rockets was received from Matra.

Order bookings for Training Systems amounted to SEK 677 m. (1,045). The decrease compared with the previous year is due to exceptionally high bookings from Germany and other countries during 1996. During the year, a major "Support & Repair" order was received from the UK in respect of equipment delivered in earlier years. From Germany, several orders have been received for simulation equipment used in various weapon systems. During August, orders were received for training equipment for the Leopard battle tank. A large order for upgrading packages for TWGSS (Tank Weapon Gunnery Simulator System) used by the US Army and US Marine Corps was received during the year.

During the year, Collaborative Programs signed a number of contracts for deliveries to Boeing, in addition to an agreement with BAe on the transfer of metal bonding work to Saab. A Memorandum of Understanding (MoU) was signed with Airbus Industries on participation in the feasibility study of the new A3XX project.

Order bookings for Combitech amounted to SEK 1,356 m. (1,020), an increase of 33 percent. The increase compared with the previous year is mainly due to growth in Saab Marine Electronics and Traffic Systems. Saab Marine has introduced a new transmitter for leveling in the process industry and the first orders have been received. During the year, Traffic Systems received a major order for road toll systems for Melbourne, Australia.

Order bookings for Regional Aircraft amounted to SEK 2,706 m. (2,702). During the year, orders were received for 21 Saab 340 and 12 Saab 2000 aircraft.

ORDER BACKLOG

SEK m.	1997	1996
Military Aerospace	21,969	15,053
Space	674	663
Training Systems	1,007	999
Collaborative Programs	102	56
Combitech	781	455
Less internal	-145	-41
Saab	24,388	17,185
Regional Aircraft	2,734	2,857
Saab Group	27,122	20,042

NUMBER OF AIRCRAFT IN THE ORDER BACKLOG

	1997	1996
Gripen	156	112
Saab 340	26	31
Saab 2000	12	11

INCOME AND PROFITABILITY

As a result of the decision to terminate production of regional aircraft, operating income decreased heavily to SEK -5,316 m. (-2,066). Operating income before items affecting comparability related to Regional Aircraft amounted to SEK 105 m. (-847). Following the decision in December on the termination of Regional Aircraft, provisions totaling SEK 5,421 m. were made, of which costs for terminating production account for SEK 4,079 m. and revaluation of the leasing portfolio SEK 1,342 m. After tax, the provisions amount to approximately SEK 4,000 m. Approximately half the provisions are expected to be paid out during the coming two years and the remainder during a number of consecutive years. The provisions have been calculated so that operations in Regional Aircraft will not affect the financial result of Saab's other operations. During 1996, provisions and write-downs for Regional Aircraft amounting to SEK 1,219 m. were made. Other operating income, consisting mainly of trading income in the Treasury operation and exchange rate gains on receivables and payables of an operating character, amounted to SEK 133 m. (154).

Other operating costs, consisting of income from the aircraft finance operation and restructuring costs in Combitech, amounted to SEK -364 m. (-788).

Net financial income and expenses amounted to SEK 471 m. (494). The deterioration is mainly due to lower interest rates and the average return on cash and marketable securities was 6.2 (7.9) percent. Average net liquidity was higher than in the previous year. Income after financial income and expenses but before the above costs for Regional Aircraft amounted to SEK 576 m. (-353). Income after financial items deteriorated to SEK -4,845 m. (-1,572).

Paid and deferred taxes amounted to SEK 1,075 m. (203).

Net income for the year was SEK -3,790 m. (-1,385).

Pre-tax return on capital employed was negative (negative).

OPERATING INCOME

SEK m.	1997	1996	Change
Military Aerospace	586	557	5%
Reversal of loss risk reserve	313	300	
Space	47	45	4%
Training Systems	156	115	36%
Collaborative Programs	3		
Combitech	-338	-159	
Corporate	103	52	
Saab	870	910	-4%
Regional Aircraft	-553	-1,093	
SAFG	-212	-664	
Total	105	-847	
Items affecting comparability	-5,421	-1,219	
Saab Group	-5,316	-2,066	

Operating income of Military Aerospace improved five percent to SEK 586 m. (557). Risks in the basic contract concerning the Gripen have been reduced and the loss risk reserve has thereby been reduced by SEK 313 m. (300). The original loss risk reserve was SEK 2,300 m., of which SEK 1,300 m. has so far been realized. Operating income includes project interest of SEK 235 m. (258) on the unutilized part of advance payments.

Operating income of Space improved to SEK 47 m. (45).

Operating income of Training Systems improved 36 percent to SEK 156 m. (115), owing to very high deliveries and margins.

Operating income of Combitech was negative and amounted to SEK -338 m. (-159). Income was burdened with development and marketing costs for Traffic Systems, including write-downs of development costs and restructuring costs of SEK 169 m. in the IT sector.

Operating income of Regional Aircraft before costs for termination of regional aircraft production amounted to SEK -553 m. (-1,093). As a result of the decision to terminate production of regional aircraft, provisions of SEK 4,079 m. have been made to cover restructuring costs and assure resources for continued service of the present Saab fleet.

Operating income of SAFG was negative and amounted to SEK -1,554 m. (-664). The deterioration is due to provisions of SEK 1,342 m. in anticipation of the expected deficit in future leasing operations. Operating income before the provisions amounted to SEK -212 m. (-664).

FINANCE AND LIQUIDITY

Cash and marketable securities, including group receivables less external borrowing, decreased by SEK 2,067 m. to SEK 14,164 m. (16,231) due to investments in leasing aircraft, lower advance payments from customers and higher receivables. During the year, SEK 1,123 m. has been repaid to FMV in respect of the basic contract for the Gripen.

At the end of the year, property has been revalued by SEK 695 m., of which SEK 500 m. is set against a revaluation reserve, thereby increasing shareholders' equity. Deferred tax in regard to the revaluation has been accounted for in the amount of SEK 195 m.

The Group's equity/assets ratio was 10 (22) percent and the interest coverage ratio was 6.76 (negative).

CAPITAL EXPENDITURES

The Group's capital expenditures in property, plant and equipment, excluding leasing assets, amounted to SEK 396 m. (302). Net investments including leasing assets and intangible fixed assets amounted to SEK 1,857 m.

(863), of which leasing assets accounted for SEK 1,365 m. (541).

SEK m.	1997	1996
Military Aerospace	153	195
Space	43	30
Training Systems	51	24
Collaborative Programs	45	
Combitech	91	30
Saab	383	279
Regional Aircraft	13	23
Saab Group	396	302

RESEARCH AND DEVELOPMENT

Research and development aim at enhancing the Group's technology, technical skills and capabilities in order to further develop existing products and create favorable conditions for new ones. The long-term policy is to give priority to projects strengthening growth, competitiveness and profitability.

Operations are designed so that creativity and innovation are supported, and synergy effects and spin-off potentials exploited. Saab attaches great importance to collaboration. Within the Group, collective capabilities are utilized through systematic technical collaboration between the business areas. Externally, Saab collaborates nationally and internationally with universities, institutes and other industries.

THREE-YEAR OVERVIEW¹

	1997	1996	1995
Sales	8,674	8,159	7,925
Income after financial items	-4,845	-1,572	271
before items affecting comparability	576	-353	271
Total assets	32,780	31,388	28,137
of which utilized part of advance payments	2,460	3,248	3,171
of which aircraft finance operation	9,604	8,817	6,711
Capital employed	6,440	8,975	8,719
Return on capital employed, %	neg	neg	5.0
before items affecting comparability, %	8.8	neg	5.0
Return on shareholders' equity, %	neg	neg	2.5
before items affecting comparability, %	2.4	neg	2.5
Profit margin before items affecting comparability, %	7.8	neg	5.5
Capital turnover rate	1.13	0.92	0.91
Financial position			
Equity/assets ratio, %	10	22	23
excluding aircraft finance operation	15	33	32
Interest coverage ratio before items affecting comparability	6.76	neg	2.64
Average no. of employees	7,716	8,131	7,991

¹For definitions of key ratios, see Note 41.

The year's expenditures for R&D amounted to SEK 1,792 m. (1,790). More than 2,000 persons are employed in R & D in the Group.

SEK m.	1997	1996
Military Aerospace	1,327	1,229
Space	171	140
Training Systems	94	48
Collaborative Programs	5	
Combitech	137	143
Saab	1,734	1,560
Regional Aircraft	58	230
Saab Group	1,792	1,790
In percent of sales	20.7	21.9

Of the year's expenditures for R&D, SEK 1,355 m. (1,327 m.) relates to development paid by customers.

THE MILLENIUM PROBLEM

A survey has been made and measures initialized to deal with the effects of the Millennium change in regard to administrative and technical support systems and systems incorporated in delivered products. The conclusion is that the costs of the necessary measures will not have a significant effect on Saab's income.

PERSONNEL

At the end of the year, the Group had 8,110 employees, compared with 8,474 at the end of 1996.

Number	1997	1996	Change
Military Aerospace	3,879	4,060	-181
Space	575	551	24
Training Systems	258	248	10
Collaborative Programs	1,166	1,048	118
Combitech	878	957	-79
Regional Aircraft	1,332	1,590	-258
SAFG	22	20	2
Saab Group	8,110	8,474	-364

PARENT COMPANY

The Parent Company consists of five business units: Gripen, General Military Programs, Future Products & Technology, Collaborative Programs and Regional Aircraft. There are also corporate staffs and support units for these operations.

Sales of the Parent Company amounted to SEK 6,845 m. (5,586), an increase of 23 percent. Operating income was negative and amounted to SEK -3,682 m. (-1,483), of which provisions for terminating the regional aircraft operation amounted to SEK 4,079 m. (1,219).

Net financial income and expenses amounted to SEK 637 m. (762) and income after financial income and expenses was SEK -3,045 m. (-721). Income after financial income and expenses of the Parent Company, but before restructuring costs for Regional Aircraft, amounted to SEK 1,034 m. (498).

After appropriations of SEK 43 m. (-20), group contribution of SEK -701 m. (54) and tax of SEK 1,401 m. (0), net income for the year amounted to SEK -2,302 m. (-687).

PROPOSED DISPOSITION OF THE COMPANY'S LOSS

As shown in the consolidated balance sheet, the loss brought forward in the Group amounts to SEK -444 m. (1,806), of which SEK -3,790 m. (-1,385) is income for the year. No allocations to restricted reserves are required.

