



Handläggare *Handled by*  
Helena Stålnert

Datum *Date*  
October 21, 2005

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## **INTERIM REPORT**

### **January – September 2005**

- **Sales amounted to SEK 12,458 m. (12,089)**
- **Net income for the period was SEK 631 m. (696)**
- **Earnings per share amounted to SEK 5.63 (6.21)**
- **Order bookings during the period amounted to SEK 11,165 m. (11,300)**
- **The order backlog totaled SEK 42,660 m. (44,668), against SEK 43,162 m. at the beginning of the year**
- **Operating income was SEK 944 m. (1,057) and income after financial items was SEK 889 m. (965).**

### Statement by the CEO

“The first three quarters of the year have developed in line with our plans and previous estimates, with the exception for the increased cost for the helicopter program, reported in the 2<sup>nd</sup> quarter. The operating margin is, after three quarters 7.6 percent, compared with 8.7 percent in the corresponding period last year, and has been impacted by restructuring costs. The underlying result, excluding costs for ongoing restructuring, is as a whole stable and the reported operating margin is in line with our long-term objective of 10 percent. Operating income has improved for the Defense & Security Solutions and Systems & Products business segments, while we are seeing a decline in Aeronautics, mainly due to lower margins in the Gripen program and provisions for the helicopter program.

Order bookings continue to be dominated by the international market, and 67 percent of our orders during the period were from outside Sweden. The largest single order during third quarter was from the German Air Force for radar warning equipment worth approximately SEK 1 billion. This is a large order within a well-defined market segment for aircraft jammers and warning equipment, where Saab is the world leader. My hope is that we will be awarded more such orders in the years ahead. The order for the RBS15 anti-ship missile system from the German Navy is also an important breakthrough, since it could lead to more orders from Germany and from other customers who have shown a strong interest in the RBS15.

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Early in the fourth quarter we signed an agreement to supply an airborne surveillance system to Pakistan. The system provides better control for border security, rescue operations and protection against terrorism and organized crime. A number of important conditions must be met before the agreement takes effect and the order can be registered. The order value is estimated at SEK 8.3 billion, approximately 30 percent of which is for Ericsson Microwave Systems. In October an order for ultra lightweight camouflage net systems from the U.S. defense, worth approximately SEK 500 million, was received and also a significant order for the design, development and manufacture of cargo doors for Boeing's new Dreamliner 787, initially worth SEK 800 m. The Boeing project is also important in that it ensures that we can retain a portion of the long-term aerospace competence associated with the Gripen program.

A decision on Swedish participation in the European development of a demonstrator for the unmanned Neuron aircraft is essential if we are to retain the strategic development competence in the Gripen program. Saab welcomes the investigative committee that the government has appointed and intends to assist in any way possible. It is however my firm belief that participation in the Neuron project would give us cost-efficient access to technology that is critical in this respect.

We are also gradually broadening our operations in key areas such as civil security and extended lifecycle commitments for Saab's products and systems. AerotechTelub's agreement with the Swedish Coast Guard on the development of an information system that coordinates maritime monitoring and information, SJÖBASIS, is initially small in scope, but is nevertheless a strategic example of civil security projects. If you also add Japan's intention to order specially equipped Saab 340 aircraft for maritime rescue missions and an order from China in October for the fifth transponder base station, the total value is approximately SEK 200 million.

In our full-year forecast, we are projecting top line growth of slightly over 8 percent, of which organic growth accounts for approximately 5 percent. Other growth refers to the net of the acquisition of Grintek and the divestment of our majority holding in Hawker Pacific, which is reported this year as an associated company. As previously announced, operating income is expected to generate a margin below last year's reported level of 9.3 percent and income after structural costs slightly lower than the SEK 1,657 m. reported in 2004. In addition, income was charged with provisions of SEK 250 m., which in itself reduces the margin by slightly over 1 percentage point. Our long-term objective of 10 percent remains unchanged."

### Important orders and events in the third quarter 2005

- In August Saab Avitronics received an order for Radar Warning Equipment for the German Air Force's Tornado aircraft. The order, valued at approximately SEK 1 billion, is from EADS of Germany. The Radar Warning Equipment is part of a major upgrade of the German Tornado fleet. The contract is a follow-on order for development work that Saab received in 2001. The work will be done in Järfälla with deliveries beginning by the end of 2006 and continuing until 2009.
- In September Saab Bofors Dynamics received a decision on an order for the heavy-weight anti-ship missile system RBS15 Mk3 for the German Navy. The order, valued



at approximately SEK 350 m., was received from Diehl BGT Defence. The contract was signed in October.

- In August Saab Aerosystems and Saab Avionics received an order from FMV to develop support systems for Gripen. The order is worth SEK 150 m. and supplements the existing contract for Gripen support systems.
- In August Saab Aircraft signed a new three-year agreement to continue the Saab's Parts Exchange Program (PEP) for Loganair's fleet of 11 Saab 340B and 2 Saab SF340A aircraft. The order has an estimated value of SEK 45 m. Glasgow, Scotland-based Loganair Ltd is a British Airways franchise partner.
- In July Saab Ericsson Space received the first order in a five-year framework agreement for the carbon fiber structure for a telecommunication satellite from Alcatel. The primary satellite structure forms the backbone of the Chinasat-9, the first satellite built with the new technology. Chinasat-9 is scheduled for launch in 2007.

Saab Ericsson Space has also received orders to upgrade the guidance system on NASA's sounding rockets and for ten X-band helix antennas for earth observation satellites.

