



SAAB

ANNUAL REPORT 2009



A WORLD IN TRANSFORMATION
**A COMPANY AT THE FOREFRONT
OF TRANSFORMATION**

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While every care has been taken in the translation of this annual report, readers are reminded that the original annual report, signed by the Board of Directors, is in Swedish.

WE LISTEN, WE DELIVER

Saab's focus is to:

- Understand customers' needs around the world, today and in the future
- Maintain our technological leadership in key areas through focused research and development (R&D)
- Supply leading security technology to the civil sector
- Build long-term partnerships through close operational alliances



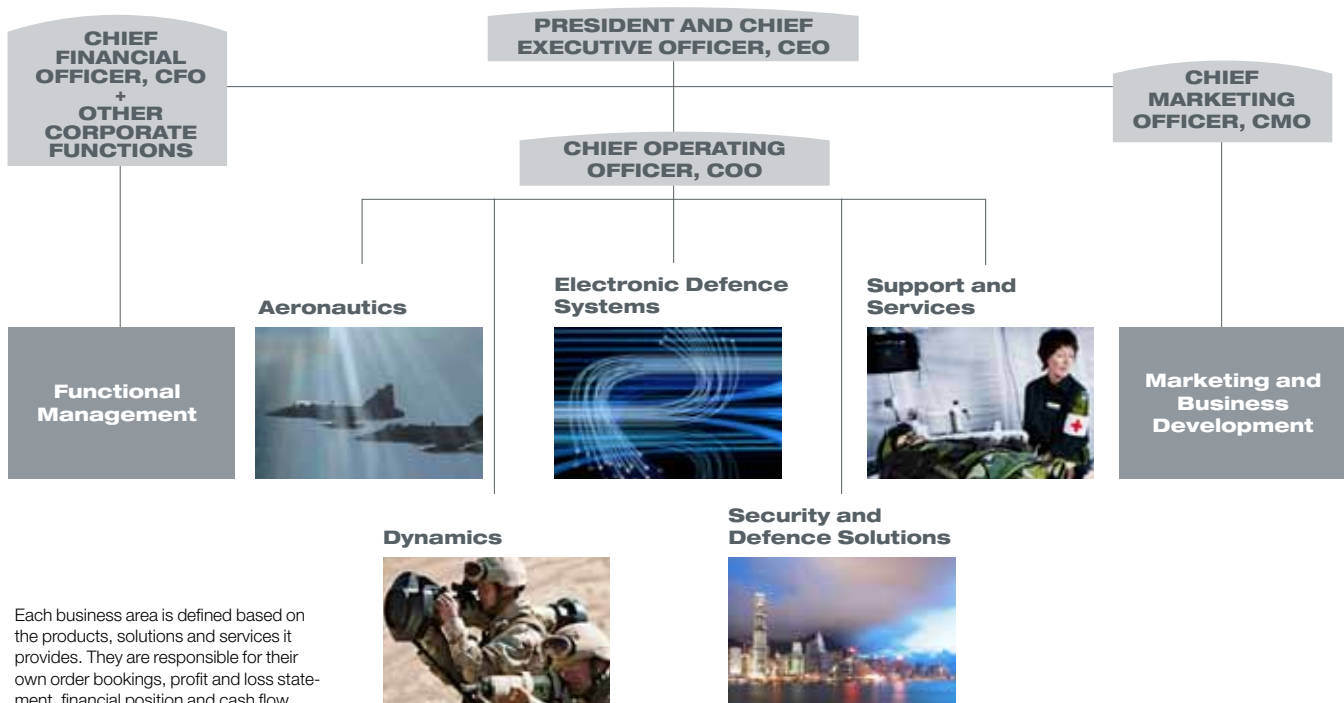
SAAB IN BRIEF

Saab serves the global market with world-leading products, services and solutions from military defence to civil security. With operations on every continent, Saab continuously develops, adapts and improves new technology to meet customers' changing needs. Its most important markets today are Europe, South Africa, Australia and the US.

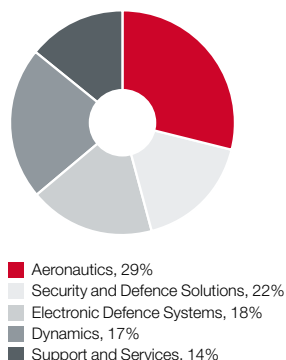
Saab has around 13,200 employees. Annual sales amount to around SEK 25 billion, of which research and development account for about 20 per cent of sales.

The global defence industry is currently undergoing an extensive transformation. To adapt to the new conditions in the industry, Saab has divided operations since 1 January 2010 into five business areas: Aeronautics, Dynamics, Electronic Defence Systems, Security and Defence Solutions, and Support and Services. The goal is to create a more market-oriented company with even greater focus on customers' future needs and requirements. This means, among other things, that Saab will continue to grow in the global market and develop distinctive customer offerings.

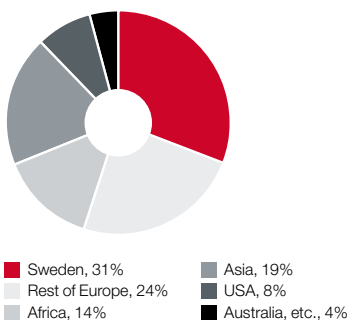
Saab organisation 2010



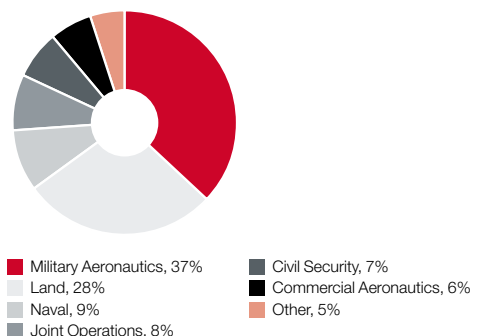
SALES BY BUSINESS AREA 2009, %



SALES BY GEOGRAPHICAL REGION 2009, %



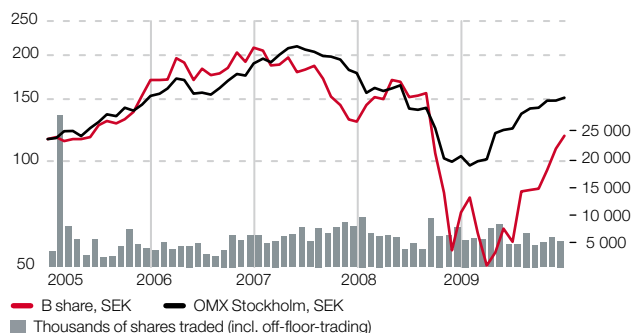
SALES BY MARKET 2009, %



IMPORTANT EVENTS IN 2009

- Saab and the Swedish Defence Materiel Administration (FMV) continue to co-operate to maintain the Gripen system's capabilities.
- In February, Saab submitted an offer for 36 Gripen NG (Next Generation) fighter aircraft to the Brazilian Air Force. In October, an updated offer was submitted.
- In March, Saab signed a contract with the Australian Defence Materiel Organisation to develop a multi-link communication capability for the ANZAC and Canberra class ships.
- In April, notice of lay-offs was served to 300 employees of Saab AB in Linköping as a result of low volumes in commercial aircraft production. In June, Saab decided to reorganise Saab Bofors Dynamics AB, as a result of which notice of redundancy was served to a total of 370 employees.
- In April, Saab signed a contract to produce a training system for the US Marine Corps.
- In July, Saab was selected by Baulderstone Pty Ltd to supply a security solution for a prison near Gatton, in Australia. This represents a breakthrough for Saab in civil security in the Australian market.
- In August, Saab signed a contract with the UK Ministry of Defence to deliver training systems in support of British Army training exercises in Kenya.
- In September, Saab announced a changed structure of its operations and how they are governed. Instead of the previous three business segments and fifteen business units, Saab is organised in five business areas with effect from January 2010.
- In November, Saab signed a contract to sell an airborne surveillance system to the United Arab Emirates. The contract is worth approximately SEK 1.5 billion.
- In November, Saab established a Medium Term Note programme (MTN) of SEK 3 billion to enable the issuance of long-term loans on the capital market. Under the terms of the programme, Saab issued bonds and Floating Rate Notes (FRN) of SEK 1.1 billion, maturing in December 2013.
- In December, Saab signed two contracts to deliver the Carl-Gustaf man-portable weapon system.
- In December, Saab received an order for the ARTHUR WLS (Weapon Locating System) from the Italian Army. The order was obtained in collaboration with the Italian company Selex Sistemi Integrati (Finmeccanica Group). The value of the order to Saab is approximately MEUR 46 (MSEK 475).
- Saab and Mitsubishi Aircraft Corporation signed a framework agreement for support solutions in December, in connection with which an initial offer was received to develop technical publications to support the Mitsubishi Regional Jet (MRJ) programme.

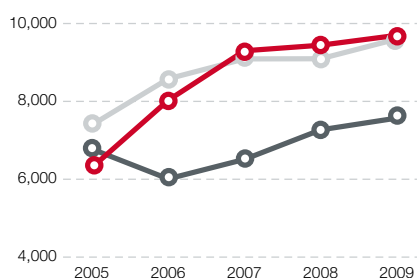
SAAB B, 1 JANUARY 2005-31 DECEMBER 2009



Key financial ratios(MSEK)	2009	2008
Sales	24,647	23 796
EBITDA	2,598	1,515
EBITDA margin, %	10.5	6.2
Operating income	1,374	166
Operating margin, %	5.6	0.7
Adjusted operating margin, %	5.4	8.4
Non-recurring items	50	-1,828
Income after financial items	976	-406
Net income	699	-242
Earnings per share, SEK (after dilution)	6.28	-2.31
Dividend per share, SEK	2.25 ¹⁾	1.75
Return on equity, %	7.0	-2.4
Equity/assets ratio, %	35.1	28.4
Order bookings	18,428	23,212
Order backlog at year-end	39,389	45,324
Research and development	4,820	4,141
Internally financed R&D	1,194	1,439
No. of employees at year-end	13,159	13,294
Share of women, %	22.4	22.5
Academic degree, %	48.5	48.0
Sick leave ²⁾ , %	2.3	2.5

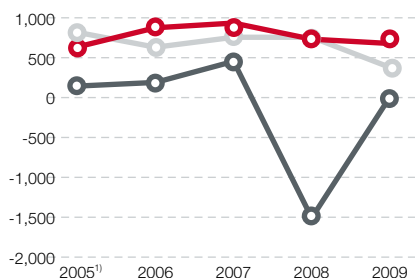
¹⁾ Proposal by Board of Directors
²⁾ Saab in Sweden

SALES, MSEK



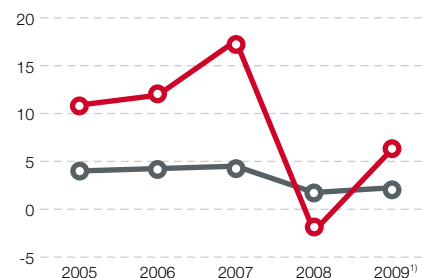
— Defence and Security Solutions
 — Systems and Products
 — Aeronautics

OPERATING INCOME, MSEK



¹⁾ Restated according to IFRS
 — Defence and Security Solutions
 — Systems and Products
 — Aeronautics

EARNINGS AND DIVIDEND PER SHARE, SEK



¹⁾ Proposal by Board of Directors
 — Earnings after dilution — Dividend per share

Our principal scenario for the next twenty years

THREE SECURITY LEVELS AS A RESULT OF **GLOBAL DEVELOPMENTS**

In the 2008 annual report we described the developments that led to the security policies in effect today, with two coexisting security doctrines: border defence and flow protection. Understanding the coexistence of these two is essential to understanding the conditions under which Saab operates. Today we live in a flow society, where global supranational and local urban power and customer structures are growing in importance at the same time as threat scenarios are changing.

To prevent future wars, and as recognition of their mutual dependence, the powers that be developed a new international security doctrine just before the end of World War II. We call this philosophy the Dumbarton Oaks system, named after the estate in Washington, DC where the conference was held.

The world order that they wanted to change had arisen after the Thirty Years War that ended with the Peace of Westphalia in 1648. The principles of peace and prosperity that were agreed upon at the time are often thought to have been the foundation of the system of the national state (the Westphalian system), which is based on national sovereignty, self-sufficiency and a balance of power.

The countries attending the Dumbarton Oaks conference stressed their common interests and mutual dependence as a way to alleviate conflicts. As countries became more dependent on cross-border trade and other forms of exchange, sovereignty, self-sufficiency and territorial and border fights would no longer dominate the intergovernmental agenda. Instead, the focus would be on common values and cross-border interests, including cross-border flows of goods and services. In the long run, the conference gave rise to institutions such as the UN, GATT (the forerunner to the World Trade Organization, WTO), the World Bank and the International Monetary Fund, all of which are aimed at establishing a global framework for peace and prosperity.

The EU and its inner market – the free flow of goods, services, people and capital – were born from the Dumbarton Oaks philosophy. When it took effect on 1 December 2009, the Lisbon Agenda finally realised this political vision in a single, over-riding document now covering a large part of Europe.

The conclusion is that the two systems, Westphalia and Dumbarton Oaks, now co-exist in a very complex merger of the two. To understand these two co-existing security doctrines, it is also essential to understand the strategic conditions for Saab's operations: defence and civil security

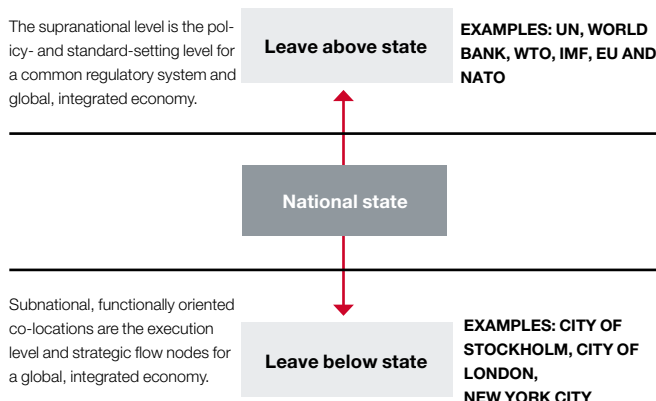
POWER SHIFT: SEVERAL GOVERNING LEVELS

The impact of the Dumbarton Oaks is closely linked to perhaps the biggest megatrend in the last century – globalisation. Globalisation has not only increased international trade, shrunk the world and shifted economic and political power between countries, companies and economic players; it also affects the balance of power between local, regional and national authorities.

Basically, globalisation and economic integration are shifting political power both upward to a global supranational environment and downward to a local environment. Power and mandates are being shifted both upward from the national state to policy- and standard-setting supranational players such as the UN, EU, NATO, IMF and WTO – and down to the local arena and functionally oriented players such as regions, cities and industrial clusters.

We believe that this trend will strongly influence Saab's industry for the foreseeable future.

Power shift



THE SECURITY MISSION OF THE SUPRANATIONAL LEVEL: TO SET COMMON RULES AND TO IMPLEMENT COMMON MEASURES

The supranational level is the backbone of the Dumbarton Oaks system, since it provides a framework of common values, rules and standards within which various types of flows can stream without the restriction of borders. Supranational players have grown substantially in number since they were first established in the middle of the previous century. Today there are around 250-300.

International alliances – political, commercial and military – increasingly focus on safeguarding common interests in the global economy. This is done at an operating level, preferably through emergency preparedness for various types of threats to the economy, public health, the environment and our common values. A few examples follow.

Joint efforts to meet threats to the flow system

Managing the current financial crisis is a topical example of “flow-sustaining actions”. This was especially evident during the G-20 summit in London on 2 April 2009, when leaders from the 20 largest nations agreed to work together to find a way out of the financial crisis. All of them understood that their nations are totally dependent on cross-border trade and capital flows. That’s why they were able to agree on an international political and economic growth agenda that, under the slogan “stability, growth, jobs”, allocated enormous stimulus resources to secure the system.

A recent military example of flow-sustaining actions was when around 25 nations joined together to stop piracy off the coast of Somalia. Among the 25 are a number of nations such as the US, Iran, China, India and Pakistan. The reason for the alliance is naturally their shared flow interests.

Joint efforts to meet threats to the environment and public health

Large-scale health and environmental disasters could cause enormous stress to our flow-integrated world. Both threats are international in nature and can quickly spread in a global, integrated and borderless world – i.e., typical challenges in the Dumbarton Oaks system. A recent example is the rapid spread of the H1N1 flu that began in Mexico in 2009. In the UN’s case, these issues are handled mainly by the WHO, and in the EU’s case by the ECDC (European Centre for Disease Prevention and Control). Both take “self-sustaining actions” and both have their own “emergency resources”.

With regard to environmental threats to the flow society and the seriousness with which they are taken at the supranational level, it is probably enough to point to the international political efforts that have been made in this area, including through the creation of the Intergovernmental Panel on Climate Change (IPCC) and the UN’s climate conferences, most recently in Copenhagen (COP15). Never before have so many national leaders met to try to decide on actions

to confront a shared issue – Westphalian meets Dumbarton Oaks, you might say. What they managed to agree on was to begin to allocate significant economic resources for “environmentally sustaining actions.”

Joint efforts to meet threats to peace and democracy

The UN currently has 17 peacekeeping missions around the world: eight in Africa, three in the Middle East, three in the Asia Pacific region, one in the Americas and two in Europe. NATO’s ISAF forces in Afghanistan currently have over 70,000 soldiers from more than 40 nations and the KFOR forces in Kosovo have 14,000 soldiers from nearly 40 nations. The EU is leading five military peacekeeping operations as well as a number of policing and civil/military efforts.

International alliances – political, commercial and military – increasingly focus on safeguarding common interests in the global economy. This is done at an operating level, preferably through emergency preparedness for various types of threats to the economy, public health, the environment and our common values.

Our future outlook: pooled resources and further integration

Joint efforts of every kind typically require interoperable systems and shared, co-ordinated resources. These are trends Saab has been familiar for years as they impact market conditions. Naturally, a market for joint actions means a varying customer structure that gradually changes character. For example, we may see greater integration between civil and military efforts. This means that the market for technology and systems for joint missions is broader than before and growing. One result is that nations are beginning to discuss procuring materiel that already exists and is used by others (off-the-shelf) and that they no longer will want to finance development themselves. This is where we as a company have to juggle both the Westphalian and Dumbarton Oaks systems. In our opinion, for example, supranational procurement is still far away, with the exception of bilateral projects that seem to be driven mostly by potential cost savings. With regard to the fighter aircraft market, there are no signs that it won’t continue to be national in nature, although in a much more collaborative environment both nationally and industrially, much in the same way that the Gripen system is designed and built.

In the same way that it was previously was part of the national Swedish defence within the framework of the Westphalian doctrine, Saab has a new, important role in the global society and its overriding security system, this time within the framework of the Dumbarton Oaks doctrine.

MEGACITIES AS NODES IN THE INTERNATIONAL TRANSACTION SYSTEM



The figure shows the world's largest cities in relation to the flow of goods by sea. The red arrows indicate intensive traffic. The biggest cities in the world are generally located right where the red arrows reach land, which at a broad level is an indication of the importance of their role in the global flow of trade.

BUILDING SUSTAINABLE CITIES

It may seem as a paradox, but in practice globalisation gives the local political arena more influence. This is because cities represent critical nodes and pumping stations in the flow system. They are the centre of flows of goods, capital, information and people, and it is in cities that these flows materialise and are concentrated. It is worth noting that 90 per cent of global trade at some point is still shipped by sea and that 14 of the world's 19 largest cities are also ports.

It is also in cities that flow infrastructure such as harbours, airports, train stations, banks, computer servers, businesses, distribution centres, warehouses and loading terminals is co-located. It is there that the necessary growth factors and relevant flows intersect and economic growth can develop. In the same way that cities are dependent on flows for their economic growth, flows are dependent on strategic locations, nodes and co-locations – cities – that serve as hubs, marketplaces, disposal sites, customers and so on. As a result, the subnational level becomes the execution level in a flow society.

Back to the future

It is hardly a radical idea that cities would be important in a system where trade flows take precedence over national borders, exactly like in the Dumbarton Oaks system. One example is the system that

existed in Europe before Westphalia. When the concept of the national state was introduced in Europe in the 17th century, in our region it replaced the Hansa, an urban trading alliance that worked for around 400 years. In the Hanseatic League, cities joined together to trade with each other and trade routes were protected by the league's own navy. Joint security and trade policies were stipulated annually on Hansa days.

What is new is the magnitude of cities' importance in the modern world. Their value and influence has grown in pace with urban populations, globalisation and economic development, and has been further strengthened by the fact that cities and their mayors are increasingly organising themselves nationally and internationally. Environmental issues in particular illustrate the growing involvement and influence of cities, which is logical since most resources are consumed and pollutants generated in and around cities.

The Urban Millennium

A milestone in urbanisation was reached in 2007 when 50 per cent of the world's population lived in cities. For 2030 the projection is over 60 per cent. By 2050, no less than 70 per cent of the world's population is expected to be urban. The 2000's are sometimes called the Urban Millennium.

According to recent data, the 100 largest megacities account for upwards of 30 per cent of global BNP, and the 30 largest cities 18 per cent. Of the world's 100 largest economies, perhaps less than half are metropolitan regions, a large number of which are American. For this reason, cities are often called the world's growth engines.

For his part, President Obama has stated that the US needs a federal policy for metropolitan regions, since cities are the engines of economic growth and the building blocks of strong regions. After his inauguration, the president created the White House Office of Urban Affairs.

Building sustainable cities means protecting the flow society's nodes and pumping stations and ensuring that critical flows are uninterrupted. Aside from perhaps the most important challenge to avoid functional interruptions and breakdowns due to a lack of capacity and maintenance of critical systems.

Building sustainable cities means protecting flows, economic growth and society as a whole

Building sustainable cities means protecting the flow society's nodes and pumping stations and ensuring that critical flows are uninterrupted. Aside from perhaps the most important challenge to avoid functional interruptions and breakdowns due to a lack of capacity and maintenance of critical systems, the traditional threat scenarios from criminality, sabotage and terror still remain.

Public announcements by authorities, city officials and collaborating companies regarding sustainability-related urban projects often emphasise the environment. The fact is, however, that sustainability in a broad sense encompasses problems, technologies and solutions traditionally found in the defence and security sector. In practice, this just as much involves surveillance, management, logistics, training, efficiency and security as the environment – and represents a huge market.

A city that is environmentally, socially and economically sustainable will be less vulnerable to the threats of terrorism, recessions, natural disasters and infrastructural bottlenecks. Maintaining a large city is a complex job. Urban functionality and security require a highly efficient infrastructure to transport people and goods, water and energy supplies and waste systems.

Saab's technological base fits perfectly in urban environments, i.e., surveillance, control and coordination of a city's vital flows. Global cities' surveillance, control and action systems are just as advanced today as military systems, and their command centres are designed in largely the same way. A city consists of more or less integrated systems that managed round-the-clock in real time, which is not far from what Saab specialises in on the military end.

Saab has been working for years to find civil applications for its key technologies. Initially, this has led to the development of security solutions for flow-critical facilities such as nuclear power plants, harbours and airports. To a growing extent, it will also involve managing large civil flows – surveillance, control, oversight, efficiency – particularly in large cities. Today Saab has a relatively small share of its operations in these areas. However, we expect cities and related interests to increase in importance for the company. If the national state can be called a power centre in the Westphalian system, cities can be considered increasingly influential strategic players in the post-Westphalian system, particularly since the budgets of major cities are growing over time in relation to many national states.

Leaders of the world's cities are facing challenges of previously unknown character and magnitude, since their municipalities are dependent on flows, at the same time that their efforts are decisive to maintaining these flows in an efficient, sustainable and safe manner. The budgets available for security solutions in a broad sense in the world's major cities are larger in many cases than the corresponding budgets for national security. If you also add solutions to enhance the operating functionality and efficiency of these cities, the budget volumes increase many times over.

Looked at this way, as more and more people are doing, the market to build sustainable cities is not only huge. This increasingly integrated market also constitutes part of modern society's overall security system – all within the framework of the Dumbarton Oaks doctrine.



Saab Chairman Marcus Wallenberg (MV) and CEO Åke Svensson (ÅS) in a conversation on challenges and opportunities.

SAAB HAS NOW **CHOSEN** **DIRECTION**

The world is changing, and as always this creates friction. Saab made a number of long-term decisions in 2009 based on its analysis of current conditions and future outlook. The aim of our overriding strategy is to position Saab to successfully meet the complex security needs of people and society. Solutions for civil security and flow efficiency play a key role in Saab's strategy, where effective defence solutions serve as a starting point.

MW: We should begin by stating that uncertainty about macroeconomic conditions remains great. The recent crisis has forced many countries to take on a greater debt burden. In the long run, this could impact defence budgets.

ÅS: Initially, our civil operations were hard hit by the economic crisis. The military side has been less affected by the weak global economy, and all our deliveries have continued as planned. However, we have seen some cautiousness with regard to major new orders. People are having second thoughts, evaluating a little extra, modifying their procurements. Large orders are taking more time, which is reflected in declining order bookings and a smaller order backlog. Although this is causing delays, we expect a turnaround as the economy stabilises.

MW: There are certainly no signs of fewer conflicts around the world, and threat scenarios have intensified in many areas. Security interests are also being reassessed in our region, and this includes important economic aspects.

ÅS: The Baltic Sea has become a greater focus of attention because the Nord Stream pipeline that will provide Europe with Russia natural gas is now being laid through Finnish, Swedish and Danish territorial waters. Eight of nine countries bordering the Baltic Sea are members of the EU, so it is understandable that the EU Commission, on the initiative of the European Parliament, has drafted a strategy and action plan for the Baltic Sea. It was presented during Sweden's EU chairmanship and is aimed at balancing economic growth, the region's attractiveness, environmental concerns and security interests.

MW: The problems presented by the Baltic Sea clearly illustrate the prerequisites and complexity of the new flow society, where trade and military aspects overlap. Russia has been clear that one of the roles of the Russian navy is to protect energy shipments, which of course is also a common interest. Efficient energy supplies are crucial, and shipments of fossil fuels are sensitive, whether they are sent by land or sea, above or below the surface.

ÅS: While Russia and the EU essentially share the same interest in getting Nord Stream in place and ensuring transport flows, threat and risk scenarios won't change the same way for everyone involved. A sabotage attempt would have dire environmental consequences for the eight EU member states bordering the Baltic Sea, whereas Russia and the countries receiving the gas would be impacted economically. Once the Lisbon Treaty finally was adopted in 2009, Europe took an important step toward a common security policy. This means, among other things, that Sweden has accepted the principle of solidarity and must be prepared to both give and receive support in the event of a serious crisis in another EU member state.



MW: Further integration as part of the EU will greatly affect Saab's opportunities going forward. One possible scenario is that a common security policy will transition over time into a common defence policy. How we position Saab in that case is of course hugely important to our future.

ÅS: The defence industry is the major exception to the EU's open market, but the aim is now to create a more open market and establish more competition in this area. The European Defence Agency, EDA, which co-ordinates European defence materiel interests, is actively driving this issue. More defence contracts are now procured across national borders on the EDA's Electronic Bulletin Board, and more subcontracting work is expected to be procured there as well.

MW: The idea of creating a level playing field with clear rules for defence contracts within the EU is extremely welcome, of course, as are the Global Principles that the EU and the U.S. agreed on in Helsinki in 2009 to create common rules to ban corrupt business practices.

ÅS: We ourselves apply the strictest possible ethical guidelines through our corporate responsibility and anti-corruption work, which is why it is very much in our interests that a transparent playing field is created around the world. We support any efforts to achieve this.

MW: In addition, the principles which Saab and several companies in the European and US defence industry have pledged to abide by require zero tolerance of corruption.

ÅS: The EU has had a common reaction-based defence force for several years, which requires that equipment and materiel are interoperable. This explains the trend toward buying "off the shelf," which is very much evident in Sweden's new defence doctrine. We offer many of our most successful products from our "shelf." This includes most of the weapon systems we have brought together in the new Dynamics business area. Many of our off-the-shelf products today were initially developed in close cooperation with the customer, usually the Swedish defence through the Defence Materiel Administration, such as advanced missiles, sensors and countermeasures systems.

MW: Highly sophisticated systems could never be created without a close alliance with and financing from a strategic customer. Gripen is the most obvious example. The system would not exist without the initial order from the Swedish defence forces.

ÅS: Innovation requires you to take risk. Major technological breakthroughs happen when a customer with resources orders something that doesn't exist. That's when innovations find application far outside the problem they were originally designed to solve.

MW: The Internet is an example. It was a military project from the beginning, and it changed the world. So did GPS, which has brought digital maps and navigation capabilities to practically every mobile phone.

ÅS: Industrial companies can make risky investments if they see a clear need and an efficient market, but there is a limit to how much risk you can take on and how complex systems can become. This is why the state plays a very important role in innovation procurements. It can hardly be stressed enough, even from an economic-growth perspective. Professor Gunnar Eliasson from the Royal Institute of Technology recently conducted an analysis (see page 42), showing that the money that the government invested in the Gripen system has been repaid to Swedish taxpayers 2.6 times over through technology transfers to other business sectors, and he claims to have estimated at the low end. The U.S. expects military innovations to pay back at a multiple of 4 to 5. It is extremely important that the Swedish state continues to invest in innovative technology – not only for companies like Saab, but for the sake of the entire country's economic development.

MW: Other European countries are giving this high priority, which is benefitting their defence industries and in the long-term their entire industrial sector. It will take time before we see major innovation procurements on a pan-European level.

ÅS: This is unfortunate. The EDA has objectives in this area, however, and the EU's framework programme for research and technological development could focus more attention on the defence industry. The European Defence Technology Industrial Base is designed to promote technology development, so that the EU can keep pace with the U.S., China and Russia. This includes the defence industry and civil security, so we can expect the EU and EDA to take a more holistic view of military and civil security.

“Innovation requires you to take risk. Major technological breakthroughs happen when a customer with resources orders something that doesn’t exist. That’s when innovations find application far outside the problem they were originally designed to solve.”

MW: Even though defence requirements still dominate our operations, we are increasingly seeing indications of how military and civil resources are being integrated, most recently in the efforts to help earthquake-ravaged Haiti.

ÅS: This is also reflected in our new organisation, and of course in the strategies behind it. In the Security and Defence Solutions business area, we have brought together our systems, solutions and applications for both civil and military needs, which are based on the same technologies, e.g., command and control systems, communication systems, reconnaissance and surveillance systems, airborne early warning systems, and simulation and training. Developments from a military context are finding broader application in efforts to maintain flows and protect critical systems in society. Technology is being transferred in the other direction as well. Military systems are increasingly adapting civil technology.

MW: The borderline between military and civil security is gradually disappearing. This is perhaps most evident in the U.S. and relationship to the rest of the world. The terrorist attacks on 9/11 were a huge turning point in this respect. What the U.S. has since called Homeland Security has grown immensely.

ÅS: It is worth remembering that the principal target of the 9/11 attack was the World Trade Center. Many people have interpreted this as a declaration of war by clan societies on our global flow society. It created a totally new conflict map with civil society as a target.

MW: Civil security will unquestionably become a huge emerging market, but at this point it remains fragmented. Large procurements, where various authorities join together, are unusual. But it would certainly be beneficial if police and customs authorities pooled their resources – for example, in terms of unmanned aerial vehicles, UAV’s – to fulfil their missions.

ÅS: Our new organisation is based on five areas that are the future of our business. In addition to Security and Defence Solutions and Dynamics, as we have already mentioned, there are Aeronautics,

which comprises Gripen, unmanned aerial vehicles and civil aeronautics; Electronic Defence Systems, comprising radar and countermeasures systems; and, lastly, Support and Services, where we work closely with our customers in their operations. In all these areas we are already a world leader or have the opportunity to become one. This is where we are now concentrating our resources, not least in R&D, where the aim is to increase our own efforts going forward in order to retain leading technology.

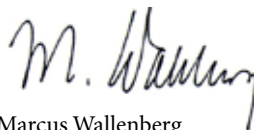
MW: By focusing as we have done, we also facilitate cost efficiency in the organisation and can achieve the savings we had hoped for in the current efficiency improvement programme.

ÅS: We are now in the last year of the original programme and have produced very good results, even though some of the impact this year has been offset by structural costs and a change in the business mix compared to previous years. Taken together, the Billion+ Programme, the reorganisation and new orders will lay the foundation for our future growth and profitability.

MW: There are plenty of challenges ahead, both internally and externally, and establishing a sustainable cost level that ensures we can remain competitive is one of them.

ÅS: With our new, focused business direction, I am convinced we will be able to handle it and capitalise on new business opportunities that open up for both our military and civil operations.

Stockholm, March 2010



Marcus Wallenberg
Chairman



Åke Svensson
President and CEO

OUR MISSION ESSENTIALLY IS TO PROVIDE **SECURITY**

The demand for security on the part of people, society and companies is the ultimate driving force in our business.

Security needs and threat scenarios have changed in significant respects as our global society develops new structures and trade patterns.



Our business concept

Saab constantly develops, adopts and improves new technology to meet changing customer needs. Saab serves the global market of governments, authorities and corporations with products, services and solutions ranging from military defence to civil security.



Our vision

It is a human right to feel safe.

Since Saab was started, we have strived to keep society and people safe. It is a basic human need to feel safe and, as we see it, a human right. Through systems and solutions that increase security, we can make this possible.



Our mission

To make people safe by pushing mental and technological boundaries.

Our mission describes how we work to achieve our vision. By improving and updating technological systems and solutions, we increase security in society, for its citizens and for those whose job it is to maintain security. We also contribute insight into how threats to our security change and develop innovative new solutions that make society secure.

A WORLD IN TRANSFORMATION

Saab is affected by number of conditions and driving forces in society, which present opportunities, threats and challenges. Like every other company, Saab must successfully navigate in a changing reality and find and optimise business opportunities as they make themselves available.

The biggest driver in Saab's markets is the changing security needs and threat scenarios in both the military and civil sectors, as well as in the growing grey zone between them. Political developments and, in the longer term, global economic conditions are also important drivers.

New security needs in flow-based society

The development of a global and regional transaction society requires protection of critical flows and nodes, such as airports, harbours, railways, highways and energy systems. Frictionless flows in turn require alliances between many players, national and international.

New forms of co-operation

Further integration of the global community and new international structures have expanded cross-border alliances with a shift toward net-centric defence and international special forces. The need to protect these troops is increasing as well.

Multilateral civil and military co-operations are becoming more common – within, outside and between the major political, economic and military blocs. For example, the defence authorities in the Nordic countries have clearly expressed a desire to expand their collaboration. Such alliances require interoperable solutions that combine various systems and components and where a larger share of development work is done collaboratively.

MILITARY SPENDING 2008

Rank	Country	Military spending (USD billion)	Global share (%)
1	USA	607	41.5
2	China	84.9 ¹⁾	5.8 ¹⁾
3	France	65.7	4.5
4	UK	65.3	4.5
5	Russia	58.6 ¹⁾	4.0 ¹⁾
6	Germany	46.8	3.2
7	Japan	46.3	3.2
8	Italy	40.6	2.8
9	Saudi Arabia ²⁾	38.2	2.6
10	India	30.0	2.1
11	South Korea	24.2	1.7
12	Brazil	23.3	1.6
13	Canada	19.3	1.3
14	Spain	19.2	1.3
15	Australia	18.4	1.3
16	Others	276.2	18.6
Total		1,464.0	100.0

Military spending at constant prices and exchange rates

Source: SIPRI Yearbook 2009

1) Estimates.

2) Figures for Saudi Arabia include costs for civil security.

Higher percentage of self-financed R&D

Defence authorities increasingly want access to proven, tested technology and solutions in the market, regardless of country of origin. This is a trend around the world and means that a larger share of research and development must be self-financed by the industry. In order to participate in international industrial projects in the defence area, cutting-edge technology is a must, making this one of the defence industry's biggest challenges.



Partnerships between public and private players

It is becoming more common for development projects in both the military and civil sectors to be carried out by so-called public-private partnerships (PPP). Armed forces are increasingly outsourcing their entire training, operational and support operations. This also leads to higher demand for training, support and maintenance. For example, Saab has a long-term contract with the Swedish Defence Material Administration on an overall support commitment for the SK 60 aircraft system, where as principal supplier we are responsible for the operations, maintenance and airworthiness of its entire SK 60 fleet.

