Interim Report Q3 2005

Telephone Conference, Stockholm, 21 October, 2005

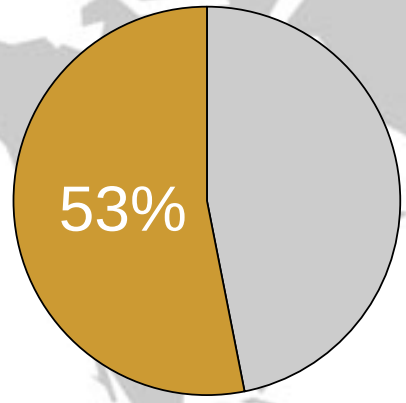
Åke Svensson

President and CEO

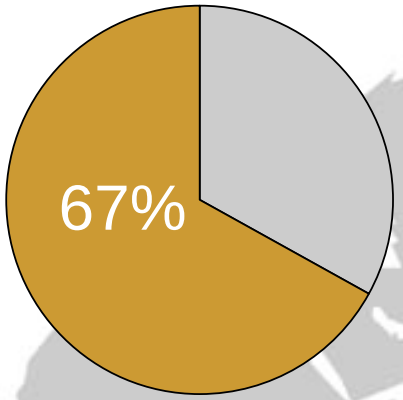
January – September 2005 in brief

- **Sales SEK 12,458 m. (12,089)**
- **Net income SEK SEK 631 m. (696)**
- **Earnings per share SEK 5.63 (6.21)**
- **Order bookings SEK 11,165 m. (11,300)**
- **Order backlog SEK 42,660 m. (44,668). SEK 43,162 m. Jan 1st 2005**
- **Operating income SEK 944 m. (1,057)**
- **Income after financial items SEK 889 m. (965)**

