

**SAAB**

# PRESS INFORMATION

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## INTERIM REPORT January - March 2001

- Order bookings after three months amounted to SEK 4 billion.
- Sales amounted to SEK 3,575 m. (4,187).
- Operating income amounted to SEK 803 m. (247), of which capital gains SEK 650 m. (55).
- Earnings per share amounted to SEK 5.93 (1.51).
- After-tax return on shareholders' equity 26.8% and pre-tax return on capital employed 19.0%.

### Comment by the President

"Order bookings for the first quarter are on last year's high level, excluding the Gripen order for South Africa. This means an order backlog of just over SEK 41 billion, corresponding to well over two years' sales and market activities continue to be on a high level.

Our strategy of continuously creating values by applying defense technology in commercial markets has again been demonstrated, this time through the divestment of Saab Marine Electronics, which has resulted in both a major capital gain and a positive influence on liquidity.

In line with our forecast in the 2000 report in February, the year has got off to a somewhat weaker start than last year in regard to operating income before capital gains. We still expect earnings per share for the whole year to be well on a level with last year.

A year has passed since the acquisition of Celsius, the integration has progressed very well and has been completed. The newly formed business management group led by Ingemar Andersson will be an important instrument to further pursue business co-ordination and synergies between the business areas that are active in the defense market.

The streamlining and development of the Group have also continued. In addition to Saab Marine Electronics, Celsius Amtec and the engineering workshop at Kockums Industries have been divested, at the same time as the acquisition of Fokker Space is going according to plan.

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Since 1997, Saab has taken part in the development work around the Airbus A380 Superjumbo and last week's announcement that the Swedish Government will contribute risk financing to the project in the same way as the Governments of other participating countries was therefore pleasing for us.

Currently, we are in negotiations with Airbus on development and production of advanced parts of the aircraft.

At the well attended Annual General Meeting at the beginning of April was decided on a dividend of SEK 3 per share, corresponding to a direct yield of almost 4 per cent. The meeting also gave the Board a mandate to decide on a share buyback if and when this is considered appropriate."

## Important events and structural changes

The activities in connection with the acquisition of 65 per cent of the Dutch company Fokker Space is proceeding according to plan. Fokker Space, which after taking possession will form part of business area Saab Ericsson Space, has an annual turnover of about SEK 500 million and 400 employees.

Saab Marine Electronics has been divested to the American electronics group Emerson for approximately SEK 800 million, entailing a capital gain of about SEK 650 million and a positive effect on net liquidity corresponding to the purchase sum.

Celsius Amtec, which is active in asset management of jet engines, has been divested to the Spanish company Industria de Turbo Propulsores. The income effect of the sale has been taken into account in the purchase analysis for Celsius and will not influence income. Net liquidity has been influenced positively by approximately SEK 500 million.

Work is in progress on divesting other units in Celsius Aviation Services and discussions are being carried on with potential purchasers of the individual companies. The process of divesting the remaining units in Other operations is going according to plan and recently the engineering workshop at Kockums Industries was sold.

## Operations

Saab is one of the world's leading high-technology companies, with its main activities focusing on aerospace and defense. The operation covers clearly defined areas within defense electronics, missile systems and space electronics as well as military and civil aviation. Saab also focuses on high technology services and maintenance. From 2001, Saab comprises the business areas **Saab Systems & Electronics**, **Saab Aerospace**, **Saab Technical Support & Services**, **Saab Bofors Dynamics**, **Saab Ericsson Space** and **Saab Aviation Services**. For a brief description of the business areas see the last page in the report.



## Sales, income and orders

### Sales

Group sales decreased to SEK 3,575 m. (4,187), mainly due to divestments of companies and operations and initially somewhat low volume for Systems & Electronics and Aerospace. During the quarter, two Gripen aircraft were invoiced compared to four during the corresponding quarter last year. The delivery rate, however, continues to be about 17 aircraft per year. The sales increase in Technical Support & Services is mainly attributable to the defense related business within AerotechTelub and for Space the volume growth continues. Sales of spares from Saab Aircraft have continued to grow also this year. Sixty-four percent of sales were related to defense and the foreign markets' share of total sales was 48 percent.

### Income and profitability

Operating income amounted to SEK 803 m. (247), of which capital gain from the divestment of Saab Marine Electronics was SEK 650 m. The first quarter last year included capital gains of SEK 55 m. Operating income excluding capital gains is somewhat lower than last year mainly due to divestments, low volume for Aerospace and structural costs in Corporate.