- In September AerotechTelub signed an agreement with the Swedish Coast Guard to develop SJÖBASIS, an information system that coordinates maritime monitoring and information while relaying that information to a range of government authorities, including the Maritime Administration, the National Police Board, the Customs Service, the Armed Forces, the Environmental Protection Agency, the Meteorological and Hydrological Institute, the Board of Fisheries, and the Coast Guard. The first stage of the agreement, worth SEK 5 m., covers system design and will be delivered in February 2006.

## About Saab

Saab is one of the world's leading high-technology companies, with its main operations in defense, aviation and space. Operations focus on select areas in defense electronics, missile systems and space electronics, as well as military and commercial aviation. Saab is also active in technical services and maintenance.

### **Business segments**

**Defense & Security Solutions** provides technical support and services, command and control products, "system of systems" solutions and lifecycle commitments for these services and solutions.

**Systems & Products** develops and produces complete systems at various levels, including further development and upgrades, studies and demonstrators, and often provides maintenance and components. Lifecycle commitments, including the operation of the systems it delivers, are offered as well.

**Aeronautics** focuses on both military and commercial operations and is dominated by the advanced and important Gripen program. Commercial operations are shifting toward



the delivery of subsystems and components to the major manufacturers of passenger and transport aircraft, Airbus and Boeing.

## Sales, income and orders

### Sales

Group sales rose compared with the previous year to SEK 12,458 m. (12,089). Organic growth was approximately 2 percent after adjusting for the acquisition of Grintek and the deconsolidation of Hawker Pacific, which is now reported as an associated company. Sales in the third quarter amounted to SEK 4,025 m. (3,719).

Eighty-one percent (78) of sales was defense-related. Sales to foreign markets exceeded sales in the home market and amounted to 53 percent (48).

Sales for *Defense & Security Solutions* rose to SEK 3,650 m. (3,163). The increase is mainly due to the consolidation of Grintek in June and higher systems deliveries and services from Saab Systems.

Sales for *Systems & Products* rose to SEK 4,717 m. (4,557) through higher volumes in the US market for Saab Barracuda as well as Saab Bofors Dynamics' increased sales of AT4, NLAW and missile 70. Saab Ericsson Space noted a slight sales increase as well, while volumes for Saab Underwater Systems and Saab Training Systems were lower than the previous year.

*Aeronautics'* sales rose to SEK 4,888 m. (4,545). Sales for Saab Aerosystems rose through higher invoicing in the Czech Republic and Hungary and sales include 10 (11) Gripen aircraft. Gripen deliveries to the Czech Republic were finalized in September. Saab Aerostructures increased its invoicing for Airbus programs, as expected. Aircraft's sales of support and spares for the Saab 340/Saab 2000 fleet decreased compared with the previous year due to continued market pressures. Aviocomp has also been adversely affected by difficult market conditions.

### Income, margin and profitability

Operating income amounted to SEK 944 m. (1,057), corresponding to a margin of 7.6 percent (8.7). Operating income was affected by structural costs of SEK 163 m. (79) and provisions for the helicopter program of SEK 250 m. Excluding structural costs, the margin was 8.9 percent (9.4). Operating income in the third quarter amounted to SEK 374 m. (294), corresponding to an operating margin of 9.3 percent (7.9). Third-quarter income was charged with structural costs of SEK 45 m. (22). Income for the third quarter of 2004 was also charged with termination costs of SEK 160 m.

Operating income for *Defense & Security Solutions* amounted to SEK 349 m. (257) and its margin was 9.6 percent (8.1). The income improvement is mainly due to higher margins in Saab Systems' operations. Structural costs amounted to SEK 17 m. (20).

*Systems & Products* raised its operating income to SEK 517 m. (281) thanks to improved margins in most units. Year-earlier income was charged with termination costs of SEK 160 m. The operating margin was 11.0 percent (6.2). Structural costs amounted to SEK 16 m. (45).



Operating income for *Aeronautics* deteriorated to SEK 69 m. (514) due to lower margins in the Gripen program and lower volumes for Saab Aircraft and Saab Aviocomp. Structural costs of SEK 117 m. (14) were charged against income. Provisions allocated for the helicopter program reduced income by SEK 250 m. The operating margin was 1.4 percent (11.3). Excluding structural costs and provisions for the helicopter program, the margin was 8.9 percent (11.6).

*Corporate/Other* reported operating income of SEK 9 m. (5). Income was affected positively by the gain on the sale of CSM Materialteknik and was affected negatively by structural costs of SEK 13 m. (0). Also the previous year was affected by nonrecurring gains. Corporate and Other Operations comprise shared Group expenses, expenses and income from support operations, trading, results from certain operating companies and results from liquidations. Consequently, results may vary between periods. Results from leasing operations related to the fleet of Saab 340 and Saab 2000 are reported in Other Operations. The operations had no impact on income during the period. In September Northwest Airlines filed for Chapter 11 bankruptcy in the US. This will affect the leasing operations, since Mesaba Aviation operates 63 Saab 340 on behalf of Northwest Airlines. In October has Mesaba Aviation filed for Chapter 11 bankruptcy in the US. Of these 63 aircraft, 17 are guaranteed by EKN, the Swedish Export Credits Guarantee Board, and 46 are covered by portfolio insurance. The outcome of the bankruptcy proceedings will probably not be known until some time next year.