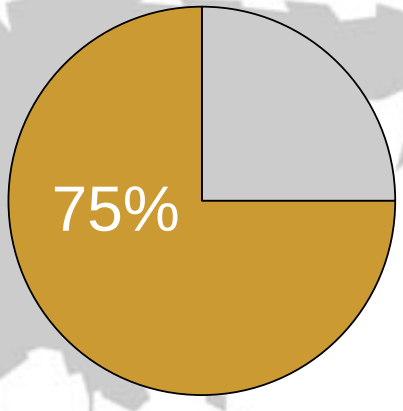
Increasing international sales



Sales



Order bookings



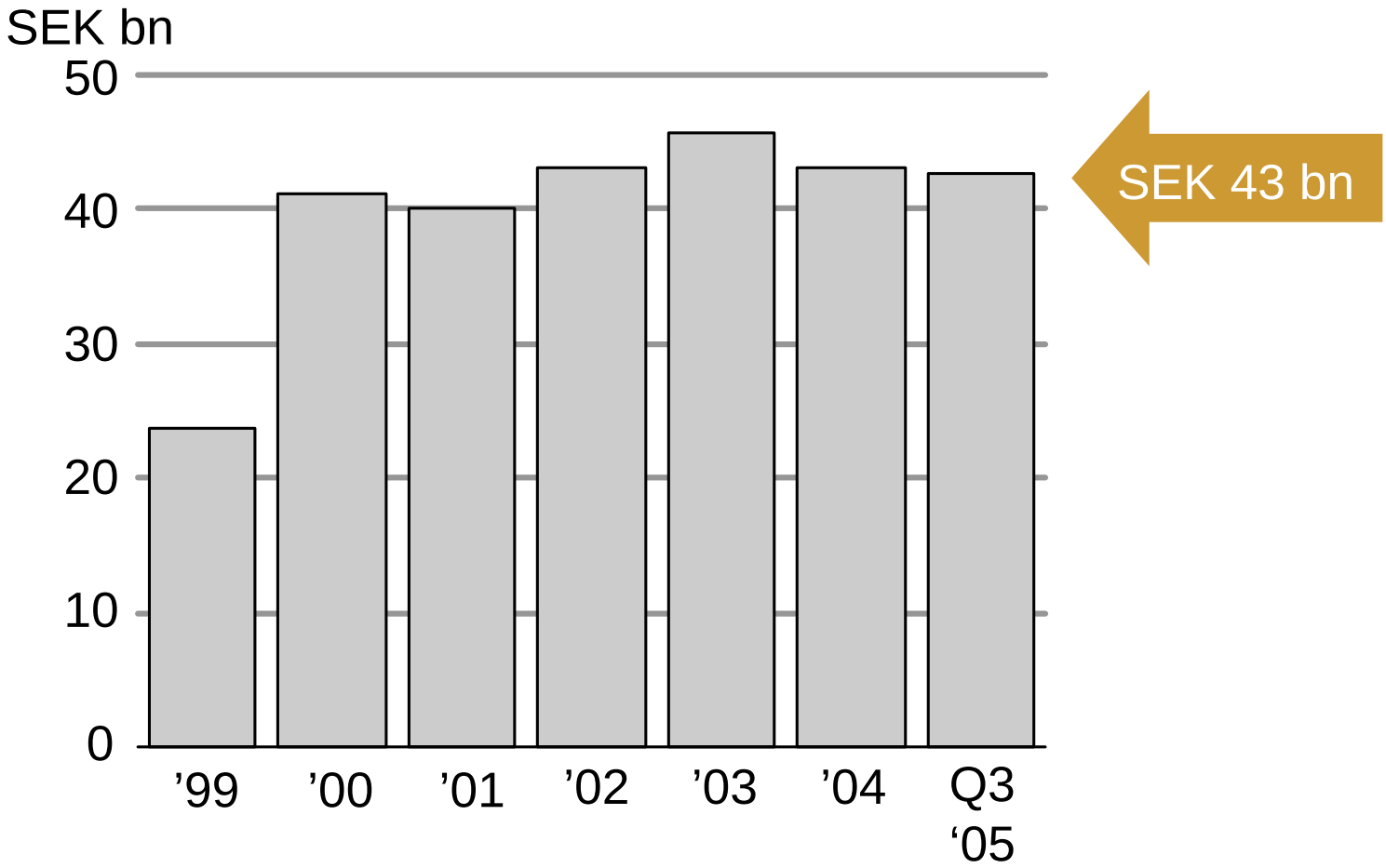
Order backlog

International Sweden

Highlights

- **Radar Warning Equipment for the German Air Force's Tornado aircraft. The order is valued at approximately SEK 1 billion.**
- **Anti-ship missile system RBS15 Mk3 for the German Navy. The order is valued at approximately SEK 350 m.**
- **Support systems for Gripen. The order is worth SEK 150 m. and supplements the existing contract for Gripen support systems.**
- **Saab's Parts Exchange Program (PEP) for Loganair's fleet of 11 Saab 340B and 2 Saab SF340A aircraft. The order has an estimated value of SEK 45 m.**
- **First order for the carbon fiber primary satellite structure for a telecommunication satellite, upgrade guidance system on sounding rockets and ten X-band helix antennas for earth observation satellites.**

Order backlog



Major orders after 30 September

- **Agreement to supply an airborne early surveillance system to Pakistan. A number of important conditions must be met before the agreement takes effect and the order can be registered. The order value is estimated at SEK 8.3 billion, approximately 30 percent of which is for Ericsson Microwave Systems.**
- **Ultra lightweight camouflage net systems from the U.S. defense, worth approximately SEK 500 million**
- **Design, development and manufacture of cargo doors for Boeing's new Dreamliner 787, initially worth SEK 800 m. Project also ensures that we can retain a portion of long-term aerospace competence associated with the Gripen program.**

Neuron technology demonstrator

- **A decision on Swedish participation in the European development of a demonstrator for the unmanned Neuron aircraft is important if we are to retain the strategic development competence in the Gripen program.**
- **Saab welcomes governmental investigative committee and intends to assist in any way possible.**