The Board of Directors and the President propose that the loss brought forward in the Parent Company

SEK m.	
Unappropriated earnings brought forwards	2,183
Net income for the year	-2,302
Total	-119

be covered through:

Utilization of legal reserve	119
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After giving effect to the proposed disposition, shareholders' equity of the Parent Company will consist of:

SEK m.	
Capital stock	1,703
Revaluation reserve	500
Legal reserve	249
Total	2,452

For the income and financial position of the Group and Parent Company, see the following income statements and balance sheets, including notes with comments.

Income Statement of the Saab Group

SEK m.	Note	1997	Pro forma 1996
Sales	3	8,674	8,159
Cost of goods sold		-6,400	-6,424
Gross margin		2,274	1,735
Marketing expenses		-824	-736
Administrative expenses		-622	-589
Research and development costs		-495	-625
Items affecting comparability	4	-5,421	-1,219
Other operating income	5	133	154
Other operating expenses	6	-364	-788
Share in income of associated companies		3	2
Operating income	9	-5,316	-2,066
Result from financial investments			
Other interest income and similar profit/loss items	10	571	646
Interest expense and similar profit/loss items	11	-100	-152
Net financial income and expenses		471	494
Income after financial items		-4,845	-1,572
Tax	13	1,075	203
Minority interest		-20	-16
Net income for the year		-3,790	-1,385

Balance Sheet of the Saab Group

SEK m.	Note	1997	Pro forma 1996
ASSETS			
Fixed assets			
Intangible fixed assets			
Capitalized expenditure for research and development and similar	14		40
Other intangible fixed assets	15	122	
Goodwill	16	12	76
		<hr/>	<hr/>
		134	116
Tangible fixed assets			
Land and buildings	17	1,695	984
Plant and machinery	18	667	665
Equipment, tools, fixtures and fittings	19	173	162
Lease assets	20	6,919	5,937
Construction in progress and advance payments for tangible fixed assets	21	48	9
		<hr/>	<hr/>
		9,502	7,757
Financial fixed assets			
Receivables from group companies	23		2,293
Participations in associated companies	24	30	7
Other securities held as fixed assets	25	36	35
Other long-term receivables	26	532	531
Deferred tax receivables	27	866	
		<hr/>	<hr/>
		1,464	2,866
Total fixed assets		11,100	10,739
Current assets			
Inventories etc.			
Raw materials and consumables		977	926
Work in progress		3,250	3,458
Finished products and goods for resale		529	450
Advance payments to suppliers		240	131
		<hr/>	<hr/>
		4,996	4,965
Current receivables			
Accounts receivable		692	905
Receivables from group companies		9,104	6,986
Receivables from associated companies		445	154
Other receivables		212	165
Prepaid expenses and accrued income	28	223	175
		<hr/>	<hr/>
		10,676	8,385
Short-term investments	29	5,672	6,620
Cash and bank		336	679
Total current assets		21,680	20,649
Total assets		32,780	31,388

Balance Sheet of the Saab Group cont.

SEK m.	Note	1997	Pro forma 1996
EQUITY AND LIABILITIES			
Equity	30		
Restricted equity			
Capital stock (68,134,192 shares with a par value of SEK 25 each)		1,703	1,703
Restricted reserves		1,832	1,315
		<u>3,535</u>	<u>3,018</u>
Unrestricted equity			
Profit or loss brought forward		3,346	4,691
Net income for the year		-3,790	-1,385
		<u>-444</u>	<u>3,306</u>
		3,091	6,324
Minority interest in subsidiaries		158	143
Provisions			
Provisions for pensions and similar commitments	32	2,243	2,161
Provisions for deferred tax liabilities	27		274
Other provisions	33	6,868	1,849
		<u>9,111</u>	<u>4,284</u>
Long-term liabilities			
Liabilities to credit institutions	35	30	59
Lease obligations	36	4,922	5,432
Other long-term liabilities	36	760	426
		<u>5,712</u>	<u>5,917</u>
Current liabilities			
Liabilities to credit institutions	34	918	288
Advance payments from customers		7,538	8,017
Accounts payable		840	661
Liabilities to associated companies		69	8
Income tax liability		383	198
Other liabilities	37	357	592
Lease obligations		285	309
Accrued expenses and deferred income	38	4,318	4,647
		<u>14,708</u>	<u>14,720</u>
Total equity and liabilities		32,780	31,388

Pledged assets and contingent liabilities of the Saab Group

SEK m.	Note	1997	Pro forma 1996
Assets pledged	39		
For own liabilities and provisions			
Chattel mortgages		2,147	2,147
Lease assets ¹⁾		2,551	2,683
Other long-term receivables		393	363
Accrued income		61	61
Bonds and securities		5,520	6,435
Total assets pledged		10,672	11,689
Contingent liabilities			
Guarantees to the insurance company Pensionsgaranti (FPG)		41	39
Sureties for associated companies		5	1
Sureties ²⁾		6,381	6,046
Less amount shown as liability in the balance sheet ³⁾		-3,363	-2,685
Total contingent liabilities		3,064	3,401

¹⁾ In addition to the above lease assets pledged, the balance sheet contains assets reported in accordance with finance lease contracts.

²⁾ Of this amount, USD 744 m. (839) comprises guarantees for sureties of lease agreements related to 175 (170) Saab 340 and Saab 2000 aircraft. The amount includes a payment liability of SEK 118 m. (113) which may arise as a result of the Group guaranteeing the tax outcome of Investor lease transactions.

³⁾ Of the above sureties, 52 aircraft (58) equivalent to USD 251 m. (299) have been accounted for as finance leases in accordance with RR06. In the balance sheet, USD 211 m. (94) has been accounted for as liability related to a provision for future deficits according to valid leasing contracts.

Statement of Cash Flows of the Saab Group

SEK m.	1997	Pro forma 1996
Cash flows from operating activities		
Operating income	-5,316	-2,066
Adjustments for items not affecting cash flow		
Depreciation and write-down	789	977
Items affecting comparability	5,421	1,219
Share in income of associated companies	-3	-2
Total	891	128
Financial income	571	646
Dividend from associated companies	1	
Financial expenses	-100	-152
Tax paid	-287	-86
Cash flow from operating activities before changes in working capital	1,076	536
Change in working capital		
Increase in inventories etc.	-31	-1,058
Increase in current receivables	-173	-77
Decrease in advance payments	-479	1,157
Decrease in current liabilities	-139	373
Increase in other long-term liabilities	334	426
Decrease in lease obligations	-534	199
Decrease in provisions	-402	521
Change in working capital	-1,424	1,541
Cash flow from operating activities	-348	2,077
Cash flow from investments		
Investments in intangible fixed assets	-117	-6
Investments in tangible fixed assets	-376	-316
Investments in lease assets	-1,365	-541
Investments in financial fixed assets	-22	-15
Increase in long-term receivables	-1	-4
Cash flow from investments	-1,881	-882
Operating cash flow	-2,229	1,195
Other items		
Shareholders' contributions and group contributions		2,155
Minority interest in subsidiaries	-5	-45
Translation differences	85	-57
Total	80	2,053
Decrease in net liquidity	-2,149	3,248
Financing		
Raised loans	630	
Amortization of liabilities	-29	-315
Increase in provisions for pensions	82	103
Cash flow from financing	683	-212
Decrease in cash and bank, short-term investments, receivables from group companies	-1,466	3,036
Cash and bank, short-term investments, receivables from group companies at the beginning of the year	16,578	13,542
Cash and bank, short-term investments, receivables from group companies at year-end	15,112	16,578

Parent Company Income Statement

SEK m.	Note	1997	1996
Sales	3	6,845	5,586
Costs of goods sold		-5,593	-4,865
Gross margin		1,252	721
Marketing expenses		-415	-360
Administrative expenses		-430	-352
Research and development costs		-126	-367
Items affecting comparability	4	-4,079	-1,219
Other operating income	5	130	123
Other operating expenses	6	-14	-29
Operating income	9	-3,682	-1,483
Result from financial investments			
Result from other securities and receivables accounted for as fixed assets		22	80
Group contributions received		239	206
Other interest income and similar profit/loss items	10	518	594
Interest expense and similar profit/loss items	11	-142	-118
Net financial income and expenses		637	762
Income after financial items		-3,045	-721
Appropriations			
Group contributions received			54
Group contributions given		-701	
Other appropriations	12	43	-20
Tax	13	1,401	
Net income for the year		-2,302	-687

Parent Company Balance Sheet

SEK m.	Note	1997	1996
ASSETS			
Fixed assets			
Tangible fixed assets			
Land and buildings	17	1,285	286
Plant and machinery	18	309	288
Equipment, tools, fixtures and fittings	19	113	151
Construction in progress and advance payments for tangible fixed assets	21	17	
		1,724	725
Financial fixed assets			
Participations in group companies	22	2,414	726
Receivables from group companies	23	140	4
Participations in associated companies	24	16	4
Other securities held as fixed assets	25	6	2
Deferred tax receivables	27	1,545	124
		4,121	860
Total fixed assets		5,845	1,585
Current assets			
Inventories etc.			
Raw materials and consumables		812	795
Work in progress		2,652	2,924
Finished products and goods for resale		220	182
Advance payments to suppliers		214	102
		3,898	4,003
Current receivables			
Accounts receivable		44	267
Receivables from group companies		9,591	7,391
Receivables from associated companies		425	153
Other receivables		154	124
Prepaid expenses and accrued income	28	22	38
		10,236	7,973
Short-term investments	29	5,672	6,620
Cash and bank		86	211
Total current assets		19,892	18,807
Total assets		25,737	20,392

Parent Company Balance Sheet cont.

