



**SAAB**

# **YEAR-END REPORT**

## 2008

# RESULTS AND SUMMARY FULL YEAR

- Order bookings increased during 2008 to MSEK 23,212 (20,846), order backlog amounted to MSEK 45,324 (47,316)
- Sales increased 3 percent to MSEK 23,796 (23,021), adjusted for divestments and exchange rate effects sales increased 6 percent, above full-year guidance issued in September
- Operating income adjusted for non-recurring items was MSEK 1,994 (2,154), corresponding to an operating margin of 8.4 percent (9.4) in line with September guidance
- Non-recurring items in 2008 of total MSEK -1,828 (453) mainly related to delays in some orders and delivery schedules
- Operating income of MSEK 166 (2,607), corresponding to an operating margin of 0.7 percent (11.3)
- Net loss for 2008 of MSEK -242 (1,941) with earnings per share after dilution of SEK -2.31 (17.60)
- Billion+ programme progressing in accordance with plan. In 2008 decision made to intensify programme targeting a total yearly cost reduction of SEK 1.5 billion by the end of 2010
- Change in application of accounting principles for development costs to burden operating income in coming years, no change to cash flow
- 2009 sales expected to be flat, profit margin reduced by about 4 percentage points due to conservative accounting for development
- Proposed dividend of SEK 1.75 per share (4.50)

# SAAB FOCUSES ON STRENGTHENING THE COMPANY FOR COMING YEARS

## STATEMENT BY THE CEO:

“Despite difficult circumstances Saab was able to deliver in line with our full-year guidance for 2008 issued in September after an underlying strong fourth quarter. Due to market effects from the declining world economy and delays in major projects, we have made non-recurring charges. We expect global conditions to remain uncertain. Going forward we take a more conservative approach in accounting for development costs in order to strengthen the company for coming years.”

Saab's order bookings for the full-year 2008 increased by 11 percent to MSEK 23,212 (20,846). The order backlog amounted to MSEK 45,324 (47,316). Sales increased by 3 percent to MSEK 23,796 (23,021). Excluding Saab Space which was divested on September 1, 2008, and adjusted for exchange rate effects, sales increased by 6 percent, above Saab's guidance. Operating income for 2008 was MSEK 166 (2,607). Adjusted for non-cash, non-recurring items totally amounting to MSEK -1,828 (see below and table on page 4) operating income was MSEK 1,994 (2,154) corresponding to an operating margin of 8.4 percent (9.4), in line with Saab's guidance.

### Non-cash charges due to an unstable environment

2008 saw dramatic changes in the macro economic environment, as well as uncertainties in Swedish government spending. We have made a non-cash, write-down of capitalized costs of MSEK 953 in the fourth quarter related to the civilian aircraft programmes mainly following announced delays in major projects. A provision to cover estimated losses related to the civilian aircraft programmes of MSEK 232 was also made. In the defence area a non-cash write-

down of capitalized development costs related to the RBS 15 Mk3 Surface-to-Surface Missile system of MSEK 250 was made. A goodwill impairment charge of MSEK 103 related to Saab Grintek Technologies also became necessary due to the weak market situation.

Due to current delays in a helicopter project we have also determined that an amount of MSEK 350 should be recorded as a loss provision to cover estimated losses until a solution is found with the customer concerning the current project scope.

### Billion+ Programme

The efficiency improvement programme, now called the Billion+ Programme, was launched by the end of 2007 to create greater financial strength to market and self-finance the development of new products and services. The goal at the start of the programme was to reduce costs by SEK 1 billion yearly by the end of 2010 compared with the start of 2008. We have intensified this work and initiated 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 programme with the objective to achieve total cost reductions of SEK 1.5 billion yearly by the end of 2010. During 2008, the programme progressed according to plan and positively affected the margins with approximately 1 percentage point.

Currently we are analyzing the structure and the resource situation in the company and future redundancies may not be avoided.

### 2008 in the rear-view mirror

We saw a positive start of 2008, with Thailand deciding to purchase six Gripen fighter aircraft and two Saab 340 aircraft, of which one will be equipped with Saab's radar surveillance system Erieeye. Further, we launched the Gripen Demo, a platform for development of current and future ge-

nerations of Gripen, within record time and made the first flight in May. This was followed by a proposal for Gripen NG handed in to Norway by the Swedish government. We also handed in a proposal to Switzerland for about 30 Gripen C/D and a response to a Request for Information from Brazil for 36 Gripen NG. In addition, information regarding 85 Gripen has been handed over to the Netherlands. In Brazil, Gripen was also selected as one of the candidates to provide a formal offer in response to a request for proposal (RFP).

Saab's civil security business had a strong development during 2008 with several important orders won, for example for nuclear power stations, prisons and probation services institutions. In South Africa we finalized negotiations with Imbani Amandaba (Pty) Ltd and Freetel to enter into BEE (Black Economic Empowerment) partnerships.

During the fourth quarter, the Norwegian government announced that they recommend selection of the competing American alternative. We must acknowledge their decision, however we do not agree with their evaluation. Saab is now focusing on the other potential customers for Gripen. The market remains strong and the goal to sell 200 aircraft on the export market remains.

The year ended with several important orders won, for example two separate contracts for anti tank weapons. Saab also signed a contract with Lockheed Martin Canada for being a partner in the design and development of a command and control system that will upgrade the Canadian Navy's Halifax frigates. Saab also won an important public-private cooperation order for overall responsibility for the Swedish armed forces jet trainer aircraft SK60.

### Swedish government support essential

International sales during the 2008 continued to grow, yet still the Swedish market is of utmost importance for Saab. A reference customer is central when exporting complex systems like defence material and

strong government support is necessary for establishing long term agreements with other nations. A clear long term plan is vital for a domestic defence industry, based on the Swedish security policy decisions. Ensuring a sustainable capacity to supply the armed forces with advanced high-tech equipment requires a balance between development of new systems and purchasing of existing equipment. The Swedish defence budget and the way forward for it remains a challenge for Saab.

**Code of conduct**

The Director of Public Prosecutions for the Swedish Anti-corruption Unit is investigating alleged improprieties in connection with the lease of Gripen to the Czech Republic and Hungary and sales to South Africa. Corrupt behavior and bribes have never been, and will never be, permitted at Saab. No one at Saab has been accused of any irregularities in this matter. We are fully cooperating with the public prosecutor and providing all the information needed in the investigation.

Saab is constantly working to increase

knowledge and build support for Saab's common values throughout the company. During the year a revised and expanded Code of Conduct was launched. All employees at Saab were informed about the code and its contents and most part of the employees went through training in the code of conduct through various on-line or teacher led classes. Saab is committed to continuous improvements in this area and to constantly improve internal rules and directives to achieve the highest standards.

**More conservative accounting for development costs**

Going forward we expect to continue to self-finance some of our research and development costs. Defence related programmes generally have long lead times and require enduring technology investments from customers and companies. A more conservative approach is relevant as higher risks lead to higher uncertainties in the analysis of the recoverability of capitalized costs. We will start to capitalize development costs at a later stage in all projects. These and all development costs on the balance sheet will be amortized over not more than ten

years as of 2009. The change will reduce Saab's profitability over the coming five year period.

Our total level of investments in research and development is not expected to change as a consequence of this.

**Outlook 2009**

Saab's future development is dependent on the Swedish defence plans and will continue to be affected by the global economy. Saab is therefore facing uncertainties in the business environment.

We expect 2009 sales to be flat.

The profit margin will be reduced by about 4 percentage points due to our more conservative accounting for development costs.

IMPORTANT EVENTS JANUARY– SEPTEMBER 2008

- Saab signs a contract for supplying Ringhals nuclear power station with surveillance and protection that meet the requirements of the Swedish Nuclear Power Inspectorate.
- Thailand orders an integrated air surveillance system and Saab secures a billion dollar contract from FMV, the Swedish Defense Materiel Administration, for the delivery of six Gripen aircraft and two Saab 340 aircraft, one to be equipped with radar surveillance system ERIEYE.
- Saab signs a contract valued at MSEK 392 for supplying Oskarshamn nuclear power station with surveillance and protection that meet the requirements from the Swedish Nuclear Power Inspectorate.
- Saab signs a contract for delivery of five GIRAFFE AMB to Lockheed Martin UK - INSYS, intended for the UK. The contract is valued at about MSEK 350.
- Saab signs a contract valued at MSEK 282 for supplying surveillance systems for new maximum security units and remand centres.
- Saab shows Gripen Demo, a development platform for current and future generations of Gripen, for the first time in a well attended roll out ceremony. Later this makes a successful first flight.
- Offerings were made regarding Saab's Gripen for Norway, India, the Netherlands and Switzerland.
- Saab receives an order valued at approximately MSEK 185 for life time extension of the anti-tank system AT4 CS.
- Saab Space is divested to the Swiss aerospace and defense group RUAG. The purchase price for the shares amounts to MSEK 355.