Operating income and margin for Systems & Electronics are on a level with the previous year, excluding divested Saab Marine Electronics. Due to fewer deliveries and a slower rate in the Swedish further development program, Aerospace has a lower operating income compared with the same quarter last year, which furthermore was a quarter when income was above average. However, the margin is still good and remains on the 10 percent level. Technical Support & Services is on a level with the previous year, but due to variations during the year the business area had a somewhat lower operating margin at the beginning of the year. For Dynamics the positive trend following last year's intensive integration of the business has continued. Operating margin for Space is still somewhat low as a result of internally financed development. The formation of Saab Aviation Services is part of the strategy of managing and developing Saab's regional aircraft business after implementing an insurance solution. Income from the business will be currently accounted for after that the cost for the basic technical resource and the deficit in the leasing business have been covered by the termination reserve. Project interest on non-utilized advance payments, accounted for in the gross margin, amounted to SEK 31 m. (48).

Operating expenses are generally somewhat lower compared to the same period in the previous year. Other operating income during both the present and previous years consist mainly of capital gains, trading income in Treasury business and currency gains, etc.

Net financial income and expenses amounted to SEK -1 m. (8). The average return on external investments amounted to 4.87 percent. Income after financial items amounted to SEK 802 m. (255). Current and deferred taxes amounted to SEK -144 m. (-73). The tax portion of income after financial items has been affected by the fact that the capital gain from the divestment of Saab Marine Electronics has been assessed as tax-free and that certain capital losses in the USA have been assessed as non-deductible. The Group's



effective tax rate for the year, excluding these one-recurrent items, is calculated at 29 percent.

Net income for the period was SEK 631 m. (161), corresponding to an income per share of SEK 5.93 (1.51).

**Orders**

Group order bookings during the first quarter amounted to SEK 3,998 m. (13,564). Order bookings for the previous year included the South African order, comprising 28 Gripen aircraft with a value for Saab of SEK 9.3 billion. First quarter order bookings included further development of the Swedish command and control system STRIC, an STCA for air traffic control systems, add-on orders for the Swedish Gripen program, a simulator for the BILL anti-tank missile system to Austria, orders in the space area within the Metop meteorological program and other projects, a three-year agreement covering maintenance on Crossair's Saab 2000 aircraft and an order to Saab TransponderTech for a network solution for automatic information systems (AIS) providing coverage of Sweden's entire coastline. The order backlog at year-end amounted to SEK 41,180 m., compared to SEK 41,091 m. at the beginning of the year.

**Liquidity, finance and investments****Finance and liquidity**

Compared to opening balance, liquid funds less liabilities to credit institutions increased by SEK 789 m. to SEK 4,731 m. (3,942). The increase is mainly related to the divestments of Marine Electronics and Celsius Amtec. The Group's net liquidity after deduction for allocations to pensions amounted to SEK 1,188 m., compared with SEK 415 m. at the beginning of the year.

Group equity/assets ratio amounted to 20.9 percent (13.7) compared with 18.2 percent in the opening balance. Shareholders' equity amounted to SEK 6,387 m. (4,872), corresponding to SEK 60.00 (45.76) per share, compared with SEK 53.26 at the beginning of the year.

**Cash flow**

Group cash flow from operating activities continued to be good. Working capital decreased as a result of utilization of part of last year's provisions within Dynamics, utilization of advances within Gripen and payments related to the regional aircraft business. The cash flow from investments was positive as a result of the divestment of Amtec and lease assets included therein. Operating cash flow was positive and amounted to SEK 690 m. (-784).

**Capital expenditures**

The year's capital expenditures in property, plant and equipment, excluding lease assets, amounted to SEK 97 m. (85).

**Personnel**

At the end of the period, the number of employees in the Group was 14,845, compared with 15,453 at the beginning of the year. The decrease is mainly related to the divestment of Saab Marine Electronics and Celsius Amtec.

**Ownership**

Saab's principal owners are Investor AB, BAE SYSTEMS, the Wallenberg foundations, Fidelity Funds, AMF, Third AP fund, MFS Funds and Skandia.

**Accounting Principles**

The report has been drawn up in accordance with earlier accounting principles. This means that Saab Marine Electronics and Celsius Amtec are not included in the Group for any part of 2001. The figures for 2000 have not been adjusted for external acquisitions and divestments made during 2001. However, sales and operating income by business area for the year 2000 have been adjusted for internal reorganizations.

Linköping April 26, 2001

Bengt Halse  
President and Chief Executive Officer

This Interim Report has not been subject to review by the Company's auditors.

