

**SAAB****INFORMATION**

Handläggare/Handled by

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THE 1999 REPORT

- Sales increased 10 percent to SEK 9,053 m. (8,248)
- Operating income increased 26 percent to SEK 1,104 m. (875)
- Net income amounted to SEK 939 m. (912) and earnings per share was SEK 8.82 (8.55)
- Pre-tax return on capital employed was 21,3 percent
- Proposed dividend per share: SEK 2,50 (2,00)
- In November 1999, Saab made an offer for all shares in Celsius AB. After that Saab's acquisition of Celsius has been approved by the European Commission and the Swedish Government has accepted the offer from Saab regarding the shares its own in Celsius.
- In December 1999, South Africa decided to purchase 28 Gripen aircraft

Comment by the President

"1999 was an eventful and successful year for Saab. It was another year with good growth in both sales and operating income. A restructured Combitech contributed significantly to the result and the IT companies continued to expand aggressively with good profitability. In December, the contract for the first export order for the Gripen was signed with the South African Government. Company acquisitions in our core areas made positive contributions to income already in the first year.

However, the most important event with regard to the future was the offer for Celsius and the intellectual power house created by the combined company. The transformation that has started at Saab, with a rapid increase in the proportion of electronics and software development, will thus continue. To Saab's approximately 2,400 engineers working with information technology will be added some 2,000 from Celsius. The new growth-oriented knowledge company will be able to offer both military and commercial customers new values through its accumulated competence in areas such as Information Technology, Decision Support and Command Systems. Operations will be oriented towards the expanding market for new information systems expected also on the military side, in addition to an increasing share of technical support and service.

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The new Saab will also offer a consolidated Swedish solution with immediate access to the international arena via its owner and partner, BAE SYSTEMS, for its total product program in the defense sector.

We expect that about one year's structural work will be required for merging the two companies. However, significant synergies should already be achievable during the first year."

Offer to purchase all shares in Celsius

On 16 November 1999, Saab AB stated in its offer to the shareholders in Celsius AB that the intention is to purchase all outstanding shares. Saab AB is offering SEK 179 in cash for each A- or B-share in Celsius AB. The value of the offer amounts to SEK 5 billion. After adjustments for among others Celsius' claim on SPP, provision for restructuring costs and the result of in Celsius earlier decided structural deals, the offer is expected to result in a goodwill of approximately SEK 700 million, which is estimated to be amortized over 20 years. The offer is being financed from Saab's existing banking facilities.

The Swedish Government has decided to accept the offer, regarding the A- and B-shares it owns in Celsius, which means that the Swedish Government sells in total 3,000,000 A-shares and 4,000,000 B-shares representing 24.9 per cent of the capital and 61.7 per cent of the votes in Celsius. This decision follows a vote by the Swedish Parliament on February 16, 2000 in favor of a sale of the Swedish Government's shares. On February 4, 2000, after having reviewed the notification, the European Commission decided not to launch a full probe into the transaction, which means that the European Commission now has approved Saab's acquisition of Celsius.

Business areas

Military Aerospace

During 1999, 16 Gripen aircraft were delivered to the Swedish Air Force, bringing the total to 81 out of the 204 ordered by the Defence Materiel Administration, FMV. Three squadrons of the first of the world's fourth generation combat aircraft are now operative in the Swedish defense. In December, Saab received an order for warning and countermeasures systems valued at SEK 1.2 bn, of which about SEK 600 m. will be delivered from Celsius. In December, Saab and BAE SYSTEMS signed a contract with South Africa for 28 Gripen aircraft and 22 Hawk aircraft with related equipment, training, etc. The contract has a total value of approximately SEK 22 bn, of which SEK 13 bn refer to Gripen and the 28 aircraft will be delivered during the period 2007-2012. The order will be booked in 2000 when the final work allocation has been made between Saab and BAE SYSTEMS. Saab's share of the contract is estimated at about 75 percent, equivalent to about SEK 10 bn. The agreement with South Africa for the supply of Hawk and Gripen aircraft includes industrial collaboration commitments by Saab and BAE SYSTEMS totally valued at about SEK 60 bn and defense and aircraft industry commitments totaling just under SEK 13 bn. These commitments will be fulfilled over a period of 11 years and include sales and investments in South Africa, as well as exports from that country. The contract with South Africa will be a profitable venture for



Saab, even after taking into account a relevant share of the costs for developing the export version of the Gripen. During the year, several countries have shown an interest in the RBS15 anti-ship missile and in September *Dynamics* signed an agreement with the German BGT covering export cooperation on the missile. Order bookings for **Military Aerospace** amounted to SEK 4,059 m. (2,544), of which SEK 2,196 m. during the fourth quarter, and included among other further development, add-on orders and spare parts for the Gripen, the EOS450 fire control system for Mexico and the order from FMV for a new warning and countermeasures system for the Gripen.