As a whole, administrative and marketing expenses were slightly lower than the previous year due to lower marketing costs, which often vary over time. Of the period's internally funded investments in research and development, a total of SEK 183 m. (319) has been capitalized and SEK 298 m. (247) has been charged to operating income for the year, which includes depreciation of SEK 61 m. (35). Other operating income during past and present years includes capital gains, currency gains and results from secondary activities. Other operating expenses consist of exchange rate differences and capital losses. Project interest on unutilized advance payments reduced the financial net by SEK 46 m. (47) and is reported in gross income.

Net financial income and expenses amounted to SEK -55 m. (-92). The average return on external investments was 3.31 percent (4.30). The financial net was positively affected by unrealized gains on cash and marketable securities of SEK 21 m. The Group's income after financial items amounted to SEK 889 m. (965). Current and deferred taxes totaled SEK -258 m. (-269).

Net income for the period was SEK 631 m. (696), of which the minority interest accounts for SEK 16 m. (18). Earnings per share amounted to SEK 5.63 (6.21).

The pre-tax return on capital employed was 16.5 percent for the past 12-month period, while the after-tax return on shareholders' equity was 14.9 percent.

### **Orders**

Group order bookings amounted to SEK 11,165 m. (11,300), of which 67 (64) percent came from customers outside Sweden. Important orders during the third quarter are



covered in the section "Important orders." The order backlog at the end of the period was SEK 42,660 m., against SEK 43,162 m. at the beginning of the year. The acquisition of Grintek raised the order backlog by approximately SEK 1 billion. Markets outside Sweden accounted for 75 (68) percent of the backlog.

## Liquidity, finance and investments

### Finance and liquidity

Cash and marketable securities, including interest-bearing receivables, less liabilities to credit institutions, have increased by SEK 1,228 m. since the beginning of the year to SEK 5,043 m. (2,929). The Group's net liquidity after deducting provisions for pensions rose to SEK 2,060 m. from SEK 781 m. at the beginning of the year. The Group's equity/assets ratio was 29.7 percent, against 29.8 percent at the beginning of the year. Shareholders' equity amounted to SEK 8,876 m. (7,881), compared with SEK 8,241 m. at the beginning of the year, corresponding to SEK 78.57 (71.23) per share for the Parent Company's shareholders.

### Cash flow

Operating cash flow amounted to SEK 1,743 m. (-467) for the period, and was distributed between cash flow from operations of SEK 1,848 m. (-478), the acquisition of Grintek SEK -285 m. (-108), other acquisitions SEK -16 m. (0), divestments of subsidiaries SEK 257 m. (141), and the regional aircraft business SEK -61 m. (-22). The improvement compared to previous year refers to higher advances from customers and increased other liabilities due to higher advance invoicing. Cash flow from investments improved due to lower investments in intangible and tangible fixed assets. During the period May to September 21 Saab 340 was sold which implies that working capital deteriorated and cash flow from investments was affected positively. The net of these items was positive and amounted to around SEK 70 m. Cash flow by business segment is shown in the table on page 17.

### Contingent liabilities

No significant new contingent liabilities were incurred during the period.

### Capital expenditures

The Group's gross capital expenditures in property, plant and equipment, excluding lease assets, amounted to SEK 196 m. (262).

### Personnel

At the end of the period the Group had 12,824 employees, against 11,936 at the beginning of the year. Recently acquired Grintek has 1,394 employees.

### Acquisition of Grintek

On May 31, 2005 Saab acquired 55.6 percent of the South African company Grintek Ltd. It had previously owned 21.4 percent. Grintek is a technology company specializing in defense electronics and telecommunications. See separate section on page 17.

### Owners

Saab's 15 largest shareholders are Investor AB, BAE SYSTEMS, the Wallenberg foundations, SEB funds, Robur funds, AMF Pension funds, Odin funds, JP Morgan



Chase Bank, If Insurance, Nordea funds, AMF Pension, Eikos fund, State Street Bank & Trust, Skandia Liv and Catella funds.

**Accounting principles**

This interim report is prepared according to IAS 34 Interim Financial Reporting, which corresponds to the requirements in the Swedish Financial Accounting Standards Council's recommendation RR 31 Interim reports for groups.

The accounting principles are those described in the annual report for 2004 on pages 18–24 and 38-40 and in a press release dated April 7, 2005, which state that IFRS is applied as of 2005 and that comparative figures for 2004 are restated in accordance with the new principles, with the exception of those that apply to IFRS 5, Non-current Assets Held for Sale and Discontinued Operations, and IAS 39, Financial Instruments: Recognition and Measurement. These recommendations are applied in the financial statements for 2005.

The effects of the translation of comparative income figures for each quarter are indicated in the press release dated April 7, 2005 and below in this interim report. Balance sheets and effects on shareholders' equity for January to September are reported below in this report, while the effects for the fourth quarter will be reported in future interim reports. Corresponding figures for the full-year 2004 are included in the above-mentioned press release.

Rule changes are still possible, as are changes in their application, due to differences in international interpretations.

This interim report has not been reviewed by the company's auditors.

Linköping, October 21, 2005

Åke Svensson  
President and CEO



**SAAB**

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## **PRESS INFORMATION**

**Financial information dates:**

The Interim Report for January – December 2005 will be published on February 15, 2006.