IMPORTANT EVENTS OCTOBER – DECEMBER 2008

- The Gripen NG (Next Generation) multi-role fighter was placed on the short list in October as an alternative to equip the Brazilian Air Force.
- Saab won orders for delivering components to the multi purpose system Carl-Gustaf with a value of MSEK 296.
- Saab received a logistic support order valued at MEUR 10.5 (approximately MSEK 99) for the French air force's GIRAFFE AMB radars.
- The Norwegian Defense Minister Anne-Grete Strøm-Erichsen announced that the Norwegian Government recommends to negotiate with a competing company to Saab. Shortly thereafter Saab released its view on the Norwegian fighter aircraft procurement process.
- Saab received an order valued at approximately SEK 1.1 billion with Lockheed Martin Canada, for being a partner in the design and development of a command and control system to the Canadian Navy's twelve Halifax Class frigates. Deliveries are planned for 2010-2017.
- Saab received an order from the Finnish Defence Forces for an additional number of the new anti-tank weapon NLAW. The order value is approximately MSEK 200.
- Saab received two orders from the Swedish Defence Material Administration, FMV, for continued development, support, and maintenance of the Swedish armed forces air defence system StriC and the simulator system Strics with a value of MSEK 117 .
- Saab signed a long-term contract with the Swedish Defence Materiel Administration (FMV) regarding an overall support commitment for the SK 60 aircraft system. The value is approximately MSEK 900 and the contract runs through the middle of 2017.

**GROUP**

MSEK	Jan–Dec 2008	Jan–Dec 2007	change, %	Oct–Dec 2008	Oct–Dec 2007	change, %
Order bookings	23,212	20,846	11	7,162	8,561	-16
Order backlog	45,324	47,316	-4	-1,328 <sup>3)</sup>	597 <sup>3)</sup>	
Sales	23,796	23,021	3	8,188	7,358	11
Gross income	4,634	6,172	-25	644	2,063	-69
Gross margin, %	19.5	26.8		7.9	28.0	
Adjusted gross margin, <sup>1)</sup> %	26.5	26.6		27.9	27.2	
Operating income before depreciation/amortization (EBITDA)	1,515	3,685	-59	-130	1,654	
Margin, %	6.4	16.0		-1.6	22.5	
Operating income (EBIT)	166	2,607	-94	-809	1,245	-165
Operating margin, %	0.7	11.3		-9.9	16.9	
Adjusted operating margin, <sup>1, 2)</sup> %	8.4	9.4		13.2	12.9	
Income before tax (EBT)	-406	2,449		-1,030	1,180	
Net income/loss	-242	1,941		-708	1,008	
Earnings per share after dilution	-2.31	17.60		-6.78	9.24	
Operating cash flow	659	-1,603		1,038	-1,253	
Net liquidity/debt (-)	-1,693	-1,627		1,035 <sup>3)</sup>	-1,269 <sup>3)</sup>	
Defence/Civil (% of revenues)	83/17	81/19		84/16	82/18	

**1) Non-recurring items impacting gross income**

Write-down of capitalized costs in civilian aircraft programmes	-1,187			-953		
Provision for civilian aircraft programmes	-232			-232		
Provision for helicopter project	-350			-350		
Gains on contractual settlements for regional aircraft	196	60			60	
Goodwill impairment	-103			-103		

**2) Non-recurring items also impacting EBIT**

Write-down of capitalized development costs System and Products	-250	-108		-250	-108	
Capital gains	98	501			347	
TOTAL NON-RECURRING ITEMS	-1,828	453		-1,888	299	

**3) Refers to quarterly change**

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 staff and departments and peripheral operations. It also includes the leasing fleet of Saab 340 and Saab 2000 aircraft.

### SALES, INCOME AND ORDERS

#### Fourth quarter 2008

Order bookings for the fourth quarter amounted to MSEK 7,162 (8,561). Major orders include an order where Saab in partnership with Lockheed Martin Canada delivers command and control system to the Canadian Navy's twelve Halifax Class frigates, orders for services and additional capabilities based on the GIRAFFE AMB radar system, an order from the Finnish Defence Forces for an additional number of the new anti-tank weapon NLAW, two orders from the Swedish Defence Material Administration, FMV, for continued development, support and maintenance of the Swedish armed forces air defence system StriC and an order from Hindustan Aeronautics Limited (HAL), India. In addition Saab signed a long-term contract with the Swedish Defence Material Administration (FMV) regarding an overall support commitment for the SK 60 aircraft system.

Sales in the fourth quarter amounted to MSEK 8,188 (7,358), an increase by 11 percent. Adjusted for the divestment of Saab Space sales increased with 15 percent.

Sales continued to be affected by the unfavourable exchange rate effects as a result of a lower ZAR and SEK vs. USD and the EUR with 1 percentage point in the quarter.

Gross income decreased to MSEK 644 (2,063), corresponding to a margin of 7.9 percent (28.0). A write-down of capitalized costs of MSEK 953 related to the civilian aircraft programmes was made mainly as a result of announced delays in major projects. A provision to cover estimated losses related to these programmes of MSEK 232 was also made. In the defence area a

provision to cover estimated losses for a helicopter project of MSEK 350 was made. A goodwill impairment charge of MSEK 103 related to Saab Grintek Technologies, became necessary due to the weak market situation.

During the fourth quarter, the Billion+ Programme positively affected the margin by approximately 1 percentage point.

Operating income before depreciation and amortization (EBITDA) was MSEK -130 (1,654), corresponding to a margin of -1.6 percent (22.5).

Operating income amounted to MSEK -809 (1,245), corresponding to a margin of -9.9 percent (16.9). Operating income was impacted by a write-down of capitalized development costs for the RBS 15 Mk3 Surface-to-Surface Missile of MSEK 250. Adjusted operating margin was 13.2 percent (12.9).

Quarterly information is shown on page 22.

#### January–December 2008 Orders

Order bookings for the full year 2008 totaled MSEK 23,212 (20,846) of which 76 percent (72) was attributable to defence-related operations. Larger orders with a value of more than MSEK 100 each and those with a smaller value represented 52 percent and 48 percent respectively.

The order backlog at the end of 2008 was MSEK 45,324 (47,316).

#### ORDER BACKLOG DURATION:

2009: SEK 18.4 billion

2010: SEK 11.2 billion

2011: SEK 5.8 billion

2012: SEK 3.5 billion

After 2012: SEK 6.4 billion

#### 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
- Civil security solutions

#### Sales

Sales during full year 2008 amounted to MSEK 23,796 (23,021), an increase with 3 percent. Excluding Saab Space which was divested on September 1, 2008, and adjusted for exchange rate effects, sales increased by 6 percent. Sales year-to-date was negatively affected by exchange rate fluctuations of about 1 percentage point. The effects relate to the translation of foreign subsidiaries from local currency to Swedish krona, largely attributable to South Africa and the U.S.

Of sales, 83 percent (81) related to the defence market. Sales in the international market amounted to MSEK 16,247 (15,015), or 68 percent (65) of total sales. Total sales in the EU, excluding Sweden, were MSEK 6,000 (6,527), Americas MSEK 1,527 (1,619) and rest of the world MSEK 8,720 (6,869).

Total sales in the market area Air were MSEK 9,183, Land MSEK 5,680, Naval MSEK 2,127, Joint Operations MSEK 2,582, Civil Security MSEK 1,510, Commercial Aeronautics MSEK 1,165 and others MSEK 1,549.

#### Income, margin and profitability

Gross income amounted to MSEK 4,634 (6,172), corresponding to a gross margin of 19.5 percent (26.8). Adjusted gross margin, excluding non-recurring items of MSEK -1,676 (60), was 26.5 percent (26.6). The

gross margin increased for Systems and Products, while Defence and Security Solutions' and Aeronautics' gross margins were lower than previous year. Gross income was affected by write-downs of a total of MSEK 1,187 within Aeronautics related to civilian aircraft programmes and a provision made for these programmes of MSEK 232. A provision was also made for a helicopter project of MSEK 350. A goodwill impairment charge of MSEK 103 related to Saab Grintek Technologies became necessary due to the weak market situation. These items were partly compensated for by gains on contractual settlements of MSEK 196 (60) for regional aircraft.

The Billion+ Programme positively affected the gross margin by approximately 1 percentage point. The largest part of the cost cuttings has been achieved in Systems and Products.

Other operating income, MSEK 291 (785), 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 501 on business and property divestments.

Marketing expenses amounted to MSEK 1,805 (1,725). The increase is essentially attributable to tenders for Gripen to a number of countries.

Administrative expenses amounted to MSEK 1,404 (1,375).

Internally funded investments in research and development during 2008 amounted to MSEK 1,439 (1,396), of which a total of MSEK 635 (658) has been capitalized. As of 2009 a smaller portion will be capitalized due to the change in application of accounting principles for development costs (see page 3). Our total level of investments in research and development is not expected to change as a consequence of this.

Other operating expenses MSEK 68 (49), consist of exchange rate differences, among other things.

The share of income in associated companies, MSEK 50 (52), primarily relates to net income in Taurus GmbH and Grintek Ewation.

Operating income before depreciation and amortization (EBITDA) amounted to MSEK 1,515 (3,685). The EBITDA margin was 6.4 percent (16.0).

Operating income (EBIT) amounted to MSEK 166 (2,607). The operating margin was 0.7 percent (11.3). Operating income was impacted by a write-down of capitalized development costs for the RBS 15 Mk3 Surface-to-Surface Missile of MSEK 250 and a capital gain from the divestment of Saab Space of MSEK 98. The adjusted operating margin, excluding non-recurring items, was 8.4 percent (9.4).

Net financial income and expenses amounted to MSEK -572 (-158), of which the share in income of associated companies held as financial assets amounted to MSEK -36 (-40) primarily relating to EURENCO and Wah Nobel. Project interest from unutilized advance payments has reduced the financial income by MSEK 151 (142) and reduced the cost of goods sold correspondingly. Currency losses related to the tender portfolio of MSEK 227 (gains of 2) further reduced the financial net. Other net interest amounted to MSEK -158 (22), which was due mainly to the fact that the Group reported a net debt this year, compared to average net liquidity last year.

Income before taxes amounted to MSEK -406 (2,449).

