



INTERIM REPORT
JANUARY–SEPTEMBER

2007 Q3

- Sales SEK 15,663 m. (13,716)
- Net income for the period SEK 933 m. (979)
- Earnings per share SEK 8.36 (8.73)
- Operating income SEK 1,362 m. (1,322),
income after financial items SEK 1,269 m. (1,293)
- Order bookings SEK 12,285 m. (20,127)
- Order backlog SEK 46.7 billion (51)



SAAB

International orders and efficiency improvements

Statement by the CEO:

“Saab continues to grow according to plan, with order bookings remaining good. Sweden’s order for extensive development work on the future Gripen serves as an important foundation for further high-tech development. Saab’s challenge is to continue to increase its international orders. To facilitate this, we are now launching an efficiency improvement program with strong potential.”

Sales increased by 14 percent to SEK 15,663 m. This is largely due to the acquisition of Ericsson Microwave Systems last year; about 2 percent (4 percent adjusted for currency differences) was organic growth. 65 percent is from orders outside Sweden.

Operating income increased to SEK 1,362 m., though the margin decreased to 8.7 percent (9.6), largely as a result of increased investments in research and development.

Although the third quarter contained few major orders, order bookings were still nearly SEK 4 billion, which is proof of Saab’s ability to also win smaller and medium-size orders in all its segments. 72 percent of order bookings during the first nine months of the year came from markets outside Sweden.

The third quarter’s biggest orders were from the Finnish Navy for underwater vehicles (SEK 80 m.) and from Sweden for the helmet-mounted display for Gripen (SEK 345 m.).

Gripen

The order to upgrade 31 Swedish Gripen aircraft to the latest international standard is important in that it facilitates efficiencies for the Swedish Armed Forces while also strengthening Gripen’s export potential. The contract, which was signed after the conclusion of the period, also includes a demonstrator program for Gripen’s future development, coordinated with the current European alliance that is developing the technology for an advanced unmanned aerial vehicle, Neuron. Confidence in the Gripen system’s future potential is clearly evident now that Sweden, together with Norway and important industrial partners, are investing in the aircraft’s future.



Åke Svensson
President and CEO.

Interest in Gripen on the export market remains strong. We welcome the Government of Thailand's decision to down-select Gripen as their future fighter and will start negotiations on a comprehensive defence package between our two nations. We are now also drafting a reply to India's request for proposal for Gripen, at the same time that we are working hard in several countries where tenders are expected in the next year.

Efficiency improvement program

Sweden's defence budget proposal calls for further cut-backs and a continued focus on the military's international missions. For Saab, this means new opportunities, but also that we to a larger extent will have to finance technological

development and increase international marketing efforts. To create the necessary resources and sustain our 10 per cent operating margin target, we have launched an internal efficiency program. The aim is to improve the gross margin by generating annual savings of approximately SEK 1 billion by the end of 2010.

Outlook 2007

An addition to the previously announced forecast for 2007 has been made:

For 2007 we expect growth in line with 2006 and an operating margin including structural costs slightly higher than last year, assuming no negative effect from the recently announced Swedish defence budget cuts.

IMPORTANT EVENTS JULY–SEPTEMBER 2007

The Swedish Air Force will equip the latest version of its Gripen fighters with a helmet mounted display (HMD) system. The order from FMV, the Swedish Defence Materiel Administration, is worth SEK 345 m.

Saab received an order for Double Eagle underwater vehicles designated for the Finnish Navy's new mine hunting vessels. The order, including options, is worth over SEK 80 m.

Saab signed a contract with FMV to deliver a communication network with command and control functions for the Nordic Battle Group's helicopter detachment.

Saab's acquisition of Denel Saab Aerostructures Pty Ltd, which was announced in June 2006, has been approved by the South African government. The company will initially be 20% owned by Saab and 80% by Denel. Saab is investing SEK 64 m. in the company.

The second stage of the Rakel system, the common digital radio communication system for the Swedish civil protection and rescue services, was ramped up.

Cecilia Schön Jansson has been appointed new Communication Director at Saab and will become a member of Saab's Group Management. She will begin serving in her new position on January 1, 2008.

Erik Löwenadler is taking over responsibility for the Systems and Products business segment, succeeding Ingemar Andersson, who is leaving Saab.

GROUP

SEK m	Jan–Sep 2007	Jan–Sep 2006	Change	Q3 2007	Q3 2006	Change
Order bookings	12,285	20,127	-39%	3,940	4,547	-13%
Order backlog, September 30	46,719	51,398	-9%	-1,048 ²⁾	3,738 ²⁾	-
Sales	15,663	13,716	14%	4,811	4,260	13%
Operating income before depreciation/ amortization (EBITDA) ¹⁾	2,031	1,726	18%	530	537	-1%
Margin, %	13.0	12.6	-	11.0	12.6	-
Operating income (EBIT) ¹⁾	1,362	1,322	3%	318	369	-14%
Margin, %	8.7	9.6	-	6.6	8.7	-
Income before tax ¹⁾	1,269	1,293	-2%	317	357	-11%
Net income	933	979	-5%	225	250	-10%
Earnings per share after dilution	8.36	8.73	-4%	1.99	2.17	-8%
Operating cash flow	-350	-2,342	-	-359	-3,100	-
Net liquidity/debt, September 30	-358	22	-	-548 ²⁾	-3,139 ²⁾	-
¹⁾ Of which: Result from divestments	154	180	-	0	0	-
Nonrecurring expenses	0	-100		0	-100	

²⁾ Quarterly change. Change in Q3 2006 including acquired order backlog.

Saab's business units are divided into the three business segments Defence and Security Solutions, Systems and Products, and Aeronautics for control and reporting purposes.

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

SALES, INCOME AND ORDERS

Third quarter 2007

Order bookings for the third quarter amounted to SEK 3,940 m. (4,547). Among major orders was an order from the Swedish Defence Materiel Administration for a new helmet mounted display system for Gripen (SEK 345 m.) and an order from the Finnish Navy for underwater vehicles (SEK 80 m.).

Sales in the third quarter amounted to SEK 4,811 m. (4,260), an increase of 13 percent. Sales by quarter and business segment are shown on page 18.

Operating income before depreciation and amortization (EBITDA) decreased by 1 percent to SEK 530 m. (537). The operating margin decreased to 11.0 percent (12.6).

Operating income for the third quarter amounted to SEK 318 m. (369), equal to a margin of 6.6 percent (8.7).

Income and the operating margin for the third quarter were affected by increased investments in marketing, research and development, including an increased level of amortization of capitalized product development.

Operating cash flow amounted to SEK -359 m. (-3,100) and was distributed between cash flow from core operating activities of SEK -189 m. (97), acquisitions SEK -125 m. (-3,300), divestments of subsidiaries and associated companies SEK 0 m. (0) and the regional aircraft business SEK -45 m. (103).

Net liquidity decreased by SEK 548 m. during the third quarter due to negative operating cash flow and share repurchases. In the third quarter 2006 liquidity decreased as a result of the acquisition of Saab Microwave Systems.

January–September 2007

Orders

Order bookings for the first three quarters of the year amounted to SEK 12,285 m. (20,127). Major orders are listed in the section "Important events." Order bookings have been reduced by SEK 1.35 billion owing to the outcome of the renegotiated contract with Pakistan for an airborne surveillance system.

Seventy-two percent (75) of orders came from international customers and 66 percent (75) was attributable to defence-related operations.

The order backlog at the end of the period was SEK 46,719 m. (51,398). International orders accounted for 81 percent (79) of the backlog.