Space

The share of sales generated from commercial telecommunications projects has continued to grow and in 1999 accounted for 45 percent of the total. During 1999, the most important projects in the institutional market were SPOT, a bilateral collaboration project between France and Sweden concerning global observation satellites, and the ESA projects METOP, related to meteorological satellites and ROSETTA, a scientific satellite. The principal projects in the commercial market during the year comprised participation in Spacebus 3000, Alcatel's platform for telecommunications satellites, deliveries to the ICO mobile communications system, and deliveries of separation systems for a number of launch rockets. Order bookings for **Space** amounted to SEK 706 m. (667), of which SEK 148 m. during the fourth quarter. The share of the commercial market in relation to total order bookings corresponds to the share of sales, i.e. approximately 50 percent.

Training Systems

Approximately 90 percent of sales go to export, the major markets being the UK, the US and Germany. During the year, initial orders were received in two new product areas, GAMER (Gunnery and Maneuver Exercise System) and the BT47 small arms simulator. Order bookings for **Training Systems** increased through the acquisition of Barracuda Technologies and amounted to SEK 631 m. (583), of which SEK 322 m. were received during the fourth quarter and included among others orders for simulator equipment from France, target equipment from Spain and multispectral camouflage screens from FMV. In January 2000, a further order for laser simulators valued at SEK 160 m. was received from the US.

Commercial Aircraft

In August, Collaborative Programs delivered the first pair of floor structures to Aérospatiale Matra for Airbus A340-500/600. *Saab Aircraft Leasing's* (SAL) leasing portfolio has decreased by seven aircraft during the year and consisted at year-end of 309 regional aircraft. Order bookings for **Commercial Aircraft** amounted to SEK 836 m. (1,167), of which *Saab Aircraft (Customer Support)*, consisting of regional aircraft spares, accounted for SEK 666 m. (587). New orders were received from BAE SYSTEMS and Boeing, among others. During the year, orders for SEK 82 m. were received as part of the contract from Airbus in 1998, which carry an estimated total contract value of about SEK 1,500 m. This means that deliveries for a total of 63 A340-500/600 have now been recorded as order bookings.

Combitech

During 1999, several companies were divested and the head office in Jönköping phased out. **Combitech** now consists of the profitable niche companies *Saab Marine Electronics*, *Combitech Systems* and *Combitech Network*, together with the development company *Saab Celsius TransponderTech*. *Combitech Traffic Systems* was also part of **Combitech** during 1999, but was divested January 31, 2000 with a capital gain of SEK 55 m. Order bookings for **Combitech** amounted to SEK 1,270 m. (1,001), of which SEK 366 m. during the fourth quarter. The increase was due to a heavy rise in order bookings among all the remaining companies during 1999.

Regional Aircraft

During the year, **Regional Aircraft** was phased out following delivery of the last regional aircraft. A total of 459 Saab 340 and 63 Saab 2000 aircraft have thus been delivered since the start in 1984. All in all 522 aircraft.

Sales, income and orders

Sales

Group sales increased by 10 percent to SEK 9,053 m. (8,248). The increase in sales is due both to acquisitions and organic growth. January 1, 1999, the share majority in *Avionics* was purchased, after which the company has been included in the Group's sales. During 1999, *Nyge Aero* and *Barracuda Technologies* were also acquired. The organic growth in **Space** and the **Combitech** IT companies has been very satisfactory for several years. In *Combitech Systems* for example, the growth exceeded 60 percent both in 1998 and 1999. Sales to foreign markets amounted to SEK 3,444 m. (3,403) or 38 (41) percent of total sales.

