



SAAB

INTERIM REPORT

JANUARY–SEPTEMBER
2008

RESULTS AND SUMMARY JANUARY–SEPTEMBER 2008

- Order bookings increased during the period to MSEK 16,050 (12,285), the order backlog amounts to SEK 46.7 billion (46.7)
- Sales decreased to MSEK 15,608 (15,663)
- Net income for the period was MSEK 466 (933) with earnings per share after dilution of SEK 4.36 (8.36)
- Operating income was MSEK 975 (1,362), corresponding to an operating margin of 6.2 percent (8.7)
- Uncertainty in global economy continues to affect Saab
- The Billion program is progressing according to plan. At the same time Saab are intensifying the program with targeted total cost reductions of SEK 1.5 billion by the end of 2010
- On September 4, Saab reduced its forecast for 2008. The new forecast for organic sales growth for 2008 is 3–4 percent, with an operating margin of 8–9 percent. This forecast is unchanged

UNCERTAINTY IN GLOBAL ECONOMY CONTINUES TO AFFECT SAAB

STATEMENT BY THE CEO:

“We are now intensifying our efficiency improvement program with the objective to reach a total cost reduction of SEK 1.5 billion by the end of 2010. This will lead to a reduction of 500 employees during a two-year period, primarily achieved through attrition. While the global economic conditions remain uncertain, we maintain our outlook for 2008 of an organic sales growth of 3–4 percent and an operating margin of 8–9 percent. Saab’s strong product portfolio continues to create important market opportunities.”

Saab’s order bookings increased during the first nine months to MSEK 16,050 (12,285). The order backlog amounted to SEK 46.7 billion (46.7). The international share of the order backlog was 78 percent (81). Sales decreased slightly to MSEK 15,608 (15,663). Operating income for the period was MSEK 975 (1,362), corresponding to a margin of 6.2 percent (8.7). The adjusted operating margin was 5.9 percent (7.7). The lower margin is due to high marketing expenses, delayed orders, one-time write-downs and slow business development in South Africa.

Global uncertainty affects Saab

Global economic conditions continue to impact Saab negatively, with the financial crisis creating further uncertainty for our business operations during the third quarter. Despite solid order bookings, we are seeing postponements in major military projects. The commercial aviation market remains under pressure, resulting in postponed orders for aircraft components, which for Saab means a lower production rate than planned. We have already taken proactive actions but given the uncertain environment we can not preclude further non-recurring charges in 2008. At the same time, we still see good opportunities in the export market and have maintained a steady inflow of smaller orders.

Effects of the Swedish defence budget proposal

The Swedish government’s proposal for further cutbacks in defence spending and its position regarding new development within the Swedish defence industry also affect us by raising uncertainty about future development projects. It is gratifying, how-

ever, that the government has reiterated its long-term ambition to further develop the Gripen system. But ensuring a sustainable capability to supply the armed forces with advanced, high-tech equipment requires a balance between developing new systems and procuring existing ones, as well as between short-term and long-term defence acquisition plans. An advanced domestic defence industry is important to safeguard Sweden’s future defence capabilities. The projects that are terminated or implemented on a smaller scale in the Swedish government’s budget proposal may impact Saab’s future structure and direction. In the short term, our assessment is that business volumes will be only modestly affected. An assessment of the long-term impact will require a more thorough analysis and a better understanding of the government’s long-range priorities.

Expanded efficiency improvement program

An efficiency improvement program, called the Billion SEK Program, was launched by the end of 2007 to create greater financial flexibility to market and self-finance the development of new products and services for the international market while at the same time meeting long-term objectives. The goal is to reduce costs by SEK 1 billion yearly from 2010 compared with the start of 2008. During the year, the program has progressed according to plan, and improvements of at least MSEK 250 are expected for the full-year 2008.

We are now further intensifying this work and initiating efficiency improvements that will lead to the reduction of 500 employees during a two-year period starting in 2009.

This will be achieved primarily through attrition.

We are thereby expanding the efficiency improvement program with the objective to achieve total cost reductions of SEK 1.5 billion by the end of 2010.

Intensive marketing of Gripen

It is gratifying to note that the global market's interest in Gripen remains strong. We are involved in several intensive and costly marketing campaigns. During the quarter, a proposal was submitted to Switzerland and responses to Requests for Information were submitted to the Netherlands and Brazil. In early October, Brazil announced that Saab had been selected as one of three possible suppliers of fighter aircraft.

Saab has therefore submitted binding responses to Denmark, India, Norway, Romania and Switzerland. In addition, Saab has responded or is preparing responses to requests in various stages from Brazil, Bulgaria, Croatia and the Netherlands. Moreover, Saab is marketing Gripen in a number of other countries. The goal to sell at least 200 aircraft on the global market has not changed.

Outlook 2008

On September 4, Saab reduced its forecast for 2008 primarily due to delays in order bookings for large international projects and uncertainty about Swedish defence spending. Delays in major commercial aircraft projects led to a downward revision in the production rate for Saab's aero-structures business. Development for the

technology business in South Africa was weaker than expected. Furthermore, Saab faces continued high marketing expenses for Gripen due to the great interest in the market.

The forecast for organic sales growth for 2008 is 3–4 percent instead of the previously announced 5 percent, with an operating margin of 8–9 percent instead of the previously announced 10 percent.

The forecast does not include non-recurring items.

Global economic conditions remain uncertain and continue to affect Saab's total risk level.

IMPORTANT EVENTS JULY – SEPTEMBER 2008

- Saab submitted a Gripen proposal as one of three competing suppliers of fighter aircraft to Switzerland. The exact number of aircraft in the order has not been made public. In connection with submission of its response, Saab signed two Memorandums of Understanding on industrial cooperations with Rheinmetall and Pilatus Aircraft, both of which are contingent on a Swiss purchase of Gripen.
- Saab received orders from the Swedish Defence Materiel Administration, FMV, for electronic warfare systems and supplementary weapon pylons for Gripen with a total value of MSEK 574.
- The divestment of Saab Space, including the Austrian subsidiary Austrian Aerospace, to the Swiss aerospace and defence group RUAG, was completed during the period. The purchase price for the shares was MSEK 335. In addition to the fixed price, Saab is entitled to additional consideration related to the long-term performance of Saab Space. The transaction generated a capital gain of MSEK 98 in 2008.
- Saab submitted reports on 150 different collaboration projects to the Norwegian Ministry of Defence as a complement to its previously submitted proposal for the Gripen system.
- Saab responded to the F16 replacement questionnaire issued by the Dutch Ministry of Defence, offering 85 Gripen NG (Next Generation) to the Royal Netherlands Air Force.
- Lena Olving has been appointed Executive Vice President at Saab, a member of Group Management and head of the Systems and Products segment. She takes up her appointment on December 1.

IMPORTANT EVENTS AFTER THE CONCLUSION OF THE PERIOD

- The Gripen NG (Next Generation) multi-role fighter was placed on the short list as an alternative to equip the Brazilian Air Force. Saab's response to the Request for Information (RFI), which was submitted in August, includes a fighter that perfectly fits Brazil's needs, as well as full support regarding spare parts, logistics and training. Saab is willing to include Brazilian industry, share know-how and transfer technology. The offer is supported by the Swedish government.

GROUP

MSEK	Jan–Sep 2008	Jan–Sep 2007	change	Jul–Sep 2008	Jul–Sep 2007	change
Order bookings	16,050	12,285	31%	3,095	3,940	-21%
Order backlog	46,652	46,719	-	-1,919 ²⁾	-1,048 ²⁾	-
Sales	15,608	15,663	-	4,583	4,811	-5%
Gross income ¹⁾	3,990	4,109	-3%	945	1,295	-27%
Gross margin, %	25.6	26.2	-	20.6	26.9	-
Operating income before depreciation/amortization (EBITDA) ¹⁾	1,645	2,031	-19%	224	530	-58%
Margin, %	10.5	13.0	-	4.9	11.0	-
Operating income (EBIT) ¹⁾	975	1,362	-28%	31	318	-90%
Operating margin, %	6.2	8.7	-	0.7	6.6	-
Adjusted operating margin, % ³⁾	5.9	7.7	-	-1.5	6.6	-
Income before tax (EBT) ¹⁾	624	1,269	-51%	-178	317	-156%
Net income	466	933	-50%	-103	225	-146%
Earnings per share after dilution	4.36	8.36	-	-0.89	1.99	-
Operating cash flow	-379	-350	-8%	557	-359	-
Net liquidity/debt (-)	-2,728	-358	-	235 ²⁾	-548 ²⁾	-
¹⁾ OF WHICH, RESULT FROM DIVESTMENTS	98	154	-	98	-	-
GAINS FROM CONTRACTS AT CLOSURE REGIONAL AIRCRAFT	196	-	-	-	-	-
WRITE-DOWNS REGARDING COMMERCIAL AIRCRAFT PROGRAM	-234	-	-	-	-	-
²⁾ QUARTERLY CHANGE						
³⁾ ADJUSTED FOR ITEMS ACCORDING TO NOTE 1 ABOVE						

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.

