



THE 2006 REPORT

- Sales amounted to SEK 21,063 m. (19,314)
- Net income for the year was SEK 1,347 m. (1,199)
- Earnings per share amounted to SEK 11.91 (10.89)
- The proposed dividend per share is SEK 4.25 (4.00)
- Order bookings amounted to SEK 27,575 m. (17,512) and the order backlog totaled SEK 51 billion (42)
- Operating income amounted to SEK 1,745 m. (1,652) and income after financial items was SEK 1,693 m. (1,551).

President's statement:

"Saab's positive development continues, and 2006 was one of our most successful years ever. We are growing, and profitability is good. Significant order bookings have helped us build a record-high order backlog, and important acquisitions make us stronger and more complete than before."



Continued growth with good profitability

President's statement:

Saab's positive development continues, and 2006 was one of our most successful years ever. We are growing, and profitability is good. Significant order bookings have helped us build a record-high order backlog, and important acquisitions make us stronger and more complete than before.

Saab's order bookings in 2006 were significant – over SEK 27 billion (17.5) – giving us a record order backlog of SEK 51 billion (42). Order bookings during the year include the major order for an airborne surveillance system for Pakistan as well as a number of small and medium-sized orders in all our business segments, which underscores the strength and breadth of our business operations.

Saab did well in the fourth quarter. Order bookings amounted to SEK 7.5 billion (6.4). Especially notable are Poland's order for the latest version of the surface-to-surface missile RBS15 worth in excess of SEK 1 billion and our breakthrough in the Spanish market with an order for the weapon detecting radar ARTHUR, worth over SEK 500 m.

Sales and income essentially met our forecasts.

Sales rose by a total of 9 percent to slightly over SEK 21 billion (19.3), of which approximately SEK 0.5 billion is attributable to the acquisition of Ericsson Microwave Systems. Organic growth was slightly lower than expected, which is due to a slightly delayed start to the work with the surveillance system for Pakistan.

Operating income improved to SEK 1,745 m. (1,652), and the operating margin before structural costs reached 10 percent. Structural costs of just under SEK 450 m. were charged against income, and the operating margin after structural costs was 8.3 percent. This is slightly lower than 2005 and is attributable to increased structural costs for the integration of Ericsson Microwave Systems.

Two of Saab's business segments, Defence and Security Solutions and Systems and Products, are developing according to plan with high growth – both organic and through acquisitions. Operating income was stable with over a 10-percent operating margin.

Aeronautics' sales were affected by the shrinking scope of the Swedish Gripen program and to some degree by delays in deliveries to Airbus. The segment's profitability was weighed down by lower margins in the Gripen program and further investments in marketing and technological development – in the fourth quarter coupled with provisions and impairment losses. The segment's operating margin was 5 percent.

Saab's long-term financial objectives remain unchanged: 5 percent organic growth and an operating margin of 10 percent. Our efforts to be even more efficient in order to raise profitability is further underscored. We are now working with several different programs to increase cost efficiency, improve oversight and create smoother, more uniform business processes.



Important acquisitions

Saab's acquisition strategy was successful in 2006. The acquisition of Ericsson Microwave Systems is a historical step for our company. It strengthens our position in strategically important areas and gives us world-leading competence and products in sensors. At the same time we took over Ericsson's remaining holding in our space operations. The acquisition of Denmark's Maersk Data Defence further consolidates our position in communication and command and control systems. During the year, we also began the establishment of a new unit in South Africa in cooperation with Denel. In doing so, we have strengthened our positions in our most important home markets, the Nordic countries and South Africa.

Show of strength by Gripen

Our long-term efforts to sell Gripen to other countries continue unabated. We are working with the knowledge

that we have the world's best product in its class.

Hungary became the second NATO nation after the Czech Republic to put the system into operational service, and the first test aircraft arrived in South Africa and is now being evaluated under Saab's management. We are also proud to mention the Swedish Air Force's participation in the international exercise Red Flag in Alaska, where Gripen more than met all expectations.

We firmly believe that Gripen has every opportunity to be a highly competitive alternative in a growing number of markets moving forward.

Forecast 2007

For 2007, we expect growth in line with 2006 and an operating margin including structural costs slightly improved.

**IMPORTANT EVENTS OCTOBER-
DECEMBER 2006**

Poland became the second NATO nation after Germany to order the heavyweight surface-to-surface missile RBS15 Mk3 in a contract worth SEK 1 billion.

Saab received its first major defence order from Spain. The contract, for the weapon detecting radar ARTHUR, is valued at over SEK 500 m.

Saab signed an agreement to develop next-generation radar systems together with two leading Italian defence companies.

Saab concluded a cooperation agreement with Denmark pending the possible purchase of the Gripen fighter.

Saab received an invitation from the Norwegian Ministry of Defence to discuss a future model for cooperation related to Norway's possible purchase of new fighter aircraft.

OPERATIONS

Since January 1, 2005, the Group's business units are divided into three business segments – Defence and Security Solutions, Systems and Products, and Aeronautics – which are used for reporting and oversight purposes.

Corporate comprises Group staffs and departments and peripheral operations. It also includes the leasing fleet of 163 Saab 340 and Saab 2000 aircraft. Operational responsibility for the leasing fleet lies with Aeronautics.

Defence and Security Solutions

The Defence and Security Solutions business segment brings together Saab's capabilities in the development and integration of high-technology systems for reconnaissance, surveillance, communication and command and control. One example is the Swedish Air Force's combat management system, which links command and control centers, aerial surveillance, and radio and data communication. In the international market, tactical command and combat systems for land, sea and airborne forces are among the areas where Saab has an especially strong position.

Defence authorities and other government agencies are increasingly outsourcing portions of their operations. Saab therefore offers a wide range of lifecycle support solutions.

Defence and Security Solutions also offers consulting services in systems development, systems integration, and information and system security for the defence, automotive and telecommunication industries as well as government agencies with responsibility for infrastructures.

The market for civil security systems continues to develop, creating new opportunities. Saab can supply systems to handle information flows and coordination between various authorities responsible for terrorist threats, natural disasters and organized crime.

Systems and Products

Customers in the Systems and Products business segment mainly consist of defence authorities and other defence contractors around the world. In avionics (aeronautical electronics), Saab is a leading supplier to both military and civil aviation manufacturers.

Another product with a market-leading position is the Carl-Gustaf anti-armor weapon, which has been sold to more than 40 countries and has two successors in the AT4

and NLAW anti-armor systems.

Electronic warfare – warning, jamming and protection against detection and weapons – is another area where Saab has developed world-leading products, used in a large number of combat vehicles, aircraft, helicopters, submarines and surface vessels the world over.

The unique products in the newly acquired radar and sensor operations were already vital components of Saab's systems such as the Bamse missile platform, Gripen and airborne surveillance system. But they also command a leading position in the global market. The weapon detecting radar ARTHUR and the search radar GIRAFFE are two examples.

Signature management, which prevents detection by even the most advanced technical equipment, is another area where Saab has a world-leading position. It is by far the dominant supplier of the ultra lightweight camouflage net system (ULCANS) to the U.S. Army.

The need for training is growing as more countries participate in international missions and have to train their troops under realistic conditions. Saab has a strong position in advanced training systems for land-based forces and now lists special police units among its customers.

Underwater technology for shallow water and harbors is also an area where Saab has leading expertise. Significant potential exists is autonomous, unmanned underwater vehicles for both military and commercial applications.