SEK m.	Note	1997	1996
EQUITY AND LIABILITIES			
Equity	30		
Restricted equity			
Capital stock (68,134,192 shares with a par value of SEK 25 each)		1,703	1,703
Revaluation reserve		500	
Legal reserve		368	368
		<u>2,571</u>	<u>2,071</u>
Unrestricted equity			
Profit or loss brought forward		2,183	2,868
Net income for the year		-2,302	-687
		<u>-119</u>	<u>2,181</u>
		2,452	4,252
Untaxed reserve			
Accumulated excess depreciation	31	523	274
		<u>523</u>	<u>274</u>
Provisions			
Provisions for pensions and similar commitments	32	1,648	1,479
Other provisions	33	4,079	
		<u>5,727</u>	<u>1,479</u>
Long-term liabilities			
Liabilities to group companies		3,547	3,050
		<u>3,547</u>	<u>3,050</u>
Current liabilities			
Liabilities to credit institutions	34	984	259
Advance payments from customers		6,373	6,859
Accounts payable		581	187
Liabilities to group companies		3,364	1,074
Liabilities to associated companies		64	8
Income tax liability		399	197
Other liabilities	37	152	257
Accrued expenses and deferred income	38	1,571	2,496
		<u>13,488</u>	<u>11,337</u>
Total equity and liabilities		25,737	20,392

Pledged assets and contingent liabilities of the Parent Company

SEK m.	Note	1997	1996
Assets pledged	39		
For own liabilities and provisions			
Chattel mortgages		2,101	2,101
Bonds and securities		5,520	6,435
Total assets pledged		7,621	8,536
Contingent liabilities			
Guarantees to the insurance company Pensionsgaranti (FPG)		30	25
Sureties for group companies		4,381	4,053
Sureties for others		2,651	2,866
Sureties for associated companies		5	1
Total contingent liabilities		7,067	6,945

Statement of cash flows of the Parent Company

SEK m.	1997	1996
Cash flows from operating activities		
Operating income	-3,682	-1,483
Adjustments for items not affecting cash flow		
Depreciation	143	319
Items affecting comparability	4,079	1,219
Total	540	55
Financial income	778	880
Dividend from associated companies	1	
Financial expenses	-142	-118
Tax paid	-216	
Cash flow from operating activities before changes in working capital	961	817
Change in working capital		
Decrease in inventories etc.	105	-869
Increase in current receivables	-63	-205
Decrease in advance payments	-486	1,000
Decrease in current liabilities	-378	-205
Change in working capital	-822	-279
Cash flow from operating activities	139	538
Cash flow from investments		
Investments in tangible fixed assets	-447	-189
Investments in financial fixed assets	-1,704	7
Cash flow from investments	-2,151	-182
Operating cash flow	-2,012	356
Other items		
Transferred untaxed reserves etc.	295	-5
Group contribution given	-701	-189
Shareholders' contribution given		-56
Decrease in net liquidity	-2,418	106
Financing		
Raised loans	725	
Amortization of liabilities		-298
Increase in provisions for pensions	169	143
Cash flow from financing	894	-155
Decrease in cash and bank, short-term investments, receivables from group companies	-1,524	-49
Cash and bank, short-term investments, receivables from group companies at the beginning of the year	10,102	10,151
Cash and bank, short-term investments, receivables from group companies at year-end	8,578	10,102

Notes with accounting principles and comments on the financial statements

Amounts in SEK m. unless otherwise stated.

GENERAL ACCOUNTING PRINCIPLES

From and including 1997, the company is implementing the new legislation and guidelines on annual accounts which are adapted to the requirements of the EU. This entails changes in the layout of the income statement and balance sheet. The income statements and balance sheets for comparative years have been adapted to the new rules. The new rules have had only an insignificant influence on the company's valuation principles. The company follows the recommendations of the Swedish Financial Accounting Standards Council (Redovisningsrådet) and the Swedish Accounting Standards Board (Bokföringsnämnden).

In conformance with the legislation on annual accounts, the income statement is classified according to function, which reflects internal reporting and provides a clear picture of the company's income. This layout has also been chosen by the Parent Company in the Group, Investor AB.

The functions are as follows: *Cost of goods sold* comprises costs for goods handling and manufacturing, including salaries and material costs, purchased services and costs of premises, and depreciation on fixed assets. *Administrative expenses* relate to costs for the Board, company management and corporate staff functions. *Marketing expenses* comprise costs for the company's own sales organization, including sales subsidiaries, advertising and exhibitions. *Research and development costs* are reported separately and comprise costs for new and further development of products, see below. *Other operating income and expenses* relate to secondary activities, exchange rate differences on items of an operating character and capital gains/losses from sales of tangible fixed assets. Income from the SAFG operation and at group level also capital gains/losses from divestment of subsidiaries and goodwill depreciation are included.

GROUP STRUCTURE

In the 1996 fiscal year, the customer finance operation for commercial aircraft was reported as an independent group wholly owned by Investor, the Saab Aircraft Finance Group (SAFG). In 1997, a decision was made on terminating regional aircraft production and as a result SAFG was re-consolidated in the Group owing to the strong relation between the customer finance operation and the continuation of Saab's customer support for the aircraft fleet. Saab AB was the formal owner of the shares also in 1996. The Group's financial statements for earlier years have consequently been adjusted to include SAFG.

CONSOLIDATED ACCOUNTS STATEMENTS

The consolidated accounts comprise the Parent Company and all subsidiaries and associated companies in Sweden and abroad. Subsidiaries are companies in which the Parent Company directly or indirectly owns more than 50 percent of the voting rights of the shares, and companies where the Parent Company owns shares and is entitled to appoint or dismiss more than half the members of the board or where the Parent Company otherwise has a decisive influence and a significant share

in the income generated from their operations. Associated companies are companies in which the Parent Company directly or indirectly has a long-term ownership interest and where the voting rights are between 20 and 50 percent.

The consolidated statements are prepared in accordance with the purchase method of accounting. This means that a subsidiary's assets and liabilities are accounted for at market value according to an analysis of the acquisition. If the acquisition value of the shares in the subsidiary exceeds the estimated market value of the company's net assets, after analysis, the difference is considered Group goodwill. In this way, only income that arises after the date of acquisition is included in consolidated shareholders' equity.

Associated companies are accounted for in accordance with the equity accounting method. This means that the book value of the shares and participations in associated companies is valued in the consolidated balance sheet at the Group's share in the equity of the associated companies. Thus, consolidated income includes only Saab's share in the income of the associated companies, provided this does not result in a negative book value of the shares.

Minority interest comprises the minority share in net income and shareholders' equity.

Companies acquired during the year are included in consolidated income for the period following their acquisition. Income of companies sold during the year is not included in consolidated income. Intra-Group profits and transactions are eliminated.

Prices of internal Group supplies of goods are determined by applying commercial principles and market prices.

FOREIGN SUBSIDIARIES AND ASSOCIATED COMPANIES

The financial statements of foreign subsidiaries and associated companies are translated to SEK in conformity with International Accounting Standard No. 21 (IAS 21). This means that the income statements and balance sheets of these companies are translated to SEK using the current rate method.

With the current rate method, assets and liabilities are translated at the year-end exchange rate, while income and expenses are translated at the average exchange rate for the year. The translation difference that arises when translating the net assets of foreign companies at a different rate at the beginning of the year than at year end is reported directly in shareholders' equity in the balance sheet.

VALUATION PRINCIPLES, ETC.

Assets, provisions and liabilities have been valued at the purchase value unless otherwise stated in the following.

SALES AND INCOME

Sales and income are reported at delivery of products, and services at the time the majority of risks and rights are transferred to the purchaser.

For long-term development contracts, revenue is recognized in pace with completion according to the

“Percentage of completion” method. From the calculated total revenue for a project, a deduction is made during the respective period in an amount corresponding to the incurred costs as a proportion of the calculated total costs at the end of the period. In lengthy delivery contracts for military aircraft, revenue is recognized in pace with deliveries. Changes in anticipated total revenues and costs per contract are reported in the same period as they are noticed.

DEPRECIATION PRINCIPLES FOR FIXED ASSETS

Depreciation according to plan is based on the historical cost and estimated useful life of an asset. Write-down is applied in the case of a permanent fall in value.

The following depreciation plan is used:

Intangible fixed assets

Capitalized expenditure on R&D, etc.	5 years
Computer software, non-standard	5 years
Goodwill and other intangible assets	5–10 years

Tangible assets

Property	25 years
Aircraft	25 years
Revaluation of property	20 years
Land improvements	20 years
Machines and other technical installations	5–10 years
Computers, equipment, tools and installations	3–10 years

The difference between the above depreciations and fiscal depreciations is, in legal entities, reported as accumulated excess depreciation, which is included in untaxed reserves.

OPERATING INCOME

For orders whose manufacturing cost is financed to a significant extent by advances from customers, the effect of advance-payment financing on interest is reported under operating income. See Note 10.

RESEARCH AND DEVELOPMENT EXPENDITURES

The Group’s definition of expenditures for research and development conforms with that used by Statistics Sweden.

Expenditures on internal research and development are normally booked as costs when they are incurred. Only development costs directly attributable to completely new and important products for the Group are capitalized. Such capitalized costs are amortized annually with a minimum of 20 percent. During the year, a write-down of SEK 40 m. for traffic systems has been considered necessary, after which the Group’s balance sheet contains no remaining development costs carried forward.

For the development and manufacture of the Saab 340 and Saab 2000 commercial aircraft, Saab AB and the Swedish Government have reached special agreements whereby the Government participates in the projects on commercial terms. Saab has received a total of SEK 1,476 m. for the years 1980-94. The amounts received have been reported as income at the same rate as expenditure

were incurred for the projects. According to the agreements, compensation for the Government’s risk-taking was to be paid by Saab in the form of royalties based on the projects’ revenues and income. In a supplementary agreement between Saab and the Swedish Government, payment to the Government will instead be based on income from the customer support operation after production has been terminated.

GUARANTEE COSTS

Calculated costs for product guarantees burden the costs in connection with sales of a product.

ITEMS AFFECTING COMPARABILITY

Recommendation No. 4 of the Swedish Financial Accounting Standards Council is applied, whereby the effects on income of special events and transactions of significance are specified within the respective income concept. Examples of such events and transactions are capital gains/losses when divesting operating areas and major fixed assets, write-downs and restructuring costs.

HEDGING COMMERCIAL FLOWS

Exchange differences on forward contracts related to contracted future currency flows are reported in the same period as the underlying flow.

Non-contracted flows concerning provisions for restructuring costs where settlement is made in foreign currency are hedged so that no exchange rate difference occurs upon settlement.