SALES, INCOME AND ORDERS
Third quarter 2008

Order bookings for the third quarter amounted to MSEK 3,095 (3,940). Major orders include an order from the Swedish Defence Materiel Administration, FMV, for electronic warfare systems and supplementary weapon pylons for Gripen with a total value of MSEK 574.

Sales in the third quarter amounted to MSEK 4,583 (4,811), a decrease of 5 percent. Sales were affected by the weak

market situation and weak development of Saab Grintek Technology in South Africa, unfavourable exchange rates effects as well as the sale of Saab Space on September 1.

Gross income decreased to MSEK 945 (1,295), corresponding to a margin of 20.6 percent (26.9).

During the third quarter, the Billion SEK Program positively affected the margin by approximately 1 percentage point.

Operating income before depreciation and amortization (EBITDA) decreased to MSEK 224 (530), corresponding to a margin of 4.9 percent (11.0). Marketing expenses decreased by MSEK 21 and research and development costs by MSEK 19.

Operating income during the third quarter amounted to MSEK 31 (318), corresponding to a margin of 0.7 percent (6.6). Quarterly information is shown on page 20.

Operating income was impacted by costs for a temporary shutdown of production related to civilian aircraft projects of about MSEK 90. In addition, corrections of MSEK 90 were made for previously capitalized expenditure within Aerostructures. In addition, the weak development in Saab Grintek Technology in South Africa impacted the operating income negatively.

Operating income was affected by a capital gain of MSEK 98 in the third quarter resulting from the divestment of Saab Space on September 1.

January–September 2008 Orders

Order bookings for the first nine months 2008 totaled MSEK 16,050 (12,285) of which 69 percent (66) was attributable to defence-related operations.

The order backlog at the end of the period was MSEK 46,652 (46,719). International orders accounted for 78 percent (81).

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 the aircraft producers Airbus and Boeing
- Anti-tank systems
- Command and control, avionics and fire control systems
- Radar systems

Sales

Sales during the first nine months of 2008 amounted to MSEK 15,608 (15,663). Sales year-to-date were negatively affected by exchange rate fluctuations of about MSEK 200, or 1 percent of sales. The effects relate to the translation of foreign subsidiaries from local currency to Swedish krona, largely due to South Africa and the U.S.

Of sales, 82 percent (81) related to the defence market. Sales in the international market amounted to MSEK 10,519 (10,145), or 67 percent (65) of total sales. Total sales in the EU, excluding Sweden, were MSEK 3,963 (4,467).

Income, margin and profitability

Gross income amounted to MSEK 3,990 (4,109), corresponding to a gross margin of 25.6 percent (26.2). The gross margin remains unchanged for Defence and Security Solutions and improved for Systems and Products, while Aeronautics' gross margin was lower than previous year. The Billion Program positively affected the margin by approximately 1 percentage point during the first nine months. The largest part of the savings has been achieved in Systems and Products. However, the gross income was affected by the impairment charge of MSEK 234 within Aeronautics related to the A340 program, which partly was compensated by gains on contractual settlements of MSEK 196 for regional aircraft.

Other operating income, MSEK 188 (264), includes currency gains and results from secondary activities. The divestment of Saab Space on September 1, 2008 generated a capital gain of MSEK 98. The previous year was affected by gains of MSEK 154 on business and property divestments.

Marketing expenses for the first nine months 2008 amounted to MSEK 1,333 MSEK (1,246). The increase is essentially attributable to tenders for Gripen to a number of countries. Administrative expenses amounted to MSEK 1,047 (1,045). The period's internally funded investments in research and development amounted to MSEK 952 (917), of which a total of MSEK 449 (437) has been capitalized. Operating income for the period has been charged with MSEK 794 (733), including amortization of MSEK 291 (253).

Other operating expenses, MSEK 38 (31), consist of exchange rate differences, among other things.

The share of income in associated companies, MSEK 9 (44), primarily relates to net income in Taurus GmbH and Grintek Ewation.

Operating income before depreciation and amortization (EBITDA) amounted to MSEK 1,645 (2,031). The EBITDA margin was 10.5 percent (13.0). Operating income (EBIT) amounted to MSEK 975 (1,362). The operating margin was 6.2 percent (8.7). The adjusted operating margin was 5.9 percent (7.7).

Net financial income and expenses amounted to MSEK -351 (-93), of which the share in income of associated companies held as financial assets amounted to -25 (-30). Project interest from unutilized advance payments has reduced the financial net by MSEK 94 (103) and reduced the cost of goods sold correspondingly. Unrealized losses in the tender portfolio of MSEK 55 (gains of 23) further reduced the financial net. Other net interest amounted to MSEK -177 (17), which was due mainly to the fact that the Group reported a net debt this year, against an average net liquidity last year.

Income before taxes amounted to MSEK 624 (1,269).

Current and deferred taxes during the first nine months of 2008 amounted to MSEK -158 (-336), or an effective tax rate of 25 percent (26).

Net income for the period was MSEK 466 (933), of which the minority interest amounted to MSEK -10 (20). Diluted earnings per share for the interests of the Parent Company's shareholders amounted to SEK 4.36 (8.36).

The return on capital employed for the last twelve-month period was 16.2 percent (14.6) and the return on equity was 14.5 percent (13.1).

ACQUISITIONS AND DIVESTMENTS

On September 1, Saab Space including the Austrian subsidiary Austrian Aerospace, was divested to the Swiss aerospace and defence group RUAG. The purchase price for the shares was MSEK 335. In addition to the fixed price, Saab is entitled to additional consideration related to the long-term performance of Saab Space. The transaction generated a capital gain of MSEK 98.

In July, Imbani Amandaba (Pty) Ltd acquired 25 percent plus one share of Saab Grintek Defence (Pty) Ltd. The sale to Imbani Amandaba, a so-called Black Economic Empowerment consortium, demonstrates Saab's willingness to develop operations in South Africa and meet the requirements of the country's Black Economic Empowerment policy. The purchase price of the shares was MZAR 95 and the transaction generated no capital gain.

No other significant acquisitions or divestments were made during the first nine months of 2008.

FINANCIAL POSITION AND LIQUIDITY

Balance sheet

Intangible fixed assets amount to MSEK 8,079 (8,099), of which goodwill amounts to MSEK 3,516 (3,496) and is largely attributable to the acquisitions of Celsius in 2000 and Saab Microwave Systems in 2006. Remaining goodwill primarily relates to the acquisitions of Grintek, Saab Avionics and Combitech. Other intangible fixed assets amount to MSEK 4,563 (4,603), of which capitalized development expenses amount to MSEK 3,883 (3,825). Other intangible fixed assets consist of acquired product development/technology and customer relations primarily for radar and sensors as well as capitalized development expenses for the export version of Gripen, radar jamming systems and missile systems. Amorti-

zation of intangible fixed assets amounted to MSEK 421 (365) for the period, of which amortization of capitalized product development amounted to MSEK 291 (253).

Tangible fixed assets amount to MSEK 3,280 (4,207) and refer to property, plant and equipment used in core operations. The decrease is attributable to the sale of operating properties in the fourth quarter of 2007 as well as the divestment of Saab Space. Investment properties refer to properties leased to outside parties and valued at estimated fair value. Lease assets amount to MSEK 1,676 (1,869) and primarily relate to the leasing fleet of regional aircraft. Depreciation for the period on tangible fixed assets amounted to MSEK 249 (304), while depreciation on the leasing fleet amounted to MSEK 119 (140).

Shares in associated companies include the shares in Hawker Pacific, Grintek Ewation and Denel Saab Aerostructures.