Sales of **Military Aerospace** increased 18 percent to SEK 5,383 m. (4,572). The improvement is attributed mainly to the consolidation of *Avionics*, although sales from Gripen activities also increased. During the year, 16 Gripen aircraft were invoiced which is in accordance with the current delivery plan, compared with 17 in 1998. Of sales of **Military Aerospace**, sales of *Dynamics* amounted to SEK 851 m. (853). Sales of *Avionics* amounted to SEK 1,044 m. (934), which is not included in Group Sales since *Avionics* was reported as an associated company in 1998. Sales of *Nyge Aero* amounted to SEK 180 m., of which SEK 141 m. is included in Group sales. Sales by **Space** increased 11 percent to SEK 676 m. (607) through higher volumes. The commercial market accounted for 45 percent of total sales. Sales of **Training Systems** increased to SEK 735 m. (621) through higher volumes of laser simulators and the acquisition of *Barracuda Technologies*. Of *Barracuda Technologies'* sales of SEK 80 m., SEK 40 m. is included in Group sales. Sales of **Commercial Aircraft** decreased to SEK 812 m. (908) through considerably lower deliveries to regional aircraft production, which ceased during the year. SEK 115 m. (95) of sales related to deliveries to Boeing and Airbus, among others. Sales of customer support to the fleet of Saab 340 and Saab 2000 increased to SEK 666 m. (587). Sales of **Combitech** increased to SEK 1,273 m. (1,057) mainly through the volume increase in *Traffic Systems*, growth in the IT companies and acquisitions in *Marine Electronics*. Compared with the previous year's sales, adjusted for company divestments, sales increased 64 percent. Of

Combitech's sales, *Marine Electronics* accounted for SEK 488 m. (443) and the IT companies for SEK 510 m. (368). Sales of **Regional Aircraft** decreased as a result of the termination of civil aircraft production at mid-year. During the year, 3 (25) Saab 340 and 4 (11) Saab 2000 were delivered.

Income and profitability

Operating income increased 26 percent to SEK 1,104 m. (875). All business areas showed improved income with the exception of Military Aerospace, which, according to plan, reported higher development costs for the export version of the Gripen. During 1999, income was improved by the reversal of SEK 135 m. (100) of the loss risk reserve for the basic contract for the Gripen and SEK 255 m. (200) for the phase-out of Regional Aircraft. The year's loss in Regional Aircraft of SEK -771 m. (-477) has been charged against the termination reserve. Income of *Saab Aircraft Leasing* before reversal of the loss risk reserve amounted to SEK -35m. (-55). Project interest on non-utilized advance payments amounted to SEK 218 m. (263).

The increase in research and development costs is mainly due to planned higher development costs for the export version of the Gripen and work on Collaborative Programs, mainly in regard to the Airbus A3XX and A340-500/600.

Other operating income of SEK 181 m. (206) consists mainly of capital gains from divesting operations, SEK 21 m. (75), reversal of provision corresponding to the loss in *Saab Aircraft*, SEK 47 m. (60) and trading income from Treasury business, capital gains and exchange rate gains, etc., of SEK 113 m. (71). Other operating expenses of SEK -71 m. (-34) consists among others of the capital loss from divesting Combitech Electronics.

Net financial income and expenses amounted to SEK 273 m. (343), of which *Saab Aircraft Leasing* accounted for SEK 74 m. (91). The deterioration is mainly due to lower liquid funds, a lower interest level and a lower market value of the bonds portfolio. The average return on liquid funds was 4.75 (5.7) percent and the average liquidity was SEK 11,600 m. (13,300). Income after financial income and expenses amounted to SEK 1,377 m. (1,218).

Current and deferred taxes amounted to SEK -391 m. (-279), corresponding to an effective tax rate of 28 (23) percent on income after financial income and expenses.

Net income for the year was SEK 939 m. (912), corresponding to income per share of SEK 8.82 (8.55).

Pre-tax return on capital employed was 21.3 (21.4) percent. Return on capital employed before items affecting comparability was 17.6 (18.2) percent. After-tax return on shareholders' equity was 21.5 (25.6) percent.