Saab is also Europe's leading independent supplier of advanced equipment for the space industry.

Aeronautics

Saab has unique competence in aeronautics, making Sweden one of only a handful of countries in the world that can develop modern fighter aircraft. Saab's aeronautics operations are dominated by the Gripen program.

In civil operations, Saab serves as a supplier of subsystems to Airbus and Boeing.

Gripen, the world's most modern fighter aircraft in operational service, is currently used in Sweden and NATO members the Czech Republic and Hungary. In 2006, the prestigious Empire Test Pilots' School in the UK agreed to expand its use of Gripen for test pilot training. South Africa will begin flying Gripen in 2008. Export potential is high, and Saab is working aggressively in a number of markets to

win new contracts. The Gripen program includes significant sales of modifications, training and maintenance.

Saab's world-leading competence in aeronautics is built through development projects, in-house research and international cooperations. For example, Saab has primary responsibility for key subsystems in the Neuron program, a European project to develop an unmanned combat air vehicle and next-generation fighter aircraft.

In its role as a subsystem supplier, Saab utilizes its expertise to develop complex structural units and subsystems for commercial and military aircraft manufacturers. For example, it has developed the mid and outer wing leading edge for the Airbus A380 superjumbo and avionics equipment for the A400M.

With its unique expertise in aeronautics, sensors and systems integration, Saab is a leader in the development of unmanned aerial vehicles (UAVs). Successful flights have been conducted by the SHARC and FILUR technical demonstrators, and in 2007 the unmanned helicopter Skeldar will go from demonstrator to product with civil and military applications.

Internal restructurings

During the year, Saab implemented a reorganization designed to better capitalize on resources and new business opportunities by combining operations that closely work together. As of January 1, 2006, Saab consists of 15 business units instead of the previous 19. During the year two more business units were added, Saab Microwave Systems and Saab Surveillance Systems. The segments and business units are now as follows:

Defence and Security Solutions	Systems and Products	Aeronautics
Saab Aerotech	Saab Avitronics	Saab Aerosystems
Saab Communication	Saab Barracuda	Saab Aerostructures
Saab Grintek	Saab Bofors Dynamics	Saab Aircraft Leasing
Saab Systems	Saab Space	Gripen International
Combitech	Saab Training Systems	
Saab Surveillance Systems	Saab Microwave Systems	
	Saab Underwater Systems	

SALES, INCOME AND ORDERS

Sales

Fourth-quarter sales amounted to SEK 7,347 m. (6,856), an increase of SEK 491 m. or slightly over 7 percent. Sales by quarter and business segment are shown on page 18.

Group sales for the full year rose to SEK 21,063 m. (19,314) year-to-year, an increase of 9 percent. Organic growth was approximately 3 percent adjusted for the acquisition of Saab Grintek, which is included for twelve months in 2006 compared with seven months in 2005, and the acquisition of Saab Microwave Systems on September 1, 2006. Organic growth was slightly lower than expected, mainly due to a delayed order.

Of sales, 79 percent (82) related to the defence market. Sales in foreign markets amounted to SEK 13,714 m. (10,773), exceeding revenue in the Swedish home market and accounting for 65 percent (56) of total sales. Exports from the Group's Swedish companies totaled SEK 10,075 m. (7,912). The Group's exports to the EU market amounted to SEK 5,735 m. (5,012) and total sales in the EU, excluding Sweden, were SEK 6,080 m. (5,420).

Sales in the EU mainly relate to Germany, the UK, Hungary and France. Sales of SEK 2,807 m. in Africa mainly relate to Saab Grintek and Saab Aerosystems in South Africa.

Sales for Defence and Security Solutions rose to SEK 8,028 m. (6,303), an increase of 27 percent. The increase is mainly due to the fact that Saab Grintek is included for twelve months in 2006 compared with seven months in 2005 and that the new business unit Saab Surveillance Systems started operations. For other business units within Defence and Security Solutions, sales rose year-to-year. Foreign markets accounted for 55 percent (48) of sales.

Sales for Systems and Products rose to SEK 8,580 m. (7,397), an increase of 16 percent. The increase was positively affected by the acquisition of Saab Microwave Systems on September 1, 2006. Saab Barracuda increased through higher volumes in the U.S. market, and Saab Bofors Dynamics rose mainly through higher volumes for NLAW and Carl-Gustaf.

Saab Avitronics, Saab Space and Saab Underwater Systems were in line with the previous year, while volumes for Saab Training Systems were lower. Foreign markets accounted for 70 percent (67) of sales.

Aeronautics' sales decreased to SEK 6,010 m. (6,775). Sales for Saab Aerosystems decreased due to a delayed order and lower sales in the Swedish Gripen program. Of total sales, 47 percent (59) relates to the Swedish market, including the delivery of 10 (16) Gripen in batch 3. In all, 36 Gripen are still to be delivered to Sweden and South Africa, as well as six to Hungary. Saab Aerostructures' sales were in line with the previous year, and sales to Airbus amounted to approximately SEK 450 m.

Income, margin and profitability

Operating income for the fourth quarter amounted to SEK 423 m. (708). The decrease is due to increased structural costs, which amounted to SEK 333 m. (158), as well as write-downs in Systems and Products and Aeronautics. The operating margin for the fourth quarter was 5.8 percent (10.3); excluding structural costs the operating margin was 10.3 percent (12.6).

Operating income for the full year amounted to SEK 1,745 m. (1,652), corresponding to a margin of 8.3 percent (8.6). Structural costs affected operating income by SEK 445 m. (321). Excluding structural costs, the margin was 10.4 percent (10.2). Income before structural costs amounted to SEK 2,190 m. (1,973). The gross margin improved compared with the previous year to 25.1 percent (22.3). In recent years, Saab has focused on improved gross margins, and in 2006 all business segments improved their margins before structural costs.

As a whole, administrative and marketing expenses were SEK 590 m. higher than the previous year, mainly due to higher administrative expenses attributable to acquired companies. Marketing expenses, which often vary over time, were slightly higher, and were also affected by the cost of acquired companies. The year's internally funded investments in research and development amounted to SEK 981 m. (737); SEK 805 m. (552) has been charged to operating income for the year, which includes depreciation and write-downs of SEK 287 m. (107). Of the year's revenues, a total of SEK 463 m. has been capitalized. Other operating income during present and previous years includes capital gains, currency gains and results from secondary activities. Capital gains refer to the sale of the subsidiary Saab Me-tech and amounted to SEK 180 m. (238). Other operating expenses consist of exchange rate differences. The share of

income in associated companies primarily relates to after-tax income in Hawker Pacific.

Net financial income and expenses amounted to SEK -52 m. (-101), of which the share in income of associated companies held as financial assets amounted to SEK -28 m. The average return on external investments was 1.76 percent (2.37). Project interest from utilized advanced payments reduced the financial net by SEK 101 m. (64) and is recognized as gross income. Income after financial items amounted to SEK 1,693 m. (1,551).

Current and deferred taxes amounted to SEK -346 m. (-352), which means an effective tax rate of 20.4 percent (22.7). The low effective tax rate is due to tax-exempt revenue and the utilization of previously uncapitalized tax loss carryforwards.

Net income for the year was SEK 1,347 m. (1,199), of which the minority interest amounts to SEK 47 m. (10). Earnings per share for the Parent Company's shareholders' interest amounted to SEK 11.91 (10.89).