INVENTORIES

Inventories, which are valued in accordance with Recommendation No. 2 of the Swedish Financial Accounting Standards Council “Inventory Accounting”, are valued at the lower of acquisition value according to the first in, first out principle and actual value. For internally produced semi-manufactured and finished goods, the acquisition value consists of direct manufacturing costs and a reasonable markup for indirect manufacturing costs.

RECEIVABLES

After individual valuation, receivables have been valued in the amounts in which they are expected to be received.

RECEIVABLES AND LIABILITIES CONCERNING LEASING OPERATIONS

The aircraft finance operation carried on by SAFG reports leasing business in accordance with Recommendation No. 6 of the Swedish Financial Accounting Standards Council, which entails a classification of the lease contracts into finance and operating categories.

A finance lease implies that the lessee, even if he does not receive the legal rights of ownership of an object, in all significant respects enjoys the financial rewards and accepts the risks associated with the object. Objects possessed in accordance with a finance lease are reported in the lessee’s balance sheet as a fixed asset and the commitment to pay leasing charges in the future is reported as a liability. The lessor’s balance sheet reports

his net investment in the lease contract, i.e. the present value of future leasing charges, as a receivable.

In an operating lease, the financial rewards and risks linked with ownership mainly affect the lessor, who reports the object as a fixed asset.

For anticipated or real deficits according to lease contracts, provisions are made with the discounted present value of the calculated deficit. Since the leasing portfolio is regarded as a financial asset which in principle must be divestable at a given point in time, a market valuation of the lease contracts is also made. Surpluses and deficits between lease contracts in the portfolio are thereby offset.

RECEIVABLES AND LIABILITIES IN FOREIGN CURRENCY

Receivables and liabilities in foreign currency have been valued at the year-end exchange rate in accordance with Recommendation No. 7 of the Swedish Accounting Standards Board. Exchange rate differences in short-term receivables and liabilities are included in operating income, while differences in financial receivables and liabilities are reported among financial items.

Receivables and liabilities hedged by forward contracts are valued at the current forward rate.

RECEIVABLES FROM GROUP COMPANIES

Short-term investments with Investor carry interest corresponding to 3-month Treasury bills. Long-term receivables from Group companies relate to group contributions received and shareholders' contribution from the parent company, Saab-Scania AB. During 1997, no interest was received on these receivables.

SHORT-TERM INVESTMENTS

In accordance with the Annual Accounts Act, short-term investments are valued at the lower of acquisition value and actual value.

TAXES

Tax as reported in the income statement consists of paid tax and deferred tax. Deferred tax represents the difference between fiscal valuation and the valuation in the accounts of assets and liabilities, but only if the differ-

ence is of a temporary nature. Deferred tax is also calculated on unutilized tax losses to be carried forward.

If the calculations result in a deferred tax receivable, this is only accounted for as an asset if it in all probability is expected to be realized.

Deferred tax is calculated in accordance with the latest decided tax rate.

As from 1997, deferred tax related to the Parent Company has been accounted for in the Parent Company, with the exception of deferred tax in untaxed reserves. See Note 27.

UNTAXED RESERVES

Tax regulations in Sweden and certain other countries permit allocations to special reserves. In this manner, companies, within certain limits, can apportion and retain earnings in their business without subjecting them to immediate taxation.

Untaxed reserves are not subject to taxation until they are utilized. However, in the event the business should incur a loss, the reserves may be utilized to cover such a loss without the payment of tax. The total value of the untaxed reserves can therefore be considered risk capital, because any losses can be covered through use of the reserves.

In the Group's balance sheet, untaxed reserves are divided into shareholders' equity and the deferred tax liability. In the income statement, tax attributable to the year's change in untaxed reserves is reported as deferred tax.

GROUP INFORMATION

The company is a wholly owned subsidiary of Saab-Scania AB, Corporate Identity Number 556109-5810, with registered office in Stockholm. Saab-Scania AB is part of a group of which Investor AB, Corporate Identity Number 556013-8298 with registered office in Stockholm, produces annual financial statements for the largest group.

Of the Parent Company's sales, 17 percent (5) concerned sales to companies within the Saab Group, while 18 percent (22) of the Parent Company's purchases were from subsidiaries.

Exchange rates for SEK used in the financial statements

Country	Currency		Year-end rate			Average rate		
			1997	1996	Change, in %	1997	1996	Change, in %
Australia	AUD	1	5.15	5.48	-6.0	5.68	5.25	8.2
Austria	ATS	100	62.51	62.82	-0.5	62.62	63.39	-1.2
Belgium	BEF	100	21.36	21.46	0.5	21.36	21.67	-1.4
Denmark	DKK	100	115.45	115.55	-0.1	115.68	115.71	0.0
France	FRF	100	131.40	131.15	0.2	130.91	131.02	-0.1
Germany	DEM	100	439.75	442.05	-0.5	440.71	446.00	-1.3
The Netherlands	NLG	100	390.25	393.85	-0.9	391.59	398.04	-1.6
Spain	ESP	100	5.20	5.24	0.8	5.22	5.30	-1.5
UK	GBP	1	13.12	11.60	13.1	12.50	10.47	19.4
USA	USD	1	7.87	6.87	14.6	7.64	6.71	13.9

Note I Employees and personnel costs

Average no. of employees in the Group

	of whom		of whom	
	1997	men	1996	men
Sweden	7,439	84%	7,798	84%
USA	107	71%	111	71%
Austria	104	78%	117	79%
UK	44	92%	28	61%
Germany	8	88%	5	80%
Malaysia	4	50%	4	50%
Canada	3	100%	2	100%
France	3	100%	42	69%
Hong Kong	2	100%	6	50%
Hungary	1	100%		
Chile	1	100%		
Norway			15	87%
Australia			2	50%
China			1	100%
Saab Group	7,716	84%	8,131	83%

Average no. of employees in the Parent Company

	of whom		of whom	
	1997	men	1996	men
Sweden	5,210	84%	5,006	85%
UK	2	100%		
Austria	1	100%		
Hungary	1	100%		
Chile	1	100%		
France	1	100%		
Total	5,216	84%	5,006	85%

Salaries, other emoluments and social security expenses

	1997		1996	
	Salaries and other emoluments	Social security expenses	Salaries and other emoluments	Social security expenses
Parent company	1,398	632	1,282	647
of which pension costs		112		137
Subsidiaries	868	360	960	402
of which pension costs		58		72
Saab Group	2,266	992	2,242	1,049
of which pension costs		170		209

Of the Parent Company's pension costs, SEK 3 m. (18) relates to the Board of Directors and the President including deputies and executive vice presidents. The company's outstanding pension commitments to these amount to SEK 141 m. (139), of which SEK 107 m. (112) relates to previous board members and previous managing directors, including deputies.

Of the Group's pension costs, SEK 8 m. (22) relates to the Boards of Directors and the Presidents, including deputies and executive vice presidents. The Group's outstanding pension commitments to these amount to SEK 156 m. (155), of which SEK 116 m. (112) relates to previous board members and previous managing directors, including deputies.

Salaries and other emoluments distributed per country and between Members of the Board etc. and other employees in the Group

	1997		1996	
	Board & President	Other employees	Board & President	Other employees
Sweden	30	2,087	30	2,078
(of which bonus, etc)	(2)		(2)	
USA	1	57	1	42
(of which bonus, etc)				
Austria	2	46	4	50
(of which bonus, etc)				
UK	4	30	2	16
(of which bonus, etc)				
Germany		3		1
(of which bonus, etc)				
France		2	1	10
(of which bonus, etc)				
Malaysia	1	1	1	1
(of which bonus, etc)				
Hong Kong	1			
(of which bonus, etc)				
Chile		1		
(of which bonus, etc)				
Norway				5
(of which bonus, etc)				
Total	39	2,227	39	2,203
(of which bonus, etc)	(2)		(2)	

Salaries and other emoluments distributed per country and between Members of the Board etc. and other employees in the Parent Company.

	1997		1996	
	Board & President	Other employees	Board & President	Other employees
Sweden	10	1,383	12	1,270
(of which bonus, etc)				
UK		3		
(of which bonus, etc)				
Chile		1		
(of which bonus, etc)				
France		1		
(of which bonus, etc)				
Total	10	1,388	12	1,270
(of which bonus, etc)	(0)		(0)	

Note 2 Information on emoluments paid to leading company officials

In accordance with the decision of the Annual General Meeting, the emoluments paid to Members of the Board amounts to SEK 1,335,000, consisting of SEK 500,000 to the Chairman, SEK 200,000 to each of the Members appointed at the Annual General Meeting, with the exception of the President, and SEK 35,000 to the Member newly elected at the Extraordinary General Meeting on February 12, 1998.

SEK 4,367,238 has been paid in salaries and other emoluments to the President. No bonus has been paid.

In the case of retirement ordered by the company, the President receives, in addition to his salary during the period of notice, i. e. six months, retirement compensation amounting to two years' salary, based on his annual salary the year before retirement. After this period of two and a half years, the President is entitled to 60 % of his salary up to the age of 60. In the case of transfer to another employer or independent business operation, a reasonable reduction of the emolument will be made.

In addition, the President and certain other leading company officials are entitled, or obliged if the company so requests – to retire from the company on pension no earlier than the age of 60 or in certain cases 62. Pension up to the normal retirement age of 65 is paid at 70% of the salary at the date of retirement.

Pension commitments for the President and other leading company officials conform to the emoluments based on the ITP plan from 65 years of age and upwards. This is linked to a supplementary agreement whereby the pension paid according to the ITP plan for the portion of the salary between 20 and 30 basic amounts is also paid for the portion of the salary between 30 and 50 basic amounts.

In addition to the ITP plan, the President receives a pension accordingly: for the portion of the salary between 30 and 100 basic amounts 50% and above 100 basic amounts 32,5% of his salary in supplementary pension.

In the case of certain other leading company officials, a special pension rule applies, with an increased old age pension from 65 and increased family provision amounting to 20% of salary at the date of retirement.