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Press conference with CEO Åke Svensson and CFO Lars Wahlund;

Today, Friday, October 21, 2005, 2:30 p.m. (CET)

World Trade Center, Stockholm

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

International teleconference;

Today, Friday, October 21, 2005, 4:00 p.m. (CET)

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**Income statement**

SEK m.	9 mos. 2005	9 mos. 2004	Rolling 12 mos.	12 mos. 2004
<b>Sales</b>	<b>12,458</b>	<b>12,089</b>	<b>18,217</b>	<b>17,848</b>
Cost of goods sold	-9,724	-9,246	-14,074	-13,596
<b>Gross income</b>	<b>2,734</b>	<b>2,843</b>	<b>4,143</b>	<b>4,252</b>
<i>Margin</i>	21.9%	23.5%	22.7%	23.8%
Marketing expenses	-882	-975	-1,193	-1,286
Administrative expenses	-727	-665	-1,010	-948
Research and development costs	-298	-247	-439	-388
Other operating income	111	92	194	175
Other operating expenses	-48	-35	-40	-27
Share in income of associated cos.	54	44	85	75
<b>Operating income <sup>1)</sup></b>	<b>944</b>	<b>1,057</b>	<b>1,740</b>	<b>1,853</b>
<i>Margin</i>	7.6%	8.7%	9.6%	10.4%
Financial income and expenses	-55	-92	-104	-141
<b>Income after financial items</b>	<b>889</b>	<b>965</b>	<b>1,636</b>	<b>1,712</b>
Taxes <sup>2)</sup>	-258	-269	-391	-402
<b>Net income for the period</b>	<b>631</b>	<b>696</b>	<b>1,245</b>	<b>1,310</b>
Of which Parent Company shareholders' interest	615	678	1,212	1,275
Of which minority interest	16	18	33	35
Earnings per share, SEK <sup>3)</sup>	5.63	6.31	11.10	11.78
after full conversion, SEK <sup>4)</sup>	5.63	6.21	11.20	11.78

<sup>1)</sup> Includes depreciation of -696 of which depreciation of lease assets -318

<sup>2)</sup> Share in tax of associated cos. -13

<sup>3)</sup> Average number of shares 9 mos. 2005: 109,150,344, and 9 mos. 2004: 107,444,338 and 12 mos 2004: 108,234,126.

<sup>4)</sup> Average number of shares after full conversion for 9 mos. 2004: 109,150,344.

**Sales by business segment**

SEK m.	9 mos. 2005	9 mos. 2004	Change	Q3 2005	Q3 2004	Rolling 12 mos.	12 mos. 2004
Defense & Security Solutions	3,650	3,163	15.4%	1,207	940	5,044	4,557
Systems & Products	4,717	4,557	3.5%	1,297	1,294	6,986	6,826
Aeronautics	4,888	4,545	7.5%	1,610	1,486	7,139	6,796
Corporate	22	465		2	166	216	659
Internal sales	-819	-641		-91	-167	-1,168	-990
<b>Saab Group</b>	<b>12,458</b>	<b>12,089</b>	<b>3.1%</b>	<b>4,025</b>	<b>3,719</b>	<b>18,217</b>	<b>17,848</b>

**Operating income by business segment**

SEK m.	9 mos. 2005	% of sales	9 mos. 2004	% of sales	Rolling 12 mos.	% of sales	12 mos. 2003	% of sales
Defense & Security Sol.	<b>349</b>	9.6%	257	8.1%	494	9.8%	402	8.8%
Systems & Products	<b>517</b>	11.0%	281	6.2%	853	12.2%	617	9.0%
Aeronautics	<b>69</b>	1.4%	514	11.3%	306	4.3%	751	11.1%
Corporate/Other	<b>9</b>		5		87		83	
<b>Saab Group</b>	<b>944</b>	<b>7.6%</b>	<b>1,057</b>	<b>8.7%</b>	<b>1,740</b>	<b>9.6%</b>	<b>1,853</b>	<b>10.4%</b>

**Quarterly income statement**

SEK m.	Q3 2005	Q2 2005	Q1 2005	Q4 2004	Q3 2004	Q2 2004	Q1 2004
<b>Sales</b>	<b>4,025</b>	<b>4,611</b>	<b>3,822</b>	<b>5,759</b>	<b>3,719</b>	<b>4,557</b>	<b>3,813</b>
Cost of goods sold	<b>-3,095</b>	<b>-3,722</b>	<b>-2,907</b>	<b>-4,350</b>	<b>-2,851</b>	<b>-3,522</b>	<b>-2,873</b>
<b>Gross income</b>	<b>930</b>	<b>889</b>	<b>915</b>	<b>1,409</b>	<b>868</b>	<b>1,035</b>	<b>940</b>
<i>Margin</i>	<b>23.1%</b>	19.3%	23.9%	24.5%	23.3%	22.7%	24.7%
Marketing expenses	<b>-283</b>	-307	-292	-311	-328	-334	-313
Administrative expenses	<b>-240</b>	-256	-231	-283	-207	-240	-218
Research and development costs	<b>-111</b>	-106	-81	-141	-87	-82	-78
Other operating income	<b>71</b>	14	26	83	45	24	23
Other operating expenses	<b>-8</b>	-35	-5	8	-7	-14	-14
Share in income of associated cos.	<b>15</b>	26	13	31	10	21	13
<b>Operating income <sup>1)</sup></b>	<b>374</b>	<b>225</b>	<b>345</b>	<b>796</b>	<b>294</b>	<b>410</b>	<b>353</b>
<i>Margin</i>	<b>9.3%</b>	4.9%	9.0%	13.8%	7.9%	9.0%	9.3%
Financial income and expenses	<b>-29</b>	-8	-18	-49	-54	-34	-4
<b>Income after financial items</b>	<b>345</b>	<b>217</b>	<b>327</b>	<b>747</b>	<b>240</b>	<b>376</b>	<b>349</b>
Taxes <sup>2)</sup>	<b>-100</b>	-63	-95	-133	-63	-107	-99
<b>Net income for the period</b>	<b>245</b>	<b>154</b>	<b>232</b>	<b>614</b>	<b>177</b>	<b>269</b>	<b>250</b>
Of which Parent Company shareholders' interest	<b>231</b>	161	223	597	170	261	247
Of which minority interest	<b>14</b>	-7	9	17	7	8	3
Earnings per share, SEK <sup>3)</sup>	<b>2.11</b>	1.48	2.04	5.47	1.56	2.43	2.32
after full conversion, SEK <sup>4)</sup>	<b>2.11</b>	1.48	2.04	5.47	1.56	2.39	2.26