**Dates for financial information:**

*Interim Report for January-June will be published on July 12, 2001*

*Interim Report for January-September will be published on October 19, 2001*

*The 2001 Report will be published on February 14, 2002*

**For further information, please contact:**

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*Anders Stålhammar, Press Officer*

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**Telephone interview with President Bengt Halse:**

*Today, Thursday April 26, approx. 13.30 - 14.30*

*tel. +46 13 18 71 75*

*Contact Anders Stålhammar, Press Officer*

*tel. +46 70 889 7096*

**International teleconference:**

*Today, Thursday April 26, 15.00. Contact Marita Sidén  
for registration and further information.*

*tel. +46 13 18 71 49*

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

**Income statement**

<b>SEK m.</b>	<b>3 months 2001</b>	<b>3 months 2000</b>	<b>Apr 2000 - 12 months Mar 2001</b>	<b>12 months 2000</b>
<b>Sales</b>	<b>3,575</b>	<b>4,187</b>	<b>17,228</b>	<b>17,840</b>
Cost of goods sold	-2,656	-3,152	-12,918	-13,427
<b>Gross margin</b>	<b>919</b>	<b>1,035</b>	<b>4,310</b>	<b>4,413</b>
Marketing expenses	-352	-373	-1,557	-1,578
Administrative expenses	-310	-318	-1,244	-1,251
Research and development costs	-188	-199	-849	-860
Items affecting comparability	0	0	285	285
Other operating income	756	132	1,224	613
Other operating expenses	-16	-28	-84	-97
Share in income of associated companies	-6	-2	4	8
<b>Operating income</b> <sup>1) 2)</sup>	<b>803</b>	<b>247</b>	<b>2,089</b>	<b>1,533</b>
Result from financial investments	-1	8	-94	-85
<b>Income after financial items</b>	<b>802</b>	<b>255</b>	<b>1,995</b>	<b>1,448</b>
Taxes	-144	-73	-404	-333
Minority interest	-27	-21	-83	-77
<b>Net income</b>	<b>631</b>	<b>161</b>	<b>1,508</b>	<b>1,038</b>
Earnings per share, SEK <sup>3)</sup>	5.93	1.51	14.17	9.75
Earnings per share after full conversion, SEK <sup>4)</sup>	5.78	1.47	13.81	9.50
1) Includes depreciation of of which depreciation on leasing assets	-300 -126	-330 -140	-1,306 -520	-1,336 -534
2) Includes goodwill depreciation of	-38	-46	-175	-183
3) Number of shares: 106,459,675 as per March 31, 2001				
4) Number of shares after full conversion: 109,247,175				

**Sales by business area**

<b>SEK m.</b>	<b>3 months 2001</b>	<b>3 months 2000</b>	<b>Change</b>	<b>Apr 2000 - 12 months Mar 2001</b>	<b>12 months 2000</b>
Saab Systems & Electronics	831	1,063	-22%	4,132	4,364
Saab Aerospace	659	962	-31%	3,618	3,921
Saab Technical Supp & Serv	777	683	14%	3,026	2,932
Saab Bofors Dynamics	572	572	0%	2,348	2,348
Saab Ericsson Space	204	163	25%	754	713
Saab Aviation Services	605	969	-38%	3,495	3,859
Corporate/Other operations	161	184	-12%	947	970
Internal sales	-234	-409		-1,092	-1,267
<b>Saab Group</b>	<b>3,575</b>	<b>4,187</b>	<b>-15%</b>	<b>17,228</b>	<b>17,840</b>

**Operating income by business area**

SEK m.	3		3		12		% of sales
	months	% of sales	months	% of sales	months	% of sales	
	2001		2000		Apr 2000 - Mar 2001	2000	
Saab Systems & Electronics	40	4.8%	61	5.7%	268	289	6.6%
Saab Aerospace	64	9.7%	100	10.4%	297	333	8.5%
Saab Technical Supp & Serv	45	5.8%	46	6.7%	181	182	6.2%
Saab Bofors Dynamics	14	2.4%	-23	-4.0%	83	46	2.0%
Saab Ericsson Space	14	6.9%	16	9.8%	51	53	7.4%
Saab Aviation Services	52	8.6%	20	2.1%	182	150	3.9%
Corporate/Other operations	574	n/a	27	n/a	1,027	480	n/a
<b>Saab Group</b>	<b>803</b>	<b>22.5%</b>	<b>247</b>	<b>5.9%</b>	<b>2,089</b>	<b>1,533</b>	<b>8.6%</b>