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

Shareholders' equity attributable to the Parent Company's shareholders amounted to MSEK 10,076 (9,867), or SEK 92.31 per share (90.40) on a fully diluted basis. The equity/assets ratio was 31.2 percent (31.0).

Provisions for pensions amounted to MSEK 1, compared with MSEK 201 on September 30, 2007. During the period, the Saab Pension Fund was capitalized with a total of MSEK 222. The purpose of the fund is to secure defined-benefit pension plans. The market value of the Saab Pension Fund was MSEK 3,279 at the end of the period, compared with an obligation of MSEK 4,214 according to IAS 19. The solvency margin was 78 percent. In a comparison with the obligation according to the FPG/PRI system, the solvency margin was 88 percent. Because Saab applies the so-called corridor rule, the liability carried in the balance sheet before deducting assets under management amounts to MSEK 3,280.

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

Liquidity and finance

The Group's net debt refers to interest-bearing liabilities and provisions for pensions less cash, short-term investments and interest-bearing receivables. Net debt has increased by MSEK 1,101 since the beginning of the year and amounted to MSEK 2,728 at the end of the period.

Cash flow

Operating cash flow amounted to MSEK -379 (-350) during the period and was distributed between cash flow from core operating activities of MSEK -960 (-659), acquisitions of MSEK 0 (-263), divestments of subsidiaries and associated companies of MSEK 420 (308) and the regional aircraft business, MSEK 161 (264). The negative operating cash flow was mainly caused by reduced advances and increased inventories.

CAPITAL EXPENDITURES AND PERSONNEL

Capital expenditures

Gross capital expenditures in property, plant and equipment, excluding lease assets, amounted to MSEK 180 (282). Investments in intangible assets amounted to MSEK 449 (446) and relate to capitalized product development.

Personnel

At the end of the period, the Group had 13,406 employees, against 13,757 at the beginning of the year. Of the change, 500 employees are a direct effect of the divestment of Saab Space.

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 instructions 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 2008 can be found on pages 43–45 of the annual report for 2007.

SHARE REPURCHASE

In 2007, one million shares were repurchased for the Group's share matching plan. The number of repurchased Treasury shares as of September 30, was 2,336,694 against 999,808 on June 30, 2008. In June 2008, the Board of Directors authorized the repurchase of 1,340,000 shares to hedge the year's share matching plan and performance share plan. The repurchases began on July 21, 2008 and were completed in the third quarter.

EVENTS AFTER THE BALANCE SHEET DATE

The Gripen NG (Next Generation) multi-role fighter was placed on the short list as an alternative to equip the Brazilian Air Force. Saab's response to the Request for Information (RFI), which was submitted in August, includes a fighter that perfectly fits Brazil's needs, as well as full support regarding spare parts, logistics and training. Saab is willing to include Brazilian industry, share know-how and transfer technology. The offer is supported by the Swedish government.

No other significant events have occurred since the balance sheet date that affect the Group's results of operations or financial position.

DEFENCE AND SECURITY SOLUTIONS

MSEK	Jan–Sep 2008	Jan–Sep 2007	change	Jul–Sep 2008	Jul–Sep 2007	change
Order bookings	5,587	4,647	20%	1,489	1,714	-13%
Order backlog	9,778	11,825	-17%	-430 ²⁾	-430 ²⁾	-
Sales	6,365	6,386	-	1,904	2,069	-8%
Operating income before depreciation/amortization (EBITDA) ¹⁾	619	708	-13%	150	164	-9%
Margin, %	9.7	11.1	-	7.9	7.9	-
Operating income (EBIT) ¹⁾	492	581	-15%	112	135	-17%
Operating margin, %	7.7	9.1	-	5.9	6.5	-
Adjusted operating margin, % ³⁾	7.7	8.4	-	5.9	6.5	-
Operating cash flow	-121	687	-118%	227	375	-39%
No. of employees	4,891	4,990	-2%	79	88	-
¹⁾ OF WHICH, RESULT FROM DIVESTMENTS	-	47	-	-	-	-
²⁾ QUARTERLY CHANGE						
³⁾ ADJUSTED FOR ITEMS ACCORDING TO NOTE 1 ABOVE						

The Defence and Security Solutions business segment brings together Saab's capabilities in the development and integration of high-technology systems for reconnaissance, surveillance, command and control, and communication. In the international market, tactical command and combat systems for land, sea and airborne forces are among the areas where Saab has an especially strong position.

The segment also offers a wide range of lifecycle support solutions. Consulting services in systems development, systems integration, and information and system security for customers mainly in the defence 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.

On July 1, a new business unit, Saab Security, was formed to consolidate the Group's resources in security in a new unit.

SALES, INCOME AND ORDERS
Third quarter 2008

Order bookings for the third quarter amounted to MSEK 1,489 (1,714).

Sales decreased with 8 percent to MSEK 1,904 (2,069). Operating income amounted to MSEK 112 (135) and the operating margin was 5.9 percent (6.5). The decrease in orders, sales and operating income in the third quarter were mainly attributable to weak development in Saab Grintek Technology in South Africa due to the lack of so-called Black Economic Empowerment (BEE) partners during the first half of 2008 as well as the general weaker market situation in South Africa.

**January–September 2008
Orders**

Order bookings for Defence and Security Solutions amounted to MSEK 5,587 (4,647). Saab Security has increased order bookings significantly through orders from the Oskarshamn nuclear power plant and the Swedish Prison and Probation Service. Last year included a reduction of order received from Pakistan for an airborne surveillance systems of SEK 1.35 billion.

Sales

Sales for Defence and Security Solutions amounted to MSEK 6,365 (6,386). The international market accounted for 54 percent (57) of sales. The business segment was negatively affected by approximately MSEK 100 by exchange rate fluctuations on the translation of Grintek's revenue in South African ZAR, corresponding to slightly less than 2 percent of sales.

Income and margin

Operating income for Defence and Security Solutions amounted to MSEK 492 (581) with a margin of 7.7 percent (9.1). The result for 2007 includes a capital gain of MSEK 47.

Operating cash flow

Operating cash flow amounted to MSEK -121 (687). The deviation from last year is mainly attributable to an increase in capital tied up in airborne surveillance systems.

SYSTEMS AND PRODUCTS

MSEK	Jan–Sep 2008	Jan–Sep 2007	change	Jul–Sep 2008	Jul–Sep 2007	change
Order bookings	6,340	5,432	17%	1,297	1,363	-5%
Order backlog	17,572	17,542	-	-958 ²⁾	-565 ²⁾	-
Sales	5,743	6,141	-6%	1,771	1,839	-4%
Operating income before depreciation/amortization (EBITDA) ¹⁾	768	851	-10%	161	225	-28%
Margin, %	13.4	13.9	-	9.1	12.2	-
Operating income (EBIT) ¹⁾	428	503	-15%	62	100	-38%
Operating margin, %	7.5	8.2	-	3.5	5.4	-
Adjusted operating margin, % ³⁾	7.5	7.4	-	3.5	5.4	-
Operating cash flow	330	-915	-	-397	-586	-
No. of employees	4,824	5,266	-8%	-506	57	-
¹⁾ OF WHICH, RESULT FROM DIVESTMENTS	-	47	-	-	-	-
²⁾ QUARTERLY CHANGE						
³⁾ ADJUSTED FOR ITEMS ACCORDING TO NOTE 1 ABOVE						

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 as well as torpedo systems.

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 systems 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, camouflage 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 also now lists special police units among its customers.

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

SALES, INCOME AND ORDERS

Third quarter 2008

Order bookings for the third quarter amounted to MSEK 1,297 (1,363) and include orders for Carl-Gustaf, counter-measures dispenser system for F18-Hornet in Australia and signature management systems to the U.S. Marine Corps.

Sales amounted to MSEK 1,771 (1,839). The decrease in sales is related to the divestiture of Saab Space. Excluding Saab Space sales were in line with third quarter previous year.

Operating income decreased to MSEK 62 (100). The operating margin was 3.5 per cent (5.4) resulting from an unfavourable product mix.

January–September 2008

Orders

Order bookings for Systems and Products rose to MSEK 6,340 (5,432). Major orders received during the period include Carl-Gustaf, the GIRAFFE radar system, avionics systems and Remotely Operating Vehicles (ROVs) to customers in the off-shore oil and gas market.

