



# INTERIM REPORT 2006

JANUARY–MARCH

# Q1

- Sales SEK 4,311 m. (3,822)
- Net income for the period SEK 428 m. (232)
- Earnings per share SEK 3.88 (2.04)
- Operating income SEK 549 m. (345),  
income after financial items SEK 533 m. (327)
- Order bookings SEK 4,149 m. (3,801)
- Order backlog SEK 42 billion (43)



# SAAB

# Stable quarterly report on a level with previous year

## Statement by the CEO:

*“Saab has started 2006 in line with previous estimates. Income as a whole is stable and on a level with the previous year. A number of important orders have been won.*

Sales rose by 13 percent to slightly over SEK 4.3 billion, of which 64 percent is attributable to sales outside Sweden.

Operating income rose to SEK 549 m. (345). Income includes a capital gain of SEK 170 m. on the sale of Saab Metech to Bodycote International Plc, which the Swedish Competition Authority approved on April 12, 2006.

The operating margin rose to 12.7 percent (9.0). Excluding capital gains and structural costs, the margin was 9.7 percent, in line with the first quarter of the previous year.

Order bookings rose and continues to be dominated by orders outside Sweden; 64 percent of order bookings are from international markets. The order backlog, more than three fourths of which consists of international orders, amounts to approximately SEK 42 billion. When the remaining contractual terms for an airborne surveillance system ordered by Pakistan are met, we expect to be able to book the previously signed contract valued at SEK 8.3 billion, one third of which goes to our partner, Ericsson Microwave Systems.

## Important events

During the first quarter the world-leading BOL countermeasure dispensing system achieved further success through an important order for the Eurofighter Tranche 2 program. The order value is approximately SEK 190 m.

The Austrian Army ordered mobile training systems and equipment for training in urban environments.

From Sweden, an order was received to modernize the command and control systems on the Gotland and

Södermanland class submarines.

Boeing’s continued success with the B787 Dreamliner, where Saab is participating as a risk-sharing partner, has meant significant order bookings for the business segment Aeronautics during the quarter.

On March 30 the first five Gripen aircraft of a total of 14 were delivered to Hungary, which becomes the second NATO country after the Czech Republic to place the Gripen system in operational service. The deliveries strengthen Saab’s aggressive export efforts. We also see an increase of interest from, among others, Denmark and Norway.



**Åke Svensson**  
Koncernchef och verkställande direktör.

## Sweden

In Sweden, Saab continues to improve efficiency and is adapting its volumes to the new conditions resulting from the Swedish defence’s transformation. During the first quarter a total of 165 employees were laid off in Linköping, Arboga and Karlskoga.

The Minister for Defence’s Communication, “Appropriate governance and administration of the Swedish defence,” indicates further, important changes in the structure of the

Armed Forces and the direction of defence- and security-oriented research. In the long term a foundation is being laid for new development orders and a change in the relationship between the military and industry, with the latter expected to take on a greater role throughout the entire lifecycle of the equipment it supplies. This is fully in line with Saab's strategy and creates new business opportunities. We also noted with interest the Swedish government's bill entitled "Cooperation in crisis - for a more secure society." Here, the defence industry has an important role to play. Systems developed for military applications can be very beneficial in creating safer societies in times of peace as well.

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## IMPORTANT ORDERS AND EVENTS IN THE FIRST QUARTER OF 2006

Saab received an order from Flight Refuelling Ltd of the UK to provide the BOL countermeasure dispensing system for the Eurofighter Tranche 2 program. The order value is approximately SEK 190 m.

Saab received an order from FMV, the Swedish Defence Materiel Administration, to modernize the command and control systems on Sweden's Gotland and Södermanland class submarines.

Saab signed a contract with the Austrian Army for instrumented mobile training systems. The value of the order amounts to SEK 88 m.

The first five Gripen aircraft for Hungary were delivered to the customer.

Saab signed an agreement with Bodycote International Plc on the transfer of shares in Saab Metech AB and its subsidiaries in Denmark, Finland and Germany. The sale, which the Swedish Competition Authority approved on April 12, 2006, entail a capital gain of SEK 170 m.

In Finland, Saab and TietoEnator initiated a cooperation through a joint venture, TietoSaab Systems Oy.