Note 3 Sales by business area and Group market

	Group		Parent Company	
	1997	1996	1997	1996
Sales by business area				
Military Aerospace	4,480	3,471	3,901	2,870
Space	594	467		
Training Systems	668	559		
Collaborative Programs	244	278	244	278
Combitech	1,073	932		
Regional Aircraft	3,035	2,902	2,900	2,819
Less internal sales	-1,420	-450	-200	-381
Total	8,674	8,159	6,845	5,586
Sales by market				
Sweden	4,225	3,739	4,433	2,886
Other EU countries	1,437	1,200	689	1,230
Other European countries	534	1,040	7	3
North America	1,819	1,768	1,287	1,327
Asia	524	290	386	94
Australia, etc.	74	70	41	42
Other markets	61	52	2	4
Total	8,674	8,159	6,845	5,586

Note 4 Items affecting comparability

	Group		Parent Company	
	1997	1996	1997	1996
Termination costs				
regional aircraft production	-4,079		-4,079	
Write-down of leasing portfolio related to Regional Aircraft	-1,342			
Write-down of product development		-584		-584
Write-down of machinery and equipment		-243		-243
Revaluation of commitments and guarantees		-392		-392
Total	-5,421	-1,219	-4,079	-1,219

Note 5 Other operating income

	Group		Parent Company	
	1997	1996	1997	1996
Exchange rate differences	69	19	41	
Trading income	15	99	15	99
Income from secondary operations	31	36		
Guarantee fees			55	24
Others	18		19	
Total	133	154	130	123

Note 6 Other operating expenses

	Group		Parent Company	
	1997	1996	1997	1996
Operating income, aircraft finance (see below)	-212	-664		
Income from divestment of business	-148			
Write-down of goodwill		-63		
Other	-4	-61	-14	-29
Total	-364	-788	-14	-29

Aircraft finance

Income statement SAFG	Group	
	1997	1996
Leasing revenue	1,554	1,285
Interest revenue	123	93
Other revenue	29	20
Total revenue	1,706	1,398

Leasing expenses	-832	-479
Interest expenses	-537	-508
Depreciation	-383	-340
Other expenses	-166	-735
Total expenses	-1,918	-2,062

Operating income	-212	-664
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Balance sheet summary, SAFG

	1997	1996
Assets		
Lease assets	6,919	5,937
Receivables, group companies	3,466	3,223
Receivables	712	621
Liquid funds	7	377
Total assets	11,104	10,158

Equity and liabilities

Equity	1,500	1,215
Provisions	3,149	1,644
Lease obligations ¹	5,207	5,741
Other liabilities	1,248	1,558
Total equity and liabilities	11,104	10,158

¹Of which long-term obligations 4,922 5,432

The income statement and balance sheet for SAFG are mainly dollar-related since aircraft sales and leasing contracts are always made in USD. The conversion rates used in the financial statements are shown on page 18.

Note 7 Lease contracts

Operating lease contracts

Outcome	Group	
	Premises and buildings	Machines and equipment
1996	48	41
1997	51	35
Contracted		
1998	42	28
1999	34	17
2000	22	7
2001	12	4
2002	11	
2003 –	25	
Total contracted	146	56

Outcome	Parent company	
	Premises and buildings	Machines and equipment
1996	15	16
1997	14	18
Contracted		
1998	14	12
1999	9	9
2000	4	2
2001		
2002		
2003 –		
Total contracted	27	23

Outcome	Aircraft for lease	
	Payments to lessors	Payments from airlines
1996	443	443
1997	711	672
Contracted		
1998	776	661
1999	709	519
2000	674	441
2001	670	425
2002	642	425
2003 –	4 541	2 763
Total contracted	8 012	5 234

The above commitments relate to lease of Saab 340 aircraft placed with American investors and operators. The difference between incoming and outgoing payments is mainly due to the leasing period in the sublease contracts normally being shorter than in head lease contracts. As contracts are extended and new contracts signed, further payments are received from airlines in addition to the contracted flows shown in the table.

Finance lease contracts

	Aircraft for lease	
	1997	1996
Acquisition value	2,121	2,388
Accumulated depreciation	-460	-442
Residual value according to plan	1,661	1,946
Depreciation for the year	-135	-126
Leasing fees for the year	246	187
Contracted future leasing fees	1,930 ¹	1,866 ²

The above finance lease contracts relate to 35 Saab 340 aircraft in 1997 and 41 Saab 340 aircraft in 1996.

	1997 ¹	1996 ²
USD m.	230	267
DEM m.	6	7

Note 8 Depreciation on tangible and intangible fixed assets

	Group		Parent Company	
	1997	1996	1997	1996
Capitalized expenditure for research and development and similar		-206		-206
Other intangible fixed assets	-14			
Goodwill	-45	-60		
Land and buildings	-56	-55	-37	-17
Plant and machinery	-209	-254	-87	-81
Equipment, tools, fixtures and fittings	-42	-62	-19	-15
Lease assets	-383	-340		
Total	-749	-977	-143	-319

Note 9 Operating income by business area

Operating income by business area	Group		Parent Company	
	1997	1996	1997	1996
Military Aerospace	586	557	577	556
Reversal of loss risk reserve	313	300	313	300
Space	47	45		
Training Systems	156	115		
Collaborative Programs	3		3	
Combitech	-338	-159		
Corporate	103	52	57	5
Regional Aircraft	-553	-1,093	-553	-1,125
SAFG	-212	-664		
Items affecting comparability	-5,421	-1,219	-4,079	-1,219
Total	-5,316	-2,066	-3,682	-1,483

Note 10 Other interest income and similar profit/loss items

	Group		Parent Company	
	1997	1996	1997	1996
Interest income, group companies	278	482	355	557
Interest income, other	536	424	404	293
Dividends from others	6	1		
Exchange rate gains on financial assets		3		2
Less project interest, accounted for as gross margin	-249	-264	-241	-258
Total	571	646	518	594

Note 11 Interest expense and similar profit/loss items

	Group		Parent Company	
	1997	1996	1997	1996
Interest expenses, group companies			-5	-17
Interest expenses, others	-24	-33	-20	-25
Interest on pension debt	-76	-119	-54	-76
Write-down of participations in group companies			-59	
Other			-4	
Total	-100	-152	-142	-118

Note 12 Appropriations, other

	Parent Company	
	1997	1996
Difference between book depreciation and depreciation according to plan		
Land and buildings	24	-30
Plant and machinery	19	10
Total	43	-20

Note 13 Taxes

	Group		Parent Company	
	1997	1996	1997	1996
Tax on profit for the year				
Paid	-28	-86	0	
Deferred	1,362	289	1,617	
	1,334	203	1,617	0
Additional taxes	-259	0	-216	
Total	1,075	203	1,401	0

Additional taxes are taxes imposed by the tax authorities as a consequence of tax audits in Sweden and the USA. Taxes of SEK 229 m. have been imposed on Swedish companies and SEK 30 m. on U.S. companies. Several of the decisions of the Swedish tax authority are the subject of appeals. Approximately 80% of the additional taxes in Sweden relate to accruals, see accrued expenses Note 27. This has been taken into account when calculating deferred taxes.

Note 14 Capitalized expenditure for research and development and similar

	Group		Parent Company	
	1997	1997	1997	1997
Accumulated acquisition value				
At beginning of year	1,070		1,030	
Sales and disposals	-1,030		-1,030	
Total	40		0	
Accumulated write-downs				
At beginning of year	-446		-446	
Sales and disposals	446		446	
Total	0		0	
Accumulated write downs				
At beginning of year	-584		-584	
Sales and disposals	584		584	
Write-downs for the year	-40		-	
Total	-40		0	
Residual value according to plan carried forward	0		0	

Note 15 Other intangible fixed assets

	Group		Parent Company	
	1997	1997	1997	1997
Accumulated acquisition value				
At beginning of year	0		0	
Purchases	136			
Total	136			
Accumulated depreciation				
At beginning of year				
Depreciation for the year	-14			
Total	-14			
Residual value according to plan carried forward	122		0	

Note 16 Goodwill

	Group
	1997
Accumulated acquisition value	
At beginning of year	146
Sales and disposals of business operations	-107
Total	39
Accumulated depreciation	
At beginning of year	-27
Sales and disposals of business operations	-54
Depreciation for the year	-45
Total	-18
Accumulated write-downs	
At beginning of year	-43
Sales and disposals of business operation	34
Total	-9
Residual value according to plan carried forwards	12

Note 17 Land and buildings

	Group		Parent Company	
	1997	1997	1997	1997
Accumulated acquisition value				
At beginning of year	1,504		523	
Purchases	75		² 523	
Sales and disposals	-3		-3	
Total	1,576		1,043	
Accumulated depreciation				
At beginning of year	-537		-254	
Sales and disposals	2		2	
Acquired depreciation			² -179	
Depreciation for the year	-56		-37	
Total	-591		-468	
Accumulated net revaluation				
At beginning of year	17		17	
Depreciation for the year				
Revaluations for the year	695		695	
Write-downs for the year	-2		-2	
Total	710		710	
Residual value according to plan carried forward	1,695		1,285	
Tax assessment value, buildings (Sweden)	831		597	
Tax assessment value, land (Sweden)	218		179	
¹ Acquisition value includes capitalized interest of	11		0	
Property possessed via finance lease contracts	none		none	

²Of which acquired from subsidiaries SEK 516 m. and SEK 179 m.