The order backlog primarily 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

Sales

Sales for the first three quarters amounted to SEK 15,663 m. (13,716), an increase of 14 percent. Organic growth was 2 percent adjusted for the acquisition of Saab Microwave Systems on September 1, 2006. Fluctuations in exchange rates negatively affected year-to-year sales by approximately SEK 300 m., or 2 percent. The effect results from the translation of foreign subsidiaries from local currency to Swedish kronor, which is largely attributable to South Africa.

Of sales, 81 percent (77) is related to the defence market. Sales in foreign markets amounted to SEK 10,145 m. (8,661), exceeding revenue in the Swedish home market and accounting for 65 percent (63) of total sales. Total sales in the EU, excluding Sweden, were SEK 4,467 m. (3,376).

Income, margin and profitability

Operating income before depreciation and amortization (EBITDA) amounted to SEK 2,031 m. (1,726). The EBITDA margin was 13.0 percent (12.6). Operating income amounted to SEK 1,362 m. (1,322). The operating margin was 8.7 percent (9.6). Income and the operating margin for the third quarter were affected by increased investments in marketing research and development, including an increased level of amortization of capitalized product development.

Other operating income, SEK 264 m. (262), includes capital gains on sales of properties and operations of SEK 154 m. During the corresponding period of 2006, Saab Metech was sold and resulted in a gain of SEK 180 m. Also included in other operating income are currency gains and results from secondary activities. As a whole, administra-

tive and marketing expenses were SEK 321 m. higher than the previous year, mainly due to the acquisitions of Saab Microwave Systems and Saab Danmark (Maersk Data Defence). The period's internally funded investments in research and development amounted to SEK 917 m. (581). Operating income for the period has been charged with SEK 733 m. (401), which includes depreciation of SEK 253 m. (94). Of the period's expenditures, a total of SEK 437 m. (274) has been capitalized. Other operating expenses, SEK -31 m. (-118), consist of exchange rate differences; the previous year includes a receivable revaluation.

The share of income in associated companies, SEK 44 m. (6), primarily relates to net income in Taurus GmbH.

Net financial income and expenses amounted to SEK -93 m. (-29), of which the share in income of associated companies held as financial assets amounted to SEK -30 m. (-15). Project interest from unutilized advance payments has reduced the financial net by SEK 103 m. (63) and has reduced the cost of goods sold correspondingly. Income before taxes amounted to SEK 1,269 m. (1,293).

Current and deferred taxes amounted to SEK -336 m. (-314), or an effective tax rate of 26 percent (24). The low effective tax rate is due to tax-exempt revenue and in the previous year to the utilization of previously uncapitalized tax loss carryforwards as well.

Net income for the period was SEK 933 m. (979), of which the minority interest amounts to SEK 20 m. (26). Earnings per share for the Parent Company's shareholders' interest amounted to SEK 8.36 (8.73).

The pre-tax return on capital employed during the last 12-month period was 14.6 percent (17.4) and the after-tax return on equity was 13.1 percent (16.7).

ACQUISITIONS AND DIVESTMENTS DURING THE PERIOD

In February, Saab decided to sell its signal operations for rail traffic to Balfour Beatty Rail, resulting in a gain of SEK 24 m.

Saab and Caran agreed to streamline their consultancy operations in April, whereby Saab acquired Caran's 50 percent interest in Caran Saab Engineering at the same time that Caran acquired Saab's 40 percent stake in A2 Acoustics. Moreover, Caran acquired Saab's automotive consulting business. The overall impact on Saab's liquidity was SEK -1 m. The changes have a marginal effect on future sales and income.

In May, a property in Växjö was sold for SEK 162 m. with a gain of approximately SEK 60 m.

In May, Saab reached an agreement to take over the Warhead Division from RUAG of Switzerland. The purchase price was SEK 36 m. The acquisition has little effect on future sales and income.

In May, Saab acquired the UK underwater vehicle company Seaeeye Holdings Ltd. The preliminary purchase price was SEK 193 m. Seaeeye has a turnover of approximately GBP 15 m. and around 65 employees.

In June, the associated company Boforsen was divested for SEK 75 m. with a gain of approximately SEK 47 m.

Following an invitation from the Norwegian government and Norwegian industry, Saab has decided to join as an owner of a new holding company, Aker Holding AS, which in turn owns 40.1 percent of the listed company Aker Kvaerner ASA. Saab's interest will amount to 7.5 percent of the capital and votes. The purchase price of the shares is approximately NOK 1.2 billion, of which about 80 percent is financed with loans. The risk in the loan-financed portion has been reduced through an agreement that hedges this portion of the invested capital but limits the potential return. Saab has the right at specific intervals to sell its investment. The acquisition is contingent on the approval of the Norwegian parliament, a decision on which is expected in the autumn 2007.

In July, Saab acquired 60 percent of the shares in PerformIT. The preliminary purchase price is SEK 8 m., generating a surplus value of SEK 7 m. The acquisition has a marginal effect on future sales and income.

In July, Saab acquired 50 percent of the shares in the South African company Cybersim. Through the South African subsidiary Grintek, Saab had previously owned 25 percent of Cybersim, so its total interest is now 75 percent. The preliminary purchase price is SEK 14 m., resulting in a surplus value of SEK 13 m. The acquisition has a marginal effect on future sales and income.

In June 2006, Saab and Denel of South Africa reached an agreement whereby Saab would acquire 20 percent of a new aerostructures company. Saab invested SEK 64 m. in the new company in August 2007. The majority owner will contribute enough capital to ensure that the new company remains profitable during its initial build-up stage. The acquisition will be reported according to the equity method.

Acquisition analyses will be presented in the year-end report 2007.

FINANCIAL POSITION AND LIQUIDITY

Balance sheet

Intangible fixed assets amount to SEK 8,099 m. (7,900). Goodwill amounts to SEK 3,496 m. (3,279) and is largely attributable to the acquisitions of Celsius in 2000 and Saab Microwave Systems on September 1, 2006. Other intangible fixed assets amount to SEK 4,603 m. (4,621), of which capitalized expenditures for product development total SEK 3,825 m. (3,647). Amortization of intangible assets for the period amounted to SEK 365 m. (148), of which amortization of capitalized product development amounted to SEK 253 m. (94).

Tangible fixed assets amount to SEK 4,207 m. (4,337) and refer to property, plant and equipment used in core operations. Investment properties refer to properties leased to outside parties and valued at estimated fair value. Lease assets amount to SEK 1,869 m. (2,920) and primarily relate to the leasing fleet of regional aircraft. During the period, 13 aircraft were sold. Depreciation for the period on tangible fixed assets amounted to SEK 304 m. (256), while depreciation on the leasing fleet amounted to SEK 140 m. (217).

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 utilized advances. Other receivables primarily relate to receivables from customers (after deducting advances utilized).

Shareholders' equity related to the Parent Company's shareholders amounted to SEK 9,867 m., compared with SEK 9,802 m. at the beginning of the year, or SEK 90.40 per share (89.80). The equity/assets ratio was 31.0 percent, compared with 30.6 percent at the beginning of the year.

Provisions for pensions amounted to SEK 201 m., compared with SEK 412 m. on December 31, 2006. During the first nine months, the Saab Pension Fund was capitalized with a total of SEK 205 m., of which SEK 43 m. relates to a business unit that joined the pension fund. The market value of the Saab Pension Fund was SEK 3,200 m. at the end of the period, and the solvency margin was 89 percent as of September 30.