Need for broad, deep, long-term solutions

Another consequence of the continued integration is that customers in both sectors increasingly demand broad-based, integrated solutions often with a greater service content. A fighter like Gripen, for example, is part of an entire air combat system that must be interoperable, i.e., work with other combat systems in the air, at sea – above and below the surface and on land. The trend is shifting toward full operational and functional commitments covering the entire life-cycle, where solutions are evaluated not only based on performance, but also in terms of the cost to own and operate the systems.

Local presence can be decisive

Despite the trend toward international alliances, the need for a strong local presence is crucial to success in both the military and civil markets. Customers want integrated solutions from companies that understand local conditions. This significantly increases the chances of becoming the customer's preferred supplier and, importantly, having a portion of development costs shared by them.

Macroeconomic impact

The economy and its fluctuations affect the size of transaction volumes and the overall flow of goods, capital and data in the world – and thus demand for security solutions. The civil aviation market is strongly dependent on economic development. The military market, on the other hand, has little co-variation with the global economy in the short term. In the longer term, however, it is affected through reduced defence budgets and delayed investments in major systems. Instead, political developments are the decisive factor globally, regionally and locally. Many of the world's conflicts have persisted

for years. At the same time, there is a long-term trend toward stronger alliances for peacekeeping and economic development purposes, which is driving security-oriented demand.

LISTENING IN

In connection with its strategic revisions in 2009, Saab conducted a survey of nearly 800 Swedish and international customers. Two-thirds of respondents procured from Saab.

Among the most important indications in the survey were:

- International customers are generally more positive about Saab – 64 per cent very positive, 24 per cent fairly positive – than Swedish customers, where 11 per cent were very positive and 70 per cent fairly positive.
- International customers consider Saab a modern, international company that offers useful products and high-quality services. Swedish customers are more interested in the fact that Saab is well-known and international.
- Swedish and international customers both consider Saab to be a high-tech company with a high level of expertise. International customers also appreciate that Saab is honest, customer-focused, trustworthy and reliable.
- The main qualities that customers are looking for in a supplier are the ability to listen to their needs, keep their promises and deliver on time, and that they offer value for the money.

The conclusion of the survey is that Saab has the potential for improvement in many areas in order to achieve its goals, and that there are two sides to Saab's image: one in Sweden and one internationally. It is clear that going forward Saab will have to continue to focus globally on improving its products and solutions and ensuring that they are tailored to customer needs, as well as deliver on time, be receptive and maintain a local presence.

A COMPANY AT **THE FOREFRONT** OF TRANSFORMATION

Saab's operations are changing as a consequence of the market. This has resulted in a gradual shift in position along three axes:

- Strictly Swedish → more internationally active
- Traditional defence → more civil security
- Product-focused industry → more service supplier focused on solutions.

1. Growing international operations

Several years ago, against the backdrop of developments in the military sector in Sweden and other countries as well as sharp growth in civil security needs the world over, including international flows, Saab realised that a big potential opportunity was in internationalising its operations.

Current defence doctrine in Sweden is based on co-operation primarily within the framework of the EU and the UN, and NATO standards have to be met for most material and solutions. Closer international alliances are creating a growing international market. This in turn requires a stronger international presence.

The Nordic market is growing in importance for us. In addition, we have far-reaching, long-term commitments in South Africa and Australia, which are good examples of an increasingly important business model based on a strategic local presence. Alliances and extensive co-operations with local companies and local modification of products, systems and solutions facilitate and are sometimes a prerequisite to gain access to a market.

This development underscores the importance of expanding the customer base and enhancing our offering to meet changing needs today and in the future. It also requires us to maintain cost-effective solutions in manufacturing and operations. New technologies have to find broader application, preferably in both the military and civil market, and be adapted to international standards.

Through its defence appropriations, the Swedish state has contributed in decisive fashion to the development of Saab's core competencies, as well as that of Saab as a company and the entire Swedish defence industry. The state also remains Saab's biggest and most important customer, especially as a development partner and reference customer.

Sales outside Sweden

Sales	2009	2008	2007	2006
Approx. SEK billion	16.9	16.3	15.0	13.7
% of total sales	69	68	65	65

The trend points to a long-term increase in the share of international sales. In 2009, we received an order from the Australian Defence Material Organisation to develop a data link system for the ANZAC and Canberra class ships, an order from the Finnish Air Force (Air Force Command Finland, AFCOMFIN) for integration and production of the BOL dispenser system, and an order for an airborne surveillance system from the United Arab Emirates.

2. Greater penetration in civil markets

Today Saab meets not only traditional defence needs, but to a growing extent the broader security needs of society as well. The continuing transformation to a net-centric society, where the flow of goods, money and information crosses borders globally, makes it critical to safeguard flows and protect vulnerable nodes in them. This requires a gradual shift in emphasis in our operations, where we increasingly apply security solutions originally designed for military needs and based on military technology in civil situations as well.

Expanding our operations from traditional defence to civil security and the growing grey zone between them is one way for us to meet society's security needs by more broadly utilising established technologies rooted in the defence industry. This considerably increases our business potential while also spreading risks.



In civil security, we have good opportunities to continue to advance upward in the value chain and shoulder broader yet also more far-reaching responsibility for surveillance, security and functionality systems, for example, for nuclear power plants, prisons, airports and harbours. At the same time, we have as our aim to increase the value-added in the solutions we supply.

Civil security

Sales	2009	2008	2007	2006
Approx. SEK billion	1.7	1.5	0.8	0.6
% of total sales	7	6	3	3

During the year, Saab received several contracts in the area of civil security, including an order to deliver security solutions for a women's prison near Gatton, Australia. The contract marked a breakthrough in the international market for Saab's solutions for high-security facilities.

3. Clearer focus on services

Saab's offering is expanding higher up in the value chain in order to better satisfy the needs of its customers. The trend toward broader solutions and full-service commitments requires Saab to sometimes assume the role of systems integrator, combining its own solutions

with others.' More and more, Saab is assuming the role of operator with functional and operating responsibility. It also supplies a growing array of services, including training. In the area of training systems, Saab is a turn-key supplier. To realise the tremendous business potential in this area, Support and Services has been made an independent business area as of 2010.

Services

Sales	2009	2008	2007	2006
Approx. SEK billion	5.5	5.4	4.8	4.2
% of total sales	22	23	23	20

In 2009, Saab established itself as a leading supplier of training systems and operational support for the U.S. Marine Corps, as well as a supplier of training systems in support of the British Army's training exercises in Kenya. In addition, an agreement was signed with Mitsubishi Aircraft Corporation for support solutions, an initial order for which was received during the fourth quarter.

HOW WE MAINTAIN A MARKET FOCUS, THE RIGHT TECHNOLOGIES AND INTERNAL EFFICIENCIES

Saab's strategy is based on not only addressing traditional defence needs, but also to a growing extent the functional and security needs of a global flow society. The basis and objective of the strategy is to create value in the best way possible for our customers and owners in both the short and long term. Saab has determined that the best operating results can be achieved by maintaining a balance between military and civil operations, with solutions that are largely based on the same key technologies and are supported by a comprehensive support and service offering.

A more clearly focused Saab will generate faster growth

Global developments have made it increasingly necessary for Saab to act in a uniform, and thus more forceful, way. At year-end 2009, the company had 15 business units. The new organisational structure comprising five business areas that took effect on 1 January 2010 creates a sharper focus on selected markets and customer groups and their needs to help us achieve our growth and profitability objectives.

THREE PRIORITIES IN SAAB'S STRATEGY

Stronger market focus

- Improve positions in Sweden and other markets where we are established as a local player.
- Invest in partner-supported export marketing of larger solutions, which also creates strong new markets.
- Invest in a growing international market for security, training and simulation products and solutions for both military and civil applications.

More focused portfolio

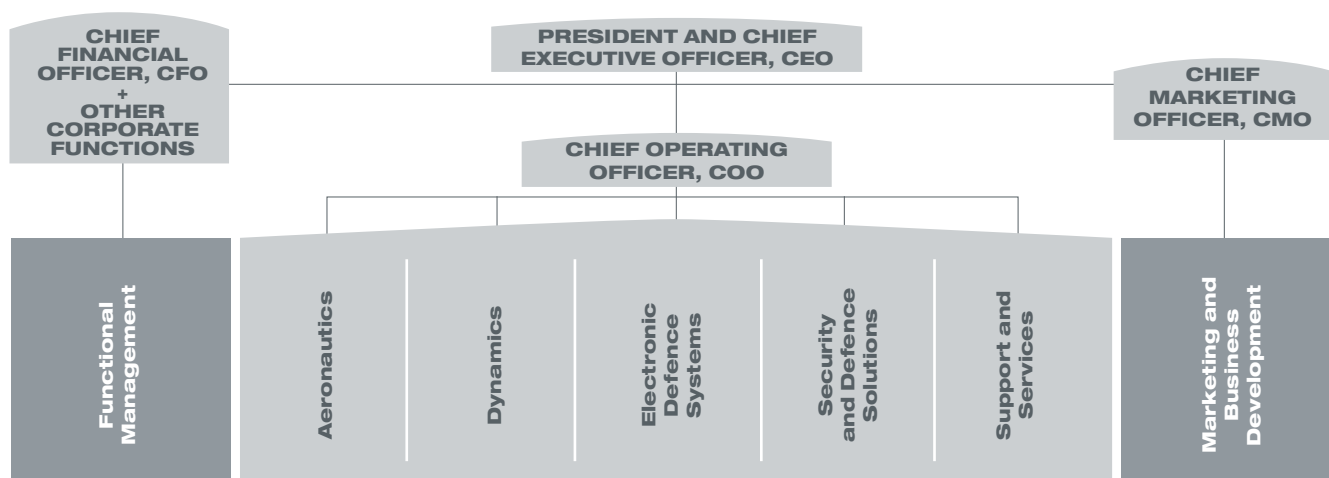
- Create a strong portfolio of standardised products and solutions and ensure Gripen's position as a next-generation fighter aircraft.
- Facilitate focused investments in marketing, R&D and acquisitions.
- Follow customers from systems and products to solutions and services the whole way to complete service provider.

More efficient operations

- Optimise efficiency and leverage R&D work.
- Standardise and harmonise operations in order to utilise functional synergies.
- Improve cash flow and cost effectiveness to facilitate focused investments to drive growth.



Saab no longer addresses only traditional defence needs, but to a growing extent the functional and security needs of a global flow society as well. Customer needs are changing in the traditional defence market and the security market driven primarily due to changing global threat scenarios. Saab's offering changes in pace with customer demand.



The global defence industry is undergoing tremendous change. In order to adapt, Saab changed the way in which its organisation is governed and structured as of 1 January 2010. The goal is to create a more market-oriented Saab with a greater focus on customers' future requirements and needs. The organisation will also ensure good customer support, offer an even more competitive product portfolio and create further opportunities to improve operating efficiencies. Saab has restructured its former 15 business units, which were organised in three segments, into five business areas. A new position, Chief Operating Officer (COO), has been created within Saab to which the five business areas report. To create and maintain effective global marketing, a new Marketing and Business Development unit has been established as well.

The narrower focus essentially underscores Saab's main strategy. The emphasis is on areas in the military and civil sectors where we have realistic opportunities to further improve our positions, preferably as a pioneer. Based on current market positions, this is possible primarily in advanced aircraft, underwater systems, radar systems, civil security, tactical warfare (mainly land-based), training, support and service. A large growth potential is in the market for civil security, where Saab today has a small market share. (If you add the supervision, control and operation of global transaction systems, the market potential is many times greater.)

Leading position in critical technologies

Maintaining cutting-edge competence in critical technologies is also a major reason for Saab's reorganisation, which largely involves allocating R&D resources to areas that offer the potential for leading positions and preferably broad-based applications. The purpose of the reorganisation is to help us afford to finance expensive product innovation and maximise its commercial leverage, including faster and broader commercialisation of new technologies.

A large part of Saab's product innovation is financed through customer-financed development projects, although we expect them to shrink in the long term. From 2000 to 2010, defense spending as a share of Sweden's GDP has decreased from approximately 2.1 to 1.2 per cent. With regard to the procurement of materiel and equipment, as well as research and technology, expenditures have decreased from SEK 22.3 billion (25.8 when adjusted according to net price index) in 2000 to SEK 17.9 billion in 2010.

Saab is one of Sweden's most R&D-intensive companies. R&D as a percentage of sales in 2009 was 20 per cent (17), of which internally financed R&D accounted for 4.8 per cent (6.4).

Closer collaborations with leading universities are an important component in Saab's R&D strategy.

Efficient operations

Since a while back Saab is working on creating a more integrated organisation. The reorganisation at the start of 2010 trimmed what had been 15 business units with many interfaces both internally and externally to create a more integrated company. Saab is now organised in five distinct business areas with different offerings that are based on the same core technologies. This will make it easier to capitalise on functional synergies and financial resources, develop new standardised processes and design more focused product portfolios. The new structure requires a cultural change in the company.

The reorganisation is expected to generate additional co-ordination and efficiency gains apart from those from the Billion+ Programme, which is already half completed and will be finalised in 2010.

A number of new functions have been established to ensure effective, co-ordinated actions and internal efficiencies. Some of these are a central marketing function with a Chief Marketing Officer (CMO) responsible for marketing and business development, and a Chief Operating Officer (COO), to whom the five business areas report.

REALISING OUR STRATEGY THROUGH PRODUCT INNOVATION

As a global high-tech leader in defence and civil security, Saab's operations are distinguished by complex development work. A crucial way for Saab to successfully achieve its strategic goals and strategies is therefore to invest in R&D. During the year, the company strengthened its product management work in accordance with its established strategies.

Advanced technology and world-class engineering have been the foundation for Saab's accomplishments. Key technologies such as the Gripen system and the ERIEYE and GIRAFFE radar systems – as well as their further development – are successful examples. A continued focus on technological development is also important if Saab is going to continue to satisfy its customers' varying needs.

Sustainable product innovation – by increasing our own investments and in collaboration with customers, universities and industrial partners – is a key to all three of Saab's strategic concerns: a stronger market focus, a more focused product portfolio and more efficient operations. Product development is therefore our highest priority. The aim is to improve our position in markets where we are an established player and concentrate product development in order to consolidate and free up resources. In this way we can invest in R&D and acquisitions of new technology as well as optimise development work as part of the effort to raise operating efficiencies.

SAAB IS ONE OF SWEDEN'S MOST RESEARCH-INTENSIVE COMPANIES

Saab annually invests approximately between 17 to 20 per cent of its revenues in research and development, including both internally funded product and system development and acquisitions of new technology. This corresponds to around 2,700 jobs. The Gripen system accounts for nearly half of total R&D costs.

Sweden's defence policy affects Saab's product development

The Swedish state, through the Armed Forces and FMV, has accounted for a large part of our product development over the years. With Sweden's neutrality policy and emphasis on invasion defence, i.e., large forces with a relatively low level of preparedness, this was

logical. A domestic industry ensured that Sweden had materiel in the event of a blockade, at the same time that there was time to develop high-quality materiel since the needs were not acute. The Armed Forces could plan for 10-year periods. Today the situation is different. Instead of a neutrality policy, Sweden emphasises international alliances of various forms. The invasion defence has been largely replaced by an operational defence, i.e., smaller but more specialised troops that can be called in on short notice for missions around the world – usually in co-operation with other nations.

The Armed Forces and FMV have therefore altered their materiel procurement processes. Now it is more important to quickly obtain new equipment, which makes buying finished products off the shelf a priority.

For Saab, this change means that we have to pay for a larger share of our product innovation ourselves, even though there are still areas where Saab's product development remains dependent on customer financing. The clearest example is the Gripen system, which in the long term is critical to Sweden's sovereignty. As long as Sweden uses Gripen, the Swedish state (and other customers) will have to continue to finance the further development of the system.

Other product areas where the Swedish defence has limited desire to finance large R&D projects are being handled in various ways. First and foremost, operations are being rationalised (including through the new organisational structure, efficiency programmes and a harmonised infrastructure) in order to improve profitability and allow for larger investments in R&D. It is also important to utilise the funds at our disposal in the best way. The key here is active product management. This means that we actively select the areas where we invest in R&D. The assumption is that we focus on upgrading and further improving products only in areas where we are internationally competitive.

In the areas where we invest, a high level of modularisation is critical. Modularisation makes it possible to re-use product solutions in our offerings. We are currently making an extensive effort to further concentrate and modularise the product portfolio. The goal is also that product management will improve with the new organisation and that the process of translating end-customer needs into a technological reality will be even more effective.

Traditionally, Saab has done much of its development work itself. As a result, we have had to master many different areas of technology. Now we are working actively to reduce the number of these areas and work more with various partners in our development programmes. It is also important to raise efficiencies in our development processes and to a growing degree utilise model-based development, open source code and agile methods such as SCRUM (a framework to effectively manage complex processes such as software development).

With these measures, we can cut the cost to develop systems and customised solutions at the same time that we reduce our risk exposure. In addition, lead times are reduced, which allows us to better adapt to our customers' desire to quickly access materiel.

Saab's future investments

The most important aviation investment is Gripen NG Demo, the first step to Gripen NG (Next Generation), which is largely customer-financed. Saab is also investing in Skeldar, an unmanned helicopter, and is participating in the EU's major CleanSky project, which is trying to make commercial aviation more efficient and environmentally friendly.

Air traffic control is another area where we are investing by participating in a European programme, Single European Sky Air Traffic Management Research (SESAR) to improve efficiency and safety in the airspace over Europe. We are also developing a common inte-

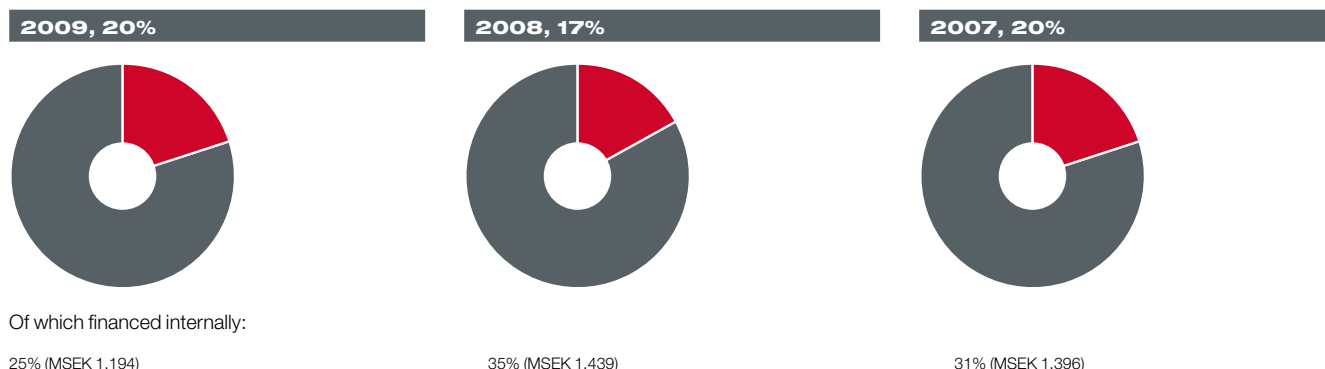
gration platform, Situation Awareness For Enhanced Security (SAFE) for our security systems..

Radar is another area where we are investing. We are updating the Erieye system and developing a successor to the GIRAFFE family. In electronic warfare, we are focused mainly on Land Electronic Defence Systems (LEDS), an active protection for combat vehicles. In missiles, we are investing in further development of the AT4 and Carl-Gustaf and a new generation Robot 70. In command and control systems, we are investing in the further development of our time-critical, tactical command systems. We also invest continuously in training systems.

Research and development expenditures

MSEK	2009	2008
Defence and Security Solutions	629	661
Systems and Products	1,598	1,926
Aeronautics	2,593	1,554
Total	4,820	4,141
As per cent of sales, %	20	17
Internally funded, % of total expenditure	25	35

R&D AS PER CENT OF SALES



Commercialisation of new technology

With a business concept based on advanced technology, we often create applications and products that work in unexpected ways but are not always in line with Saab's core operations and strategies. Since 2006, the Group includes Saab Ventures, the purpose of which is to create and initially run new companies outside Saab. One example is the new Rapid 3D Mapping, which creates three-dimensional images in real time from aerial photos. The information can be used to accurately map specific areas. The technology is based on Saab's more than 40 years of experience in image processing for digital target seekers and expertise in navigation systems. The company is called C3 Technologies AB. Since 2001, Saab has spun off 13 companies.

Its other role is to invest in small, rapidly emerging companies that de facto fit Saab's core operations. The goal is that new technologies will help to improve and complement Saab's product portfolio.

Core portfolio

Company	Specialisation	Ownership interest, %
Coldcut Systems	Cutting extinguishers	30
Perform IT	Mobile information systems	60
Opax	Intelligent video surveillance	33
Protaurius	Mobile ballistic protection	20
PortWise	Trusted identity and access management	19

Spin-offs

Company	Specialisation	Ownership interest, %
Wrap	Spectrum management software	27
C3 Technologies	3D mapping technology	59
Minesto	Tidal energy solution	14
Tracab	Digitising sports	16
Image Systems	Systems for motion analysis	36

Companies that originated from Saab:

- Saab Automobile AB
- C3 Technologies AB
- Marine Electronics AB
- Traffic Systems AB
- Airborne Hydrography AB
- Wrap International AB
- Sanguistech AB
- A2 Acoustics AB
- Swedish Tracab AB



A COMPREHENSIVE OFFERING FOR VARIOUS MARKET NEEDS

Saab operates in a changing global market. Today we have operations on six continents and over 60 countries, where we offer competitive products, solutions and systems, as well as support and services, for five different market segments: military aeronautics, naval, land, civil security and commercial aeronautics¹.

Global defence spending amounted to approximately USD 1,464 billion in 2008, a real increase of about 4 per cent compared to 2007 and about 45 per cent since 1999. Expenditures in civil security are estimated at USD 35 billion per year. Spending in these two sectors varies by country and region, as do the specific areas of investment. This requires an understanding of customers' concrete needs and specific conditions and an organisation to help customers with the right offering, which Saab has. Our products, systems and services should offer benefits in all situations.

Customers in the military area are national militaries, while in the civil area they often include state or semi-state authorities and institutions or critical infrastructure such as prisons, hospitals or power

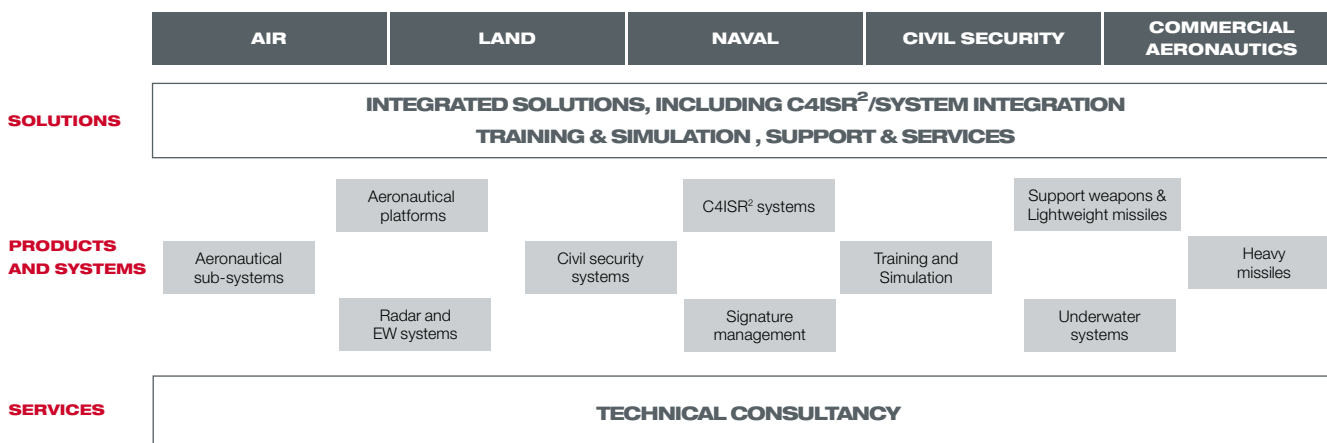
plants. We design and supply more or less customised solutions based on standardised and open architecture. This means that the same technology can be adapted in many cases by need, customer and application. Systems and products are often part of turn-key solutions.

To meet demand from its markets, Saab is expanding its offering higher up the value chain. As a result, we are increasingly taking on the integrator role of our own and others' solutions and as an operator with functional responsibility. We also supply products and solutions that combine our own systems without shouldering the responsibility of integrator or operator. Products and systems are also supplied separately with or without service and support. This trend requires new forms of agreements and alliances, as well as the ability to sometimes collaborate and compete at the same time. One example is the growing number of projects we are engaged in collaboratively with both public and private players.

Based on Saab's product offerings, various solutions and support services, we supply the market with nearly 60 different types of products and systems. They also include consulting services, technical support, training and service packages for industrial alliances.

(For a more detailed description of Saab's solutions, products and services, visit www.saabgroup.com.)

Saab's offering



1) In 2009, Saab included the market segment Joint Operations, i.e., solutions utilised by more than one branch of the military. Examples include surveillance, communication and command and control systems as well as logistical and training systems.
2) Command, Control, Computing, Communication, Intelligence, Surveillance och Reconnaissance

HOW WE MEET **THE NEEDS** OF **OUR MARKETS**

Saab operates in five market segments with different needs. A summary of each market and how we meet its needs with our offering follows.

MILITARY AERONAUTICS

Military aeronautics combines speed, reach, effectiveness and flexibility and represents a large share of the total defence market. Growth is driven by demand from nations with both small and large air forces that want to replace older generations of fighter aircraft with new ones that offer better performance, more flexible application and better overall economic efficiency.

Military aeronautics is increasingly used in multinational operations for flights over long distances and covering long periods of time. This requires interoperability with systems that use open architecture. They also have to work with older systems and be capable of upgrade. Sensors, communications and precision weaponry are important. C4I (Command, Control, Computing, Communication and Intelligence) systems are designed to handle large volumes of information from multiple sources and provide effective decision guidance.

New types of military operations and new technology are also driving demand for training. A growing number of countries are procuring support and service for materiel from the industry through multi-year, full-service commitments.

Annual sales in the market segment for unmanned aerial vehicles are expected to grow from USD 40 billion to over USD 50 billion in the next ten years. UAVs currently generate sales of approximately USD 4 billion per year.

Saab's offering comprises:

- Fighter systems
- Air C4I solutions
- Countermeasures and electronic warfare
- Unmanned aerial vehicles
- Training solutions
- Avionics solutions
- Weapon systems
- Sensors
- Aftermarket services and solutions

NAVAL

The naval market is characterised by growing demand for expeditionary and coastal operations. At the same time, more than 90 per cent of global trade is transported by sea, which makes the protection of trade flows a priority in the civil market.

With regard to navys' and coast guards, the trend is toward broader-based industrial commitments with higher demand for integration and lifecycle solutions. There are a growing number of international alliances that entail a large degree of technological development. At the same time, this makes the ability to act far from their home base, e.g., in the case of advanced amphibious assault ships, increasingly important. Public-private partnerships are also becoming more common. Moreover, there is growing interest in long-endurance ships with smaller crews, where sensors and combat management are the highest priority.

The market is dominated by the US, where defence spending is rising and major investments are being made in technological development and materiel. In Europe, on the other hand, appropriations for these purposes are shrinking. The Middle East and Southeast Asia are becoming increasingly active in their investments.

Saab considers the naval market to be relatively stable. The size of the market is estimated at USD 45–55 billion per year, of which the US accounts for around one fourth.

Saab's offering comprises:

- Sensors
- Command and control systems
- Weapon systems
- Communication systems
- Underwater security
- Countermeasures and electronic warfare
- Simulation and training
- Infrastructure security

LAND

The complexity of conflict zones, the multinational element and the growing need to operate in urban areas require new strategies, new technology, materiel and technology, but also high demand. In land-based combat, the trend is toward greater participation in multinational forces outside a country's own territory.

Multinational missions require co-operation between different types of forces and different countries' forces, which in turn increases the importance of system integration, interoperability and command and control capabilities. As security threats grow, the need for training increases. Experience shows that successful land operations require the ability to plan and co-ordinate.

In general, the market is currently focused on maintaining, upgrading and supporting existing materiel/systems and the meeting emergency operational needs. The willingness to participate in and contribute resources to new development are closely linked to the commitment to current international operations.

The market is estimated at USD 80–85 billion annually in the next ten years.

Saab's offering comprises:

- Command and control systems
- Signature management and countermeasures
- Sensors
- Training solutions
- Air defence systems
- Weapon systems
- Integrated maintenance solutions

CIVIL SECURITY

A safe society requires us to protect the flows we are dependent on, e.g., communication, energy or transports on land, at sea and in the air. Demand for solutions to protect society's critical infrastructure is growing around the world and currently accounts for about 75 per cent of sales in the civil security market, while the remainder comprises response systems for police forces and emergency services. Two trends stand out in civil security. One is in countries with highly developed infrastructure, where cost efficiencies are driving investments in robust systems and early threat detection from any source, primarily to protect flows. Systems are increasingly becoming interoperable in order to increase functionality. At the same time, this increases their sensitivity, which requires investments in sensors systems. The other trend is in investments in new infrastructure, which generate new flows, especially in emerging regions. Here, security and robustness are being built into the systems from the start. Investments can involve everything from new harbours and airports to communication infrastructure for authorities and national players.

Investments in civil security are driven by legal requirements and/or increased competition. Laws may require that a specific level of security is maintained, for example, to operate a port. This is raising the investment needs of operators. The market for civil security systems is estimated at no less than USD 35 billion, with the US accounting for half. Annual growth has been around ten per cent in recent years.

Saab's offering comprises:

- Security solutions for
 - airports
 - energy production and distribution
 - prisons
 - port security
 - security companies and events
 - urban environments
 - border protection
- Transport management systems
 - air transports
 - land transports
 - maritime transports
- National security and protection of critical infrastructure

In these three areas, we offer command and control, sensor and mobile communication systems. We also offer training systems and service.

COMMERCIAL AERONAUTICS

The market consists of commercial aircraft in four segments: business jet, regional aircraft, single aisle aircraft and wide bodies/large aircraft. The market for large single aisle and wide body aircraft is dominated by Boeing of the US and Europe's Airbus, which work as integrators, i.e., they are responsible for specifying and supplying the aircraft. The aircraft themselves are developed and produced in large part by international partners. Environmental and operating costs for existing fleets are driving long-term demand for new, more fuel-efficient and environmentally friendly aircraft models. These new models will be based on larger units, with avionics and other systems integrated into the structure. The new, more efficient aircraft being introduced on the market, such as the Boeing 787 and Airbus A350, are seeing high demand.

The commercial aeronautics market still faces large order backlogs as well as order cancellations and delays caused by the economic slowdown in the last two years and major delays in getting products into the market.

Long-term annual growth is estimated at five per cent, although the short term will be more turbulent due to the global recession. The market for new commercial aircraft is estimated at USD 90 billion a year.

Saab's offering comprises:

- Production and integration of aircraft systems and structures
- Maintenance solutions for commercial aviation
- Aftermarket solutions





A WORLD OF **OPPORTUNITIES**

Saab is growing its international presence in defence and civil security. Today we operate mainly in Europe, South Africa, Australia and the US. We are aiming at increasing our market share and presence in these countries, but are also looking at smaller regions and countries where we currently do not have an established position. Every region and country has its unique qualities and needs that we must adapt our offering too.

Europe

Market

Other than the US, Europe is the largest defence market in the world, generating approximately USD 50 billion in sales. A number of countries here need to upgrade their defence systems. In general, the financial crisis and recession have delayed many defence projects and led to budget cuts. Western European budgets are generally stable, with equipment investments accounting for 10 per cent to 30 per cent of expenditures. Central Europe is making progress, but the recession arrived later here than in the major industrial nations. The Nordic countries continue to expand their development partnership, and in 5 to 10 years we expect to see the impact, e.g., through co-ordinated procurements. Most European countries are members or have applied for membership in NATO and the EU. The civil security market is growing. Demand is especially high in Central Europe and the Balkans, where EU membership would result in large invest-

ments for the EU to adapt airports, harbours, highways and border crossings. EU member states can apply for subsidies for these purposes through the EU's structural funds.

Saab in Europe

Saab has historically generated the largest share of its sales in the European market. Approximately one third comes from Swedish customers. All five of the company's business segments sell to EU member states. Saab is well-positioned as a partner in the defence sector in terms of products and systems, but does not have as prominent a role as a major system integrator. In small countries without their own defence industry, Saab often sells directly to end-customers, while in larger countries it serves as a subcontractor to domestic defence contractors.



* Share of sales

USA and Canada

Market

The US, the world's largest defence market, annually produces sales of around USD 150 billion and accounts for about 50 per cent of the global materiel market. The US civil security market is also the largest in the world and continues to grow.

Growth is being driven primarily by global conflicts – two current wars in particular – as well as national security demands. The US requires domestic production for certain technologies and markets, however, which keeps a large part of the total market closed off for foreign players.

Canada's defence budget is growing by several percent a year. Canada has an open procurement system with many potential projects in the years ahead. The country has a local defence industry, and local provinces are concerned about creating new jobs. Co-operations with them could potentially lead to future business.

Saab in the US and Canada

Saab has successful niche products in the US market. Within the previous business units Saab Barracuda, Saab Training Systems and Saab Aerotech, the company has created a small platform in the US and therefore has a platform to build on. Saab is established in the Canadian market partly thanks to contracts with the army and navy.

Latin America

Market

Prior to the current global economic crisis, many countries in the region, with few exceptions, experienced a period of political stability and economic growth. Over the years, however, the continent has seen a polarisation between left- and right-wing governments.

The Latin American defence market is relatively modest in size. The economic constraints of previous years are still reflected in a cautiousness to defence spending. The stronger economies such as Brazil



account for the large share of sales. Greater co-operation between Latin America countries, e.g., in the form of the Mercosur trading bloc, contribute to political stability and dialogue between countries.

In civil security, there are many plans and ongoing projects. Security and surveillance systems are currently a high-priority area for many countries.

Saab in Latin America

Saab's sales from Latin America are from deliveries from the former Defence and Security Solutions and Systems and Products segments. Currently, Saab has good opportunities to sell large solutions and secure a steady stream of smaller orders.

Asia Pacific

Market

In recent years, the region has experienced strong economic development. Living standards have improved in most countries, most notably India and China. Generally, countries in Asia and the Pacific Rim are largely stable at present, although that could be affected by relations between North and South Korea and between India and Pakistan can be viewed as exceptions to this. The US continues to have a strong influence, at the same time that China's role is growing. Military spending in most Asia Pacific countries, including Australia, are large and expected to continue to rise in the near term. Many countries are currently planning to update their air forces, especially India, which is investing heavily in its defence.

The region is fragmented historically, politically, culturally and religiously, which requires an understanding of each subregion and country. It also has important waterways that must be protected. Together with investments in other infrastructure, such as airports and power plants, as well as the heightened risk of terrorism, indications are that the emerging civil security market will grow substantially going forward.

Saab in Asia Pacific

In Asia, most sales are generated in the former Aeronautics and Defence and Security Solutions segments. The large part of invoicing in 2009 was from Gripen exports to Thailand.

In Australia, Saab mainly sells command and control systems to the Army and Navy, a large part of which is developed domestically.

Middle East and Northern Africa

Market

The region is politically unstable. Countries in the Middle East and Northern Africa have several times been subjected to trade embargoes by the West. The US is highly visible in region and is trying to eradicate terrorist groups.

Civil security, on the other hand, has not been given much priority, but is a growing concern. New airports are being built, terrorism is worrisome and the need for border controls and protection of oil and gas platforms is growing.

The countries around the Persian Gulf have large, growing budgets for both defence and civil security, primarily due to terrorism, relatively small native populations, a desire to participate in international operations and the high price of oil.

Saab in the Middle East and Northern Africa

Saab is regarded as a competent niche player, but purchases are often based on political concessions. Though the Middle East offers great market potential, Saab's activities to date have been minimal.

Southern Africa

Market

Many countries in Africa have a history of political turbulence, which to some extent is still the case. At the same time, China has been active on the continent, including development of infrastructure.

With the exception of oil-producing nations, many African countries are wrestling with tough economic conditions. But there are also a number of healthy examples such as South Africa and Namibia.

Defence spending is often limited to materiel at a level allowed by what in many cases are small or constrained budgets. Their focus is usually on security-related materiel. South Africa has invested heavily in its military for some time, but has now reduced its appropriations. Investments in civil security are increasing here as well.