Note 18 Plant and machinery

	Group 1997	Parent Company 1997
Accumulated acquisition value		
At beginning of year	2,008	1,063
Purchases	267	121
Sales and disposals	-244	-82
Total	2,031	1,103
Accumulated depreciation		
At beginning of year	-1,343	-775
Sales and disposals	188	68
Depreciation for the year	-209	-87
Total	-1,364	-794
Residual value according to plan carried forward	667	309
Assets possessed via finance lease contracts	none	none

Note 19 Equipment, tools, fixtures and fittings

	Group 1997	Parent Company 1997
Accumulated acquisition value		
At beginning of year	950	890
Purchases	67	27
Sales and disposals	-60	-129
Total	957	788
Accumulated depreciation		
At beginning of year	-788	-739
Sales and disposals	46	83
Depreciation for the year	-42	-19
Total	-784	-675
Residual value according to plan carried forward	173	113
Assets possessed via finance lease contracts	none	none

Note 20 Lease assets

	Group 1997	Parent Company 1997
Accumulated acquisition value		
At beginning of year	7,374	0
Purchases	2,324	
Sales and disposals	-1,072	
Total	8,626	0
Accumulated depreciation		
At beginning of year	-1,437	0
Sales and disposals	113	
Depreciation for the year	-383	
Total	-1,707	0
Residual value according to plan carried forward	6,919	0
Assets possessed via finance lease contracts	none	
Calculated acquisition value of the assets	2,121	
Leasing fees paid during the fiscal year	246	
Contracted future leasing fees	1,930	

Note 21 Construction in progress and advance payments for tangible fixed assets

	Group 1997	Parent Company 1997
Att beginning of year	9	0
Capitalized expenditure for material and own work	-9	
Accrued expenses during the year	48	17
At year-end	48	17

Note 22 Participations in group companies

	Parent Company 1997
Accumulated acquisition values	
At beginning of year	726
New issues/shareholders' contribution	1,500
Purchases	247
	2,473

Accumulated write-downs	
At beginning of year	0
Write-downs for the year	-59
	-59
Book value at year-end	2,414

Specification of Parent Company's participations in group companies

Subsidiary/Corp. ID no/Reg. Office	No. of shares	Share in %	Book value
Saab Dynamics AB, 556055-9691, Linköping	1,000,000	100.0	167
Saab Survey Systems AB, 556258-8854, Jönköping	1,000	20.0	
Saab Training Systems AB, 556030-2746, Huskvarna	150,000	100.0	42
Saab Training Systems GmbH, Germany	100	100.0	
Saab Training Systems UK Ltd, England	100	100.0	
Saab Training Inc., USA	100	100.0	
Saab Aircraft AB, 556062-7647, Linköping	100,000	100.0	10
Saab Combitech AB, 556108-8799, Jönköping	500,000	100.0	110
IV Image Systems AB, 556319-3738, Linköping	2,000	100.0	
Combitech Traffic Systems AB, 556042-6289, Jönköping	80,000	100.0	
Combitech Traffic Systems (H.K.) Ltd, Hong Kong	98	98.0	
Combitech Electronics AB, 556258-7930, Jönköping	5,000	100.0	17
Saab Marine Electronics AB, 556043-5124, Göteborg	15,000	100.0	71
Saab Marine (UK) Ltd., England	1	80.0	
Saab Tank Control Vertriebs GmbH, Germany	1	100.0	
Saab Marine Liaison Office, Russia	6	54.0	
Saab Marine RU, Russia	6	54.0	
Combitech Innovation AB, 556055-1342, Jönköping	4,000	100.0	5
Combitech Software, 556258-8862, Jönköping	3,250	65.0	2
Combitech Network, 556261-3942, Jönköping	8,000	100.0	6
Saab Far East Sdn Bhd, Kuala Lumpur, Malaysia	100,000	100.0	
Pronesto AB, 556112-6755, Stockholm	20,000	100.0	5
Telelogic AB, 556049-9690, Malmö	6,000	100.0	25
Telelogic UK Ltd., England	10,000	100.0	
Telelogic Inc., USA	1	100.0	
Fastighets AB Strömögatan 3, 556258-8870, Jönköping	1,000	100.0	
Fastighets AB Bataljonsgatan, 556378-6267, Jönköping	2,000	100.0	
Gärb Teknik AB, 556226-6899, Linköping	1,000	100.0	
Saab Ericsson Space AB, 556134-2204, Göteborg	90,000	60.0	71
Saab Ericsson Space Fastighets AB, 556230-7404, Göteborg	1,000	100.0	
Saab Ericsson Space Inc., USA	1,000	100.0	
Austrian Aerospace GmbH, Austria	78	77.5	
Saab Survey Systems AB, 556258-8854, Jönköping	7,000	70.0	
Saab Systems Inc., USA	300,000	100.0	
Saab Holdings US, Inc., USA	1,000	100.0	168
Saab Aircraft of America Inc., USA	1,001,000	100.0	
Saab Aircraft Holdings Inc., USA	100	100.0	
Saab Aircraft Ltd., England	100	100.0	
Saab Aircraft International Ltd., England	100,000	100.0	
Saab Aircraft Leasing Ltd., England	1,000	100.0	

Saab Aircraft Credit AB, 556020-4231	11,000	100.0	1,501
Fairbrook Inc., USA	100	100.0	
Fairbrook Leasing Inc., USA	100	100.0	
Lambert Leasing Inc., USA	100	100.0	
Saab Aircraft Finance Inc., USA	100	100.0	
Saab Aircraft Financing Inc., USA	10	100.0	
Saab Finance Inc., USA	100	100.0	
Aero Three AB, 556258-8920, Linköping	1,000	100.0	
2000 Aircraft Credit AB, 556464-6031, Stockholm	629,600	80.0	
Swedish Aircraft Two KB, 916691-8194, Linköping		50.3	
Swedish Aircraft Three KB, 916694-4364, Linköping		50.3	
Swedish Aircraft Four KB, 916694-4372, Linköping		50.3	
Saab Helikopter AB, 556026-9945, Nyköping	40,000	100.0	4
Saab Credit AB, 556047-7779, Linköping	30,000	100.0	4
Lansen Försäkrings AB, 516401-8656, Linköping	100,000	100.0	10
Saab Air AB, 556061-1732, Linköping	25,000	100.0	3
Industrikompetens i Östergötland AB, 556060-5478, Linköping	9,000	100.0	1
Saab Treasury AB, 556147-5939, Linköping	30,000	100.0	3
Saab Service Partner AB, 556083-5836, Linköping	100,000	100.0	12
Saab-Scania Rental AB, 556056-9807, Linköping	1,000	100.0	
Investor Fond AB, 556025-1356, Linköping	2,500	100.0	
Saab International AB, 556378-6275, Linköping	2,000	100.0	
Saab International AB (Chile) Ltda., Chile		100.0	
Dormant companies			177
Book value at year-end			2,414

Note 23 Receivables from group companies

	Group 1997	Parent Company 1997
Accumulated acquisition value		
At beginning of year	2,293	4
Additional receivables		136
Reclassification	-2,293	
Book value at year-end	0	140

Note 24 Participations in associated companies

	Group 1997	Parent Company 1997
Accumulated acquisition value		
At beginning of year	7	4
Purchases	21	12
Net income of the year	2	
Total	30	16
Book value at year-end	30	16

The year's purchases relate to Ericsson Saab Avionics AB and Scanjet Clean AB.

Specification of the company's participations in associated companies

Associated company/ Corp. ID No./Reg Office	Share in % ¹	Adjusted equity/ Net income of the year ²	Book value
Ericsson Saab Avionics AB, 556460-1655, Stockholm	49.9	24/0	12
CSM Materialteknik AB, 556517-3951, Linköping	50.0	14/3	7
Industrigruppen JAS AB, 556147-5921, Stockholm	20.0	5/0	1
Aviation Financial Services AG, Switzerland	20.0	0/0	
Saab-BAe Gripen AB, 556227-6721, Linköping	50.0	0/0	
Scanjet Clean AB, 556291-2427, Sjöbo	50.0	2/1	9
Saab Bofors Missile Corp AB, 556147-5905, Linköping	50.0	1/0	1
Transponder Tech i Skandinavien AB, 556168-6923, Järfälla	35.0	1/0	
Saab Smaaland Project Venture AB, 556509-1956, Jönköping	33.0	0/0	
Book value at year-end			30

¹Share in relates to equity. This is equal to the share of the votes of the total number of shares.

²Adjusted equity relates to the owned share of the company's equity, including equity in untaxed reserves. Net income of the year relates to the owned proportion of the company's income after tax, including the portion of equity in the year's change in untaxed reserves.

Note 25 Other securities held as fixed assets

	Group 1997	Parent Company 1997
Accumulated acquisition value		
At beginning of year	35	2
Additional assets	1	4
Book value at year-end	36	6

Note 26 Other long-term receivables

	Group 1997	Parent Company 1997
Accumulated acquisition value		
At beginning of year	531	
Additional receivables	1	
Book value at year-end	532	0

Note 27 Deferred tax receivable/tax liability

Deferred tax receivable/tax liability relates to the tax result arising from the assumption that assets and liabilities are disposed of at book residual values. The deferred tax relates to the following assets and liabilities:

	Group 1997	Parent Company 1996	Group 1997	Parent Company 1996
Deferred tax receivables				
Other provisions	1,372	236	1,217	82
Participations in group companies	353		353	
Accrued expenses	170	48	170	
Other		203		42
Deferred tax liabilities				
Tangible fixed assets	-1,029	-761	-195	
Receivable/liability net	866	-274	1,545	124

Deferred tax liability on untaxed reserves in the Parent Company amounted to SEK 146 m. (77).

Note 28 Prepaid expenses and accrued income

Prepaid expenses and accrued income in the Group amounted to SEK 223 m. (175) and in the Parent Company to SEK 22 m. (38). The amount for the Group is mainly attributable to SAFG and relates to accrued leasing fees.

Note 29 Short-term investments

	Book value	Market value
Interest-bearing securities	5,672	5,761
Total	5,672	5,761

The market value is higher than the book value since the securities were acquired at higher interest levels than those in force at year-end.

Financial investments are made in Swedish Government bonds. The investment policy means that the fixed interest term must be about 15 months to avoid excessive fluctuations as a result of interest changes. At year-end, the average fixed interest term was 11 months.

Note 30 Equity

Equity in the Group has changed as follows during the year:

	Capital stock	Re-stricted reserves	Profit or loss brought forward	Net Income for the year	Total
According to previous Annual Report	1,703	1,253	2,154		5,110
Consolidation of SAFG		62	1,152		1,214
At beginning of year	1,703	1,315	3,306		6,324
Change in revaluation reserve		500			500
Reclassification of deferred tax receivable in previous year		-281	281		0
Allocation to equity share reserve		2	-2		0
Change in equity in untaxed reserves		134	-134		0
The year's translation differences		162	-105		57
Net income for the year				-3,790	-3,790
Total at year-end	1,703	1,832	3,346	-3,790	3,091

Specification of restricted reserves

	Equity fund	Revaluation reserve	Legal reserve	Equity share of untaxed reserves	Translation differences etc.	Total
At beginning of year	2		386	636	291	1,315
Change in revaluation reserve		500				500
Reclassification of deferred tax receivable in previous year					-281	-281
Allocation to equity share reserve	2					2
Change in equity in untaxed reserves				134		134
The year's translation differences					162	162
Total at year-end	4	500	386	770	172	1,832

No transfer to restricted reserves is required.