Deferred tax refers to temporary differences between the carrying value of assets and liabilities and their value for tax purposes. Other provisions chiefly relate to obligations and anticipated deficits attributable to regional aircraft.

Liquidity and finance

The Group's net debt, which refers to interest-bearing liabilities and provisions for pensions less liquid assets, short-term investments and interest-bearing receivables, has increased during the first nine months of the year by SEK 963 m., to SEK 358 m. At the beginning of the year, the Group had net liquidity of SEK 605 m.

Cash flow

Operating cash flow amounted to SEK -350 m. (-2,342) during the period and was distributed between cash flow from core operating activities of SEK -659 m. (384), acquisitions SEK -263 m. (-3,373), divestments of subsidiaries and associated companies SEK 308 m. (620) and the regional aircraft business SEK 264 m. (27). During the period, a net of 13 Saab 340 were sold, due to which working capital decreased and cash flow from investing activities was positively affected.

CAPITAL EXPENDITURES, PERSONNEL AND OWNERS**Capital expenditures**

Gross capital expenditures in property, plant and equipment, excluding lease assets, amounted to SEK 282 m. (270).

Personnel

At the end of the period, the Group had 13,744 employees, against 13,577 at the beginning of the year. During the third quarter, the number of employees rose by 72.

Owners

Saab's largest shareholders are BAE Systems, Investor AB, the Wallenberg foundations, AMF Pension funds, Swedbank Robur funds, Odin funds, Nordea funds, Öresund, Orkla ASA, SEB funds, Nordea Bank Finland, Eikos fund and SHB/SPP funds.

RISKS AND UNCERTAINTIES

Saab's operations primarily involve the development, production and supply of technologically advanced hardware and software to customers around the world. The international part of the business is growing. Projects generally entail significant amounts of money, long periods of time and the technological development or refinement of the product. In addition to customer and supplier relations,

international operations involve joint ventures and collaborations with other industries as well as the establishment of operations abroad.

Operations entail significant risk-taking in various respects. The key risk areas are political, operating and financial risks. Various policies and instruments govern the management of significant risks.

Saab conducts significant development projects and manages the associated risks. Saab applies the percentage-of-completion method to recognize revenue from long-term customer projects. An estimation of total costs is critical to this method, and the outcome of technical and commercial risks may affect income.

The general description of the risk areas for 2007 can be found on pages 38–40 of the annual report for 2006.

REPURCHASE OF SHARES

During the third quarter, 665 200 shares corresponding to 0.6 percent of total shares and 0.4 percent of total votes, have been repurchased in order to guarantee the Saab share matching plan. The Annual General meeting's approval to repurchase 1,000,000 shares, corresponding to 0.9 percent of total shares and 0.6 percent of total votes, are thereby fulfilled.

IMPORTANT EVENTS AFTER THE BALANCE SHEET DATE

On October 17, a contract was signed for the upgrade of 31 Swedish Gripen fighters to the latest international standard as well as a demonstrator program for Gripen's future development coordinated with the European alliance currently developing the technology for an advanced unmanned aerial vehicle, Neuron. The order value is SEK 3.9 billion.

On October 17, the Government of Thailand announced a decision to commence negotiations with Sweden regarding a defence package containing Gripen and Erieye.

As outlined on page 63 of the Annual Report 2006, Saab had a conditional financial receivable and liability that were subject to a tax ruling. In early October, a tax court gave a favorable ruling, which will positively impact operating income in the fourth quarter by SEK 139 m., and cash flow in early 2008 by SEK 285 m.

No other events have occurred after the balance sheet date that affect Saab's results of operations and financial position.

DEFENCE AND SECURITY SOLUTIONS

SEK m.	Jan–Sep 2007	Jan–Sep 2006	Change	Q3 2007	Q3 2006	Change
Order bookings	4,647	13,672	-66%	1,714	1,771	-3%
Order backlog, September 30	11,825	13,350	-11%	-430 ²⁾	-15 ²⁾	-
Sales	6,386	5,585	14%	2,069	1,913	8%
Operating income before depreciation/ amortization (EBITDA) ¹⁾	708	602	18%	164	217	-24%
Margin, %	11.1	10.8	-	7.9	11.3	-
Operating income (EBIT) ¹⁾	581	543	7%	135	199	-32%
Operating margin, %	9.1	9.7	-	6.5	10.4	-
Operating cash flow	687	577	-	375	204	-
No. of employees, September 30	4,990	4,703	-	-	-	-
¹⁾ Of which result from divestments	47	0	-	0	0	-
²⁾ Quarterly change						

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. 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.

The segment also offers a wide range of lifecycle support solutions. Consulting services in system development, system integration, and information and system security for customers in the defence, automotive and telecommunication industries as well as government agencies with responsibility for infrastructure are part of the portfolio as well.

The market for civil security systems continues to develop, creating new opportunities. Saab can supply robust systems for crisis management and protection of infrastructure.

SALES, INCOME AND ORDERS

Orders

Order bookings for Defence and Security Solutions decreased to SEK 4,647 m. (13,672). The decrease is directly attributable to the order received from Pakistan in the second quarter of 2006 for an airborne surveillance system worth approximately SEK 8.3 billion, which was reduced in the second quarter 2007 by SEK 1.35 billion. During the period, an order worth approximately SEK 580 m. was received to upgrade the combat management systems on the Australian Royal Navy's ANZAC class frigates.

Sales

Sales for Defence and Security Solutions rose to SEK

6,386 m. (5,585), an increase of 14 percent mainly due to the increased scope of the new business unit Saab Surveillance Systems. The business segment was negatively affected by approximately SEK 250 m. by exchange rate fluctuations on the translation of Grintek, corresponding to 4 percent of sales. Sales for other business units within Defence and Security Solutions, excluding Grintek, rose or remained in line with the previous year. International markets accounted for 57 percent (54) of sales.

Income and margin

Operating income for Defence and Security Solutions was SEK 581 m. (543) with a margin of 9.1 percent (9.7). The income improvement is partly due to the new business unit Saab Surveillance Systems as well as Combitech and Saab Aerotech. Income includes a capital gain of SEK 47 m. on the sale of a business.

Operating cash flow

Operating cash flow amounted to SEK 687 m. (577) and is mainly attributable to Saab Surveillance Systems.

Acquisitions and divestments

In February, Saab decided to sell its signal operations for rail traffic to Balfour Beatty Rail. Saab and Caran agreed to streamline their consultancy operations in April, whereby Saab acquired Caran's interest in Caran Saab Engineering and Caran acquired Saab's stake in A2 Acoustics and Combitech's automotive consulting business. Other acquisitions during the period were relatively small in scope and included the acquisition of a 50-percent interest in Cybersim.

SYSTEMS AND PRODUCTS

SEK m.	Jan–Sep 2007	Jan–Sep 2006	Change	Q3 2007	Q3 2006	Change
Order bookings	5,432	3,804	43%	1,363	1,393	-2%
Order backlog, September 30	17,542	19,147	-8%	-565 ²⁾	3,846 ²⁾	-
Sales	6,141	4,778	29%	1,839	1,417	30%
Operating income before depreciation/ amortization (EBITDA) ¹⁾	851	670	27%	225	196	15%
Margin, %	13.9	14.0	-	12.2	13.8	-
Operating income (EBIT) ¹⁾	503	488	3%	100	106	-6%
Operating margin, %	8.2	10.2	-	5.4	7.5	-
Operating cash flow	-915	-240	-	-586	-82	-
No. of employees, September 30	5,266	5,301	-	-	-	-
¹⁾ Of which result from divestments	47	0	-	0	0	-
²⁾ Quarterly change. Change in Q3 2006 including acquired order backlog.						