Current and deferred taxes during the year amounted to MSEK 164 (-508), or an effective tax rate of 40 percent (21). The difference between reported tax rate, 40 percent, and the ordinary level for the tax rate, about 28 percent, is related to changes on tax rate on Swedish deferred tax and tax-exempt income.

Net result for 2008 was MSEK -242 (1,941), of which the minority interest amounted to MSEK 6 (20).

Diluted earnings per share for the interest of the Parent Company's shareholders amounted to SEK -2.31 (17.60).

The pre-tax return on capital employed was 1.4 percent (19.4) and the after-tax return on equity -2.4 percent (18.5).

#### ACQUISITIONS AND DIVESTMENTS

On September 1, Saab Space including the Austrian subsidiary Austrian Aerospace, was divested to the Swiss aerospace and defence group RUAG. In addition to the fixed price, MSEK 335, 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 (approximately MSEK 78) and the transaction generated no capital gain.

No other significant acquisitions or divestments were made during the year.

#### FINANCIAL POSITION AND LIQUIDITY

##### Balance sheet

Intangible fixed assets amounted to MSEK 7,690 (7,940), of which goodwill amounts to MSEK 3,438 (3,404) 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 Avitronics and Combitech.

Other intangible fixed assets amounted to MSEK 4,252 (4,536), of which capitalized development expenses amounted to MSEK 3,628 (3,732). 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.

Intangible assets were impacted by the impairment charges of MSEK 103 in Defence and Security Solutions and of MSEK 250 in Systems and Products (108).

Due to increased self-financing of development costs going forward, we will start to capitalize development costs at a later stage in all projects. In addition, all development costs on the balance sheet will be amortized over a maximum five to ten year period as of 2009. This will lead to a reduced level of capitalized product development on our balance sheet compared to today.

Amortization and impairment of intangible fixed assets amounted to MSEK 1,016 (674) in 2008, of which amortization and impairment of capitalized product development amounted to MSEK 728 (515).

Tangible fixed assets amount to MSEK 3,407 (3,619) and refer to property, plant and equipment used in core operations. The decrease is mainly attributable to reclassification to investment properties.

Investment properties refer to properties leased to outside parties and valued at estimated fair value. Lease assets amount to MSEK 1,835 (1,822) and primarily relate to the leasing fleet of regional aircraft. Depreciation in 2008 on tangible fixed assets amounted to MSEK 333 (404), while depreciation on the leasing fleet amounted to MSEK 165 (180).

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 9,240 (10,981), or SEK 86.49 per share (101.53). The equity/assets ratio was 28.4 percent (32.6).

Provisions for pensions amounted to MSEK 4 (101). During 2008, the Saab Pension Fund was capitalized with a total of MSEK 362. The purpose of the fund is to secure defined-benefit pension plans. The market value of the Saab Pension Fund was MSEK 3,083 at year-end, compared with an obligation of MSEK 4,454 according to IAS 19. The solvency margin was 69 percent. In a comparison with the obligation according to the FPG/PRI system, the solvency margin was 84 percent.

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 mainly 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 66 since the beginning of the year and amounted to MSEK 1,693 at the end of 2008.

#### **Cash flow**

Operating cash flow amounted to MSEK 659 (-1,603) in 2008 and was distributed between cash flow from core operating activities of MSEK -132 (-2,350), acquisitions of MSEK 0 (-515), divestments of subsidiaries and associated companies of MSEK 443 (970) and the regional aircraft business, MSEK 348 (292).

#### **CAPITAL EXPENDITURES AND PERSONNEL**

##### **Capital expenditures**

Gross capital expenditures in property, plant and equipment, excluding lease assets, amounted to MSEK 386 (395). Investments in intangible assets amounted to MSEK 636 (666) and related primarily to capitalized product development.

##### **Personnel**

At the end of 2008, the Group had 13,294 employees compared with 13,757 at the beginning of the year. Of the change, some 500 employees are a direct effect of the divestment of Saab Space.

As part of the Billion+ Programme savings of MSEK 500 will be achieved over the coming two years as a result of a reduction in number of employees, primarily through attrition.

##### **Research and development**

To maintain a leading position in its business, Saab devotes considerable resources to research and development, where some 2,500 people are employed. Investments in research and development are primarily made for customers in the business segments Systems and Products and Aero-nautics. Total research and development costs for the year amounted to MSEK 4,141 (4,523), of which MSEK 2,702 (3,127) related to customer funded development.

#### **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 investments, long periods of time and 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**

The number of repurchased treasury shares as of December 31, 2008, was 2,320,451. At year-end 2007 we held 1,000,000 shares as treasury shares. 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. The cost for the repurchased shares was MSEK 209.

#### **EVENTS AFTER THE BALANCE SHEET DATE**

No 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–Dec 2008	Jan–Dec 2007	change, %	Oct–Dec 2008	Oct–Dec 2007	change, %
Order bookings	9,997	7,259	38	4,410	2,612	69
Order backlog	10,918	10,764		1,140 <sup>3)</sup>	-1,061 <sup>3)</sup>	
Sales	9,443	9,300	2	3,078	2,914	6
Operating income before depreciation/amortization (EBITDA)	1,019	1,104	-8	400	396	1
Margin, %	10.8	11.9		13.0	13.6	
Operating income (EBIT)	732	934	-22	240	353	-32
Operating margin, %	7.8	10.0		7.8	12.1	
Adjusted operating margin, <sup>1)</sup> %	8.8	9.5		11.1	11.9	
Operating cash flow	-322	380	-	-201	-307	35
Defence/Civil (% of revenues)	70/30	67/33		68/32	67/33	
No. of employees <sup>2)</sup>	4,666	5,031	-7			
<b>1) Non-recurring items:</b>						
Goodwill impairment	-103			-103		
Capital gains		53			6	
TOTAL NON-RECURRING ITEMS	-103	53		-103	6	
<b>2) Amount of employees and not FTE:s</b>						
<b>3) Refers to quarterly change</b>						

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.

Growth in the civil security market continues, creating new opportunities for Saab in the area of crisis management systems and protection of infrastructure.

On July 1, 2008, a new business unit, Saab Security, was formed to consolidate the Group's resources in security in a new unit.

**SALES, INCOME AND ORDERS**
**Fourth quarter 2008**

Order bookings for the fourth quarter amounted to MSEK 4,410 (2,612). Large important orders received were a contract worth approximately SEK 1.1 billion with Lockheed Martin Canada, for being a partner in the design and development of a command and control system to the Canadian Navy's twelve Halifax Class frigates and a long-term contract with the Swedish Defence Material Administration (FMV) worth approximately MSEK 900 regarding an overall support commitment for the SK 60 aircraft system.

Sales increased with 6 percent to MSEK 3,078 (2,914). Sales were positively impacted by the strong inflow of smaller orders and high production rates. Saab Grintek Technologies in South Africa still experienced a weak sales development compared to previous year due to the general weaker market situation in South Africa.

The business segment was negatively affected by approximately MSEK 55 by exchange rate fluctuations on the translation of Saab Grintek Technologies revenue in South African ZAR, corresponding to almost 2 percent of sales.

Operating income amounted to MSEK 240 (353) and the operating margin was 7.8 percent (12.1). The weaker profitability was mainly attributable to the development of Saab Grintek Technologies in South Africa.

**January–December 2008**

**Orders**

Order bookings for Defence and Security Solutions amounted to MSEK 9,997 (7,259). Larger orders with a value of more than MSEK 100 each and those with a smaller value represented 32 percent and 68 percent respectively.

Civil Security has increased order bookings significantly in 2008 through orders from nuclear power plants and the Swedish Prison and Probation Service. In addition, the strong order intake in the fourth quarter contributed to the development. Last year included a reduction of SEK 1.35 billion of the order received from Pakistan for airborne surveillance systems.

**Sales**

Sales for Defence and Security Solutions amounted to MSEK 9,443 (9,300), an increase of 2 percent. Sales were negatively affected by the weak development of Saab Grintek Technologies in South Africa by 2 percent. The business segment further was negatively affected by exchange rate fluctuations on the translation of revenue in South African ZAR, corresponding to 2 percent of sales.

The international market accounted for 54 percent (55) of sales. The split between sales to Defence and Civil market was 70/30 (67/33).

Major orders in the Civil Security area in 2008 contributed both to a large part of business being in Sweden and also an increasing part of the business in the Civil market.

**Income and margin**

Operating income for Defence and Security Solutions amounted to MSEK 732 (934) with a margin of 7.8 percent (10.0). The result for 2007 includes a capital gain of MSEK 53.

The weaker profitability in the year was mainly attributable to the weak development of Saab Grintek Technologies in South Africa due to the lack of so-called Black Economic Empowerment (BEE) partners during the first half of 2008 and the weaker market situation in South Africa.

**Operating cash flow**

Operating cash flow amounted to MSEK -322 (380). The deviation from last year is mainly attributable to an increase in capital tied up in airborne surveillance systems.

**Employees**

The number of employees was 4,666, compared to 5,031 last year. The decrease was mainly caused by changes internally within the Group.