Saab in Southern Africa

In the relatively small African market, Saab primarily offers electronics-related products for telecommunications, defence, air traffic control and security. By far the largest part of sales, however, comes from Gripen exports to South Africa.

United Nations (UN)

The UN is the largest multilateral player in the world when it comes to stabilising conflicts and managing post-conflict situations. Only the US has more personnel in the field. The growing number of natural disasters also requires a greater commitment by the UN in the form of equipment and personnel. Procurements for peacekeeping missions and humanitarian efforts currently amount to approximately USD 11 billion. These volumes are expected to increase to about USD 17 billion by 2013. The UN offers a stable, increasingly accessible market for players such as Saab, which operates in the civil and military areas as well as the gray zone between them.

Saab has no previous experience working with the UN, but has supplied solutions for the Swedish forces in Afghanistan and Kosovo. To be a long-term supplier to the UN, Saab will focus on a number of selected niches such as environmentally sustainable camps, field hospital modules, security solutions to protect critical infrastructure, airfield solutions and a number of product-based offerings. Saab's markets through the UN Global Marketplace and through queries to Sweden as a member state.

European Union (EU)

The Lisbon Treaty made defence and security issues a higher priority on the EU's agenda.

European defence and security policies are becoming better harmonised, and the EU's role as a global player is growing, particularly with regard to preparedness and crisis management. We could see a more structured co-operation in the EU. A new European foreign service will be established, which will also strengthen the EU's voice internationally.

Combating organised crime and terrorism, remaining prepared for natural disasters and protecting civil society are priorities for the

population, which the EU's research budget reflects. Other high-priority issues are to create growth and prosperity in the union. Nearly one third of the EU's budget is devoted to infrastructure, primarily in Eastern Europe.

The EU has allocated substantial funds for economic growth and prosperity, research and technological development, and security-related missions in third world countries.

NATO

Many EU member states are also members of NATO. The alliance continues to grow and new countries are standing in queue to become members, some more controversial than others.

Aside from its basic role to protect its member states' freedom and security with economic and military means, NATO also has a growing interest in civil security solutions and peacekeeping missions, which are often carried out collaboratively by the EU and UN. NATO has a relatively small budget, however, and individual countries finance its missions.

The co-operation between the EU and NATO will grow in order to improve co-ordinated security efforts that comprise both civil and military measures.



SAAB DELIVERS REALISTIC TRAINING EXPERIENCES

During the year, Saab signed agreements with the U.S. Navy to produce training systems and with the British Ministry of Defence to supply training systems in support of the British Army's training exercises in Kenya.

We listen:

Mobile training systems are increasingly used today for large, tactical troop exercises. It has to be possible to conduct such exercises in various locations around the world and, for example, train with other troops. The systems must create realistic simulations of actual situations and environments and gather data from exercises while under way.

We deliver:

Saab has developed a robust, modularly designed mobile training system that satisfies the need to train troops in remote and harsh training environments. The system has modern laser simulators, which make exercises very realistic. With the help of GPS, it keeps track of every soldier, vehicle and activity. The system provides an overview of the course of events in real time and allows exercises to be overseen and evaluated while they are undertaken, since users obtain immediate feedback.

The U.S. Navy selected Saab after a procurement process that involved a detailed technical analysis of the training system and field demonstrations of its capacity. The mobile systems, which will now be adapted to the needs of the US Marine Corps, are an extension of the existing training systems Saab



has already supplied to the US Navy. The same system is fielded by the U.S. Army, U.S. Navy SEALs and five armies in Europe.

The British Army is handing even greater responsibility to Saab to provide and maintain training services in Kenya. The army tells Saab when it wants to train and Saab ensures that the troops receive the right equipment at the right time. The commitment includes personnel from Saab, who provide support and training in the field, ensuring that users receive maximum benefit from the system. Between exercises, Saab maintains the equipment and handles logistics. In this way, the British Army can focus on its mission, effectively training its personnel to save lives.



FAST DELIVERY AND FAST SITUATIONAL AWARENESS

In November 2009, the United Arab Emirates (UAE) signed a contract with Saab for an airborne surveillance system. The delivery is proof of Saab's broad-based expertise and international competitiveness in net-centric solutions for defence and civil security.

We listen:

The UAE conducted a lengthy evaluation of an airborne radar surveillance system to build a detailed situational picture for border control and rescue operations.

The customer wanted a technologically advanced solution with strong radar capabilities. It also wanted quick delivery. For Saab, the query in 2006 marked the start of detailed discussions with the UAE on its needs. After several meetings and evaluations of Saab's system in Sweden, the parties agreed on a turn-key solution.

We deliver:

Saab's representatives in the negotiations soon realised that the customer was intent on an aggressive delivery timetable. To meet this requirement, it changed the aircraft it had originally intended to use, the Saab 2000 ERIEYE AEW&C, to the Saab 340 ERIEYE AEW. This in turn required that the Swedish Air Force would be willing to sell back two of these aircraft. The plan worked, and soon Saab was able to present a revised tender to the prospective customer, who was receptive. Despite that the Saab 340 ERIEYE AEW is



technologically advanced and includes an electronically guided radar antenna, Saab modified and added to it in accordance with the customer's wishes.

The contract covers two Saab 340 ERIEYE AEW (Airborne Early Warning) systems, comprising the Saab 340 aircraft equipped with the advanced Erieye radar system. It also includes ground equipment as well as logistics and support services.

The contract with the UAE is an example of Saab's collaborations in various areas of business and technology, which in this case resulted in the delivery of a unique turn-key solution to the customer.



DEFENDING AGAINST THE UNEXPECTED

In 2009, Saab delivered its first Civil Aircraft Missile Protection System (CAMPS). The launch customer was Naturelink Aviation, which provides humanitarian transport in various parts of the world.

We listen:

Security is a key issue for every aircraft owner and operator. Finding solutions to prepare for the unexpected is therefore a top priority for the entire industry. Terrorist attacks are an increasing threat to aircraft that fly over turbulent areas, especially when armed with easily obtainable Man Portable Air Defence Systems (MANPADS). MANPADS are small heat-seeking missiles that are easy to use and inexpensive. This makes them a serious threat to aircraft around the world today.

The South Africa-based charter company Naturelink Aviation operates around the world on air charters and contracts to Humanitarian Aid organisations. This entails flights to and from insecure areas such as the war zones in Iraq, Afghanistan and the Middle East. It also explains why Naturelink Aviation wanted a solution that would improve safety for passengers, cargo and crews on its flights and make it easier to land and take off in these trouble spots.

We deliver:

Saab has extensive experience developing and supplying protection systems or military aircraft, fixed wing and helicopters. With CAMPS (Civil Aircraft Missile Protection System), Saab has adapted existing technology to provide protection for commercial aircraft.



This is the first and only system of its kind which will be certified by EASA (European Aviation Safety Agency) soon and which is fully compliant with the Wassenaar Arrangement regulations. CAMPS is developed by Saab in Sweden and South Africa and the British company Chemring Group in close co-operation with Naturelink. Today it is installed in Naturelink's Embraer 120 aircraft and used on flights and humanitarian missions to insecure areas.

CAMPS has a UV (Ultra-violet)-missile approach warning suite and electromechanically dispenses a new type of pyrophoric decoy. The modularly designed system can be adapted to practically any commercial aircraft, regardless of size or operational requirements. Moreover, CAMPS is designed with an emphasis on safety and minimal maintenance costs, and meets civilian safety requirements. It requires no special tools or armament considerations and can be replenished in the field by aircrew.



HIGH-TECH SECURITY SOLUTIONS FREE UP HUMAN RESOURCES

In July 2009, Baulderstone Pty Ltd selected Saab to a supply security solution for a new women's prison near Gatton, Queensland, Australia. This contract marks the first major international introduction of Saab's security solutions for protection of high-security locations.

We listen:

The 300-bed women's prison in Gatton is the first stage of what will be Australia's largest prison, eventually housing 3,000 inmates. An important aspect in the design of the prison is maximising safety and cost-effectiveness with the help of technical solutions. This makes it important that Queensland's authorities and Baulderstone do not focus strictly on parts and instead think holistically in every respect. All security systems must be linked to the same infrastructure to create situational awareness and securely manage the prison.

We deliver:

Saab has been assigned a key role in providing security for the prison. By supplying an advanced solution, we have the opportunity to demonstrate our technological know-how, especially our ability to integrate various sub-systems into a complete surveillance system. The system reduces the need for guards, but maintains at least the same high level of security. The security system at the women's prison is based on the same concept that Saab has used at other prisons, airports and nuclear power plants. We are responsible for the design, development and delivery of security services, as








well as integration of sub-systems and sensors such as intruder alarms, electronic locking systems, CCTV (closed-circuit television) cameras, biometric identification, heartbeat detectors and number plate recognition. The ability to integrate various parts into a working whole – a highly effective, interoperable system – is what makes Saab unique. In the case of the Gatton prison, integrated information also makes it easier to take correct, proactive measures.

OUR PERFORMANCE IN 2009

As of 1 January 2010 Saab's operations are divided into five business areas: Aeronautics, Dynamics, Electronic

Defence Systems, Security and Defence Solutions, and Support and Services.

	Description of business area	Key figures																				
AERONAUTICS																						
	<p>These operations include the development of civil and military aviation technology at a high level. The product portfolio includes the Gripen fighter and Unmanned Aerial Systems (UAS). Aeronautics also manufactures aircraft components for Saab's own aircraft as well as passenger aircraft produced by others.</p>	<table border="1"> <thead> <tr> <th>MSEK</th> <th>2009</th> <th>2008</th> </tr> </thead> <tbody> <tr> <td>Sales</td> <td>7,571</td> <td>7,269</td> </tr> <tr> <td>Operating income</td> <td>6</td> <td>-1,508</td> </tr> <tr> <td>Adjusted operating margin, %</td> <td>1.4</td> <td>3.6</td> </tr> <tr> <td>Order bookings</td> <td>3,417</td> <td>6,153</td> </tr> <tr> <td>Order backlog at year-end</td> <td>15,476</td> <td>19,626</td> </tr> </tbody> </table>	MSEK	2009	2008	Sales	7,571	7,269	Operating income	6	-1,508	Adjusted operating margin, %	1.4	3.6	Order bookings	3,417	6,153	Order backlog at year-end	15,476	19,626		
MSEK	2009	2008																				
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DYNAMICS																						
	<p>The product portfolio comprises various types of advanced weapon systems such as support weapons, missiles, torpedoes, Remotely Operated Vehicles (ROVs) and signature management systems that are used to make it more difficult for various types of sensors to detect and identify people or objects.</p>	<table border="1"> <thead> <tr> <th>MSEK</th> <th>2009</th> <th>2008</th> </tr> </thead> <tbody> <tr> <td>Sales</td> <td>4,580</td> <td>4,281</td> </tr> <tr> <td>Operating income</td> <td>269</td> <td>112</td> </tr> <tr> <td>Adjusted operating margin, %</td> <td>9.8</td> <td>8.5</td> </tr> <tr> <td>Order bookings</td> <td>3,133</td> <td>3,743</td> </tr> <tr> <td>Order backlog at year-end</td> <td>6,980</td> <td>8,453</td> </tr> </tbody> </table>	MSEK	2009	2008	Sales	4,580	4,281	Operating income	269	112	Adjusted operating margin, %	9.8	8.5	Order bookings	3,133	3,743	Order backlog at year-end	6,980	8,453		
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ELECTRONIC DEFENCE SYSTEMS																						
	<p>These operations, which are based on Saab's extensive expertise in radar and electronic warfare, develop sophisticated solutions for detection, localisation and protection. The product portfolio includes air and land-based sensor and radar systems, systems for electronic warfare, defence electronics and aeronautics.</p>	<table border="1"> <thead> <tr> <th>MSEK</th> <th>2009</th> <th>2008</th> </tr> </thead> <tbody> <tr> <td>Sales</td> <td>4,670</td> <td>4,474</td> </tr> <tr> <td>Operating income</td> <td>24</td> <td>524</td> </tr> <tr> <td>Adjusted operating margin, %</td> <td>0.5</td> <td>11.7</td> </tr> <tr> <td>Order bookings</td> <td>2,625</td> <td>4,534</td> </tr> <tr> <td>Order backlog at year-end</td> <td>7,159</td> <td>9,248</td> </tr> </tbody> </table>	MSEK	2009	2008	Sales	4,670	4,474	Operating income	24	524	Adjusted operating margin, %	0.5	11.7	Order bookings	2,625	4,534	Order backlog at year-end	7,159	9,248		
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SECURITY AND DEFENCE SOLUTIONS																						
	<p>These operations address both the military and civil security market with a competitive product portfolio consisting of C4ISR (computerized command, control, communications and intelligence) systems, airborne early warning systems, solutions for civil security, training and simulation systems, and solutions for telecom operators.</p>	<table border="1"> <thead> <tr> <th>MSEK</th> <th>2009</th> <th>2008</th> </tr> </thead> <tbody> <tr> <td>Sales</td> <td>5,800</td> <td>5,278</td> </tr> <tr> <td>Operating income</td> <td>278</td> <td>331</td> </tr> <tr> <td>Adjusted operating margin, %</td> <td>4.8</td> <td>8.2</td> </tr> <tr> <td>Order bookings</td> <td>6,045</td> <td>6,240</td> </tr> <tr> <td>Order backlog at year-end</td> <td>7,746</td> <td>7,129</td> </tr> </tbody> </table>	MSEK	2009	2008	Sales	5,800	5,278	Operating income	278	331	Adjusted operating margin, %	4.8	8.2	Order bookings	6,045	6,240	Order backlog at year-end	7,746	7,129		
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SUPPORT AND SERVICES																						
	<p>These operations offer reliable, cost-effective service and support for all markets where Saab is active. This primarily includes integrated support solutions, technical maintenance and logistics, and products, solutions and services for military and civil missions in locations with limited infrastructure.</p>	<table border="1"> <thead> <tr> <th>MSEK</th> <th>2009</th> <th>2008</th> </tr> </thead> <tbody> <tr> <td>Sales</td> <td>3,564</td> <td>3,439</td> </tr> <tr> <td>Operating income</td> <td>410</td> <td>413</td> </tr> <tr> <td>Adjusted operating margin, %</td> <td>12.1</td> <td>12.0</td> </tr> <tr> <td>Order bookings</td> <td>4,057</td> <td>3,800</td> </tr> <tr> <td>Order backlog at year-end</td> <td>4,011</td> <td>3,455</td> </tr> </tbody> </table>	MSEK	2009	2008	Sales	3,564	3,439	Operating income	410	413	Adjusted operating margin, %	12.1	12.0	Order bookings	4,057	3,800	Order backlog at year-end	4,011	3,455		
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2009

Order bookings in 2009 decreased by 44 per cent compared to 2008, while sales increased by 4 per cent compared to 2008. The sales increase is primarily the result of increased deliveries in major projects.

Profitability was affected negatively by structural costs of MSEK 100 related to lay-offs.

Order bookings in 2009 decreased by 16 per cent compared to 2008, while sales increased by 7 per cent compared to 2008. The increase is the result of higher activity in major projects and a higher share of smaller orders compared to 2008.

Profitability improved as a result of the current efficiency improvement programme. Structural costs of MSEK 180 related to lay-offs were recorded in 2009.

Order bookings in 2009 decreased by 42 per cent compared to 2008, while sales increased by 4 per cent compared to 2008.

Profitability decreased due to project overruns in the fourth quarter.

Order bookings in 2009 decreased by 3 per cent compared to 2008, while sales increased by 10 per cent compared to 2008.

Profitability decreased due to an unfavourable project mix as well as project overruns.

Order bookings in 2009 increased by 7 per cent compared to 2008, while sales increased by 4 per cent compared to 2008.

Structural costs of MSEK 20 related to lay-offs were recorded in 2009 and affected profitability negatively.

Important events 2009

- A number of orders related to the Gripen system's future capabilities and an order for spare parts were received from the Swedish Defence Materiel Administration (FMV).
- In February, an offer for 36 Gripen NG (Next Generation) fighter aircraft was submitted to the Brazilian Air Force. In October, an updated offer was submitted.
- In April, notice of lay-offs was served to 300 employees of Saab AB in Linköping as a result of low production volumes in commercial aircraft production.
- In June, Saab decided to reorganise Saab Bofors Dynamics AB, as a result of which notice of redundancy was served to 370 employees in four locations.
- An export contract was signed for an air defence system for delivery in 2010–2013 valued at approximately MSEK 340.
- In December, Saab signed two contracts to deliver the Carl-Gustaf man-portable weapon system. The total order value is MSEK 192.
- A contract worth approximately MSEK 180 was signed with Lockheed Martin Canada to upgrade the 2D radar Sea Giraffe 150 HC for modernisation of the Canadian Navy's Halifax Class frigates. Deliveries are scheduled for 2010-2017.
- In December, Saab received an order for the ARTHUR WLS (Weapon Locating System) from the Italian Army. The order was obtained in collaboration with the Italian company Selex Sistemi Integrati (Finmeccanica Group) and is valued at approximately MEUR 46 (MSEK 475).
- In April, Saab signed a contract to produce a training system for the US Marine Corps, and in August a contract was signed with the UK Ministry of Defence to deliver training systems in support of British Army training exercises in Kenya.
- In June, Saab was selected to supply a security solution for the women's prison near Gatton, in Australia.
- In November, Saab signed a contract to sell an airborne surveillance system to the United Arab Emirates. The contract is worth approximately SEK 1.5 billion.
- An order was received from FMV for a modular medical care system. The contract value is approximately MSEK 120 with options through 2013.
- In December, Saab signed an agreement with Mitsubishi Aircraft Corporation whereby Saab will supply support solutions including in the form technical publication and documentation work in support of the Mitsubishi Regional Jet (MRJ) programme.

FINANCIAL REVIEW 2009

Saab AB (publ.), corporate identity no. 556036-0793, with its registered address 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 since October 2006. The principal owners are Investor AB, with 20 per cent of the shares, corresponding to 39 per cent of the votes, and BAE Systems with 21 per cent of the shares, corresponding to 21 per cent of the votes. The remaining 59 per cent of the shares are traded on NASDAQ OMX Stockholm.

The total number of shares in the company is 109,150,344, distributed between 5,254,303 Series A shares with ten votes each and 103,896,041 Series B shares with the one vote. At year-end, a total of 3,639,220 Series B shares had been repurchased to guarantee the Group's share matching plan. The repurchased shares are held as treasury shares.

OPERATIONS

One of the world's leading high technology companies, Saab offers products, solutions and services for military defence and civil security. In 2009, we had customers in over 60 countries, but research, development and production are principally carried out in Sweden. Despite our growing global presence, we are primarily active in Europe, South Africa, Australia and the US. Saab was organised in three business segments in 2009: Defence and Security Solutions, Systems and Products, and Aeronautics, which in turn consisted of 15 business units and around 13,200 employees who stand behind the deliveries to customers.

On 9 September 2009, Saab announced that a new organizational structure would take effect on 1 January 2010. Since that date, the Group has five business areas: Aeronautics, Dynamics, Electronic Defence Systems, Security and Defence Solutions and Support and Services.

In addition to the business segments and since 1 January 2010 the business areas, Corporate comprises Group staff and departments and secondary operations. It also includes the leasing fleet of Saab 340 and Saab 2000 aircraft. As of 1 January, 2010, Combitech is reported as part of Corporate.

LONG-TERM FINANCIAL OBJECTIVES AND ACCOMPLISHMENTS

GROWTH

Saab's organic growth shall average 5 per cent per year over a business cycle. In 2009, organic growth was 4 per cent (6).

OPERATING MARGIN

Saab has two operating margin objectives, both of which are formulated as an average over a business cycle. The operating margin after depreciation/amortisation shall amount to at least 10 per cent and the operating margin before depreciation/amortisation shall be at least 15 per cent. The operating margin after depreciation/ amortisation was 5.6 per cent (0.7) in 2009. Adjusted for nonrecurring items, operating income amounted to MSEK 1,324 (1,994) and the adjusted operating margin was 5.4 per cent (8.4). The operating margin before depreciation/amortisation (EBITDA) was 10.5 per cent (6.4).

RETURN ON EQUITY

The return shall average 15 per cent. In 2009, Saab reported a return on equity of 7.0 per cent (-2.4).

EQUITY/ASSETS RATIO

Saab's equity/assets ratio shall exceed 30 per cent. At year-end 2009, the equity/assets ratio was 35.1 per cent (28.4).

DIVIDEND POLICY

Saab's long-term dividend objective is to distribute 20–40 per cent of net income over a business cycle to shareholders. For 2009, the Board of Directors proposes a dividend of SEK 2.25 per share (1.75).

Comment on net income

Saab's order bookings decreased by 21 per cent to MSEK 18,428 (23,212) in 2009. The international share of order bookings was 62 per cent (66). The order backlog amounted to SEK 39.4 billion (45.3). Sales rose by 4 per cent (3) to MSEK 24,647 (23,796). Adjusted for the sale of Saab Space on 1 September 2008 and exchange rate effects, sales increased by 4 per cent. Sales during the period were positively affected by approximately 2 percentage points by changes in exchange rates. The effects relate to the translation of foreign subsidiaries from their local currency to SEK, primarily relating to South

Africa and the US. Operating income for the year was MSEK 1,374 (166), corresponding to a margin of 5.6 per cent (0.7). Adjusted for non-recurring items of MSEK 50 (-1,828), operating income amounted to MSEK 1,324 (1,994), corresponding to an adjusted operating margin of 5.4 per cent (8.4).

FORECAST 2010

We remain cautious regarding order intake and foresee sales on the same level as 2009. Due to the effect of continued business improvement activities we expect profitability to increase.

Our long term financial targets remain.

IMPORTANT EVENTS IN 2009

- The Swedish Defence Materiel Administration (FMV) placed a number of orders with Saab. In January, Saab received an order to maintain the Gripen system's operating capabilities. In February, FMV ordered studies and concept work on Gripen's future capabilities. In July and December, Saab received additional orders from FMV for further development of the Gripen system and an order for spare parts.
- In February, Saab submitted an offer for 36 Gripen NG (Next Generation) fighter aircraft to the Brazilian Air Force. Saab offered a strong industrial co-operation package with positive impacts on the national defence industry, e.g., direct involvement in the development, production and maintenance of the aircraft. Gripen NG also generates transfers of key technology, which will allow full involvement in future capability development. In October, Saab submitted a revised offer.
- An order was received from FMV for studies of Gripen's future capabilities in 2009. The contract value is MSEK 400.
- In the area of civil security, Saab was awarded a contract worth approximately MZAR 200 (MSEK 165) to supply technological and installation services for a command and control network in South Africa.
- A contract was signed valued at about MSEK 700 within civil security. The contract, which runs over four years and comprises a number of installations, is part of Saab's efforts to develop solutions for the protection of important public institutions and critical infrastructure.
- An export contract was signed for an air defence systems for delivery in 2010-2013 valued at approximately MSEK 340.
- A contract was signed with the Australian Defence Materiel Organisation to develop a multi-link communication capability for the ANZAC and Canberra class ships. The value of the contract is approximately MSEK 195, within a project worth a total of MSEK 252.
- As a result of low production volumes in commercial aircraft production, Saab served notice of lay-offs to 300 employees of Saab AB in Linköping
- A contract was signed to produce training systems for the US Marine Corps. Within the framework of the contract, which has a potential value of MUSD 29 (MSEK 238), an initial order worth MUSD 22 (MSEK 181) has been placed.
- An order was received from FMV for a modular medical care system. The contract value is approximately MSEK 120 with options through 2013.
- A contract worth approximately MSEK 180 was signed with Lockheed Martin Canada to upgrade the 2D radar Sea Giraffe 150 HC for modernisation of the Canadian Navy's Halifax Class frigates. Deliveries are scheduled for 2010-2017.
- Saab served notice of redundancy to 370 employees of Saab Bofors Dynamics AB in four locations.
- The Swedish Chief Prosecutor Christer van der Kwast closed the preliminary investigation into Saab concerning alleged illegal methods in connection with the sale of Gripen.
- An order was received with a value of about MUSD 12.4 (MSEK 96) to produce and field simulators and targets for five gunnery ranges for the US Army.
- In July, Saab was selected by Baulderstone Pty Ltd to supply a security solution for the women's prison near Gatton, in Australia. This represents a breakthrough for Saab in civil security in the Australian market.
- In September, Saab announced changed structure of its operations and how they are governed. Instead of the previous three business segments and fifteen business units, Saab is now organised in five business areas.
- Saab signed a contract in August with the UK Ministry of Defence to deliver training systems in support of British Army training exercises in Kenya.
- In November, Saab signed a contract to sell an airborne surveillance system to the United Arab Emirates. The contract is worth approximately SEK 1.5 billion.
- In November, Saab established a Medium Term Note programme (MTN) of SEK 3 billion to enable the issuance of long-term loans on the capital market. Under the terms of the programme, Saab in November issued bonds and Floating Rate Notes (FRN) of SEK 1.1 billion, maturing in December 2013.
- In December, Saab signed two contracts to deliver the Carl-Gustaf man-portable weapon system. The total order value is MSEK 192.
- In December, Saab received an order for the ARTHUR WLS (Weapon Locating System) from the Italian Army. The order was obtained in collaboration with the Italian company Selex Sistemi Integrati (Finmeccanica Group). The value of the order to Saab is approximately MEUR 46 (MSEK 475).
- In December, a framework agreement was signed with Mitsubishi Aircraft Corporation for support solutions, in connection with which an initial offer was received to provide technical publication and documentation work in support of the Mitsubishi Regional Jet (MRJ) programme.



SEGMENT REPORTING

As of 2010, Saab's operations are divided into five business segments – Aeronautics, Dynamics, Electronic Defence Systems, Security and Defence Solutions, and Support and Services – for control and reporting purposes.

In 2009, we reported for the last time with the three business segments Defence and Security Solutions, Systems and Products, and Aeronautics. The three segments comprise a total of 15 business units, which work together

based on customers' needs to utilise the Group's entire range of competencies in the most effective way possible. One business segment always has prime responsibility for the order.

In addition to the business segments, Corporate comprises Group staffs and departments and peripheral operations. It also includes the leasing fleet of Saab 340 and Saab 2000 aircraft. As of 1 January 2010, Combitech is also reported within Corporate.

Defence and Security Solutions comprise the following business units:

- Saab Aerotech
- Combitech
- Saab Grintek Technologies
- Saab Security
- Saab Surveillance Systems
- Saab Systems

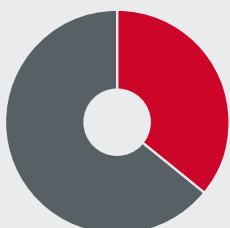
Systems and Products comprise the following business units:

- Saab Avitronics
- Saab Barracuda
- Saab Bofors Dynamics
- Saab Microwave Systems
- Saab Training Systems
- Saab Underwater Systems

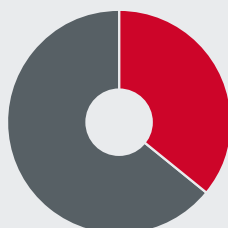
Aeronautics comprises the following business units:

- Saab Aerosystems
- Saab Aerostructures
- Gripen International

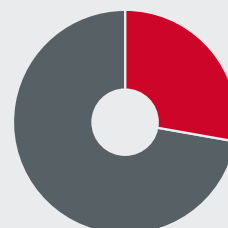
SHARE OF SALES, 36%



SHARE OF SALES, 36%



SHARE OF SALES, 28%



Defence and Security Solutions

Defence and Security Solutions develop and integrate high-technology systems for reconnaissance, surveillance, communication and command and control for military and civil applications. The business segment also includes consulting services in systems development, systems integration and information and system security. In addition, Saab offers a wide range of life-cycle support solutions.

SALES, INCOME AND ORDERS

Orders received

Order bookings in 2009 decreased by 1 per cent compared to 2008. Orders received where the order sum was more than MSEK 100 represented 33 percent (32) of total order bookings.

Sales

Sales for Defence and Security Solutions increased by 3 per cent compared to 2008. Sales were positively affected by approximately 3 percentage points in 2009 by the appreciation of the AUD and ZAR against the SEK. International sales accounted for 52 per cent (54); 68 per cent (70) was from the defence market.

Income and margin

During 2009, profitability was impacted by an unfavourable project mix. In addition, profitability was negatively impacted by project overruns during the fourth quarter. Structural costs of MSEK 20 were recorded during the fourth quarter for lay-offs related to the support and service business. The lay-offs were announced in April 2009.

Cash flow

Operating cash flow improved in 2009 compared to 2008 due to a major milestone payment received in the second quarter of 2009, whereas working capital increased in the second half of 2009 as a result of preparations for deliveries in 2010.

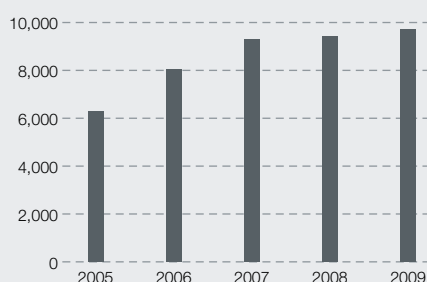
Employees

The number of employees increased during the year mainly due to the acquisition of 60 per cent of the shares in the former joint venture TietoSaab Systems in Finland. The amount of FTE's (Full Time Equivalents) at the end of 2009 was 4,646.

Key financial ratios for Defence and Security Solutions, MSEK

	2009	2008
Order bookings	9,939	9,997
Order backlog at year-end	11,726	10,918
Sales	9,697	9,443
Operating income	678	732
Operating margin, %	7.0	7.8
Non-recurring items	-20	-103
Adjusted operating margin, %	7.2	8.8
Depreciation/amortisation and impairments	203	287
Operating cash flow	38	-322
Capital employed	5,679	4,510
Gross capital expenditures	52	121
Number of employees	4,723	4,666

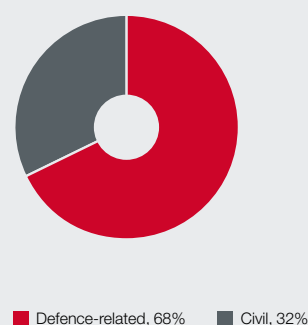
SALES, MSEK



OPERATING INCOME AND MARGIN



SHARE OF SALES 2009, %



Systems and Products

Systems and Products offer a broad portfolio of products and components or entire systems in defence, aeronautics and civil security. The business segment also has long-term commitments to maintain and operate many systems it has supplied, as well as training solutions.

Saab has an especially strong position in the markets for avionics, man-portable weapons and signature management. In addition, Saab Microwave Systems' radar and sensor products are vital components of major systems solutions such as the ARTHUR weapon detecting radar and GIRAFFE search radar.

SALES, INCOME AND ORDERS

Orders received

Order bookings decreased by 30 per cent in 2009 compared to 2008. Orders received where the order sum was more than MSEK 100 represented 33 percent (37) of total order bookings.

Sales

Sales in 2009 increased year-on-year by 6 percent. Adjusted for the divestment of Saab Space on September 1, 2008 and exchange rate effects, sales increased by about 9 percent. The increase is related to a higher activity level in large projects and the relatively higher share of smaller orders in 2009 compared to 2008. Sales in markets outside Sweden accounted for 76 per cent (72); 96 per cent (91) was from the defence market.

Income and margin

Profitability was negatively impacted by identified project overruns. Higher development costs due to Saab's more conservative view on the application of accounting for development costs as of 1 January

2009 also had a negative impact on profitability. In addition, structural costs of MSEK 180 were recorded related to lay-offs announced in June 2009.

Cash flow

Operating cash flow was lower in 2009 compared to 2008 due to differences in the timing of payments in large projects.

Employees

The number of employees was reduced by 152 in 2009 as a result of ongoing efficiency improvement initiatives and the lay-off announced in June 2009. The amount of FTE's (Full Time Equivalents) at the end of 2009 was 4,632.

Key financial ratios for

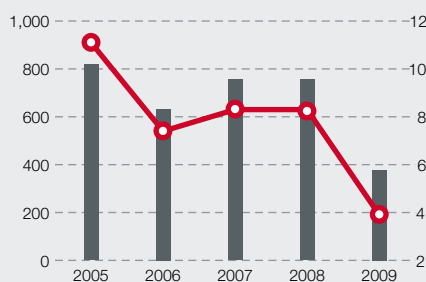
Systems and Products, MSEK

	2009	2008
Order bookings	6,572	9,345
Order backlog at year-end	14,288	17,390
Sales	9,602	9,095
Operating income	379	756
Operating margin, %	3.9	8.3
Non-recurring items	-180	-250
Adjusted operating margin, %	5.8	11.1
Depreciation/amortisation and impairments	659	762
Operating cash flow	795	1,484
Capital employed	8,150	8,431
Gross capital expenditures	121	522
Number of employees	4,717	4,869

SALES, MSEK



OPERATING INCOME AND MARGIN



SHARE OF SALES 2009, %



Aeronautics

Saab's military and commercial aeronautics operations are dominated by the Gripen programme, but also include future unmanned aerial vehicles (UAVs). In civil operations, Saab supplies the aircraft manufacturers Airbus and Boeing with subsystems and structural components, among other things.

For example, on behalf of Airbus we have developed the mid and outer wing leading edge for the A380 superjumbo and parts of control systems and the doors for the A400M.

SALES, INCOME AND ORDERS

Orders received

Order bookings decreased by 44 per cent in 2009 compared to 2008. Orders received where the order sum was more than MSEK 100 represented 79 percent (90) of total order bookings.

Sales

Sales for Aeronautics increased by 4 per cent in 2009 compared to 2008. The increase is primarily due to increased deliveries of Gripen to South Africa and FMV's order for an integrated air surveillance system for Thailand. Sales in markets outside Sweden accounted for 60 per cent (64); 91 per cent (93) was from the defence market.

Income and margin

Profitability in 2009 was negatively affected by higher development costs due to Saab's more conservative view on the application of accounting for development costs as of 1 January, 2009. Also, structural costs of MSEK 100 recorded in the second quarter 2009 related to lay-offs impacted profitability negatively. The operating

margin remains under pressure from low capacity utilisation in commercial aircraft projects and a change in project mix compared to 2008.

Cash flow

Operating cash flow in 2009 was impacted by an increase in working capital due to utilisation of milestone payments in 2009.

Employees

The number of employees was reduced by 85 in 2009 as a result of ongoing efficiency improvement initiatives and the lay-off announced in April 2009. The amount of FTE's (Full Time Equivalents) at the end of 2009 was 2,776.

Key financial ratios for Aeronautics, MSEK

	2009	2008
Order bookings	3,417	6,153
Order backlog at year-end	15,476	19,626
Sales	7,571	7,269
Operating income	6	-1,508
Operating margin, %	0.1	-20.7
Non-recurring items	-100	-1,769
Adjusted operating margin, %	1.4	3.6
Depreciation/amortisation and impairments	249	195
Operating cash flow	-434	-1,007
Capital employed	2,146	3,022
Gross capital expenditures	62	240
Number of employees	3,015	3,100

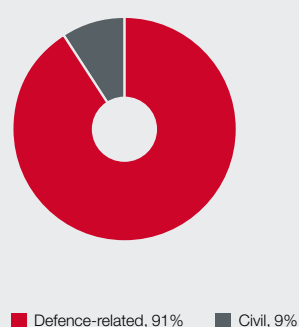
SALES, MSEK



OPERATING INCOME AND MARGIN



SHARE OF SALES 2009, %



SAFE AND **SUSTAINABLE** **SOCIETIES**

Saab's operations contribute to security and stability in the world. With high ethical standards and responsible decisions in a successful business, we are also a positive force for people, the environment and society.

Saab's vision and core values – expertise, trust and ambition – are the guiding principles in our operations and therefore in how we take responsibility. Trust is fundamental to our existence. We earn it by making responsible decisions in our operations and in relation to the communities we serve. Respect for others, stimulating jobs and safe work environments for our employees, consideration for the environment and responsibility for the local community help us to achieve our operating goals.

SAAB'S VALUES ARE:

EXPERTISE – We combine a strong history of knowledge with continuous learning.

TRUST – We are honest and reliable citizens of the world and we keep our promises.

AMBITION – We have a passion for innovation, we are open to change and are committed to being fast and flexible.