## Forecast 2006

Saab's long-term financial objectives remain unchanged: 5 percent organic growth and an operating margin of 10 percent over a business cycle. In 2006 we expect sales growth of nearly 10 percent, of which about 6-7 percent will be organic and the rest mainly due to the inclusion of Grintek for the full year. The underlying operating margin is expected to reach the 10 percent objective before the effect of structural costs of approximately SEK 250 million in 2006."

Saab laid off a total of 165 employees in Linköping, Karlskoga and Arboga.

## Organization

Saab's Annual General Meeting on April 5 reelected Board members Erik Belfrage, Stephen Henwood, Peter Nygård, George Rose, Åke Svensson, Marcus Wallenberg, Per-Arne Sandström and Lena Treschow Torell. Lennart Johansson, Investor, was elected as a new member. Anders Scharp had declined reelection, and the Annual General Meeting elected Marcus Wallenberg as the new Chairman.

## SALES, INCOME AND ORDERS

### Sales

Group sales rose compared with the previous year to SEK 4,311 m. (3,822), corresponding to an increase 13 percent. Organic growth was slightly over 2 percent, and the remainder was attributable to the acquisition of Saab Grintek on May 31, 2005.

Of sales, 76 percent (82) related to the defense market. Sales in foreign markets exceeded sales in the home market and amounted to 64 percent (51).

Sales for Defense and Security Solutions rose to SEK 1,738 m. (1,261). The increase is mainly due to the consolidation of Saab Grintek and increased volumes in the business unit Saab Aerotech.

Sales for Systems and Products decreased to SEK 1,482 m. (1,546) mainly due to lower volumes for Saab Training

Systems, Saab Ericsson Space and Saab Underwater Systems. Saab Barracuda's sales rose in the U.S. market, which remains strong, while sales for Saab Bofors Dynamics rose through higher volumes for missile systems.

Aeronautics' sales rose to SEK 1,591 m. (1,280). Saab Aerosystems raised its sales through higher invoicing of the Gripen system in export markets. Saab Aerostructures is increasing its invoicing for Airbus programs according to plan.

### Income, margin and profitability

Operating income amounted to SEK 549 m. (345), corresponding to a margin of 12.7 percent (9.0). Operating income was affected by the gain of SEK 170 m. on the sale of the subsidiary Saab Metech and structural costs of SEK 38 m. (29). Excluding structural costs, the margin was 13.6 percent (9.8).

Operating income for Defense and Security Solutions amounted to SEK 192 m. (113), with an operating margin of 11.0 percent (9.0). The income improvement was mainly due to higher margins in Saab Aerotech and the consolidation of Saab Grintek. Structural costs amounted to SEK 0 m. (10).

Operating income for Systems & Products decreased to SEK 143 m. (169) mainly due to lower volumes for Saab Training and a lower margin for Saab Avionics. Saab Barracuda and Saab Bofors Dynamics reported income improvements owing to both higher volumes and higher margins. The operating margin was 9.6 percent (10.9). Structural costs amounted to SEK 1 m. (0).

Operating income for Aeronautics declined to SEK 72 m. (97) mainly due to higher structural costs, which affected income by SEK 36 m. (19). The operating margin was 4.5 percent (7.6), which was affected by higher structural costs and lower project margins.

Corporate reported operating income of SEK 142 m. (-34). Income was positively affected by the gain on the sale of Saab Metech, which amounted to approximately SEK 170 m. Corporate consists of shared Group expenses, expenses and income attributable to support operations, trading, results from certain operating companies and results in connection with liquidations. Consequently, results can vary between periods. Results from leasing operations for the Saab 340 and Saab 2000 fleet, which are reported in Corporate, had no impact on income during the period. As of March 31 the leasing fleet comprised 201 Saab 340 and Saab 2000 aircraft, a decrease of 16 since the beginning of the year. Of the leasing fleet, 139 aircraft are covered by portfolio insurance, 42 are guaranteed by the Swedish Export Credits

Guarantee Board and 19 are financed with non-recourse loans. One aircraft in the fleet is uninsured.

The Group's gross income rose to SEK 1,114 m. (915), which corresponds to a gross margin of 25.8 percent (23.9). The increase is attributable to improved gross margins for Defence and Security Solutions and Systems and Products.