Sales

Sales for Systems and Products decreased by 6 percent to MSEK 5,743 (6,141). International sales accounted for 74 percent (71). Sales decreased for signature management systems due to lower turnover in the U.S. and for radar systems due to temporarily lower activity in certain programs and through the sale of Saab Space. Sales were negatively affected by approximately MSEK 100 by the effects of exchange rate fluctuations on the translation of foreign subsidiaries, corresponding to 2 percent of sales.

Income and margin

Operating income for Systems and Products amounted to MSEK 428 (503) with an operating margin of 7.5 percent (8.2). Signature management systems had a lower operating income year-to-year due to lower sales volume in the U.S. Last year's result also contained a gain on property sale of MSEK 47.

Operating cash flow

Operating cash flow amounted to MSEK 330 (-915). During 2007, major investments were made in research and development projects and Saab Seaeye was acquired.

AERONAUTICS

MSEK	Jan–Sep 2008	Jan–Sep 2007	change	Jul–Sep 2008	Jul–Sep 2007	change
Order bookings	5,620	3,633	55%	195	1,412	-86%
Order backlog	21,733	19,574	11%	-1,034 ²⁾	67 ²⁾	-
Sales	4,913	4,283	15%	1,261	1,279	-1%
Operating income before depreciation/amortization (EBITDA) ¹⁾	45	351	-87%	-103	97	-206%
Margin, %	0.9	8.2	-	-	7.6	-
Operating income (EBIT) ¹⁾	-92	256	-136%	-137	68	-301%
Operating margin, %	-1.9	6.0	-	-10.9	5.3	-
Adjusted operating margin, % ³⁾	2.9	6.0	-	-10.9	5.3	-
Operating cash flow	-1,068	-132	-	94	-47	-
No. of employees	3,043	2,879	6%	20	-66	-
	¹⁾ OF WHICH: WRITE-DOWNS REGARDING COMMERCIAL AIRCRAFT PROGRAM	-234	-	-	-	-
	²⁾ QUARTERLY CHANGE					
	³⁾ ADJUSTED FOR ITEMS ACCORDING TO NOTE 1 ABOVE					

Saab's aeronautics operations are dominated by the Gripen program. Gripen, the world's most modern fighter aircraft in operational service, is currently used in Sweden and NATO members Czech Republic and Hungary. South Africa has started to take deliveries of Gripen. During 2008 six aircraft will be delivered to the customer and to date four aircraft have been delivered. Thailand has placed an order for Gripen fighters that will be delivered in 2011 and the British Empire Test Pilot School, ETPS continues to train pilots for next generation fighters with Gripen aircraft. During 2008 Saab commenced test flights within the Gripen demonstrator program. The objective is to both develop a Next Generation of Gripen as well as develop and enhance the existing Gripen versions. Export potential is high, and Saab is working actively 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 blended with participation in international development programs. Saab has primary responsibility for key subsystems in the Neuron program, a European

project to develop an unmanned combat air vehicle and next-generation fighter aircraft.

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

SALES, INCOME AND ORDERS

Third quarter 2008

Order bookings for Aeronautics decreased to MSEK 195 (1,412). The decrease was mainly attributable to unfavourable currency exchange rate effects and lower order intake from Aerosystems.

Sales amounted to MSEK 1,261 (1,279).

Operating income decreased to MSEK -137 (68) corresponding to a margin of -10.9 percent (5.3). Operating income was impacted by costs for a temporary shutdown of production related to civilian aircraft projects of about MSEK 90 and corrections of MSEK 90 made for previously capitalized costs within Aerostructures. In addition, Aerosystems was impacted negatively by the high activity in Gripen South Africa, which is burdened by a low margin.

January–September 2008 Orders

Order bookings for Aeronautics amounted to MSEK 5,620 (3,633). Among major orders was an export contract from Thailand worth slightly more than SEK 2 billion for six Gripen fighters of the C/D version, two Saab 340 aircraft, and related equipment and services. Index changes also contributed positively to order bookings.

Sales

Aeronautics' sales increased to MSEK 4,913 (4,283). The increase was significant for both Aerosystems and Aerostructure as well as an increase within Gripen in South Africa. Of total sales, 41 percent (49) relates to the Swedish market, including deliveries of Gripen in batch 3 to the Swedish Airforce. International sales mainly refer to Gripen in South Africa and Aerostructures for Airbus and Boeing.

Income and margin

Operating income for Aeronautics decreased to MSEK -92 (256). The operating margin of -1.9 percent (6.0) remains under pressure from low capacity utilization as well as a write-down in the A340 program of MSEK 234 due to a new estimate of future sales volume and other adjustments.

Operating cash flow

Operating cash flow amounted to MSEK -1,068 (-132). Cash flow has mainly been affected by lower customer advances within Aerosystems and low capacity utilization in civil programs, where modifications have been made to the production plan.

Gripen on the world market

Gripen has six customers at present. In addition to Sweden, the NATO member countries of Hungary and the Czech Republic both operate the aircraft, and the UK ETPS (Empire Test Pilots School) uses Gripen as its training platform. In February Thailand placed an order for Gripen that will be delivered in 2011 and deliveries to South Africa have been underway since April. During 2008 five aircraft will be delivered to South Africa and to date four aircraft have been delivered.

During the third quarter a response to the Request for Proposal (RFP) issued on January 7, 2008 by armasuisse, was submitted to Switzerland offering about 30 Gripen CD. Switzerland has a need to replace its fighter aircraft F-5E/F Tiger and Gripen is one of three potential supplier. In addition, responses to Requests for Information were submitted to the Netherlands for the F16 replacement issued by the Dutch Ministry of Defence, offering 85 Gripen NG (Next generation) to the Royal Netherlands Air Force and Saab also responded to Request for Information to Brazil for 36 Gripen NG during the third quarter. On October 2, 2008, Brazil announced that Saab had been selected as one of three possible suppliers of fighter aircraft for the Brazilian Air Force.

At present, there are binding tenders for Denmark, India, Norway, Romania and Switzerland. In addition, Saab has responded or is preparing responses to requests in various stages from Brazil, Bulgaria, Croatia and the Netherlands. Saab is also marketing Gripen in several other countries. Saab's business objective to sell at least 200 Gripen aircraft on the world market remains.

Countries and requested number of aircraft:

- Denmark 48 aircraft
- Norway 48 aircraft
- India 126 aircraft
- Romania 48 aircraft
- Switzerland appr. 30 aircraft
- Bulgaria 16 aircraft
- Croatia 12 aircraft
- Brazil 36 aircraft
- The Netherlands 85 aircraft

CORPORATE

Corporate reported operating income of MSEK 147 (22). During the first nine months, gains from completion of contracts of MSEK 196 were reported with respect to regional aircraft. A capital gain from the divestiture of Saab Space was reported of MSEK 98. During the previous year, a property was sold with a gain of MSEK 60.

THE BILLION PROGRAM

Saab's market situation is changing rapidly. We will have to self-finance a larger share of new product and service development than before and increase international marketing. To afford these investments and at the same time reach and maintain a level of profitability that meets the company's long-term objective, an efficiency improvement program was launched at the start of the year.

The original program will reduce costs by MSEK 250 in 2008, another MSEK 350 in 2009 and MSEK 400 in 2010. In other words, by the end of 2010 they will be SEK 1 billion lower than at the start of 2008. Around 75 percent of the savings will be generated by reducing the cost of goods sold (development, project implementation, purchasing and production) and will therefore positively affect the gross margin. The rest will be generated through lower operating expenses, mainly in administration.

The results during the first nine months are slightly better than targeted and the positive effect on the gross margin is approximately 1 percentage point. The program is progressing in stable fashion. The costs associated with the program are slightly lower than planned. Efficiency improvements were mainly achieved in purchasing and production, which is currently contributing slightly over 60 percent of the improvements. No layoffs were announced during the period as a direct result of the program.

Given the uncertainty in the market a decision has been taken to expand this program. Therefore actions have been initiated that will lead to an employee reduction of 500 during a two-year period starting 2009. The reduction will mainly come from attrition. This effort has the goal to lead to a total cost reduction within the efficiency program of SEK 1.5 billion at the end of 2010.

PARENT COMPANY

Sales and income

The Parent Company includes the business units Saab Aerosystems, Saab Aerostructures and the Swedish units within Saab Systems, Saab Avionics, Saab Aerotech and Saab Microwave Systems. Saab Communication was included until July 1, when this unit was dissolved and the majority of its activities incorporated in the new business unit Saab Security. Group staffs and Group support are included as well.