Prerequisites for Saab's operations

The United Nations Charter gives every nation the right to protect itself and its citizens. This right applies regardless of whether the nation has its own defence industry. Saab's vision is based on our efforts to keep society and those of us who live here safe. By improving and upgrading technological systems and solutions, we can de facto increase security in society and for its citizens, including those whose job it is to maintain security. But we also have to provide insight into how threats against security are changing and develop innovative solutions to keep society safe.

Every contract is governed by specific rules and guidelines. In Sweden, for example, the production and export of defence materiel are regulated by laws, ordinances and guidelines adopted by parliament. In similar fashion, we abide by the laws and regulations in the other countries where we operate. In addition, we help to protect human rights and give consideration to health, safety and environmental issues.

This is our commitment at Saab. It is a commitment to maintain high standards in everything we do.

High ethical standards throughout the organisation

Saab's Code of Conduct governs our actions. While reinforcing our values, it establishes an overall approach with rules on our individual and collective responsibilities. The code is based on the OECD's guidelines for multinational companies and the ten principles in the UN's Global Compact and provides clearly defined rules and routines to ensure that accepted business practices are applied in day-to-day operations.

Saab works continuously with business ethics and to ensure that we live by our values in our marketing and when transacting business. In 2009, Saab established a rule whereby senior management must approve arrangements that are entered into with marketing consultants concerning large contracts. Every relationship with a marketing consultant must be approved by the business area manager and marketing manager. All agreements, including with regard to compensation, must be proportional to the services rendered. Employees who work with marketing consultants must also receive training. Moreover, Saab has established a special Ethics and Compliance unit in the legal department. This ensures that the rules on marketing consultants are effective and updated regularly, and that how the rules are applied is monitored. Compliance is controlled through audits by Saab's internal and external auditors.

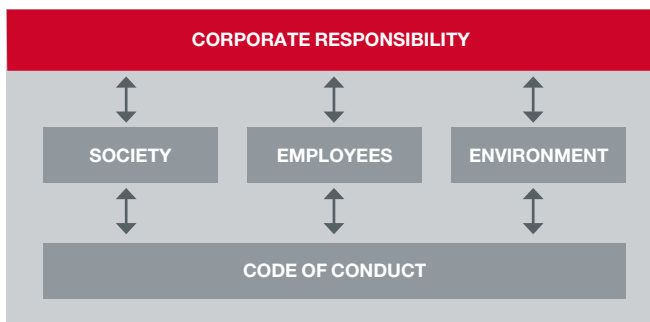
If any issues or problems arise in the workplace, employees should be able to discuss them with their immediate supervisor. If this is not possible, there is a helpdesk that they can contact.

Joint efforts to fight corruption

Saab has played an active role in the establishment of a code of conduct for European defence companies through the Aerospace and Defence Industry Association. The code is designed to fight corruption and contains a toolbox to facilitate the introduction of and compliance with these rules. A large number of defence exporters in Europe have pledged to abide by the code.

We are convinced that all contracts must be won and implemented according to the highest ethical standards and that this benefits the industry as well as society. In 2009, Saab therefore continued to work internationally against corruption by participating in the establishment of the Global Principles of Business Ethics for the Aerospace and Defence Industry together with the European and US defence industry. The principles establish zero tolerance of corruption and treat the use of marketing consultants, conflicts of interest and secret information. Saab has pledged to abide by these principles, which also require companies to maintain detailed guidelines, training, controls and sanctions in the event of violations of these principles.

Saab's corporate responsibility is reported from the standpoint of three areas: society, employees and the environment.



Below we have identified four important stakeholder groups for our operations that we also give promises to.

SAAB'S CORE STAKEHOLDERS

- Customers**

Through research, development and production, Saab supplies products, solutions and services that meet the expectations of customers place on quality, safety, economics and protection of the environment. We are committed to free trade, fair competition and legal compliance. We act fairly and impartially vis-à-vis our suppliers and other partners and do not tolerate corruption or other improper ways of conducting business.
- Employees**

Saab respects its employees and their rights, offers safe working conditions, actively works to prevent all forms of discrimination and contributes to professional development to help employees improve their skills. Being a responsible employer also makes Saab more attractive to current and potential employees.
- Shareholders**

Saab's aim is to provide shareholders with a consistently high return. We keep our shareholders informed on our operations as well as our activities and results.
- Society**

Saab is a responsible member of society and acts in accordance with applicable laws. We are committed in various ways to supporting our local communities, protecting the environment and contributing to research and development that benefits the whole society. We do not take political sides, however.

A POSITIVE FORCE IN SOCIETY

Good relationships are built on confidence and are the foundation of Saab's success. The first step requires a steadfast commitment to compliance with laws and rules. The next is to contribute to society's development.

For more than 70 years, Saab has created economic growth and job opportunities in Sweden. Today we do it in far more countries around the world. Saab's investments in defence materiel have been important to industrial development and have generated jobs in and outside our company as well as considerable export income for Sweden.

As it becomes increasingly important to protect and build flows, Saab also plays an important role in civil security. Within the framework of these operations, we contribute our expertise and help society to function.

As one of the country's most research-intensive companies, we contribute to society's technological development, often in collaboration with leading universities and institutes of technology. Our research results also benefit other industries. Saab's technologies have given birth to a number of new companies over the years. Since 2001, 13 companies have been spun off. As we expand on markets outside of Sweden, we take on the same role in the new countries where we are active, such as South Africa and Australia.

Co-operations create growth

Every time Saab signs a major international contract, industrial co-operations are usually involved. For example, we may agree with the customer to outsource some production or development work to the country or enter into industrial, commercial or research-related alliances. This usually helps Saab to build a strong local presence in the buying country, at the same time that the local economy benefits and skilled jobs are created.

Contacts with schools

Saab works with a number of institutes of technology and universities and on various types of research and development projects. Contacts with universities, institutes of technology and other seats of learning also give us the opportunity to promote ourselves as an employer and attract talented recruits. For more on Saab as an employer, see pages 44–46.

It is important to its future technological development that Saab gets young people interested in the natural sciences and engineering. Getting them to choose these subjects is therefore a priority for us. We partici-

pate in a number of educational projects in Sweden and South Africa, where we sponsor scholarships, donate educational material and other equipment, assist in teaching and take our own educational initiatives. In South Africa, we are working in particular with schools in poor areas and helping vulnerable children to receive an education.

Saab's sponsorships include Venture Cup, Students In Free Enterprises (SIFE), the Royal Swedish Academy of Science's programme "Natural Science and Technology for All", Kunskapsskolan and Saab's annual Women in Technology award. We also support the Swedish Championship in Technology and "Technology Days" events, which are designed to draw attention to the importance of technology and engineering to Sweden's growth and development, encourage young people to take an interest in technology, and inspire decision-makers, businesses and other actors to exploit young people's natural curiosity in technology.

Saab also sponsors the Order of the Teaspoon, founded in 2006 by the magazine Vi to resist fanaticism and promote tolerance. Israeli author Amos Oz and his book "How to Cure a Fanatic" were the inspiration for the foundation.

As part of our social commitment, we play an active role in the Swedish Workplace HIV/AIDS Programme (SWHAP), a co-operative initiative by the International Council of Swedish Industry and the Swedish Metalworkers' Union (IF Metall). SWHAP supports the establishment of HIV and AIDS programme in Swedish-related workplaces in sub-Saharan Africa.

GRIPEN PROJECT DRIVES TECHNOLOGY FORWARD

Gunnar Eliasson, Professor of Industrial Economics at the Royal Institute of Technology, has conducted a study of the spillover effects that advanced technological development generates. As a case study, he used Gripen. The results show that the original investment in research and development in the Gripen project has been repaid to Swedish society at least 2.6 times over. (If the spillover multiplier had been 1, Gripen's development would not have cost society anything.)

Clouds of technology tend to form around all advanced production, which other companies can readily utilise based on their capabilities. Gunnar Eliasson's study shows that the Gripen project has been a technology driver that has created a broad range of spillovers in Swedish industry and contributed to Sweden's standing position as a high-tech industrial nation. In his case study, Eliasson identified and calculated the value of the civil production created by Gripen's spillover effects, the value of the civil and military exports that Gripen technology has facilitated and the value of the entrepreneurial spin-offs that have resulted.



THE RIGHT DIRECTION WITH THE **RIGHT EMPLOYEES**

Saab encourages every employee to change and develop as the operating environment changes. Saab's HR work is based on the Group's overall strategies.

With the right employees in the right places, our challenge is to be an efficient, unified and competitive company. In this way, we will reach the operating targets we have set.

Changing in alignment with the operating environment

In 2009, we focused on adapting the organisation to changing market conditions.

Current cost cuts, which require, among other things, a reduction in the number of employees, have dominated HR work in the Group. As part of Saab's Billion+ Programme, the purpose which is to cut costs and improve operating efficiencies, we have as a goal to reduce the number of employees by 500 within the span of two years. This is primarily being done through attrition. We are also trying to reduce the number of consultants we use, as well as the number of temporary hires. We apply a model to co-ordinate resource surpluses and deficits in the Group.

In 2009, we implemented two series of lay-offs in our Swedish operations as an element in a long-term strategic adjustment to changing market conditions. A great deal of time has been devoted to these efforts. As an employer, Saab implements such changes with

the greatest possible respect for our employees, while protecting our competitive strength and our brand.

Current market conditions and Saab's ongoing change process also create the need for competence renewal. This means that we at the same time have recruited partly from other areas of the organisation. This has mainly involved technology-oriented positions and expertise tied to marketing and civil security, as well as experience in international business, i.e., Saab's current focuses.

Priorities

From a more long-term perspective, Saab prioritises HR-related activities in four strategic areas:

- Create conditions for global co-operation
- Develop leadership
- Create opportunities for diversity
- Increase the Group's popularity as an employer

Create opportunities for global co-operation

In 2009, the Saab Group continued to develop and implement uniform processes in the HR unit. The goal is even better quality in our mission-critical HR issues.

NO. OF EMPLOYEES 2009, %



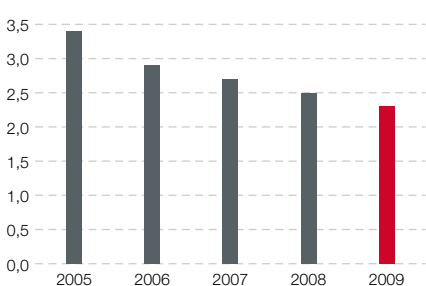
■ Women, 22%
■ Men, 78%

EDUCATION 2009



■ Professor, PhD
■ Master of Science
■ Other academic
■ College level engineering
■ Other engineering
■ Upper secondary school
■ Other

SICK LEAVE 2005-2009, %





Last year's Advanced Corporate Management Network (ACMN) focused on international and multicultural aspects to develop Saab's business and employees. The 18 participants in the programme came from Sweden, Australia, South Africa, the US and the Czech Republic. The overriding goal of ACMN, which is designed based on Saab's operations and business, is to prepare participants to go from operating to strategic leadership.

The review of all operations that we conducted – and continue to make – has clearly demonstrated the importance of maintaining the right skills in the organisation. It has also contributed to greater internal job rotation and collaborations between business areas.

In 2009, employees in South Africa joined the voluntary share matching programme. As a result, all Group employees are now part of the programme.

REORGANISATION IS A CATALYST

Prior to launching the new organisation, which takes effect on 1 January 2010, we conducted a comprehensive analysis of our operating structures, roles, competencies and employee reviews. Among other things, we have reviewed contractual structures and operating systems to ensure that a standardised infrastructure is in place in the entire organisation.

The reorganisation provides a major boost to efforts to develop Group-wide approaches. At the same time, it further improves opportunities for competence renewal.

Leadership development

In 2009, Saab reduced its training activities due to the current efficiency programme. However, as an element in the continuing efforts to strengthen leadership, we have prioritised the annual leadership programmes for managers, particularly new managers and project leaders.

The following Group-wide internal leadership programmes were offered at various levels of the Group in 2009.

- Self-awareness – Planning – Development
- Saab's Mentoring Programme for Women
- New Managers at Saab
- Foundation Leadership Training
- Foundation Project Management Training
- Leadership for Experienced Managers
- Advanced Project Management
- Advanced Corporate Management Network

In addition, employees participate in a number of external consortium programmes. To implement our strategies, we have to increase internal recruitment of future leaders by identifying talented individuals in the Group. We do so within each business unit and corporate area as well as through an annual Talent Management Review, where we review possible career paths for high potential individual.

Promoting diversity

By treating differences as an asset, we foster creativity and success. We believe, for example, that a workplace with a fairly even number of men and women will generate better business. This is why we are trying to improve diversity and capitalise on the competence and experience that are vital to our continued business development.

PREVENTIVE MEASURES PROMOTE GOOD HEALTH

Good health leads to motivation and profitability. Saab's business areas have health strategies that include various wellness and recreational programmes as well as other measures to promote healthy living. Concrete activities vary by area, but health is always a current topic within the Group. Saab has maintained low sick leave for many years; 80 per cent of employees have fewer than five sick days per year.

Like many other companies, Saab is still dominated by male managers. To place further attention on the issue and increase the share of female managers, in 2008 we launched the 30/70 2015 project. Through concrete action plans, Saab's goal in Sweden is to have 30 per cent female managers by 2015. Today the figure is 17 (16) per cent.

The 30/70 project continued with a number of activities during the year. For example, we organised the annual Women in Technology competition among female professionals to promote an interest in engineering and demonstrate that Saab is serious about women in technological fields. We also believe that more female managers will help to increase the overall number of female employees at Saab. For the fifth consecutive year, Saab also implemented a mentoring programme for women, the target group for which are future managers. The goal is that 50 per cent of the mentors will be female.

Increasingly popular employer

Saab wants to be the most popular employer for strategically prioritised professional groups such as engineers. As an employer, we want to attract both current and future employees in the global talent market. We also have to be able to retain and develop our employees.

Views of Saab as an employer among its employees and in the marketplace are important to us. In the Corporate Barometer survey in 2009, in which nearly 15,000 engineers, economists and computer/IT students ranked Sweden's most popular employers, Saab ranked sixth (fourth) among engineers.

We have improved our image and communication with regard to attracting women. Women ranked Saab eleventh (nineteenth) in the Corporate Barometer.

ACTIVE ENVIRONMENTAL WORK BENEFITS US AND OUR CUSTOMERS

The aim of Saab's environmental policy is to ensure that we meet customers' requirements and laws and contribute to a sustainable society. Environmental work is an integral part of operations.

SAAB'S ENVIRONMENTAL POLICY

Through well-structured environmental work and continuous improvements, the environmental impact of plants, products and services will be minimised as far as is technically possible and economically reasonable. To achieve this Saab will:

- Implement environmental management systems that fulfil ISO 14001 requirements
- Identify and minimise the environmental risks associated with our products, systems and operations
- Minimise use and emissions of hazardous substances/materials and efficiently consume energy and natural resources
- Comply with applicable regulations and other requirements in the environmental field
- Affirm an attitude of openness in communicating our environmental work.

In 2009, the environmental policy was clarified to state that we will work actively with needs analyses, knowledge and communication with regard to the use of hazardous chemicals.

ENVIRONMENTAL MANAGEMENT

Saab's environmental work is organised at the Group level, where the Group's environmental unit is responsible for the development and follow-up of environmental work, and at the business unit level, where environmental issues are addressed in operations. Business unit managers are responsible for compliance with policies and laws. They are supported by environmental managers and/or coordinators. Co-operation between the Group and business units is overseen by the Council on the Environment. Moreover, "environmental days" are arranged annually to discuss current issues.

Saab's new organisation as of 1 January 2010 simplifies environmental management and makes it easier to further co-ordinate the Group's environmental work.

ISO 14001 certified environmental management systems are currently used by the business units Saab Aerosystems, Saab Aerotech, Saab Avitronics, Saab Barracuda, Combitech, Saab Bofors Dynamics,

Saab Microwave Systems, Saab Security, Saab Systems, Saab Training Systems and Saab Underwater Systems. Saab Aerostructures' environmental management system is adapted to ISO 14001.

The environmental management systems are integrated in the operating systems used by the business areas. We work continuously to co-ordinate, rationalise and develop the processes and methods we use in the environmental area.

Saab has around 50 different environmental targets and programmes that involve handling chemicals, replacing hazardous chemicals and substances, introducing environmental considerations in development processes, waste sorting and recycling, energy and water savings, reducing the need for personnel transports, and reducing air and water emissions.

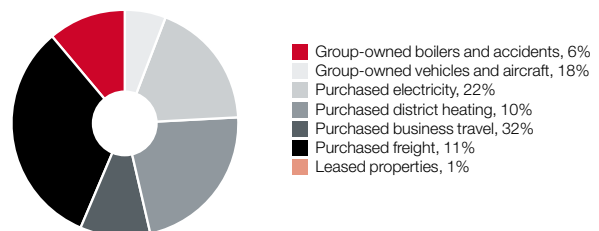
ENVIRONMENTAL PRIORITIES

Environmental work that is especially important to Saab's operations is described below. The areas are climate change, aviation's environmental impact, hazardous substances and REACH (Registration, Evaluation and Authorization of Chemicals).

Climate change

Saab impacts the climate through responsible use of energy for electricity and heating and fuel for business travel, goods transports, and test and target flights. We work actively with climate issues by mapping and reporting CO₂ emissions and by improving energy efficiency in our operations and products. The measures and activities we take to reduce our climate impact are governed by an internal

CO₂ EMISSIONS BY SOURCE WITHIN SAAB IN 2008*, %



* Figures for 2009 were not available at the time this annual report was being produced.



climate change directive and established goals. In 2009, Saab established the following Group-wide emissions-related goal:

“Greenhouse gas emissions will be reduced by 20 per cent by 2020, compared to 2007. The measurement will be normalised to Saab’s total annual turnover in MSEK. An annual reduction of 2 per cent is an intermediate goal.”

The goal includes greenhouse gas emissions that are generated through electricity, heating and cooling consumption, goods transports, flights and air travel, and the use of company vehicles.

ELECTRICITY AND HEATING CONSUMPTION IN GWH

Saab has reduced its CO₂ emissions by around 8,000 tonnes, from 55,000 tonnes in 2007 to 47,000 tonnes in 2008. The reduction has been achieved primarily because:

- Operations in South Africa have been reduced and Saab Space was divested in 2008.
- Emissions from business travel have been reduced partly by using more videoconferencing and transitioning to rail travel.
- Electricity consumption has been reduced.
- The share of green rental cars has increased.

In 2009, emissions from business travel and electricity and heating production were further reduced through comprehensive measures. From 2008 to 2009, the share of green rental cars increased from 31 per cent to 41 per cent.

Saab’s company car supply includes only vehicles that meet Folk-sam’s safety and environmental requirements.

In Linköping, Saab launched a comprehensive project together with Tekniska Verken i Linköping AB to reduce energy consumption. All buildings in Saab’s industrial zone in Tannefors and Malmslätt will be analysed. The analysis covers, among other things, ventilation, water and electricity consumption and how well the systems are designed for operations. Similar energy savings projects will begin shortly in Järfälla and Gothenburg.

Carbon Disclosure Project

Since 2006, Saab participates in the international Carbon Disclosure Project (CDP), whose goal is to encourage private and public sector organisations to measure, manage and reduce global climate change impacts.

CDP’s Carbon Disclosure Leadership Index (CDLI) recognises companies that have demonstrated that they professionally manage climate issues. For the third consecutive year, Saab received a very high rating in 2009 for its climate work and awareness of how climate change affects the company and its business. Our strategic long-term climate change work and investments in new environmental technology are the reason for the high ranking.

Nordic Climate Cluster

Through the Nordic Climate Cluster (NoCC), which Saab helped to create, Swedish and Norwegian companies from various industries have joined together to create a network to develop smart solutions for climate change. Together, these companies cover many of the technical areas needed to solve problems related to climate change. To date, NoCC has focused on opportunities to use renewable raw materials that contain waste-based biofuels and energy, among other things. Other issues have been discussed as well, such as energy efficiency and energy sources, especially wind power and wave energy. Several collaborations that cross industry and national borders are under way between NoCC members.

Aviation’s climate impact

Launched in 2008, the Clean Sky Joint Technology Initiative will continue until 2014. Clear Sky is a new type of alliance within the EU where organisations, government agencies and businesses share responsibility for large, strategically important projects. Clean Sky is the industry’s response to the 2020 objectives of the Advisory Council for Aeronautical Research in Europe (ACARE). The goals are to reduce European aviation’s carbon dioxide emissions by 50 per cent (measured per passenger kilometer), nitrogen oxide by 80 per cent and cut noise levels in half. Other emissions such as carbon monoxide, hydrocarbons and particles will be substantially reduced as well. If these targets are reached, the European aeronautics industry will



be well-prepared for a future market distinguished by tougher environmental requirements.

Saab is one of the main suppliers to Clean Sky and is investing around MEUR 14 in the programme. We develop innovative technology based on our expertise in military and civil aeronautics, as well as the entire air transport system. This includes the development of a new smart wing with innovative, fuel-saving technology for the next generation of large commercial aircraft and the system for “green approaches” for the future air transportation system.

Since June 2009, Saab also participates in the Single European Sky ATM Research Programme (SESAR), whose aim is to bring efficiency to the air space over Europe while improving safety and reducing environmental impacts.

Hazardous substances and the EU’s REACH law

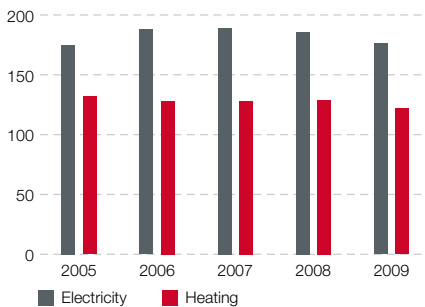
To meet security and technical performance requirements, Saab and other companies in the aerospace and defence field still use certain substances that are classified as hazardous to humans and the envi-

ronment. Saab has initiated several national and international development projects to replace hazardous substances.

In our efforts to replace hazardous substances, the priority has been placed on volatile organic solvents (VOC), trichloroethylene, ozone-depleting refrigerants, bromated chromates, lead and cadmium. During the last ten years, we have substantially reduced our use of hazardous substances. Saab has received an exemption from the Swedish National Chemicals Inspectorate to use trichloroethylene at the facilities in Tannefors, Järfälla and Malmslätt. In 2009, we took measures that will greatly reduce the consumption of trichloroethylene as of 2010. The measures consist of the replacement of two older tri-facilities with a modern plant that is essentially self-contained.

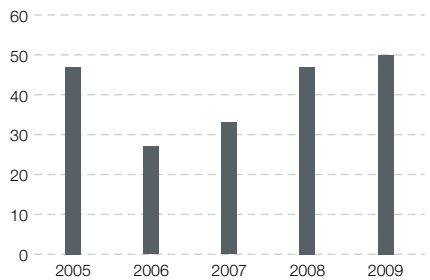
The types of products developed and marketed by Saab are not governed by the EU’s RoHS directive (Restriction of the use of certain Hazardous Substances in electrical and electronic equipment). Since RoHS is creating market pressure to replace lead, cadmium, hexavalent chromium and bromated flame retardants in electronic products, Saab is working actively to reduce its use of these substances.

CONSUMPTION OF ELECTRICITY AND HEATING ENERGY, GWh



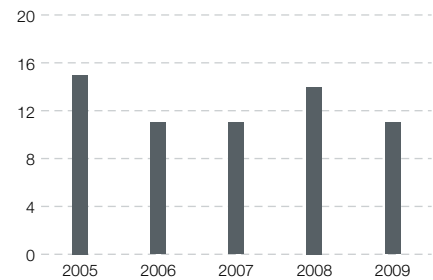
Saab is working actively to improve efficiency in its use of electricity and heating energy. The reduction in electricity and heating consumption in 2009 was due to savings measures.

EMISSIONS OF VOLATILE ORGANIC SOLVENTS (VOCs), TONNES



The increase from 2006 to 2009 is due to higher production in the processes that generate VOCs. From a long-term perspective (>10 years), VOC emissions have decreased substantially.

CONSUMPTION OF CHLORINATED VOLATILE ORGANIC SOLVENTS, TONNES



Variations in consumption are due to changes in production. Since the 1990s, consumption of chlorinated VOCs has decreased substantially. The chlorinated VOC used is trichloroethylene. In 2009, major efforts will be made to reduce this consumption.

Saab is also working to meet the requirements of the EU's chemicals law, REACH (Registration, Evaluation and Authorisation of Chemicals). This is being done through participation in the trade groups Teknikföretagen i Sverige and AeroSpace and Defence Industries Association of Europe (ASD) at a European level. Internal control systems have been updated in light of the new requirements. Because it systematised work with chemical products early on, Saab was well-prepared for REACH's requirements. In 2009, we began to define a project that will systematise the flow of environmental data tied to our products and systems.

Demands on suppliers

The majority of the high-tech components and equipment in Saab's products are purchased from subcontractors around the world. To reduce the environmental impact of our products and solutions, we set environmental requirements for our suppliers, e.g., which substances may be used or noise levels. Their environmental work is critical to the environmental performance of our products and systems. In 2009, we introduced the Group-wide environmental requirements for suppliers that were established in 2008. The new organisation is expected to help us institute requirements for suppliers, since procurement processes will be more centralised.

SAAB AND THE GREEN MARKET

Environmental aspects are increasingly becoming part of the product development process at Saab. Several current and potential customer-countries face major challenges in terms of energy and the environment and must meet stringent requirements to quickly adapt. Energy efficiency is a key to climate change. As part of Saab's business development, we continuously identify how our expertise, products and systems can be used to improve energy efficiency in production and consumption of energy and fuels. We can also contribute a growing number of products and solutions that reduce CO₂ emissions, ranging from solutions that improve efficiency in transport flows in the air, at sea and on land to our work in the EU's above-mentioned Clean Sky programme.

As Saab increasingly helps its customers to protect various flows in society and improve their efficiency, including energy or logistical

flows, we are also doing more to help the environment. Together with our partners, we can also offer technologies and support that contribute to sustainable cities. Listed below are several areas where Saab has solutions that reduce environmental impacts or improve decision guidance for important environmental issues:

- Intelligent transport solutions for air, land and sea
- Logistics and support
- Communication and decision-making systems
- Surveillance systems for land and sea
- Data processing and visualisation for better decision guidance
- Waste and energy

To increase its attractiveness in existing and future industrial alliances, Saab owns part of Usitall AB, a Linköping-based company specialised in waste management and energy recovery.

LEGAL ENVIRONMENTAL ISSUES

Operations subject to permit requirements in the Parent Company

Production of aircraft and aircraft components by the Parent Company, Saab AB, in the Tannefors industrial zone in Linköping is subject to licensing according to the Swedish Environment Code due to the surface treatment processes, manufacture of composite materials, handling of chemical substances and the size of the manufacturing facilities. The environmental impact of these operations primarily arises from emissions of volatile organic compounds (VOCs) into the atmosphere and of metals into waterways, the generation of industrial wastes and noise disturbing local surroundings. The operations subject to licensing predominantly entail manufacturing. The National Licensing Board for Environmental Protection granted the license for aircraft manufacture in 1990.

In Järfälla, Saab AB has operations involving the manufacture of advanced command and control systems, among other things, that are also subject to licensing according to the Environment Code. The licensing requirement is due to surface treatment processes and the size of the manufacturing facilities. The environmental impact of these operations primarily arises from VOC emissions into the atmosphere and of metals into waterways. The National Licensing Board for Environmental Protection granted the license in 1990.

Saab AB has operations subject to licensing in Malmslätt, in the municipality of Linköping, as well as in Arboga due to surface treatment processes (Malmslätt) and to the size of the manufacturing facilities, firing range activities and the pre-treatment of electronics (Arboga). The environmental impact of these operations primarily arises from VOC emissions into the atmosphere and of metals into waterways, as well as industrial wastes and noise. The operations subject to licensing in Malmslätt predominantly entail manufacturing. The license for the operations in Malmslätt was granted by the County Administrative Board in 1993, and the license for the operations in Arboga was granted by the County Administrative Board in 1994.

The supervisory authorities have decided on additional terms for the operations in Tannefors and Malmslätt in the municipality of Linköping against the backdrop of the EU's IPPC directive.

With the exception of a few exceeded limits, Saab AB did not exceed any conditions on their permits or injunctions in 2009.

OPERATIONS SUBJECT TO PERMIT REQUIREMENTS

The operations carried on by Linköping City Airport AB are subject to licensing according to the Environment Code and are covered by the permit issued by the National Licensing Board for Environmental Protection in 1990 for Saab AB's collective operations in the Tannefors industrial zone in Linköping. This permit also covers the operations of Saab Bofors Dynamics AB in the area, despite that they are not subject to licensing and notification requirements according to the Environment Code.

Saab Bofors Dynamics AB and Saab Bofors Testcenter AB carry on operations in Karlskoga that are subject to licensing according to the Environment Code. Saab Bofors Dynamics AB and Saab Underwater Systems AB carry on similar operations in Eskilstuna and Motala, respectively. In addition, Saab Barracuda AB carries on operations subject to licensing in Gamleby.

The environmental impact from subsidiaries subject to licensing primarily consists of emissions of VOCs and emissions from aircraft into the atmosphere, emissions of metals and de-icing solvents into waterways, generation of industrial wastes and noise disturbing local surroundings.

In 2009, none of Saab's subsidiaries exceeded any conditions of their permits or injunctions.

OPERATIONS SUBJECT TO NOTIFICATION REQUIREMENTS

Saab AB has operations in Gothenburg, Kista, Ljungbyhed, Nyköping and Östersund that are subject to notification requirement in accordance with the Swedish Environment Code. The Group also has operations subject to notification requirement in two Swedish subsidiaries: Saab Training Systems AB in Huskvarna and Saab Natech AB in Jönköping. The environmental impact of these operations is very limited.

RISK MANAGEMENT

RISKS AND UNCERTAINTIES

All businesses entail risk. A risk can be specific to the company or related to a certain industry or market. Certain risks can be managed fully by the company, while others are out of its control.

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 the technological development or refinement of the product. In addition to customer and supplier relations, the international operations involve joint ventures and collaborations with other companies 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.

MANAGING RISKS

Significant risks that are identified are managed continuously at all levels of the organisation and in strategic planning.

Various policies and instruments govern the management of significant risks. In addition, Saab has an independent audit unit that serves as a dedicated resource to independently audit the effectiveness of internal control processes.

Risks are also managed by procuring insurance. Saab has a Group-wide programme where insurance is obtained on the market or through the Group's own insurance company, Lansen Försäkrings AB.

The following provides a general description of risk areas with references to relevant notes to the financial statements.

POLITICAL RISKS

Saab provides systems and equipment that are classified as strategic products. Sales are regulated by national laws and ordinances that include international agreements. Access to vital components and systems may also be subject to export restrictions and regulations of various kinds.

Amendments to these rules are made periodically and affect Saab's business opportunities. The ability to create and maintain long-term customer relations is a critical issue for Saab, since some projects stretch over decades. Sweden's defence policy strongly affects Saab's operations, since the Swedish state, through the Armed

Forces and FMV, has historically accounted for a large share of our product innovation.

Another type of political risk entails the customer's ability to fulfil current contracts due to economic, political or other circumstances such as natural disasters, an economic crisis, a shift in power or an embargo.

Managing political risks

Saab manages political risks through various types of export guarantees, insurance solutions and other instruments. It is impossible, however, to avoid losing business opportunities or incurring damage if political risks are realised.

OPERATING RISKS

A number of significant areas have been identified with respect to operating risks, which are important in assessing the Group's results and financial position.

Develop and introduce new systems and products

The Group invests heavily in the research and development of its own products and systems as well as acquisitions of technology. Its biggest systems are the export version of Gripen, missile systems and electronic warfare systems. One example of acquired technology is the world-leading radar technology obtained through the acquisition of Ericsson Microwave Systems AB in 2006. Investments in new systems and products are made after a strategic and financial analysis and assessment of future business opportunities.

The risk in developing and introducing new systems is that Saab could be unsuccessful in its product launches and not achieve the levels of business required to make these products profitable.

Managing development and introduction of new systems and products

The Group takes an active approach to product management. A high degree of modularisation in project management means that Saab can reuse product solutions in its offerings. At present, a process is under way to improve efficiencies in our development processes due to the reorganisation implemented in 2009.

Certain development costs are capitalised in accordance with established accounting principles. Amortisation of capitalised development costs is scheduled over the estimated production volume or

an estimated period of use, though not more than five to ten years. If the estimated period of use is shorter than five years, the costs are amortised over the shorter period. Future business opportunities are periodically reassessed, which can lead to impairment losses. Capitalised development costs are shown in Note 16.

Long-term customer projects

As one of the world's leading high-technology companies, Saab's operations entail complex development projects on the leading edge of technology. The competitive situation is complex, and success depends on the ability to offer cost-effective high technology solutions, though also in some cases on participation in the customer-country's economy through various forms of industrial cooperation.

Managing long-term customer projects

A majority of all long-term customer projects contain significant development work, which is associated with risks. Before a contract is entered into with a customer to supply a product, solution or service, a thorough analysis is always done of the conditions and risks associated with the delivery using an established project management process. Periodic reviews are subsequently made of the project during its implementation stage using the same process. An important aspect is to identify and assess risks, then take the measures needed to mitigate them with the help of a risk assessment method.

The Group applies the percentage-of-completion method to recognise revenue from long-term customer projects. An estimation of total costs is critical to revenue recognition and provisions for loss contracts as well as valuating inventories. The outcome of technical and commercial risks may affect income.

Environmental risks and liabilities

The most important environmental risks involve hazardous chemicals, building and plant fires, and soil contamination.

Managing environmental risks and liabilities

A number of different chemical products used in Saab's operations are classified as harmful to humans and the environment. The operations in Tannefors and Malmslätt, in Linköping, and the operations in Karlskoga are subject to the so-called Seveso law, which is designed to reduce risks in connection with the large-scale use of chemicals. Against this backdrop, we have introduced strict routines for risk assessment, supervision and control of chemicals. Strict routines are also applied to purchases of chemical products. Health and environmental information on chemical products is available in the Group's chemical data system, SaabChem/SOC. Saab works actively to assess and minimise fire risks in its operations. Since a fire in a production facility can cause extensive environmental damage to the local area, effective fire prevention is an important part of the efforts to reduce environmental risks.

We analyse our operations and properties to assess Saab's risk exposure resulting from soil contamination. When a contaminated area is identified, liability is determined and an overall risk assessment is made. Information on contaminated areas is documented as it is received. In 2009, an insurance solution was created to manage soil contamination cases. During the year, remediation costs of MSEK 3 were incurred in Karlskoga.

Overall risk assessments are made to determine how operations are affected by climate change.

Liquidation of leasing operations

Saab decided in 1997 to discontinue the manufacture of turboprop aircraft. Like other manufacturers, Saab had a business model that included lease financing in connection with aircraft sales on the market. The risk in the portfolio consists of Saab not being able to lease out the aircraft, in which case they are not being used and Saab's profitability could be negatively affected.

Managing risks in connection with the leasing operations

Saab's direct risk-taking in the leasing fleet has been managed primarily through various types of insurance. The leasing fleet is expected to be liquidated around 2015.

As of 31 December 2009, Saab's leasing portfolio consisted of 114 turboprop Saab 340 and Saab 2000 aircraft. Of the fleet, 42 are financed through US leverage leases. Rents from these leases are insured through the Export Credits Guarantee Board (EKN) in Sweden. 71 aircraft are financed internally and recognized as assets in the balance sheet. Rents from these leases previously were insured through a number of international insurance companies. In 2008 and 2009 agreements were reached with these reinsurers to unwind their interests in return for a consideration to Saab based on the calculated present value of future claims from the insurances. The consideration amounted to MUS\$ 78 and has been reserved on the balance sheet. In addition, one aircraft refer to an obligation to re-purchase the aircraft.

Provisions on the balance sheet related to the leasing portfolio are deemed as sufficient for the remaining risks.

FINANCIAL RISKS

In its operations, Saab is exposed to various financial risks such as foreign currency, interest rate, refinancing, credit and commodity risks. Management of financial risks is governed by the Corporate Treasury Policy established by the Board of Directors. Moreover, detailed directives and processes are in place for operating management of each area. Overall responsibility for managing financial risks lies with the Corporate Treasury function. Financial risk management is described in more detail in Note 41.