The pre-tax return on capital employed was 14.5 percent (14.6) and the after-tax return on equity was 13.8 percent (13.5).

To increase transparency in reporting, operating income is reported by business segment with and without structural costs totaling SEK 445 m. (321).

Provisions for structural costs are divided by line item in the income statement. Structural costs of SEK 377 m. (192) are included in gross income, SEK 68 m. (47) in administrative and marketing expenses, and SEK 0 m. (82) in other operating expenses.

Operating income for Defence and Security Solutions amounted to SEK 875 m. (635), with a margin of 10.9 percent (10.1). The income improvement was mainly due to higher volume for Saab Grintek, which was included for the full-year 2006, and the new business unit Saab Surveillance Systems. Structural costs amounted to SEK 58 m. (44).

Operating income for Systems and Products decreased to SEK 631 m. (818) with an operating margin of 7.4 percent (11.1). The decrease in operating income is due to higher structural costs, which amounted to SEK 245 m. (44), of which Saab Microwave Systems accounted for approximately SEK 200 m., as well as write-downs in certain programs. Operating income before structural costs were in

line with the previous year for most business units. Income for Saab Training Systems decreased due to lower volumes.

Operating income for Aeronautics improved to SEK 190 m. (144). Income for both 2005 and 2006 was charged with cost increases and write-downs of certain programs. Structural costs of SEK 91 m. (127) were charged to income. The operating margin was 3.2 percent (2.1). Excluding structural costs, the margin was 4.7 percent (4.0).

Corporate reported operating income of SEK 49 m. (55). Income was positively affected by a gain of SEK 180 m. on the sale of the subsidiary Saab Metech. In the previous year, capital gains on the sale of subsidiaries and associated companies amounted to SEK 238 m. Structural costs amounted to SEK 51 m. (106), of which environmental commitments accounted for SEK 0 m. (82). Corporate consists of shared Group expenses, income and expenses 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 year.

Orders

Order bookings for the fourth quarter amounted to SEK 7,448 m. (6,347). Major orders are listed in the section, "Important orders".

Order bookings for the full year amounted to SEK 27,575 m. (17,512), the highest level ever for Saab. Seventy-two percent (63) of orders came from customers outside Sweden and 77 percent (72) was attributable to defence-related operations.

Order bookings for Defence and Security Solutions rose to SEK 16,415 m. (7,648). The increase is directly the result of the order for an airborne early warning system from Pakistan and the fact that Saab Grintek, which was acquired on May 31, 2005, is included for the full-year 2006. All business units raised their order bookings with the exception of Saab Systems, which decreased due to very high order bookings in 2005. During the year, orders were received for command and control systems for four Swedish submarines, the modification of two Saab 340 AEW-200 surveillance aircraft for FMV, and support and maintenance of commercial and military aircraft.

Order bookings for Systems and Products rose to SEK 7,691 m. (6,726). The increase is attributable to the fact that Saab Microwave Systems is now a business unit within the segment. Among other business units, order bookings rose for Saab Avitronics, Saab Bofors Dynamics, Saab Space and Saab Underwater Systems, while order bookings decreased for Saab Training Systems and Saab Barracuda. During the year orders were received for the BOL countermeasures dispensing system for the Eurofighter and onboard equipment for the first four satellites in Galileo, Europe's new satellite navigation system. The Polish Navy ordered the surface-to-surface missile system RBS15 Mk3, and Saab received its first major defence order from Spain for ARTHUR weapon locating radars, including a training simulator and logistics.

Order bookings for Aeronautics amounted to SEK 4,956 m. (3,603), an increase of SEK 1,353 m. Order bookings for Saab Aerostructures rose, including further orders from Airbus and Boeing. Order bookings also rose for Saab Aerosystems and related to the continued development of Gripen.

The order backlog at year-end was SEK 51,099 m. (42,198). Foreign orders account for 77 percent (75) of the backlog. Of the total increase of SEK 8,901 m., approximately SEK 3,000 m. relates to the acquisition of Saab Microwave Systems.

The order backlog includes:

- Gripen to Sweden and on export
- Airborne early warning systems
- Active and passive countermeasure systems
- Missile systems for air, sea and land
- Structures and subsystems for Airbus and Boeing
- Anti-tank systems
- Command and control, avionics and fire control systems
- Radar systems
- Signature management systems

ACQUISITIONS AND DIVESTMENTS DURING THE YEAR

During the first quarter, a joint venture was formed together with TietoEnator, TietoSaab Systems Oy. Saab's share is 40 percent.

On March 27 the subsidiary Saab Metech AB was sold for SEK 253 m. with a capital gain of SEK 180 m.

On May 1 Saab acquired 100 percent of the shares in the South African avionics company Aerospace Monitoring and Systems (Pty) Ltd (AMS). The sales price amounted to 25 million rand. AMS has 75 employees.

Saab reached an agreement with Denel in South Africa to initially acquire 20 percent of a new aerostuctures company, with the option to acquire a majority interest after three years.

All the shares in Maersk Data Defence A/S of Denmark were acquired on August 31. The acquisition price is contingent on the company's earnings in 2006. The preliminary paid price is slightly over DKK 46 m.

On September 1, Saab acquired all the shares in Ericsson Microwave Systems AB, which has since changed its name to Saab Microwave Systems AB, for SEK 3,750 m. The number of employees as of December 31 was 1,203.

On September 1, Saab acquired 40 percent of the shares in Saab Ericsson Space AB, which has since changed its name to Saab Space AB, for SEK 100 m. Saab previously owned 60 percent of Saab Ericsson Space, which was already consolidated in the Group.

Further reference is made to note 7 of this year-end report.

FINANCIAL POSITION AND LIQUIDITY

Balance sheet

Goodwill and other intangible fixed assets amounted to SEK 7,821 m. (3,222). The increase relates to the acquisition of Ericsson Microwave Systems. Goodwill amounted to SEK 3,294 m. (1,777) and is largely attributable to the acquisition of Celsius in 2000 and the acquisition of Saab Microwave Systems. The remaining goodwill mainly relates to the acquisitions of Saab Grintek, Saab Avitronics and Combitech Systems. As of 2004, goodwill is no longer amortized and instead is tested annually for impairment. In 2006, no significant impairment losses were identified. Intangible fixed assets also consist of acquired product development/technology and customer relations, and capitalized development expenses for the export version of Gripen, radar jamming systems and missile systems. Intangible fixed assets are amortized over their estimated periods of use with the exception of capitalized development expenses, which are amortized over the estimated sales volume. Amortization and write downs for the year amounted to SEK 379 m. (140), of which capitalized product amounted to SEK 287 m. (107).

Property, plant and equipment are used in core operations. Investment properties refer to properties leased to outside parties and valued at estimated fair value. Investment properties are not depreciated; instead realized and unrealized changes in value are recognized through profit or loss. Biological assets consist of forest assets. Changes in fair value are included in profit. Lease assets primarily relate to the leasing fleet of regional aircraft. During the year, 45 aircraft were sold.

Long-term interest-bearing receivables primarily consist of receivables from asset sales. Shares in associated companies include the shares in Hawker Pacific, Eurenco and Wah Nobel. Deferred tax assets mainly relate to unutilized tax deductions for provisions and unutilized tax loss carryforwards.