The Parent Company's sales amounted to MSEK 10,250 (9,658). Operating income was MSEK 198 (396).

Net financial income and expenses amounted to MSEK 453 (275). After appropriations of MSEK 0 (0) and income tax of MSEK 12 (-128), net income for the period amounted to MSEK 663 (543).

Liquidity, finance, capital expenditures and number of employees

The Parent Company's net debt amounted to MSEK 8,065 (4,049). Gross capital expenditures in property, plant and equipment amounted to MSEK 125 (157). At the end of the period, the Parent Company had 8,443 employees, compared with 8,098 in the previous year.

Share repurchase

The Annual General Meeting on April 15, 2008 decided to renew the Board of Directors' mandate to decide to repurchase up to 10 percent of the shares outstanding. The purpose of the authorization is to provide the Board with greater scope in working with the company's capital structure and enable acquisitions when considered appropriate, as well as to secure the Group's share matching plan. As proposed, the mandate would apply until the next Annual General Meeting. Repurchases may be effected over the stock exchange or through offerings to shareholders. It is also proposed that the Board's mandate include the possibility to transfer repurchased shares as allowed by law.

During the third quarter, 1,340,000 shares were repurchased starting on July 21, 2008.

Owners

Saab's largest shareholders are BAE Systems, Investor AB, the Wallenberg foundations, Odin funds, Swedbank Robur funds, Nordea funds, SEB funds, Orkla ASA and JP Morgan Chase.

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

Linköping, October 17, 2008

Åke Svensson

President and CEO

Saab AB is disclosing the information herein pursuant to the Securities Markets Act and/or the Financial Instruments Trading Act. The information was submitted for publication at 6:30 a.m. on October 17.

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Press conference with CEO Åke Svensson
and CFO Lars Granlöf

Today, Friday, October 17, 2008, 9:00 a.m. (CET)

World Trade Center, Stockholm

Contact Ulrika Fager, Press Secretary

Tel. +46-8-463 00 32

International teleconference:

Today, Friday, October 17, 2008, 4:00 p.m. (CET)

Contact Annika Widell to register

and for further information

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CONSOLIDATED INCOME STATEMENT

MSEK	Note	9 mos. 2008	9 mos. 2007	Rolling12	12 mos. 2007
Sales	3	15,608	15,663	22,966	23,021
Cost of goods sold		-11,618	-11,554	-16,913	-16,849
Gross income		3,990	4,109	6,053	6,172
Gross margin		25.6%	26.2%	26.4%	26.8%
Other operating income		188	264	709	785
Marketing expenses		-1,333	-1,246	-1,812	-1,725
Administrative expenses		-1,047	-1,045	-1,377	-1,375
Research and development costs		-794	-733	-1,314	-1,253
Other operating expenses		-38	-31	-56	-49
Share in income of associated companies		9	44	17	52
Operating income ¹⁾	3	975	1,362	2,220	2,607
Operating margin		6.2%	8.7%	9.7%	11.3%
Share in income of associated companies		-25	-30	-35	-40
Financial income		35	41	-2	4
Financial expenses		-361	-104	-379	-122
Net financial items		-351	-93	-416	-158
Income before taxes		624	1,269	1,804	2,449
Taxes	4	-158	-336	-330	-508
Net income for the period		466	933	1,474	1,941
of which Parent Company shareholders' interest		476	913	1,484	1,921
of which minority interest		-10	20	-10	20
Earnings per share before dilution, SEK ²⁾		4.42	8.39	13.71	17.68
Earnings per share after dilution, SEK ³⁾		4.36	8.36	13.60	17.60
¹⁾ INCLUDES DEPRECIATION/AMORTIZATION AND IMPAIRMENT		-789	-809	-1,238	-1,258
OF WHICH DEPRECIATION OF LEASE ASSETS		-119	-140	-159	-180
²⁾ AVERAGE NUMBER OF SHARES BEFORE DILUTION		107,763,198	108,841,485	108,242,159	108,668,700
³⁾ AVERAGE NUMBER OF SHARES AFTER DILUTION		109,150,344	109,150,344	109,150,344	109,150,344

QUARTERLY INCOME STATEMENT

MSEK	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007
Sales	4,583	6,046	4,979	7,358	4,811	5,935	4,917
Cost of goods sold	-3,638	-4,381	-3,599	-5,295	-3,516	-4,471	-3,567
Gross income	945	1,665	1,380	2,063	1,295	1,464	1,350
Gross margin	20.6%	27.5%	27.7%	28.0%	26.9%	24.7%	27.5%
Other operating income	89	61	38	521	46	178	40
Marketing expenses	-408	-483	-442	-479	-429	-434	-383
Administrative expenses	-336	-368	-343	-330	-344	-349	-352
Research and development costs	-243	-306	-245	-520	-262	-239	-232
Other operating expenses	-18	-10	-10	-18	-8	-14	-9
Share in income of associated companies	2	-	7	8	20	24	-
Operating income ¹⁾	31	559	385	1,245	318	630	414
Operating margin	0.7%	9.2%	7.7%	16.9%	6.6%	10.6%	8.4%
Share in income of associated companies	-6	-13	-6	-10	-8	1	-23
Financial income	-12	25	22	-37	-6	17	30
Financial expenses	-191	-93	-77	-18	13	-76	-41
Net financial items	-209	-81	-61	-65	-1	-58	-34
Income before taxes	-178	478	324	1,180	317	572	380
Taxes	75	-140	-93	-172	-92	-134	-110
Net income for the period	-103	338	231	1,008	225	438	270
of which Parent Company's shareholders' interest	-97	341	232	1,008	218	434	261
of which minority interest	-6	-3	-1	-	7	4	9
Earnings per share before dilution, SEK ²⁾	-0.88	3.15	2.15	9.29	2.02	3.98	2.39
Earnings per share after dilution, SEK ³⁾	-0.89	3.12	2.13	9.24	1.99	3.98	2.39
¹⁾ INCLUDES DEPRECIATION/AMORTIZATION AND IMPAIRMENT	-232	-315	-242	-449	-256	-294	-259
OF WHICH DEPRECIATION OF LEASE ASSETS	-39	-40	-40	-40	-44	-45	-51
²⁾ AVERAGE NUMBER OF SHARES BEFORE DILUTION	107,094,803	108,150,517	108,150,421	108,150,344	108,667,722	109,075,944	109,150,344
³⁾ 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

CONSOLIDATED BALANCE SHEET

MSEK	Note	9/30/2008	12/31/2007	9/30/2007
ASSETS				
Fixed assets				
Intangible fixed assets	6	8,079	7,940	8,099
Tangible fixed assets		3,280	3,619	4,207
Lease assets		1,676	1,822	1,869
Biological assets		242	241	231
Investment properties		287	72	67
Shares in associated companies		268	318	282
Financial investments		191	233	224
Long-term receivables		986	960	946
Deferred tax assets		535	542	315
Total fixed assets		15,544	15,747	16,240
Current assets				
Inventories		6,011	5,383	5,835
Derivatives		584	479	703
Tax receivables		107	122	188
Accounts receivable		3,805	3,724	2,637
Prepaid expenses and accrued income		553	556	758
Other receivables		5,114	5,862	5,652
Liquid Assets	8	822	858	632
Total current assets		16,996	16,984	16,405
Assets held for sale	9	-	1,070	-
TOTAL ASSETS	14	32,540	33,801	32,645

CONSOLIDATED BALANCE SHEET (CONT.)