Foreign currency risks

Foreign currency risk refers to the risk that fluctuations in exchange rates will affect the Group's income. Exchange rate fluctuations affect Saab's income and shareholders' equity in various ways:

- Income is affected when sales revenue and the cost of goods and services sold are in different currencies (economic and transaction exposure).
- Income is affected when the income of foreign Group companies is translated to SEK (translation exposure).
- Income or shareholders' equity is affected when the assets and liabilities of foreign Group companies are translated to SEK (translation exposure).
- The result is affected by impairment tests of unhedged future cash flows in foreign currency in contracts (impairment testing).

Managing foreign currency risks

Saab distinguishes between the above-mentioned types of exposure.

Economic exposure

Foreign currency risks in connection with submitted tenders are limited primarily through contract formulations or through tenders in the same currency in which expenses are incurred. In cases where Saab issues fixed-price tenders in foreign currency, a foreign currency risk that constitutes an economic exposure arises. The foreign currency risk that arises is managed with financial instruments by Corporate Treasury within the framework of the tender portfolio. The purpose of the portfolio is to minimise the Group's foreign currency risk during the tender period and reduce hedging costs.

Transaction exposure

Anticipated future cash flows in foreign currency from contracts in the order backlog and framework agreements are hedged with financial instruments. The purpose of the hedge is to safeguard gross margins in current contracts. Currency hedges are normally arranged for each specific contract, and the average forward rate is then used as the contract's rate of revenue recognition. The predominant contract currencies in the order backlog are SEK, USD, EUR and GBP.

Translation exposure

The foreign currency risk to the Group's income and shareholders' equity from translation effects – the translation exposure – is not hedged. The value of shareholders' equity subject to translation exposure amounted to MSEK 2,179 (2,375) at year-end.

Impairment testing

Long-term contracts primarily in USD in civil aeronautics programmes consist of order backlogs, which are hedged, and projected future orders, which together constitute the business case. Cash flows from the latter are normally hedged when an order is confirmed. The result of impairment tests on loss contracts is affected by

the revaluation of future cash flows at spot rates. Larger changes in exchange rates, primarily USD against SEK, have a significant effect on the result. This exposure is not hedged.

Interest rate risks

Interest rate risk refers to the risk that Saab will be negatively affected by changes in interest rate levels and applies to the following areas:

- Saab's net indebtedness means that results are affected by changes in market rates through a change in net financial items and through the impact on gross income of the interest rate effects on advance financing.
- The market value of certain balance sheet items is affected by changes in underlying interest rates (pension obligations and leasing operations).

Managing interest rate risks

Interest rate risks in the Group's financing are managed based on a benchmark with an 18-month duration, with the option of deviating +/-18 months. Interest rate futures, swaps and options are used to achieve the desired duration with regard to fixed-interest terms.

The pension liability, the present value of future pension obligations, is the largest interest rate risk due to the liability's long duration. Saab's total interest rate risk has been greatly reduced through the establishment of the Saab Pension Fund (2006). Interest rate risks in the leasing portfolio are fully matched through interest rate swaps.

Liquidity and refinancing risks

Liquidity and financing risk refers to the risk that the company will not be able to meet its payment obligations due to insufficient liquidity or difficulty raising external loans on acceptable terms.

Managing liquidity and financing risks

- According to the Corporate Treasury policy, Saab must always maintain unutilised credit facilities or liquid assets corresponding to the higher of:
 - 10 per cent of sales
 - 50 per cent of outstanding on-demand guarantees.

Refinancing risk is minimised by diversifying financing sources and maturities. In addition, Saab has an ongoing programme to sell accounts receivable, through which capital corresponding to MSEK 789 has been freed up and used to amortise loans.

Commodity risks

Commodity price risks are divided into two parts:

- Commodity price risk refers to the risk that purchasing costs for material will rise.
- Electricity price risk refers to the risk that Saab could be negatively affected by changes in electricity prices.

Managing commodity risks

Commodity risks are minimised and managed primarily through contract clauses with customers/suppliers. To minimise the risk to Saab's margin, future electricity consumption is hedged. This is done by hedging projected consumption according to a model where 100 per cent of the next quarter's consumption is hedged. The hedging level then drops on a straight-line basis by quarter until quarter 13.

Credit and counterparty risks

Credit risk is the risk that the counterparty in a transaction will not be able to fulfil the financial obligations of a contract. In the course of its day-to-day operations, Saab is exposed to credit risks related to counterparties in the form of customers, suppliers and financial players. The Group's aggregate credit risks consist of commercial credit risks and financial credit risks.

Commercial credit risks

Commercial credit risks arise in customer and supplier contracts and consist of outstanding accounts receivable, advances to suppliers and the risk regarding customers' future solvency.

Managing commercial credit risks

Commercial credit risks are identified and actively managed from case to case. Where the counterparty's creditworthiness is deemed unsatisfactory, bank and/or insurance guarantees or guarantees from the Export Credits Guarantee Board (EKN) are secured. In connection with cash transactions, Saab generally requires that a letter of credit is opened in its name to ensure that payment is received.

Accounts receivable

Defence-related sales account for the majority of total sales, where the counterparties in most accounts receivable are nations with high creditworthiness. During the third quarter, Saab launched an accounts receivable sales programme to strengthen its financial position and increase financial flexibility. The customers in most cases are nations with high credit worthiness.

Advances paid to suppliers

Advances paid to suppliers constitute a credit risk, since the counterparty's services have not been fully rendered. Credit risk is managed by always maintaining bankable security for any advances it pays.

Financial credit risks

Financial credit risk consists of exposures to banks through deposits and/ or the market value of outstanding derivatives.

Managing financial credit risks

The Group's policy for managing financial credit risks is to:

- Ensure that all financial counterparties have a long-term credit rating of no lower than A from credit rating institutes.
- Assign each financial counterparty a credit limit based on its long-term credit rating.
- Enter into so-called ISDA master agreements with financial counterparties to net the positive and negative market values of outstanding derivatives.

Export finance

Export customers increasingly demand financing and export finance provides an important tool to market the Group's products. Normally, Saab works with banks and guarantee institutions to find various solutions to meet customer needs. This often entails bank or supplier credits for the buyer.

Managing risks in connection with export finance

To limit Saab's risk exposure, the risks are sold on the market to banks and government guarantee institutions.

Pension obligations

The Group's pension obligations are substantial, as indicated in Note 37. In the calculation of pension obligations, future pension obligations are discounted to present value. The size of the liability is dependent on the choice of discount rate: a low interest rate produces a high liability, and vice versa. To manage the pension liability, the Saab Pension Fund was established in 2006 and capitalised with the corresponding PRI liability.

The Group's obligations are calculated on an actuarial basis each year, after which a comparison is drawn with the fund's assets. Deficits according to such calculations may require Saab to contribute additional funds.

The Saab Pension Fund's objective is a real annual return of at least 3 per cent on invested capital. The fund invests in interest-bearing securities, equity and hedge funds, and structured products.

CONSOLIDATED INCOME STATEMENT

1 January – 31 December

MSEK	Note	2009	2008
Sales	3, 4	24,647	23,796
Cost of goods sold		-18,510	-19,162
Gross income		6,137	4,634
Other operating income	5	149	291
Marketing expenses		-1,776	-1,805
Administrative expenses		-1,198	-1,404
Research and development costs		-1,813	-1,532
Other operating expenses	6	-82	-68
Share in income of associated companies	21	-43	50
Operating income /loss		1,374	166
Share in income of associated companies	21	2	-36
Financial income		50	29
Financial expenses		-450	-565
Net financial items	13	-398	-572
Income/loss before taxes		976	-406
Taxes	15	-277	164
Net income/loss for the year		699	-242
Attributable to:			
Parent Company's shareholders		686	-248
Minority interest		13	6
Earnings per share before dilution, (SEK)	34	6.45	-2.31
Earnings per share after dilution ¹⁾ , (SEK)	34	6.28	-2.31

1) Due to the negative result, there is no dilution impact 2008.

ORDERS

Order bookings for 2009 decreased 21 per cent compared to 2008 to MSEK 18,428 (23,212). The order backlog at the end of the year amounted to MSEK 39,389 (45,324).

Index and price changes affected order bookings positively by SEK 1.3 billion (2.0).

In all, 76 per cent of order bookings (76) is attributable to defence-related operations and 62 per cent (66) is from customers outside Sweden.

Orders received where the order sum was more than MSEK 100 represented 43 per cent (52) of total order bookings.

Order backlog duration :

2010: SEK 18.5 billion

2011: SEK 9.2 billion

2012: SEK 3.7 billion

2013: SEK 2.6 billion

After 2013: SEK 5.4 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

TOTAL SALES BY REGION

MSEK	Jan-Dec 2009	Jan-Dec 2008
Sweden	7,714	7,549
EU excluding Sweden	5,675	6,000
Rest of Europe	280	300
Americas	1,918	1,527
Asia	4,568	3,381
Africa	3,477	4,201
Rest of the World	1,015	838
Total	24,647	23,796

TOTAL SALES PER MARKET AREA

MSEK	Jan-Dec 2009	% of total sales
Air	9,216	37
Land	6,901	28
Naval	2,181	9
Joint operations	2,062	8
Civil Security	1,718	7
Commercial		
Aeronautics	1,374	6
Other	1,195	5
Total	24,647	100

As of 1 January 2010, Joint Operations are no longer reported as a separate market area.

SALES

Sales for 2009 increased 4 per cent compared to 2008 to MSEK 24,647 (23,796). Adjusted for the sale of Saab Space in September 2008 and exchange rate effects, sales increased by 4 per cent.

Sales were positively affected by about 2 percentage points during 2009 due to the appreciation of the USD, EUR and ZAR against the SEK.

Sales in markets outside Sweden amounted to MSEK 16,933 (16,247), or 69 per cent (68) of total sales.

Of sales, 83 per cent (83) was related to the defence market.

CONSOLIDATED NET COMPREHENSIVE INCOME/LOSS

1 January – 31 December

MSEK	2009	2008
Net income/loss for the year	699	-242
Other comprehensive income:		
Translation differences for the year	215	-112
Net gain/loss on cash flow hedges		
Change in value	799	-905
Reversed through profit and/or loss	145	-21
Tax attributable to net gain/loss on cash flow hedges	-247	224
Revaluation in connection with reclassification of fixed assets	-	51
Share of other comprehensive income in associated companies	31	-
Other comprehensive income/loss for the year	943	-763
Net comprehensive income/loss for the year	1,642	-1,005
of which Parent Company's shareholders' interest	1,583	-1,001
of which minority interest	59	-4

INCOME, MARGIN AND PROFITABILITY

The gross margin for 2009 amounted to 24.9 per cent (19.5). Adjusted for non-recurring items, the gross margin was 24.6 per cent (26.5). The gross margin was negatively impacted by the business mix as well as some project overruns.

To maintain a leading position in its business, Saab devotes considerable resources to research and development, where some 2,700 people are employed. Investments in research and development are primarily made for customers in the business segments Systems and Products and Aeronautics. Total research and development costs for the year amounted to MSEK 4,820 (4,141), of which MSEK 3,626 (2,702) related to customer funded development. Internally funded investments in research and development amounted to MSEK 1,194 (1,439), of which a total of MSEK 67 (635) has been capitalised.

Amortisation and impairment of intangible fixed assets amounted to MSEK 873 (1,016), of which amortisation and impairment of capitalised development costs amounted to MSEK 686 (728).

As of 1 January, 2009, Saab changed its view on the application of the accounting principles for development costs. As a result of this more conservative approach, development costs are now capitalised at a later stage in all projects, resulting in a lower rate of capitalisation compared to 2008. All development costs on the balance sheet are amortised over not more than ten years which is a shorter timeperiod than in 2008. The operating margin was reduced by approximately 3 percentage points during 2009 due to this change.

Depreciation and impairment of tangible fixed assets amounted to MSEK 351 (333) in 2009, while depreciation of the leasing fleet was MSEK 176 (165).

A revaluation of the remaining risks associated with the regional aircraft portfolio had a positive impact of MSEK 350 on Saab's operating income in 2009. Other operating expenses of MSEK 82 (68) mainly consist of exchange rate differences.

The Billion+ programme is progressing to plan. During 2009, the cost reductions contributed about 3 percentage points to the reported profit margin.

The share of income in associated companies, MSEK -43 (50), primarily relates to net income in Denel Saab Aerostructures and associated companies in the Saab Ventures portfolio.

Net financial income and expenses amounted to MSEK -398 (-572), of which project interest from unutilised advance payments reduced financial income by MSEK -36 (-151), while also reducing the cost of goods sold correspondingly. Net interest items for the Group amounted to MSEK -80 (-160). Currency losses of MSEK -85 (-227) related to the tender portfolio further reduced the financial net. The share in income of associated companies held as financial assets amounted to MSEK 2 (-36). Other net interest items amounted to MSEK -199 (2) and mainly consisted of amortisation of actuarial losses for pensions and exchange rate effects.

Current and deferred taxes during the year amounted to MSEK -277 (164), or an effective tax rate of 28 per cent (40).

The pre-tax return on capital employed was 10.3 per cent (1.4) and the after-tax return on equity was 7.0 per cent (-2.4).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as of 31 December

MSEK	Note	2009	2008
Assets			
Intangible fixed assets	16	7,108	7,690
Tangible fixed assets	17	3,174	3,407
Lease assets	18	1,464	1,835
Biological assets	19	256	243
Investment properties	20	25	239
Shares in associated companies	21	356	334
Financial investments	25	116	142
Long-term receivables	27	1,327	1,321
Deferred tax assets	15	284	841
Total fixed assets		14,110	16,052
Inventories	28	4,698	4,305
Derivatives	41	1,002	1,315
Tax assets		43	55
Accounts receivable	29	2,837	4,194
Other receivables	27	4,696	5,567
Prepaid expenses and accrued income	30	705	503
Short-term investments	25	551	-
Liquid assets	31	1,463	822
Total current assets		15,995	16,761
Assets held for sale	32	325	77
TOTAL ASSETS		30,430	32,890

STATEMENT OF FINANCIAL POSITION

Since the start of the year, net debt has decreased by SEK 1.1 billion and amounted to MSEK 634 at the end of the year. The decrease is mainly related to an improved operating cash flow in the fourth quarter as well as sale of accounts receivable in the second half of 2009.

In November, Saab established a Medium Term Note programme (MTN) of SEK 3 billion in order to enable the issuance of long-term loans on the capital market. Under the terms of this programme Saab issued bonds and Floating Rate Notes (FRN) of SEK 1.1 billion maturing in December 2013.

Intangible assets have decreased due to higher amortisation of capitalised product development. Inventories increased during 2009 due to delivery preparations for major projects and delays in other projects. Inventories are recognised after deducting utilised advances. Other receivables mainly relate to accrued revenues (after deducting utilised advances).

Accounts receivable decreased due to milestone payments received in 2009 and a continued focus on working capital management. During the third quarter, Saab launched an accounts receivable sales programme to strengthen its financial position and increase financial flexibility. The customers in most cases are nations with high credit worthiness. In the programme one hundred per cent of the value of the accounts receivable is sold at attractive funding levels. The net amount of accounts receivable of about MSEK 800 were sold in 2009, which had a positive impact on operating cash flow with MSEK 800.

The equity/assets ratio improved mainly due to a higher equity and lower levels of mainly intangible assets and accounts receivable as well as exchange rate effects.

Provisions for pensions amounted to MSEK 4 (4). During 2009, the Saab Pension Fund was capitalised with a total of MSEK 157 (362). The purpose of the fund is to secure defined-benefit pension plans. The market value of the Saab Pension Fund was MSEK 3,609 (3,083) at end of 2009, compared to an obligation of MSEK 5,002 (4,454) according to IAS 19. The solvency margin was 72 (69) per cent. In a comparison with the obligation according to the FPG/PRI system, the solvency margin was 94 (84) per cent.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as of 31 December

MSEK	Note	2009	2008
Equity	33		
Capital stock		1,746	1,746
Other capital contributions and other reserves		657	-240
Retained earnings		8,139	7,734
Equity attributable to Parent Company's shareholders		10,542	9,240
Minority interests		140	90
Total equity		10,682	9,330
Liabilities			
Long-term interest-bearing liabilities	35	1,126	13
Other liabilities	39	287	336
Provisions for pensions	37	4	4
Other provisions	38	2,146	2,402
Deferred tax liabilities	15	905	1,105
Total long-term liabilities		4,468	3,860
Short-term interest-bearing liabilities	35	2,519	3,870
Advance payments from customers		442	897
Accounts payable		1,730	1,712
Derivatives	41	1,181	2,363
Tax liabilities		212	149
Other liabilities	39	746	1,131
Accrued expenses and deferred income	40	7,668	8,868
Provisions	38	753	710
Total current liabilities		15,251	19,700
Liabilities attributable to assets held for sale	32	29	-
Total liabilities		19,748	23,560
TOTAL EQUITY AND LIABILITIES		30,430	32,890

For information on the Group's assets pledged and contingent liabilities, see Note 42.

Saab decided in 1997 to discontinue the manufacture of turboprop aircraft. As with other manufacturers, Saab had a business model that included lease financing in connection with aircraft sales on the market. Saab's lease assets at December 31, 2009 consisted of 114 turboprop Saab 340 and Saab 2000 aircraft.

Of the fleet, 42 are financed through US leverage leases. Rents from these leases are insured through the Export Credits Guarantee Board (EKN) in Sweden. 71 are financed internally and recognized as assets in the balance sheet. Rents from these leases previously were insured through a number of international insurance companies. In 2008 and 2009 agreements were reached with these reinsurers to unwind their interests in return for a consideration to Saab based on the calculated present value of future claims from the insurances. The consideration amounted to MUS\$ 78 and has been reserved on the balance sheet. In addition, one aircraft refer to an obligation to re-purchase the aircraft.

Provisions on the balance sheet related to the leasing portfolio are deemed as sufficient for the remaining risks.

Saab estimates that the leasing portfolio will be phased out at the end of 2015.

STATEMENT OF CHANGES IN EQUITY

FOR THE GROUP

MSEK	Capital stock	Other capital contributions	Other reserves			Retained earnings	Total ¹⁾	Minority interest	Total
			Net result of cash flow hedges	Translation reserve	Revaluation reserve				
Opening balance, 1 January 2008	1,746	543	80	-110	-	8,722	10,981	27	11,008
Net comprehensive income for the year			-692	-112	51	-248	-1,001	-4	-1,005
Transactions with shareholders:									
Repurchase of shares						-209	-209		-209
Share matching plan						13	13		13
Dividend						-487	-487	10	-477
Acquisition and sale of operations						-57	-57	57	-
Closing balance, 1 December 2008	1,746	543	-612	-222	51	7,734	9,240	90	9,330
Opening balance, 1 January 2009	1,746	543	-612	-222	51	7,734	9,240	90	9,330
Net comprehensive income for the year			696	201		686	1,583	59	1,642
Transactions with shareholders:									
Repurchase of shares						-110	-110		-110
Share matching plan						35	35		35
Dividend						-187	-187		-187
Acquisition and sale of operations						-19	-19	-9	-28
Closing balance, 31 December 2009	1,746	543	84	-21	51	8,139	10,542	140	10,682

1) Refer to equity attributable to Parent Company's shareholders.

For definition of other reserves, see Note 33.

CONSOLIDATED STATEMENT OF CASH FLOWS

1 January – 31 December

MSEK	Note	2009	2008
Operating activities			
Income after financial items		976	-406
Transferred to pension fund		-190	-408
Adjustments for items not affecting cash flow	46	1,835	3,068
Income tax paid		-183	-182
Cash flow from operating activities before changes in working capital		2,438	2,072
Cash flow from changes in working capital			
Increase(-)/Decrease(+) in inventories		-401	-27
Increase(-)/Decrease(+) in current receivables		1,927	312
Increase(+)/Decrease(-) in advance payments from customers		-485	-1,618
Increase(+)/Decrease(-) in lease obligations		-	-220
Increase(+)/Decrease(-) in other current liabilities		-1,522	708
Increase(+)/Decrease(-) in provisions		-261	-273
Cash flow from operating activities		1,696	954
Investing activities			
Investments in intangible fixed assets		-14	-1
Capitalised development costs		-67	-635
Investments in tangible fixed assets		-197	-386
Investments in lease assets		-3	-
Sale of tangible fixed assets		9	41
Sale of lease assets		130	212
Short-term investments		-551	-
Investments in and sale of other financial assets		224	-58
Investments in subsidiaries, net effect on liquidity	8, 46	-68	-
Sale of subsidiaries, net effect on liquidity	8, 46	11	443
Cash flow from investing activities		-526	-384
Financing activities			
Loans raised		-	85
Loans amortised		-279	-
Repurchase of shares		-110	-209
Dividend paid to Parent Company's shareholders		-187	-487
Contributions from minority interest		6	10
Cash flow from financing activities		-570	-601
CASH FLOW FOR THE YEAR			
	46	600	-31
Liquid assets at beginning of year		822	858
Exchange rate difference in liquid assets		41	-5
Liquid assets at year-end	46	1,463	822

For Saab's operating cash flow, see Note 46.

CAPITAL EXPENDITURES

Gross capital expenditures in property, plant and equipment, excluding lease assets, amounted to MSEK 197 (386). Investments in intangible assets amounted to MSEK 81 (636) and related primarily to capitalised product development.

CASH FLOW

Operating cash flow amounted to MSEK 1,447 (659) during 2009 and was distributed between cash flow from core operating activities of MSEK 1,088 (-132), acquisitions and divestments of subsidiaries and associated companies of MSEK -57 (443) and the regional aircraft business, MSEK 416 (348).

Specification of operating cash flow 2009

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	2,315	-	123	2,438
CASH FLOW FROM CHANGES IN WORKING CAPITAL				
Inventories	-426	-	25	-401
Receivables	1,927	-	-	1,927
Advance payments from customers	-473	-	-12	-485
Other liabilities	-1,724	-	202	-1,522
Provisions	-206	-	-55	-261
Change in working capital	-902	-	160	-742
Cash flow from operating activities	1,413	-	283	1,696
INVESTING ACTIVITIES				
Investments in intangible fixed assets	-81	-	-	-81
Investments in tangible fixed assets	-197	-	-	-197
Investments in lease assets	-3	-	-	-3
Sale of tangible fixed assets	9	-	-	9
Sale of lease assets	-	-	130	130
Sale of and investment in shares, etc.	-53	-	3	-50
Investments in subsidiaries, net effect on liquidity	-	-68	-	-68
Sale of subsidiaries, net effect on liquidity	-	11	-	11
Cash flow from investing activities excluding change in short-term investments and other interest-bearing financial assets	-325	-57	133	-249
OPERATING CASH FLOW	1,088	-57	416	1,447

PARENT COMPANY

INCOME STATEMENT

1 January – 31 December

MSEK	Note	2009	2008
Sales	3, 4	15,385	15,496
Cost of goods sold		-11,276	-13,927
Gross income		4,109	1,569
Marketing expenses		-1,138	-1,115
Administrative expenses		-675	-841
Research and development costs		-811	-931
Other operating income	5	68	58
Other operating expenses	6	-68	-33
Operating income/loss		1,485	-1,293
Result from financial items:	13		
Result from shares in Group companies		1,178	789
Result from shares in associated companies/joint ventures		7	84
Result from other securities and receivables held as fixed assets		-238	-156
Other interest income and similar items		109	101
Interest expenses and similar items		-309	-563
Income/loss after financial items		2,232	-1,038
Appropriations	14	3	41
Income/loss before taxes		2,235	-997
Taxes	15	-560	342
Net income/loss for the year		1,675	-655

SALES AND INCOME

In 2009, the Parent Company include the business units Saab Aerosystems, Saab Aerostructures and the Swedish units within Saab Systems, Saab Avionics, Saab Aerotech, Saab Microwave Systems, Saab Surveillance Systems and Saab Security. Group staffs and Group support are included as well.

The Parent Company's sales for 2009 amounted to MSEK 15,385 (15,496). Operating income was MSEK 1,485 (-1,293).

Net financial income and expenses was MSEK 747 (255).

After appropriations of MSEK 3 (41) and taxes of MSEK -560 (342), net income for the year amounted to MSEK 1,675 (-655).

PARENT COMPANY BALANCE SHEET

as of 31 December

MSEK	Note	2009	2008
ASSETS			
Fixed assets			
Intangible fixed assets	16	96	51
Tangible fixed assets	17	2,280	2,478
Financial fixed assets			
Shares in Group companies	44	9,520	11,662
Receivables from Group companies	24	760	140
Shares in associated companies and joint ventures	23	430	317
Receivables from associated companies and joint ventures	24	116	31
Other long-term securities holdings	26	1,495	1,512
Other long-term receivables	27	44	44
Deferred tax assets	15	689	1,207
Total financial fixed assets		13,054	14,913
Total fixed assets		15,430	17,442
Current assets			
Inventories, etc.	28	3,310	2,649
Current receivables			
Accounts receivable	29	990	1,847
Receivables from Group companies		2,828	2,877
Receivables from associated companies and joint ventures		100	513
Tax assets		2	26
Other receivables	27	6,403	6,630
Prepaid expenses and accrued income	30	558	529
Total current receivables		10,881	12,422
Short-term investments		551	-
Cash and bank balances		788	237
Total current assets		15,530	15,308
TOTAL ASSETS		30,960	32,750

LIQUIDITY, FINANCE, CAPITAL EXPENDITURE AND NUMBER OF EMPLOYEES

The Parent Company's net debt amounted to MSEK 6,369 (9,701).

Gross capital expenditures in property, plant and equipment amounted to MSEK 126 (253).

At the end of 2009, the Parent Company had 8,337 employees, compared to 8,317 at the beginning of the year.

PARENT COMPANY BALANCE SHEET

Continued

as of 31 December

MSEK	Note	2009	2008
EQUITY AND LIABILITIES			
Equity	33		
Restricted equity			
Capital stock		1,746	1,746
Revaluation reserve		724	731
Statutory reserve		543	543
Unrestricted equity			
Retained earnings		1,428	2,459
Net income for the year		1,675	-655
Total equity		6,116	4,824
Untaxed reserves	45	419	422
Provisions			
Provisions for pensions and similar commitments	37	379	606
Other provisions	38	1,513	1,929
Total provisions		1,892	2,535
Liabilities			
Liabilities to credit institutions	36	4,112	3,832
Liabilities to Group companies		7,913	9,939
Advance payments from customers		3,182	3,310
Accounts payable		1,131	1,112
Liabilities to associated companies and joint ventures		139	126
Other liabilities	39	371	522
Accrued expenses and deferred income	40	5,685	6,128
Total liabilities		22,533	24,969
TOTAL EQUITY AND LIABILITIES		30,960	32,750
Assets pledged	42	210	511
Contingent liabilities	42	4,970	5,903

STATEMENT OF CHANGES IN EQUITY

FOR THE PARENT COMPANY

MSEK	Restricted equity			Unrestricted equity		Total equity
	Capital stock	Revaluation reserve	Statutory reserve	Retained earnings	Net income for the year	
Equity, opening balance, 1 January 2008	1,746	740	543	4,214	-	7,243
Items reported directly in equity:						
Group contributions	-	-	-	-1,501	-	-1,501
Tax attributable to Group contributions	-	-	-	420	-	420
Change in revaluation reserve	-	-9	-	9	-	-
Net income for the year	-	-	-	-	-655	-655
Transactions with shareholders:						
Dividend to shareholders	-	-	-	-487	-	-487
Repurchase of shares	-	-	-	-209	-	-209
Share matching programme	-	-	-	13	-	13
Equity, closing balance, 31 December 2008	1,746	731	543	2,459	-655	4,824
Equity, opening balance, 1 January 2009	1,746	731	543	1,804	-	4,824
Items reported directly in equity:						
Group contributions	-	-	-	-164	-	-164
Tax attributable to Group contributions	-	-	-	43	-	43
Change in revaluation reserve	-	-7	-	7	-	-
Net income for the year	-	-	-	-	1,675	1,675
Transactions with shareholders:						
Dividend to shareholders	-	-	-	-187	-	-187
Repurchase of shares	-	-	-	-110	-	-110
Share matching programme	-	-	-	35	-	35
Equity, closing balance, 31 December 2009	1,746	724	543	1,428	1,675	6,116

PARENT COMPANY

STATEMENT OF CASH FLOWS

1 January – 31 December

MSEK	Note	2009	2008
Operating activities			
Income after financial items		2,232	-1,038
Adjustments for items not affecting cash flow	46	-1,203	1,972
Income tax received		1	42
Cash flow from operating activities before changes in working capital		1,030	976
Cash flow from changes in working capital			
Increase(-)/Decrease(+) in inventories		-865	669
Increase(-)/Decrease(+) in current receivables		2,023	-2,938
Increase(+)/Decrease(-) in advance payments from customers		-128	146
Increase(+)/Decrease(-) in other current liabilities		-1,187	1,009
Increase(+)/Decrease(-) in provisions		-239	-116
Cash flow from operating activities		634	-254
Investing activities			
Shareholders' contributions paid		-37	-65
Investments in intangible fixed assets		-11	-13
Investments in tangible fixed assets		-126	-206
Sale of tangible fixed assets		8	8
Short-term investments		-551	-
Investments in financial assets		-650	-72
Sale of financial assets		-	9
Investments in subsidiaries		-	-3
Sale of subsidiaries		570	-
Cash flow from investing activities		-797	-342
Financing activities			
Change in receivables/liabilities, Group companies		2,176	639
Repurchase of shares		-110	-209
Loans raised		-	256
Loans amortised		-42	-
Dividend paid to shareholders		-187	-487
Group contributions received		378	382
Group contributions paid		-1,501	-135
Cash flow from financing activities		714	446
CASH FLOW FOR THE YEAR			
CASH FLOW FOR THE YEAR		551	-150
Liquid assets at beginning of year		237	387
Liquid assets at year-end	46	788	237

CORPORATE

Corporate reported operating income of MSEK 311 (186). The improved operating income is mainly related to the revaluation of the remaining risks associated with the regional aircraft portfolio that had a positive impact of MSEK 350 on Saab's operating income during 2009. During 2008, gains from completion of contracts with respect to regional aircraft had a positive impact of MSEK 196. A capital gain of MSEK 98 from the divestiture of Saab Space was also reported in 2008.

BILLION+ PROGRAMME

Saab's market situation is changing rapidly. Saab will continue to invest in marketing, product and service development.

The programme was launched at the start of 2008 to improve internal efficiency, so that Saab can remain profitable in keeping with the Group's long-term objective. The programme was expanded in the fall of 2008 to avoid replacing employees who leave the Group.

When introduced, the programme aimed to reduce costs by MSEK 250 in 2008 and to reduce costs by an additional MSEK 600 in 2009, which has been achieved.

In 2010, Saab is aiming at reducing the cost base by an additional MSEK 650. The programme include the effects of the reduction of 500 employees in 2009 and 2010, mainly through attrition. By the start of 2011, annual costs should have been reduced by about SEK 1.5 billion compared to the end of 2007.

Saab previously estimated that around 70 per cent of the cost reductions would be generated by reducing the cost of goods sold (development, project implementation, purchasing and production). In 2009, about 60 per cent of the cost reduction was generated through a reduction in cost of goods sold. For 2010, it is estimated that the cost reductions will be distributed as in 2009.

The programme is progressing according to plan. During 2009, the cost reductions contributed about 3 percentage points to the reported profit margin. A major part of the cost reductions was achieved in aligned processes across the company as well as within the segments Systems and Products and Aeronautics.

GUIDELINES FOR REMUNERATION AND OTHER BENEFITS TO MEMBERS OF SENIOR MANAGEMENT**Senior management remuneration**

By Swedish law, the Board of Directors must draft guidelines prior to the Annual General Meeting for determining the salaries and other remuneration to the President and CEO and other members of the senior management of the company. The Annual General Meeting 2009 adopted the proposal presented by the Board concerning the guidelines for such remuneration to Group Management and other senior executives. The group comprises the President and CEO and other members of Group Management and is identified on Saab's website.

Saab offers market terms, enabling it to recruit and retain senior executives. To the extent possible, remuneration structures are characterised by predictability with respect to the cost for the company and the benefits of the employee and are based on factors such as position, competence, experience and performance. Benchmarking is used relative to comparable industries and markets. The remuneration principles may vary depending on local conditions.

The Board has the right to deviate from the guidelines in individual cases if special circumstances arise.

The Board's proposal is based mainly on agreements in effect between Saab AB and each executive. No Board fees are paid for participation by members of Group Management on the boards of the business units. The Remuneration Committee is responsible for development and review of remuneration and other employment terms for Group Management.

Remuneration

Cash remuneration consists of fixed and variable salary. Fixed salaries are reviewed annually as per 1 January for the entire Group Management, while the variable component is governed by an agreement reached annually with each executive.

The variable salary for the President is based on the extent to which pre-determined quantitative and qualitative goals are reached. Quantitative goals primarily apply to the rest of Group Management. The variable component amounts to no more than 50 per cent of the fixed salary of the President and between 25 per cent and 35 per cent of the fixed salary of the rest of Group Management.

All senior executives are entitled to participate in the Share Matching Plan approved by the Annual General Meeting 2009. Participants in this program are not covered by the general share saving program approved by the Annual General Meeting 2009.

All executives in Group Management have the right to a company car according to Saab's regulations.

Pension

For pension agreements entered into after 1 January 2005, the pension age is 62. In addition to the ITP agreement, the pension is part of a defined contribution plan where provisions are made annually. For the President, the provision is equivalent to 35 per cent of his fixed salary. For other executives, the percentage is based on the regulations of the so-called Saab plan. The percentage is dependent on the number of years remaining until retirement upon joining the plan.

Other terms

All executives in Group Management, including the President, may terminate their employment with six months' notice. If the employment ends at Saab's initiative, the notice period is also six months, after which severance is paid for one year. One additional annual salary may be payable if no new employment has been obtained in the first 18 months.

For employment agreements signed after 1 January 2005, if employment terminates at Saab's initiative the maximum severance is 18 months, in addition to the six-month notice period.

In both cases, termination pay and severance will be deducted against income from other employment during the corresponding time.

Saab had no other incentive programs during 2009 for the Board of Directors and the senior management other than those described above.

The Board of Directors' proposed guidelines to apply as of the next Annual General Meeting

The guidelines above are unchanged with following addition:

Incentive program proposed to the Annual General Meeting 2010

The Board of Directors intends to propose to the Annual General Meeting an additional performance share plan for senior executives and key persons for 2010.

The terms and the cost of the performance share plan will be reported in the Board's complete proposal to the Annual General Meeting.

SHARE REPURCHASE AND PROPOSED DIVIDEND

Share repurchase

The number of repurchased treasury shares as of 31 December 2008 was 2,320,451. The Annual General Meeting on 16 April 2009 authorised the Board of Directors to repurchase 1,340,000 shares to hedge the year's share matching plan and performance share plan. The mandate applied until the next Annual General Meeting.

On 23 June 2009, Saab announced that the Board had decided to utilise its authorisation for this purpose. Between 28 July 2009 and 28 August 2009, 1,340,000 shares were acquired on NASDAQ OMX Stockholm at an average price of SEK 82.10.

Saab held 3,639,220 treasury shares as of 31 December 2009.

Proposed dividend

The Board of Directors proposes that shareholders receive a dividend of SEK 2.25 per share (1.75), or a total of MSEK 237 (187). 20 April has been proposed as the record day for the dividend, which is expected to be paid on 23 April.

EVENTS AFTER THE BALANCE SHEET DATE

- As a result of continued streamlining measures and synergies within the Aeronautics business area, Saab has served notice to 115 factory employees at Saab AB in Linköping.
- A contract was signed for further deliveries of the RBS 70 ground based air defence system to the Finnish Army. The order value is MSEK 260.

No other significant events have occurred after the balance sheet date that affect Saab's results of operations and financial position.

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NOTE 1

ACCOUNTING PRINCIPLES

Operations

Saab AB is a Swedish limited company with its registered address in Linköping. The company's shares are listed on the NASDAQ OMX Stockholm's large cap list. The operations of Saab AB with its subsidiaries, joint ventures and associated companies (jointly referred to as Saab or the Group) were during 2009 organised in three business segments and Corporate. The business segment Defence and Security Solutions provides technical support and services, command and control systems and system-of-systems solutions. The business segment Systems and Products comprises the development and production of defence systems at various levels. The business segment Aeronautics includes both military and commercial operations and is dominated by the advanced Gripen programme critical to Saab. Corporate comprises Group staffs and departments and peripheral operations. The leasing fleet of 114 Saab 340- and Saab 2000-aircraft is reported in Corporate.

As of 1 January 2010, Saab's operations are divided into five business areas: Aeronautics, Dynamics, Electronic Defence Systems, Security and Defence Solutions and Support and Services.