<sup>1)</sup> Includes depreciation of **-225** of which depr. of lease assets **-94**

<sup>2)</sup> Share in tax of associated cos. **-6**

<sup>3)</sup> Average number of shares 2005: 109,150,344. Average numbers of shares for 2004 are found on next page.

<sup>4)</sup> Average number of shares after full conversion for 9 mos. 2004: 109,150,344.



<b>Quarterly information</b> SEK m.	January-March				April-June			
	2005		2004		2005		2004	
<b>Sales</b>								
Defense & Security Sol.	1,064		1,023		1,379		1,200	
Systems & Products	1,546		1,417		1,874		1,846	
Aeronautics	1,492		1,437		1,786		1,622	
Corporate	14		143		6		156	
Internal sales	-294		-207		-434		-267	
	<b>3,822</b>		<b>3,813</b>		<b>4,611</b>		<b>4,557</b>	
<b>Operating income</b>								
Defense & Security Sol.	114	10.7%	88	8.6%	163	11.8%	88	7.3%
Systems & Products	170	11.0%	89	6.3%	219	11.7%	190	10.3%
Aeronautics	98	6.6%	176	12.2%	-139		157	9.7%
Corporate	-37		0		-18		-25	
	<b>345</b>	<b>9.0%</b>	<b>353</b>	<b>9.3%</b>	<b>225</b>	<b>4.9%</b>	<b>410</b>	<b>9.0%</b>
Net financial items	-18		-4		-8		-34	
<b>Income after financial net</b>	<b>327</b>		<b>349</b>		<b>217</b>		<b>376</b>	
<b>Net income for the period</b>	<b>232</b>		<b>250</b>		<b>154</b>		<b>269</b>	
<b>Earnings per share</b>	<b>2,04</b>		<b>2.32</b>		<b>1.48</b>		<b>2.43</b>	
<b>No. of shares, thousands</b>	<b>109,150</b>		<b>106,523</b>		<b>109,150</b>		<b>107,229</b>	

**Quarterly information, cont.**

<b>SEK m.</b>	July-September				October-December			
	2005		2004		2005		2004	
<b>Sales</b>								
Defense & Security Solutions	1,207		940				1,394	
Systems & Products	1,297		1,294				2,269	
Aeronautics	1,610		1,486				2,251	
Corporate	2		166				194	
Internal sales	-91		-167				-349	
	<b>4,025</b>		<b>3,719</b>				<b>5,759</b>	
<b>Operating income</b>								
Defense & Security Solutions	72	6.0%	81	8.6%			145	10.4%
Systems & Products	128	9.9%	2	0.2%			336	14.8%
Aeronautics	110	6.8%	181	12.2%			237	10.5%
Corporate	64		30				78	
	<b>374</b>	<b>9.3%</b>	<b>294</b>	<b>7.9%</b>			<b>796</b>	<b>13.8%</b>
Net financial items	-29		-54				-49	
<b>Income after financial net</b>	<b>345</b>		<b>240</b>				<b>747</b>	
<b>Net income for the period</b>	<b>245</b>		<b>177</b>				<b>614</b>	
<b>Earnings per share</b>	<b>2,11</b>		<b>1,56</b>				<b>5,47</b>	
<b>No. of shares, thousands</b>	<b>109,150</b>		<b>109,150</b>				<b>109,150</b>	

**Total depreciation/amortization by business segment**

<b>SEK m.</b>	<b>9 mos. 2005</b>	<b>9 mos. 2004</b>	<b>Q3 2005</b>	<b>Q3 2004</b>	<b>12 mos. 2004</b>
Defense & Security Solutions	78	74	32	23	95
Systems & Products	128	132	42	44	180
Aeronautics	93	73	31	29	105
Corporate – lease assets	318	362	94	119	474
Corporate – other	79	88	26	28	113
<b>Saab Group</b>	<b>696</b>	<b>729</b>	<b>225</b>	<b>243</b>	<b>967</b>

**Sales by geographic market**

<b>SEK m.</b>	<b>9 mos. 2005</b>	<b>% of sales</b>	<b>9 mos. 2004</b>	<b>% of sales</b>	<b>12 mos. 2004</b>	<b>% of sales</b>
Sweden	5,812	47%	6,346	52%	9,265	52%
Rest of EU	3,550	28%	3,038	25%	4,604	25%
Rest of Europe	228	2%	341	3%	474	3%
Total, Europe	9,590	77%	9,725	80%	14,343	80%
North America	1,143	9%	900	7%	1,335	7%
Latin America	59	1%	90	1%	106	1%
Asia	525	4%	579	5%	887	5%
Australia, etc.	743	6%	790	7%	1,171	7%
Africa	398	3%	5	-	6	-
<b>Saab Group</b>	<b>12,458</b>	<b>100%</b>	<b>12,089</b>	<b>100%</b>	<b>17,848</b>	<b>100%</b>