**SYSTEMS AND PRODUCTS**

MSEK	Jan–Dec 2008	Jan–Dec 2007	change, %	Oct–Dec 2008	Oct–Dec 2007	change, %
Order bookings	9,345	8,470	10	3,005	3,038	-1
Order backlog	17,390	17,830		-182 <sup>3)</sup>	288 <sup>3)</sup>	
Sales	9,095	9,091	-	3,352	2,950	14
Operating income before depreciation/amortization (EBITDA)	1,518	1,367	11	750	516	47
Margin, %	16.7	15.0		22.4	17.5	
Operating income (EBIT)	756	756	-	328	253	30
Operating margin, %	8.3	8.3		9.8	8.6	
Adjusted operating margin, <sup>1)</sup> %	11.1	9.0		17.2	12.3	
Operating cash flow	1,484	-1,287	-	1,154	-372	-
Defence/Civil (% of revenues)	91/9	89/11		95/5	90/10	
No. of employees <sup>2)</sup>	4,869	5,213	-7			
<b>1) Non-recurring items:</b>						
Write-down of capitalized development costs	-250	-108		-250	-108	
Capital gains		45			-2	
TOTAL NON-RECURRING ITEMS	-250	-63		-250	-110	
<b>2) Amount of employees and not FTE:s</b>						
<b>3) Refers to quarterly change</b>						

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 worldleading products for a large number of combat vehicles, fighters, transportation and civil 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 worldleading 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**

**Fourth quarter 2008**

Order bookings for the fourth quarter amounted to MSEK 3,005 (3,038) and include orders for Carl-Gustaf, logistics support for GIRAFFE AMB and ARTHUR radars, NLAW from Finland, electronic warfare systems for Indian helicopters, a contract for lifetime extensions of the BILL anti-tank missile system and signature management systems.

Sales amounted to MSEK 3,352 (2,950). Excluding Saab Space, which was divested on September 1, sales in 2007 amounted to MSEK 2,738. Sales growth adjusted for this divestment was 22 percent.

The increase in sales was due to improvement in all areas.

Operating income amounted to MSEK 328 (253), including a write-down of capitalized development costs of MSEK -250 for RBS 15 Mk3 Surface-to-Surface Missile.

Adjusted operating income, excluding non-recurring items, increased to MSEK 578 (363) with a corresponding operating margin of 17.2 percent (12.3). All areas saw an improved profitability resulting from increased sales, a favourable product mix and the Billion+ programme.

#### **January–December 2008**

##### **Orders**

Order bookings for Systems and Products increased to MSEK 9,345 (8,470). Major orders received during 2008 include Carl-Gustaf, the GIRAFFE and ARTHUR radar systems, avionics and electronic warfare systems, RBS 70, NLAW and Remotely Operating Vehicles (ROVs) to customers in the offshore oil and gas market.

Larger orders with a value of more than MSEK 100 each and those with a smaller value accounted for 37 and 63 percent respectively.

##### **Sales**

Sales for Systems and Products was in line with 2007 with MSEK 9,095 (9,091). Excluding Saab Space, which was divested on September 1, sales increased 3 percent to MSEK 8,653 (8,367).

International sales accounted for 72 percent (71). The split between sales to Defence and Civil market was 91/9 (89/11).

Sales improved in all areas except for signature management systems due to lower turnover in the U.S..

Sales were negatively affected by approximately MSEK 100 by the effects of exchange rate fluctuations on the translation of foreign subsidiaries, corresponding to 1 percent of sales.

##### **Income and margin**

Operating income amounted to MSEK 756 (756), including a write-down of capitalized development costs of MSEK -250 for RBS 15 Mk3 Surface-to-Surface Missile.

Last year's result contained a gain on property sale of MSEK 45 and a write-down of capitalized product development of MSEK -108 related to radar jamming systems.

Adjusted operating income for Systems and Products, excluding non-recurring items, amounted to MSEK 1,006 (819), with an operating margin of 11.1 percent (9.0).

The result improved in all areas, except for signature management systems, but especially in Saab Microwave Systems. The improvement came from higher sales, a favourable product mix, larger projects running well and the effects from the Billion+ programme.

##### **Operating cash flow**

Operating cash flow amounted to MSEK 1,484 (-1,287). The low level of operating cash flow in 2007 was mainly due to major project delays and increased capital tied up in the organisation.

##### **Employees**

The number of employees was reduced to 4,869 (5,213) as a result of the divestment of Saab Space.

**AERONAUTICS**

MSEK	Jan–Dec 2008	Jan–Dec 2007	change, %	Oct–Dec 2008	Oct–Dec 2007	change, %
Order bookings	6,153	7,516	-18	533	3,883	-86
Order backlog	19,626	21,158		-2,107 <sup>3)</sup>	1,584 <sup>3)</sup>	
Sales	7,269	6,510	12	2,356	2,227	6
Operating income before depreciation/amortization (EBITDA)	-1,313	617	-	-1,358	266	-
Margin, %	-18.1	9.5		-57.6	11.9	
Operating income/loss (EBIT)	-1,508	454	-	-1,416	198	-
Operating margin, %	-20.7	7.0		-60.1	8.9	
Adjusted operating margin, <sup>1)</sup> %	3.6	7.0		5.1	8.9	
Operating cash flow	-1,007	-773	-30	61	-641	-
Defence/Civil (% of revenues)	93/7	94/6		92/8	93/7	
No. of employees <sup>2)</sup>	3,100	2,911	6			
<b>1) Non-recurring items:</b>						
Write-down of capitalized costs in civil aircraft programmes		-1,187			-953	
Provision for civil aircraft programmes		-232			-232	
Provision for helicopter project		-350			-350	
TOTAL NON-RECURRING ITEMS		-1,769			-1,535	
<b>2) Amount of employees and not FTE:s</b>						
<b>3) Refers to quarterly change</b>						

Saab's aeronautics operations are dominated by the Gripen programme. Gripen, one of the world's most modern fighter aircraft in operational service is currently used in Sweden and NATO members Czech Republic and Hungary. During 2008 five Gripen were delivered to South Africa out of a total of 26. Thailand placed an order for six Gripen fighters in 2008 that will be delivered in 2011 and the British Empire Test Pilot School, ETPS continues to train pilots for next generation fighters with a Gripen aircraft. During 2008 Saab commenced test flights within the Gripen demonstrator programme.

The objective is to develop future generations of Gripen aircraft as well as develop and enhance the existing Gripen versions. The export potential is high and Saab is working actively in a number of markets to win new contracts. The Gripen programme 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 programmes. Saab has prime responsibility for key subsystems in the Neuron programme, 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**

**Fourth quarter 2008**

Order bookings for Aeronautics decreased to MSEK 533 (3,883). The decrease was mainly attributable to a strong order intake in the fourth quarter 2007 when an order for upgrade of 31 Swedish Gripen aircraft to the latest standard was received from the Swedish Defence Material Administration,

worth SEK 3.1 billion and low activity within the civil aircraft industry.

Sales amounted to MSEK 2,356 (2,227). During the quarter the final delivery of Gripen Batch 3 to the Swedish airforce was done.

Operating income decreased to MSEK -1,416 (198) corresponding to a margin of -60.1 percent (8.9). Adjusted operating margin, excluding non-recurring items was 5.1 percent (8.9). Overall the segment continued to be affected by the weak market situation in the civil aircraft industry. A write-down of capitalized costs of MSEK 953 related to the civilian aircraft programmes was made, mainly as a result of delays in major projects. A provision to cover estimated losses related to these programmes of MSEK 232 was also made. In addition a provision of MSEK 350 was made to cover estimated losses for a helicopter project. This is related to a contract Saab signed with NH Industries (NHI) in

2002. The delivery primarily applies to a so-called Tactical Mission System (TMS) – a command and control system that makes up a part of the helicopter’s electronics and software. Until a solution is found with the customer concerning the current project scope, we have determined that a loss provision should be recorded to cover estimated losses.

**January–December 2008  
Orders**

Order bookings for Aeronautics amounted to MSEK 6,153 (7,516). 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. Larger orders with a value of more than MSEK 100 each and those with a smaller value accounted for 90 and 10 percent respectively.

**Sales**

Aeronautics’ sales increased to MSEK 7,269 (6,510). The increase was significant within all areas of the business segment. The change of revenue recognition method applied to the South African Gripen contract contributed strongly to the increase, whereas the delivery of Gripen in Sweden contributed with a negative amount due to the final price calculation.

International sales accounted for 64 percent (53). The split between sales to Defence and Civil market was 93/7 (94/6).

**Income and margin**

Operating income for Aeronautics decreased to MSEK -1,508 (454). The operating margin of -20.7 percent (7.0) remains under pressure from low capacity utilization as well as write-downs and a provision made for the civilian aircraft programmes in 2008 of MSEK 1,187 and MSEK 232 respectively. In addition a provision to cover estimated losses for a helicopter project of MSEK 350 was made. Adjusted operating margin, excluding non-recurring items, was 3.6 percent (7.0).

**Operating cash flow**

Operating cash flow amounted to MSEK -1,007 (-773). Cash flow has mainly been affected by lower customer advances within Aerosystems and low capacity utilization

in civil programmes, where modifications have been made to production plans.

**Employees**

The number of employees 3,100 compared to 2,911 last year. The increase was mainly caused by internal changes within the Group.

**Gripen on the world market**

At present Gripen has six customers. 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. Deliveries to South Africa have been underway since April 2008. During 2008 five aircraft was delivered to South Africa.

CURRENT ONGOING DELIVERIES OF GRIPEN:

- Sweden - upgrade of 31 AB versions to CD versions between 2007 and 2014 (est.)
- Thailand - an order for 6 Gripen CD, to be delivered in 2011
- South Africa - an order for 26 Gripen CD, deliveries ongoing until 2012

During the third quarter 2008 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 Saab is one of three potential suppliers. 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. 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. On November 20, the Norwegian government announced that they recommends to negotiate with a to Saab competing company. Saab is now unwinding activities linked to the previous Gripen sales campaign in Norway.