Inventories are reported after deducting advances. Other receivables primarily relate to receivables from customers (after deducting advances) and receivables from divested financial assets.

Assets held for sale refer to real estate and a small business currently for sale.

Provisions for pensions decreased due to the establish-

ment of the Saab Pension Fund, which was capitalized with SEK 2,536 m. during the year. In September, it took over the pension fund previously managed by Carnegie, which had a market value of SEK 551 m. at takeover. The market value of the Saab Pension Fund at year-end was SEK 3,234 m.

Future pension obligations have been restated to reflect a change in actuarial assumptions. Total pension obligations amounted to SEK 4,450 m. as of December 31, and assets under management totaled SEK 3,481 m. The cumulative unreported actuarial loss amounted to SEK 557 m. (410), due to which provisions for pensions amounted to SEK 412 m. (2,939).

Deferred tax temporary differs between the carrying value of assets and liabilities and their value for tax purposes. Other provisions chiefly include future obligations and leasing obligations refer to regional aircraft liabilities

Liquidity and finance

Compared with the beginning of the year, cash, marketable securities and short-term investments, less liabilities to credit institutions, decreased by SEK 5,405 m. As a result, the Group has net debt of SEK 261 m., against net liquidity of SEK 5,144 m. at the beginning of the year. The Group's net liquidity, including interest bearing receivables, after deduction of provisions for pensions amounted to SEK 605 m. (2,856). The decrease in 2006 is due to the capitalization of the Saab Pension Fund by approximately SEK 2.5 billion during the first quarter of 2006 and the acquisition of Ericsson Microwave Systems in September 2006, resulting in a net outflow of approximately SEK 3.2 billion. The equity/assets ratio was 30.6 percent, against 31.0 percent at the beginning of the year. Shareholders' equity related to the Parent Company's shareholders amounted to SEK 9,802 m., compared with SEK 9,179 m. at the beginning of the year, or SEK 89.80 per share (84.10).

Cash flow

Operating cash flow amounted to SEK -1,900 m. (2,645) during the period and was distributed between cash flow from core operating activities of SEK 765 m. (2,704), the acquisition of Ericsson Microwave Systems SEK -3,180 m., other acquisitions SEK -223 m. (-293), divestments of subsidiaries and associated companies SEK 620 m. (257), and

the regional aircraft business SEK 118 m. (-23). During the year a net of 45 Saab 340 were sold, due to which working capital decreased and cash flow from investing activities was affected positively.

CAPITAL EXPENDITURES, RESEARCH AND DEVELOPMENT, AND PERSONNEL

Capital expenditures

Gross capital expenditures in property, plant and equipment, excluding lease assets, amounted to SEK 433 m. (296).

Research and development

To maintain a leading position in its businesses, Saab devotes considerable resources to research and development, where some 2,700 people are employed. Investments in research and development are primarily made for customers in the business segments Systems and Products and Aeronautics. Total research and development costs for the year amounted to SEK 3,537 m. (3,546), of which SEK 2,553 m. (2,810) relates to customer-funded development.

Internally financed development during the year mainly related to the Gripen system, though also to further development of electronic warfare and missile systems. Under certain circumstances development costs are capitalized and, in such cases, are classified as intangible fixed assets. Capitalization for the year amounted to SEK 463 m. (292). After the year's amortization and impairments of SEK 287 m. (107), acquisitions of SEK 2,000 m. (75), translation differences, etc., the closing balance of capitalized development costs amounts to SEK 3,561 m. (1,408).

Personnel

At year-end, the Group had 13,577 employees, against 12,830 at the beginning of the year. The number of employees in the acquired companies Ericsson Microwave Systems AB and Maersk Data Defence A/S was 1,203 and 185, respectively, at year-end. The number of employees, after adjusting for acquisitions and divestments, declined by 404 during the year.

PARENT COMPANY

Sales and income

The Parent Company includes the business units Saab Aerosystems, Saab Aerostructures and the Swedish units within Saab Systems, Saab Avionics, Saab Aerotech and Saab Communication. Group staffs and Group support are included as well.

The Parent Company's sales amounted to SEK 10,940 m. (8,792). Operating income was SEK 571 m. (100).

Net financial income and expenses amounted to SEK 697 m. (368). Of the financial net, SEK 513 m. (-137) consists of Group contributions, dividends and write-downs of shares in subsidiaries. After appropriations of SEK 11 m. (39) and income tax of SEK -259 m. (-212), net income for the year amounted to SEK 1,020 m. (295).

Liquidity, finance, investments and employees

Net debt for the parent company amounted to SEK 3,963 m. compared with a net liquidity previous year of 3,220 m. Gross capital expenditures in property, plant and equipment amounted to SEK 258 m. (104). At year-end the Parent Company had 6,918 employees, compared with 5,070 at the beginning of the year.

Proposed dividend and share repurchase

The Board of Directors proposes that shareholders receive a dividend of SEK 4.25 (4.00) per share for 2006, or a total of SEK 464 m. (437), corresponding to 36 percent (37) of the Group's net income in 2006. April 17 has been proposed as the record date, and the dividend is expected to be distributed on April 20, 2007.

The Board of Directors will propose that the Annual General Meeting give the Board a mandate to repurchase up to 10 percent of the shares out-standing. The purpose of the authorization is to provide the Board with greater scope in working with the company's capital structure and enable acquisitions when considered appropriate. As proposed, the mandate would apply until the next Annual General Meeting. Repurchases may be effected over the stock exchange or through offerings to shareholders. It is also proposed that the Board's mandate include the possibility to transfer repurchased shares as allowed by current law.

Annual General Meeting

The Annual General Meeting will be held at Gamla Tryckeriet, Alvik, Stockholm on Thursday, April 12, 2007 at 6:00 p.m. (CET). The annual report will be available at the Saab's office in Linköping. The printed annual report will be distributed to shareholders upon request around March 10, 2007.

Owners and nomination committee

Saab's 15 largest shareholders are BAE Systems, Investor AB, the Wallenberg foundations, AMF Pension funds, Swedbank Robur funds, JP Morgan Chase Bank, Odin funds, SEB funds, Nordea funds, Ssb CI Omnibus Ac, SHB/SPP funds, Skandia Liv, Nordea Bank Finland, Öresund and HQ funds.

Four shareholder representatives have been selected to work with Chairman Marcus Wallenberg to draft a proposal for the Board of Directors to be presented to the Annual General Meeting. The representatives are Lars Wedenborn (Investor), Peter Wallenberg Jr (Knut and Alice Wallenberg Foundation), Mats Lagerqvist (Robur) and Christer Elmehagen (AMF Pension).

Linköping, February 15, 2007

Åke Svensson

President and Chief Executive Officer

Audit Report

Introduction

We have reviewed the year-end report for Saab AB (publ) for the period January 1, 2006 to December 31, 2006. The Board of Directors and the President are responsible for the preparation and presentation of this year-end report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this year end-report based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as issued by FAR. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance Standards on Auditing in Sweden RS and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying year-end report is not essentially prepared in accordance with IAS 34 and the Annual Accounts Act.