**Balance sheet**

<b>SEK m.</b>	<b>9/30 2005</b>	<b>1/1 2005</b>	<b>12/31 2004</b>	<b>9/30 2004</b>	<b>1/1 2004</b>
<b>Assets</b>					
<b>Fixed assets</b>					
Goodwill and other intangible assets	3,175	2,822	2,822	2,760	2,497
Property, plant and equipment, etc.	4,430	4,389	4,428	4,585	4,840
Lease assets	4,324	4,371	4,371	5,039	5,448
Long-term interest-bearing receivables	494	459	459	476	765
Shares, etc.	444	770	770	637	415
Deferred tax receivables	386	727	727	739	1,095
Other receivables	640	580	580	657	757
<b>Total fixed assets</b>	<b>13,893</b>	<b>14,118</b>	<b>14,157</b>	<b>14,893</b>	<b>15,817</b>
<b>Current assets</b>					
Inventories, etc.	4,340	2,882	3,920	4,612	3,977
Current interest-bearing receivables	176	145	145	97	39
Other receivables	5,031	4,823	5,024	4,999	5,626
Financial instruments	517	1,227			
Cash and marketable securities	5,550	4,319	4,319	3,376	4,243
Fixed assets held for sale	397	182			
<b>Total fixed assets</b>	<b>16,011</b>	<b>13,578</b>	<b>13,408</b>	<b>13,084</b>	<b>13,885</b>
<b>Total assets</b>	<b>29,904</b>	<b>27,696</b>	<b>27,565</b>	<b>27,977</b>	<b>29,702</b>
<b>Shareholders' equity and liabilities</b>					
<b>Shareholders' equity</b>					
Majority interest	8,576	8,138	8,174	7,775	7,217
Minority interest	300	103	103	106	157
<b>Total shareholders' equity</b>	<b>8,876</b>	<b>8,241</b>	<b>8,277</b>	<b>7,881</b>	<b>7,374</b>
<b>Long-term liabilities and provisions</b>					
Provisions for pensions	2,834	2,865	2,865	2,816	3,248
Provisions for deferred tax	50	50	50		
Other provisions	2,159	1,817	1,914	2,095	2,147
Liabilities to credit institutions and other interest-bearing liabilities	815	793	793	762	272
Convertible debenture loan					232
Lease obligations	946	1,315	1,315	2,268	2,411
Other liabilities	317	344	344	384	434
<b>Total long-term liabilities and provisions</b>	<b>7,121</b>	<b>7,184</b>	<b>7,281</b>	<b>8,325</b>	<b>8,744</b>
<b>Current liabilities and provisions</b>					
Provisions for pensions	149	169	169	137	127
Other provisions	369	422	422	470	486
Advance payments from customers, net	3,100	2,860	2,860	2,895	3,990
Lease obligations	961	910	910	302	441
Liabilities to credit institutions and other interest-bearing liabilities	362	315	315	258	590
Financial instruments	416	266			
Other liabilities	8,469	7,324	7,331	7,709	7,950
Liabilities for fixed assets held for sale	81	5			
<b>Total long-term liabilities and provisions</b>	<b>13,907</b>	<b>12,271</b>	<b>12,007</b>	<b>11,771</b>	<b>13,584</b>
<b>Total shareholders' equity and liabilities</b>	<b>29,904</b>	<b>27,696</b>	<b>27,565</b>	<b>27,977</b>	<b>29,702</b>

**Shareholders' equity**

Changes in the Group's shareholders' equity:

SEK m.	9/30 2005		9/30 2004			
	Attributable to Parent Company's shareholders	Attributable to minority	Total	Attributable to Parent Company's shareholders	Attributable to minority	Total
Opening balance	8,138	103	8,241	7,217	157	7,374
Dividend to shareholders	-409		-409	-373		-373
Conversion of convertible debenture loan				239		239
Translation difference, etc.	232	11	243	14	-10	4
Acquisition and divestment of operations		170	170		-59	-59
Net income for the period	615	16	631	678	18	696
<b>Closing balance</b>	<b>8,576</b>	<b>300</b>	<b>8,876</b>	<b>7,775</b>	<b>106</b>	<b>7,881</b>

Reconciliation of shareholders' equity compared with previous accounting principles as of September 30, 2004

SEK m.	According to previous accounting principles	IFRS adjustments	According to IFRS Sept. 30, 2004
Opening balance	7,083	291	7,374
Dividend to shareholders	-373		-373
Conversion of convertible debenture loan	239		239
Translation difference, etc.	-10	14	4
Change in minority interest		-59	-59
Net income for the period	560	136	696
<b>Closing balance</b>	<b>7,499</b>	<b>382</b>	<b>7,881</b>

Reconciliation of net income for the period January - September 2004 compared with previous accounting principles and IFRS

SEK m.	January-March	April-June	July-September	9 mos. 2004
According to previous principles	205	222	133	560
Goodwill amortization	34	32	30	96
Inventories revalued at closing day rates	6	5	5	16
Lower depreciation on buildings	2	2	2	6
Minority profit	3	8	7	18
<b>According to IFRS</b>	<b>250</b>	<b>269</b>	<b>177</b>	<b>696</b>