**Balance sheet**

SEK m.	March 31, 2001	March 31, 2000	Dec, 31, 2000
<b>Assets</b>			
Goodwill and other intangible assets	1,451	1,831	1,619
Property, plant and equipment, etc.	4,658	4,258	4,712
Lease assets	5,902	8,830	6,502
Long-term interest bearing receivables	1,678	1,237	1,345
Shares, etc.	945	1,233	950
Deferred tax receivables	1,340	964	1,440
Inventories, etc.	3,818	4,097	3,684
Short-term interest bearing receivables	220	336	606
Other receivables	5,677	6,123	6,079
Cash and marketable securities	4,847	6,777	4,182
<b>Total assets</b>	<b>30,536</b>	<b>35,686</b>	<b>31,119</b>
<b>Shareholders' equity and liabilities</b>			
Shareholders' equity	6,387	4,872	5,670
Minority interest in subsidiaries	842	760	821
Provision for pensions	3,543	3,608	3,527
Other provisions	3,695	6,502	3,821
Liabilities to credit institutions	1,786	2,499	1,963
Convertible debenture loan	228	218	228
Lease obligations	3,748	4,544	3,916
Advance payments from customers, net	3,372	4,432	3,619
Other liabilities	6,935	8,251	7,554
<b>Total shareholders' equity and liabilities</b>	<b>30,536</b>	<b>35,686</b>	<b>31,119</b>

**Subdivided summary of balance sheet, March 31, 2001**

SEK m.	Saab	Aircraft Leasing	Elimi- nations	Saab Group
<b>Assets</b>				
Goodwill and other intangible assets	1,451			1,451
Property, plant and equipment, etc,	4,657	1		4,658
Lease assets	16	5,886		5,902
Long-term interest bearing receivables	1,678			1,678
Shares, etc,	2,445		-1,500	945
Deferred tax receivables	1,382		-42	1,340
Inventories, etc,	3,818			3,818
Short-term interest bearing receivables	220			220
Other receivables	4,429	1,248		5,677
Cash and marketable securities	4,067	780		4,847
<b>Total assets</b>	<b>24,163</b>	<b>7,915</b>	<b>-1,542</b>	<b>30,536</b>
<b>Shareholders' equity and liabilities</b>				
Shareholders' equity	5,706	2,181	-1,500	6,387
Minority interest in subsidiaries	842			842
Provision for pensions	3,543			3,543
Other provisions	2,793	944	-42	3,695
Liabilities to credit institutions	1,786			1,786
Convertible debenture loan	228			228
Lease obligations	5	3,743		3,748
Advance payments from customers, net	3,372			3,372
Other liabilities	5,888	1,047		6,935
<b>Total shareholders' equity and liabilities</b>	<b>24,163</b>	<b>7,915</b>	<b>-1,542</b>	<b>30,536</b>

**Personnel by business area**

Number	March 31, 2001	March 31, 2000	Dec, 31, 2000
Saab Systems & Electronics	2,680	3,113	3,023
Saab Aerospace	4,081	4,211	4,146
Saab Technical Supp & Serv	3,132	3,248	3,147
Saab Bofors Dynamics	1,926	2,220	1,884
Saab Ericsson Space	660	649	663
Saab Aviation Services	1,594	1,686	1,631
Corporate/Other operations	772	1,114	959
<b>Saab Group</b>	<b>14,845</b>	<b>16,241</b>	<b>15,453</b>



**Sales and income per quarter**

SEK m.	2001	2000			
	1 <sup>st</sup> Q	1 <sup>st</sup> Q	2 <sup>nd</sup> Q	3 <sup>rd</sup> Q	4 <sup>th</sup> Q
Sales	3,575	4,187	4,150	3,976	5,527
Operating income	803	247	409	220	657
<i>Operating margin</i>	22.5%	5.9%	9.9%	5.5%	11.9%
Net financial income	-1	8	-35	-40	-18
Income after financial items	802	255	374	180	639
Net income	631	161	254	97	526
Earnings per share, SEK <sup>1)</sup>	5.93	1.51	2.39	0.91	4.94

<sup>1)</sup> Number of shares: 106,459,675 as per March 31, 2001,

**Key ratios**

	3 months	3 months	12 months
	2001	2000	2000
Operating margin before depreciation	27.3%	11.0%	13.5%
Operating margin after depreciation	22.5%	5.9%	8.6%
Pre-tax return on capital employed <sup>1)</sup>	19.0%	-	14.6%
After-tax return on shareholders' equity <sup>1)</sup>	26.8%	-	20.0%
Equity/assets ratio	20.9%	13.7%	18.2%