Customers in the Systems and Products business segment mainly consist of defence authorities and other defence contractors around the world. Saab has a broad-based portfolio of products and systems that in many cases are world leaders.

In avionics (aeronautical electronics), Saab is a leading supplier to both military and civil aviation manufacturers.

In weapon systems, Saab's portfolio ranges from man-portable weapons such as the Carl-Gustaf anti-armour weapon and its successors AT4 and NLAW to the missile systems RBS 15, RBS 70 and Bamse.

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

The radar and sensor operations contribute vital components to Saab's major system solutions such as the Bamse missile platform, the Gripen combat fighter and Saab's airborne surveillance system. But they also include products that 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.

Saab also 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 another area where Saab has leading expertise. Signifi-

cant potential exists in autonomous, unmanned underwater vehicles for both military and commercial applications.

Saab is also one of the leading independent supplier of advanced equipment for the space industry in Europe.

SALES, INCOME AND ORDERS

Orders

Order bookings for Systems and Products rose to SEK 5,432 m. (3,804). The increase is partly attributable to the acquisition of Saab Microwave Systems. Among other business units, order bookings rose for Saab Bofors Dynamics and Saab Training Systems, but decreased for Saab Avionics and Saab Space due to seasonal variations. Major orders included the Mobile Battalion Combat Training Center for the Royal Netherlands Army (SEK 350 m.) and the RBS 70 air defence missile system for the Finnish Army (SEK 600 m.).

Sales

Sales for Systems and Products were SEK 6,141 m. (4,778), up 29 percent. The acquisition of Saab Microwave Systems on September 1, 2006 accounts for more than the entire increase in sales. Other business units raised their sales with the exception of Saab Barracuda, which decreased due to lower revenue in the U.S., and Saab Bofors Dynamics, which decreased due to slower activity than the previous year. Sales were negatively affected by SEK 50 m. by the effects of exchange rate fluctuations in the translation of foreign subsidiaries, corresponding to 1 percent of sales. International markets accounted for 71 percent (69) of sales.

Income and margin

Operating income for Systems and Products was SEK 503 m. (488) with an operating margin of 8.2 percent (10.2). Income increased through the acquisition of Saab Microwave Systems. The margin was adversely affected by higher amortization of development expenditures attributable to Saab Microwave Systems. Income was positively affected by SEK 47 m. through a property sale.

Operating cash flow

Operating cash flow amounted to SEK -915 m. (-240). The negative cash flow is mainly due to projects within Saab Bofors Dynamics.

Acquisitions and divestments

In May, Saab acquired the Warhead Division from RUAG of Switzerland. The operations will be integrated into Saab Bofors Dynamics.

In May, Saab acquired the UK underwater vehicle company Seaeeye, which will be an important complement to the underwater operations of Saab Underwater Systems.

In June, the associated company Booforsen was sold.

AERONAUTICS

SEK m.	Jan-Sep 2007	Jan-Sep 2006	Change	Q3 2007	Q3 2006	Change
Order bookings	3,633	3,510	4%	1,412	1,563	-10%
Order backlog, September 30	19,574	20,705	-5%	67 ¹⁾	267 ¹⁾	-
Sales	4,283	4,358	-2%	1,279	1,233	4%
Operating income before depreciation/ amortization (EBITDA)	351	300	17%	97	70	39%
Margin, %	8.2	6.9	-	7.6	5.7	-
Operating income (EBIT)	256	212	21%	68	39	74%
Operating margin, %	6.0	4.9	-	5.3	3.2	-
Operating cash flow	-132	-91	-	-47	-121	-
No. of employees, September 30	2,879	2,918	-	-	-	-

¹⁾ Quarterly change

Saab's aeronautics operations are dominated by the Gripen program. Gripen, one of the world's most modern fighter aircraft in operational service, is currently used in Sweden and the NATO members Czech Republic and Hungary. 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 is also a leader in the development of unmanned aerial vehicles, UAVs. In-house products are combined with participation in international development programs. Saab has primary responsibility for key subsystems in the Neu-

ron program, a European project to develop an unmanned combat air vehicle and next-generation fighter aircraft.

In its role as a subsystem supplier, Saab develops complex structural units and subsystems for commercial and military aircraft manufacturers.

SALES, INCOME AND ORDERS

Orders

Order bookings for Aeronautics amounted to SEK 3,633 m. (3,510). Among major orders was Saab Aerostructures' order to supply the Boeing 787 (SEK 1,104 m.). Saab Aerosystems' orders include a new helmet mounted display system for Gripen (SEK 345 m.).

Sales

Aeronautics' sales decreased to SEK 4,283 m. (4,358). Saab Aerosystems and Saab Aerostructures both decreased slightly. Of total sales, 49 percent (49) relates to the Swedish market, including deliveries of Gripen in batch 3. The sales decrease is expected to be recouped during the year.

Income and margin

Operating income for Aeronautics was SEK 256 m. (212). The operating margin of 6.0 percent (4.9) remains under pressure from low margins on certain Gripen contracts as well as low capacity utilization in civilian programs.

Operating cash flow

Operating cash flow amounted to SEK -132 m. (-91). Cash flow has been negatively affected by increased working capital in Saab Aerostructures, while cash flow is positive for Saab Aerosystems.

CORPORATE

Corporate reported operating income of SEK 22 m. (79). Income for 2006 and 2007 was positively affected by a gain of SEK 60 m. (180) on the sale of a subsidiary. Results from leasing operations for the Saab 340 and Saab 2000 fleet, which are reported in Corporate, had no impact on income during the period.

FINANCIAL INFORMATION AND CONTACTS

Financial information dates:

Year-end report January–December 2007 published February 14, 2008

For further information, please contact

Media:

Peter Larsson, Press Secretary

Tel. +46-734-18 00 18

Financial market:

Göran Wedholm, Manager Investor Relations

Tel. +46-13-18 71 21, +46-734-18 71 21

Lars Granlöf, CFO

Tel. +46-8-463 01 48, +46-734-18 71 48

PARENT COMPANY

The Parent Company's sales during the first nine months amounted to SEK 9,658 m. (7,688). Operating income was SEK 396 m. (651) and income before taxes amounted to SEK 671 m. (869). Net income for the period was SEK 543 m. (733). The Parent Company's net debt amounted to SEK 3,773 m., compared with net debt of SEK 2,720 m. on September 30, 2006. Net debt at year-end 2006 was SEK 3,962 m. Gross capital expenditures in property, plant and equipment amounted to SEK 157 m. (162). The number of employees at the end of the period was 8,098, compared with 6,918 at the beginning of the year.

As of January 1, 2007, the Parent Company includes the operations of the business unit Saab Microwave Systems. Previously included were Saab Aerosystems, Saab Aerostructures, the Swedish portions of Saab Systems and Saab Avionics, Saab Communications and Saab Aerotech.