Marketing and administrative expenses are higher than the previous year mainly due to the acquisition of Saab Grintek. Of the period's internally funded investments in research and development, a total of SEK 94 m. (77) has been capitalized and SEK 119 m. (81) has been charged to operating income for the year, which includes amortization of SEK 26 m. (15). Other operating income includes the capital gain of SEK 170 m. on the sale of Saab Metech, currency gains and results from secondary activities. Other operating expenses consist of exchange rate differences and capital losses. Project interest from utilized advanced payments reduced the financial net by SEK 9 m. (18) and is reported as gross income.

Net financial income and expenses amounted to SEK -16 m. (-18). The average return on external investments was 2.13 percent (3.22). The financial net was affected negatively by unrealized changes in the value of liquidity investments of SEK -14 m. (16). The Group's income after financial items amounted to SEK 533 m. (327). Current and deferred taxes amounted to SEK -105 m. (-95), which means an effective tax rate of 20 percent (29). The low effective tax is due to tax-exempt capital gains of SEK 170 m.

Net income for the period was SEK 428 m. (232), of which the minority interest amounts to SEK 5 m. (9). Earnings per share amounted to SEK 3.88 (2.04).

For the most recent twelve-month period the pretax return on capital employed was 17 percent and the after-tax return on equity was 15 percent.

### Orders

The Group's order bookings amounted to SEK 4,149 m. (3,801). Sixty-four percent (64) of orders came from customers outside Sweden. Major orders in the first quarter are listed in the section, "Important orders." The order backlog at the end of the period amounted to SEK 41,902 m., against SEK 42,198 m. at the beginning of the year. International markets accounted for 76 percent (71) of the order backlog.

## FINANCIAL POSITION AND LIQUIDITY

### Financial position and liquidity

From the start of the year cash and marketable securities, less interest-bearing liabilities, has compared to the beginning of the year decreased by SEK 2,482 m. to SEK 2,662 m. (3,000). The decrease is attributable to the capitalization of Saab Pensionsstiftelse, a pension fund, by SEK 2,503 m. in the first quarter of 2006. The Group's net liquidity including interest-bearing receivables and after deducting provisions for pensions decreased to SEK 2,819 m. from SEK 2,856 m. at the beginning of the year. The Group's equity/assets ratio was 36 percent, against 31 percent at the beginning of the year. Shareholders' equity related to the Parent Company's shareholders amounted to SEK 9,547m. (8,378), compared with SEK 9,179 m. at the beginning of the year, or SEK 87.47 (76.76) per share.

### Cash flow

Operating cash flow amounted to SEK 28 m. (-211) during the period and was distributed between cash flow from operating activities of SEK -196 m. (-73), the sale of Nammo of SEK 401 m., other acquisitions and divestments of Group companies of SEK -48 m. (-15) and aircraft leasing operations of SEK -129 m. (-123). During the period 14 Saab 340 were sold, due to which working capital decreased and cash flow from investing activities was affected positively. Cash flow by business segment is shown in the table on page 15.

### Contingent liabilities

No significant new contingent liabilities were added during the period.

## CAPITAL EXPENDITURES AND PERSONNEL

### Capital expenditures

The Group's gross capital expenditures in property, plant and equipment, excluding lease assets, amounted to SEK 86 m. (52).

### Personnel

At the end of the period the Group had 12,459 employees, against 12,830 at the beginning of the year.

### Owners

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

Nordea funds, Kas Depostory Trust Company, AMF Pension, HQ Funds, Skandia Liv Ssb CI Omnibus Ac and Eikos fund.

### Accounting principles

During the period the same accounting principles have been applied as in 2005.

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

Linköping, April 24, 2006

### Åke Svensson

President and Chief Executive Officer

### Financial information dates:

Q2 Interim Report January-June 2006 will be published on July 14, 2006.

Q3 Interim Report January-September 2006 will be published on October 20, 2006

The 2006 Report will be published on February 15, 2007.

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### Press conference

#### with President and CEO Åke Svensson and CFO Lars Wahlund

Today, Monday, April 24, 2006, at 10.00 a.m. (CET)  
World Trade Center, Stockholm  
Contact Peter Larsson, Press Secretary +46-734-18 00 18

### International teleconference :

Today, Monday, April 24, 2006 at 13.30 p.m (CET)  
Contact Marita Sidén to register and for further information  
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**Income statement**