On December 19, 2008, the Dutch Defence Ministry said that a competitor to Saab had been evaluated as the best candidate to

replace the country’s ageing F-16 fighters. The Dutch cabinet will, however, first take a final decision on a replacement in 2010.

At present, there are binding tenders for Denmark, India, 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
- 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 186 (463). During 2008, gains from completion of contracts of MSEK 196 (60) were reported with respect to regional aircraft. A capital gain of MSEK 98 from the divestiture of Saab Space was reported. Previous year was positively affected by a gain of MSEK 264 on the sales of subsidiaries and other non-recurring items MSEK 139.

## THE BILLION+ PROGRAMME

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 programme was launched at the start of the year.

The original programme had a target to 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 costs will be SEK 1 billion lower than at the start of 2008. Around 70 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 programme is progressing in a stable fashion and the results during 2008 are slightly better than targeted and positively affected the gross margin with approximately 1 percentage point. About 60 percent of these have impacted gross income positively. The costs associated with the programme are slightly lower than planned. Efficiency improvements were mainly achieved in production, administration and purchasing. Some minor layoffs were announced during 2008 as a direct result of the programme.

Given the uncertainty in the market a decision has been taken to expand this programme. 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 yearly cost reduction

within the efficiency programme of SEK 1.5 billion at the end of 2010. We therefore now change the name of the programme to Billion+ Programme.

## 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 15,496 (14,779). Operating income was MSEK -1,293 (864) impacted by a write-down and a provision made for the civilian aircraft programmes in 2008 of MSEK 1,187 and MSEK 232 respectively. In addition a provision to cover estimated losses for a helicopter project of MSEK 350 was made. These items were partly compensated for by gains on contractual settlements of MSEK 196 (60) for regional aircraft.

Net financial income and expenses amounted to MSEK 255 (1,116). After appropriations of MSEK 41 (-25) and income tax of MSEK 342 (-311), net income for 2008 amounted to MSEK -655 (1,644).

### Liquidity, finance, capital expenditures and number of employees

The Parent Company's net debt amounted to MSEK 9,701 (6,242). Gross capital expenditures in property, plant and equipment amounted to MSEK 253 (261). At the end of 2008, the Parent Company had 8,317 employees, compared with 8,256 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 2008, 1,340,000 shares were repurchased starting on July 21, 2008. The cost for the repurchased shares was MSEK 209.

### Proposed dividend

The Board of Directors proposes that shareholders receive a dividend of SEK 1.75 per share (4.50), or a total of MSEK 187 (491). April 21 has been proposed as the record day for the dividend, which is expected to be paid on April 24, 2009.

### Annual General Meeting

The Annual General Meeting will be held at Aula Magna, Stockholm University, Stockholm, on Thursday, April 16, 2009 at 15:00 (CET). The annual report will be available at Saab's office in Linköping. The printed annual report will be distributed to shareholders upon request around March 13, 2009.

### 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.

Four shareholder representatives have been selected to work with Chairman Marcus Wallenberg to draft a proposal for the Board of Directors to be presented to the Annual General Meeting. The representatives are Petra Hedengran (Investor), Peter Wallenberg Jr (Knut and Alice Wallenberg's Foundation), Mats Lagerqvist (Swedbank Robur Funds), Nils Petter Hollekim (Odin Funds Norway).

Linköping, February 13, 2009

**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 7:30 a.m. on February 13, 2009.

**REVIEW REPORT**

**Introduction**

We have reviewed the year-end report for 2008 for Saab AB (publ) for the period January 1, 2008 to December 31, 2008. The Board of Directors and the President are responsible for the preparation and presentation of the year-end report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this year-end report based on our review.

**Scope of review**

We conducted our review in accordance with the Standard on Review Engagements SÖG 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as issued by FAR SRS. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing in Sweden RS and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the year-end report, in all material respects, is not prepared for the Group in accordance with IAS 34 and the Annual Accounts Act and for the Parent Company in accordance with the Annual Accounts Act.

STOCKHOLM, FEBRUARY 13, 2009

ERNST & YOUNG AB

**ERIK ÅSTRÖM**  
AUTHORIZED  
PUBLIC ACCOUNTANT

DELOITTE AB

**TOMMY MÅRTENSSON**  
AUTHORIZED  
PUBLIC ACCOUNTANT

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**Press and financial analyst conference**

CEO, Åke Svensson and CFO, Lars Granlöv  
Today, Friday, February 13, 2009, 10:00 a.m. (CET)  
Contact Annika Widell to register  
and for further information

**International teleconference:**

Today, Friday, February 13, 2009, 4:00 p.m. (CET)  
Contact Annika Widell to register and for further information  
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ANNUAL GENERAL MEETING: **APRIL 16, 2009, 15:00 (CET)**

ANNUAL REPORT 2008	<b>PUBLISHED AROUND MARCH 13, 2009</b>
INTERIM REPORT JANUARY–MARCH 2009	<b>PUBLISHED APRIL 23, 2009</b>
INTERIM REPORT JANUARY–JUNE 2009	<b>PUBLISHED JULY 24, 2009</b>
INTERIM REPORT JANUARY–SEPTEMBER 2009	<b>PUBLISHED OCTOBER 23, 2009</b>

**CONSOLIDATED INCOME STATEMENT**

MSEK	Note	Jan-Dec 2008	Jan-Dec 2007	Oct-Dec 2008	Oct-Dec 2007
Sales	3	23,796	23,021	8,188	7,358
Cost of goods sold		-19,162	-16,849	-7,544	-5,295
Gross Income		4,634	6,172	644	2,063
Gross margin, %		19.5	26.8	7.9	28.0
Other operating income		291	785	103	521
Marketing expenses		-1,805	-1,725	-472	-479
Administrative expenses		-1,404	-1,375	-357	-330
Research and development costs		-1,532	-1,253	-738	-520
Other operating expenses		-68	-49	-30	-18
Share in income of associated companies		50	52	41	8
Operating income/loss (EBIT) <sup>1)</sup>	3	166	2,607	-809	1,245
Operating margin, %		0.7	11.3	-9.9	16.9
Share in income of associated companies		-36	-40	-11	-10
Financial income		29	4	-6	-37
Financial expenses		-565	-122	-204	-18
Net financial items		-572	-158	-221	-65
Income/loss before taxes		-406	2,449	-1,030	1,180
Taxes	4	164	-508	322	-172
Net income/loss for the period		-242	1,941	-708	1,008
Of which Parent Company shareholders' interest		-248	1,921	-724	1,008
Of which minority interest		6	20	16	-
Earnings per share before dilution, SEK <sup>2)</sup>		-2.31	17.68	-6.78	9.29
Earnings per share after dilution, SEK <sup>3)</sup>		-2.31	17.60	-6.78	9.24
<sup>1)</sup> INCLUDES DEPRECIATION/AMORTIZATION AND IMPAIRMENT		-1,514	-1,258	-725	-449
OF WHICH DEPRECIATION OF LEASE ASSETS		-165	-180	-46	-40
<sup>2)</sup> AVERAGE NUMBER OF SHARES BEFORE DILUTION		107,515,049	108,668,700	106,828,876	108,150,344
<sup>3)</sup> AVERAGE NUMBER OF SHARES AFTER DILUTION. THERE IS NO DILUTION IMPACT IF THE RESULT FOR THE PERIOD IS NEGATIVE.		107,515,049	109,150,344	106,828,876	109,150,344

**QUARTERLY INCOME STATEMENT**

MSEK	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007	Q1 2007
Sales	8,188	4,583	6,046	4,979	7,358	4,811	5,935	4,917
Cost of goods sold	-7,544	-3,638	-4,381	-3,599	-5,295	-3,516	-4,471	-3,567
Gross Income	644	945	1,665	1,380	2,063	1,295	1,464	1,350
Gross margin, %	7.9	20.6	27.5	27.7	28.0	26.9	24.7	27.5
Other operating income	103	89	61	38	521	46	178	40
Marketing expenses	-472	-408	-483	-442	-479	-429	-434	-383
Administrative expenses	-357	-336	-368	-343	-330	-344	-349	-352
Research and development costs	-738	-243	-306	-245	-520	-262	-239	-232
Other operating expenses	-30	-18	-10	-10	-18	-8	-14	-9
Share in income of associated companies	41	2	-	7	8	20	24	-
Operating income/loss (EBIT) <sup>1)</sup>	-809	31	559	385	1,245	318	630	414
Operating margin, %	-9.9	0.7	9.2	7.7	16.9	6.6	10.6	8.4
Share in income of associated companies	-11	-6	-13	-6	-10	-8	1	-23
Financial income	-6	-12	25	22	-37	-6	17	30
Financial expenses	-204	-191	-93	-77	-18	13	-76	-41
Net financial items	-221	-209	-81	-61	-65	-1	-58	-34
Income/loss before taxes	-1,030	-178	478	324	1,180	317	572	380
Taxes	322	75	-140	-93	-172	-92	-134	-110
Net income/loss for the period	-708	-103	338	231	1,008	225	438	270
Of which Parent Company shareholders' interest	-724	-97	341	232	1,008	218	434	261
Of which minority interest	16	-6	-3	-1	-	7	4	9
Earnings per share before dilution, SEK <sup>2)</sup>	-6.78	-0.89	3.15	2.15	9.29	2.02	3.98	2.39
Earnings per share after dilution, SEK <sup>3)</sup>	-6.78	-0.89	3.12	2.13	9.24	1.99	3.98	2.39
<sup>1)</sup> INCLUDES DEPRECIATION/AMORTIZATION AND IMPAIRMENT	-725	-232	-315	-242	-449	-256	-294	-259
OF WHICH DEPRECIATION OF LEASE ASSETS	-46	-39	-40	-40	-40	-44	-45	-51
<sup>2)</sup> AVERAGE NUMBER OF SHARES BEFORE DILUTION	106,828,876	107,094,803	108,150,517	108,150,421	108,150,344	108,667,722	109,075,944	109,150,344
<sup>3)</sup> AVERAGE NUMBER OF SHARES AFTER DILUTION	106,828,876	107,094,803	109,150,344	109,150,344	109,150,344	109,150,344	109,150,344	109,150,344