Operating income of **Military Aerospace** decreased to SEK 523 m. (628), mainly due to higher marketing and development costs for the export version of the Gripen. Risks and guarantee commitments in the basic contract for the Gripen have been lowered and the loss risk reserve has thus been reduced by SEK 135 m. (100), so that it has now been eliminated. Project interest of SEK 212 m. (252) on non-utilized advance payments is included in operating income. The operating margin was 9.7 percent (13.7). Operating income of **Space** improved to SEK 65 m. (59), due to higher volumes with maintained margins. The operating margin was 9.6 percent (9.7). Operating income of **Training Systems** was on the same level as the previous year, SEK 165 m. (167). The operating margin decreased somewhat to 22.4 percent (26.9), mainly due to the acquisition of *Barracuda Technologies* and the fact that the previous year was on an exceptionally high level. Operating income of **Commercial Aircraft** amounted to SEK -2 m. (-15) and consists of the income of *Collaborative Programs*, which was affected by investments in new activities connected with Airbus, Boeing and other projects. Development for *Saab Aircraft* and *Saab Aircraft Leasing* is following the plans set up in 1997, when a write-down was made in the leasing portfolio together with provisions for future negative income in *Saab Aircraft*. For *Saab Aircraft*, the year's income before settlement against the loss risk reserve was SEK -47 m. (-60) and for *Saab Aircraft Leasing* SEK -35 m. (-55). Operating income of **Combitech** improved greatly to SEK 80 m. (-166). The improvement was largely due to higher volumes and margins throughout the niche companies, and the fact that there was no negative effect from Traffic Systems on income during the year, since provisions for the expected deficit had already been made in 1998. Operating income for *Marine Electronics* was SEK 68 m. (37), for *Combitech Systems* SEK 25 m. (15) and for *Combitech Network* SEK 25 m. (17). Income for the development company *Saab CelsiusTransponderTech* was negative but within the framework for this development venture. In addition to this, income includes structure costs for closing the Combitech head office and the result of SEK -14 m. (75) from company divestments. Income from Corporate activities improved, especially in regard to capital gains.

The fluctuations between the quarters for sales and operating income have been less significant during 1999 compared to previous years. However, reversal of the loss risk reserves for *Gripen* and **Regional Aircraft** strengthened income during the second and the fourth quarter. Net financial income deteriorated during the fourth quarter, mainly due to lower liquidity and a lower market value of the bonds portfolio.

Order bookings

Group order bookings amounted to SEK 6,849 m. (5,797). The order backlog at year end amounted to SEK 23,637 m. (23,132), and includes military orders worth SEK 22,100 m. (20,900).

Liquidity, finance and investments

Liquidity

Liquid funds less deductions for external borrowing decreased by SEK 2,274 m. to SEK 10,393 m. (12,667). The decrease is partly due to the acquisition of shares in Celsius, lower advance payments from customers and dividend payments. The Group has a strong financial position and net liquidity after deduction for pensions amounted to SEK 8,398 m. (10,719). During 1999, shares in Celsius with a value of SEK 1,267 m. were acquired.

In accordance with applicable accounting practice, Saab has not reported the bonus from SPP as an asset in the financial statements for 1999.

Group equity / assets ratio amounted to 16.8 (13.6) percent and the interest coverage ratio, excluding items affecting comparability, was 13.9 (7.9). Equity / assets ratio excluding Regional Aircraft and *Saab Aircraft Leasing* was 29.7 (26.5) percent. Shareholders' equity amounted to SEK 4,708 m. (4,033), corresponding to SEK 44.23 (37.90) per share.

Cash flow

The cash flow analysis and following comments apply to the period 1 January – 31 December 1999, as if *Avionics* had already been included in the Group in 1998. The cash flow analysis for the period 31 December 1998 - 31 December 1999 is shown in the table "Summary of cash flow statement". Group cash flow from operating activities amounted to SEK 1,861 m. (1,632). Working capital decreased by SEK 2,449 m. (28). Higher utilization of payments for the Gripen and lower advance payments for Regional Aircraft led to a decrease of SEK 1,136 m. in advance payments from customers. Provisions have net decreased by SEK 929 m., of which the year's losses in Regional Aircraft and *Saab Aircraft Leasing* have, in accordance with plans, led to a decrease in provisions of SEK 806 m. Inventories decreased by SEK 524 m., mainly attributable to Regional Aircraft. The cash flow from investments amounted to SEK -1,780 m. (-2,709), of which investments in Celsius AB shares accounted for SEK -1,267 m. in 1999 and investments in lease assets accounted for SEK -2,184 m. in 1998. The operating cash flow amounted to SEK -2,368 m. (-1,105), of which Regional Aircraft SEK -404 m. (-681) and *Saab Aircraft Leasing* SEK 218 m. (-1,813). The decrease is mainly due to the acquisition of shares in Celsius, continued higher utilization of payments for the Gripen, termination of regional aircraft production and dividend payments.