<b>SEK m.</b>	<b>3 mos. 2006</b>	<b>3 mos. 2005</b>	<b>Rolling 12 mos.</b>	<b>12 mos. 2005</b>
Sales	4,311	3,822	19,803	19,314
Cost of goods sold	-3,197	-2,907	-15,293	-15,003
Gross income	1,114	915	4,510	4,311
Gross margin	25.8%	23.9%	22.8%	22.3%
Other operating income	185	26	481	322
Marketing expenses	-335	-292	-1,246	-1,203
Administrative expenses	-280	-231	-1,181	-1,132
Research and development costs	-119	-81	-590	-552
Other operating expenses	-21	-5	-175	-159
Share in income of associated cos	5	13	57	65
Operating income <sup>1)</sup>	549	345	1,856	1,652
Operating margin	12.7%	9.0%	9.4%	8.6%
Share in income of associated cos	-1	-	-21	-20
Financial income	59	60	227	228
Financial expenses	-74	-78	-305	-309
Net financial items	-16	-18	-99	-101
Income before taxes	533	327	1,757	1,551
Taxes	-105	-95	-362	-352
Net income for the period	428	232	1,395	1,199
Of which Parent Company shareholders' interest	423	223	1,389	1,189
Of which minority interest	5	9	6	10
Earnings per share before and after dilution, SEK <sup>2)</sup>	3.88	2.04	12.73	10.89
<sup>1)</sup> Includes depreciation of	-195	-228	-906	-939
of which depreciation of lease assets	-79	-109	-389	-419
<sup>2)</sup> Average number of shares	109,150,344	109,150,344	109,150,344	109,150,344

**Sales by business segment**

SEK m.	3 mos. 2006	3 mos. 2005	Change	Rolling 12	
				mos.	12 mos. 2005
Defence & Security Solutions	1,738	1,261	37.8%	6,780	6,303
Systems & Products	1,482	1,546	-4.1%	7,333	7,397
Aeronautics	1,591	1,280	24.3%	7,086	6,775
Corporate	69	25		126	82
Internal sales	-569	-290		-1,522	-1,243
Saab Group	4,311	3,822	12.8%	19,803	19,314

**Operating income by business segment**

SEK m.	3 mos. 2006		3 mos. 2005		Rolling 12		12 mos. 2005	
	3 mos. 2006	% of sales	3 mos. 2005	% of sales	mos.	% of sales	12 mos. 2005	% of sales
Defence & Security Solutions	192	11.0%	113	9.0%	714	10.5%	635	10.1%
Systems & Products	143	9.6%	169	10.9%	792	10.8%	818	11.1%
Aeronautics	72	4.5%	97	7.6%	119	1.7%	144	2.1%
Corporate	142		-34		231		55	
Saab Group	549	12.7%	345	9.0%	1,856	9.4%	1,652	8.6%

**Operating income by business segment with structural costs reported separately**

SEK m.	3 mos. 2006		3 mos. 2005		Rolling 12		12 mos. 2005	
	3 mos. 2006	% of sales	3 mos. 2005	% of sales	mos.	% of sales	12 mos. 2005	% of sales
Defence & Security Solutions	192	11.0%	123	9.8%	748	11.0%	679	10.8%
Systems & Products	144	9.7%	169	10.9%	837	11.4%	862	11.7%
Aeronautics	108	6.8%	116	9.1%	263	3.7%	271	4.0%
Corporate	143		-34		338		161	
Total	587	13.6%	374	9.8%	2,186	11.0%	1,973	10.2%
Structural costs	-38		-29		-330		-321	
Saab Group	549	12.7%	345	9.0%	1,856	9.4%	1,652	8.6%

**Income statement**

<b>SEK m.</b>	<b>Q1 2006</b>	<b>Q4 2005</b>	<b>Q3 2005</b>	<b>Q2 2005</b>	<b>Q1 2005</b>
Sales	4,311	6,856	4,025	4,611	3,822
Cost of goods sold	-3,197	-5,279	-3,095	-3,722	-2,907
Gross income	1,114	1,577	930	889	915
Gross margin	25.8%	23.0%	23.1%	19.3%	23.9%
Other operating income	185	211	71	14	26
Marketing expenses	-335	-321	-283	-307	-292
Administrative expenses	-280	-405	-240	-256	-231
Research and development costs	-119	-254	-111	-106	-81
Other operating expenses	-21	-111	-8	-35	-5
Share in income of associated cos.	5	11	15	26	13
Operating income <sup>1)</sup>	549	708	374	225	345
Operating margin	12.7%	10.3%	9.3%	4.9%	9.0%
Share in income of associated cos.	-1	-20	-	-	-
Financial income	59	80	38	50	60
Financial expenses	-74	-106	-67	-58	-78
Net financial items	-16	-38	-29	-8	-18
Income before taxes	533	662	345	217	327
Taxes	-105	-94	-100	-63	-95
Net income for the period	428	568	245	154	232
Of which Parent Company shareholders' interest	423	574	231	161	223
Of which minority interest	5	-6	14	-7	9
Earnings per share before and after dilution, SEK <sup>2)</sup>	3.88	5.26	2.11	1.48	2.04
<sup>1)</sup> Includes depreciation of	-195	-243	-225	-243	-228
of which depreciation of lease assets	-79	-101	-94	-115	-109
<sup>2)</sup> Average number of shares	109,150,344	109,150,344	109,150,344	109,150,344	109,150,344