**CONSOLIDATED BALANCE SHEET**

MSEK	Note	31/12/2008	31/12/2007
<b>ASSETS</b>			
<b>Fixed assets</b>			
Intangible fixed assets	6	7,690	7,940
Tangible fixed assets		3,407	3,619
Lease assets		1,835	1,822
Biological assets		243	241
Investment properties		239	72
Share in associated companies		334	318
Financial investments		142	233
Long-term receivables		1,321	960
Deferred tax assets		841	542
<b>Total fixed assets</b>		<b>16,052</b>	<b>15,747</b>
<b>Current assets</b>			
Inventories		4,305	5,383
Derivatives		1,315	479
Tax receivables		55	122
Accounts receivable		4,194	3,724
Prepaid expenses and accrued income		503	556
Other receivables		5,567	5,862
Liquid assets	8	822	858
<b>Total current assets</b>		<b>16,761</b>	<b>16,984</b>
<b>Assets held for sale</b>	9	<b>77</b>	<b>1,070</b>
<b>TOTAL ASSETS</b>	14	<b>32,890</b>	<b>33,801</b>

**CONSOLIDATED BALANCE SHEET (CONT.)**

MSEK	Note	31/12/2008	31/12/2007
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Parent company's shareholders' interest		9,240	10,981
Minority interest		90	27
<b>Total shareholders' equity</b>		<b>9,330</b>	<b>11,008</b>
<b>Long-term liabilities</b>			
Long-term interest-bearing liabilities	7	13	25
Other liabilities		336	284
Provisions for pensions	11	4	101
Other provisions		2,402	1,979
Deferred tax liabilities		1,105	1,263
<b>Total long-term liabilities</b>		<b>3,860</b>	<b>3,652</b>
<b>Current liabilities</b>			
Short-term interest bearing liabilities	7	3,870	3,635
Advance payments from customers		897	2,558
Accounts payable		1,712	1,229
Lease obligations		-	204
Derivatives		2,363	414
Tax liabilities		149	368
Other liabilities		1,131	806
Accrued expenses and deferred income		8,868	8,788
Provisions		710	752
<b>Total current liabilities</b>		<b>19,700</b>	<b>18,754</b>
Liabilities attributable to assets held for sale	9	-	387
<b>Total liabilities</b>		<b>23,560</b>	<b>22,793</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	14	<b>32,890</b>	<b>33,801</b>

**CHANGES IN SHAREHOLDERS' EQUITY**

MSEK	CAPITAL STOCK	OTHER CAPITAL CONTRIBUTIONS	NET RESULT ON CASH FLOW HEDGES	TRANSLATION RESERVE	REVALUATION RESERVE	RETAINED EARNINGS	TOTAL	MINORITY INTEREST	TOTAL
Opening balance, January 1, 2008	1,746	543	80	-110	-	8,722	10,981	27	<b>11,008</b>
<b>Items reported directly in shareholders' equity:</b>									
Translation differences for the year				-112			-112		<b>-112</b>
Net loss on cash flow hedges			-692				-692	-10	<b>-702</b>
Revaluation of fixed assets					51		51		<b>51</b>
<b>Net income/loss of the year</b>						-248	-248	6	<b>-242</b>
<b>Transactions with shareholders:</b>									
Dividend						-487	-487	10	<b>-477</b>
Repurchase of shares						-209	-209		<b>-209</b>
Share matching plan						13	13		<b>13</b>
Acquisitions in and sale of operations						-57	-57	57	<b>-</b>
Closing balance, December 31, 2008	1,746	543	-612	-222	51	7,734	9,240	90	<b>9,330</b>
Opening balance, January 1, 2007	1,746	543	72	-8	-	7,449	9,802	223	<b>10,025</b>
<b>Items reported directly in shareholders' equity:</b>									
Translation differences for the year				-102			-102	-4	<b>-106</b>
Net gain on cash flow hedges			8				8		<b>8</b>
<b>Net income/loss of the year</b>						1,921	1,921	20	<b>1,941</b>
<b>Transactions with shareholders:</b>									
Dividend						-464	-464	-2	<b>-466</b>
Repurchase of shares						-184	-184		<b>-184</b>
Acquisitions in and sale of operations						-	-	-210	<b>-210</b>
Closing balance, December 31, 2007	1,746	543	80	-110	-	8,722	10,981	27	<b>11,008</b>

**STATEMENT OF CASH FLOWS**

MSEK	Note	2008	2007
<b>Operating activities</b>			
Income after financial items		-406	2,449
Transferred to and establishment of pension fund		-408	-283
Adjustments for items not affecting cash flows		3,068	867
Income tax paid		-182	-216
<b>Cash flow from operating activities before changes in working capital</b>		<b>2,072</b>	<b>2,817</b>
<b>Cash flow from changes in working capital</b>			
Increase(-)/Decrease(+) in inventories		-27	-644
Increase(-)/Decrease(+) in current receivables		312	-1,605
Increase(+)/Decrease(-) in advance payments from customers		-1,618	-934
Increase(+)/Decrease(-) in lease obligations		-220	-251
Increase(+)/Decrease(-) in other current liabilities		708	-287
Increase(+)/Decrease(-) in provisions		-273	-443
<b>Cash flow from operating activities</b>		<b>954</b>	<b>-1,347</b>
<b>Investing activities</b>			
Investments in intangible fixed assets		-1	-8
Capitalized development costs		-635	-658
Investments in tangible fixed assets		-386	-395
Sale of tangible fixed assets		41	45
Sale of lease assets		212	325
Investments in and sale of financial assets		-58	-310
Investments in subsidiaries, net effect on liquidity		-	-515
Sale of subsidiaries, net effect on liquidity	10	443	970
<b>Cash flow from investing activities</b>		<b>-384</b>	<b>-546</b>
<b>Financing activities</b>			
Loans raised		85	2,017
Repurchase of shares		-209	-184
Dividend paid to Parent Company's shareholders		-487	-464
Contribution from/dividend to minority interest		10	-2
<b>Cash flow from financing activities</b>		<b>-601</b>	<b>1,367</b>
<b>Cash flow for the year</b>		<b>-31</b>	<b>-526</b>
Liquid assets at the beginning of the year		858	1,389
Exchange rate difference in liquid assets		-5	-5
<b>Liquid assets at year-end</b>	8	<b>822</b>	<b>858</b>

MSEK		QUARTERLY INFORMATION				QUARTERLY INFORMATION			
		JANUARY-MARCH		APRIL-JUNE		JULY-SEPTEMBER		OCTOBER-DECEMBER	
		2008	Operating margin	2007	Operating margin	2008	Operating margin	2007	Operating margin
<b>Sales</b>									
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	
<b>Total</b>		<b>4,979</b>		<b>4,917</b>		<b>6,046</b>		<b>5,935</b>	
<b>Operating income</b>									
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	
<b>Total</b>		<b>385</b>	<b>7.7%</b>	<b>414</b>	<b>8.4%</b>	<b>559</b>	<b>9.2%</b>	<b>630</b>	<b>10.6%</b>
Net financial items		-61		-34		-81		-58	
<b>Income/loss before taxes</b>		<b>324</b>		<b>380</b>		<b>478</b>		<b>572</b>	
<b>Net income/loss for the period</b>		<b>231</b>		<b>270</b>		<b>338</b>		<b>438</b>	
<b>Attributable to Parent Company's shareholders</b>		<b>232</b>		<b>261</b>		<b>341</b>		<b>434</b>	
<b>Earnings per share after dilution</b>		<b>2.13</b>		<b>2.39</b>		<b>3.12</b>		<b>3.98</b>	
<b>No. of shares after dilution, thousands</b>		<b>109,150</b>		<b>109,150</b>		<b>109,150</b>		<b>109,150</b>	
<b>Sales</b>									
Defence and Security Solutions		1,904		2,069		3,078		2,914	
Systems and Products		1,771		1,839		3,352		2,950	
Aeronautics		1,261		1,279		2,356		2,227	
Corporate		11		9		100		11	
Internal sales		-364		-385		-698		-744	
<b>Total</b>		<b>4,583</b>		<b>4,811</b>		<b>8,188</b>		<b>7,358</b>	
<b>Operating income</b>									
Defence and Security Solutions		112	5.9%	135	6.5%	240	7.8%	353	12.1%
Systems and Products		62	3.5%	100	5.4%	328	9.8%	253	8.6%
Aeronautics		-137	-10.9%	68	5.3%	-1,416	-60.1%	198	8.9%
Corporate		-6		15		39		441	
<b>Total</b>		<b>31</b>	<b>0.7%</b>	<b>318</b>	<b>6.6%</b>	<b>-809</b>	<b>-9.9%</b>	<b>1,245</b>	<b>16.9%</b>
Net financial items		-209		-1		-221		-65	
<b>Income/loss before taxes</b>		<b>-178</b>		<b>317</b>		<b>-1,030</b>		<b>1,180</b>	
<b>Net income/loss for the period</b>		<b>-103</b>		<b>225</b>		<b>-708</b>		<b>1,008</b>	
<b>Attributable to Parent Company's shareholders</b>		<b>-97</b>		<b>218</b>		<b>-724</b>		<b>1,008</b>	
<b>Earnings per share after dilution</b>		<b>-0.89</b>		<b>1.99</b>		<b>-6.78</b>		<b>9.24</b>	
<b>No. of shares after dilution, thousands</b>		<b>107,095</b>		<b>109,150</b>		<b>106,829</b>		<b>109,150</b>	