Stockholm, February 15, 2007

Ernst & Young AB

Björn Fernström
Authorized Public Accountant

Deloitte AB

Tommy Mårtensson
Authorized Public Accountant

Annual General Meeting:

April 12, at 6:00 p.m. (CET), 2007

Financial information dates:

Annual Report 2006	published around March 10, 2007
Interim Report January–March 2007	published April 24, 2007
Interim Report January–June 2007	published July 13, 2007
Interim Report January–September 2007	published October 19, 2007

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Press conference

**with Åke Svensson, CEO, and Lars Wahlund,
SVP Finance:**

Today, Thursday, February 15, 2007, 2:00 p.m. (CET)
World Trade Center, Stockholm
Contact Peter Larsson, Press Secretary, tel. +46-734-18 00 18

International teleconference:

Today, Thursday, February 15, 2007, 4:00 p.m. (CET)
Contact Marita Sidén to register and for further information
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Income statement

SEK m.	Note	2006	2005
Sales	3	21,063	19,314
Cost of goods sold		-15,775	-15,003
Gross income		5,288	4,311
Gross margin		25.1%	22.3%
Other operating income		330	322
Marketing expenses		-1,646	-1,203
Administrative expenses		-1,279	-1,132
Research and development costs		-805	-552
Other operating expenses		-165	-159
Share in income of associated companies		22	65
Operating income ¹⁾	3	1,745	1,652
Operating margin		8.3%	8.6%
Share in income of associated companies		-28	-20
Financial income		114	228
Financial expenses		-138	-309
Net financial items		-52	-101
Income before taxes		1,693	1,551
Taxes	4	-346	-352
Net income for the period		1,347	1,199
of which Parent Company shareholders' interest		1,300	1,189
of which minority interest		47	10
Earnings per share before and after dilution, SEK ²⁾		11.91	10.89
¹⁾ Includes depreciation of		-1,056	-949
of which depreciation of lease assets		-282	-419
²⁾ Average number of shares		109,150,344	109,150,344

Quarterly income statement

SEK m.	Q4 2006	Q3 2006	Q2 2006	Q1 2006	Q4 2005	Q3 2005	Q2 2005	Q1 2005
Sales	7,347	4,260	5,145	4,311	6,856	4,025	4,611	3,822
Cost of goods sold	-5,602	-3,067	-3,909	-3,197	-5,279	-3,095	-3,722	-2,907
Gross income	1,745	1,193	1,236	1,114	1,577	930	889	915
Gross margin	23.8%	28.0%	24.0%	25.8%	23.0%	23.1%	19.3%	23.9%
Other operating income	68	23	54	185	211	71	14	26
Marketing expenses	-585	-368	-358	-335	-321	-283	-307	-292
Administrative expenses	-370	-330	-299	-280	-405	-240	-256	-231
Research and development costs	-404	-152	-130	-119	-254	-111	-106	-81
Other operating expenses	-47	5	-102	-21	-111	-8	-35	-5
Share in income of associated companies	16	-2	3	5	11	15	26	13
Operating income ¹⁾	423	369	404	549	708	374	225	345
Operating margin	5.8%	8.7%	7.8%	12.7%	10.3%	9.3%	4.9%	9.0%
Share in income of associated companies	-13	-2	-12	-1	-20	-	-	-
Financial income	-23	39	39	59	80	38	50	60
Financial expenses	13	-49	-28	-74	-106	-67	-58	-78
Net financial items	-23	-12	-1	-16	-46	-29	-8	-18
Income before taxes	400	357	403	533	662	345	217	327
Taxes	-32	-107	-102	-105	-94	-100	-63	-95
Net income for the period	368	250	301	428	568	245	154	232
of which Parent Company shareholders' interest	347	237	293	423	574	231	161	223
of which minority interest	21	13	8	5	-6	14	-7	9
Earnings per share before and after								
dilution, SEK, kr ²⁾	3.18	2.17	2.68	3.88	5.26	2.11	1.48	2.04
¹⁾ Includes depreciation of	-435	-235	-191	-195	-253	-225	-243	-228
of which depreciation of lease assets	-65	-67	-71	-79	-101	-94	-115	-109
²⁾ Average number of shares	109,150,344	109,150,344	109,150,344	109,150,344	109,150,344	109,150,344	109,150,344	109,150,344

Balance sheet

SEK m.	Note	Dec. 31 2006	Dec. 31 2005
ASSETS			
Fixed assets			
Intangible fixed assets		7,821	3,222
Tangible fixed assets		4,295	4,208
Lease assets		2,417	4,077
Biological assets		230	217
Investment properties		66	62
Shares in associated companies		270	316
Financial investments		122	128
Long-term receivables		991	1,090
Deferred tax receivables		362	319
Total fixed assets		16,574	13,639
Current assets			
Inventories		4,957	3,962
Derivatives		538	434
Tax receivables		146	93
Account receivables		3,324	3,017
Prepaid expenses and accrued income		652	608
Other receivables		5,053	2,578
Short-term investments		0	4,624
Cash and marketable securities	6	1,393	1,574
Total current assets		16,063	16,890
Assets held for sale		134	65
Total assets	11	32,771	30,594

SEK m.	Note	Dec. 31 2006	Dec. 31 2005
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Parent Company's shareholders' interest		9,802	9,179
Minority interest		223	314
Total shareholders' equity		10,025	9,493
Long-term liabilities			
Long-term interest-bearing liabilities		590	739
Lease obligations		245	665
Other liabilities		342	388
Provisions for pensions	8	412	2,939
Other provisions		1,961	2,214
Deferred tax liabilities		789	28
Total long-term liabilities		4,339	6,973
Current liabilities			
Short-term interest-bearing liabilities		1,064	315
Advance payments from customers		3,642	3,528
Accounts payable		1,422	1,263
Lease obligations		212	858
Derivatives		172	365
Tax liabilities		298	167
Other liabilities		1,115	827
Accrued expenses and deferred income		9,371	6,152
Provisions		1,109	616
Total current liabilities		18,405	14,091
Liabilities attributable to assets held for sale		2	37
Total liabilities		22,746	21,101
Total shareholders' equity and liabilities	11	32,771	30,594

Changes in shareholders' equity

SEK m.	Equity attributable to Parent Company's shareholders					Total	Minority interest	Total shareholders' equity
	Capital stock	Other capital contributions	Net gain on cash flow hedges	OTHER RESERVES Translation reserve	Retained earnings			
Opening balance, January 1, 2006	1,746	543	6	298	6,586	9,179	314	9,493
Items reported directly in shareholders' equity:								
Translation differences for the period	-	-	-	-306	-	-306	-59	-365
Net gain on cash flow hedges	-	-	66	-	-	66	-	66
Other changes in shareholders' equity:								
Net income for the period	-	-	-	-	1,300	1,300	47	1,347
Transactions with owners:								
Dividend	-	-	-	-	-437	-437	-3	-440
Acquisition and sale of operations	-	-	-	-	-	-	-76	-76
Closing balance, December 31, 2006	1,746	543	72	-8	7,449	9,802	223	10,025
Opening balance, January 1, 2005	1,746	543	-	-1	5,830	8,118	103	8,221
Effect of change in accounting principle	-	-	104	-	-24	80	-	80
Adjusted shareholders' equity, January 1, 2005	1,746	543	104	-1	5,806	8,198	103	8,301
Items reported directly in shareholders' equity:								
Translation differences for the period	-	-	-	299	-	299	27	326
Net gain on cash flow hedges	-	-	-98	-	-	-98	-	-98
Other changes in shareholders' equity:								
Net income for the period	-	-	-	-	1,189	1,189	10	1,199
Transactions with owners:								
Dividend	-	-	-	-	-409	-409	-	-409
Acquisition and sale of operations	-	-	-	-	-	-	174	174
Closing balance, December 31, 2005	1,746	543	6	298	6,586	9,179	314	9,493