Capital expenditures

The year's capital expenditures in property, plant and equipment, excluding lease assets, amounted to SEK 447 m. (521). The decrease compared to 1998, is mainly due to lower investments in property. During 1998, **Space** and **Training Systems** built new houses at their respective premises. Net investments including lease assets and intangible fixed assets amounted to SEK 466 m. (2,529), including lease assets of SEK 83 m. (2,184).

**Research and development**

To maintain a leading position in its business areas, the Group allocates considerable resources to research and development, which occupies over 2,500 persons. The year's expenditure on research and development amounted to SEK 3,081 m. (2,128). The increase compared with the previous year is mainly attributable to the consolidation of *Avionics*, which is a highly research and development intensive operation, and to the planned increases connected with the export version of the Gripen and business ventures in *Collaborative Programs*. Of the year's expenditures for research and development, SEK 2,477 m. (1,750) relates to development paid for by customers.

The new millennium

The transition to the New Millennium passed smoothly. The year's expenditures amounted to SEK 23 m. (22) and the year's investments in plant and equipment to SEK 15 m. (2). The total costs for the project amount to SEK 48 m. and the total investment is SEK 18 m.

Personnel

At year end 1999, the Group had a total of 8,031 (7,891) employees.

Future development**Products and systems**

The order backlog for *Gripen* and the development of the aircraft system provide an important platform for future operations. Export activities for the Gripen are continuing in collaboration with BAE SYSTEMS in South America, Central Europe and other areas. Although the defense electronics operations in *Dynamics* and *Avionics* are linked to the Gripen, they also develop high technology products used in other systems. An example is *Dynamics'* participation in international missile projects. The space operation continues to develop well. **Training Systems** has a market leading position as a base and will continue to develop existing and new products, while processing new markets. *Collaborative Programs* is continuing to build up a new operation oriented towards cooperation with the major aircraft manufacturers. Operations in *Saab Aircraft Leasing* and *Saab Aircraft* are focused on supplying the fleet of Saab 340 and Saab 2000 aircraft. The work of realizing values in the niche companies within **Combitech** will continue in accordance with the company's strategy.

Restructuring

In December 1997, Saab made the decision to end production of regional aircraft and allocated a reserve of SEK 4,079 m. for restructuring the industrial operation. Restructuring is proceeding according to plan. During 1999, a number of structural measures were completed, mainly in regard to production and related commitments. This has enabled a more reliable assessment of the costs and a decision has therefore been made on reversal of the reserve of SEK 255 m. (200) in the 1999 financial statements. At year-end 1999, the restructuring reserve amounted to SEK 2,376 m.

In connection with the decision to cease production of regional aircraft, a decision was also made to put a market value on the leasing portfolio of *Saab Aircraft Leasing* and to make a provision in order to adjust the book value to a calculated market value. At the end of 1997, the loss risk reserve amounted to SEK 2,728 m. and at the end of 1999 to SEK 2,637 m. No reversals of the reserve has been made so far, since the leasing portfolio has a remaining life of 15-20 years.

Parent Company

Sales and income

Sales of the parent company amounted to SEK 4,933 m. (6,857). Operating income amounted to SEK 626 m. (677). Net financial income and expenses amounted to SEK 1,147 m. (798) and income after financial income and expenses was SEK 1,773 m. (1,475). Of the financial net SEK 648 m. (549) are group contributions and dividends. After appropriations of SEK -45 m. (-79) and paid and deferred tax of SEK -321 m. (-319), net income for the year amounted to SEK 1,407 m. (1,077).

Proposed dividend

The Board of Directors long-term dividend policy is for 20-40 percent of the Group's net income to be distributed. For 1999, the Board of Directors and the President propose to distribute to the shareholders SEK 2.50 (2.00) per share or a total of SEK 266 m. (213), corresponding to 28 (23) percent of the Group's net income. April 13, 2000 has been proposed as the record date and the dividend is expected to be distributed, April 18, 2000.

Annual General Meeting

The Annual General Meeting will be held at Saab, Linköping on Monday, April 10, 2000 at 18.00. Saab's revised annual report will be available at the company's head office in Linköping. The printed Annual Report will be distributed upon request to shareholders from March 6, 2000.