**MULTI-YEAR OVERVIEW**

MSEK	2008	2007	2006	2005	2004 <sup>5)</sup>
Order bookings	23,212	20,846	27,575	17,512	16,444
<b>Order backlog at Dec. 31</b>	<b>45,324</b>	<b>47,316</b>	<b>50,445</b>	<b>42,198</b>	<b>43,162</b>
Sales	23,796	23,021	21,063	19,314	17,848
Sales in Sweden, %	32	35	35	44	52
Sales in EU excluding Sweden, %	25	28	29	28	26
Sales in Americas, %	6	7	9	9	8
Sales in Rest of the World, %	37	30	27	19	14
Operating income	166	2,607	1,745	1,652	1,853
Operating margin, %	0.7	11.3	8.3	8.6	10.4
Operating margin before depreciation/amortization and impairments, excluding leasing, %	6.4	16.0	12.0	11.3	13.1
Income after financial items	-406	2,449	1,693	1,551	1,712
Net income/loss for the year	-242	1,941	1,347	1,199	1,310
Total assets	32,890	33,801	32,771	30,594	27,509
<b>Operating cash flow</b>	<b>659</b>	<b>-1,603</b>	<b>-1,900</b>	<b>2,645</b>	<b>325</b>
Return on capital employed, %	1.4	19.4	14.5	14.6	17.3
Return on equity, %	-2.4	18.5	13.8	13.5	16.7
Equity/assets ratio, %	28.4	32.6	30.6	31.0	29.9
Earnings per share, SEK <sup>2) 4)</sup>	-2.31	17.68	11.91	10.89	11.78
<b>After dilution, SEK <sup>3) 4)</sup></b>	<b>-2.31</b>	<b>17.60</b>	<b>11.91</b>	<b>10.89</b>	<b>11.78</b>
Dividend per share, SEK	1.75 <sup>6)</sup>	4.50	4.25	4.00	3.75
Equity per share, SEK <sup>1)</sup>	86.49	101.53	89.80	84.10	74.89
Number of employees at year-end	13,294	13,757	13,577	12,830	11,936

<sup>1)</sup>NUMBER OF SHARES AS OF DECEMBER 31, 2008: 106,829,893; 2007: 108,150,344; 2006/2005/2004: 109,150,344

<sup>2)</sup>AVERAGE NUMBER OF SHARES 2008: 107,515,049; 2007: 108,668,700; 2006/2005: 109,150,344; 2004: 108,234,126

<sup>3)</sup>AVERAGE NUMBER OF SHARES AFTER DILUTION 2008: 107,515,049; 2007/2006/2005: 109,150,344, 2004: 108,234,126. CONVERSION OF THE DEBENTURE LOAN CONCLUDED ON JULY 15, 2004.

<sup>4)</sup>NET INCOME FOR THE YEAR LESS MINORITY INTEREST DIVIDED BY THE AVERAGE NUMBER OF SHARES

<sup>5)</sup>RESTATEMENT ACCORDING TO IFRS.

<sup>6)</sup>AS PROPOSED BY THE BOARD OF DIRECTORS.

**KEY RATIOS AND TARGETS**

	Long-term target	2008	2007	2006
Operating margin before depreciation/amortization and impairments, excluding leasing, %	15	6.4	16.0	12.0
Operating margin, %	10	0.7	11.3	8.3
Earnings per share after dilution, SEK <sup>1)</sup>		-2.31	17.60	11.91
Return on capital employed, %		1.4	19.4	14.5
Return on equity, %	15	-2.4	18.5	13.8
Equity/assets ratio, %	30	28.4	32.6	30.6

<sup>1)</sup>AVERAGE NUMBER OF SHARES AFTER DILUTION 2008: 107,515,049; 2007/2006: 109,150,344

**PARENT COMPANY INCOME STATEMENT**

MSEK	Jan-Dec 2008	Jan-Dec 2007	Oct-Dec 2008	Oct-Dec 2007
Sales	15,496	14,779	5,246	5,121
Cost of goods sold	-13,927	-11,430	-5,904	-4,008
<b>Gross Income</b>	<b>1,569</b>	<b>3,349</b>	<b>-658</b>	<b>1,113</b>
Gross margin, %	10.1	22.7	-12.5	21.7
Marketing expenses	-1,115	-1,024	-296	-304
Administrative expenses	-841	-747	-229	-175
Research and development costs	-931	-864	-278	-268
Other operating income	58	173	-31	111
Other operating expenses	-33	-23	1	-9
<b>Operating income/loss (EBIT)</b>	<b>-1,293</b>	<b>864</b>	<b>-1,491</b>	<b>468</b>
Operating margin, %	-8.3	5.8	-28.4	9.1
Financial income and expenses:				
Results from securities and receivables held as fixed assets	972	1,352	195	972
Other interest income and similar items	101	88	81	-2
Interest expenses and similar items	-818	-324	-474	-129
<b>Income/loss after financial items</b>	<b>-1,038</b>	<b>1,980</b>	<b>-1,689</b>	<b>1,309</b>
Appropriations	41	-25	41	-25
<b>Income/loss before taxes</b>	<b>-997</b>	<b>1,955</b>	<b>-1,648</b>	<b>1,284</b>
Taxes	342	-311	330	-183
<b>Net income/loss for the period</b>	<b>-655</b>	<b>1,644</b>	<b>-1,318</b>	<b>1,101</b>

**PARENT COMPANY BALANCE SHEET**

MSEK

31/12/2008

31/12/2007

ASSETS		
<b>Fixed assets</b>		
Intangible fixed assets	51	55
Tangible fixed assets	2,478	2,506
Shares in Group companies	11,662	11,964
Receivables from Group companies	140	166
Shares in associated companies and joint ventures	317	204
Receivables from associated companies and joint ventures	31	25
Other long-term securities holdings	1,512	1,514
Other long-term receivables	44	45
Deferred tax assets	1,207	487
<b>Total fixed assets</b>	<b>17,442</b>	<b>16,966</b>
<b>Current assets</b>		
Inventories, etc	2,649	4,524
Receivables from Group companies	2,877	3,461
Receivables from associated companies and joint ventures	513	349
Other receivables	9,032	6,274
Liquid assets	237	387
<b>Total current assets</b>	<b>15,308</b>	<b>14,995</b>
<b>TOTAL ASSETS</b>	<b>32,750</b>	<b>31,961</b>
SHAREHOLDERS' EQUITY AND LIABILITIES		
<b>Equity</b>		
Shareholders' equity	5,479	5,599
Net income for the year	-655	1,644
<b>Total shareholders' equity</b>	<b>4,824</b>	<b>7,243</b>
Untaxed reserves	422	463
<b>Provisions</b>		
Provisions for pensions and similar commitments	606	270
Other provisions	1,929	1,463
<b>Total provisions</b>	<b>2,535</b>	<b>1,733</b>
<b>Liabilities</b>		
Interest-bearing liabilities	3,832	3,658
Liabilities to Group companies	9,939	8,229
Advance payments from customers	3,310	3,164
Liabilities to associated companies and joint ventures	126	80
Other liabilities	7,762	7,391
<b>Total liabilities</b>	<b>24,969</b>	<b>22,522</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>32,750</b>	<b>31,961</b>

# 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 NASDAQ OMX 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.

The Board of Directors and the President approved this year-end report for the period January 1 – December 31, 2008 for publication on February 13, 2009.

### NOTE 2

#### ACCOUNTING PRINCIPLES

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

The same accounting principles have been applied during 2008 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 year-end report should be read together with the annual report for 2008.

### 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 Asia. For a description of the business segments, see previous section.

#### SALES AND ORDER INFORMATION

##### Sales by business segment

MSEK	2008	2007	Change, %	Q4 2008	Q4 2007
Defence and Security Solutions	9,443	9,300	2	3,078	2,914
Systems and Products	9,095	9,091	-	3,352	2,950
Aeronautics	7,269	6,510	12	2,356	2,227
Corporate	133	51	-	100	11
Internal sales	-2,144	-1,931	-	-698	-744
<b>Total</b>	<b>23,796</b>	<b>23,021</b>	<b>3</b>	<b>8,188</b>	<b>7,358</b>

##### Sales by geographic market

MSEK	2008	% of sales	2007	% of sales	Change, %
Sweden	7,549	32	8,006	35	-6
Rest of EU	6,000	25	6,527	28	-8
Rest of Europe	300	1	297	1	1
<b>Total Europe</b>	<b>13,849</b>	<b>58</b>	<b>14,830</b>	<b>64</b>	<b>-7</b>
North America	1,346	6	1,534	7	-12
Latin America	181	1	85	-	113
Asia	3,381	14	2,203	10	53
Australia, etc.	838	3	848	4	-1
Africa	4,201	18	3,521	15	19
<b>Total</b>	<b>23,796</b>	<b>100</b>	<b>23,021</b>	<b>100</b>	<b>3</b>

##### Order bookings by business segment

MSEK	2008	2007	Chan- ge, %	Q4 2008	Q4 2007
Defence and Security Solutions	9,997	7,259	38	4,410	2,612
Systems and Products	9,345	8,470	10	3,005	3,038
Aeronautics	6,153	7,516	-18	533	3,883
Corporate	156	46	-	19	11
Internal	-2,439	-2,445	-	-805	-983
<b>Total</b>	<b>23,212</b>	<b>20,846</b>	<b>11</b>	<b>7,162</b>	<b>8,561</b>