Saab has Europe as its main market, but has growing markets in Australia, South Africa and the U.S.

On 12 February 2010, the Board of Directors and the President approved this annual report and consolidated accounts for publication, and they will be presented to the Annual General Meeting on 15 April 2010 for adoption.

Conformity to standards and laws

The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as approved by the EU. The consolidated accounts have also been prepared in accordance with the Swedish Financial Reporting Board's recommendation RFR 1.2 Supplementary Accounting Rules for Groups, which contains certain additional disclosure requirements for Swedish consolidated accounts prepared in accordance with IFRS.

The annual report for Saab AB has been prepared according to the Annual Accounts Act, the Swedish Financial Reporting Board's recommendation RFR 2.2 Reporting by Legal Entities and the pronouncements of the Swedish Financial Reporting Board. Differences between the accounting principles applied by Saab AB and the Group are the result of limitations on opportunities to apply IFRS by the Parent Company owing to the Annual Accounts Act, the Act on Safeguarding Pension Commitments and in certain cases current tax rules. The most significant differences are described below under "Significant differences between the Group's and the Parent Company's accounting principles."

Assumptions in the preparation of the Parent Company's and the Group's financial reports

The Parent Company's functional currency is Swedish kronor (SEK), which is also the reporting currency for the Parent Company and for the Group. The financial reports are presented in SEK. All amounts, unless indicated otherwise, are rounded off to the nearest million.

Assets and liabilities are carried at historical cost, with the exception of certain financial assets and liabilities, investment properties and biological assets, which are carried at fair value. Derivatives are carried at fair value.

Non-current assets and disposal groups held for sale are carried at the lower of their carrying amount and fair value less selling expenses at the time they were classified as held for sale.

The preparation of the financial reports in accordance with IFRS requires the Board of Directors and Management to make estimates and assumptions that affect the application of the accounting principles and the carrying amounts of assets, liabilities, revenue and expenses. Estimates and assumptions are based on historical experience and knowledge of the industry that Saab operates in, and under current circumstances seem reasonable. The result of these estimates and assumptions is then used to determine the carrying amounts of assets and liabilities that otherwise are not clearly indicated by other sources. Actual outcomes may deviate from these estimates.

Estimates and assumptions are reviewed regularly, and the effect on carrying amounts is recognised in profit or loss.

Estimates made by the Board of Directors and Management in applying the accounting principles in compliance with IFRS that may have a significant impact on the financial reports as well as estimates that may necessitate significant adjustments in financial reports in subsequent years are described in more detail in Note 2.

The accounting principles described below for the Group have been applied consistently for all periods presented in the Group's financial reports, unless otherwise indicated below.

Application of new accounting rules

The International Accounting Standards Board (IASB) has issued and the EU has adopted the following new and revised standards, which apply as of the financial year 2009: IFRS 8 Operating Segments, improvements to IFRS (IFRS 2008), amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, amendments to IFRS 2 Share-based Payment (vesting conditions and cancellations), amendments to IFRS 7 Financial Instruments: Disclosures (disclosure requirements for fair value and liquidity risk), amendments to IAS 1 Presentation of Financial Statements (changes in presentation of financial statements), amendments to IAS 23 Borrowing Costs (requirement to capitalise borrowing costs), amendments to IAS 32 Financial Instruments: Presentation (redeemable financial instruments and obligations on liquidation), amendments to IAS 39 Financial Instruments: Recognition and Measurement (embedded derivatives on reclassification).

Moreover, IFRIC has issued the following interpretations and amendments to interpretations: amendments to IFRIC 9 Reassessment of Embedded Derivatives, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 16 Hedges of a Net Investment in a Foreign Operation and IFRIC 18 Transfer of Assets from Customers (applies to transfers as of 1 July 2009).

IFRS 8 means that the Group's segment information is presented on the basis of management's view and that operating segments are identified on the basis of internal reports to the company's chief operating decision maker. Saab has identified the Chief Executive Officer as its chief operating decision maker, while the internal reports used by the CEO to oversee operations and make decisions on allocating resources serve as the basis of the information presented. According to the previous standard, IAS 14 Segment Reporting, two types of segments (operating segments and geographical areas) were identified using a model based on risks and opportunities. The introduction of IFRS 8 has not required any new segments to be presented compared with previous reports. Some additional information has been provided in accordance with the new rules in IFRS 8. The application of IFRS 8 has not necessitated a redistribution of goodwill to new cash-generating units.

The amendments to IAS 1 have entailed changes to format used by the Group. The Group's revenue and expenses that were previously recognised against equity and did not relate to transactions with owners are now presented in a statement of comprehensive income directly after the Group's income statement. The Group's statement of changes in equity presents items in comprehensive income separate from transactions with owners.

The amendments to IAS 23 are applied prospectively and mean that borrowing costs attributable to the acquisition, construction or production of an asset which takes a substantial period of time to prepare for its intended use or sale shall be capitalised. According to Saab's previous principles, all borrowing costs were expensed. The effect of this transition is not retroactive, and no assets whose borrowing costs would have to be capitalised were begun in 2009.

Due to the additional disclosure requirements in the revised IFRS 7, Saab has provided more information on financial instruments measured at fair value and the Group's liquidity risks. In accordance with the transitional rules for current financial years, Saab has chosen not to present comparative figures in the financial statements.

Other new and revised standards and interpretations have not had an effect on the Group's financial reports 2009.

New and amended standards and interpretations that have not yet entered into force

The International Accounting Standards Board (IASB) has issued the following new and amended standards that have not yet entered into force and the International Financial Reporting Interpretations Committee (IFRIC) has published the following new and amended interpretations that have not yet entered into force:

Standards	Will apply to financial years beginning:
Improvements to IFRS 2009	Varies, earliest 1 January 2009
Amendment to IFRS 1 First-time Adoption of IFRS applies (Restructured version)	on or after 1 July 2009
Amendment to IFRS 3 Business Combinations (Revised standard)	on or after 1 July 2009
Amendment to IAS 27 Consolidated and Separate Financial Statements (Revised standard)	on or after 1 July 2009
Amendments to IAS 39 Financial Instruments: Recognition and Measurement (Clarification what can be considered hedged items)	on or after 1 July 2009
Amendment to IFRS 1 First-time Adoption of IFRS applies (Additional exemptions)	on or after 1 January 2010
Amendment to IFRS 2 Share-based Payment (Cash-settled share-based payment transactions that can be settled by other group companies)	on or after 1 January 2010
Amendment to IAS 32 Financial Instruments: Presentation (Presentation of subscription rights)	on or after 1 February 2010
Amendment to IAS 24 Related Party Disclosures (Amended definition)	on or after 1 January 2011
IFRS 9 Financial Instruments	on or after 1 January 2013
IFRIC 17 Distributions of Non-cash Assets to Owners	on or after 1 July 2009
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	on or after 1 July 2010
Amendment to IFRIC 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	on or after 1 January 2011

The above standards are not expected to have a material effect on the Group's financial reports.

Operating segments

Segment information is presented based on management's view, and operating segments are identified based on internal reporting to the company's chief operating decision maker. Saab has identified the Chief Executive Officer as its chief operating decision maker, while the internal reports used by the CEO to oversee operations and make decisions on allocating resources serve as the basis of the information presented. The accounting principles for reportable segments conform to the principles applied by the Group as a whole.

The Group had three reportable segments in 2009:

- Defence and Security Solutions
- Systems and Products
- Aeronautics

Sales of goods and services between segments are made on market terms.

A detailed description of the segments, together with the factors used to identify segments, can be found in note 4 and on pages 36-39

As of 1 January 2010, Saab's operations are divided into five business areas: Aeronautics, Dynamics, Electronic Defence Systems, Security and Defence Solutions and Support and Services, which also will be reported as operating segments.

Classification of assets and liabilities

Current assets and current liabilities generally consist of amounts that can be recovered or paid within twelve months of the closing day. Other assets and liabilities are recognised as fixed assets or long-term liabilities.

Consolidation principles

Group companies

Group companies are companies in which Saab AB has a decisive influence through a direct or indirect shareholding amounting to more than 50 per cent. Unless, in exceptional circumstances, it can be clearly demonstrated that such ownership does not constitute a decisive influence. Decisive influence also exists when the parent owns half or less of the voting power of an entity but has a decisive influence over more than half the voting rights or power to govern the financial and operating policies of the entity under a statute or an agreement. When determining whether a decisive influence exists, potential voting shares that can be exercised or converted without delay are taken into account.

Subsidiaries and acquired operations (business combinations) are recognised according to the purchase accounting method. This means that a business combination is treated as a transaction whereby the Group indirectly acquires the business's assets and takes over its liabilities and contingent liabilities. The Group's cost is determined through an acquisition analysis with regard to the acquisition of operating entities. Cost is comprised of the sum of the fair value of what is paid in cash, through the assumption of liabilities or shares issued as well as costs directly attributable to the acquisition. This analysis also determines the fair value of acquired, identifiable assets and assumed liabilities and contingent liabilities. The difference between the cost of the subsidiary's shares and the fair value of acquired assets, assumed liabilities and contingent liabilities constitutes Group goodwill, which is recognised according to the section on intangible fixed assets. Acquisitions of minorities are recognised according to the modified parent company model, which means that assets and liabilities are not restated. The difference between cost and the carrying amount for the minority is recognised as additional goodwill.

The financial reports of Group companies are included in the consolidated accounts from the point in time when a decisive influence arises (acquisition date) until this influence ceases.

Associated companies

Associated companies are companies over which the Group has a significant (but not decisive) influence over operating and financial controls, usually through a shareholding of between 20 and 50 per cent of the votes. From the point in time when the significant influence arises, the shares in the associated company are recognised according to the equity method in the consolidated accounts. The equity method is applied until the point in time when the significant influence ceases. The equity method means that the carrying amount of the shares in the associated company corresponds to the Group's share of the company's equity based on an application of the Group's accounting principles as well as Group goodwill and any remaining Group surplus or deficit values. "Share in income of associated companies" in the income statement comprises the Group's share of the net income after tax and the minority interest in associated companies adjusted for any depreciation, impairment loss or dissolution of acquired surplus and deficit values determined in the same way as for operating acquisitions. Dividends received from the associated company reduce the carrying amount of the investment.

If the Group's share of the accumulated deficit in an associated company exceeds the carrying amount of the shares in the Group, the value of the shares is reduced to nil. Losses are also offset against long-term uncollateralised financial balances that in their economic significance represent part of the owner-company's net investment in the associated company. Subsequent losses are not recognised as a liability in the consolidated accounts as long as the Group has not issued any guarantees to cover losses arising in the associated company.

Joint ventures

Companies in which the Group, through a cooperative agreement with one of more parties, shares a decisive influence over operating and financial controls are recognised in the consolidated accounts according to the proportional method. For joint ventures, this means that the Group's share of the

companies' revenue and expenses and their assets and liabilities is recognised in the consolidated income statement and balance sheet, respectively, based on application of the Group's accounting principles. This is done by combining Saab's share of revenue and expenses and assets and liabilities in the joint venture with the corresponding items in the consolidated accounts.

Eliminated transactions

Intra-Group receivables and liabilities, revenue or expenses, and gains or losses that arise from transactions between Group companies are eliminated in their entirety in the preparation of the consolidated accounts.

Gains that arise from transactions with associated companies and joint ventures are eliminated to an extent corresponding to the Group's ownership interest in the company. Losses are eliminated in the same way as gains, but only to the extent there that is no impairment loss.

Foreign currency

Functional currencies are the currencies in each primary economic environment where units of the Group conduct their operations.

Transactions and assets and liabilities in foreign currency

Transactions in foreign currency are recognised in the functional currency at the exchange rate on the transaction day. Monetary assets and liabilities are translated to the functional currency on the closing day at the exchange rate then in effect. Exchange rate differences that arise through these translations are recognised in profit and loss. Non-monetary assets and liabilities recognised at fair value are translated to the functional currency at the rate in effect at the time of valuation at fair value. Changes in exchange rates are then recognised in the same way as other changes in value of the asset or liability.

Translation of financial reports of foreign operations to SEK

Assets and liabilities in operations with a functional currency other than SEK are translated to SEK at the closing day exchange rate. Revenue and expenses in foreign operations are translated to SEK at the average rate. Translation differences that arise through currency translations are recognised directly in the comprehensive income. The amount is recognised separately as a translation reserve in equity.

Revenue

Sales of goods

Revenue from the sale of goods is recognised in profit or loss when the significant risks and benefits associated with ownership have transferred to the buyer.

Service assignments

Revenue from service assignments is recognised when the services are rendered. Revenue from services rendered as part of fixed-price contracts is recognised in accordance with the principles that apply to long-term customer agreements; see below. Revenue is recognised only if it is likely that the economic benefits will accrue to the Group. If it is unlikely that payment will be received, there is uncertainty with regard to the level of related expenses or there is a risk of returns, no revenue is recognised.

Long-term customer agreements

A large part of the Group's operations comprises long-term customer agreements. When such agreements concern development and hardware that can be reliably calculated, revenue and expenditures attributable to the assignment are recognised in the consolidated income statement in relation to the assignment's stage of completion, i.e., according to the percentage of completion method.

The stage of completion is based on a determination of the relationship between expenditures incurred for services rendered as of the closing day and estimated total expenditures. Of the estimated total revenue for an assignment, including interest on advance payments, the portion corresponding to the stage of completion is recognised in each period. The stage of completion can also be determined in certain cases based on milestones or deliveries. With regard to orders whose manufacturing cost is financed to a significant extent with advance payment from customers, the effect on interest of advance financing is recognised in gross income. The interest amount that affected gross income is indicated in Note 13.

An anticipated loss is recognised in profit or loss as soon as it is identified. Recognised subcontracting revenue for which the customer has not yet been invoiced is recognised as a receivable from that customer.

Operating expenses

The income statement is classified according to function as follows:

- Cost of goods sold comprises costs for material handling and manufacturing costs, including salary and material costs, purchased services, premises, and the depreciation/amortisation and impairment of intangible and tangible fixed assets.
- Administrative expenses relate to expenses for the Board of Directors, Group Management and staff functions.
- Marketing expenses comprise expenses for the in-house sales organisation, including sales companies, advertising and exhibits.
- Research and development costs are recognised separately and comprise the cost of new and continued product development as well as capitalised development costs; see below.
- Other operating revenue and expenses relate to secondary activities, exchange rate differences on items of an operating nature, changes in the value of derivatives of an operating nature and capital gains/losses on the sale of tangible fixed assets. Also included at the Group level are capital gains/losses on the sale of subsidiaries and associated companies.

Government grants

Government grants are recognised in the balance sheet as prepaid income when there is reasonable certainty that the grant will be received and that the Group will meet the conditions associated with the grant. Grants are systematically recognised in the income statement in the same way and over the same periods as the expenses for which the grants are intended to compensate. Government grants related to assets are recognised in the balance sheet as a reduction in the asset's carrying amount.

Financial revenue and expenses

Financial revenue and expenses consist of interest income on bank balances, receivables and marketable securities, interest expenses on loans, dividends, exchange rate differences, unrealised and realised gains on financial investments and derivatives used in financial operations.

Intangible fixed assets

Goodwill

Goodwill is distributed among cash-generating units and tested annually for impairment. Goodwill arising through the acquisition of associated companies is included in the carrying amount of the shares in the associated company.

In acquisitions where the cost is less than the net of the fair value of acquired assets, assumed liabilities and contingent liabilities, the difference is recognised directly through profit or loss.

Research and development

Expenditures for research undertaken in an effort to gain new scientific or technological knowledge are expensed when incurred.

Expenditures for development, where the research results or other knowledge is applied to new or improved products or processes, are recognised as an asset in the balance sheet from the time when the product or process in the future is expected to be technically and commercially usable, the company has sufficient resources to complete development and subsequently use or sell the intangible asset, and the product or process is likely to generate future economic benefits. The carrying amount includes expenditures for material, direct expenditures for salaries and, if applicable, other expenditures that are considered directly attributable to the asset. Other expenditures for development are recognised in profit or loss as an expense when they arise. Expenditures recognised in the balance sheet are carried at cost less accumulated amortisation and impairment loss.

Other intangible fixed assets

Other acquired intangible fixed assets are recognised at cost less accumulated amortisation and impairment losses.

Amortisation

Amortisation is recognised in profit or loss over the intangible fixed assets' estimated periods of use, provided such periods can be determined. Intangible fixed assets, excluding goodwill and other intangible fixed assets with indeterminate periods of use, are amortised from the day they are available for use. Estimated periods of use and amortisation methods are as follows:

- technical rights: 5–10 years, on a straight line basis
- capitalised development expenditures: Amortised in connection with production based on estimated production volume, for a maximum of 10 years or on a straight-line basis over the estimated period of use of 5–10 years.

Periods of use are tested annually and unfinished development work is tested for impairment at least once a year regardless of any indications of diminished value.

Tangible fixed assets

Tangible fixed assets are recognised as an asset in the balance sheet if it is likely that the future economic benefits will accrue to the Group and the cost of the asset can be reliably estimated.

Tangible fixed assets are recognised at cost after deducting accumulated depreciation and any impairment. Cost includes the purchase price and costs directly attributable to putting the asset into place and condition to be utilised in accordance with the purpose of the purchase. Examples of directly attributable expenditures included in cost are delivery and handling, installation, title and consulting services. Accounting principles for impairment are indicated below.

The cost of fixed assets produced by Saab includes expenditures for material, expenditures for employee benefits and, where applicable, other production costs considered directly attributable to the fixed asset.

The cost of tangible fixed assets includes estimated costs for disassembly and removal of the assets as well as restoration of the location or area where these assets are found.

In cases where tangible fixed assets consist of parts with different periods of use, these parts are treated as separate components of tangible fixed assets and depreciated based on their periods of use.

The carrying amount of a tangible fixed asset is excluded from the balance sheet when the asset is sold or disposed of or when no future economic benefits are expected from its use. The gain or loss that arises on the sale or disposal is comprised of the difference between the sales price and the asset's carrying amount less direct selling expenses. Such gains and losses are recognised as other operating income/expenses.

Incremental expenditures

Incremental expenditures are added to cost only if it is likely that the future economic benefits tied to the incremental expenditures will accrue to the Group and the expenditures can be reliably estimated. All other incremental expenditures are recognised as costs in the period they arise.

The determining factor whether an incremental expenditure is added to cost is whether it relates to the replacement of identifiable components, or parts thereof. If so, the cost is capitalised. Even in cases where a new component is created, the expenditure is added to cost. Any undepreciated carrying amount of replaced components, or parts of components, is disposed of and expensed in connection with the replacement. Repairs are expensed as incurred.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset and takes a substantial period of time to prepare for its intended use or sale is capitalised as part of the asset's cost when it is likely that they will lead to future economic benefits for the Group and the expenditures can be measured reliably. Other borrowing costs are expensed in the period in which they arise.

Depreciation

Depreciation is booked on a straight-line basis based on the asset's cost less estimated residual value at the end of the period of use, over the asset's estimated period of use. Land is not depreciated. Component depreciation is applied, which means that fixed assets consisting of various components or

where significant parts have different periods of use are depreciated as separate assets based on their periods of use.

Estimated periods of use:

- Operating properties: 20–90 years
- Property, plant and equipment: 5–10 years
- Equipment, tools, installations and computers: 3–10 years
- Aircraft: 20–25 years

Each asset's residual value and period of use are estimated annually. Periods of use are unchanged compared with the previous year.

Lease assets

Lease assets mainly refer to 71 aircraft owned by legal entities within Saab Aircraft Leasing and leased out via operating leases. Saab Aircraft Leasing's fleet consists of 114 Saab 340 and Saab 2000, of which 42 aircraft are leased in through operating leases and leased out through operating leases, and 1 aircraft with third-party guarantees.

Leasing is classified in the consolidated accounts as either finance or operating leasing. Finance leasing exists when the economic risks and benefits tied to ownership are essentially transferred to the lessee; otherwise it is operating leasing.

For anticipated or established deficits according to current leases with respect to aircraft financing in Saab Aircraft Leasing, provisions are allocated at an amount corresponding to the obligation. See also Note 7.

Saab as lessor

Assets leased out via finance leases are recognised as receivables in the balance sheet at an amount corresponding to the net investment according to the lease. Lease payments received are recognised as amortisation of the receivable or financial income. The financial income is accrued so that a steady return is received over the leasing period.

Assets according to an operating lease are divided by type of asset. Leasing revenue is accrued and recognised as revenue on a straight-line basis over the leasing period. Direct expenditures that arise by entering into an operating lease are expensed on a straight-line basis over the leasing period.

Saab as lessee

At year-end 2009, Saab only had operating leases.

Leasing fees for operating leases are expensed over the term of the lease.

Biological assets

Biological assets in the form of forests are carried at fair value after deducting estimated selling expenses. Fair value is based on the valuation of an independent appraiser.

Investment properties

Investment properties are properties held to earn rental income, for capital appreciation or a combination of both. Investment properties are carried in the balance sheet at fair value. Fair value is based on the valuation of an independent appraiser with recognised qualifications and adequate experience with properties in the location and category in question. As an alternative, the valuation is made by calculating net rental income, which then serves as the basis of a determination of fair value.

Assets held for sale

When an asset is classified as held for sale, it means that its carrying amount will be recovered primarily through a sale rather than through use.

Immediately before classification as held for sale, the recognised value of the assets is determined according to the Group's accounting principles. Upon initial classification as held for sale, assets are recognised at the lower of their carrying amount and fair value less selling expenses.

Assets are not depreciated/amortised after they are classified as held for sale.

Impairment

The carrying amount of fixed assets, with the exception of assets stated at fair value, is tested on each closing day for any indication of impairment. If an indication exists, the asset's recoverable amount is calculated. A description of impairment principles for available-for-sale financial assets is provided below.

For goodwill and other intangible fixed assets with an indeterminate period of use and intangible fixed assets not yet ready for use, recoverable values are calculated annually.

The recoverable amount of an asset is the higher of its fair value less selling expenses and value in use. Value in use is measured by discounting future cash flows using a discounting factor that takes into account the risk-free rate of interest plus supplemental interest corresponding to the risk associated with the specific asset.

If essentially independent cash flows cannot be isolated for individual assets, the assets are grouped at the lowest levels where essentially independent cash flows can be identified (cash-generating units). An impairment loss is recognised when the carrying amount of an asset or cash-generating unit exceeds its recoverable value. Impairment losses are charged against the income statement.

Impairment losses attributable to a cash-generating unit (pool of units) are mainly allocated to goodwill, after which they are divided proportionately among other assets in the unit (pool of units).

Impairment losses from other assets are reversed if a change has occurred in the assumptions that served as the basis for determining recoverable value. Impairment is reversed only to the extent the carrying amount of the assets following the reversal does not exceed the carrying amount that the asset would have had if the impairment had not been recognised, taking into account the depreciation or amortisation that would have been recognised.

Impairment of goodwill is not reversed.

Financial assets and liabilities and other financial instruments

Financial instruments recognised in the balance sheet include, on the asset side, liquid assets, accounts receivable, shares, loans receivable, bonds receivable and derivatives. Liabilities include trade accounts payable, loans payable and derivatives.

Financial instruments are initially recognised at cost, corresponding to the instrument's fair value plus transaction expenses for all financial instruments with the exception of those in the category financial assets at fair value through profit or loss. Subsequent measurement depends on how they are classified, as indicated below.

A financial asset or financial liability is recognised in the balance sheet when the company becomes party to the instrument's contractual terms. Accounts receivable are recognised in the balance sheet when an invoice has been sent. Liabilities are recognised when the counterparty has performed and there is a contractual obligation to pay, even if an invoice has not yet been received. Accounts payable are recognised when an invoice is received.

A financial asset is removed from the balance sheet when the rights in the agreement are realised, expire or the company loses control over them. The same applies to part of a financial asset. A financial liability is removed from the balance sheet when the obligation in the agreement has been discharged or otherwise extinguished. The same applies to part of a financial liability.

On each reporting date, Saab evaluates whether there are objective indications that a financial asset or pool of financial assets is in need of impairment. Financial assets and liabilities are offset and recognised as a net amount in the balance sheet when there is a legal right to a set-off and when the intent is to settle the items with a net amount or to realise the asset and settle the liability at the same time.

Financial assets and liabilities are classified in one of the following categories:

Financial assets and liabilities at fair value through profit or loss

Assets and liabilities in this category are carried at fair value with changes in value recognised in profit or loss. This category consists of two subgroups: financial assets and liabilities held for trading and other financial assets and liabilities that the company initially chose to recognise at fair value through profit or loss. A financial asset is classified as held for trading if it is acquired for the purpose of selling in the near term. Derivatives are always recognised at fair value through profit or loss, unless hedge accounting is applied.

Held-to-maturity investments

Financial assets in this category relate to assets that the company intends and has the ability to hold to maturity. They are valued at amortised cost.

Loans receivable and accounts receivable

Loans receivable and accounts receivable are non-derivative financial assets with fixed payments which are not listed on an active market. Receivables arise when the company provides money, goods or services directly to the debtor without the intent to trade its claim. The category also includes acquired receivables. Assets in this category are recognised after acquisition at amortised cost. Amortised cost is determined based on the effective interest rate calculated on the acquisition date.

Accounts receivable are recognised at the amount expected to be received based on an individual valuation. Accounts receivable have a short maturity, due to which they are recognised at their nominal amount without discounting. Impairment losses on accounts receivable are recognised in operating expenses.

Other receivables are receivables that arise when the company provides money without the intent to trade its claim.

Other financial liabilities

Liabilities classified as other financial liabilities are initially recognised at the amount received after deducting transaction expenses. After acquisition, the loans are carried at amortised cost, according to the effective rate method.

Trade accounts payable are classified in the category other financial liabilities. Trade accounts payable have a short expected maturity and are carried without discounting at their nominal amount.

Calculation of recoverable value

The recoverable value of financial assets in the categories held-to-maturity investments, loans receivable and accounts receivable measured at amortised cost is calculated using the present value of future cash flows discounted by the effective interest rate in effect when the asset was initially recognised. Assets with a maturity of less than one year are not discounted.

Impairment of held-to-maturity investments and loans receivable and accounts receivable recognised at amortised cost is reversed if a subsequent increase in recoverable value can objectively be attributed to an event occurring after the impairment

Liquid assets

Liquid assets consist of cash and cash equivalents, immediately accessible balances with banks and similar institutions, and short-term liquid investments with a maturity from acquisition date of less than three months, which are exposed to no more than an insignificant risk of fluctuation in value.

Financial investments

Financial investments comprise either financial fixed assets or short-term investments, depending on the intent of the holding. If the maturity or the anticipated holding period is longer than one year, they are considered financial fixed assets, and if it is shorter than one year they are short-term investments.

With recognition at fair value through profit or loss, changes in value are stated in financial revenue and expenses.

Derivatives and hedge accounting

Derivatives include forward exchange contracts, options and swaps utilised to cover risks associated with changes in exchange rates and exposure to interest rate risks. Derivatives are recognised at fair value upon acquisition and subsequently.

Derivatives with positive values are recognised as assets and derivatives with negative values are recognised as liabilities under the heading derivatives in the balance sheet. Gains and losses on a derivative arising due to a change in fair value are recognised in profit or loss if the derivative is classified among financial assets and liabilities at fair value through profit or loss.

In hedge accounting, derivatives are classified as fair value hedges or cash flow hedges. The recognition of these hedging transactions is described below.

Cash flow hedges

Certain forward exchange contracts and currency swaps (hedge instruments) entered into to hedge future receipts and disbursements against currency and interest rate risks are accounted for according to the rules for cash flow hedging. Derivatives that protect future receipts and disbursements are recognised in the balance sheet at fair value. Changes in value are recognised directly in equity in the hedge reserve until the hedged cash flow meets the operating profit or loss, at which point the cumulative changes in value of the hedging instrument are transferred to profit or loss to meet and match the effects on earnings of the hedged transaction.

Interest rate exposure from future variable-rate liabilities is hedged with interest rate swaps. In its reporting, Saab applies cash flow hedging, which means that the change in value of the interest rate swap is recognised in the net gain or loss on cash flow hedges in equity and is reported in financial revenue and expenses when transferred to profit or loss.

When the hedged future cash flow refers to a transaction that will be capitalised in the balance sheet, the net gain or loss on cash flow hedges in equity is dissolved when the hedged item is recognised in the balance sheet. If the hedged item is a non-financial asset or a non-financial liability, the reversal from the net gain or loss on cash flow hedges in equity is included in the original cost of the asset or liability. If the hedged item is a financial asset or financial liability, the net gain or loss on cash flow hedges in equity is gradually reversed through profit or loss at the same rate that the hedged item affects earnings.

When a hedging instrument expires, is sold or is exercised, or the company revokes the designation as a hedging relationship before the hedged transaction occurs and the projected transaction is still expected to occur, the recognised cumulative gain or loss remains in the net gain or loss on cash flow hedges in equity and is recognised in the same way as above when the transaction occurs.

If the hedged transaction is no longer expected to occur, the hedging instrument's cumulative gains and losses are immediately recognised in profit or loss in accordance with principles described above for derivatives.

Fair value hedge accounting

Certain forward exchange contracts and currency swaps (hedge instruments) entered into to hedge future receipts and disbursements for currency and interest rate risk are accounted for according to the rules for fair value hedging. These hedges are recognised at fair value in the balance sheet with regard both to the derivative itself and the future receipt or disbursement (hedge item) for the risk being hedged. The change in fair value of the derivative is recognised in the profit and loss together with the change in value of the hedged item.

Hedge of currency exposure in assets and liabilities

Currency exposure from an asset or liability is hedged with forward exchange contracts. No hedge accounting is applied, due to which both the hedged item and hedging instrument are recognised at fair value with changes in value through profit or loss. Changes in the value of operations-related receivables and liabilities are recognised in operating income, while changes in the value of financial receivables and liabilities are recognised in financial revenue and expenses.

Valuation principles

The fair value of listed financial assets is determined using market prices. Furthermore, Saab applies various valuation methods to determine the fair value of financial assets that are traded on an inactive market. These methods are based on the valuation of similar instruments, discounted cash flows or customary valuation methods such as Black-Scholes. See Note 41.

Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in continuing operations after deducting estimated expenses for completion and expenses incurred in selling.

Cost is calculated by applying the first-in first-out method (FIFO) and includes expenses to acquire inventory assets and bring them to their present location and condition. For manufactured goods and work in progress, cost includes a reasonable share of indirect expenses based on normal capacity.

For finished and semifinished goods, cost consists of direct manufacturing expenses and a reasonable share of indirect manufacturing expenses as well as expenses to customise products for individual customers. Calculations take into account normal capacity utilisation.

Dividends

The dividend proposed by the Board of Directors reduces earnings available for distribution and is recognised as a liability when the Annual General Meeting has approved the dividend.

Employee benefits

The Group has two types of pension plans: defined-contribution and defined-benefit pension plans.

Defined-contribution plans

In defined-contribution plans, pensions are based on the premiums paid. Obligations with regard to defined-contribution plans are expensed in the income statement.

Defined-benefit plans

In defined-benefit plans, pensions are based on a percentage of the recipient's salary. Saab has around ten different types of defined-benefit plans. The predominant plan is the ITP plan, which accounts for approximately 5/6 of the total obligation. The second largest plan refers to the state-funded retirement pension and vested pensions in Affärsverket FFV when it was incorporated on 1 January 1991.

The Group's net obligation for defined-benefit plans is calculated separately for each plan by estimating the future compensation that employees have earned through employment in present and previous periods. This compensation is discounted to present value. Saab has secured main part of the obligation through provisions to a pension fund, and the fair value of the fund's assets is offset against the provision for the pension obligation at present value in the balance sheet. The discount rate to calculate the commitment at present value has been determined based on the interest rate on the closing day for a first-class corporate bond with a maturity corresponding to the pension obligation. When there is no active market for such corporate bonds, the market interest rate on government bonds with a similar maturity is used instead. The calculation is made by a qualified actuary using the projected unit credit method.

When the compensation terms in a plan improve, the portion of the increased compensation attributable to the employees' services in previous periods is expensed through the income statement on a straight-line basis over the average period until the compensation is fully vested. If the compensation is fully vested, an expense is recognised directly through profit or loss.

The obligation is estimated on the closing day, and if the calculated amount deviates from the estimated commitment an actuarial gain or loss arises. All actuarial gains and losses as of 1 January 2004, the date of transition to IFRS, are recognised in equity and other items in the balance sheet. For actuarial gains and losses that arise from the calculation of the Group's obligation for different plans after 1 January 2004, the so-called corridor rule is applied. This means that the portion of the cumulative actuarial gains and losses exceeding 10 per cent of the higher of the commitments' present value and the fair value of assets under management is recognised over the expected average remaining period of employment of the employees covered by the plan. Actuarial gains and losses otherwise are not taken into account.

When the calculation leads to an asset, the carrying amount is limited to the lesser of the estimated asset and sum of unrecognised actuarial losses and unrecognised costs associated with employment in previous periods as well as the present value of future repayments from the plan or reduced future payments to the plan.

When there is a difference in how the pension cost is determined for a legal entity and the Group, a provision or receivable for the special employer's contribution arises based on this difference.

Severance

A provision is recognised in connection with termination of personnel only if the company is obligated to terminate an employment before the customary time, e.g., when compensation is paid in connection with a voluntary termi-

nation offer. In cases where the company terminates personnel, a detailed plan is drafted containing at the minimum the workplaces, positions and approximate number of individuals affected as well as compensation for each personnel category or position and a schedule for the plan's implementation.

Share-based payment

Share-based payment refers solely to remuneration to employees, including senior executives. Share-based payment settled with the company's shares or other equity instruments is comprised of the difference between the fair value at the time these plans were issued and the consideration received. This remuneration is recognised as staff costs during the vesting period. To the extent the vesting conditions in the plan are tied to market factors (such as the price of the company's shares), they are taken into consideration in determining the fair value of the plan. Other conditions (such as earnings per share) affect staff costs during the vesting period by changing the number of shares or share-related instruments that are expected to be paid.

Share matching plan for employees

Saab introduced a Global Share Matching Plan for employees in autumn 2007 where vesting rights accrue as of 2008. The payroll expenses for matching shares in the plan are recognised during the vesting period based on the fair value of the shares. The employees pay a price for the share that corresponds to the share price on the investment date. Three years after the investment date, employees are allotted as many shares as they purchased three years earlier provided that they are still employees of the Saab Group and that the shares have not been sold. In certain countries, social security expenses are paid on the value of the employee's benefit when matching takes place. During the vesting period, provisions are allocated for these estimated social security expenses. Share repurchases to fulfil the commitments of Saab's share matching plans are recognised in equity. During the autumn 2008 an additional share matching program was introduced with the same conditions as the programme introduced 2007.

In addition, a performance-based plan was introduced for senior executives entitling them to 2–5 matching shares depending on the category the employee belongs to. In addition to the requirement that the employee remain employed by Saab after three years, there is also a requirement that earnings per share grow in the range of 5 to 15 per cent. See also, Note 37.

Provisions

A provision is recognised in the balance sheet when the Group has a legal or informal obligation owing to an event that has occurred and it is likely that an outflow of economic resources will be required to settle the obligation and a reliable estimate of the amount can be made. Where it is important when in time payment will be made, provisions are estimated by discounting projected cash flow at a pre-tax interest rate that reflects current market estimates of the time value of money and, where appropriate, the risks associated with the liability.

Guarantees

A provision for guarantees is normally recognised when the underlying products or services are sold if a reliable calculation of the provision can be made. The provision is based on historical data on guarantees for the products or similar products and an overall appraisal of possible outcomes in relation to the likelihood associated with these outcomes.

Restructuring

A provision for restructuring is recognised when a detailed, formal restructuring plan has been established and the restructuring has either begun or been publicly announced. No provision is made for future operating losses.

Soil remediation

In accordance with the Group's publicly announced environmental policy and applicable legal requirements, periodic estimates are made of Saab's obligations to restore contaminated soil. Anticipated future payments are discounted to present value and recognised as a provision.

Loss contracts

A provision for a loss contract is recognised when anticipated benefits are less than the unavoidable costs to fulfil the obligations as set out in the contract.

Contingent liabilities

A contingent liability exists if there is a possible commitment stemming from events whose occurrence is dependent on one or more uncertain future events and there is a commitment that is not recognised as a liability or provision because it is unlikely that an outflow of resources will be required or the size of the obligation cannot be estimated with sufficient reliability. Information is provided as long as the likelihood of an outflow of resources is not extremely small.