Statement of cash flows

SEK m.	Note	2006	2005
Operating activities			
Income after financial items		1,693	1,551
Establishment of pension fund		-2,566	-200
Adjustments for items not affecting cash flow		1,454	1,242
Income tax paid		-115	-110
Cash flow from operating activities before changes in working capital		466	2,483
Cash flow from changes in working capital			
Increase(-)/Decrease(+) in inventories		-767	356
Increase(-)/Decrease(+) in current receivables		-1,700	-43
Increase(+)/Decrease(-) in advance payments from customers		-853	481
Increase(+)/Decrease(-) in lease obligations		-832	-1,022
Increase(+)/Decrease(-) in other current liabilities		2,290	417
Increase(+)/Decrease(-) in provisions		-201	-331
Cash flow from operating activities		-1,597	2,341
Investing activities			
Investments in intangible fixed assets		-67	-1
Capitalized development costs		-463	-292
Investments in tangible fixed assets		-433	-296
Sale of tangible fixed assets		31	37
Investments in lease assets		-	-109
Sale of lease assets		823	799
Investments in and sale of financial assets		4,606	-1,598
Investments in subsidiaries, net effect on liquidity	7	-3,403	-293
Sale of subsidiaries, net effect on liquidity	7	219	257
Cash flow from investing activities		1,313	-1,496
Financing activities			
Loans raised		630	-
Amortization of loans		-	-36
Dividend paid to Parent Company's shareholders		-437	-409
Dividend paid to minority interest		-4	-4
Cash flow from financing activities		189	-449
Cash flow for the period	6	-95	396
Liquid assets at beginning of year		1,557	1,129
Exchange rate difference in liquid assets		-73	32
Liquid assets at end of period	6	1,389	1,557

Quarterly information ¹⁾

SEK m.	JANUARY-MARCH				APRIL-JUNE			
	2006		2005		2006		2005	
Sales								
Defence and Security Solutions	1,738		1,261		1,934		1,600	
Systems and Products	1,482		1,546		1,879		1,874	
Aeronautics	1,591		1,280		1,534		1,552	
Corporate	69		25		49		18	
Internal sales	-569		-290		-251		-433	
	4,311		3,822		5,145		4,611	
Operating income								
Defence and Security Solutions	192	11.0%	113	9.0%	152	7.9%	175	10.9%
Systems and Products	143	9.6%	169	10.9%	239	12.7%	218	11.6%
Aeronautics	72	4.5%	97	7.6%	101	6.6%	-155	-10.0%
Corporate	142		-34		-88		-13	
	549	12.7%	345	9.0%	404	7.8%	225	4.9%
Net financial items	-16		-18		-1		-8	
Income before taxes	533		327		403		217	
Net income for the period	428		232		301		154	
Attributable to Parent Company's shareholders								
	423		223		293		161	
Earnings per share	3.88		2.04		2.68		1.48	
No. of shares, thousands	109,150		109,150		109,150		109,150	

SEK m.	JULY-SEPTEMBER				OCTOBER-DECEMBER			
	2006		2005		2006		2005	
Sales								
Defence and Security Solutions	1,913		1,409		2,443		2,033	
Systems and Products	1,417		1,297		3,802		2,680	
Aeronautics	1,233		1,391		1,652		2,552	
Corporate	49		15		37		24	
Internal sales	-352		-87		-587		-433	
	4,260		4,025		7,347		6,856	
Operating income								
Defence and Security Solutions	199	10.4%	98	7.0%	332	13.6%	249	12.2%
Systems and Products	106	7.5%	123	9.5%	143	3.8%	308	11.5%
Aeronautics	39	3.2%	87	6.3%	-22	-1.3%	115	4.5%
Corporate	25		66		-30		36	
	369	8.7%	374	9.3%	423	5.8%	708	10.3%
Net financial items	-12		-29		-23		-46	
Income before taxes	357		345		400		662	
Net income for the period	250		245		368		568	
Attributable to Parent Company's shareholders								
	237		231		347		574	
Earnings per share	2.17		2.11		3.18		5.26	
No. of shares, thousands	109,150		109,150		109,150		109,150	

¹⁾ For information on the business segments see note 3 on page 21.

Five-year overview

SEK m., unless otherwise stated	2006	2005	2004 ⁵⁾	2003	2002
Order bookings	27,575	17,512	16,444	19,606	19,521
Order backlog at Dec. 31	51,099	42,198	43,162	45,636	43,082
Sales	21,063	19,314	17,848	17,250	16,538
Foreign market sales, %	65	56	48	46	41
Operating income	1,745	1,652	1,853	1,293	1,220
Operating margin, %	8.3	8.6	10.4	7.5	7.4
Operating margin before depreciation, and write downs, excluding depreciation of lease assets, %	12.0	11.3	13.3	11.1	11.2
Income after financial items	1,693	1,551	1,712	1,073	993
Net income for the year	1,347	1,199	1,310	746	732
Total assets	32,771	30,594	27,509	28,704	28,109
Operating cash flow	-1,900	2,645	325	545	-92
Return on capital employed, %	14.5	14.6	17.3	12.7	11.6
Return on equity, %	13.8	13.5	16.7	10.8	10.8
Equity/assets ratio, %	30.6	31.0	29.9	24.4	24.3
Earnings per share, SEK ^{2) 4)}	11.91	10.89	11.78	7.00	6.87
after full conversion, SEK ^{3) 4)}	11.91	10.89	11.78	6.91	6.78
Dividend per share, SEK	4.25	4.00	3.75	3.50	3.50
Equity per share, SEK ¹⁾	89.80	84.10	74.89	65.75	64.17
Number of employees at year-end	13,577	12,830	11,936	13,414	14,036

¹⁾ Number of shares as of December 31, 2006/2005/2004: 109,150,344; 2003: 106,517,563 and 2002: 106,510,374

²⁾ Average number of shares 2006/2005: 109,150,344; 2004: 108,234,126; 2003: 106,513,969 and 2002: 106,487,407

³⁾ Average number of shares 2006/2005: 109,150,344; 2004: 108,234,126, after full conversion 2002-2003: 109,247,175. Conversion of the debenture loan concluded on July 15, 2004.

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

⁵⁾ Restated according to IFRS, previous years are not restated

Key ratios and targets

Percent	target	2006	2005	2004
Operating margin before depreciation/amortization excluding leasing, %		12.0	11.3	13.3
Operating margin after depreciation/amortization, %	10.0	8.3	8.6	10.4
Earnings per share, SEK ¹⁾		11.91	10.89	11.78
Return on capital employed before tax, %		14.5	14.6	17.3
Return on equity after tax, %	15.0	13.8	13.5	16.7
Equity/assets ratio, %	30.0	30.6	31.0	29.9
Equity per share, SEK ¹⁾		89.80	84.10	74.89

¹⁾ Average number of shares 109,150,344

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1

CORPORATE INFORMATION

Saab AB (publ), corporate identity no. 556036-0793, registered office in Linköping, Sweden, has been listed on the O-list of the OMX Stockholm since 1998 and from October 2006 has been listed on the new large cap list. The company's operations, including subsidiaries and associated companies, are described in Note 3.