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Quarterly information

SEK m.	JANUARY-MARCH				APRIL-JUNE	
	2006		2005		2006	2005
<b>Sales</b>						
Defence & Security Solutions	1,738		1,261			1,600
Systems & Products	1,482		1,546			1,874
Aeronautics	1,591		1,280			1,552
Corporate	69		25			18
Internal sales	-569		-290			-433
	4,311		3,822			4,611
<b>Operating income</b>						
Defence & Security Solutions	192	11.0%	113	9.0%		175
Systems & Products	143	9.6%	169	10.9%		218
Aeronautics	72	4.5%	97	7.6%		-155
Corporate	142		-34			-13
	549	12.7%	345	9.0%		225
Net financial items	-16		-18			-8
<b>Income before taxes</b>	<b>533</b>		<b>327</b>			<b>217</b>
<b>Net income for the period</b>	<b>428</b>		<b>232</b>			<b>154</b>
<b>Earnings per share</b>	<b>3.88</b>		<b>2.04</b>			<b>1.48</b>
<b>No. of shares, thousands</b>	<b>109,150</b>		<b>109,150</b>			<b>109,150</b>

SEK m.	JULY-SEPTEMBER				OCTOBER-DECEMBER	
	2006		2005		2006	2005
<b>Sales</b>						
Defence & Security Solutions			1,409			2,033
Systems & Products			1,297			2,680
Aeronautics			1,391			2,552
Corporate			15			24
Internal sales			-87			-433
			4,025			6,856
<b>Operating income</b>						
Defence & Security Solutions			98	7.0%		249
Systems & Products			123	9.5%		308
Aeronautics			87	6.3%		115
Corporate			66			36
			374	9.3%		708
Net financial items			-29			-46
<b>Income before taxes</b>			<b>345</b>			<b>662</b>
<b>Net income for the period</b>			<b>245</b>			<b>568</b>
<b>Earnings per share</b>			<b>2.11</b>			<b>5.26</b>
<b>No. of shares, thousands</b>			<b>109,150</b>			<b>109,150</b>

**Depreciation/amortization by business segment**

<b>SEK m.</b>	<b>3 mos. 2006</b>	<b>3 mos. 2005</b>	<b>12 mos. 2005</b>
Defence & Security Solutions	19	19	102
Systems & Products	45	41	167
Aeronautics	29	28	124
Corporate - lease assets	79	109	419
Corporate - other	23	31	127
<b>Saab Group</b>	<b>195</b>	<b>228</b>	<b>939</b>

**Sales by geographic market**

<b>SEK m.</b>	<b>3 mos. 2006</b>	<b>% of sales</b>	<b>3 mos. 2005</b>	<b>% of sales</b>	<b>12 mos. 2005</b>	<b>% of sales</b>
Sweden	1,536	36%	1,877	49%	8,541	44%
Rest of EU	1,133	26%	1,139	30%	5,420	28%
Rest of Europe	57	1%	54	1%	343	2%
<b>Total, Europe</b>	<b>2,726</b>	<b>63%</b>	<b>3,070</b>	<b>80%</b>	<b>14,304</b>	<b>74%</b>
North America	326	8%	344	9%	1,608	8%
Latin America	9	-	9	-	83	-
Asia	269	6%	261	7%	684	4%
Australia, etc.	340	8%	137	4%	1,195	6%
Africa	641	15%	1	-	1,440	8%
<b>Saab Group</b>	<b>4,311</b>	<b>100%</b>	<b>3,822</b>	<b>100%</b>	<b>19,314</b>	<b>100%</b>