Civil security

- **Development of information system for coordination of maritime monitoring and information, SJÖBASIS, for Swedish Coast Guard**
- **Specially equipped Saab 340 aircraft for maritime rescue missions to Japan**
- **Fifth transponder base station to China**
- **Total value approx. SEK 200 million**

Order bookings and order backlog

SEK millions	Order bookings 9 months 2005	Order bookings 9 months 2004	Order backlog Sept 30, 2005
Defense & Security Solutions	4,803	3,383	4,845
Systems & Products	4,366	3,440	16,531
Aeronautics	2,456	4,446	23,029
Corporate	22	491	0
Internal	-482	-460	-1,745
Saab Group	**11,165**	**11,300**	**42,660**

Sales

SEK millions	9 mos. 2005	9 mos. 2004	Change	2004
Defense & Security Solutions	3,650	3,163	15.4%	4,557
Systems & Products	4,717	4,557	3.5%	6,826
Aeronautics	4,888	4,545	7.5%	6,796
Corporate/Internal	-797	-176		-331
Saab Group	**12,458**	**12,089**	**3.1%**	**17,848**

Operating income, EBIT

SEK millions	9 mos. 2005	*margin*	9 mos. 2004	*margin*	2004	*margin*
Defense & Sec. Solutions	**349**	**9.6%**	**257**	**8.1%**	**402**	**8.8%**
Systems & Products	**517**	**11.0%**	**281**	**6.2%**	**617**	**9.0%**
Aeronautics	**69**	**1.4%**	**514**	**11.3%**	**751**	**11.1%**
Corporate/Other	**9**		**5**		**83**	
Saab Group	**944**	**7.6%**	**1,057**	**8.7%**	**1,853**	**10.4%**

Operating income, EBIT excl. structural costs

SEK millions	9 mos. 2005	*margin*	9 mos. 2004	*margin*	2004	*margin*
Defense & Sec. Solutions	366	10.0%	277	8.8%	455	10.0%
Systems & Products	533	11.3%	326	7.2%	706	10.3%
Aeronautics	186	3.8%	528	11.6%	779	11.5%
Corporate/Other	22		5		96	
Total	**1,107**	**8.9%**	**1,136**	**9.4%**	**2,036**	**11.4%**
Structural costs	-163		-79		-183	
Saab Group	**944**	**7.6%**	**1,057**	**8.7%**	**1,853**	**10.4%**

Income statement

SEK millions	9 mos. 2005	9 mos. 2004	2004
Sales	**12,458**	**12,089**	**17,848**
Cost of goods sold	-9,724	-9,246	-13,596
Gross margin	**2,734**	**2,843**	**4,252**
Gross margin	*21.9%*	*23.5%*	*23.8%*
Marketing expenses	-882	-975	-1,286
Administrative expenses	-727	-665	-948
Research and development costs	-298	-247	-388
Other operating income	111	92	175
Other operating expenses	-48	-35	-27
Share in income of associated companies	54	44	75
Operating income	**944**	**1,057**	**1,853**
Operating margin	*7.6%*	*8.7%*	*10.4%*
Result from financial investments	-55	-92	-141
Income after financial items	**889**	**965**	**1,712**
Taxes	-258	-269	-402
Net income	**631**	**696**	**1.310**
Earnings per share, SEK	5.63	6.21	11.78