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

Linköping, October 19, 2007

Åke Svensson

President and Chief Executive Officer

Press conference

with CEO Åke Svensson and CFO Lars Granlöf
Today, Friday, October 19, 2007, 9:30 a.m. (CET)

World Trade Center, Stockholm

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

International teleconference

Today, Friday, October 19, 2007, 4:00 p.m. (CET)

with CEO Åke Svensson and CFO Lars Granlöf

For further information, visit Saab's website,

www.saabgroup.com, or contact

Göran Wedholm, Manager Investor Relations

Tel. +46-13-18 71 21, +46-734-18 71 21

Consolidated income statement

SEK m.	Note	9 mos. 2007	9 mos. 2006	Rolling 12 mos.	12 mos. 2006
Sales	3	15,663	13,716	23,010	21,063
Cost of goods sold		-11,554	-10,173	-17,156	-15,775
Gross income		4,109	3,543	5,854	5,288
Gross margin		26.2%	25.8%	25.4%	25.1%
Other operating income		264	262	332	330
Marketing expenses		-1,246	-1,061	-1,831	-1,646
Administrative expenses		-1,045	-909	-1,415	-1,279
Research and development costs		-733	-401	-1,137	-805
Other operating expenses		-31	-118	-78	-165
Share in income of associated companies		44	6	60	22
Operating income ¹⁾	3	1,362	1,322	1,785	1,745
Operating margin		8.7%	9.6%	7.8%	8.3%
Share in income of associated companies		-30	-15	-43	-28
Financial income		41	137	18	114
Financial expenses		-104	-151	-91	-138
Net financial items		-93	-29	-116	-52
Income before taxes		1,269	1,293	1,669	1,693
Taxes	4	-336	-314	-368	-346
Net income for the period		933	979	1,301	1,347
of which Parent Company shareholders' interest		913	953	1,260	1,300
of which minority interest		20	26	41	47
Earnings per share after dilution, SEK ²⁾		8.36	8.73	11.54	11.91
Earnings per share before dilution, SEK ³⁾		8.39	8.73	11.55	11.91
¹⁾ Includes depreciation/amortization and impairments of		-809	-621	-1,244	-1,056
of which depreciation of lease assets		-140	-217	-205	-282
²⁾ Average number of shares after dilution		109,150,344	109,150,344	109,150,344	109,150,344
³⁾ Average number of shares before dilution		108,841,485	109,150,344	109,131,744	109,150,344

Quarterly income statement

SEK m.	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Q2 2006	Q1 2006
Sales	4,811	5,935	4,917	7,347	4,260	5,145	4,311
Cost of goods sold	-3,516	-4,471	-3,567	-5,602	-3,067	-3,909	-3,197
Gross income	1,295	1,464	1,350	1,745	1,193	1,236	1,114
Gross margin	26.9%	24.7%	27.5%	23.8%	28.0%	24.0%	25.8%
Other operating income	46	178	40	68	23	54	185
Marketing expenses	-429	-434	-383	-585	-368	-358	-335
Administrative expenses	-344	-349	-352	-370	-330	-299	-280
Research and development costs	-262	-239	-232	-404	-152	-130	-119
Other operating expenses	-8	-14	-9	-47	5	-102	-21
Share in income of associated companies	20	24	-	16	-2	3	5
Operating income ¹⁾	318	630	414	423	369	404	549
Operating margin	6.6%	10.6%	8.4%	5.8%	8.7%	7.9%	12.7%
Share in income of associated companies	-8	1	-23	-13	-2	-12	-1
Financial income	-6	17	30	-23	39	39	59
Financial expenses	13	-76	-41	13	-49	-28	-74
Net financial items	-1	-58	-34	-23	-12	-1	-16
Income before taxes	317	572	380	400	357	403	533
Taxes	-92	-134	-110	-32	-107	-102	-105
Net income for the period	225	438	270	368	250	301	428
of which Parent Company's shareholders' interest	218	434	261	347	237	293	423
of which minority interest	7	4	9	21	13	8	5
Earnings per share after dilution, SEK ²⁾	1.99	3.98	2.39	3.18	2.17	2.68	3.88
Earnings per share before dilution, SEK ³⁾	2.02	3.98	2.39	3.18	2.17	2.68	3.88
¹⁾ Includes depreciation/amortization and impairment	-256	-294	-259	-435	-235	-191	-195
of which depreciation of lease assets	-44	-45	-51	-65	-67	-71	-79
²⁾ Average number of shares after dilution	109,150,344	109,150,344	109,150,344	109,150,344	109,150,344	109,150,344	109,150,344
³⁾ Average number of shares before dilution	108,667,722	109,075,944	109,150,344	109,150,344	109,150,344	109,150,344	109,150,344

Consolidated balance sheet

SEK m.	Note	9/30/2007	12/31/2006	9/30/2006
ASSETS				
Fixed assets				
Intangible fixed assets		8,099	7,821	7,900
Tangible fixed assets		4,207	4,295	4,337
Lease assets		1,869	2,417	2,920
Biological assets		231	230	209
Investment properties		67	66	61
Shares in associated companies		282	270	256
Financial investments		224	122	121
Long-term receivables		946	991	1,120
Deferred tax receivables		315	362	123
Total fixed assets		16,240	16,574	17,047
Current assets				
Inventories		5,835	4,957	5,025
Derivatives		703	538	387
Tax receivables		188	146	153
Accounts Receivable		2,637	3,324	3,388
Prepaid expenses and accrued income		758	652	973
Other receivables		5,652	5,053	3,840
Short-term investments		-	-	-
Cash and marketable securities	6	632	1,393	1,706
Total current assets		16,405	16,063	15,472
Assets held for sale		-	134	36
Total assets	11	32,645	32,771	32,555

SEK m.	Note	9/30/2007	12/31/2006	9/30/2006
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity				
Parent Company's shareholders' interest		9,867	9,802	9,498
Minority interest		243	223	208
Total shareholders' equity		10,110	10,025	9,706
Long-term liabilities				
Long-term interest-bearing liabilities		584	590	600
Lease obligations		172	245	268
Other liabilities		289	342	360
Provisions for pensions	8	201	412	431
Other provisions		1,998	1,961	1,978
Deferred tax liabilities		723	789	750
Total long-term liabilities		3,967	4,339	4,387
Current liabilities				
Short-term interest-bearing liabilities		1,643	1,064	1,428
Advance payments from customers		3,723	3,642	4,364
Accounts payable		1,210	1,422	1,412
Lease obligations		38	212	562
Derivatives		388	172	251
Tax liabilities		505	298	165
Other liabilities		1,093	1,115	986
Accrued expenses and deferred income		9,018	9,371	8,501
Provisions		950	1,109	793
Total current liabilities		18,568	18,405	18,462
Liabilities attributable to assets held for sale		-	2	-
Total liabilities		22,535	22,746	22,849
Total shareholders' equity and liabilities	11	32,645	32,771	32,555

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, 2007	1,746	543	72	-8	7,449	9,802	223	10,025
Items reported directly in shareholders' equity:								
Translation differences for the period	-	-	-	-94	-	-94	1	-93
Net gain on cash flow hedges	-	-	-104	-	-	-104	-	-104
Other changes in shareholders' equity:								
Net income for the period	-	-	-	-	913	913	20	933
Transactions with owners:								
Dividend	-	-	-	-	-464	-464	-3	-467
Share repurchase	-	-	-	-	-184	-184	-	-184
Acquisition and sale of operations	-	-	-	-	-2	-2	2	-
Closing balance, September 30, 2007	1,746	543	-32	-102	7,712	9,867	243	10,110
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	-	-	-	-274	-	-274	-57	-331
Net gain on cash flow hedges	-	-	77	-	-	77	-	77
Other changes in shareholders' equity:								
Net income for the period	-	-	-	-	953	953	26	979
Transactions with owners:								
Dividend	-	-	-	-	-437	-437	-	-437
Acquisition and sales of operations	-	-	-	-	-	-	-75	-75
Closing balance, September 30, 2006	1,746	543	83	24	7,102	9,498	208	9,706