MSEK	Note	9/30/2008	12/31/2007	9/30/2007
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity				
Parent Company's shareholders' interest		10,076	10,981	9,867
Minority interest		78	27	243
Total shareholders' equity		10,154	11,008	10,110
Long-term liabilities				
Long-term interest-bearing liabilities	7	1	25	584
Lease obligations		-	-	172
Other liabilities		236	284	289
Provisions for pensions	11	1	101	201
Other provisions		1,999	1,979	1,998
Deferred tax liabilities		1,279	1,263	723
Total long-term liabilities		3,516	3,652	3,967
Current liabilities				
Short-term interest-bearing liabilities	7	4,668	3,635	1,643
Advance payments from customers		1,387	2,558	3,723
Accounts payable		1,383	1,229	1,210
Lease obligations		70	204	38
Derivatives		1,196	414	388
Tax liabilities		277	368	505
Other liabilities		1,137	806	1,093
Accrued expenses and deferred income		8,190	8,788	9,018
Provisions		562	752	950
Total current liabilities		18,870	18,754	18,568
Liabilities attributable to assets held for sale	9	-	387	-
Total liabilities		22,386	22,793	22,535
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	14	32,540	33,801	32,645

CHANGES IN SHAREHOLDERS' EQUITY

MSEK	Equity attributable to Parent Company's shareholders					TOTAL	MINORITY INTEREST	TOTAL SHAREHOLDERS' EQUITY
	CAPITAL STOCK	OTHER CAPITAL CONTRIBUTIONS	OTHER RESERVES NET RESULT ON CASH FLOW HEDGES	TRANSLATION RESERVE	RETAINED EARNINGS			
Opening balance, January 1, 2008	1,746	543	80	-110	8,722	10,981	27	11,008
Items reported directly in shareholders' equity:								
Translation differences for the period	-	-	-	-196	-	-196	-	-196
Net loss on cash flow hedges	-	-	-495	-	-	-495	-	-495
Net income of the period	-	-	-	-	476	476	-10	466
Transactions with shareholders:								
Dividend	-	-	-	-	-487	-487	-	-487
Repurchase of shares	-	-	-	-	-209	-209	-	-209
Share matching plan	-	-	-	-	6	6	-	6
Acquisitions in and sale of operations	-	-	-	-	-	-	61	61
Closing balance, September 30, 2008	1,746	543	-415	-306	8,508	10,076	78	10,154
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 loss on cash flow hedges	-	-	-104	-	-	-104	-	-104
Net income of the period	-	-	-	-	913	913	20	933
Transactions with shareholders:								
Dividend	-	-	-	-	-464	-464	-3	-467
Repurchase of shares	-	-	-	-	-184	-184	-	-184
Acquisitions in and sales of operations	-	-	-	-	-2	-2	2	-
Closing balance, September 30, 2007	1,746	543	-32	-102	7,712	9,867	243	10,110

STATEMENT OF CASH FLOWS

MSEK	Note	9 mos. 2008	9 mos. 2007	12 mos. 2007
Operating activities				
Income after financial items		624	1,269	2,449
Transferred to pension fund		-222	-205	-283
Adjustments for items not affecting cash flow		832	922	867
Income tax paid		-165	-260	-216
Cash flow from operating activities before changes in working capital		1,069	1,726	2,817
Cash flow from changes in working capital				
Increase(-)/Decrease(+) in inventories		-819	-828	-644
Increase(-)/Decrease(+) in current receivables		711	-262	-1,605
Increase(+)/Decrease(-) in advance payments from customers		-1,120	71	-934
Increase(+)/Decrease(-) in lease obligations		-147	-241	-251
Increase(+)/Decrease(-) in other current liabilities		167	-253	-287
Increase(+)/Decrease(-) in provisions		-229	-316	-443
Cash flow from operating activities		-368	-103	-1,347
Investing activities				
Investments in intangible fixed assets		-	-9	-8
Capitalized development costs		-449	-437	-658
Investments in tangible fixed assets		-180	-282	-395
Sale of tangible fixed assets		33	38	45
Sale of lease assets		103	327	325
Investments in and sale of financial assets		218	-127	-310
Investments in subsidiaries and associated companies, net effect on liquidity		-	-263	-515
Sale of subsidiaries, net effect on liquidity	10	420	308	970
Cash flow from investing activities		145	-445	-546
Financing activities				
Loans raised		889	460	2,017
Repurchase of shares		-209	-184	-184
Dividend paid to Parent Company's shareholders		-487	-464	-464
Contribution from/dividend to minority interest		7	-3	-2
Cash flow from financing activities		200	-191	1,367
Cash flow for the period	8	-23	-739	-526
Liquid assets at beginning of the year		858	1,389	1,389
Exchange rate difference in liquid assets		-13	-18	-5
Liquid assets at end of period	8	822	632	858

MSEK	QUARTERLY INFORMATION ¹⁾				JANUARY–MARCH		APRIL–JUNE	
	2008		2007		2008		2007	
Sales								
Defence and Security Solutions	2,096		2,053		2,365		2,264	
Systems and Products	1,734		1,885		2,238		2,417	
Aeronautics	1,612		1,383		2,040		1,621	
Corporate	10		20		12		11	
Internal sales	-473		-424		-609		-378	
Total	4,979		4,917		6,046		5,935	
Operating income								
Defence and Security Solutions	193	9.2%	230	11.2%	187	7.9%	216	9.5%
Systems and Products	138	8.0%	158	8.4%	228	10.2%	245	10.1%
Aeronautics	111	6.9%	67	4.8%	-66	-3.2%	121	7.5%
Corporate	-57		-41		210		48	
Total	385	7.7%	414	8.4%	559	9.2%	630	10.6%
Net financial items	-61		-34		-81		-58	
Income before taxes	324		380		478		572	
Net income for the period	231		270		338		438	
Attributable to Parent Company's shareholders	232		261		341		434	
Earnings per share after dilution	2.13		2.39		3.12		3.98	
No. of shares after dilution, thousands	109,150		109,150		109,150		109,150	
				JULY–SEPTEMBER		OCTOBER–DECEMBER		
MSEK	2008		2007		2008		2007	
Sales								
Defence and Security Solutions	1,904		2,069				2,914	
Systems and Products	1,771		1,839				2,950	
Aeronautics	1,261		1,279				2,227	
Corporate	11		9				11	
Internal sales	-364		-385				-744	
Total	4,583		4,811				7,358	
Operating income								
Defence and Security Solutions	112	5.9%	135	6.5%			353	12.1%
Systems and Products	62	3.5%	100	5.4%			253	8.6%
Aeronautics	-137	-10.9%	68	5.3%			198	8.9%
Corporate	-6		15				441	
Total	31	0.7%	318	6.6%			1,245	16.9%
Net financial items	-209		-1				-65	
Income before taxes	-178		317				1,180	
Net income for the period	-103		225				1,008	
Attributable to Parent Company's shareholders	-97		218				1,008	
Earnings per share after dilution	-0.89		1.99				9.24	
No. of shares after dilution, thousands	109,150		109,150				109,150	

¹⁾ FOR INFORMATION ON THE BUSINESS SEGMENTS, SEE NOTE 3 ON PAGE 23-24.

MULTI-YEAR OVERVIEW

MSEK unless otherwise stated	2007	2006	2005	2004 ⁵⁾	2003
Order bookings	20,846	27,575	17,512	16,444	19,606
Order backlog at Dec. 31	47,316	50,445	42,198	43,162	45,636
Sales	23,021	21,063	19,314	17,848	17,250
Foreign market sales, %	65	65	56	48	46
Operating income	2,607	1,745	1,652	1,853	1,293
Operating margin, %	11.3	8.3	8.6	10.4	7.5
Operating margin before depreciation/amortization and impairments, excluding leasing, %	16.0	12.0	11.3	13.1	11.1
Income after financial items	2,449	1,693	1,551	1,712	1,073
Net income for the year	1,941	1,347	1,199	1,310	746
Total assets	33,801	32,771	30,594	27,509	28,704
Operating cash flow	-1,603	-1,900	2,645	325	545
Return on capital employed, %	19.4	14.5	14.6	17.3	12.7
Return on equity, %	18.5	13.8	13.5	16.7	10.8
Equity/assets ratio, %	32.6	30.6	31.0	29.9	24.4
Earnings per share, SEK ^{2) 4)}	17.68	11.91	10.89	11.78	7.00
after dilution, SEK ^{3) 4)}	17.60	11.91	10.89	11.78	6.91
Dividend per share, SEK	4.50	4.25	4.00	3.75	3.50
Equity per share, SEK ¹⁾	101.53	89.80	84.10	74.89	65.75
Number of employees at year-end	13,757	13,577	12,830	11,936	13,414

¹⁾NUMBER OF SHARES AS OF DECEMBER 31, 2007: 108,150,344; 2006/2005/2004: 109,150,344 AND 2003: 106,517,563

²⁾AVERAGE NUMBER OF SHARES 2007: 108,668,700; 2006/2005: 109,150,344; 2004: 108,234,126 AND 2003: 106,513,969

³⁾AVERAGE NUMBER OF SHARES AFTER DILUTION 2007/2006/2005: 109,150,344, 2004: 108,234,126; 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⁾RESTATEMENT ACCORDING TO IFRS, PREVIOUS YEARS ARE NOT RESTATEMENT

