BRITISH AEROSPACE

News Release

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BRITISH AEROSPACE AGREES ACQUISITION OF INTEREST IN SAAB AB

British Aerospace today announces that it has entered an agreement to acquire a 35% interest in the Swedish aerospace and defence company, Saab AB ("Saab") from Investor Group.

The acquisition is consistent with British Aerospace's stated objectives of pursuing enhanced shareholder value through a consolidation of the aerospace and defence industry. The shareholding will strengthen ties between the two companies and enable a common strategy to be pursued to the benefit of a number of significant, business activities including;- Combat Aircraft, Aerostructures, Guided Weapons, Asset Management and Training Systems.

Under the terms of the agreement, British Aerospace will pay SEK3,500 million (£269 million) for shares corresponding to 35.1% of share capital and 35.0% of the voting rights of Saab, subject to relevant authorities and regulatory approvals and listing of Saab's shares on the Stockholm Stock Exchange.

Investor Group, which currently owns 100% of Saab, has earlier announced that it intends to broaden the ownership of Saab by way of the distribution of purchase rights to its shareholders. According to this proposal, Investor intends to offer its existing shareholders the opportunity to subscribe for shares in Saab.

British Aerospace and Investor will have equal representation, with three Board members each, on the 9 person Board of Saab and will jointly nominate the Chairman, Vice Chairman and Managing Director. To facilitate access to the synergies between the two companies, British Aerospace has agreed to make available management for a number of senior operational positions.

In 1997, Saab reported profit after financial income and expenses of SEK576 million (£46 million), excluding a non-recurring provision of SEK5,421 million (£434 million) in relation to its regional aircraft activities, on sales of SEK8,674 million (£694 million). At 31 December 1997, Saab's orderbook stood at SEK27,122 million (£2,067 million) and had net liquidity of SEK11,921 million (£909 million) with net assets of SEK3,091 million (£236 million).

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Notes for Editors

Combat Aircraft - British Aerospace has an extensive involvement in the Saab Gripen combat aircraft through a joint venture agreement to market the aircraft in the wider export market. In addition British Aerospace has been engaged in engineering work associated with enhancing the suitability of the aircraft for export markets. As a consequence of today's announcement British Aerospace will further deepen its involvement in Gripen through access to the Swedish domestic procurement of the aircraft. Sweden has one of Europe's largest air forces. Of the 204 aircraft ordered, 53 had been delivered by March 1998.

British Aerospace believes that opportunities exist to address costs of the future programme to the benefit of both the Swedish customer and the potential for export of the highly capable 4th generation Gripen combat aircraft.

Aerostructures - Saab is widely respected as a high quality aerostructures producer. Saab has recently competed successfully for Airbus aerostructures work. Opportunities are expected to be pursued to integrate this capability with British Aerospace's expanding workload associated with Airbus aircraft programmes.

Guided Weapons - British Aerospace has an extensive history of involvement with Saab on guided weapons programmes including collaboration on the RB 70 semi-active medium-range missile developed from the UK Sky Flash missile. Opportunities exist to harmonise the missile armament for the emerging 4th generation combat aircraft programmes across Europe.

Asset Management - Saab has had considerable success in the market for regional turboprop airliners. Whilst it has announced it will cease production, the company retains responsibility for some 300 Saab 340 and Saab 2000 turboprops. Opportunities exist for sharing of best practice with British Aerospace's Asset Management business which is responsible for management of the company's portfolio of leased Jetstream turboprops and BAe 146 regional jets.

Training Systems - Saab has a substantial activity in training systems, with a particular capability in laser based weapons simulation.