**Order bookings by business segment**

<b>SEK m.</b>	<b>3 mos. 2006</b>	<b>3 mos. 2005</b>	<b>12 mos. 2005</b>
Defence & Security Solutions	1,889	2,479	7,648
Systems & Products	1,481	819	6,726
Aeronautics	1,146	568	3,603
Corporate	10	57	243
Internal	-377	-122	-708
<b>Saab Group</b>	<b>4,149</b>	<b>3,801</b>	<b>17,512</b>

**Order backlog by business segment**

<b>SEK m.</b>	<b>March 31 2006</b>	<b>Dec 31 2005</b>
Defence & Security Solutions	5,468	5,300
Systems & Products	16,310	16,325
Aeronautics	21,405	21,970
Corporate	104	163
Internal	-1,385	-1,560
<b>Saab Group</b>	<b>41,902</b>	<b>42,198</b>

**Balance sheet**

<b>SEK m.</b>	<b>March 31 2006</b>	<b>Dec 31 2005</b>	<b>March 31 2005</b>	<b>Jan 1 2005</b>
<b>ASSETS</b>				
<b>Fixed assets</b>				
Intangible fixed assets	3,328	3,222	2,868	2,822
Tangible fixed assets	4,194	4,208	4,055	4,100
Lease assets	3,618	4,077	4,586	4,371
Biological assets	217	217	213	213
Investment properties	62	62	59	59
Shares in associated companies	312	316	576	540
Financial investments	122	128	263	263
Long-term receivables	1,074	1,090	1,009	1,006
Deferred tax receivables	265	319	553	675
<b>Total fixed assets</b>	<b>13,192</b>	<b>13,639</b>	<b>14,182</b>	<b>14,049</b>
<b>Current assets</b>				
Inventories	4,276	3,962	3,830	3,773
Derivatives	372	434	801	1,227
Tax receivables	119	93	132	108
Account receivables	2,543	3,017	2,332	2,657
Prepaid expenses and accrued income	615	608	767	635
Other receivables	2,898	2,578	2,262	1,727
Short-term investments	2,759	4,624	3,506	3,183
Cash and marketable securities	952	1,574	592	1,136
<b>Total current assets</b>	<b>14,534</b>	<b>16,890</b>	<b>14,222</b>	<b>14,446</b>
Assets held for sale		65	182	182
<b>Total assets</b>	<b>27,726</b>	<b>30,594</b>	<b>28,586</b>	<b>28,677</b>

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SEK m.	March 31 2006	Dec 31 2005	March 31 2005	Jan 1 2005
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
<b>Shareholders' equity</b>				
Parent Company's shareholders' interest	9,547	9,179	8,378	8,198
Minority interest	319	314	114	103
Total shareholders' equity	9,866	9,493	8,492	8,301
<b>Long-term liabilities</b>				
Long-term interest-bearing liabilities	733	739	750	793
Lease obligations	390	665	1,398	1,315
Other liabilities	380	388	339	344
Provisions for pensions	491	2,939	3,051	3,034
Other provisions	2,228	2,214	1,789	1,817
Deferred tax liabilities	28	28	50	50
Total long-term liabilities	4,250	6,973	7,377	7,353
<b>Current liabilities</b>				
Short-term interest-bearing liabilities	316	315	348	315
Advance payments from customers	2,862	3,528	2,862	2,860
Accounts payable	1,040	1,263	916	1,173
Lease obligations	803	858	910	910
Derivatives	219	365	272	266
Tax liabilities	177	167	113	92
Other liabilities	1,020	827	766	712
Accrued expenses and deferred income	6,604	6,152	6,109	6,268
Provisions	569	616	416	422
Total current liabilities	13,610	14,091	12,712	13,018
Liabilities attributable to assets held for sale		37	5	5
Total liabilities	17,860	21,101	20,094	20,376
<b>Total shareholders' equity and liabilities</b>	<b>27,726</b>	<b>30,594</b>	<b>28,586</b>	<b>28,677</b>