Statement of cash flows

SEK m.	Note	9 mos. 2007	9 mos. 2006	12 mos. 2006
Operating activities				
Income after financial items		1,269	1,293	1,693
Transferred to pension fund		-205	-2,620	-2,566
Adjustments for items not affecting cash flow		922	708	1,454
Income tax paid		-260	-87	-115
Cash flow from operating activities before changes in working capital		1,726	-706	466
Cash flow from changes in working capital				
Increase(-)/Decrease(+) in inventories		-828	-1,028	-767
Increase(-)/Decrease(+) in current receivables		-262	-1,589	-1,700
Increase(+)/Decrease(-) in advance payments from customers		71	-126	-853
Increase(+)/Decrease(-) in lease obligations		-241	-497	-832
Increase(+)/Decrease(-) in other current liabilities		-253	1,882	2,290
Increase(+)/Decrease(-) in provisions		-316	-174	-201
Cash flow from operating activities		-103	-2,238	-1,597
Investing activities				
Investments in intangible fixed assets		-9	-37	-67
Capitalized development costs		-437	-274	-463
Investments in tangible fixed assets		-282	-270	-433
Sale of tangible fixed assets		38	42	31
Sale of lease assets		327	533	823
Investments in and sale of financial assets		-127	5,073	4,606
Investments in subsidiaries and ass. comp, net effect on liquidity	7	-263	-3,373	-3,403
Sale of subsidiaries, net effect on liquidity	7	308	219	219
Cash flow from investing activities		-445	1,913	1,313
Financing activities				
Loans raised		460	991	630
Share repurchase		-184	-	-
Dividend paid to Parent Company's shareholders		-464	-437	-437
Dividend paid to minority interest		-3	-	-4
Cash flow from financing activities		-191	554	189
Cash flow for the period	6	-739	229	-95
Liquid assets at beginning of year		1,389	1,557	1,557
Exchange rate difference in liquid assets		-18	-80	-73
Liquid assets at end of period	6	632	1,706	1,389

Quarterly information ¹⁾

SEK m.	JANUARY-MARCH				APRIL-JUNE			
	2007		2006		2007		2006	
Sales								
Defence and Security Solutions	2,053		1,738		2,264		1,934	
Systems and Products	1,885		1,482		2,417		1,879	
Aeronautics	1,383		1,591		1,621		1,534	
Corporate	20		69		11		49	
Internal sales	-424		-569		-378		-251	
Total	4,917		4,311		5,935		5,145	
Operating income								
Defence and Security Solutions	230	11.2%	192	11.0%	216	9.5%	152	7.9%
Systems and Products	158	8.4%	143	9.6%	245	10.1%	239	12.7%
Aeronautics	67	4.8%	72	4.5%	121	7.5%	101	6.6%
Corporate	-41		142		48		-88	
Total	414	8.4%	549	12.7%	630	10.6%	404	7.9%
Net financial items	-34		-16		-58		-1	
Income before taxes	380		533		572		403	
Net income for the period	270		428		438		301	
Attributable to Parent Company's shareholders	261		423		434		293	
Earnings per share after dilution	2.39		3.88		3.98		2.68	
No. of shares after dilution, thousands	109,150		109,150		109,150		109,150	
SEK m.	JULY-SEPTEMBER				OCTOBER-DECEMBER			
	2007		2006		2007		2006	
Sales								
Defence and Security Solutions	2,069		1,913				2,443	
Systems and Products	1,839		1,417				3,802	
Aeronautics	1,279		1,233				1,652	
Corporate	9		49				37	
Internal sales	-385		-352				-587	
Total	4,811		4,260				7,347	
Operating income								
Defence and Security Solutions	135	6.5%	199	10.4%			332	13.6%
Systems and Products	100	5.4%	106	7.5%			143	3.8%
Aeronautics	68	5.3%	39	3.2%			-22	-1.3%
Corporate	15		25				-30	
Total	318	6.6%	369	8.7%			423	5.8%
Net financial items	-1		-12				-23	
Income before taxes	317		357				400	
Net income for the period	225		250				368	
Attributable to Parent Company's shareholders	218		237				347	
Earnings per share after dilution	1.99		2.17				3.18	
No. of shares after dilution, thousands	109,150		109,150				109,150	

¹⁾ For information on the business segments, see note 3 on page 22–25.

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	50,445	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/amortization and impairments, excluding leasing, %	12.0	11.3	13.1	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 dilution, 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 dilution 2002-2003: 109,247,175. Conversion of the debenture loan concluded on July 15, 2004.

⁴⁾ Net income for the year 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	9 mos. 2007	9 mos. 2006	12 mos. 2006
Operating margin before depreciation/amortization and impairments excluding leasing, %	15.0	13.0	12.6	12.0
Operating margin, %	10.0	8.7	9.6	8.3
Earnings per share after dilution, SEK ¹⁾		8.36	8.73	11.91
Return on capital employed before tax, %		14.6	17.4	14.5
Return on equity after tax, %	15.0	13.1	16.7	13.8
Equity/assets ratio, %	30.0	31.0	29.8	30.6
Equity per share after dilution, SEK ¹⁾		90.40	87.02	89.80

¹⁾ Average number of shares after dilution 109,150,344

Parent Company income statement

SEK m.	9 mos. 2007	9 mos. 2006	Q3 2007	Q3 2006	12 mos. 2006
Sales	9,658	7,688	2,605	2,473	10,940
Cost of goods sold	-7,422	-5,867	-1,990	-1,869	-8,505
Gross income	2,236	1,821	615	604	2,435
Gross margin	23.2%	23.7%	23.6%	24.4%	22.3%
Marketing expenses	-720	-468	-260	-165	-784
Administrative expenses	-572	-470	-189	-181	-601
Research and development costs	-596	-256	-215	-104	-483
Other operating income	62	69	18	41	59
Other operating expenses	-14	-45	-7	-18	-55
Operating income	396	651	-38	177	571
Operating margin	4.1%	8.5%	-1.5%	7.2%	5.2%
Financial income and expenses:					
Result from securities and receivables held as fixed assets	380	352	77	34	765
Other interest income and similar items	90	124	35	34	144
Interest expenses and similar items	-195	-258	-23	-104	-212
Income after financial items	671	869	51	141	1,268
Appropriations	-	-	-	-	11
Income before taxes	671	869	51	141	1,279
Taxes	-128	-136	5	-28	-259
Net income for the period	543	733	56	113	1,020

Parent Company balance sheet

SEK m	Note	9/30/2007	12/31/2006	9/30/2006
ASSETS				
Fixed assets				
Intangible fixed assets		57	63	55
Tangible fixed assets		2,280	2,309	1,803
Participations in Group companies		12,136	12,038	12,712
Receivables from Group companies		297	301	140
Participations in associated companies and joint ventures		259	392	343
Receivables from associated companies and joint ventures		15	15	14
Deferred tax receivables		511	537	584
Financial assets		110	122	116
Total fixed assets		15,665	15,777	15,767
Current assets				
Inventories, etc		4,965	4,010	3,741
Receivables from Group companies		3,293	2,869	3,172
Receivables from associated companies and joint ventures		250	196	155
Other receivables		3,234	2,907	3,089
Cash and bank balances		6	701	1,036
Total current assets		11,748	10,683	11,193
TOTAL ASSETS		27,413	26,460	26,960
SHAREHOLDERS' EQUITY AND LIABILITIES				
Equity				
Shareholders' equity		5,913	5,557	5,818
Net income for the period		543	1,020	733
Total shareholders' equity		6,456	6,577	6,551
Untaxed reserves		438	352	363
Provisions				
Provisions for pensions and similar commitments		275	160	238
Other provisions		1,481	1,526	1,318
Total provisions		1,756	1,686	1,556
Liabilities				
Interest-bearing liabilities		547	118	1,103
Liabilities to Group companies		8,417	9,089	7,215
Advance payments from customers		2,120	2,152	2,844
Liabilities to associated companies and joint ventures		99	80	11
Other liabilities		7,580	6,406	7,317
Total liabilities		18,763	17,845	18,490
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		27,413	26,460	26,960

