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Anders Stålhammar

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## Saab removes its risk in regional aircraft lease portfolio

### **Saab announces a Financial Risk Insurance Program which will isolate the performance of its existing portfolio from future risk and volatility in the regional aircraft market**

The insurers are a consortium of highly rated international insurance companies. Income guaranteed through insurance is USD 1,170 m. after deduction of a 10 % first loss borne by the insured. The transaction cost is USD 43 m. after tax and is covered by current provisions.

The Saab aircraft lease portfolio consists of 302 Saab 340 and Saab 2000 aircraft on lease with 30 airlines world-wide. The insurance policy covers 203 Saab 340 and Saab 2000 aircraft. The 99 Saab 340 aircraft not included in the policy represent minimum exposure for Saab since 57 are funded with non-recourse long term loans and 42 are covered by asset value insurance issued by EKN, the Swedish government agency for Export Guarantees.

The policy secures the deemed lease income for the 203 aircraft during the coming 15 years from market cycles, competition, obsolescence and customer default. The market value of the portfolio's contracted and expected lease income and the associated financing outflow obligations balance with the present provision.

The insurance policy has been implemented under the leadership of BAE SYSTEMS using MMC Enterprise Risk, an operating entity of Marsh & McLennan Companies (MMC) as the insurance broker. The policy is based upon the Financial Risk Insurance Program entered into in 1998 by BAE SYSTEMS for its regional aircraft portfolio.

Saab will continue to manage the placement of its regional aircraft portfolio to enhance shareholder value by minimizing its first loss position and also by maximizing income.

Bengt Halse, CEO of Saab, said: - "Whilst we believe we have adequately provided against the downside risk for our regional aircraft, recognizing the time scales over which this activity must be assessed, and the cyclical nature of this activity it is prudent to draw a line under our exposure in this way. Our focus is on enhancing income from the Saab fleet and servicing our customer needs, thus delivering added value to our shareholders."

Postadress/Postal address

**Saab AB (publ)**  
Koncernstab Information  
Corporate Communications and Public Affairs  
SE-581 88 Linköping  
Sweden

Besöksadress/  
Office address

Bröderna Uggla's gata  
Linköping

Telefon/Telephone

Nat 013 - 18 00 00  
Int +46 13 18 00 00

Telefax

Nat 013 - 18 71 70  
Int +46 13 18 71 70

Styrelsens säte/  
Registered office  
Linköping

Organisationsnr/  
Reg. No.

556036-0793

Momsreg-nr/  
V.A.T. No.

SE556036079301



Peter Sandehed, Senior Vice President Corporate Treasury, said: - "This strengthens Saab's financial position by virtually eliminating the downside risk from the fleet of regional aircraft, and takes away the uncertainties around the valuation of the leasing portfolio."

Peter added: - "We are pleased to have worked with BAE SYSTEMS and MMC Enterprise Risk as our advisors as well as with our lead re-insurers - Winterthur International Strategic Risk Solutions, Swiss Re New Markets, Mitsui Marine International and AMBAC - to achieve this highly innovative approach to managing aircraft risk using the international insurance markets."

*Saab is northern Europe's leading high technology company, mainly active in the defense, aviation and space industry, and offers advanced products and systems based on sophisticated information technology. The business areas within Saab are Infomatics, Aerospace, Dynamics, Technical Support and Services, Space and Aviation Services.*

**For further information please contact:**

Peter Sandehed, Senior Vice President Corporate Treasury  
Agneta Kammeby, Manager Investor Relations

tel. +46 13 18 21 12  
tel. +46 13 18 71 25

[www.saab.se](http://www.saab.se)