**Condensed subdivided balance sheet as of September 30, 2005**

<b>SEK m.</b>	<b>Saab</b>	<b>Saab Aircraft Leasing</b>	<b>Elimina- tions</b>	<b>Saab Group</b>
<b>Assets</b>				
Goodwill and other intangible assets	3,175			3,175
Property, plant and equipment, etc.	4,428	2		4,430
Lease assets		4,324		4,324
Long-term interest-bearing receivables	494			494
Shares, etc.	1,944		-1,500	444
Deferred tax receivables	495		-109	386
Inventories, etc.	4,336	4		4,340
Current interest-bearing receivables	176			176
Other receivables	5,895	690		6,585
Cash and marketable securities	5,505	45		5,550
<b>Total assets</b>	<b>26,448</b>	<b>5,065</b>	<b>-1,609</b>	<b>29,904</b>
<b>Shareholders' equity and liabilities</b>				
Shareholders' equity	9,008	1,368	-1,500	8,876
Provisions for pensions	2,983			2,983
Provisions for deferred tax	50	109	-109	50
Other provisions	1,709	819		2,528
Liabilities to credit institutions	1,055	122		1,177
Lease obligations		1,907		1,907
Advance payments from customers, net	3,100			3,100
Other liabilities	8,543	740		9,283
<b>Total shareholders' equity and liabilities</b>	<b>26,448</b>	<b>5,065</b>	<b>-1,609</b>	<b>29,904</b>

**Statement of cash flows**

SEK m.	9 mos. 2005	9 mos. 2004	12 mos. 2004
<b>Cash flow from operating activities</b>			
Income after financial items	889	965	1,712
Adjustments for items not affecting cash flow	781	631	921
Tax paid	-80	-41	-26
<b>Cash flow from operating activities before changes in working capital</b>	<b>1,590</b>	<b>1,555</b>	<b>2,607</b>
<b>Working capital</b>			
Inventories etc.	-166	-688	-306
Receivables	328	650	573
Advance payments from customers	82	-1,092	-1,126
Other liabilities	699	198	-135
Lease obligations	-665	-295	-418
Provisions	-241	-339	-330
<b>Change in working capital</b>	<b>37</b>	<b>-1,566</b>	<b>-1,742</b>
<b>Cash flow from operating activities</b>	<b>1,627</b>	<b>-11</b>	<b>865</b>
Investments in intangible fixed assets	-183	-322	-420
Investments in tangible fixed assets	-196	-262	-348
Sale/acquisition of lease assets	518	42	41
Acquisition of companies	-301	-108	-108
Divestment of subsidiaries	257	141	184
Acquisition/sale of other long-term securities	-12	21	-5
Sale of intangible and tangible fixed assets	33	32	116
<b>Cash flow from investing activities</b>	<b>116</b>	<b>-456</b>	<b>-540</b>
<b>Operating cash flow</b>	<b>1,743</b>	<b>-467</b>	<b>325</b>
<b>Financing activities</b>			
Change in interest-bearing receivables	-66	252	216
Change in short-term investments	-1,486	-277	-1,119
Dividend to shareholders	-409	-373	-373
Loans raised	78	151	238
Provisions for pensions	-51	-422	-341
<b>Cash flow from financing activities</b>	<b>-1,934</b>	<b>-669</b>	<b>-1,379</b>
<b>Cash flow for the year</b>	<b>-191</b>	<b>-1,136</b>	<b>-1,054</b>
Liquid assets at beginning of year	1,289	2,332	2,332
Exchange rate difference in liquid assets	26	-8	11
<b>Liquid assets at year-end</b>	<b>1,124</b>	<b>1,188</b>	<b>1,289</b>
<b>Liquid assets</b>			
<i>Components included in liquid assets:</i>			
Cash and bank balances	1,124	358	394
Short-term investments	0	830	895
	1,124	1,188	1,289



**Cash flow by business segment**

SEK m.	9 mos. 2005	9 mos. 2004	12 mos. 2004
Defense & Security Solutions	399	68	266
Systems & Products	422	-240	-377
Aeronautics	818	-410	326
Corporate	104	115	110
<b>Saab Group</b>	<b>1,743</b>	<b>-467</b>	<b>325</b>

**Capital employed by business segment**

SEK m.	Sept. 30, 2005	Jan. 1, 2005	Sept. 30, 2004
Defense & Security Solutions	3,268	2,671	2,604
Systems & Products	3,695	4,083	3,888
Aeronautics	2,238	2,043	2,368
Corporate	3,835	3,587	2,994
<b>Saab Group</b>	<b>13,036</b>	<b>12,384</b>	<b>11,854</b>

**Personnel by business segment**

Number	Sept. 30, 2005	Dec. 31, 2004	Change	Sept. 30, 2004
Defense & Security Solutions	4,351	3,552	799	3,619
Systems & Products	4,153	3,850	303	3,911
Aeronautics	3,709	3,832	-123	3,870
Corporate	611	702	-91	1,139
<b>Saab Group</b>	<b>12,824</b>	<b>11,936</b>	<b>888</b>	<b>12,539</b>