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1

CORPORATE INFORMATION

Saab AB (publ), corporate identity no. 556036-0793, maintains its registered office in Linköping, Sweden. The address of the company's head office is Kungsbron 1, Stockholm, with the mailing address Box 70 363, SE-107 24 Stockholm, Sweden, and the telephone number +46-8-463 00 00. Saab has been listed on OMX Nordic Exchange in Stockholm since 1998 and on the large cap list from October 2006. The company's operations, including subsidiaries and associated companies, are described in the annual report for 2006.

The Board of Directors and the President approved this interim report for the period January 1 –September 30, 2007 for publication on October 19, 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 2006, as described on pages 56-62 of the annual report 2006. 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 2006.

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.

For a description of the business segments, see the annual report for 2006.

SALES AND ORDER INFORMATION

Sales by business segment

SEK m.	9 mos 2007	9 mos 2006	Change	Q3 2007	Q3 2006	Rolling 12	
						mos.	12 mos. 2006
Defence and Security Solutions	6,386	5,585	14.3%	2,069	1,913	8,829	8,028
Systems and Products	6,141	4,778	28.5%	1,839	1,417	9,943	8,580
Aeronautics	4,283	4,358	-1.7%	1,279	1,233	5,935	6,010
Corporate	40	167		9	49	77	204
Internal sales	-1,187	-1,172		-385	-352	-1,774	-1,759
Total	15,663	13,716	14.2%	4,811	4,260	23,010	21,063

NOTE 3 continued

Sales by geographic market

SEK m.	9 mos. 2007	% of sales	9 mos. 2006	% of sales	12 mos. 2006	% of sales
Sweden	5,518	35%	5,055	37%	7,349	35%
Rest of EU	4,467	29%	3,376	25%	6,080	29%
Rest of Europe	214	1%	167	1%	292	1%
Total, Europe	10,199	65%	8,598	63%	13,721	65%
North America	896	6%	1,129	8%	1,746	8%
Latin America	67	0%	42	0%	57	0%
Asia	1,599	10%	1,285	9%	1,757	8%
Australia, etc.	599	4%	637	5%	975	5%
Africa	2,303	15%	2,025	15%	2,807	14%
Total	15,663	100%	13,716	100%	21,063	100%

Order bookings by business segment

SEK m.	9 mos 2007	9 mos 2006	Q3 2007	Q3 2006	12 mos. 2006
Defence and Security Solutions	4,647	13,672	1,714	1,771	16,415
Systems and Products	5,432	3,804	1,363	1,393	7,691
Aeronautics	3,633	3,510	1,412	1,563	4,956
Corporate	35	44	9	23	53
Internal	-1,462	-903	-558	-203	-1,540
Total	12,285	20,127	3,940	4,547	27,575

Order backlog by business segment

SEK m.	Sept 30, 2007	Dec. 31, 2006	Sept 30, 2006
Defence and Security Solutions	11,825	13,654	13,350
Systems and Products	17,542	18,296	19,147
Aeronautics	19,574	20,440	20,705
Corporate	-	12	40
Internal	-2,222	-1,957	-1,844
Total	46,719	50,445	51,398

NOTE 3 continued

OPERATING INCOME

Operating income by business segment

SEK m.	9 mos. 2007	% of sales	9 mos. 2006	% of sales	Rolling 12 mos.	% of sales	12 mos. 2006	% of sales
Defence and Security Solutions	581	9.1%	543	9.7%	913	10.3%	875	10.9%
Systems and Products	503	8.2%	488	10.2%	646	6.5%	631	7.4%
Aeronautics	256	6.0%	212	4.9%	234	3.9%	190	3.2%
Corporate	22		79		-8		49	
Total	1,362	8.7%	1,322	9.6%	1,785	7.8%	1,745	8.3%

Depreciation/amortization and impairments by business segment

SEK m.	9 mos 2007	9 mos 2006	Q3 2007	Q3 2006	12 mos. 2006
Defence and Security Solutions	127	59	29	18	131
Systems and Products	348	182	125	90	392
Aeronautics	95	88	29	31	128
Corporate - lease assets	140	217	44	67	282
Corporate - other	99	75	29	29	123
Total	809	621	256	235	1,056

OPERATING CASH FLOW AND CAPITAL EMPLOYED

Cash flow by business segment

SEK m.	9 mos. 2007	9 mos. 2006	Q3 2007	Q3 2006	12 mos. 2006
Defence and Security Solutions	687	577	375	204	619
Systems and Products	-915	-240	-586	-82	-33
Aeronautics	-132	-91	-47	-121	-71
Corporate	10	-2,588	-101	-3,101	-2,415
Total	-350	-2,342	-359	-3,100	-1,900

NOTE 3 continued

Capital employed by business segment

SEK m.	Sept 30,2007	Dec. 31,2006	Sept 30,2006
Defence and Security Solutions	4,389	4,663	3,650
Systems and Products	8,665	7,523	8,212
Aeronautics	3,916	2,158	1,967
Corporate	-4,431	-2,253	-1,664
Total	12,539	12,091	12,165

PERSONNEL

Personnel by business segment

Number at end of period	Sept 30, 2007	Dec. 31, 2006	Change	Sept 30, 2006
Defence and Security Solutions	4,990	4,843	147	4,703
Systems and Products	5,266	5,197	69	5,301
Aeronautics	2,879	2,904	-25	2,918
Corporate	609	633	-24	633
Total	13,744	13,577	167	13,555

NOTE 4

TAXES

SEK m.	9 mos. 2007	9 mos. 2006
Current tax	-308	-86
Deferred tax	-28	-228
Total	-336	-314

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. The Board's dividend motivation can be found on page 104 of the annual report 2006.

The Annual General Meeting on April 12, 2007 approved the Board's proposal and set April 17, 2007 as the record day and decided that the dividend would be paid on April 20, 2007.