Ownership

Saab's principal owners are Investor AB, British Aerospace, US funds, the Wallenberg foundations and AMF.

Accounting Principles

The report has been drawn up in accordance with earlier accounting principles, but with the exception that Recommendation No. 8 of the Financial Accounting Standards Council has been applied from the half-year report 1999. The change consists of translating integrated foreign operations in accordance with the monetary method. No restatement has been made for earlier periods since the effect of the change of accounting method has been considered immaterial.

Linköping February 18, 2000

Bengt Halse
President and Chief Executive Officer

**Sales by business area**

SEK m.	1999	1998	Change	4th quarter 1999	4th quarter 1998
Military Aerospace	5,383	4,572	18%	1,393	1,561
Space	676	607	11%	170	192
Training Systems	735	621	18%	248	281
Commercial Aircraft	812	908	-11%	212	222
Combitech	1,273	1,057	20%	365	315
Internal sales	-298	-226		-79	-64
Saab	8,581	7,539	14%	2,309	2,507
Regional Aircraft	746	2,698		0	1,006
Internal sales	-274	-1,989		11	-553
Saab Group	9,053	8,248	10%	2,320	2,960

Sales by market

SEK m.	1999	1998	Change
Sweden	5,609	4,845	16%
Other EU countries	1,493	1,301	15%
Other European countries	512	470	9%
Total Europe	7,614	6,616	15%
North America	644	658	-2%
Asia	546	862	-37%
Australia, etc	217	66	
Other markets	32	46	-30%
Saab Group	9,053	8,248	10%

Operating income by business area

SEK m.	1999	1998	4th quarter 1999	4th quarter 1998
Military Aerospace ¹	523	628	209	279
Space	65	59	14	21
Training Systems	165	167	61	124
Commercial Aircraft	-2	-15	-2	-2
Combitech	80	-166	29	-140
Corporate	18	2	-13	-7
Saab	849	675	298	275
Regional Aircraft	0	0	0	0
Saab Aircraft Leasing	0	0	0	0
Items affecting comparability	255	200	81	200
Saab Group	1,104	875	379	475

¹Includes reversal of loss risk reserve of SEK 135 m. (100).


Income statement

SEK m.	1999	1998	4 th	4 th
			quarter	quarter
	1999	1998	1999	1998
Sales	9,053	8,248	2,320	2,960
Cost of goods sold	-6,363	-6,105	-1,429	-2,232
Gross margin	2,690	2,143	891	728
Marketing expenses	-798	-795	-245	-219
Administrative expenses	-550	-532	-142	-144
Research and development costs	-604	-378	-226	-127
Items affecting comparability	255	200	81	200
Other operating income	181	206	37	6
Other operating expenses	-71	-34	-19	9
Share in income of associated companies	1	65	2	22
Operating income¹	1,104	875	379	475
Result from financial investments	273	343	34	128
Income after financial items	1,377	1,218	413	603
Taxes	-391	-279	-102	-107
Minority interest	-47	-27	-12	-11
Net income	939	912	299	485
Earnings per share, SEK ²	8,82	8,55	2,81	4,54
Earnings per share after full conversion, SEK ³	8,60	8,35	2,74	4,44

¹Includes depreciation of
of which depreciation on leasing assets

²Number of shares: 106,459,675 as per December 31, 1999

³Number of shares after full conversion: 109,247,175

Subdivided summary of income statement, 1999

SEK m.	Regional			Elimi- nations	Saab Group
	Saab	Aircraft	SAL		
Sales	8,581	746	0	-274	9,053
Cost of goods sold	-5,836	-1,517	0	990	-6,363
Gross margin	2,745	-771	0	716	2,690
Operating expenses	-1,897	0	-35	90	-1,842
Share in income of associated companies	1	0	0	0	1
Settle of termination reserve	0	771	35	-806	0
Total	849	0	0	0	849
Reversal of termination reserve	0	255	0	0	255
Operating income	849	255	0	0	1,104
Income from financial items	199	0	74	0	273
Income after financial items	1,048	255	74	0	1,377