KEY RATIOS AND TARGETS

	Long-term target	9 mos. 2008	9 mos. 2007	12 mos. 2007
Operating margin before depreciation/amortization and impairments excluding leasing, %	15.0	10.5	13.0	16.0
Operating margin, %	10.0	6.2	8.7	11.3
Earnings per share after dilution, SEK ¹⁾		4.36	8.36	17.60
Return on capital employed, % ²⁾		16.2	14.6	19.4
Return on equity, % ²⁾	15.0	14.5	13.1	18.5
Equity/assets ratio, %	30.0	31.2	31.0	32.6
Equity per share after dilution, SEK ¹⁾		92.31	90.40	100.60

¹⁾AVERAGE NUMBER OF SHARES AFTER DILUTION 109,150,344

²⁾REGARDING THE PREVIOUS TWELVE MONTH PERIOD

PARENT COMPANY INCOME STATEMENT

MSEK	9 mos. 2008	9 mos. 2007	12 mos. 2007
Sales	10,250	9,658	14,779
Cost of goods sold	-8,023	-7,422	-11,430
Gross income	2,227	2,236	3,349
Gross margin	21.7%	23.2%	22.7%
Marketing expenses	-819	-720	-1,024
Administrative expenses	-612	-572	-747
Research and development costs	-653	-596	-864
Other operating income	89	62	173
Other operating expenses	-34	-14	-23
Operating income	198	396	864
Operating margin	1.9%	4.1%	5.8%
Financial income and expenses:			
Result from securities and receivables held as fixed assets	777	380	1,352
Other interest income and similar items	20	90	88
Interest expenses and similar items	-344	-195	-324
Income after financial items	651	671	1,980
Appropriations	-	-	-25
Income before taxes	651	671	1,955
Taxes	12	-128	-311
Net income for the period	663	543	1,644

PARENT COMPANY BALANCE SHEET

MSEK	9/30/2008	12/31/2007	9/30/2007
ASSETS			
Fixed assets			
Intangible fixed assets	55	55	57
Tangible fixed assets	2,416	2,506	2,280
Shares in Group companies	11,830	11,964	12,136
Receivables from Group companies	156	166	297
Shares in associated companies and joint ventures	249	204	259
Receivables from associated companies and joint ventures	11	25	15
Other long-term securities holdings	1,542	1,514	65
Other long-term receivables	25	45	45
Deferred tax assets	498	487	511
Total fixed assets	16,782	16,966	15,665
Current assets			
Inventories, etc	4,120	4,524	4,965
Receivables from Group companies	2,963	3,461	3,293
Receivables from associated companies and joint ventures	416	349	250
Other receivables	7,754	6,274	3,234
Liquid assets	104	387	6
Total current assets	15,357	14,995	11,748
TOTAL ASSETS	32,139	31,961	27,413
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity			
Shareholders' equity	6,554	5,599	5,913
Net income for the period	663	1,644	543
Total shareholders' equity	7,217	7,243	6,456
Untaxed reserves	463	463	438
Provisions			
Provisions for pensions and similar commitments	465	270	275
Other provisions	1,374	1,463	1,481
Total provisions	1,839	1,733	1,756
Liabilities			
Interest-bearing liabilities	4,438	3,658	547
Liabilities to Group companies	7,082	8,229	8,417
Advance payments from customers	3,538	3,164	2,120
Liabilities to associated companies and joint ventures	842	80	99
Other liabilities	6,720	7,391	7,580
Total liabilities	22,620	22,522	18,763
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	32,139	31,961	27,413

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1

CORPORATE INFORMATION

Saab AB (publ), corporate identity no. 556036-0793, with 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 2007.

NOTE 2

ACCOUNTING PRINCIPLES

This interim report is prepared applied to the regulation for the interim reporting in the Annual Accounts Act and IAS 34.

The same accounting principles have been applied during the period as in 2007, as described on pages 60-66 in the annual report 2007. The 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 2007.

NOTE 3

SEGMENT REPORTING

Saab is one of the world's leading high-technology companies, with its main operations in defence, aviation and civil security. Operations are primarily focused on well-defined areas in defence electronics and missile systems 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 previous section.

SALES AND ORDER INFORMATION

Sales by business segment

MSEK	9 mos. 2008	9 mos. 2007	Change	Q3 2008	Q3 2007	Rolling 12	12 mos. 2007
Defence and Security Solutions	6,365	6,386	-	1,904	2,069	9,279	9,300
Systems and Products	5,743	6,141	-6%	1,771	1,839	8,693	9,091
Aeronautics	4,913	4,283	15%	1,261	1,279	7,140	6,510
Corporate	33	40	-	11	9	44	51
Internal sales	-1,446	-1,187	-	-364	-385	-2,190	-1,931
Total	15,608	15,663	-	4,583	4,811	22,966	23,021

Sales by geographic market

MSEK	9 mos. 2008	% of sales	9 mos. 2007	% of sales	12 mos. 2007	% of sales
Sweden	5,090	33	5,518	35	8,006	35
Rest of EU	3,963	25	4,467	29	6,527	28
Rest of Europe	178	1	214	1	297	1
Total, Europe	9,231	59	10,199	65	14,830	64
North America	946	6	896	6	1,534	7
Latin America	55	-	67	-	85	-
Asia	2,128	14	1,599	10	2,203	10
Australia, etc.	484	3	599	4	848	4
Africa	2,764	18	2,303	15	3,521	15
Total	15,608	100	15,663	100	23,021	100

Order bookings by business segment

MSEK	9 mos. 2008	9 mos. 2007	Q3 2008	Q3 2007	12 mos. 2007
Defence and Security Solutions	5,587	4,647	1,489	1,714	7,259
Systems and Products	6,340	5,432	1,297	1,363	8,470
Aeronautics	5,620	3,633	195	1,412	7,516
Corporate	138	35	12	9	46
Internal	-1,635	-1,462	102	-558	-2,445
Total	16,050	12,285	3,095	3,940	20,846

NOTE 3 CONTINUED

Order backlog by business segment

MSEK	9/30/2008	12/31/2007	9/30/2007
Defence and Security Solutions	9,778	10,764	11,825
Systems and Products	17,572	17,830	17,542
Aeronautics	21,733	21,158	19,574
Corporate	112	-	-
Internal	-2,543	-2,436	-2,222
Total	46,652	47,316	46,719

OPERATING INCOME

Operating income by business segment

MSEK	9 mos. 2008	% of sales	9 mos. 2007	% of sales	Rolling 12	% of sales	12 mos. 2007	% of sales
Defence and Security Solutions	492	7.7	581	9.1	845	9.1	934	10.0
Systems and Products	428	7.5	503	8.2	681	7.8	756	8.3
Aeronautics	-92	-1.9	256	6.0	106	1.5	454	7.0
Corporate	147	-	22	-	588	-	463	-
Total	975	6.2	1,362	8.7	2,220	9.7	2,607	11.3

Depreciation/amortization and impairments by business segment

MSEK	9 mos. 2008	9 mos. 2007	Q3 2008	Q3 2007	12 mos. 2007
Defence and Security Solutions	127	127	37	29	170
Systems and Products	340	348	99	125	611
Aeronautics	137	95	34	29	163
Corporate – lease assets	119	140	39	44	180
Corporate – other	66	99	23	29	134
Total	789	809	232	256	1,258

OPERATING CASH FLOW AND CAPITAL EMPLOYED

Cash flow by business segment

MSEK	9 mos. 2008	9 mos. 2007	12 mos. 2007
Defence and Security Solutions	-121	687	380
Systems and Products	330	-915	-1,287
Aeronautics	-1,068	-132	-773
Corporate	480	10	77
Total	-379	-350	-1,603

Capital employed by business segment

MSEK	9/30/2008	12/31/2007	9/30/2007
Defence and Security Solutions	4,173	4,417	4,389
Systems and Products	8,797	9,115	8,665
Aeronautics	4,180	4,202	3,916
Corporate	-2,325	-2,965	-4,431
Total	14,825	14,769	12,539

PERSONNEL

Personnel by business segment

Number at end of period	9/30/2008	12/31/2007	Change	9/30/2007
Defence and Security Solutions	4,891	5,031	-140	4,990
Systems and Products	4,824	5,213	-389	5,266
Aeronautics	3,043	2,911	132	2,879
Corporate	648	602	46	609
Total	13,406	13,757	-351	13,744

NOTE 4

TAXES

MSEK	9 mos. 2008	9 mos. 2007
Current tax	-187	-308
Deferred tax	29	-28
Total	-158	-336

NOTE 5

DIVIDEND TO PARENT COMPANY'S SHAREHOLDERS

At its meeting on February 14, 2008, the Board of Directors decided to propose to the Annual General Meeting that the Parent Company's shareholders receive a dividend of SEK 4.50 per share, totaling MSEK 487. The Board's dividend motivation can be found on page 114 of the annual report 2007. The Annual General Meeting on April 15, 2008 approved the Board's proposal and the dividend was paid on April 23, 2008.