**Condensed subdivided balance sheet as of March 31, 2006**

SEK m.	Saab	Saab Aircraft Leasing	Eliminations	Saab Group
<b>Assets</b>				
Intangible assets	3,328			3,328
Tangible fixed assets	4,473			4,473
Lease assets		3,618		3,618
Long-term interest-bearing receivables	480			480
Shares etc.	1,904		-1,500	404
Deferred tax assets	372		-107	265
Inventories	4,272	4		4,276
Short-term interest-bearing receivables	168			168
Other receivables	6,305	698		7,003
Cash and marketable securities	3,638	73		3,711
<b>Total assets</b>	<b>24,940</b>	<b>4,393</b>	<b>-1,607</b>	<b>27,726</b>
<b>Shareholders' equity and liabilities</b>				
Shareholders' equity	9,954	1,412	-1,500	9,866
Provisions for pensions	491			491
Deferred tax liabilities	28	107	-107	28
Other provisions	2,028	769		2,797
Interest-bearing liabilities	886	163		1,049
Lease obligations		1,193		1,193
Advance payments from customers	2,862			2,862
Other liabilities	8,691	749		9,440
<b>Total shareholders' equity and liabilities</b>	<b>24,940</b>	<b>4,393</b>	<b>-1,607</b>	<b>27,726</b>

**Statement of cash flows**

SEK m.	3 mos. 2006	3 mos. 2005	12 mos. 2005
<b>Operating activities</b>			
Income after financial items	533	327	1,551
Adjustments for items not affecting cash flow	88	286	1,398
Income tax paid	-31	-16	-110
Cash flow from operating activities before changes in working capital	590	597	2,839
<b>Cash flow from changes in working capital</b>			
Increase(-)/Decrease(+) in inventories	-367	-3	356
Increase(-)/Decrease(+) in current receivables	-73	-403	-43
Increase(+)/Decrease(-) in advance payments from customers	-664	2	481
Increase(+)/Decrease(-) in lease obligations	-291	-70	-1,022
Increase(+)/Decrease(-) in other current liabilities	437	15	417
Increase(+)/Decrease(-) in provisions	-67	-110	-331
<b>Cash flow from operating activities</b>	<b>-435</b>	<b>28</b>	<b>2,697</b>
<b>Investing activities</b>			
Investments in intangible fixed assets	-	-	-1
Sale of intangible fixed assets	-	-	-
Capitalized development costs	-94	-77	-292
Investments in tangible fixed assets	-86	-52	-296
Sale of tangible fixed assets	15	18	37
Investments in lease assets	-	-48	-109
Sale of lease assets	276	-	799
Investments in and sale of financial assets	2,262	-325	-1,598
Investments in subsidiaries, net effect on liquidity	-48	-	-293
Sale of subsidiaries, net effect on liquidity	-	-	257
<b>Cash flow from investing activities</b>	<b>2,325</b>	<b>-484</b>	<b>-1,496</b>
<b>Financing activities</b>			
Loans raised	21	-	-
Amortization of loans	-	-10	-36
Pensions paid and amortization of provisions for pensions	-2,511	-48	-356
Dividend paid to Parent Company's shareholders	-	-	-409
Dividend paid to minority interest	-	-	-4
<b>Cash flow from financing activities</b>	<b>-2,490</b>	<b>-58</b>	<b>-805</b>
<b>Cash flow for the year</b>	<b>-600</b>	<b>-514</b>	<b>396</b>
Liquid assets at beginning of year	1,557	1,129	1,129
Exchange rate difference in liquid assets	-5	-23	32
<b>Liquid assets at end of period</b>	<b>952</b>	<b>592</b>	<b>1,557</b>

**Operating cash flow by business segment**

<b>SEK m.</b>	<b>3 mos. 2006</b>	<b>3 mos. 2005</b>	<b>12 mos. 2005</b>
Defence & Security Solutions	228	124	539
Systems & Products	181	253	485
Aeronautics	-390	-330	1,570
Corporate	9	-258	-54
Saab Group	28	-211	2,540

**Capital employed by business segment**

<b>SEK m.</b>	<b>March 31 2006</b>	<b>Dec 31 2005</b>	<b>March 31 2005</b>
Defence & Security Solutions	3,343	3,483	2,630
Systems & Products	3,992	4,191	3,637
Aeronautics	1,364	1,330	1,366
Corporate	2,707	4,483	5,008
Saab Group	11,406	13,487	12,641

**Key ratios**

<b>Percent</b>	<b>3 mos. 2006</b>	<b>3 mos. 2005</b>	<b>12 mos. 2005</b>
Operating margin before depreciation/amortization excluding leasing, %	15.4	12.1	11.2
Operating margin after depreciation/amortization, %	12.7	9.0	8.6
Earnings per share, SEK <sup>1)</sup>	3.88	2.04	10.89
Return on capital employed before tax, %	17.3	16.6	14.6
Return on equity after tax, %	15.2	16.1	13.5
Equity/assets ratio, %	35.6	29.7	31.0
Equity per share, SEK <sup>1)</sup>	87.47	76.76	84.10

<sup>1)</sup> Average number of shares 109 150 344.

