

Q3 Interim Report 2006

Tele conference, Stockholm, October 20, 2006

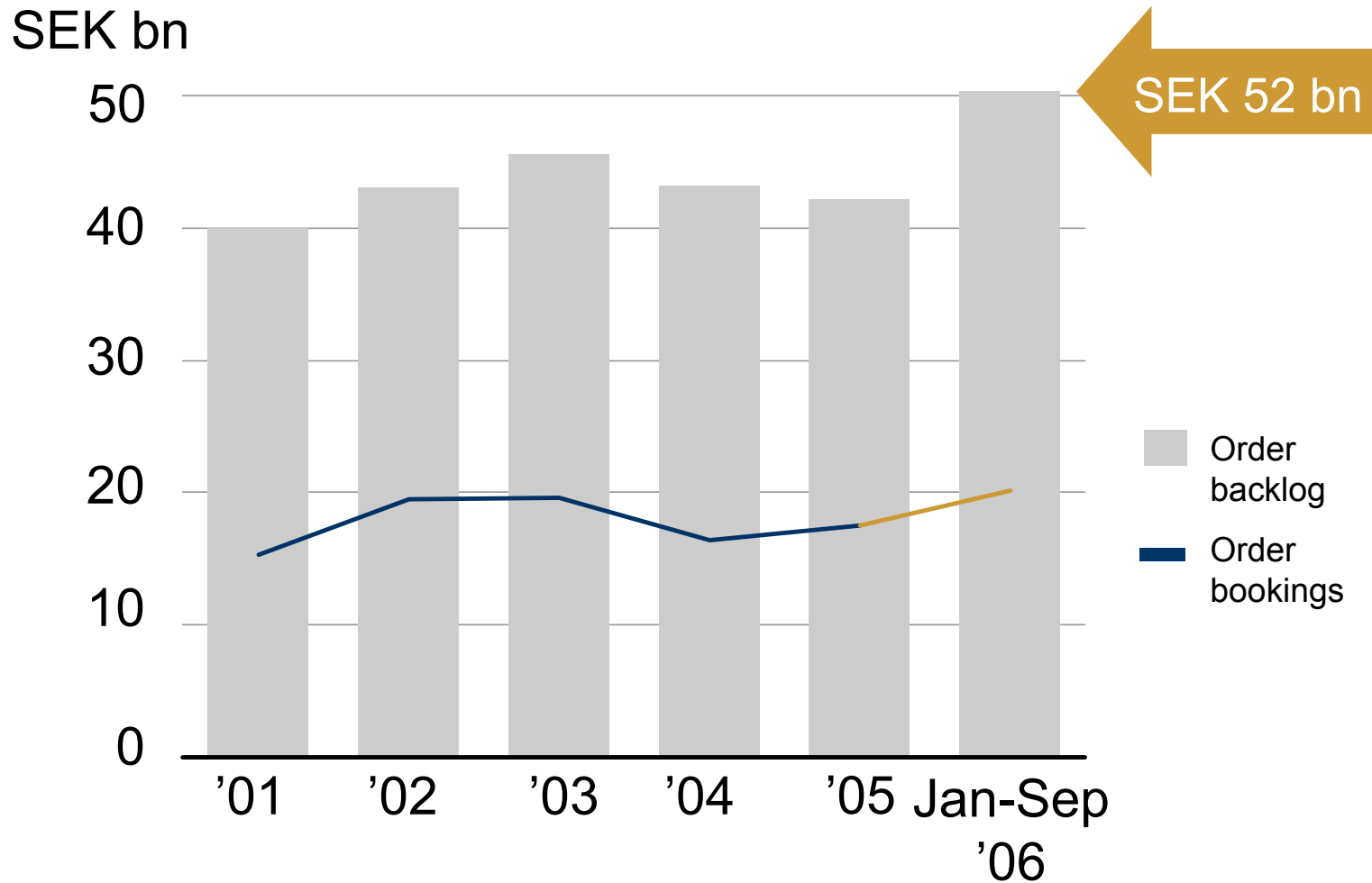


Åke Svensson
President and CEO

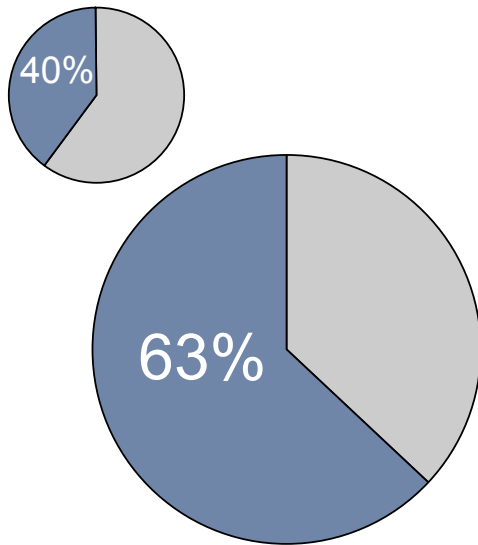
Jan – Sep 2006 in brief

- Sales SEK 13,716 m. (12,458)
- Net income for the period SEK 979 m. (631)
- Earnings per share SEK 8.73 (5.63)
- Operating income SEK 1,322 m. (944),
income after financial items SEK 1,293 m. (889)
- Order bookings SEK 20,127 m. (11,165)
- Order backlog SEK 52 billion (43)