Balance sheet

SEK millions	Sept 30, 2005	Jan. 1, 2005	Change
Assets			
Goodwill and other intangible assets	3,175	2,822	353
Property, plant and equipment, etc.	4,430	4,389	41
Lease assets	4,324	4,371	-47
Interest bearing receivables	670	604	66
Shares, etc	444	770	-326
Deferred tax receivables	386	727	-341
Inventories, etc.	4,340	2,882	1,458
Receivables related to unrealized financial instr	517	1,227	-710
Other receivables	5,847	5,403	268
Cash and marketable securities	5,671	4,319	1,231
Fixed assets held for sale	397	182	215
Total assets	**29,904**	**27,696**	**2,208**
Shareholders' equity and liabilities			
Shareholders' equity	8,876	8,241	635
Provision for pensions	2,983	3,034	-51
Deferred tax liabilities	50	50	0
Other provisions	2,528	2,239	289
Liabilities to credit institutions	1,177	1,108	69
Lease obligations	1,907	2,225	-318
Advance payments from customers, net	3,100	2,860	240
Other liabilities	8,786	7,668	1,118
Liabilities related to unrealized financial instr	416	266	150
Liabilities related to fixed assets held for sale	81	5	76
Total shareholders' equity and liabilities	**29,904**	**27,696**	**2,208**
Equity/assets ratio,%	29.7	29.8	

Balance sheet, September 30, 2005, subdivided

SEK millions	Saab	Saab Aircraft Leasing	Elimi-nations	Saab Group
Goodwill and other intangible assets	3,175			3,175
Property, plant and equipment	4,428	2		4,430
Lease assets		4,324		4,324
Long-term interest bearing receivables	494			494
Shares, etc	1,944		-1,500	444
Deferred tax receivables	495		-109	386
Inventories, etc.	4,336	4		4,340
Short-term interest bearing receivables	176			176
Other receivables	5,895	690		6,585
Cash and marketable securities	5,505	45		5,550
Total assets	**26,448**	**5,065**	**-1,609**	**29,904**
Shareholders' equity	9,008	1,368	-1,500	8,876
Provision for pensions	2,983			2,983
Other provisions	1,709	819		2,528
Deferred tax liabilities	50	109	-109	50
Liabilities to credit institutions	1,055	122		1,177
Lease obligations		1,907		1,907
Advance payments from customers, net	3,100			3,100
Other liabilities	8,543	740		9,283
Total shareholders' equity & liabilities	**26,448**	**5,065**	**-1,609**	**29,904**