Taxes

Income taxes consist of current tax and deferred tax. Income taxes are recognised in profit or loss unless the underlying transaction is recognised in net comprehensive income or loss, in which case the related tax effect is also recognised in net comprehensive income or loss.

Current tax is the tax paid or received for the current year, applying the tax rates that have been set or essentially set as of the closing day to taxable income and adjusting for current tax attributable to previous periods.

Deferred tax is calculated according to the balance sheet method based on temporary differences that constitute the difference between the carrying amount of assets and liabilities and their value for tax purposes. Deductible temporary differences are not taken into account in the initial reporting of assets and liabilities in a transaction other than a business combination and which, at the time of the transaction, do not affect either the recognised or taxable result. Moreover, temporary differences are not taken into account if they are attributable to shares in subsidiaries and associated companies that are not expected to be reversed within the foreseeable future. The valuation of deferred tax is based on how the carrying amounts of assets or liabilities are expected to be realised or settled. Deferred tax is calculated by applying the tax rates and tax rules that have been set or essentially are set as of the closing day.

Deferred tax assets from deductible temporary differences and tax loss carry forwards are only recognised to the extent it is likely that they will be utilised. The value of deferred tax assets is reduced when it is no longer considered likely that they can be utilised.

Significant differences between the Group's and the Parent Company's accounting principles

The Parent Company follows the same accounting principles as the Group with the following exceptions.

Associated companies and joint ventures

Shares in associated companies and joint ventures are recognised by the Parent Company according to the acquisition value method. Revenue includes dividends received.

Intangible fixed assets

All development costs are recognised in profit or loss.

Tangible fixed assets

Tangible fixed assets are recognised after revaluation, if necessary. All leases are recognised according to the rules for operating leasing.

Borrowing costs

The Parent Company recognises borrowing costs as an expense in the period in which they arise.

Investment properties

Investment properties are recognised according to acquisition cost method.

Financial assets and liabilities and other financial instruments

The Parent Company carries financial fixed assets at cost less impairment and financial current assets according to the lowest value principle. If the reason for impairment has ceased, it is reversed.

The Parent Company does not apply the rules for setting off financial assets and liabilities.

Derivatives and hedge accounting

Derivatives that are not used for hedging are carried by the Parent Company according to the lowest value principle. For derivatives used for hedging, recognition is determined by the hedged item. This means that the derivative is treated as an off balance sheet item as long as the hedged item is recognised at cost or is not included on the balance sheet. Receivables and liabilities in foreign currency hedged with forward contracts are valued at the forward rate.

Employee benefits

The Parent Company complies with the provisions of the Law on Safeguarding of Pension Commitments and the regulations of the Swedish Financial Supervisory Authority, since this is a condition for tax deductibility.

Untaxed reserves

The amounts allocated to untaxed reserves constitute taxable temporary differences. Due to the connection between reporting and taxation, the deferred tax liability is recognised in the Parent Company as part of untaxed reserves.

Group contributions and shareholders' contributions for legal entities

Shareholders' contributions are recognised directly in the equity of the recipient and capitalised in the shares and participating interests of the contributor, to the extent impairment is not required.

Group contributions are recognised based on their economic intent. This means that Group contributions paid in order to minimise the Group's total taxes are recognised directly in retained earnings after deducting the current tax effect. Group contributions equated with dividends are recognised as a dividend. This means that Group contributions received and the effect on current tax are recognised in profit or loss. Group contributions paid and the effect on current tax are recognised directly in retained earnings.

Group contributions equated with shareholders' contributions are recognised by the recipient directly in retained earnings taking into account the effect on current tax. The contributor recognises Group contributions and the effect on current tax as an investment in shares in Group companies with subsequent impairment testing.

NOTE 2

ASSUMPTIONS IN THE APPLICATION OF THE ACCOUNTING PRINCIPLES

The Board of Directors and Group Management together have identified the following areas where estimates and assumptions in the application of the accounting principles may have a significant impact on the accounting of the Group's results of operations and financial position and may result in significant adjustments in subsequent financial reports. Developments in these areas are monitored continuously by Group Management and the Board of Directors' audit committee.

UNCERTAINTIES IN ESTIMATES AND ASSUMPTIONS**Impairment testing of goodwill**

In the calculation of cash-generating units to determine whether there has been an impairment of goodwill, assumptions have been made about future conditions. A significant deviation in the conditions will affect the value of goodwill. Carrying amount for goodwill amount to MSEK 3,457 (3,438).

Recovery of value of development costs

The Group has invested significant amounts in research and development. The reported amounts in the balance sheet primarily relate to development projects relating to exports of Gripen, electronic warfare systems, missile systems, radar and sensors. Capitalised development costs amount to MSEK 3,038 (3,628). The recognition of development expenditures as an asset on the balance sheet requires an assumption that the product is expected to be technically and commercially usable in the future and that future economic benefits are likely. Capitalised development costs are amortised over the estimated production volume or period of use, up to a maximum of 5 years, with the exception of acquired development costs, where the maximum period of use is 10 years. Projected production volumes and periods of use may later be reassessed, which could necessitate impairment.

Leasing fleet

The portfolio consists of 114 aircraft, of which 71 are recognised as assets in the balance sheet. Of the 114 aircraft, 42 are covered by insurance from the Swedish Export Credits Guarantee Board. As of year-end, there were 14 unleased aircraft, of which 7 aircraft are allocated to customers for delivery during 2010. Provisions for obligations have been made based on estimates of the amounts that may be required to settle the obligations in the future. The extent of leasing operations is indicated in Notes 7 and 18.

Long-term customer projects

A majority of all long-term customer projects contain significant development aspects, which are associated with risks. Before a contract is signed with a customer on delivery of a product, solution or service, a thorough analysis is always made of the prerequisites and risks of the delivery through a project management process established within Saab. In the implementation stage, continuous reviews are then made of the work in the project according to the same process. An important aspect is to identify risks and assess them and the measures that are taken to mitigate the risks with the help of a risk assessment method.

The Group applies the percentage of completion method to recognise revenue from long-term customer projects. An estimation of total costs is critical in revenue recognition and provisions for loss contracts as well as inventory valuations, and the outcome of technical and commercial risks may affect income.

NOTE 3

REVENUE DISTRIBUTION

Revenue by significant source

MSEK	Group		Parent Company	
	2009	2008	2009	2008
Sale of goods	4,959	4,390	1,930	1,698
Long-term customer contracts	14,217	13,978	9,724	9,954
Service assignments	5,462	5,425	3,725	3,842
Royalties	9	3	6	2
Total	24,647	23,796	15,385	15,496

For long-term customer agreements concerning development and hardware that can be reliably calculated, revenue and expenditures attributable to the assignment are recognised in the consolidated income statement in relation to the assignment's stage of completion, i.e., according to the percentage of completion method.

NOTE 4

SEGMENT REPORTING

Saab is one of the world's leading high technology companies, operating principally in the areas of defence, aeronautics and civil security. Operations primarily comprise well-defined areas in defence electronics and missile systems as well as military and civil aeronautics. Saab is also active in technical services and maintenance. Saab has Europe as its main market, but has growing markets in Australia, South Africa and Asia. In 2009, Saab's operation was divided into three business segments, which are described below. As a result of a reorganisation announced on 9 September 2009, as of 1 January 2010 Saab's operating and management structure is divided into five business areas, which also represents operating segments, Aeronautics, Dynamics, Electronic Defence Systems, Security and Defence Solutions, and Support and Services. Pro forma summary financials are included in Note 50.

Defence and Security Solutions

The business segment Defence and Security Solutions brings together Saab's capabilities in the development and integration of high-technology systems for reconnaissance, surveillance, communication, and command and control. 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 security for customers mainly in the defence and telecommunication industries as well as government agencies with responsibility for infrastructure in society are also included in the portfolio.

The market for civil security systems continues to grow, which is creating new opportunities. Saab can, among other things, supply robust systems for crisis management and protection of infrastructure.

Systems and Products

The business segment Systems and Products' customers mainly consist of defence forces and other defence contractors around the world. Saab has a broad-based portfolio of systems and products.

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 products for a large number of combat vehicles, aircraft, helicopters, submarines and surface vessels around the world. Saab's radar and sensor operations are vital components in its major systems solutions such as the BAMSE missile platform, the Gripen combat fighter and Saab's airborne surveillance system. They also include products that in themselves command a leading position in the global market. The weapon detecting radar ARTHUR and the search radar GIRAFFE are two examples.

Signature management, camouflage which prevents detection by even the most advanced technical equipment, is another area where Saab has a world-leading position. Saab also has a strong position in advanced training systems for land-based forces and also now lists special police units among its customers.

Underwater technology for shallow water and harbors is another area where Saab has cutting-edge expertise. An important development area is autonomous, unmanned underwater vehicles for military and commercial applications.

Aeronautics

Saab's aeronautics operations are dominated by the Gripen programme. One of the world's most modern fighters in operational service, Gripen is currently used in Sweden and by NATO members Czech Republic and Hungary as well as South Africa. In 2008, Saab began test flights with Gripen's demonstrator programme. The goal of the programme is to develop the next-generation Gripen as well as further develop existing Gripen versions. 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). Its own products are combined with participation in international development programmes. Saab has principal responsibility for key subsystems in the Neuron programme, a European project to develop an unmanned combat aerial vehicle and next-generation fighter aircraft.

As a subsystem supplier, Saab develops complex structural units and sub-systems for both commercial and military aircraft manufacturers.

Significant items not affecting cash flow

Significant items that do not affect cash flow relate in 2009 to restructuring expenses of MSEK 180 in Systems and Products, MSEK 100 in Aeronautics and MSEK 20 in Defence and Security Solutions. The revaluation of remaining risks in the regional aircraft portfolio has affected income positively by MSEK 350 without affecting cash flow.

For 2008, impairments and provisions affected income without affecting cash flow by MSEK 1,769 in Aeronautics, MSEK 250 in Systems and Products, and MSEK 103 in Defence and Security Solutions. Gains on contractual settlements on regional aircraft affected income positively by MSEK 196 without affecting cash flow.

Information on major customers

Saab has two customers that account for 10 per cent or more of the Group's revenue: the Swedish Defence Materiel Administration (FMV) and the South African state through its procurement authority. FMV is a customer of every segment, generating total revenue of MSEK 5,499 (4,900) in 2009. Deliveries to South Africa are primarily from the Aeronautics segment, and revenue amounted to MSEK 2,167 (3,117) in 2009.

NOTE 4, CONT.

Business segments

Group MSEK	Defence and Security Solutions		Systems and Products		Aeronautics		Corporate/ eliminations		Group	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
External revenue	8,717	8,491	8,520	8,163	7,297	6,967	113	175	24,647	23,796
Internal revenue	980	952	1,082	932	274	302	-2,336	-2,186	-	-
Total revenue	9,697	9,443	9,602	9,095	7,571	7,269	-2,223	-2,011	24,647	23,796
Operating income before share in income of associated companies	678	732	350	718	66	-1,508	323	174	1,417	116
Share in income of associated companies	-	-	29	38	-60	-	-12	12	-43	50
Operating income	678	732	379	756	6	-1,508	311	186	1,374	166
Share in income of associated companies	-1	-3	3	4	-	-	-	-37	2	-36
Financial income	19	43	15	54	56	210	-40	-278	50	29
Financial expenses	-105	-121	-107	-220	-165	-378	-73	154	-450	-565
Income before taxes	591	651	290	594	-103	-1,676	198	25	976	-406
Taxes	-22	-68	-3	53	-90	77	-162	102	-277	164
Net income for the year	569	583	287	647	-193	-1,599	36	127	699	-242
Assets	8,253	7,088	13,253	14,533	7,286	9,502	1,638	1,767	30,430	32,890
Of which shares in associated companies	2	3	140	87	-	54	214	190	356	334
Liabilities	5,388	4,414	7,731	8,511	7,354	10,951	-725	-316	19,748	23,560
Operating cash flow	38	-322	795	1,484	-434	-1,007	1,048	504	1,447	659
Capital employed	5,679	4,510	8,150	8,431	2,146	3,022	-1,644	-2,745	14,331	13,218
Investments	52	121	121	522	62	240	46	139	281	1,022
Depreciation and amortisation	188	184	651	512	249	195	289	270	1,377	1,161
Impairments	15	103	8	250	-	-	-	-	23	353

Geographical areas

Group MSEK	Sweden		Rest of EU		Rest of Europe		North America		Latin America	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
External revenue	7,714	7,549	5,675	6,000	280	300	1,764	1,346	154	181
as % of revenue	31	32	23	25	1	1	7	6	1	1
Fixed assets	11,490	13,460	167	181	37	37	1,287	1,551	-	-

Group MSEK	Asia		Australia, etc.		Africa		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
External revenue	4,568	3,381	1,015	838	3,477	4,201	24,647	23,796
as % of revenue	19	14	4	3	14	18	100	100
Fixed assets	14	13	287	230	828	580	14,110	16,052

NOTE 4, CONT.

Revenue by business segment

Parent Company		
MSEK	2009	2008
Defence and Security Solutions	5,717	5,911
Systems and Products	2,489	2,652
Aeronautics	7,179	6,933
Total	15,385	15,496

Revenue by geographical market

Parent Company		
MSEK	2009	2008
Sweden	6,938	6,624
Rest of EU	2,402	2,225
Rest of Europe	190	124
North America	538	347
Latin America	15	46
Asia	2,829	2,673
Australia, etc.	248	209
Africa	2,225	3,248
Total	15,385	15,496

NOTE 5

OTHER OPERATING INCOME

MSEK	Group		Parent Company	
	2009	2008	2009	2008
Gain from peripheral activities	46	49	-	-
Trading result	43	12	43	12
Change in value of biological assets	13	2	-	-
Gain on sale of Group companies and operations	4	103	-	-
Exchange rate gains on receivables/ liabilities of an operating nature and change in value of derivatives	3	48	-	29
Gain on sale of associated companies	-	7	-	-
Gain on sale of fixed assets	-	4	-	-
Other	40	66	25	17
Total	149	291	68	58

NOTE 6

OTHER OPERATING EXPENSES

MSEK	Group		Parent Company	
	2009	2008	2009	2008
Exchange rate losses on operating receivables/liabilities	-56	-	-55	-
Loss from peripheral activities	-8	-18	-7	-6
Impairment of buildings	-8	-	-	-
Loss on sale of tangible fixed assets	-1	-4	-1	-2
Loss on sale of Group companies	-	-35	-	-
Other	-9	-11	-5	-25
Subtotal	-82	-68	-68	-33
Change in value of derivatives	-18	-81	-	-
Change in value of contracted flows	18	81	-	-
Subtotal	-	-	-	-
Total	-82	-68	-68	-33

NOTE 7

LEASING OPERATIONS

As the former manufacturer of the regional aircraft Saab 340 and Saab 2000, Saab has a major interest in ensuring that these aircraft maintain high capacity utilisation. Over 500 aircraft have been delivered and 114 are included in Saab's leasing fleet. Income from leasing operations (Saab Aircraft Leasing) is recognised net through profit and loss on the lines other operating income or other operating expenses after offsetting the loss risk reserve. Saab Aircraft Leasing's income statement and balance sheet are largely USD-related, since its agreements on the sale and lease of aircraft are in USD. The exchange rates used for translation of the financial statements are indicated in Note 49.

Income statement Saab Aircraft Leasing

MSEK	2009	2008
Leasing revenue	363	383
Interest income	64	136
Other revenue	331	350
Total revenue	758	869
Leasing expenses	-258	-269
Interest expenses	-63	-94
Depreciation	-176	-165
Other expenses	-372	-333
Total expenses	-869	-861
Utilisation of loss risk reserve	139	6
Operating income	28	14

NOTE 7, CONT.

Financial position Saab Aircraft Leasing

MSEK	31-12-2009	31-12-2008
Assets		
Lease assets	1,460	1,834
Receivables from Group companies	1,597	1,125
External receivables	277	201
Inventories	12	39
Liquid assets	16	27
Total assets	3,362	3,226
Equity and liabilities		
Equity	1,588	1,792
Provisions	797	898
Other liabilities	977	536
Total equity and liabilities	3,362	3,226

Security pledged for lease obligations amounted to MSEK o (o).

NOTE 8

ACQUISITIONS AND DIVESTMENTS OF OPERATIONS

On 29 June 2009, Saab acquired Tieto's 60 per cent of the shares in the former joint venture TietoSaab Systems in Finland. After the transaction, the company is wholly owned by Saab and has been integrated in Saab Systems. The purchase price was MSEK 75, resulting in a surplus value of MSEK 62. The overall impact on Saabs' net debt was MSEK 68. The acquisition has a marginal effect on future sales and income.

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

The effect on the Group's net debt in 2009 was as follows:

MSEK	
Purchase price paid for TietoSaab Systems	75
Less liquid assets in TietoSaab Systems	-7
Increase in the Group's net debt	68

NOTE 9

EMPLOYEES AND STAFF COSTS

Average number of employees

	2009	of whom men	2008	of whom men
Parent Company				
Sweden	8,238	79%	8,161	80%
South Africa	21	100%	26	88%
USA	2	100%	3	100%
India	2	100%	2	100%
United Arab Emirates	2	100%	2	100%
Belgium	2	50%	1	-
Thailand	1	100%	1	100%
Chile	1	100%	1	100%
South Korea	1	100%	-	-
UK	-	-	2	100%
Greece	-	-	1	100%
Singapore	-	-	1	100%
France	-	-	1	100%
Malaysia	-	-	1	100%
Parent Company, total	8,270	79%	8,203	80%

	2009	of whom men	2008	of whom men
Group companies				
Sweden	2,533	78%	2,797	78%
South Africa	1,159	71%	1,019	74%
Australia	334	75%	319	77%
USA	251	51%	301	52%
UK	122	81%	102	77%
Denmark	92	86%	124	86%
Finland	72	75%	3	100%
Norway	44	86%	41	85%
Switzerland	34	94%	42	95%
Germany	34	88%	41	90%
Nigeria	32	81%	14	86%
Canada	8	88%	5	100%
India	6	83%	6	83%
Czech Republic	6	50%	6	50%
France	5	100%	11	100%
South Korea	4	75%	1	100%
Hungary	3	67%	3	67%
Chile	2	50%	-	-
Netherlands	2	100%	12	83%
Algeria	1	100%	1	100%
United Arab Emirates	1	-	-	-
Japan	1	100%	1	100%
Singapore	1	-	-	-
Slovenia	1	100%	1	100%
Austria	-	-	86	78%
Group companies, total	4,748	75%	4,936	76%

Joint ventures

Sweden	27	85%	34	82%
Finland	-	-	26	73%
Joint ventures, total	27	85%	60	78%

Group total	13,045	78%	13,199	78%
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Gender distribution of corporate management

Share of women, per cent	2009	2008
Parent Company		
Board of Directors	15	15
Other senior executives	30	25

NOTE 9, CONT.

Salaries, other remuneration and social security expenses

MSEK	2009		2008	
	Salaries and other remuneration	Social security expenses	Salaries and other remuneration	Social security expenses
Parent Company	3,817	1,599	3,710	2,403
of which pension costs	-	381 ¹⁾	-	1,201 ¹⁾
Group companies	2,254	901	2,119	7
of which pension costs ³⁾	-	528	-	-450
Joint ventures	22	13	30	12
of which pension costs	-	4	-	6
Group, total	6,093	2,513	5,859	2,422
of which pension costs	-	913 ²⁾	-	757 ²⁾

1) Of the Parent Company's pension costs, MSEK 11 (6) refers to the board and president, including deputies and executive vice presidents. The company's outstanding pension obligations for these individuals amount to MSEK 49 (43), of which MSEK 47 (41) refers to former board members and presidents, including deputies and executive vice presidents.

2) Of the Group's pension costs, MSEK 20 (14) refers to the Group's boards and presidents, including Group companies. The Group's outstanding pension obligations for these individuals amount to MSEK 51 (57), of which MSEK 47 (41) refers to former board members and presidents.

3) Adjustment according to different accounting principles regarding defined-benefit plans between Parent Company and Group.

Salaries and other remuneration by country and between Board members, President and Vice Presidents and other employees

MSEK	2009		2008	
	Board, President and Vice Presidents	Other employees	Board, President and Vice Presidents	Other employees
Parent Company				
Sweden	28	3,773	29	3,662
of which variable compensation	1	-	3	-
South Africa	-	10	-	14
United Arab Emirates	-	2	-	1
Belgien	-	2	-	-
Thailand	-	1	-	1
India	-	1	-	1
Malaysia	-	-	-	1
UK	-	-	-	1
Parent Company, total	28	3,789	29	3,681
of which variable compensation	1	-	3	-
Group companies in Sweden	18	1,179	22	1,338
of which variable compensation	2	-	2	-
Group companies, outside Sweden				
South Africa	4	404	8	178
of which variable compensation	1	-	1	-
Australia	12	209	4	178
of which variable compensation	1	-	-	-
USA	7	136	8	125
of which variable compensation	2	-	2	-
Denmark	3	68	2	85
Norway	4	42	3	33
Finland	1	39	-	-
Switzerland	-	23	-	17
Germany	-	31	2	41
UK	1	43	-	7
Nigeria	-	5	-	-
France	-	5	-	-
Czech Republic	1	3	1	2
Canada	-	3	-	-
South Korea	-	2	-	-
Netherlands	-	2	-	4
Japan	-	2	-	2
Slovenia	-	2	-	1
Hungary	1	1	-	-
Singapore	1	-	-	-
Chile	1	-	-	-
India	1	-	-	-
Austria	-	-	3	55
Group companies, total	55	2,199	53	2,066
of which variable compensation	6	-	5	-
Joint ventures				
Sweden	-	22	-	17
Finland	-	-	-	13
Joint ventures, total	-	22	-	30
Group total	83	6,010	82	5,777
of which variable compensation	7	-	8	-

NOTE 9, CONT.

Of the salaries and remuneration paid to other employees in the Group, MSEK 27 (44) refers to senior executives other than board members and presidents.

For information on post-employment compensation and share-related compensation, see Note 37.

Sick leave in Parent Company

Per cent	2009	2008
Total sick leave as a percentage of normal working hours	2	3
Percentage of total sick leave related to extended absences of 60 days or more	39	48

Sick leave absences by gender as a percentage of normal working hours:

Men	2	2
Women	3	4

Sick leave absences by age as a percentage of normal working hours:

29 years or younger	2	1
30-49 years	2	2
50 years or older	3	3

Saab has an ambitious occupational health and rehabilitation programme. Management's responsibility for rehabilitation is underscored in a directive. Occupational health reviews and inspections are conducted on a regular basis, and a systematic programme with current plans is in place at all levels of the organisation. Sick leave is monitored carefully, and areas with high absenteeism are given special attention. All Saab employees have access to professional occupational health services, including technical, medical and psycho-social expertise. Rehabilitation is conducted internally and obtained from outside providers. All Saab employees have access to wellness programmes that include individual or group exercise options. The majority of Saab's employees in Sweden were offered the A(H1N1) vaccine in autumn 2009.

NOTE 10

AUDITORS' FEES AND COMPENSATION

MSEK	Group		Parent Company	
	2009	2008	2009	2008
Ernst & Young				
Audit assignments	14	14	8	8
Other assignments	2	2	1	2
Deloitte				
Audit assignments	4	4	1	1
Other assignments	2	3	1	2
Other				
Audit assignments	3	5	-	-
Total	25	28	11	13

Audit assignments involve examination of the annual report and financial accounting as well as the administration by the Board and the President, other tasks related to the duties of the company's auditors and consultation or other services that may result from observations noted during such examinations or implementation of such other tasks. All other tasks are defined as other assignments.

NOTE 11

OPERATING EXPENSES

Group	2009	2008
MSEK		
Raw materials and consumables	6,508	5,930
Subsystems and equipment	2,254	1,559
Purchased services	3,305	2,573
Change in inventory of finished goods and work in progress, excluding write down	-226	605
Personnel costs	8,606	8,281
Depreciation and amortisation	1,201	996
Impairments ¹⁾	130	1,578
Other expenses	1,519	2,381
Total	23,297	23,903

1) The impairment during 2008 primarily refer to inventory impairment attributable to commercial aircraft programmes as well as goodwill and capitalised development expenditures.

Operating expenses refer to cost of goods sold, marketing expenses, administrative expenses and research and development costs. Leasing operations (Saab Aircraft Leasing) are recognised through profit or loss on the lines other operating income or other operating expenses, due to which depreciation of lease assets is not included in depreciation and amortisation above.

NOTE 12

DEPRECIATION/AMORTISATION AND IMPAIRMENTS

Group	2009	2008
MSEK		
Depreciation/amortisation		
Capitalised development costs	-671	-478
Other intangible fixed assets	-187	-185
Operating properties	-86	-92
Property, plant and equipment	-152	-119
Equipment, tools and installations	-103	-122
Leasing aircraft (see Note 7)	-176	-165
Other lease assets	-2	-
Total	-1,377	-1,161
Impairments		
Goodwill	-	-103
Capitalised development costs	-15	-250
Operating properties	-8	-
Total	-23	-353

Impairments of MSEK 15 were recognised in 2009 for a project in Saab Security as well as MSEK 8 for buildings. Goodwill impairment in 2008 is attributable to Saab Grintek in South Africa and impairment of capitalised development costs for the RBS 15 Mk3 surface-to-surface missile.

NOTE 12, CONT.

Parent Company		
MSEK	2009	2008
Depreciation/amortisation		
Other intangible fixed assets	-33	-17
Buildings	-58	-58
Property, plant and equipment	-121	-94
Equipment, tools and installations	-50	-74
Total	-262	-243

NOTE 13

FINANCIAL INCOME AND EXPENSES

Group		
MSEK	2009	2008
Interest income	80	109
Dividend	2	-
Net exchange rate differences	-	70
Other financial income	4	1
Less project interest applied to gross income	-36	-151
Financial income	50	29
Interest expenses	-148	-272
Financial pension cost	-136	-52
Net change in value from revaluation of financial assets/liabilities	-113	-231
Net exchange rate differences	-37	-
Other financial expenses	-16	-10
Financial expenses	-450	-565
Share in income of associated companies	2	-36
Net financial income and expenses	-398	-572

Parent Company	Result from shares in Group companies		Result from shares in associated companies/joint ventures		
	MSEK	2009	2008	2009	2008
Dividends		1,776	535	9	12
Group contributions received		987	317	-	-
Capital gain on sale of shares		134	207	-1	6
Impairments		-1,743	-269	-19	-7
Other		24	-1	18	73
Total		1,178	789	7	84

Dividend and impairments 2009 relate to liquidated dormant group companies with MSEK 941 and MSEK -941 respectively.

Parent Company	Result from other securities and receivables held as fixed assets		Other interest income and similar profit/loss items		
	MSEK	2009	2008	2009	2008
Interest income, Group companies		-	-	125	228
Other interest income		-	-1	16	-
Impairment		-14	-13	-	-
Dividends		18	42	-	-
Translation differences		-176	83	-	-
Net change in value from revaluation of financial assets/liabilities		-44	-255	-	-
Less project interest applied to gross income		-	-	-32	-127
Other		-22	-12	-	-
Total		-238	-156	109	101

Parent Company	Interest expenses and similar profit/loss items		
	MSEK	2009	2008
Interest expenses, Group companies		-77	-266
Other interest expenses		-232	-297
Total		-309	-563

NOTE 14

APPROPRIATIONS

Difference between book depreciation and depreciation according to plan

Parent Company		
MSEK	2009	2008
Buildings and land	21	22
Property, plant and equipment as well as tools and installations	-18	19
Total	3	41

NOTE 15

TAXES

Tax recognised through profit or loss

Group		
MSEK	2009	2008
Current tax expense (-)/tax income (+)		
Taxes for the year	-185	-87
Adjustment for taxes related to previous years	2	57
Total	-183	-30
Deferred tax expense (-)/tax income (+)		
Deferred tax related to temporary differences	411	-408
Deferred tax related to value of tax loss carry forwards capitalised during the year	5	659
Deferred tax expense due to utilisation of previously capitalised tax value in tax loss carry forwards	-515	-15
Deferred tax related to previous years	5	-42
Total	-94	194
Total recognised tax in Group	-277	164

The Group's table, "Change in deferred tax in temporary differences and tax loss carry forward", on page 89 specifies how deferred tax affects income. The net change in the tax loss carry forwards for the year amounts to MSEK -510, which is the sum of the deferred tax on the capitalised value of tax loss carry forwards, MSEK 5, and the deferred tax expense resulting from the utilisation of the previously capitalised value of tax loss carry forwards, MSEK -515. The remaining amount in the table's column, "Recognised through profit or loss", equals MSEK 416, which is the sum of deferred tax related to temporary differences MSEK 411 and deferred tax related to previous years MSEK 5, see above. In total, the Group's deferred tax amounts to MSEK -94 (194) and current tax expense for the year MSEK -183 (-30) which produce a total reported tax of MSEK -277 (164) in the consolidated income statement.

Parent Company

MSEK	2009	2008
Current tax expense (-)/tax income (+)		
Taxes for the year	-43	-420
Adjustment for taxes related to previous years	1	42
Total	-42	-378
Deferred tax expense (-)/tax income (+)		
Deferred tax related to temporary differences	-161	99
Deferred tax expense due to utilisation of previously capitalised tax value in tax loss carry forwards	-361	659
Deferred tax related to previous years	4	-38
Total	-518	720
Total recognised tax expense in Parent Company	-560	342

Of the deferred tax attributable to previous years, MSEK 2 relates to deferred tax income from tax loss carry forwards. The net change in tax loss carry forwards amounts to MSEK -359 (659) and is specified in the Parent Company's table, "Change in deferred tax in temporary differences and tax loss carry forward" on page 89.

Reconciliation of effective tax

Group				
MSEK	2009 (%)	2009	2008 (%)	2008
Income before taxes	-	976	-	-406
Tax according to current tax rate for Parent Company	-26.3	-257	28.0	114
Effect of other tax rates for foreign Group companies	-4.3	-42	-3.7	-15
Effect of changed tax rate in Sweden	-	-	5.7	23
Non-deductible expenses	-3.9	-38	-10.1	-41
Tax-exempt income	8.2	80	14.3	58
Utilisation of previously uncapitalised tax loss carry forwards	-	-	2.7	11
Tax on additional, uncapitalised tax loss carry forwards	-0.8	-7	-	-
Tax on reduced tax loss carry forwards due to tax audit	-2.8	-28	-	-
Tax related to previous years	0.8	8	3.7	15
Other	0.7	7	-0.2	-1
Reported effective tax rate	-28.4	-277	40.4	164

Parent Company

MSEK	2009 (%)	2009	2008 (%)	2008
Income before taxes	-	2,235	-	-997
Tax according to current tax rate for Parent Company	-26.3	-588	28.0	279
Tax related to previous years	0.2	4	0.4	4
Non-deductible expenses	-22.1	-486	-9.3	-92
Tax-exempt income	23.3	511	22.9	228
Effect of changed tax rate in Sweden	-	-	-7.8	-78
Other	-0.1	-1	0.1	1
Reported effective tax rate	-25.0	-560	34.3	342

The current tax rate for the Parent Company has been reduced from 28.0 per cent to 26.3 per cent as of 2009.

Operations divested during the year have generated tax-exempt capital gains totaling MSEK 4 (98). In connection with distributions from Group companies in certain non-European countries, taxation may exceed normal company tax.

NOTE 15, CONT.

Deferred tax assets and liabilities

Group	Deferred tax assets	Deferred tax liabilities	Net
MSEK	31-12-2009	31-12-2009	
Intangible fixed assets	36	-965	-929
Tangible fixed assets	44	-461	-417
Lease assets	20	-260	-240
Biological assets	-	-39	-39
Long-term receivables	-	-10	-10
Inventories	153	-30	123
Accounts receivable	9	-	9
Prepaid expenses and accrued income	6	-5	1
Long-term liabilities	94	-11	83
Provisions for pensions	149	-348	-199
Other provisions	765	-8	757
Tax allocation reserves	-	-7	-7
Contingency reserve	-	-357	-357
Accrued expenses and deferred income	267	-	267
Other	56	-45	11
Tax loss carry forwards	326	-	326
Tax assets/liabilities	1,925	-2,546	-621
Set-off	-1,641	1,641	-
Tax assets /liabilities, net	284	-905	-621

Group	Deferred tax assets	Deferred tax liabilities	Net
MSEK	31-12-2008	31-12-2008	
Intangible fixed assets	61	-1,157	-1,096
Tangible fixed assets	13	-440	-427
Lease assets	18	-404	-386
Biological assets	-	-36	-36
Long-term receivables	-	-15	-15
Inventories	125	-17	108
Accounts receivable	7	-	7
Prepaid expenses and accrued income	8	-10	-2
Long-term liabilities	140	-2	138
Provisions for pensions	158	-459	-301
Other provisions	897	-1	896
Accrued expenses and deferred income	143	-12	131
Tax allocation reserves	-	-8	-8
Contingency reserve	-	-357	-357
Other	292	-44	248
Tax loss carry forwards	836	-	836
Tax assets/liabilities	2,698	-2,962	-264
Set-off	-1,857	1,857	-
Tax assets /liabilities, net	841	-1,105	-264

Parent Company	Deferred tax assets	Deferred tax liabilities	Net
MSEK	31-12-2009	31-12-2009	
Tangible fixed assets	-	-245	-245
Inventories	55	-	55
Accounts receivable	4	-	4
Prepaid expenses and accrued income	6	-	6
Provisions for pensions	92	-	92
Other provisions	411	-	411
Accrued expenses and deferred income	65	-	65
Tax loss carry forwards	300	-	300
Other	1	-	1
Tax assets/liabilities	934	-245	689
Set-off	-245	245	-
Tax assets/liabilities, net	689	-	689

Parent Company	Deferred tax assets	Deferred tax liabilities	Net
MSEK	31-12-2008	31-12-2008	
Tangible fixed assets	-	-235	-235
Inventories	29	-	29
Accounts receivable	5	-	5
Prepaid expenses and accrued income	7	-	7
Provisions for pensions	95	-	95
Other provisions	535	-	535
Accrued expenses and deferred income	99	-	99
Tax loss carry forwards	659	-	659
Other	13	-	13
Tax assets/liabilities	1,442	-235	1,207
Set-off	-235	235	-
Tax assets/liabilities, net	1,207	-	1,207

The company expects future taxable earnings to exceed recognised deferred tax assets.

Tax deficits in foreign subsidiaries for which tax assets have not been recognised through profit or loss or in the balance sheet amount to MSEK 76 (57).

Deferred tax assets have not been recognised on these items since it is uncertain whether the Group will utilise them against future taxable gains.

Maturity dates of recognised deferred tax assets

MSEK	Group	Parent Company
Deferred tax assets expected to be recovered within one year	80	18
Deferred tax assets expected to be recovered after one year	1,845	916

Maturity dates of recognised deferred tax liabilities

MSEK	Group	Parent Company
Deferred tax liabilities due for payment within one year	50	8
Deferred tax liabilities due for payment after one year	2,496	237

Tax loss carry forwards attributable to operations in the US can be utilised through 2024, but partly expire as of 2021.

NOTE 15, CONT.

Change in deferred tax in temporary differences and tax loss carry forwards

Group MSEK	Opening balance 1 Jan. 2009	Recognised in profit or loss	Recognised in the com- prehen- sive in- come	Acquisi- tion/di- vestment of opera- tions	Closing balance 31 Dec. 2009
Intangible fixed assets	-1 096	188	-	-21	-929
Tangible fixed assets	-427	-15	-	25	-417
Lease assets	-386	157	-11	-	-240
Biological assets	-36	-3	-	-	-39
Long-term receivables	-15	5	-	-	-10
Inventories	108	15	-	-	123
Accounts receivable	7	2	-	-	9
Prepaid expenses and accrued income	-2	3	-	-	1
Long-term liabilities	138	-55	-	-	83
Provisions for pensions	-301	102	-	-	-199
Other provisions	896	-139	-	-	757
Tax allocation reserves	-8	1	-	-	-7
Contingency reserve	-357	-	-	-	-357
Accrued expenses and deferred income	131	136	-	-	267
Other	248	19	-256	-	11
Tax loss carry forwards	836	-510	-	-	326
Total	-264	-94	-267	4	-621

The Group's total deferred tax expense in 2009 amounted to MSEK -94 in the income statement and MSEK -267 in the statement of total income. The closing balance on 31 December 2009, MSEK -621, consisted of deferred tax assets of MSEK 284 and tax liabilities of MSEK -905; see table on page 88.