<sup>1)</sup> Calculated for the period April 2000 to March 2001,

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

SEK m.	Order bookings		Order backlog	
	3 months	3 months	March 31,	Dec, 31,
	2001	2000	2001	2000
Saab Systems & Electronics	860	955	8,353	8,689
Saab Aerospace	1,015	10,345	27,453	27,097
Saab Technical Supp & Serv	980	842	1,456	1,268
Saab Bofors Dynamics	482	438	4,163	4,219
Saab Ericsson Space	209	167	820	816
Saab Aviation Services	588	985	530	540
Corporate/Other operations	141	194	514	612
Internal	-277	-362	-2,109	-2,150
<b>Saab Group</b>	<b>3,998</b>	<b>13,564</b>	<b>41,180</b>	<b>41,091</b>

**Summary of cash flow statement**

<b>SEK m.</b>	<b>3 months 2001</b>	<b>3 months 2000<sup>1)</sup></b>	<b>12 months 2000<sup>1)</sup></b>
<b>Cash flow from operating activities</b>			
Income after financial items excl, Share in income of associated companies	808	257	1,440
Depreciation and write-down charged to income	300	330	1,336
Items affecting comparability			-246
Tax	-46	-69	-648
<b>Cash flow from operating activities before changes in working capital</b>	<b>1,062</b>	<b>518</b>	<b>1,882</b>
<b>Working capital</b>			
Inventories etc.	-134	-132	270
Receivables	400	722	320
Advance payments from customers, net	-247	-522	-1,012
Other liabilities	-619	-843	-612
Lease obligations	-168	-47	-717
Provisions	-126	-374	-1,537
<b>Change in working capital</b>	<b>-894</b>	<b>-1,196</b>	<b>-3,288</b>
<b>Cash flow from operating activities</b>	<b>168</b>	<b>-678</b>	<b>-1,406</b>
Investments in intangible fixed assets	130	-42	-59
Investments in shares etc.	-2	-20	43
Investments in tangible fixed assets	-82	-37	-911
Investments in lease assets	474	-7	476
Change in long-term receivables	2		-51
<b>Cash flow from investments</b>	<b>522</b>	<b>-106</b>	<b>-502</b>
<b>Operating cash flow</b>	<b>690</b>	<b>-784</b>	<b>-1,908</b>

1) Change compared to pro forma balance sheet as per December 31, 1999,

**Shareholders' equity**

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

<b>SEK m.</b>	<b>Totalt</b>
At the beginning of the year	5,670
Net income for the period	86
Translation differences etc,	631
<b>Total at the end of the period</b>	<b>6,387</b>



## **Business areas**

**Saab Systems and Electronics** focuses on command and control systems, simulation systems, avionics, electronic warfare and signature management, as well as commercial operations of IT and electronics. The most important products are naval command and control systems, electronic warfare systems for combat aircraft, electronic warfare equipment such as radar warners, jammers and decoys, display systems, air defense systems, laser simulators and combat training centers, and automatic identification systems (AIS) for ships and aircraft.

**Saab Aerospace**, which has the overall system integration capability required for building complete aircraft and defense systems, develops and manufactures military aircraft systems and act as a partner in subsystems to manufacturers of large commercial aircraft. The individually biggest product is the Gripen combat aircraft. The Swedish Defence Material Administration, FMV, has ordered a total of 204 Gripen aircraft, of which 100 have been delivered. In 2000, the first export order for the Gripen, comprising 28 aircraft, was formally received from South Africa.

**Saab Technical Support and Services** focuses on the growing market for high technology services in aviation, command and control, information, communications and sensors, and supplies both military and commercial customers. More than two thirds of sales go to the defense sector.

**Saab Bofors Dynamics**, gathers Saab's operations in precision engagement, develops and produces missile systems, portable anti-armor systems and underwater systems. Today, the business area is a complete missile systems house with products such as air-to-air, air defense, anti-ship and ground target missiles, anti-armor weaponry and torpedoes. Saab Bofors Dynamics is involved in several international collaboration projects in the missiles area.

**Saab Ericsson Space** develops and produces computers, antennas, microwave electronics and mechanical systems for the space industry. About half of the business relates to commercial telecommunication projects and the other half concerns publicly financed projects within organizations such as the European Space Agency, ESA, and bilateral and national programs.

**Saab Aviation Services** is a new business area started in 2001. Its core consists of Saab's leasing and customer support operation in regional aviation. Since the commercial risk in the leasing portfolio was eliminated last year through an insurance solution, the operation is now oriented towards developing portfolio value and the customer support operation. The business area includes remaining activities from Celsius Aviation Services until these are divested or taken care of in another way.