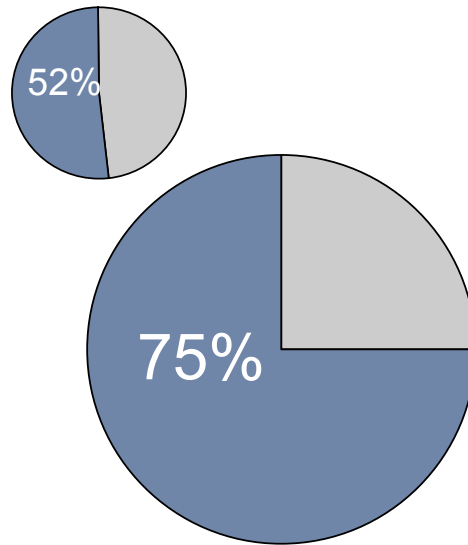
Order backlog and order bookings



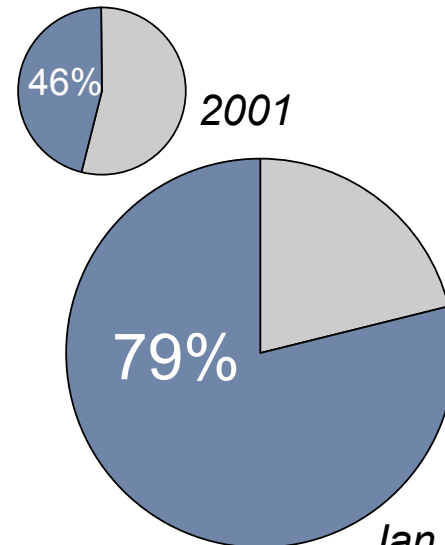
Increasing international sales



Sales



Order bookings



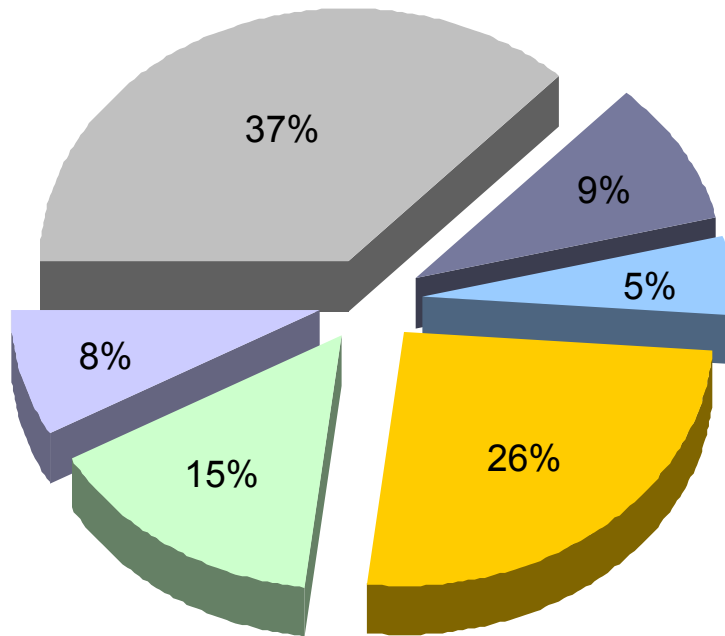
2001

Jan - Sep 2006

Order backlog

○ Sweden ● International

Geographical markets



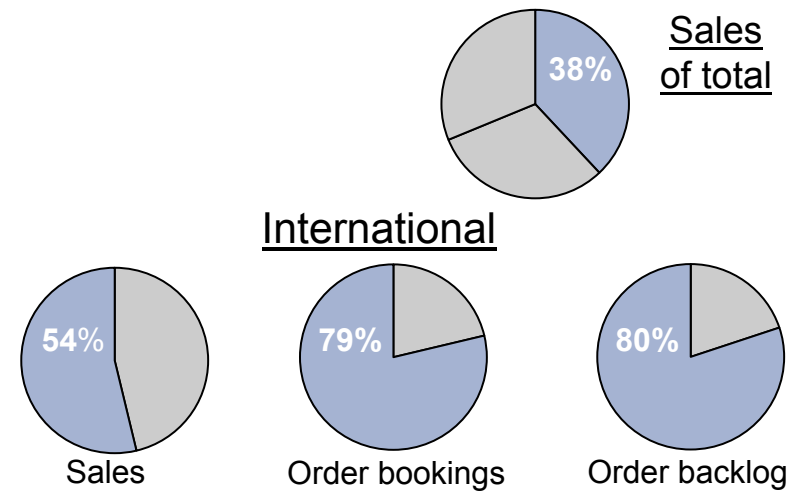
- Sweden
- Asia
- Australia
- EU
- Africa
- America

Sales Jan - Sep 2006

Defence and Security Solutions

Strategic key issues:

- Develop home markets
- Expand into civil security
- Broaden industrial role