**Five year overview**

SEK m., unless otherwise stated	1999	1998	1997	Pro forma 1996	Pro forma 1995
Saab Group					
Sales	9,053	8,248	8,674	8,159	7,925
Operating income	1,104	875	-5,316	-2,066	-399
Operating margin, %	12.2	10.6	neg	neg	neg
Operating margin before depreciation, %	17.1	14.7	neg	neg	5.7
Income after financial items	1,377	1,218	-4,845	-1,572	271
before items affecting comparability	1,122	1,018	576	-353	271
Total assets	28,079	29,680	30,320	28,140	24,966
of which aircraft leasing operation	8,877	9,119	9,604	8,817	6,711
Capital employed	6,866	6,352	6,440	8,975	8,719
Return on capital employed, %	21.3	21.4	neg	neg	5.0
before items affecting comparability, %	17.6	18.2	8.8	neg	5.0
Return on shareholders' equity, %	21.5	25.6	neg	neg	2.5
before items affecting comparability, %	17.3	21.6	2.4	neg	2.5
Profit margin before items affecting comparability, %	13.4	14.1	7.8	neg	5.5
Capital turnover rate	1.32	1.29	1.13	0.92	0.91
Equity / assets ratio, %	16.8	13.6	10.2	22.5	23.3
Interest coverage ratio, before items affecting comparability	13.9	7.88	6.76	neg	2.64
Earnings per share	8.82	8.55	-	-	-
Earnings per share after full conversion	8.60	8.35	-	-	-
Dividend ²	2.50	2.00	-	-	-
Average no. of employees	8,092	7,742	7,716	8,131	7,991
Saab excluding Regional Aircraft and Saab Aircraft Leasing					
Sales	8,581	7,539	7,379	6,079	5,196
Operating income	849	675	870	910	618
Operating margin, %	9.9	9.0	11.8	15.0	11.9
Operating margin before depreciation, %	15.1	13.4	16.8	21.1	18.4
Equity / assets ratio ⁴ , %	29.7	25.2	21.9	31.6	26.0

¹1999 proposed dividend.²Includes reversal of loss risk reserve related to Gripen. 1999-1996 of SEK 135. 100. 313 and 300 m. respectively.³1998 shows January 1. 1999 and includes Avionics. December 31. 1998 the equity / assets ratio was 26.5%.

**Key ratios**

Percent	1999	1998	Long term goal
Saab Group			
Pre-tax return on capital employed	21.3	21.4	16
After-tax return on shareholders' equity	21.5	25.6	15
Dividend, share of profit	28	23	20-40
Saab, excluding Regional Aircraft and Saab Aircraft Leasing			
Operating margin before depreciation	15.1	13.4	15
Operating margin after depreciation	9.9	9.0	10
Equity / assets ratio	29.7	26.5	30

Balance sheet

SEK m.	Dec. 31, 1999	Jan. 1, 1999²	Dec. 31, 1998
Assets			
Goodwill and other intangible assets	375	328	108
Property, plant and equipment, etc	2,615	2,685	2,620
Lease assets	8,236	8,664	8,664
Shares	1,327	47	103
Deferred tax receivables	507	707	734
Inventories, etc	1,717	2,241	2,177
Receivables	2,511	2,491	2,328
Cash and marketable securities	10,791	13,270	12,946
Total assets	28,079	30,433	29,680
Shareholders' equity and liabilities			
Shareholders' equity	4,708	4,033	4,033
Minority interest in subsidiaries	206	148	92
Provision for pensions	1,995	1,965	1,948
Other provisions	5,042	6,226	6,226
Liabilities to credit institutions	181	69	69
Convertible debenture loan	217	210	210
Lease obligations	4,591	4,953	4,953
Advance payments from customers, net ¹	4,055	5,191	4,881
Other liabilities	7,084	7,638	7,268
Total shareholders' equity and liabilities	28,079	30,433	29,680

¹ Advance payments from customers, gross	6,645	7,799	6,989
Less portion used, which has been reduced inventories	-2,590	-2,608	-2,108
Advance payments from customers, net	4,055	5,191	4,881

²Including Ericsson Saab Avionics, which is consolidated in the Saab Group from January 1, 1999.