**Personnel by business segment**

Number at end of period	March 31 2006	Dec 31 2005	Change	March 31 2005
Defence & Security Solutions	4,618	4,737	-119	3,973
Systems & Products	4,119	4,168	-49	3,802
Aeronautics	3,001	3,189	-188	3,265
Corporate	721	736	-15	770
Saab Group	12,459	12,830	-371	11,810

**Shareholders' equity**

Changes in the Group's shareholders' equity:

SEK m.	March 31 2006		March 31 2005			Total
	Attributable to Parent Company's shareholders	Attributable to minority	Total	Attributable to Parent Company's shareholders	Attributable to minority	
Opening balance	9,179	314	9,493	8,118	103	8,221
Effects of changing accounting principles				80		80
Translation difference, etc.	-112		-112	37	2	39
Cash flow hedges	57		57	-80		-80
Net income for the period	423	5	428	223	9	232
Closing balance	9,547	319	9,866	8,378	114	8,492

**Acquisitions and divestments**

During the first quarter a joint venture was formed together with TietoEnator, TietoSaab Systems Oy. Saab's share is 40 percent. The company was formed through a non-cash issue where Saab contributed the net assets of Elesco Oy. In addition, Tieto Enator received SEK 48 m. in cash. The transaction resulted in reported goodwill of SEK 48 m.

On March 27 the subsidiary Saab Metech AB was divested. The preliminary purchase price was SEK 260 m., which generated a profit of SEK 170 m. If the divestment had taken place on January 1, 2006, the Group's sales would have been SEK 57 m. lower and amounted to SEK 4,254 m., and net income for the year would have decreased by SEK 5 m., excluding capital gains, and amounted to SEK 423 m.



**Five-year overview**

SEK m., unless otherwise stated	2005	2004 <sup>5)</sup>	2003	2002	2001
Order bookings	17,512	16,444	19,606	19,521	15,274
Order backlog at Dec. 31.	42,198	43,162	45,636	43,082	40,034
Sales	19,314	17,848	17,250	16,538	15,689
Foreign market sales, %	56	48	46	41	40
Operating income	1,652	1,853	1,293	1,220	1,594
Operating margin, %	8.6	10.4	7.5	7.4	10.2
Operating margin before depreciation, exclusive of depreciation on lease assets, %	11.2	13.1	11.1	11.2	14.4
Income after financial items	1,551	1,712	1,073	993	1,554
Net income for the year	1,199	1,310	746	732	1,127
Total assets	30,594	27,509	28,704	28,109	29,901
Operating cash flow	2,540	325	545	-92	1,642
Return on capital employed, %	14.6	17.3	12.7	11.6	15.5
Return on equity, %	13.5	16.7	10.8	10.8	18.3
Equity/assets ratio, %	31.0	29.9	24.4	24.3	22.3
Earnings per share, SEK <sup>2) 4)</sup>	10.89	11.78	7.00	6.87	10.59
after full conversion, SEK <sup>3) 4)</sup>	10.89	11.78	6.91	6.78	10.40
before goodwill amortization, SEK <sup>2) 4)</sup>	10.89	11.78	8.59	8.52	12.11
Dividend per share, SEK	4.00	3.75	3.50	3.50	3.25
Equity per share, SEK <sup>1)</sup>	84.10	74.89	65.75	64.17	62.74
Number of employees at year-end	12,830	11,936	13,414	14,036	14,028

<sup>1)</sup> Number of shares as of December 31, 2005: 109,150,344; 2004: 109,150,344; 2003: 106,517,563; 2002: 106,510,374; and 2001: 106,459,675

<sup>2)</sup> Average number of shares 2005: 109,150,344; 2004: 108,234,126; 2003: 106,513,969; 2002: 106,487,407; and 2001: 106,459,675

<sup>3)</sup> Average number of shares 2005: 109,150,344; 2004: 108,234,126, after full conversion 2001-2003: 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