The Board of Directors and the President approved this year-end report for the period January 1 – December 31, 2006 for publication on February 15, 2007.

NOTE 2

ACCOUNTING PRINCIPLES

This interim report is prepared according to the Annual Accounts Act and IAS 34.

The same accounting principles have been applied during the period as in 2005, as described on pages 56-62 of the annual report. The interim report does not contain all the information and disclosures available in the annual report, and the interim report should be read together with the annual report for 2005.

NOTE 3

SEGMENT REPORTING

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

While Europe is its main market, Saab has growing markets in Australia, South Africa and the U.S.

Description of business segments:

See page 4 and 5

SALES AND ORDER INFORMATION

Sales by business segment

SEK m.	2006	2005	Change	Q4 2006	Q4 2005	Change
Defence and Security Solutions	8,028	6,303	27.4%	2,443	2,033	20.2%
Systems and Products	8,580	7,397	16.0%	3,802	2,680	41.9%
Aeronautics	6,010	6,775	-11.3%	1,652	2,552	-35.3%
Corporate	204	82		37	24	
Internal sales	-1,759	-1,243		-587	-433	
Saab Group	21,063	19,314	9.1%	7,347	6,856	7.2%

NOTE 3 continued**Sales by geographic market**

SEK m.	2006	% of sales	12 mos. 2005	% of sales
Sweden	7,349	35	8,541	44
Rest of EU	6,080	29	5,420	28
Rest of Europe	292	1	343	2
Total, Europe	13,721	65	14,304	74
North America	1,746	8	1,608	8
Latin America	57	0	83	0
Asia	1,757	8	684	4
Australia, etc.	975	5	1,195	6
Africa	2,807	14	1,440	8
Saab Group	21,063	100	19,314	100

Order bookings by business segment

SEK m.	2006	2005	Q4 2006	Q4 2005
Defence and Security Solutions	16,415	7,648	2,743	2,271
Systems and Products	7,691	6,726	3,887	2,360
Aeronautics	4,956	3,603	1,446	1,774
Corporate	53	243	9	174
Internal	-1,540	-708	-637	-232
Saab Group	27,575	17,512	7,448	6,347

Order backlog by business segment

SEK m.	Dec. 31 2006	Dec. 31 2005
Defence and Security Solutions	13,654	5,300
Systems and Products	18,950	16,325
Aeronautics	20,440	21,970
Corporate	12	163
Internal	-1,957	-1,560
Saab Group	51,099	42,198

NOTE 3 continued

OPERATING INCOME

Operating income by business segment

SEK m.	2006	% of sales	2005	% of sales	Q4 2006	% of sales	Q4 2005	% of sales
Defence and Security Solutions	875	10.9	635	10.1	332	13.6	249	12.2
Systems and Products	631	7.4	818	11.1	143	3.8	308	11.5
Aeronautics	190	3.2	144	2.1	-22	-1.3	115	4.5
Corporate	49		55		-30		36	
Saab Group	1,745	8.3	1,652	8.6	423	5.8	708	10.3

Operating income by business segment with structural costs reported separately

SEK m.	2006	% of sales	2005	% of sales	Q4 2006	% of sales	Q4 2005	% of sales
Defence and Security Solutions	933	11.6	679	10.8	356	14.6	261	12.8
Systems and Products	876	10.2	862	11.7	374	9.8	336	12.5
Aeronautics	281	4.7	271	4.0	7	0.0	140	5.5
Corporate	100		161		19		129	
Total	2,190	10.4	1,973	10.2	756	10.3	866	12.6
Structural costs	-445		-321		-333		-158	
Saab Group	1,745	8.3	1,652	8.6	423	5.8	708	10.3

Depreciation/amortization by business segment

SEK m.	2006	2005	Q4 2006	Q4 2005
Defence and Security Solutions	131	102	72	34
Systems and Products	392	172	210	44
Aeronautics	128	124	40	36
Corporate - lease assets	282	419	65	101
Corporate - other	123	132	48	38
Saab Group	1,056	949	435	253

OPERATING CASH FLOW AND CAPITAL EMPLOYED

Cash flow by business segment

SEK m.	2006	2005
Defence and Security Solutions	619	539
Systems and Products	-33	485
Aeronautics	-71	1,570
Corporate	-2,415	51
Saab Group	-1,900	2,645

NOTE 3 continued**Capital employed by business segment**

SEK m.	Dec. 31 2006	Jan. 2006	Dec. 31 2005
Defence and Security Solutions	4,663	3,525	4,095
Systems and Products	7,523	4,191	4,191
Aeronautics	2,158	1,489	1,676
Corporate	-2,253	4,282	3,525
Saab Group	12,091	13,487	13,487

PERSONNEL

Personnel by business segment

Number at end of year	Dec. 31 2006	Dec. 31 2005	Change
Defence and Security Solutions	4,843	4,737	106
Systems and Products	5,197	4,168	1,029
Aeronautics	2,904	3,189	-285
Corporate	633	736	-103
Saab Group	13,577	12,830	747

NOTE 4

TAXES

SEK m.	Dec. 31 2006	Dec. 31 2005
Current tax	-303	-103
Deferred tax	-43	-249
Total	-346	-352

NOTE 5

DIVIDEND TO PARENT COMPANY'S SHAREHOLDERS

At its meeting on February 15, 2007 the Board of Directors decided to propose to the Annual General Meeting that the Parent Company's shareholders receive a dividend of SEK 4.25 per share, totaling SEK 464 m.

NOTE 6

SUPPLEMENTAL INFORMATION ON STATEMENT OF CASH FLOWS

Liquid assets

SEK m.	Dec. 31, 2006	Dec. 31, 2005
The following components are included in liquid assets:		
Cash and bank balances (incl. available overdraft facilities)	1,290	1,243
Deposits	103	81
Short-term investments equated with liquid assets	-	250
Total according to balance sheet	1,393	1,574
Immediately cancelable overdraft facilities	-4	-17
Total according to statement of cash flows	1,389	1,557

Operating cash flow vs. statement of cash flows

SEK m.	2006	2005
Operating cash flow	-1,900	2,645
Investing activities – interest-bearing:		
Short-term investments	4,868	-1,553
Financial investments and receivables	-686	-47
Financing activities:		
Loans raised	630	-
Amortization of loans	-	-36
Payment to pension fund	-2,566	-200
Dividend paid to the Parent Company's shareholders	-437	-409
Dividend paid to minority interest	-4	-4
Cash flow for the year	-95	396

NOT 6 fortsättning

Specification of operating cash flow 2006

SEK m.	Saab excl. acquisitions/ divestments and SAL	Acquisitions and divestments	Saab Aircraft Leasing	Total Group
Cash flow from operating activities before changes in working capital	2 753		279	3 032
<i>Cash flow from changes in working capital</i>				
Inventories	-753		-14	-767
Receivables	-1 806		106	-1 700
Advance payments from customers	-853			-853
Lease obligations			-832	-832
Other liabilities	2 433		-143	2 290
Provisions	-99		-102	-201
Change in working capital	-1 078	0	-985	-2 063
Cash flow from operating activities	1 675	0	-706	969
<i>Investing activities</i>				
Investments in intangible fixed assets	-530			-530
Investments in tangible fixed assets	-433			-433
Sale of tangible and intangible fixed assets	30		1	31
Sale of and investment in lease assets			823	823
Sale of and investment in shares, etc.	23	401		424
Investments in subsidiaries, net effect on liquidity		-3 403		-3 403
Sale of subsidiaries, net effect on liquidity		219		219
Cash flow from investing activities	-910	-2 783	824	-2 869
OPERATING CASH FLOW	765	-2 783	118	-1 900

NOTE 7

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, TietoEnator 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 253 m., which generated a profit of SEK 180 m. In the annual report 2005 Metech was recognized among assets held for sale, SEK 65 m., and liabilities attributable to assets held for sale, SEK 37 m. The divestment had a positive effect on liquid assets of SEK 219 m. If the divestment had taken place on January 1, 2006 the Group's sales would have been SEK 57 m. lower for the period and net income for the period would have decreased by SEK 5 m., excluding capital gains.