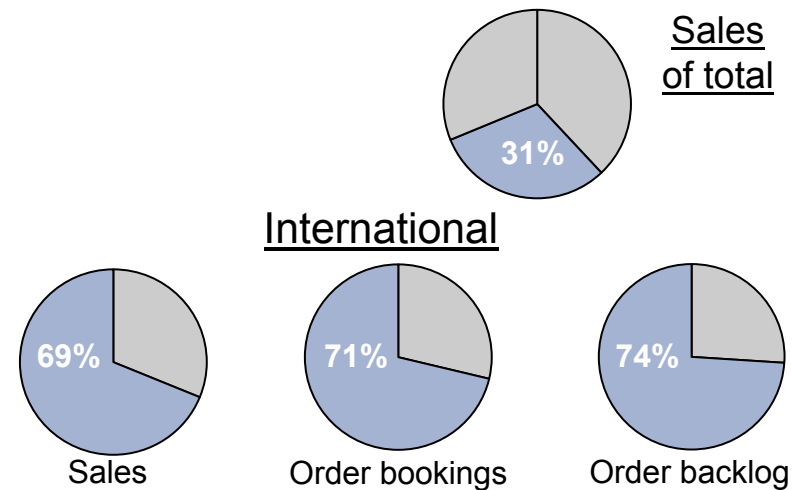
<i>SEK m.</i>	Q3 '06	2005
Sales	5,585	6,303
EBIT, excl structural costs	577	679
Operating margin, %	10,3	10.8
Order bookings	13,672	7,648
Order backlog	13,350	5,300

Systems and Products

Strategic key issues:

- Maintain competitive edge
- Invest in market reach
- Stand alone products or part of solution

<i>SEK m.</i>	Q3'06	2005
Sales	4,778	7,397
EBIT, excl structural costs	502	862
Operating margin, %	10.5	11.7
Order bookings	3,804	6,726
Order backlog	19,801	16,325

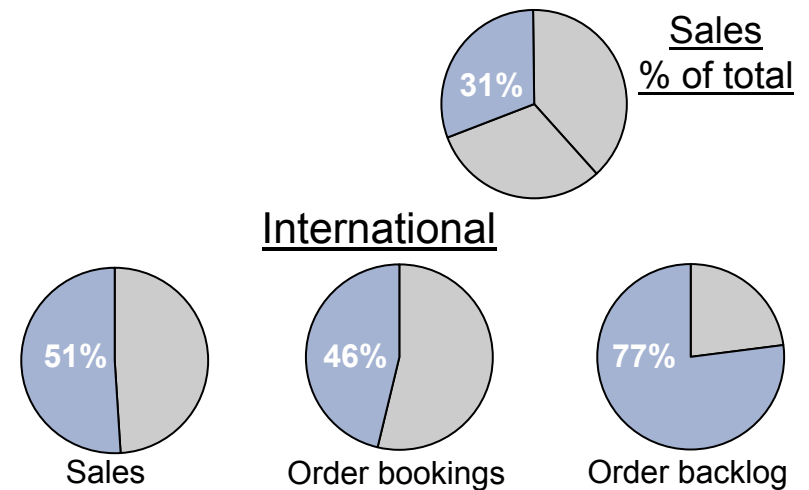


Aeronautics

Strategic key issues:

- Export Gripen
- Invest in product technology
- Maintain long-term competence
- Secure position on UAV market

<i>SEK m.</i>	<u>Q3'06</u>	<u>2005</u>
Sales	4,358	6,775
EBIT, excl structural costs	274	271
Operating margin, %	6.3	4.0
Order bookings	3,510	3,603
Order backlog	20,705	21,970



Highlights July – September 2006

Acquisitions

- Saab Microwave Systems, A part of Saab since Sept1:
 - 1 200 employees
 - Sales: SEK 2.5 bn
 - Export sales: 65%
 - Order backlog: SEK 4 bn
 - Good profitability
 - Part of the Systems and Products segment
- Acquisition of Maersk Data Defense approved

Highlights July – September 2006

- Continued Swedish development of Gripen. Order value SEK 1 bn.
- Increased Gripen agreement with ETPS
- Saab to upgrade Swedish AEW systems. Order value SEK 170 m.
- Successful Q3 for support and services. Total order value SEK 350 m.
- Danish navy to upgrade Double Eagle systems. Order value Sek 100 m.
- Saab increases safety for air and rail travellers:
 - Partnership with Securitas for Arlanda Airport
 - Delivery of a centralised rail traffic control. Order value SEK 164 m.

Highlights after Q3

- RBS15 Mk3 to Poland
 - Surface-to-surface missile
 - Order value SEK 1 bn.
 - Second Nato nation to order the system
- Supporting the Nordic battle group:
 - Missile Warning and Countermeasure Dispensing System to three Swedish Super Puma Helicopter
- Inauguration of Saab Capability Development Center



Financials Jan – Sep 2006

Tele conference, Stockholm, October 20, 2006



Lars Wahlund
CFO

Order bookings and order backlog

	Order bookings 9 months	Order bookings 9 months	Order backlog
SEK millions	2006	2005	Sept 30, 2006
Defence & Security Solutions	13,672	5,377	13,350
Systems & Products	3,804	4,366	19,801
Aeronautics	3,510	1,829	20,705
Corporate	44	69	40
Internal	-903	-476	-1,844
Saab Group	20,127	11,165	52,052

Sales

SEK millions	9 months 2006	9 months 2005	Change	2005	2004*
Defence & Security	5,585	4,270	30.8%	6,303	4,557
Systems & Products	4,778	4,717	1.3%	7,397	6,826
Aeronautics	4,358	4,223	3.2%	6,775	6,796
Corporate	167	58		82	659
Internal	-1,172	-810		-1,243	-990
Saab Group	13,716	12,458	10.1%	19,314	17,848

* Not restated to new organization

Operating income, EBIT

SEK millions	9 months		9 months			
	2006	<i>margin</i>	2005	<i>margin</i>	2005	<i>margin</i>
Defence & Security	543	9.7%	386	9.0%	635	10.1%
Systems & Products	488	10.2%	510	10.8%	818	11.1%
Aeronautics	212	4.9%	29	0.7%	144	2.1%
Corporate	79		19		55	
Saab Group	1,322	9.6%	944	7.6%	1,652	8.6%

Operating income, EBIT excl. structural costs

SEK millions	9 months		9 months		2005	margin
	2006	margin	2005	margin		
Defence & Security	577	10.3%	418	9.8%	679	10.8%
Systems & Products	502	10.5%	526	11.2%	862	11.7%
Aeronautics	274	6.3%	131	3.1%	271	4.0%
Corporate	81		32		161	
Total	1,434	10.5%	1,107	8.9%	1,973	10.2%
Structural costs	-112		-163		-321	
Saab Group	1,322	9.6%	944	7.6%	1,652	8.6%