NOTE 6

INTANGIBLE FIXED ASSETS

MSEK	9/30/2008	12/31/2007	9/30/2007	12/31/2006
Goodwill	3,516	3,404	3,496	3,294
Capitalized development costs	3,883	3,732	3,825	3,561
Other intangible assets	680	804	778	966
Total	8,079	7,940	8,099	7,821

NOTE 7

INTEREST BEARING LIABILITIES

MSEK	9/30/2008	12/31/2007	9/30/2007
Liabilities to credit institutions	3,420	2,603	1,076
Liabilities to associated companies and joint ventures	1,236	1,041	1,006
Other interest-bearing liabilities	13	16	145
Total	4,669	3,660	2,227

Of liabilities to credit institutions, MSEK 3,300 are issued under the Commercial Paper program with the limit of MSEK 5,000.

Committed credit facilities

MSEK	Facilities	Drawings	Available
Revolving credit facility (Maturity 2012)	4,000	0	4,000
Back-up facility (Maturity 2009)	2,100	0	2,100
Overdraft facility (Maturity 2009)	360	1	359
Total	6,460	1	6,459

Parent company

MSEK	9/30/2008	12/31/2007	9/30/2007
Long-term liabilities to credit institutions	1,138	1,158	-
Short-term liabilities to credit institutions	3,300	2,500	547
Total	4,438	3,658	547

Of short-term liabilities to credit institutions, MSEK 3,300 are issued under the Commercial Paper program with the limit of MSEK 5,000.

NOTE 8

SUPPLEMENTAL INFORMATION ON STATEMENT OF CASH FLOWS

Liquid assets

MSEK	9/30/2008	12/31/2007	9/30/2007
The following components are included in liquid assets:			
Cash and bank balances (incl. available overdraft facilities)	794	825	600
Deposits	28	33	32
Total according to balance sheet	822	858	632
Total according to statement of cash flows	822	858	632

Operating cash flow vs. statement of cash flows

MSEK	9 mos. 2008	9 mos. 2007	12 mos. 2007
Operating cash flow	-379	-350	-1,603
Investing activities – interest-bearing:			
Financial investments and receivables	156	-155	-247
Financing activities:			
Loans raised	889	460	2,017
Establishment of pension fund	-	-43	-43
Repurchase of shares	-209	-184	-184
Dividend paid to the Parent Company's shareholders	-487	-464	-464
Contribution from/dividend to minority interest	7	-3	-2
Cash flow for the period	-23	-739	-526

Specification of operating cash flow 9 month 2008

MSEK	Saab excl. acquisitions/divestments and SAL	Acquisitions and divestments	Saab Aircraft Leasing	Total Group
Cash flow from operating activities before changes in working capital	934	-	135	1,069
CASH FLOW FROM CHANGES IN WORKING CAPITAL				
Inventories	-815	-	-4	-819
Receivables	484	-	227	711
Advance payments from customers	-1,120	-	-	-1,120
Lease obligations	-	-	-147	-147
Other liabilities	273	-	-106	167
Provisions	-110	-	-119	-229
Change in working capital	-1,288	-	-149	-1,437
Cash flow from operating activities	-354	-	-14	-368

INVESTING ACTIVITIES

Investments in intangible fixed assets	-449	-	-	-449
Investments in tangible fixed assets	-180	-	-	-180
Sale of tangible fixed assets	33	-	-	33
Sale of lease assets	-	-	103	103
Sale of and investment in shares, etc.	-10	-	72	62
Sale of subsidiaries, net effect on liquidity	-	420	-	420
Cash flow from investing activities excluding change in interest bearing financial assets	-606	420	175	-11

OPERATING CASH FLOW	-960	420	161	-379
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NOTE 9

ASSETS AND LIABILITIES HELD FOR SALE

No assets and liabilities are held for sale. During the second quarter a decision was taken not to divest Saab Grintek Technologies that previously was held for sale. During the third quarter Saab Space, including the Austrian subsidiary Austrian Aerospace, was divested to the Swiss aerospace and defence group RUAG.

NOTE 10

ACQUISITIONS AND DIVESTMENTS OF OPERATIONS

On September 1, Saab Space, including the Austrian subsidiary Austrian Aerospace, was divested to the Swiss aerospace and defence group RUAG. The purchase price for the shares was MSEK 335. In addition to the fixed price, Saab is entitled to additional consideration related to the long-term performance of Saab Space. The transaction generated a capital gain of MSEK 98 during the period.

In July, Imbani Amandaba (Pty) Ltd acquired 25 percent plus one share of Saab Grintek Defence (Pty) Ltd. The sale to Imbani Amandaba, a so-called Black Economic Empowerment consortium, demonstrates Saab's willingness to develop operations in South Africa and meet the requirements of the country's Black Economic Empowerment policy. The purchase price of the shares was MZAR 95 and the transaction generated no capital gain.

NOTE 11

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 MSEK 3,279 as of September 30, 2008, compared with an obligation of MSEK 4,214 according to IAS 19, or a solvency margin of 78 percent. In a comparison with the obligation according to the FPG/PRI system, the solvency margin was 88 percent. Because Saab applies the so-called corridor rule, the liability carried in the balance sheet before deducting assets under management amounts to MSEK 3,280.

NOTE 12

CONTINGENT LIABILITIES

No additional obligations were added during the period. With regard to the Group's so-called fulfillment guarantees regarding commitments to customers, the likelihood of an outflow of resources is extremely small and, as a result, no value is recognized.

NOTE 13

TRANSACTIONS WITH RELATED PARTIES

No significant transactions have occurred during the period. Related parties with which the Group has transactions are described in the annual report for 2007, note 43.

NOTE 14

CONDENSED SUBDIVIDED BALANCE SHEET AS OF SEPTEMBER 30, 2008

MSEK	Saab	Saab Aircraft Leasing	Elimina- tions	Saab Group
ASSETS				
Intangible fixed assets	8,079	-	-	8,079
Tangible fixed assets etc.	3,809	-	-	3,809
Lease assets	2	1,674	-	1,676
Long-term interest-bearing receivables	357	-	-	357
Shares, etc.	1,923	1	-1,500	424
Other long-term receivables	505	159	-	664
Deferred tax assets	376	159	-	535
Inventories	5,996	15	-	6,011
Other current assets	8,778	38	-	8,816
Derivatives	584	-	-	584
Short-term interest-bearing receivables	756	1,060	-1,053	763
Liquid assets	794	28	-	822
Total assets	31,959	3,134	-2,553	32,540
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity	9,868	1,786	-1,500	10,154
Provisions for pensions	1	-	-	1
Deferred tax liabilities	1,279	-	-	1,279
Other provisions	1,767	794	-	2,561
Interest-bearing liabilities	5,722	-	-1,053	4,669
Lease obligations	-1	71	-	70
Advance payments from customers	1,387	-	-	1,387
Other liabilities	10,740	483	-	11,223
Derivatives	1,196	-	-	1,196
Total shareholders' equity and liabilities	31,959	3,134	-2,553	32,540

NOTE 15

FORECAST 2008

On September 4, Saab reduced its forecast for 2008 primarily due to delays in order bookings for large international projects and uncertainty about Swedish defense spending. Delays in major commercial aircraft projects led to a downward revision in the production rate for Saab's aerostructures business. Development for the technology business in South Africa was weaker than expected. Furthermore, Saab faces continued high marketing expenses for Gripen due to the great interest in the market. The new forecast for organic sales growth for 2008 is 3–4 percent instead of the previously announced 5 percent, with an operating margin of 8–9 percent instead of the previously announced 10 percent. The forecast does not include non-recurring items. Global economic conditions remain uncertain and continues to affect Saab's total risk level.