On May 1 Saab acquired 100 percent of the shares in the South African electronics engineering company Aerospace Monitoring and Systems (Pty) Ltd (AMS). The purchase price was 25 million rand, which means that reported goodwill was 20 million rand. The acquisition was financed with liquid assets. Including liquid assets in the acquired company, the group's liquid assets declined by 20 million rand or approximately SEK 25 m.

No intangible assets have been identified for TietoSaab Systems and AMS. Goodwill is entirely due to synergies between the operations in Defence and Security Solutions and Systems and Products. The acquisition of these companies has not had any significant effect on assets, liabilities and equity as well as sales or operating income for the period (pro forma). The effect on Group's liquidity as of December 31, 2006:

Purchase price, cash	-79
Liquid assets (acquired)	6
Liquidity effect	-73
Interest-bearing liabilities	-
Effect on Group's net liquidity	-73

On September 1 Saab acquired all the shares (100 percent) in Ericsson Microwave Systems AB, Maersk Data Defence A/S and 40 percent of the shares in Saab Ericsson Space.

The acquisition of Saab Ericsson Space is reported as a step-by-step acquisition, since Saab's interest prior to the acquisition was 60 percent and it was already consolidated in the Group.

The acquisitions of Ericsson Microwave Systems AB and Maersk Data Defense A/S have the following effects on the Group's assets and liabilities:

Ericsson Microwave Systems AB (preliminary)

SEK m.	Reported value at acquisition	Fair value reported in Group
Intangible fixed assets	2,000	2,957
Tangible fixed assets	223	223
Financial fixed assets	87	87
Deferred tax assets	125	125
Inventories	171	171
Other receivables	1,730	1,730
Liquid assets	582	582
Provisions	-280	-280
Deferred tax liabilities	-615	-883
Advance payments from customers	-1,482	-1,482
Accounts payable and other liabilities	-927	-927
Net identified assets and liabilities	1,614	2,303
Goodwill		1,460
Purchase price		3,763
Liquid assets (acquired)		-582
Net cash flow out		3,181

The acquisition analysis remains preliminary, since the final purchase price has not been determined.

Description of identified intangible assets

Intangible assets primarily consist of expenditures for product development/technology and customer relations. The estimated amortization schedule is at 5 to 15 years.

NOTE 7 continued

Maersk Data Defence A/S (preliminary)

SEK m.	Reported value at acquisition	Fair value reported in Group
Intangible fixed asset	86	86
Tangible fixed assets	2	2
Deferred tax assets	16	16
Inventories	19	19
Other receivables	23	23
Liquid assets	25	25
Provisions	-8	-8
Deferred tax liabilities	-24	-24
Interest-bearing liabilities	-12	-12
Accounts payable and other liabilities	-61	-61
Net identified assets and liabilities	66	66
Goodwill		-
Preliminary purchase price ¹⁾		66
Liquid assets (acquired)		-25
Net cash flow in		41

1) Purchase price paid SEK 58 m.

The acquisition analysis remains preliminary, since the final purchase price has not been determined.

Description of identified intangible assets

Product development/technology primarily consists of investments in a number of key technologies, the most prominent of which is the DACCIS command and control system. The amortization period is estimated at 15 years.

Recognized goodwill from the acquisition of 40 percent of Saab Ericsson Space

SEK m.	
Purchase price paid	100
Less acquired net assets September 1, 2006	-75
Goodwill	25

The impact on the Group's liquidity as of December 31, 2006 was as follows:

SEK m.	
Purchase price paid Ericsson Microwave Systems	3,763
Purchase price paid Saab Ericsson Space	100
Purchase price paid Maersk Data Defence	58
Cash and marketable securities Ericsson Microwave Systems	-582
Cash and marketable securities Saab Ericsson Space	-
Cash and marketable securities Maersk Data Defence	-25
Liquidity effect	3,314
Interest-bearing liabilities Ericsson Microwave Systems	-
Interest-bearing liabilities Saab Ericsson Space	-
Interest-bearing liabilities Maersk Data Defence	12
Impact on the Group's net liquidity	3,326

Effects if the acquisition had taken place on January 1, 2006

Revenue

Revenue January 1 - August 31, 2006 Ericsson Microwave Systems	1,840
Revenue January 1 - August 31, 2006 Maersk Data Defence	92
Total	1,932

Net income for the period

Income January 1 - August 31, 2006 Ericsson Microwave Systems	-29
Income January 1 - August 31, 2006 Maersk Data Defence	-18
Income January 1 - August 31, 2006 Saab Ericsson Space (40%)	2
Total	-45

NOTE 8

DEFINED-BENEFIT PLANS

Saab has defined-benefit pension plans where post-employment compensation is based on a percentage of the recipient's salary. The predominant plan is the ITP plan, which is secured through a pension fund. The Saab Pension Fund had assets of SEK 3,234 m. as of December 31, 2006. The fund's return during the period was SEK 147 m., including a market valuation of assets of SEK 73 m. The solvency margin since the fund's inception in March 2006 has increased slightly.

NOTE 9

COMMITMENTS AND CONTINGENT LIABILITIES

Sureties for joint ventures of SEK 487 m. were added during the period.

NOTE 10

TRANSACTIONS WITH RELATED PARTIES

See also the annual report for 2005, note 42.

NOTE 11

CONDENSED SUBDIVIDED BALANCE SHEET AS OF DECEMBER 31, 2006

SEK m.	Saab	Saab Aircraft Leasing	Eliminations	Saab Group
Assets				
Intangible assets	7,821	-	-	7,821
Tangible fixed assets	4,591	-	-	4,591
Lease assets	-	2,417	-	2,417
Long-term interest-bearing receivables	508	-	-	508
Shares etc.	1,866	-	-1,500	366
Deferred tax assets	303	59	-	362
Inventories	4,952	5	-	4,957
Short-term interest-bearing receivables	770	-	-	770
Other receivables	8,773	813	-	9,586
Cash and marketable securities	1,290	103	-	1,393
Total assets	30,874	3,397	-1,500	32,771
Shareholders' equity and liabilities				
Shareholders' equity	10,030	1,495	-1,500	10,025
Provisions for pensions	412	-	-	412
Deferred tax liabilities	789	-	-	789
Other provisions	2,407	663	-	3,070
Interest-bearing liabilities	1,654	-	-	1,654
Lease obligations	-	457	-	457
Advance payments from customers	3,642	-	-	3,642
Other liabilities	11,940	782	-	12,722
Total shareholders' equity and liabilities	30,874	3,397	-1,500	32,771