Income statement

SEK millions	9 months 2006	9 months 2005	2005	2004
Sales	13,716	12,458	19,314	17,848
Cost of goods sold	-10,173	-9,724	-15,003	-13,596
Gross margin	3,543	2,734	4,311	4,252
<i>Gross margin</i>	25.8%	21.9%	22.3%	23.8%
Other operating income	262	111	322	175
Marketing expenses	-1,061	-882	-1,203	-1,286
Administrative expenses	-909	-727	-1,132	-948
Research and development costs	-401	-298	-552	-388
Other operating expenses	-118	-48	-159	-27
Share in income of associated companies	6	54	65	75
Operating income	1,322	944	1,652	1,853
<i>Operating margin</i>	9.6%	7.6%	8.6%	10.4%
Result from financial investments	-29	-55	-101	-141
Income after financial items	1,293	889	1,551	1,712
Taxes	-314	-258	-352	-402
Net income	979	631	1,199	1,310
Earnings per share, SEK	8.73	5.63	10.89	11.78

Balance sheet

SEK millions	Sept, 30 2006	Dec. 31 2005	Change
Assets			
Intangible fixed assets	7,900	3,222	4,678
Tangible fixed assets	4,337	4,208	129
Lease assets	2,920	4,077	-1,157
Biological assets	209	217	-8
Investments properties	61	62	-1
Shares in associated companies	256	316	-60
Financial investments	121	128	-7
Long-term receivables	1,120	1,090	30
Deferred tax receivables	123	319	-196
Total fixed assets	17,047	13,639	3,408
Inventories	5,025	3,962	1,063
Derivatives	387	434	-47
Tax receivables	153	93	60
Accounts receivables	3,388	3,017	371
Prepaid expenses and accrued income	973	608	365
Other receivables	3,840	2,578	1,262
Short-term investments	0	4,624	-4,624
Liquid assets	1,706	1,574	132
Total current assets	15,472	16,890	1,418
Assets held for sale	36	65	-29
Total assets	32,555	30,594	1,961

Balance sheet

SEK millions	Sept, 30 2006	Dec. 31 2005	Change
Shareholders' equity and liabilities			
Parent Company's shareholders' interest	9,498	9,179	319
Minority interest	208	314	-106
Total shareholders' equity	9,706	9,493	213
Long-term interest-bearing liabilities	600	739	-139
Lease obligations	268	665	-397
Other long-term liabilities	360	388	-28
Provision for pensions	431	2,939	-2,508
Other provisions	1,978	2,214	-236
Deferred tax liabilities	750	28	722
Total long-term liabilities	4,387	6,973	-2,586
Short-term interest-bearing liabilities	1,428	315	1,113
Advance payments from customers	4,364	3,528	836
Accounts payable	1,412	1,263	149
Lease obligations	562	858	-296
Derivatives	251	365	-114
Tax liabilities	165	167	-2
Other liabilities	986	827	159
Accrued expenses and deferred income	8,501	6,152	2,349
Provisions	793	616	177
Total current liabilities	18,462	14,091	4,371
Liabilities related to fixed assets held for sale	0	37	-37
Total shareholders' equity and liabilities	32,555	30,594	1,961
Equity/assets ratio, %	29.8	31.0	

Summarised Cash flow January - Sept 2006

SEK millions	Actual	Saab	SAL	Divestments/ Investments
Cash flow from operations	1,914	1,685	229	0
Inventories	-1,028	-954	-74	-
Advances	-126	-126	-	-
Liabilities	1,882	2,052	-170	-
Lease obligations	-497	-	-497	-
Provisions	-174	-93	-81	-
Other assets	-1,589	-1,675	86	-
Change in working capital	-1,532	-796	-736	0
Intangible assets	-311	-311	-	-
Fixed assets	-270	-270	-	-
Leasing assets	533	-	533	-
Acquisitions	-3,373	-	-	-3,373
Divestments	261	41	1	219
Acq/sales of financial assets	436	35	-	401
Cash flow from investments	-2,724	-505	534	-2,753
Operating cash flow	-2,342	384	27	-2,753

Liquidity

SEK millions	9 months 2006
Liquid investments at the beginning of the period	6 198
Operating cash flow from operations	411
Acquisition and divestments of companies	-2 753
Pensions amortized and paid	-2,620
Loans raised	991
Dividend to shareholders	-437
Other changes, translation differences etc	-84
Liquid investments at the end of the period	1 706