**Subdivided summary of balance sheet, December 31, 1999**

SEK m.	Saab	Regional Aircraft	SAL	Elimi- nations	Saab Group
Fixed assets	5,816	0	1	-1,500	4,317
Lease assets	106	0	8,130	0	8,236
Deferred tax receivables	319	665	0	-477	507
Inventories, etc	1,717	0	0	0	1,717
Receivables	1,582	10	919	0	2,511
Cash and marketable securities	5,955	3,032	1,804	0	10,791
Total assets	15,495	3,707	10,854	-1,977	28,079
Shareholders' equity	4,609	0	1,599	-1,500	4,708
Minority interest in subsidiaries	204	0	2	0	206
Provision for pensions	1,995	0	0	0	1,995
Other provisions	29	2,376	3,114	-477	5,042
Liabilities to credit institutions	181	0	0	0	181
Convertible debenture loan	217	0	0	0	217
Lease obligations	109	0	4,482	0	4,591
Advance payments from customers	4,055	0	0	0	4,055
Other liabilities	4,096	1,331	1,657	0	7,084
Total shareholders' equity and liabilities	15,495	3,707	10,854	-1,977	28,079

Personnel

Number	1999	1998	Change
Military Aerospace	4,585	3,991	594
Space	644	600	44
Training Systems	369	257	112
Commercial Aircraft	1,629	1,575	54
Combitech	804	858	-54
Regional Aircraft	0	610	-610
Saab Group	8,031	7,891	140

**Summary of cash flow statement**

SEK m.	1999¹⁾	1999	1998
Cash flow from operating activities			
Income after financial items,			
excl. share in income of associated companies	1,380	1,380	1,154
Depreciation and write-down charged to income	918	918	773
Items affecting comparability, without cash effect	-255	-255	-200
Tax	-182	-182	-95
Cash flow from operating activities before changes in working capital	1,861	1,861	1,632
Working capital			
Inventories, etc	524	460	711
Receivables	8	-152	-35
Advance payments from customers	-1,136	-826	-549
Other liabilities	-554	-184	541
Lease obligations	-362	-362	-254
Provisions	-929	-929	-442
Change in working capital	-2,449	-1,993	-28
Cash flow from operating activities	-588	-132	1,604
Investments in intangible fixed assets	-104	-324	12
Investments in shares	-1,285	-1,229	9
Investments in tangible fixed assets	-280	-345	-357
Investments in lease assets	-83	-83	-2,184
Change in long-term receivables	-28	-31	-189
Cash flow from investments	-1,780	-2,012	-2,709
Operating cash flow	-2,368	-2,144	-1,105

¹⁾ From January 1 to December 31, as if *Avionics* had all ready been included in the Group in 1998.

Subdivided summary of cash flow statement, January 1 - December 31, 1999

SEK m.	Regional			Saab Group
	Saab	Aircraft	SAL	
Cash flow from operating activities before changes in working capital	1,383	0	478	1,861
Change in working capital	-1,715	-408	-326	-2,449
Cash flow from operating activities	-332	-408	152	-588
Cash flow from investments	-1,850	4	66	-1,780
Operating cash flow	-2,182	-404	218	-2,368

**Sales and income per quarter**

SEK m.	1999				1998			
	1 st Q	2 nd Q	3 rd Q	4 th Q	1 st Q	2 nd Q	3 rd Q	4 th Q
Sales								
Saab excl regional aircraft	1,984	2,519	1,769	2,309	1,817	1,856	1,359	2,507
Regional Aircraft	92	405	249	0	572	743	377	1,006
Internal sales	-81	-109	-95	11	-572	-495	-369	-553
	1,995	2,815	1,923	2,320	1,817	2,104	1,367	2,960
Operating income	167	382	176	379	281	63	56	475
of which items affecting comparability	-	174	-	81	-	-	-	200
<i>Operating margin excl. items affecting comparability</i>								
<i>before depreciation, %</i>	13.1	12.6	16.1	18.7	19.8	7.6	9.9	14.5
<i>after depreciation, %</i>	8.4	8.3	9.9	12.9	15.5	3.4	4.1	11.0
Net financial income	60	112	67	34	68	63	84	128
Income after financial items	227	494	243	413	349	126	140	603
Net income	150	336	154	299	245	87	95	485
Earnings per share, SEK ¹⁾	1.41	3.16	1.44	2.81	2.30	0.81	0.90	4.54

¹⁾ Number of shares: 106,459,675 as per December 31, 1999.

Dates for financial information

Interim Report for January - March will be published on April 27, 2000

Interim Report for January - June will be published on July 13, 2000

Interim Report for January - September will be published on October 25, 2000

The 2000 Report will be published in February, 2001

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(President Bengt Halse will be available for questions by phone today between 3.15 pm and 3.45 pm.)

The 1999 Report is also published on the Internet www.saab.se