**NOTE 3 CONTINUED**
**Order backlog by business segment**

MSEK	31/12/2008	31/12/2007
Defence and Security Solutions	10,918	10,764
Systems and Products	17,390	17,830
Aeronautics	19,626	21,158
Corporate	28	-
Internal	-2,638	-2,436
<b>Total</b>	<b>45,324</b>	<b>47,316</b>

## OPERATING INCOME

**Operating income by business segment**

MSEK	2008	2007	Change, %	Q4 2008	Q4 2007
Defence and Security Solutions	732	934	-22	240	353
Systems and Products	756	756	-	328	253
Aeronautics	-1,508	454	-	-1,416	198
Corporate	186	463	-60	39	441
<b>Total</b>	<b>166</b>	<b>2,607</b>	<b>-94</b>	<b>-809</b>	<b>1,245</b>

**Depreciation/amortization and impairments by business segment**

MSEK	2008	2007	Change, %	Q4 2008	Q4 2007
Defence and Security Solutions	287	170	69	160	43
Systems and Products	762	611	25	422	263
Aeronautics	195	163	20	58	68
Corporate – lease assets	165	180	-8	46	40
Corporate – other	105	134	-22	39	35
<b>Total</b>	<b>1,514</b>	<b>1,258</b>	<b>20</b>	<b>725</b>	<b>449</b>

## OPERATING CASH FLOW AND CAPITAL EMPLOYED

**Operating cash flow by business segment**

MSEK	2008	2007	Q4 2008	Q4 2007
Defence and Security Solutions	-322	380	-201	-307
Systems and Products	1,484	-1,287	1,154	-372
Aeronautics	-1,007	-773	61	-641
Corporate	504	77	24	67
<b>Total</b>	<b>659</b>	<b>-1,603</b>	<b>1,038</b>	<b>-1,253</b>

**Capital employed by business segment**

MSEK	31/12/2008	31/12/2007
Defence and Security Solutions	4,510	4,417
Systems and Products	8,431	9,115
Aeronautics	3,022	4,202
Corporate	-2,745	-2,965
<b>Total</b>	<b>13,218</b>	<b>14,769</b>

## PERSONNEL

**Personnel by business segment**

MSEK	31/12/2008	31/12/2007	Change
Defence and Security Solutions	4,666	5,031	-365
Systems and Products	4,869	5,213	-344
Aeronautics	3,100	2,911	189
Corporate	659	602	57
<b>Total</b>	<b>13,294</b>	<b>13,757</b>	<b>-463</b>

**NOTE 4**

## TAXES

MSEK	2008	2007
Current tax	-30	-245
Deferred tax	194	-263
<b>Total</b>	<b>164</b>	<b>-508</b>

**NOTE 5**

## DIVIDEND TO PARENT COMPANY'S SHAREHOLDERS

At its meeting on February 12, 2009, the Board of Directors decided to Propose to the Annual General Meeting that the Parent Company's shareholders receive a dividend of SEK 1.75 per share, totaling MSEK 187.

**NOTE 6**

## INTANGIBLE FIXED ASSETS

MSEK	31/12/2008	31/12/2007
Goodwill	3,438	3,404
Capitalized development costs	3,628	3,732
Other intangible assets	624	804
<b>Total</b>	<b>7,690</b>	<b>7,940</b>

**NOTE 7**

INTEREST BEARING LIABILITIES

MSEK	31/12/2008	31/12/2007
Liabilities to credit institutions	2,832	2,603
Liabilities to ass comp and JV	1,029	1,041
Other interest-bearing liabilities	22	16
<b>Total</b>	<b>3,883</b>	<b>3,660</b>

**Committed credit lines**

MSEK	Facilities	Drawings	Available
Revolving credit facility (Maturity 2012)	4,000	-	4,000
Back-up facility (Maturity 2009)	2,100	300	1,800
Overdraft facility (Maturity 2009)	421	-	421
<b>Total</b>	<b>6,521</b>	<b>300</b>	<b>6,221</b>

**Parent company**

MSEK	31/12/2008	31/12/2007
Long-term liabilities to credit institutions	1,076	1,158
Short-term liabilities to credit institutions	2,756	2,500
<b>Total</b>	<b>3,832</b>	<b>3,658</b>

Of short-term liabilities to credit institutions, MSEK 2,456 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	31/12/2008	31/12/2007
The following components are included in liquid assets:		
Cash and bank balances (incl. available overdraft facilities)	795	825
Deposits	27	33
Total according to balance sheet	822	858
<b>Total according to statement of cash flows</b>	<b>822</b>	<b>858</b>

**Operating cash flow vs. statement of cash flows**

MSEK	2008	2007
<b>Operating cash flow</b>	<b>659</b>	<b>-1,603</b>
Investing activities – interest-bearing:		
Financial investments and receivables	-89	-247
Financing activities:		
Loans raised	85	2,017
Establishment of pension fund	-	-43
Repurchase of shares	-209	-184
Dividend paid to the Parent Company's shareholders	-487	-464
Contribution from/dividend to minority interest	10	-2
<b>Cash flow for the year</b>	<b>-31</b>	<b>-526</b>

**Specification of operating cash flow for 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	1,877	-	195	2,072

CASH FLOW FROM CHANGES IN WORKING CAPITAL

Inventories	-4	-	-23	-27
Receivables	-54	-	366	312
Advance payments from customers	-1,615	-	-3	-1,618
Lease obligations	-	-	-220	-220
Other liabilities	768	-	-60	708
Provisions	-85	-	-188	-273
Change in working capital	-990	-	-128	-1,118

<b>Cash flow from operating activities</b>	<b>887</b>	<b>-</b>	<b>67</b>	<b>954</b>
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INVESTING ACTIVITIES

Investments in intangible fixed assets	-636	-	-	-636
Investments in tangible fixed assets	-386	-	-	-386
Sale of tangible fixed assets	41	-	-	41
Sale of lease assets	-	-	212	212
Sale of and investment in shares, etc.	-38	-	69	31
Sale of subsidiaries, net effect on liquidity	-	443	-	443

<b>Cash flow from investing activities excluding change in interest bearing financial assets</b>	<b>-1,019</b>	<b>443</b>	<b>281</b>	<b>-295</b>
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<b>OPERATING CASH FLOW</b>	<b>-132</b>	<b>443</b>	<b>348</b>	<b>659</b>
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**NOTE 9**

ASSETS AND LIABILITIES HELD FOR SALE

Assets and liabilities held for sale comprise investment properties. During the second quarter a decision was taken not to divest Saab Grintek Technologies that previously was held for sale. During the third quarter 2008, 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 year. The effect on Saab's income statement if the sale had taken place on January 1, 2008 would have been a decrease in sales of MSEK 413 and a decrease in net income of MSEK 13.

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.

The impact on the Group's liquidity during 2008 was as follows:

MSEK	
Purchase price received Saab Space	335
Purchase price received Saab Grintek Defence Ltd	78
Other purchase prices received	30
<b>Increase of the Group's net liquidity</b>	<b>443</b>

**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 3,083 as of December 31, 2008, compared with an obligation of MSEK 4,454 according to IAS 19, or a solvency margin of 69 percent. In a comparison with the obligation according to the FPG/PRI system, the solvency margin was 84 percent.

**NOTE 12**

CONTINGENT LIABILITIES

No additional obligations were added during 2008. 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 2008. Related parties with which the Group has transactions are described in the annual report for 2008, note 43.

**NOTE 14**

CONDENSED SUBDIVIDED BALANCE SHEET AS OF DECEMBER 31, 2008

MSEK	Saab	Saab Aircraft Leasing	Eliminations	Saab Group
<b>ASSETS</b>				
Intangible fixed assets	7,690	-	-	7,690
Tangible fixed assets etc.	3,889	-	-	3,889
Lease assets	1	1,834	-	1,835
Long-term interest-bearing receivables	443	-	-	443
Shares, etc.	1,934	3	-1,500	437
Other long-term receivables	895	22	-	917
Deferred tax assets	710	131	-	841
Inventories	4,266	39	-	4,305
Other current assets	9,344	46	-	9,390
Derivatives	1,315	-	-	1,315
Short-term interest-bearing receivables	858	1,124	-1,053	929
Liquid assets	795	27	-	822
Assets held for sale	77	-	-	77
<b>Total assets</b>	<b>32,217</b>	<b>3,226</b>	<b>-2,553</b>	<b>32,890</b>

SHAREHOLDERS' EQUITY AND LIABILITIES

Shareholders' equity	9,038	1,792	-1,500	9,330
Provisions for pensions	4	-	-	4
Deferred tax liabilities	1,105	-	-	1,105
Other provisions	2,214	898	-	3,112
Interest-bearing liabilities	4,936	-	-1,053	3,883
Advance payments from customers	897	-	-	897
Other liabilities	11,660	536	-	12,196
Derivatives	2,363	-	-	2,363
<b>Total shareholders' equity and liabilities</b>	<b>32,217</b>	<b>3,226</b>	<b>-2,553</b>	<b>32,890</b>

**NOTE 15**

FORECAST 2009

Saab's future development is dependent on the Swedish defence plans and will continue to be affected by the global economy. Saab is therefore facing uncertainties in the business environment.

We expect 2009 sales to be flat.

The profit margin in 2008 compared to 2009 will be reduced by about 4 percentage points due to our more conservative accounting for development costs.