Net liquidity / Net debt

SEK millions	Sept 30 2006	Dec 31 2005
Assets		
Short-term investments	0	4,624
Liquid assets	1,706	1,574
Total liquid investments	1,706	6,198
Liabilities		
Liabilities to credit institutions	-1,592	-634
Other interest-bearing liabilities	-436	-420
Total interest-bearing liabilities	-2,028	-1,054
Net debt/net liquidity	-322	5,144
Plus: interest-bearing receivables	775	651
Less: provisions for pensions	-431	-2,939
Total net liquidity	22	2,856

Total M&A - January - September 2006

Liquidity impact

SEK millions		
Acquisitions		
TietoSaab Systems OY	48	
Aerospace Monitoring and Systems	31	
Ericsson Microwave Systems AB	3,750	
Saab Ericsson Space AB (40%)	100	
Maersk Data Defence A/S	58	
Total purchase price	3,987	3,987
Divestments		
Nammo (settlement Q1)	-402	
Saab Metech AB	-253	
Total	-655	3,332
Effects on Group's liquidity, acquired/sold liquid assets		
Aerospace Monitoring and Systems	6	
Ericsson Microwave Systems AB	582	
Maersk Data Defence	25	
Saab Metech AB	-34	
Total liquidity impact	579	2,753

Total M&A - January - September 2006

SEK millions

Acquisitions, Purchase Price

TietoSaab Systems OY	48	
Aerospace Monitoring and Systems	31	
Ericsson Microwave Systems AB	3,750	
Saab Ericsson Space AB (40%)	100	
Maersk Data Defence A/S	66	3,995
Acquired Equity		-259

Total

3,737

Intangible Assets

Ericsson Microwave Systems AB	2,957	
Maersk Data Defence A/S	86	3,043

Deferred Tax Liabilities

Ericsson Microwave Systems	-828	
Maersk Data Defence	-24	-852

Goodwill

TietoSaab Systems OY	48	
Aerospace Monitoring and Systems	25	
Ericsson Microwave Systems AB	1,447	
Saab Ericsson Space	25	1,545

Total

3,737



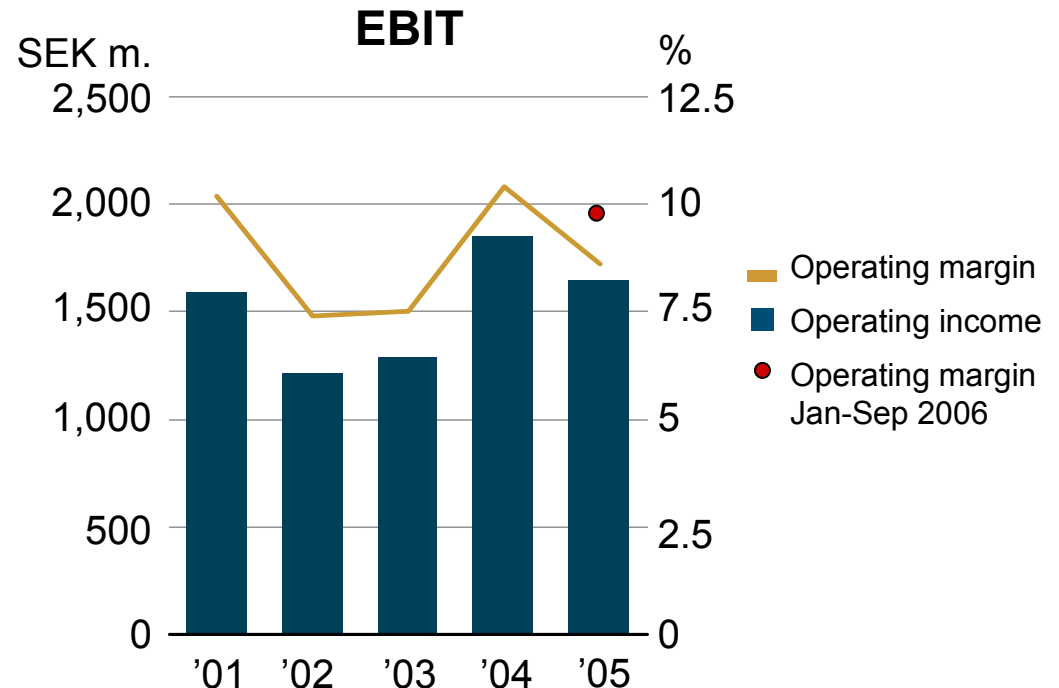
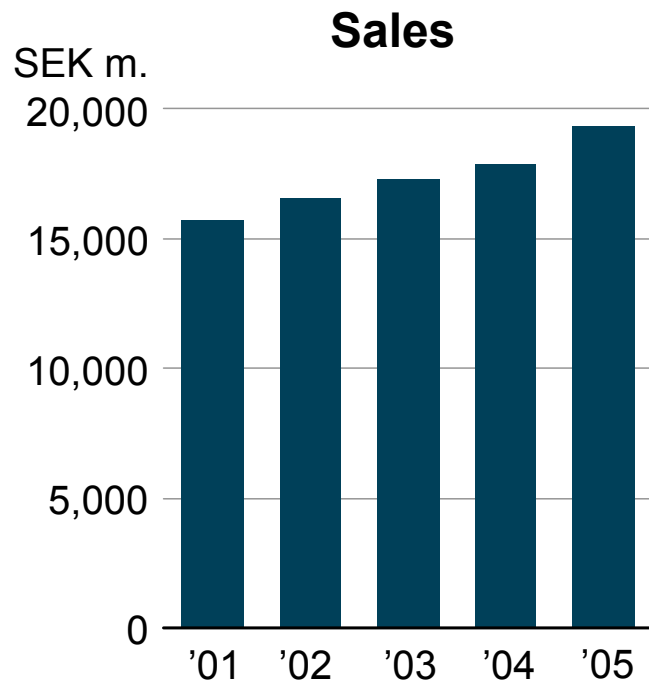
Outlook and forecast