NOTE 6

SUPPLEMENTAL INFORMATION ON STATEMENT OF CASH FLOWS

Liquid assets at end of period

SEK m.	Sept 30, 2007	Sept 30, 2006	Dec. 31, 2006
The following components are included in liquid assets:			
Cash and bank balances (incl. available overdraft facilities)	600	1,645	1,290
Deposits	32	61	103
Total according to balance sheet	632	1,706	1,393
Immediately cancelable overdraft facilities	-	-	-4
Total according to statement of cash flows	632	1,706	1,389

Operating cash flow vs. statement of cash flows

SEK m.	9 mos. 2007	9 mos. 2006	12 mos. 2006
Operating cash flow	-350	-2,342	-1,900
Investing activities – interest-bearing:			
Short-term investments	-	4,813	4,868
Financial investments and receivables	-155	-176	-686
Financing activities:			
Loans raised	460	991	630
Amortization of loans	-	-	-
Establishment of pension fund	-43	-2,620	-2,566
Share repurchase	-184	-	-
Dividend paid to the Parent Company's shareholders	-464	-437	-437
Dividend paid to minority interest	-3	-	-4
Cash flow for the period	-739	229	-95

NOTE 6 continued

Specification of operating cash flow 9 mos. 2007

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	1,338	-	431	1,769
<i>Cash flow from changes in working capital</i>				
Inventories	-889	-	61	-828
Receivables	-388	-	126	-262
Advance payments from customers	71	-	-	71
Lease obligations	-	-	-241	-241
Other liabilities	34	-	-287	-253
Provisions	-163	-	-153	-316
Change in working capital	-1,335	-	-494	-1,829
Cash flow from operating activities	3	-	-63	-60
<i>Investing activities</i>				
Investments in intangible fixed assets	-446	-	-	-446
Investments in tangible fixed assets	-282	-	-	-282
Sale of tangible fixed assets	38	-	-	38
Sale of lease assets	-	-	327	327
Sale of and investment in shares, etc.	28	-	-	28
Investments in subsidiaries, net effect on liquidity	-	-263	-	-263
Sale of subsidiaries, net effect on liquidity	-	308	-	308
Cash flow from investing activities	-662	45	327	-290
OPERATING CASH FLOW	-659	45	264	-350

NOTE 7

ACQUISITIONS AND DIVESTMENTS

On September 1, 2006, Saab acquired all the shares (100 percent) in Ericsson Microwave Systems AB and Maersk Data Defence A/S.

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

Ericsson Microwave Systems AB (definitive)

SEK m.	Reported value at acquisition	Fair value reported in Group
Intangible fixed assets	2,000	2,852
Tangible fixed assets	223	223
Financial fixed assets	87	87
Deferred tax assets	173	173
Inventories	171	171
Other receivables	1,653	1,653
Liquid assets	616	616
Provisions	-280	-280
Deferred tax liabilities	-615	-854
Advance payments from customers	-1,482	-1,482
Accounts payable and other liabilities	-936	-936
Net identified assets and liabilities	1,610	2,223
Goodwill		1,537
Purchase price		3,760
Liquid assets (acquired)		-616
Net cash flow out		3,144

The acquisition analysis is definitive, since the final purchase price has been determined to SEK 3,760 m.

The first preliminary acquisition analysis was presented in the interim report for the third quarter of 2006.

Description of identified intangible assets

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

Maersk Data Defence A/S (definitive)

SEK m.	Reported value at acquisition	Fair value reported in Group
Intangible fixed asset	15	15
Tangible fixed assets	2	2
Deferred tax assets	16	16
Inventories	19	19
Other receivables	23	23
Liquid assets	25	25
Provisions	-11	-11
Deferred tax liabilities	-4	-4
Interest-bearing liabilities	-12	-12
Accounts payable and other liabilities	-61	-61
Net identified assets and liabilities	12	12
Goodwill		-
Purchase price		12
Liquid assets (acquired)		-25
Net cash flow in		13

The acquisition analysis is now definitive after the final purchase price was set at SEK 12 m.

The first preliminary acquisition analysis was presented in the interim report for the third quarter of 2006.

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 schedule is estimated to 10 years.

Acquisitions and divestments during the period

In February, Saab decided to sell its signal operations for rail traffic to Balfour Beatty Rail for a gain of SEK 24 m.

Saab and Caran agreed to streamline their consultancy operations in April, whereby Saab acquired Caran's 50 percent interest in Caran Saab Engineering at the same time that Caran acquired Saab's 40 percent stake in A2 Acoustics. Moreover, Caran acquired Saab's automotive consulting business. The overall impact on Saab's liquidity was SEK -1 m. The changes have a marginal effect on future sales and income.

In May, a property in Växjö was sold for SEK 162 m. with a gain of approximately SEK 60 m.

In May, Saab reached an agreement to take over the Warhead Division of RUAG of Switzerland. The purchase price was SEK 36 m., and the acquisition has little impact on future sales and income.

In May, Saab acquired the UK underwater vehicle company Seaeeye Holdings Ltd. The preliminary price is SEK 193 m. Seaeeye has a turnover of approximately GBP 15 m. and around 65 employees.

In June, the associated company Booforsen was divested for SEK 75 m., with a gain of approximately SEK 47 m.

Following an invitation from the Norwegian government and Norwegian industry, Saab has decided to join as an owner of a new holding company, Aker Holding AS, which in turns owns 40.1 percent of the listed company Aker Kvaerner ASA. Saab's interest will amount to 7.5 percent of the capital and votes. The purchase price of the shares is approximately NOK 1.2 billion, of which about 80 percent is financed with loans. The risk in the loan-financed portion has been reduced through an agreement that hedges this portion of the invested capital but limits the potential return. Saab has the right at specific intervals to sell its investment. The acquisition is contingent on the approval of the Norwegian parliament, a decision on which is expected in autumn 2007.

In July, Saab acquired 60 percent of the shares in PerformIT. The preliminary purchase price is SEK 8 m., generating a surplus value of SEK 7 m. The acquisition has a marginal effect on future sales and income.

In July, Saab acquired 50 percent of the shares in the South African company Cybersim. Through the South African subsidiary Grintek, Saab had previously owned 25

percent of Cybersim, so its total interest is now 75 percent. The preliminary purchase price is SEK 14m., resulting in a surplus value of SEK 13 m. The acquisition has a marginal effect on future sales and income.

In June 2006, Saab and Denel of South Africa reached an agreement whereby Saab would acquire 20 percent of a new aerostructure company. Saab invested SEK 64 m. in the newcompany in August 2007. The majority owner will contribute enough capital to ensure that the new company remains profitable during its initial build-up stage. The acquisition will be reported according to the equity method.

Acquisition analyses will be presented in the year-end report 2007.

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 3,200 m. as of September 30, 2007.

NOTE 9

CONTINGENT LIABILITIES

No additional obligations were added during the period.

NOTE 10

TRANSACTIONS WITH RELATED PARTIES

No significant transactions have occurred during the first 3 quarters 2007.

Related parties with which the Group has transactions are described in the annual report for 2006, note 43.

NOTE 11

CONDENSED SUBDIVIDED BALANCE SHEET AS OF SEPTEMBER 30, 2007

SEK m.	Saab	Saab Aircraft Leasing	Eliminations	Saab Group
Assets				
Intangible fixed assets	8,099	-	-	8,099
Tangible fixed assets	4,505	-	-	4,505
Lease assets	3	1,866	-	1,869
Long-term interest-bearing receivables	490	-	-	490
Shares, etc.	1,882	86	-1,500	468
Deferred tax assets	166	149	-	315
Inventories	5,824	11	-	5,835
Short-term interest-bearing receivables	309	639	-	948
Other receivables	9,047	437	-	9,484
Cash and marketable securities	600	32	-	632
Total assets	30,925	3,220	-1,500	32,645
Shareholders' equity and liabilities				
Shareholders' equity	10,034	1,576	-1,500	10,110
Provisions for pensions	201	-	-	201
Deferred tax liabilities	723	-	-	723
Other provisions	2,068	880	-	2,948
Interest-bearing liabilities	2,227	-	-	2,227
Lease obligations	1	209	-	210
Advance payments from customers	3,723	-	-	3,723
Other liabilities	11,948	555	-	12,503
Total shareholders' equity and liabilities	30,925	3,220	-1,500	32,645

NOTE 12

FORECAST 2007

For 2007 Saab expects growth in line with 2006 and an operating margin including structural costs slightly higher than 2006.