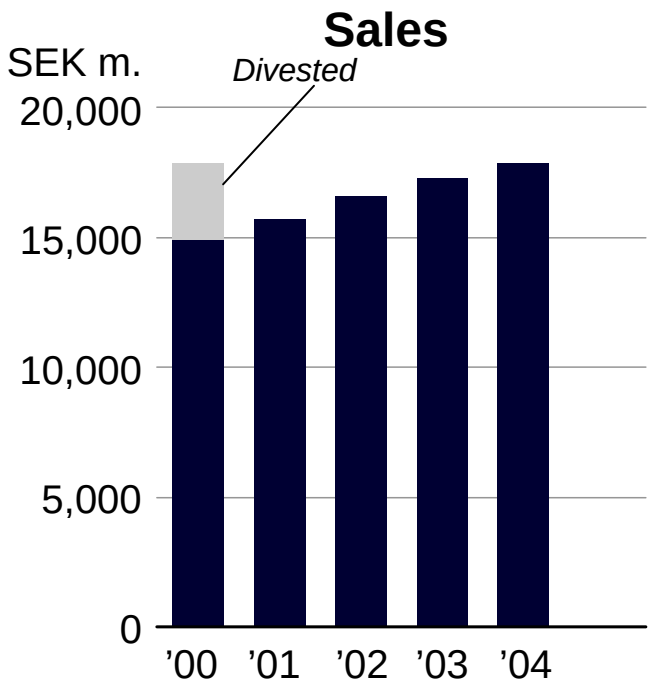
Cash flow

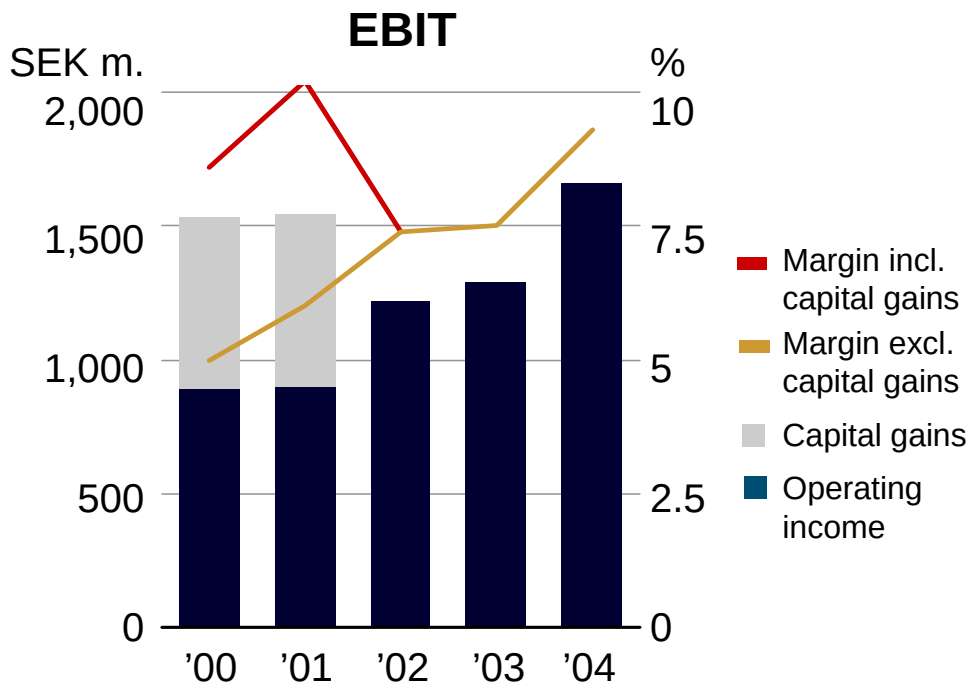
SEK millions	9 mos. 2005	9 mos. 2004	2004
Cash flow from operating activities			
Income after financial items	889	965	1,712
Adjustments for items not affecting cash flow	781	631	921
Tax paid	-80	-41	-26
Cash flow from operating activities before changes in working capital	**1,590**	**1,555**	**2,607**
Working capital			
Inventories etc.	-166	-688	-306
Receivables	328	650	573
Advance payments from customers	82	-1,092	-1,126
Other liabilities	699	198	-135
Lease obligations	-665	-295	-418
Provisions	-241	-339	-330
Change in working capital	**37**	**-1,566**	**-1,742**
Cash flow from operating activities	**1,627**	**-11**	**865**
Investments in intangible fixed assets	-183	-322	-420
Investments in shares	-301	-108	-108
Sales of shares	257	141	184
Investments in tangible fixed assets	-196	-262	-348
Investments in/Sales of lease assets	518	42	41
Sales of intangible and tangible assets	21	53	111
Cash flow from investments	**116**	**-456**	**-540**
Operating cash flow	**1,743**	**-467**	**325**

Cash flow summary

SEK millions	9 mos. 2005	9 mos. 2004	2004
Operations pre advances	**1,846**	**655**	**1,406**
Change in advances	82	-1,092	-1,126
Operations	**1,928**	**-437**	**280**
Acquisitions/divestments	-44	33	76
Saab Aircraft Leasing and regional aircraft	-61	-22	-5
Tax paid	-80	-41	-26
Total	**1,743**	**-467**	**325**

Forecast 2005





- Top-line growth 8%, of which 5% organic
- EBIT margin lower and income slightly lower than reported 2004 after structural costs (9.3 % and SEK 1.7 bn). In addition the result is lowered by SEK 250 m. provision for helicopter program
- Long-term objective of 10% remains unchanged

Conclusions

- January – September in line with plan, except for helicopter program provision
- Increasing international sales
- Broadened scope into civil security