A portion of unrestricted equity in foreign subsidiaries will be subject to taxation in the event it is transferred to Sweden.

Equity in the Parent Company has changed as follows during the year:

	Capital stock	Legal reserves	Profit or loss brought forward	Net income for the year	Total
According to previous Annual Report	1,703	368	2,057		4,128
Deferred tax receivable in balance brought forward			124		124
At beginning of year	1,703	368	2,181	0	4,252
Change in revaluation reserve		500			500
Other adjustments			2		2
Net income for the year				-2,302	-2,302
Total at year-end	1,703	868	2,183	-2,302	2,452

Note 31 Untaxed reserves

	Group		Parent Company	
	1997	1996	1997	1996
Accumulated excess depreciation				
Land and buildings	596	633	364	96
Machinery and equipment	261	300	159	178
Lease assets	2,422	2,157		
Tax allocation reserves				
Allocated 1994	16	16		
Allocated 1995	23	23		
Allocated 1996	5	5		
Allocated 1997	8			
Salary-based reserve		3		
Contingency reserve	15	6		
Foreign untaxed reserves	1	5		
Foreign exchange reserve		1		
Total	3,347	3,149	523	274

Of the untaxed reserves, SEK 937 m. (882) consists of deferred tax.

Note 32 Provisions for pensions and similar commitments

Provisions for pensions in the balance sheet correspond to the equivalent pension obligations actuarially computed.

	Group		Parent Company	
	1997	1996	1997	1996
Provision for pensions				
FPG/PRI pensions	1,995	1,907	1,416	1,240
Other pensions	129	135	113	120
Other pension liabilities	119	119	119	119
Total	2,243	2,161	1,648	1,479

Of which with credit guarantees

in Försäkringsbolaget Pensionsgaranti (FPG)	2,034	1,946	1,455	1,279
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Assets pledged for this liability amounted to SEK 396 m. (396). See Note 39.

The Pensions Registration Institute (PRI) is a public organization responsible for the administration of employee pensions.

Other pension liabilities relate to conditional commitments not covered by social security legislation.

Note 33 Other provisions

	Group		Parent Company	
	1997	1996	1997	1996
Costs of restructuring	4,079		4,079	
Anticipated deficit in future leasing operations	2,728	1,370		
Loss on regional aircraft orders		459		
Other	61	20		
Total	6,868	1,849	4,079	0

In 1997, a provision of SEK 4,079 m. has been made in respect of costs for terminating production of regional aircraft. These costs relate to customer and supplier commitments, in addition to transfer of personnel. The provision also includes continued support commitments for the existing aircraft fleet. The allocation of SEK 2,728 m. in respect of the anticipated deficit in future leasing operations relates to the net present value of the anticipated deficit in lease contracts for regional aircraft.

Note 34 Committed credit line

	Group		Parent Company	
	1997	1996	1997	1996
Approved credit limit	39	34	39	34
Unutilized portion	-39	-19	-39	-19
Utilized portion	0	15	0	15

Note 35 Liabilities to credit institutes

	Group		Parent Company	
	1997	1996	1997	1996
Due date 1–5 years from closing day	30	59		
Due date more than 5 years from closing day	0	0		
Total	30	59	0	0

Note 36 Other long-term liabilities

	Group		Parent Company	
	1997	1996	1997	1996
Lease obligations	4,922	5,432		
Other long-term liabilities	760	426		
Total	5,682	5,858	0	0

Liabilities with due date more than 5 years from closing day amount to SEK 4,122 m.

Security provided for leasing commitments amounted to SEK 2,551 m. (2,683) and for other liabilities SEK 393 m. (363). See Note 39.

Other liabilities consist mainly of prepaid leasing fees.

Note 37 Other liabilities

	Group		Parent Company	
	1997	1996	1997	1996
Value Added Tax (VAT)	114	242	99	215
Personnel liabilities	75	67	45	32
Spare parts credit	56	89		
Other	112	194	8	10
Total	357	592	152	257

Note 38 Accrued expenses and deferred income

	Group		Parent Company	
	1997	1996	1997	1996
Accrued expenses				
Cost of customer commitments	754	773		
Losses on regional aircraft orders	967	308		
Reserve for remaining costs in military business	441	361	377	262
Vacation pay liability	271	294	164	122
Social security expenses	187	190	112	76
Expected invoices	268	225	126	99
Guarantee reserve	40	43	6	3
Other	236	203	30	22
Deferred income				
Leasing fees ¹	300	308		
Advance invoicing	854	1,942	756	1,912
Total	4,318	4,647	1,571	2,496

¹ Assets pledged for this liability amounted to SEK 61 m. (61). See Note 39.

Customer commitments relate to costs of future commitments linked with products already delivered, mainly in regional aircraft. Losses on aircraft orders have been calculated in accordance with the lower of cost or market. Reserves for remaining costs in military business relate to calculated costs and product commitments, mainly in military aircraft.

Note 39 Assets pledged

	Group		Parent Company	
	1997	1996	1997	1996
Guarantees provided for own liabilities and provisions				
for pensions commitments				
Chattel mortgages	396	396	350	350
to credit institutes	none	none	none	none
for lease obligations				
Lease assets	2,551	2,683		
for other liabilities				
Long-term receivables	393	363		
for accrued expenses				
Accrued expenses	61	61		
for advance payments				
from customers				
Chattel mortgages	1,751	1,751	1,751	1,751
Bonds and other securities	5,520	6,435	5,520	6,435
Subtotal	7,271	8,186	7,271	8,186
Total	10,672	11,689	7,621	8,536

Note 40 Pro forma 1996

The following calculations are based on the audited income statement and balance sheet of the Saab Group and show pro forma statements for 1996 after consolidation of SAFG.

	Saab Group	Elimi- SAFG nations	Pro forma
Sales	8,249	-90	8,159
Cost of goods sold	-6,514	90	-6,424
	1,735	0	1,735
Other operating costs	-3,137	-664	-3,801
Operating income	-1,402	-664	0
Income from financial items	494		494
Tax	219	-16	203
Minority share	-13	-3	-16
Net income for the year	-702	-683	0

Balance sheet summary

	Saab Group	Elimi- SAFG nations	Pro forma
Intangible fixed assets	116		116
Tangible fixed assets	1,820	5,937	7,757
Financial fixed assets	74	2,475	2,866
	2,010	8,412	10,739
Inventories, etc.	4,965		4,965
Short-term receivables	1,276	123	1,399
Receivables from group companies	6,699	1,246	6,986
Cash, bank and short-term investments	6,922	377	7,299
	19,862	1,736	20,649
Total assets	21,872	10,158	31,388
Equity	5,110	1,215	-1
Minority interest	52	91	143
Provisions	2,640	1,644	4,284
Long-term liabilities	52	6,062	-197
Short-term liabilities	14,018	1,146	-444
Total equity and liabilities	21,872	10,158	31,388

Note 41 Definitions of key ratios

Pre-tax return on capital employed

Operating income increased by financial income as a percentage of average total assets less non-interest-bearing liabilities and deferred tax liability.

After-tax return on equity

Net income for the year as a percentage of average equity. When calculating return on equity before items affecting comparability, a tax rate of 28% has been used.

Profit margin

Operating income before items affecting comparability increased with financial income as a percentage of sales.

Capital turnover

Sales divided by average capital employed.

Equity/assets ratio

Equity in relation to total assets, after deduction for utilized part of advance payments from customers. The equity/assets ratio, excluding the customer finance operation, means that SAFG is consolidated in accordance with the equity method.

Interest coverage

Operating income before items affecting comparability increased with financial income, divided by financial expenses.

Linköping, February 19, 1998



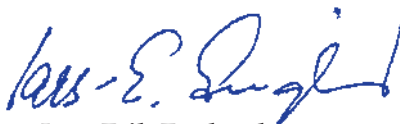
Anders Sharp
Chairman



Marcus Wallenberg



Erik Belfrage



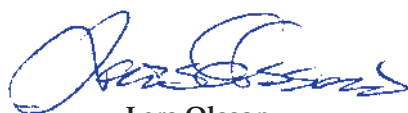
Lars-Erik Englund



Björn Svedberg



Lars Westerberg



Lars Olsson



Lennart Hedlund

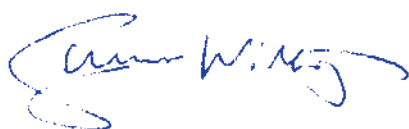


Ragnar Ludvigsson



Bengt Halse
President and CEO

Our auditors' report was submitted on March 6, 1998



Gunnar Widhagen
Authorized Public Accountant
Ernst & Young



Caj Nackstad
Authorized Public Accountant
KPMG Bohlins

Auditor's report

To the general meeting of
the shareholders of Saab AB

Corporate Identity No 556036-0793

We have audited the parent company and the consolidated financial statements, the accounts and the administration of the board of directors and the managing director of Saab AB for 1997. These accounts and the administration of the Company are the responsibility of the board of directors and the managing director. Our responsibility is to express an opinion on the financial statements and the administration based on our audit.

We conducted our audit in accordance with Generally Accepted Auditing Standards in Sweden. Those Standards require that plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director, as well as evaluating the overall presentation of information in the financial statements. We examined significant decisions, actions taken and circumstances of the Company in order to be able to determine the possible liability to the Company of any board member or managing director or whether they have in some other way acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

In our opinion, the parent company and the consolidated financial statements have been prepared in accordance with the Annual Accounts Act, and, consequently we recommend

that the income statement and the balance sheets of the Parent Company and the Group be adopted, and

that the loss of the Parent Company be dealt with in accordance with the proposal in the Administration Report.

In our opinion, the board members and the managing director have not committed any act or been guilty of any omission, which could give rise to any liability to the Company. We therefore recommend

that the members of the board of directors and the managing director be discharged from liability for the financial year.

Linköping, March 6, 1998



Gunnar Widhagen

Authorized Public Accountant
Ernst & Young



Caj Nackstad

Authorized Public Accountant
KPMG Bohlins

Board of Directors and Auditors

Anders Scharp

Born 1934. Chairman since 1990. Chairman of Atlas Copco AB, AB Electrolux, AB SKF, Incentive AB and Scania AB. Deputy Chairman of Investor AB. Chairman of the Swedish Employers' Association. Board member of Email Limited (Australia) and the Association of Swedish Engineering Industries.