Tele conference, Stockholm, October 20, 2006



Åke Svensson
President and CEO

Forecast 2006



- Long-term financial objectives remain unchanged: 5 percent organic growth, operating margin 10 percent
- Growth of nearly 10 percent expected. Organic growth somewhat lower than 5 percent. Full-year effect of Grintek, and of Saab Microwave Systems since September 1.
- Operating margin expected to reach 10 percent before structural costs of approximately SEK 450 m.

Conclusions

- Sales and income well in line with expectations
- Good profitability
- Record high order backlog
- Strategic acquisitions approved and now in integration phase. Major future potential

www.saabgroup.com



Acquisition analysis – Ericsson Microwave Systems

(Preliminary) SEK millions	Reported value	Fair value
Intangible fixed assets	0	2,957
Tangible fixed assets	223	223
Financial fixed assets	87	87
Deferred tax assets	165	165
Inventories	171	171
Other receivables	1,690	1,690
Liquid assets	582	582
Provisions	-280	-280
Deferred tax liabilities	-55	-883
Advance payments	-1,482	-1,482
Other liabilities	-927	-927
Net assets	174	2,303
Goodwill		1,447
Purchase price paid		3,750
Liquid assets (acquired)		-582
Net cash impact		3,168

Balance sheet, September 30, 2006, subdivided

SEK millions	Saab	Saab Aircraft Leasing	Eliminations	Saab Group
Intangible assets	7,900			7,900
Tangible assets	4,607			4,607
Lease assets		2,920		2,920
Long-term interest-bearing receivables	559			559
Shares, etc	1,849		-1,500	349
Deferred tax receivables	42	81		123
Inventories	5,021	4		5,025
Short-term interest-bearing receivables	216			216
Other assets	8,515	635		9,150
Cash and marketable securities	1,607	99		1,706
Total assets	30,316	3,739	-1,500	32,555
Shareholders' equity	9,756	1,450	-1,500	9,706
Provision for pensions	431			431
Other provisions	2,057	714		2,771
Deferred tax liabilities	750			750
Liabilities to credit institutions	2,028			2,028
Lease obligations		830		830
Advance payments from customers	4,364			4,364
Other liabilities	10,930	745		11,675
Total shareholders' equity & liabilities	30,316	3,739	-1,500	32,555

Operating cash flow vs Statement of Cash flow

SEK millions	9 months 2006	9 months 2005	2005
Operating cash flow	-2,342	1,743	2,540
Cash flow from financing:			
Pensions amortized and paid	-2,620	-51	-95
Loans raised/amortized	991	78	-36
Dividend	-437	-409	-413
Cash flow from investments –			
Interest bearing:			
Short-term investments	4,813	-1,326	-1,553
Financial investments	-176	-66	-47
Statement of Cash flow	229	-31	396