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

SEK m.	Order bookings				Order backlog	
	9 mos. 2005	9 mos. 2004	Q3 2005	Q3 2004	September 30 2005	Dec. 31 2004
Defense & Security Solutions	4,803	3,383	1,313	1,065	4,845	2,895
Systems & Products	4,366	3,440	1,913	524	16,531	16,212
Aeronautics	2,456	4,446	1,114	900	23,029	26,088
Corporate	22	491	2	182	0	0
Internal	-482	-460	-139	-105	-1,745	-2,033
<b>Saab Group</b>	<b>11,165</b>	<b>11,300</b>	<b>4,203</b>	<b>2,566</b>	<b>42,660</b>	<b>43,162</b>

**Key ratios**

	9 mos. 2005	9 mos. 2004	12 mos. 2004
Operating margin before depreciation/amortization excluding depreciation of lease assets	10.6%	11.8%	13.1%
Operating margin after depreciation/amortization	7.6%	8.7%	10.4%
Earnings per share, SEK 1)	5.63	6.31	11.78
Earnings per share after dilution, SEK 1)	5.63	6.21	11.78
Return on capital employed before tax	16.5%	15.4% <sup>3)</sup>	17.0%
Return on equity after tax	14.9%	13.8% <sup>3)</sup>	16.7%
Equity/assets ratio	29.7%	28.2%	30.0%
Equity per share, SEK <sup>1)</sup>	78.57	71.23	74.89

1) Average number of shares Jan – September 2005: 109,150,344, Jan – September 2004: 107 444 338.  
Average number of shares 2004: 108 234 126. After full conversion 9 mos. 2004: 109,150,344.  
Number of shares September 2005 and December 2004: 109 150 344, September 2004: 109 150 344.

2) Rolling 12 months.

3) Not calculated according to IFRS.

**Grintek – preliminary acquisition balance as per May 31, 2005****SEK m.****Assets**

Tangible fixed assets	158
Capitalized development expenditures	73
Intangible fixed assets	10
Shares, etc.	14
Deferred tax receivables	20
Inventories, etc.	325
Other receivables	624
Cash and marketable securities	220
<b>Total assets</b>	<b>1,444</b>

**Shareholders' equity and liabilities**

Shareholders' equity	510
Minority interest	121
<b>Total shareholders' equity</b>	<b>631</b>
Provisions	149
Other liabilities	398
Advance payments from customers	167
Liabilities to credit institutions	99
<b>Total shareholders' equity and liabilities</b>	<b>1,444</b>

Acquired shareholders' equity amounted to SEK 284 m. (55.6% of SEK 510 m.)

**Reported goodwill from acquisition of Grintek**

Net assets acquired May 31, 2005	284
Purchase price paid	-406
Goodwill	122
Net assets acquired Feb. 1, 2004 (21.4% of 414)	87
Purchase price paid	-108
Goodwill	21
<b>Total goodwill</b>	<b>143</b>

**Effect on the Group's net liquidity**

Purchase price paid Feb. 1, 2004	-108
Purchase price paid May 31, 2005	-406
Cash and marketable securities less liabilities to credit institutions	121
<b>Total</b>	<b>-393</b>

Grintek's sales during the first 9 months of the year amounted to SEK 1,256 m., of which sales after acquisition date SEK 583 m.

Grintek's operating income for the first 9 months of the year amounted to SEK 43 m., of which operating income after acquisition date SEK 21 m.

Reported share in income of associated companies during the first 5 months of the year amounted to SEK 11m.

Grintek's net income for the period amounted to SEK 30 m., of which net income for the period after acquisition date SEK 15 m.

**Five-year overview**

<b>SEK m., unless otherwise stated</b>	<b>2004<sup>5)</sup></b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>
Order bookings	16,444	19,606	19,521	15,274	28,141
Order backlog at Dec. 31	43,162	45,636	43,082	40,034	41,091
Sales	17,848	17,250	16,538	15,689	17,840
Foreign market sales, %	48	46	41	40	48
Operating income	1,853	1,293	1,220	1,594	1,533
Operating margin, %	10.4	7.5	7.4	10.2	8.6
Operating margin before depreciation, %	13.1	11.1	11.2	14.4	13.5
Operating income excl. capital gains	1,853	1,293	1,220	944	895
Operating margin excl. capital gains, %	10.4	7.5	7.4	6.0	5.0
Income after financial items	1,712	1,073	993	1,554	1,448
Net income for the year	1,310	746	732	1,127	1,038
Total assets	27,565	28,704	28,109	29,901	31,119
Operating cash flow	325	545	-92	1,642	-1,908
Return on capital employed, %	17.0	12.7	11.6	15.5	14.6
Return on equity, %	16.7	10.8	10.8	18.3	20.0
Equity/assets ratio, %	30.0	24.4	24.3	22.3	18.2
Earnings per share, SEK <sup>2) 4)</sup>	11.78	7.00	6.87	10.59	9.75
after full conversion, SEK <sup>3) 4)</sup>	11.78	6.91	6.78	10.40	9.58
before goodwill amortization, SEK <sup>2) 4)</sup>	11.78	8.59	8.52	12.11	11.47
Dividend per share, SEK	3.75	3.50	3.50	3.25	3.00
Equity per share, SEK <sup>1)</sup>	74.89	65.75	64.17	62.74	53.26
Number of employees at year-end	11,936	13,414	14,036	14,028	15,453

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

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

<sup>3)</sup> Average number of shares 2004: 108,234,126, after full conversion 2000-2003: 109,247,175. Conversion of the debenture loan concluded on July 15, 2004.

<sup>4)</sup> Net income for the period less minority interest divided by the average number of shares.

<sup>5)</sup> Restated according to IFRS, previous years are not restated.