Shares in Investor: 3,896

Convertibles in Investor: –

Options in Investor: –

Marcus Wallenberg

Born 1956. Board member since 1992 and Deputy Chairman since 1993. Deputy Chairman of AB Astra. Board member of L M Ericsson, Incentive AB, Investor AB, SAS Sverige AB (deputy), Scania AB, S-E-Banken and the Knut and Alice Wallenberg Foundation.

Shares in Investor: 271,903¹

Convertibles in Investor: –

Options in Investor: –

Erik Belfrage

Born 1946. Board member since 1991. Branch Manager of S-E-Banken. Chairman of the Swedish Institute of Management (IFL) and the Center for European Policy Studies (CEPS). Board member of Atlas Copco AB, Investor AB, SAS, SAS Sverige AB and the International Council of Swedish Industry (NIR).

Shares in Investor: 970

Convertibles in Investor: –

Options in Investor: –

Lars-Erik Englund

Born 1934. Board member since 1997. Lieutenant General. Commander-in-Chief of the Swedish Air Force 1988-1994. Deputy Chairman of the Board of Linköping University. Board member of SAS Flight Academy and Stiftelsen Svenska Dagbladet.

Shares in Investor: –

Convertibles in Investor: –

Options in Investor: –

Björn Svedberg

Born 1937. Board member since 1998. Chairman of Ericsson. Board member of ABB AB, ABB Ltd., Incentive AB, STORA and Volvo.

Shares in Investor: 4,400 B

Convertibles in Investor: –

Options in Investor: –

Lars Westerberg

Born 1948. Board member since 1995. President of Gränges AB. Board member of Gränges AB, AB Ångpanneföreningen, AB Gotthard Nilsson and CeWe Instrument AB.

Shares in Investor: 48,864¹

Convertibles in Investor: –

Options in Investor: –

Bengt Halse

Born 1943. President and CEO. Board member since 1955. Board member of Chalmers Institute of Technology and Caran AB.

Shares in Investor: –

Convertibles in Investor: –

Options in Investor: –



Anders Scharp

Bengt Halse

Marcus Wallenberg

Lars-Erik Englund

Erik Belfrage

Lennart Hedlund

Born 1946. Board member since 1995.
 Chairman of the Graduate Staff
 Association, Saab, Jönköping.
 Shares in Investor: –
 Convertibles in Investor: –
 Options in Investor: –

Ragnar Ludvigsson

Born 1946. Board member since 1995.
 Chairman of the Engineering Workers'
 Union, Saab AB, Linköping.
 Shares in Investor: –
 Convertibles in Investor: –
 Options in Investor: –

Lars Olsson

Born 1937. Board member since 1995.
 Chairman of the Industrial Salaried
 Employees' Association, Saab AB,
 Linköping.
 Shares in Investor: –
 Convertibles in Investor: –
 Options in Investor: –

DEPUTIES

Göran Gustavsson

Born 1953. Deputy since 1995.
 Treasurer of the Engineering Workers'
 Union, Saab AB, Linköping.
 Shares in Investor: 25
 Convertibles in Investor: –
 Options in Investor: –

Conny Holm

Born 1947. Deputy since 1995.
 Chairman of the Engineering Workers'
 Union, Saab, Jönköping.
 Shares in Investor: 50
 Convertibles in Investor: –
 Options in Investor: –

Lars-Göran Larsson

Born 1943. Deputy since 1995.
 Chairman of the Industrial Salaried
 Employees' Association,
 Saab Dynamics AB and Saab Marine
 Electronics AB, Gothenburg.
 Shares in Investor: 100
 Convertibles in Investor: –
 Options in Investor: –

AUDITORS

Caj Nackstad

Born 1945. Auditor since 1991.
 Authorized Public Accountant
 KPMG Bohlins AB

Gunnar Widhagen

Born 1938. Auditor since 1993.
 Authorized Public Accountant
 Ernst & Young AB

DEPUTIES

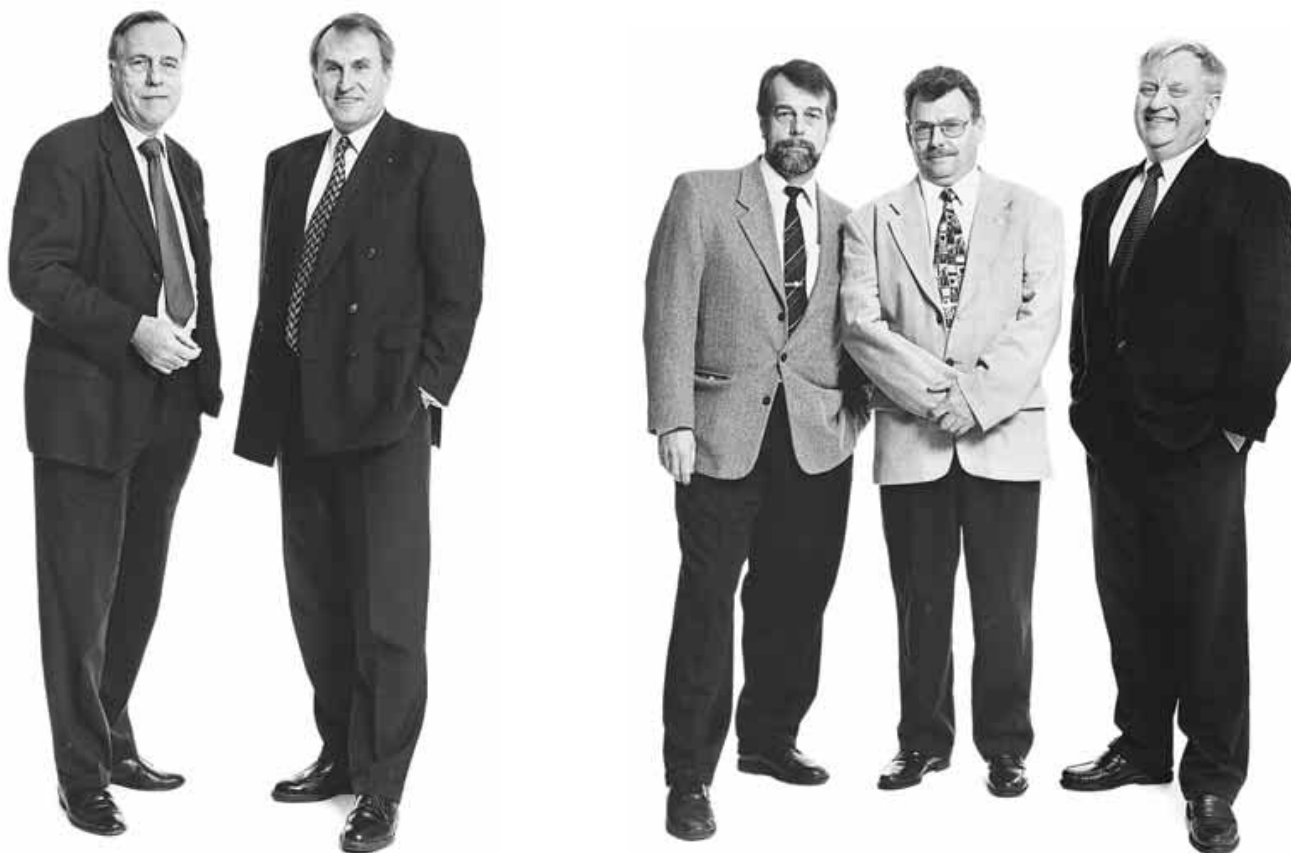
Bo Ribers

Born 1942. Auditor since 1993.
 Authorized Public Accountant
 KPMG Bohlins AB

Björn Fernström

Born 1950. Auditor since 1993.
 Authorized Public Accountant
 Ernst & Young AB

*Total holding, including holdings through companies and children.



Björn Svedberg

Lars Westerberg

Lennart Hedlund

Ragnar Ludvigsson

Lars Olsson

Management

EXECUTIVE MANAGEMENT COMMITTEE

Bengt Halse

Born 1943. President and Chief Executive Officer. Board member of Chalmers Institute of Technology and Caran AB.
Shares in Investor: –
Convertibles in Investor: –
Options in Investor: –

Göran Sjöblom

Born 1943. Executive Vice President, Chief Financial Officer. Board member of the Industrial Engineering Department, Chalmers Institute of Technology.
Shares in Investor: –
Convertibles in Investor: –
Options in Investor: –

Hans Ahlinder

Born 1941. Executive Vice President, Business Development Defense.
Shares in Investor: –
Convertibles in Investor: –
Options in Investor: –

HEADS OF CORPORATE STAFFS

Lars Wahlund

Born 1953
Financial Control

Peter Sandehed

Born 1952
Treasury

Mats Lindman

Born 1945
Human Resources

Per Erlandsson

Born 1947
Corporate Legal Staff Secretary to the Board

Johan Öster

Born 1938
Quality

Billy Fredriksson

Born 1943
Technology

Lars Jagerfelt

Born 1948
Corporate Communications and Public Affairs

Tommy Ivarsson

Born 1939
Strategic Planning

BUSINESS UNIT MANAGERS

Hans Krüger

Born 1944
Gripen

Ingemar Nycander

Born 1939
General Military Programs

Dan Jangblad

Born 1958
Future Products & Technology

Mikael Grodzinsky

Born 1958
Commercial Aircraft

Pontus Kallén

Born 1958
Collaborative Programs

Gert Schyborger

Born 1940
Regional Aircraft

Jan Carlson

Born 1960
Saab Combitech

Anders A Andersson

Born 1939
Saab Dynamics AB

Björn Erman

Born 1949
Ericsson Saab Avionics AB

Hans Robertson

Born 1943
Saab Training Systems AB

Ivan Öfverholm

Born 1942
Saab Ericsson Space AB

Lars B Flodman

Born 1942
Saab Aircraft Finance Company

The above information applies from January 1, 1998.



Göran Sjöblom

Bengt Halse

Hans Ahlinder

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Saab AB

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Saab AB

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Visiting address: Klubbhusgatan 10

Combitech Network AB

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Combitech Software AB

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