Group MSEK	Opening balance 1 Jan 2008	Recognised in profit or loss	Recognised in the com- prehen- sive in- come	Acquisi- tion/di- vestment of opera- tions	Closing balance 31 Dec. 2008
Intangible fixed assets	-1,241	145	-	-	-1,096
Tangible fixed assets	-470	44	-	-1	-427
Lease assets	-437	58	-7	-	-386
Biological assets	-38	2	-	-	-36
Investment properties	-3	3	-	-	-
Long-term receivables	-25	10	-	-	-15
Inventories	147	-41	-	2	108
Accounts receivable	9	-2	-	-	7
Prepaid expenses and accrued income	9	-12	-	1	-2
Long-term liabilities	159	-21	-	-	138
Provisions for pensions	6	-307	-	-	-301
Other provisions	734	151	-	11	896
Tax allocation reserves	-7	-1	-	-	-8
Contingency reserve	-6	-351	-	-	-357
Accrued expenses and deferred income	198	-67	-	-	131
Other	53	-61	246	10	248
Tax loss carry forwards	191	644	-	1	836
Total	-721	194	239	24	-264

The Group's total deferred tax expense in 2008 amounted to MSEK 194 in the income statement and MSEK 239 in the statement of total income. The closing balance on 31 December 2009, MSEK -264, consisted of deferred tax assets of MSEK 841 and tax liabilities of MSEK -1,105; see table on page 88.

Tax items recognised in the comprehensive income

Group MSEK	2009	2008
Net gain/loss on cash flow hedges	-247	224
Translation differences	-20	15
Total	-267	239

Change in deferred tax in temporary differences and tax loss carry forwards

Parent Company MSEK	Opening balance 1 Jan 2009	Recognised in profit or loss	Closing balance 31 Dec. 2009
Tangible fixed assets	-235	-10	-245
Inventories	29	26	55
Accounts receivable	5	-1	4
Prepaid expenses and accrued income	7	-1	6
Provisions for pensions	95	-3	92
Other provisions	535	-124	411
Accrued expenses and deferred income	99	-34	65
Tax loss carry forwards	659	-359	300
Other	13	-12	1
Total	1,207	-518	689

Parent Company MSEK	Opening balance 1 Jan 2008	Recognised in profit or loss	Closing balance 31 Dec 2008
Tangible fixed assets	-251	16	-235
Inventories	47	-18	29
Accounts receivable	3	2	5
Prepaid expenses and accrued income	-	7	7
Provisions for pensions	120	-25	95
Other provisions	395	140	535
Accrued expenses and deferred income	156	-57	99
Tax loss carry forwards	-	659	659
Other	17	-4	13
Total	487	720	1,207

NOTE 16

INTANGIBLE FIXED ASSETS

MSEK	Group		Parent Company	
	31-12-2009	31-12-2008	31-12-2009	31-12-2008
Goodwill	3,457	3,438	-	-
Capitalised development costs	3,038	3,628	-	-
Other intangible assets	613	624	96	51
Total	7,108	7,690	96	51

Goodwill

MSEK	Group		Parent Company	
	2009	2008	2009	2008
Acquisition value				
Opening balance, 1 January	4,111	3,970	-	-
Reclassification from assets held for sale	-	146	-	-
Translation differences	17	-5	-	-
Closing balance, 31 December	4,128	4,111	-	-

Amortisation and impairments

Opening balance, 1 January	-673	-566	-	-
Impairments for the year	-	-103	-	-
Translation differences	2	-4	-	-
Closing balance, 31 December	-671	-673	-	-

Carrying amount, 31 December

3,457	3,438	-	-
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Goodwill impairment for 2008 is attributable to Saab Grintek in South Africa.

Capitalised development costs

MSEK	Group		Parent Company	
	2009	2008	2009	2008
Acquisition value				
Opening balance, 1 January	5,342	4,696	-	-
Internally developed assets	67	635	-	-
Disposals and reclassifications	-41	-7	-	-
Reclassification from assets held for sale	-	35	-	-
Translation differences	38	-17	-	-
Closing balance, 31 December	5,406	5,342	-	-

MSEK	Group		Parent Company	
	2009	2008	2009	2008
Amortisation and impairments				
Opening balance, 1 January	-1,714	-964	-	-
Amortisation for the year	-671	-478	-	-
Impairments for the year	-15	-250	-	-
Disposals and reclassifications	41	-	-	-
Reclassification from assets held for sale	-	-22	-	-
Translation differences	-9	-	-	-
Closing balance, 31 December	-2,368	-1,714	-	-
Carrying amount, 31 December				
3,038	3,628	-	-	

Impairments of MSEK 15 in 2009 are related to a project in Saab Security. In 2008, impairments of MSEK 250 were recognised on the RBS15 Mk3.

Other intangible assets

MSEK	Group		Parent Company	
	2009	2008	2009	2008
Acquisition value				
Opening balance, 1 January	1,463	1,454	359	346
Acquired through business acquisitions	79	-	-	-
Internally developed assets	14	1	11	-
Disposals and reclassifications	-63	17	88	13
Translation differences	7	-9	-	-
Closing balance, 31 December	1,500	1,463	458	359

Amortisation and impairments

Opening balance, 1 January	-839	-650	-308	-291
Amortisation for the year	-187	-185	-33	-17
Disposals and reclassifications	139	-4	-21	-
Closing balance, 31 December	-887	-839	-362	-308

Carrying amount, 31 December

613	624	96	51
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Amortisation is included in the following lines in income statement

MSEK	Group		Parent Company	
	2009	2008	2009	2008
Cost of goods sold	187	185	33	17
Research and development costs	671	478	-	-

Impairments are included in the following lines in income statement

MSEK	Group		Parent Company	
	2009	2008	2009	2008
Cost of goods sold	-	103	-	-
Research and development costs	15	250	-	-

NOTE 16, CONT.

Development costs

Capitalised development costs are amortised over the estimated production volume or period of use, up to a maximum of 5 years, with the exception of acquired development costs, where the maximum period of use is 10 years. The production volume or period of use is set using projected future sales according to a business plan based on identified business opportunities. The significant items in the total capitalisation are development costs for radar and sensors, electronic warfare systems, the export version of Gripen and the anti-ship missile RBS15 Mk3.

Development costs are capitalised only in the consolidated accounts. In legal units, all costs for development work are expensed, which means that the Parent Company does not report any capitalised costs for development work.

Other intangible fixed assets

Amortisation is recognised through profit or loss over the estimated periods of use for intangible fixed assets, i.e., 5 to 10 years.

Significant items in the carrying amount are attributable to the acquisition of Ericsson Microwave Systems and relate to expenses incurred for customer relations and values in the order backlog. Of the carrying amount, MSEK 613, MSEK 504 is attributable to acquired values and MSEK 109 is internally developed assets.

Impairment tests for goodwill

Goodwill attributable to cash-generating units is tested for impairment annually or when there is an indication of an impairment loss. Goodwill is not amortised.

In connection with business combinations, goodwill is allocated to the cash-generating units that are expected to obtain future economic benefits in the form, for example, of synergies as a result of the acquisition. In cases where separate cash-generating units cannot be identified, goodwill is allocated to the lowest level at which the operation and its assets are controlled and managed internally, generally by business unit.

The following cash-generating units have significant recognised goodwill values in relation to the Group's total recognised goodwill value. Impairment testing on goodwill has been done for every cash-generating unit.

MSEK	31-12-2009	31-12-2008
Saab Microwave Systems	1,538	1,538
Saab Bofors Dynamics	487	487
Saab Avitronics	442	424
Saab Systems	389	390
Saab Aerotech	240	240
Saab Security	112	112
Combitech	159	159
Saab Underwater Systems	74	72
Units without significant goodwill values, aggregate	16	16
Total goodwill	3,457	3,438

Impairment testing for cash-generating units is based on the calculation of value in use. This value is based on discounted cash flow forecasts according to the units' business plans.

VARIABLES USED TO CALCULATE VALUE IN USE**Volume/growth**

Growth in the cash-generating units' business plans is based on Saab's expectations with regard to the market's development in each market area. The first five years are based on the five-year business plan formulated by Group Management and approved by the Board. For cash flows in and after five years, the annual growth rate has been assumed to be 0 per cent.

Operating margin

The operating margin is comprised of the units' operating income after depreciation and amortisation. The units' operating margin is calculated against the backdrop of historical results and Saab's expectations with regard to the future development of markets where the units are active. The business units Saab Bofors Dynamics, Saab Microwave Systems, Saab Systems and Saab Avitronics have a substantial order backlog of projects that stretch over a number of years. The risks and opportunities affecting the operating margin are managed through continuous final cost forecasts for all significant projects.

Capitalised development costs

In the five-year business plans, consideration is given to additional investments in development considered necessary for certain units to reach their growth targets in their respective markets.

Discount rate

The discount rates are based on the weighted average cost of capital (WACC). The WACC rate that is used is based on a risk-free rate of interest in five years adjusted for operational and market risks. The discount rate is in line with the external requirements placed on Saab and similar companies in the market.

All units have sales of defence materiel, unique systems, products and support solutions in the international market as their primary activity, and their business risk in this respect is considered equivalent. However, units with a significant share of the business plan's invoicing in the order backlog have been discounted at an interest rate that is slightly lower than the units with a short order backlog. The following discount rates have been used (pre-tax):

Per cent	Discount rate pre tax (WACC)
Saab Microwave Systems	11
Saab Bofors Dynamics	11
Saab Avitronics	11
Saab Systems	11
Saab Aerotech	13
Saab Security	13
Combitech	13
Saab Underwater Systems	13

Sensitivity analysis

Management believes that reasonable possible changes in the above variables would not have such a large impact that any individually would reduce the recoverable amount to less than the carrying amount.

NOTE 17

TANGIBLE FIXED ASSETS

MSEK	Group		Parent Company	
	31-12-2009	31-12-2008	31-12-2009	31-12-2008
Operating properties/ buildings and land ¹⁾	2,105	2,187	1,496	1,542
Property, plant and equipment	693	623	579	509
Equipment, tools and installations	308	411	156	242
Construction in progress	68	186	49	185
Total	3,174	3,407	2,280	2,478

1) In the Group, the reported amount refers to operating properties. In the Parent Company, the reported amount refers to buildings and land.

Operating properties/buildings and land¹⁾

MSEK	Group		Parent Company	
	2009	2008	2009	2008
Acquisition value				
Opening balance, 1 January	4,913	5,360	1,841	1,790
Acquisitions	19	91	15	53
Reclassification to assets held for sale	-29	-4	-	-
Other reclassifications	-100	-495	-	-
Sales	-3	-32	-3	-2
Translation differences	24	-7	-	-
Closing balance, 31 December	4,824	4,913	1,853	1,841

**Depreciation and
impairments**

Opening balance, 1 January	-2,726	-2,971	-1,196	-1,138
Depreciation for the year	-86	-92	-58	-58
Impairments for the year	-8	-	-	-
Reclassifications	101	329	-	-
Sales	-	10	-	-
Translation differences	-	-2	-	-
Closing balance, 31 December	-2,719	-2,726	-1,254	-1,196

Revaluations

Opening balance, 1 January	-	-	897	897
Closing balance, 31 December	-	-	897	897

**Carrying amount,
31 December**

2,105	2,187	1,496	1,542
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1) In the Group, the reported amount refers to operating properties. In the Parent Company, the reported amount refers to buildings and land.

Impairments of MSEK 8 (o) related to buildings were recognised in the Group.

Tax assessment values

MSEK	Group		Parent Company	
	31-12-2009	31-12-2008	31-12-2009	31-12-2008
Tax assessment value, buildings (in Sweden)	976	919	610	658
Tax assessment value, land (in Sweden)	287	280	232	232

Property, plant and equipment

MSEK	Group		Parent Company	
	2009	2008	2009	2008
Acquisition value				
Opening balance, 1 January	2,223	2,278	1,693	1,814
Acquisitions	92	100	69	81
Reclassification from assets held for sale	-	27	-	-
Other reclassifications	180	-65	174	-47
Sales	-47	-116	-39	-155
Translation differences	17	-1	-	-
Closing balance, 31 December	2,465	2,223	1,897	1,693

**Depreciation and
impairments**

Opening balance, 1 January	-1,600	-1,624	-1,184	-1,261
Depreciation for the year	-152	-119	-121	-94
Reclassification from assets held for sale	-	-18	-	-
Other reclassifications	-50	54	-47	32
Sales	41	105	34	139
Translation differences	-11	2	-	-
Closing balance, 31 December	-1,772	-1,600	-1,318	-1,184

**Carrying amount,
31 December**

693	623	579	509
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NOTE 17, CONT.

Equipment, tools and installations

MSEK	Group		Parent Company	
	2009	2008	2009	2008
Acquisition value				
Opening balance, 1 January	2,277	2,295	1,442	1,464
Acquisitions	83	79	30	26
Reclassification from assets held for sale	-	35	-	-
Other reclassifications	-168	24	-136	7
Sales	-128	-147	-65	-55
Translation differences	28	-9	-	-
Closing balance, 31 December	2,092	2,277	1,271	1,442
Depreciation and impairments				
Opening balance, 1 January	-1,866	-1,859	-1,200	-1,178
Depreciation for the year	-103	-122	-50	-74
Reclassification from assets held for sale	-	-23	-	-
Other reclassifications	80	-6	70	-
Sales	128	139	65	52
Translation differences	-23	5	-	-
Closing balance, 31 December	-1,784	-1,866	-1,115	-1,200
Carrying amount, 31 December	308	411	156	242

Impairments

Impairments in the Group amounted to MSEK o(o) for machinery and equipment that is no longer used.

Construction in progress

MSEK	Group		Parent Company	
	2009	2008	2009	2008
Acquisition value				
Opening balance, 1 January	186	140	185	118
Acquisitions	3	116	12	89
Reclassifications	-123	-70	-148	-22
Translation differences	2	-	-	-
Carrying amount, 31 December	68	186	49	185

Collateral

On 31 December 2009, property with a carrying amount of MSEK o(o) was pledged as collateral for bank loans.

NOTE 18

LEASE ASSETS AND LEASE AGREEMENTS

As the former manufacturer of the regional aircraft Saab 340 and Saab 2000, Saab has a great interest in ensuring that these aircraft maintain high capacity utilisation. Over 500 aircraft have been delivered and 114 are included in Saab's leasing fleet. Leasing operations are carried out in the global market. The terms of both finance and operating leases conform to customary terms in the international aircraft leasing market, which may entail the right to early termination, purchases and extensions, as well as security, geographical and tax-related limitations on the allocation of the aircraft in question. The operations are carried out in USD.

Lease assets are depreciated on a straight-line basis over 20–25 years. The result from leasing operations including depreciation is reported in the income statement on the lines other operating income and other operating expenses.

Leasing aircraft obtained for leasing purposes

MSEK	2009	2008
Acquisition value		
Opening balance, 1 January	4,712	4,540
Sales	-299	-204
Reclassifications	-	-194
Translation differences	-189	570
Closing balance, 31 December	4,224	4,712
Depreciation		
Opening balance, 1 January	-2,413	-2,332
Sales	169	90
Reclassifications	-	183
Depreciation for the year	-176	-165
Translation differences	83	-189
Closing balance, 31 December	-2,337	-2,413

Impairments

Opening balance, 1 January	-465	-386
Sales and revaluations	36	-74
Translation differences	2	-5
Closing balance, 31 December	-427	-465

Total	1,460	1,834
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Other lease assets

Opening balance, 1 January	1	-
Acquisitions	3	-
Depreciation for the year	-2	-
Reclassifications	2	1
Closing balance, 31 December	4	1

Carrying amount, 31 December	1,464	1,835
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NOTE 18, CONT.

Leasing aircraft obtained via finance leases

MSEK	2009	2008
Acquisition value		
Opening balance, 1 January	-	392
Terminated finance leases	-	-432
Sales and revaluations	-	40
Closing balance, 31 December	-	-
Depreciation		
Opening balance, 1 January	-	-205
Terminated finance leases	-	213
Depreciation for the year	-	-8
Closing balance, 31 December	-	-
Carrying amount, 31 December	-	-

Leasing fees for aircraft obtained via finance leases and leased out via operating leases

MSEK	Nominal amount	
	Payments to lessors	Payments from airlines
Outcome		
2008	26	12
2009	-	-

At year-end, no aircraft were held through finance leases. Saab is not the lessor in finance leases.

Leasing fees for aircraft obtained/leased via operating leases

MSEK	Payments to lessors	Payments from airlines ¹⁾	Payments from airlines ²⁾
Outcome			
2008	297	131	223
2009	287	93	247
Contracted			
2010	283	51	204
2011	283	57	113
2012	283	58	34
2013	278	50	16
2014	112	10	4
2015 and forward	-	-	-
Total contracted	1,239	226	371

1) Receipts from airlines for aircraft held via operating leases and leased out via operating leases.
2) Receipts from airlines for owned aircraft leased out via operating leases.

The leasing fleet is periodically valued in terms of the present value of the future payments it is expected to generate. The inflow is represented by projected receipts from customers and the Export Credits Guarantee Board (EKN) in Sweden. Disbursements consist of fees to the lessee and for technical, legal and administrative activities directly related to management of the fleet.

Insurance protection limits Saab's risk. However, the internal distribution between expected receipts from customers and those from EKN will be affected in each instance by current projections.

Leasing fees for other assets obtained via operating leases

Other leasing fees refer to premises, computers and automobiles.

Group	Premises and buildings	Machinery and equipment
MSEK		
Outcome		
2008	176	82
2009	238	57
Contracted		
2010	221	42
2011	187	19
2012	183	7
2013	126	1
2014	115	-
2015 and forward	72	-
Total contracted	904	69

NOTE 18, CONT.

Parent Company	Premises and buildings	Machinery and equipment
MSEK		
Outcome		
2008	132	71
2009	176	52
Contracted		
2010	169	40
2011	142	17
2012	142	7
2013	91	-
2014	82	-
2015 and forward	72	-
Total contracted	698	64

NOTE 19

BIOLOGICAL ASSETS

Group	2009	2008
MSEK		
Living forest		
Carrying amount, 1 January	243	241
Change in fair value less selling expenses	13	2
Carrying amount, 31 December	256	243
Of which fixed assets	256	243
Group		
MSEK	31-12-2009	31-12-2008
Tax assessment value, forest assets (in Sweden)	163	163

On 31 December 2009, the biological assets consisted of approximately 398,000 m³ of spruce, 604,000 m³ of pine and 67,000 m³ of hardwood. Forest growth is estimated at 35,000–40,000 m³ timber per year. During the year, approximately 21,500 m³ of timber was felled, which had a fair value in the Group, after deducting selling expenses, of MSEK 7 on the felling date.

The valuation of forests has been done with the help of independent appraisers. The property has been valued according to the market comparison method. In the valuation, the environmental impact on the firing range has not been taken into account. An adjustment for the environmental impact has been made by reducing fair value by an amount corresponding to the market value of the size of the firing range (4,457 hectares) less the value of the timber.

NOTE 20

INVESTMENT PROPERTIES

Information on fair value of investment properties in the Group

In the Group, investment properties are reported according to the fair value method.

Group

MSEK	2009	2008
Carrying amount, 1 January	239	72
Investments in properties	-	6
Unrealised change in value	-	50
Divestment	-	-2
Reclassification from operating properties	-	186
Reclassification to asset held for sale	-214	-73
Carrying amount, 31 December	25	239

Investment properties are recognised in the balance sheet at fair value, while changes in the value of these properties are recognised in the income statement; see also Note 1. When a property during the year went from being an operating property to an investment property, the increase was credited directly to equity.

Investment properties comprise a number of rental properties leased to outside tenants. Leases on offices and production space are normally signed for an initial period of 2–6 years. Prior to expiration, renegotiations are held with the tenant on the rent level and other terms of the agreement, provided the lease has not been terminated.

Fair values have been determined by analysing rental income and expenses for each property, thereby producing a net rental income figure. Net rental income has then served as the basis of a valuation of fair value with a yield of between 9 and 15 per cent. Differences in yield requirements correspond to differences in the risk in net rental income owing to geographical location, among other factors. Fair value is not based on the valuation of an independent appraiser.

Group

MSEK	2009	2008
Effect on net income/net rental income		
Rental income	4	9
Direct costs for investment properties that generated rental income during the year	-2	-3
Effect on net income /net rental income	2	6

NOTE 20, CONT.

Information on fair value of investment properties in Parent Company

In the Parent Company, investment properties are recognised as buildings according to the acquisition cost method. Investment properties in the Parent Company are leased out to other companies in the Group and are therefore classified as operating properties in the Group.

Parent Company		
MSEK	2009	2008
Accumulated fair value		
Opening fair value, 1 January	159	159
Closing fair value, 31 December	159	159

Parent Company		
MSEK	2009	2008
Effect on net income/net rental income		
Rental income	24	27
Direct costs for investment properties that generated rental income during the year	-24	-25
Effect on net income /net rental income	-	2

Information on carrying amount of investment properties in Parent Company

Parent Company		
MSEK	2009	2008
Accumulated acquisition value		
Opening balance, 1 January	127	122
Reclassifications	-	5
Closing balance, 31 December	127	127

Accumulated depreciation according to plan

Opening balance, 1 January	-78	-79
Reclassification	-	5
Depreciation according to plan for the year	-5	-4
Closing balance, 31 December	-83	-78

Accumulated revaluations

Opening balance, 1 January	73	81
Revaluations for the year	-	-8
Closing balance, 31 December	73	73

Carrying amount, 31 December	117	122
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Tax assessment value

MSEK	Group		Parent Company	
	31-12-2009	31-12-2008	31-12-2009	31-12-2008
Tax assessment value of buildings	8	68	48	59
Tax assessment value of land	-	8	-	-

NOTE 21

SHARES IN ASSOCIATED COMPANIES CONSOLIDATED ACCORDING TO THE EQUITY METHOD

Group		
MSEK	2009	2008
Carrying amount, 1 January	334	318
Acquisition of associated companies	19	56
Sale of associated companies	-1	-
Share in associated companies' income ¹⁾	-41	14
Hedge reserve	31	-
Reclassifications	-17	18
Translation differences and internal gains	44	-70
Dividends	-13	-2
Carrying amount, 31 December	356	334

1) Share in associated companies' income after tax and minority interest.

Results from Eurengo SA, Wah Nobel (Pvt) Ltd. and Sörman Intressenter AB, are recognised as financial income and expenses through profit or loss. Other associated companies are held for operating purposes, i.e., they are related to operations of the business units or in the venture portfolio and are therefore recognised in operating income. Acquisitions of associated companies in 2009 refer to acquisitions within the venture portfolio as well as a shareholders' contribution to Hawker Pacific Airservices Ltd. The hedge reserve relates to cash flow hedges in Grintek Ewation (Pty) Ltd.

Shares in associated companies as of 31 December 2009 include goodwill of MSEK 0 (0).

The Group's share of sales, income, assets, equity and liabilities are as follows.

NOTE 21, CONT.

2009 MSEK	Country	Sales	Income	31-12-2009 MSEK	Assets	Equity	Liabilities	Ownership interest, %
Associated companies				Associated companies				
Denel Saab Aerostructures (Pty) Ltd	South Africa	68	-60	Denel Saab Aerostructures (Pty) Ltd	131	-	131	20.0
Eurencos SA	France	334	-	Eurencos SA	311	-	311	19.9
Grintek Ewation (Pty) Ltd	South Africa	189	4	Grintek Ewation (Pty) Ltd	216	102	114	42.4
Hawker Pacific Airservices Ltd	Australia	1,215	8	Hawker Pacific Airservices Ltd	514	177	337	49.0
Industrikompetens i Östergötland AB	Sweden	33	2	Industrikompetens i Östergötland AB	20	9	11	33.0
Omnigo (Pty) Ltd	South Africa	28	-	Omnigo (Pty) Ltd	15	10	5	40.0
Sörman Intressenter AB	Sweden	41	-1	Sörman Intressenter AB	21	2	19	26.6
Taurus Systems GmbH	Germany	391	20	Taurus Systems GmbH	179	3	176	33.0
Wah Nobel (Pvt) Ltd	Pakistan	19	3	Wah Nobel (Pvt) Ltd	28	21	7	27.2
S.N. Technologies SA	Switzerland	19	3	S.N. Technologies SA	11	3	8	50.0
Other associated companies in the venture portfolio		28	-20	Other associated companies in the venture portfolio	42	29	13	
Total		2,365	-41	Total	1,488	356	1,132	
2008 MSEK				31-12-2008 MSEK				
Associated companies				Associated companies				
Denel Saab Aerostructures (Pty) Ltd	South Africa	71	-	Denel Saab Aerostructures (Pty) Ltd	144	54	90	20.0
Eurencos SA	France	297	-37	Eurencos SA	285	-	285	19.9
Grintek Ewation (Pty) Ltd	South Africa	141	18	Grintek Ewation (Pty) Ltd	164	58	106	42.4
Hawker Pacific Airservices Ltd	Australia	988	19	Hawker Pacific Airservices Ltd	397	134	263	49.0
Industrikompetens i Östergötland AB	Sweden	33	1	Industrikompetens i Östergötland AB	20	8	12	33.0
Omnigo (Pty) Ltd	South Africa	28	1	Omnigo (Pty) Ltd	14	8	6	40.0
Sörman Intressenter AB	Sweden	57	-3	Sörman Intressenter AB	27	3	24	27.5
Taurus Systems GmbH	Germany	343	11	Taurus Systems GmbH	258	-	258	33.0
Wah Nobel (Pvt) Ltd	Pakistan	21	4	Wah Nobel (Pvt) Ltd	26	19	7	27.2
Other associated companies in the venture portfolio		15	-	Other associated companies in the venture portfolio	57	50	7	
Total		1,994	14	Total	1,392	334	1,058	

NOTE 22

SHARES IN JOINT VENTURES CONSOLIDATED ACCORDING TO THE PROPORTIONAL METHOD

The Group has a 50 per cent holding in the joint venture Gripen International KB, whose principal activity is to offer, market and provide services for aircraft, military materiel and related equipment. The remaining holding that the Group has in joint ventures is insignificant.

The Group's financial reports include the following items that constitute the Group's ownership interest in the joint venture's assets and liabilities.

Gripen International KB

MSEK	31-12-2009	31-12-2008
Fixed assets	16	17
Current assets	1,286	1,961
Total assets	1,302	1,978
Current liabilities	1,048	1,819
Total liabilities	1,048	1,819
Net assets	254	159

NOTE 23

PARENT COMPANY'S SHARES IN ASSOCIATED COMPANIES AND JOINT VENTURES

Parent Company

MSEK	2009	2008
Accumulated acquisition value		
Opening balance, 1 January	415	296
Acquisitions	21	35
Divestments	-19	-
Reclassifications	16	19
Share of net income for the year	95	65
Closing balance, 31 December	528	415
Accumulated impairments		
Opening balance, 1 January	-98	-92
Impairments for the year	-	-6
Closing balance, 31 December	-98	-98
Carrying amount, 31 December	430	317

Specification of Parent Company's (co-owner's) directly owned holdings of shares in associated companies and joint ventures.

2009 MSEK	% of votes and capital	Carrying amount
Associated Companies		
Hawker Pacific Airservices Ltd, Australia	49.0	22
Industrikompetens i Östergötland AB, 556060-5478, Linköping	33.0	2
Eurengo SA, France	19.9	-
Sörman Intressenter AB, 556741-2233, Stockholm	26.6	3
Cold Cut Systems Svenska AB, 556351-4081, Kungsbacka	37.3	18
Denel Saab Aerostructures (Pty) Ltd, South Africa	20.0	64
Wrap International AB, 556627-6217, Linköping	22.6	-
Vingtec Saab AS, Norway	49.0	-
OPAX AS, Norway	32.7	13
Image Systems AB, 556550-5400, Linköping	35.8	6
Usitall AB, 556506-6734, Linköping	30.0	5
Joint ventures		
C3 Technologies AB, 556628-6414, Linköping	59.0	18
Saab Natech AB, 556627-5003, Jönköping	51.0	7
Gripen International KB, 969679-8231, Linköping	50.0	254
Gripen Venture Capital AB, 556298-6629, Linköping	50.0	12
SAAB-BAE SYSTEMS Gripen AB, 556527-6721, Linköping	50.0	1
Saab Ericsson NBD Innovation AB, 556628-6406, Linköping	60.0	-
Industrigruppen JAS AB, 556147-5921, Stockholm	80.0	3
Avia Saab Technologies Co, Ltd., Thailand	40.0	2
Total		430

2008 MSEK	% of votes and capital	Carrying amount
Associated companies		
Hawker Pacific Airservices Ltd, Australia	49.0	8
Industrikompetens i Östergötland AB, 556060-5478, Linköping	33.0	2
Eurengo SA, France	19.9	-
Sörman Intressenter AB, 556741-2233, Stockholm	27.5	3
MX Composites AB, 556291-6857, Linköping	21.6	-
Cold Cut Systems Svenska AB, 556351-4081, Kungsbacka	33.3	15
Denel Saab Aerostructures (Pty) Ltd, South Africa	20.0	64
Wrap International AB, 556627-6217, Linköping	26.6	-
Vingtec Saab AS, Norway	49.0	-
OPAX AS, Norway	32.7	13
NavAero Holding AB, 556645-9789, Sundsvall	22.7	19
Image Systems AB, 556550-5400, Linköping	25.7	4
Usitall AB, 556506-6734, Linköping	30.0	5
SMM Medical AB, 556123-6414, Linköping	46.3	3
Joint ventures		
Saab Natech AB, 556627-5003, Jönköping	51.0	7
Gripen International KB, 969679-8231, Linköping	50.0	159
Gripen Venture Capital AB, 556298-6629, Linköping	50.0	12
SAAB-BAE SYSTEMS Gripen AB, 556527-6721, Linköping	50.0	-
Saab Ericsson NBD Innovation AB, 556628-6406, Linköping	60.0	-
Industrigruppen JAS AB, 556147-5921, Stockholm	80.0	3
Total		317

NOTE 23, CONT.

NOTE 24

 RECEIVABLES FROM GROUP COMPANIES, ASSOCIATED COMPANIES
AND JOINT VENTURES

Parent Company	Receivables from Group companies		Receivables from associated companies and joint ventures	
	2009	2008	2009	2008
MSEK				
Accumulated acquisition value				
Opening balance, 1 January	140	166	31	25
Acquisitions	620	-	85	6
Sales	-	-26	-	-
Closing balance, 31 December	760	140	116	31

NOTE 25

FINANCIAL INVESTMENTS

Group

MSEK	31-12-2009	31-12-2008
Financial investments held as fixed assets		
Financial investments at fair value through profit or loss:		
Shares and participations	84	104
Investments held to maturity:		
Interest-bearing securities	32	38
Total	116	142

Short-term investments classified as current assets

Financial assets measured at fair value through profit or loss:

Interest-bearing securities	551	-
Total	551	-

Short-term investments relate to holdings of government bonds. Financial investments are valued at fair value. The net change in value during the year amounted to MSEK -10 (-5). Certain financial investments are a part of the commitments from the sale of Gripen on export, and impairments are included in the export contract's production cost.

NOTE 26

OTHER LONG-TERM SECURITIES HOLDINGS

Parent Company

MSEK	2009	2008
Accumulated acquisition value		
Opening balance, 1 January	1,546	1,535
Acquisitions	4	39
Sales	-21	-9
Reclassifications	-	-19
Closing balance, 31 December	1,529	1,546

Accumulated impairments

Opening balance, 1 January	-34	-21
Impairments for the year	-	-13
Closing balance, 31 December	-34	-34

Carrying amount, 31 December **1,495** **1,512**

Other long-term security holdings primarily relate to the investment in Aker Holding AS of MNOK 1,205, corresponding to MSEK 1,431, of which approximately 80 per cent has been financed with loans whose risk has been reduced through agreements that hedge this part of the invested capital, due to which the transactions are recognised net as a receivable in the Group's statement of financial position; see Note 27.

NOTE 27

LONG-TERM RECEIVABLES AND OTHER RECEIVABLES

Group

MSEK	31-12-2009	31-12-2008
Long-term receivables held as fixed assets		
Receivables from associated companies	161	77
Receivables from joint ventures, interest-bearing	8	9
Other interest-bearing receivables	301	396
Other non-interest-bearing receivables	857	839
Total	1,327	1,321

Interest-bearing receivables primarily refer to the acquisition of Aker Holding AS. Non-interest-bearing receivables primarily consist of unrecognised actuarial losses on pensions according to IAS 19.

NOTE 27, CONT.

Group			
MSEK	31-12-2009	31-12-2008	
Other receivables held as current assets			
Receivables from associated companies	110	168	
Receivables from joint ventures	47	499	
Advance payments to suppliers	154	300	
Other interest-bearing receivables	575	929	
Other non-interest-bearing receivables	799	317	
Subtotal	1,685	2,213	
Receivables from customers			
Assignment revenue	7,453	8,499	
Less utilised advance payments	-4,442	-5,145	
Subtotal	3,011	3,354	
Total	4,696	5,567	

Assignment revenue refer to assignment costs incurred plus reported gross income less any losses attributable to the work performed. Unutilised advance payments amount to MSEK 442 (897).

Costs attributable to assignment revenue amounted to MSEK 5,529 (6,840). Reported gross income amounted to MSEK 1,924 (1,659).

Parent Company			
MSEK	31-12-2009	31-12-2008	
Other long-term receivables			
Interest-bearing receivables	35	43	
Non interest-bearing receivables	9	1	
Total	44	44	

Parent Company			
MSEK	31-12-2009	31-12-2008	
Other receivables held as current assets			
Interest-bearing receivables	13	21	
Non-interest-bearing receivables	558	138	
Subtotal	571	159	
Receivables from customers			
Assignment revenue	6,484	8,019	
Less utilised advance payments	-652	-1,548	
Subtotal	5,832	6,471	
Total	6,403	6,630	

Assignment revenue refer to assignment costs incurred plus reported gross income less any losses attributable to the work performed. Unutilised advance payments gross amount to MSEK 3,182 (3,310).

Costs attributable to assignment revenue amounted to MSEK 4,805 (6,612). Reported gross income amounted to MSEK 1,679 (1,407).

Parent Company			
MSEK	2009	2008	
Long-term receivables			
Accumulated acquisition value			
Opening balance, 1 January	44	45	
Incremental receivables	8	1	
Deductible receivables	-8	-2	
Closing balance, 31 December	44	44	

NOTE 28

INVENTORIES

Group			
MSEK	31-12-2009	31-12-2008	
Raw materials and consumables	2,379	2,333	
Work in progress	1,711	1,509	
Finished goods and goods for resale	822	905	
Less utilised advances from customers ¹⁾	-214	-442	
Total	4,698	4,305	

¹⁾ Expenses incurred on contracts with a legal right of set-off.

Saab and the Ministry of Enterprise, Energy and Communications have reached agreement with the National Debt Office to co-finance Saab's participation in the Airbus A380 project. The co-financing is in the form of a royalty loan maximised at MSEK 350. Repayment will take the form of a royalty on each delivery to Airbus. Through 2009, the National Debt Office has paid out net MSEK 263 (263), which reduces inventory in the financial statements.

The Group's cost of goods sold includes inventory impairments of MSEK 154 (1,240). The reversal of previous impairments amounts to MSEK 47 (15). The value of inventories measured at fair value less selling expenses amounts to MSEK 69 (72). Of inventories, MSEK 511 is expected to be realised more than twelve months after the closing day.

Parent Company			
MSEK	31-12-2009	31-12-2008	
Raw materials and consumables	1,543	1,788	
Work in progress	1,199	284	
Finished goods and goods for resale	513	569	
Advance payments to suppliers	381	666	
Less utilised advances from customers ¹⁾	-326	-658	
Total	3,310	2,649	

¹⁾ Expenses incurred on contracts with a legal right of set-off.

Cost of goods sold for the Parent Company includes inventory impairments of MSEK 121 (1,223) after the reversal of previous impairments of MSEK 9 (12). The value of inventories measured at fair value less selling expenses amounts to MSEK 69 (72). Of the Parent Company's inventories, MSEK 511 is expected to be realised more than twelve months after the closing day.

NOTE 29

ACCOUNTS RECEIVABLES

Accounts receivable in the Group amount to MSEK 2,837 (4,194). Accounts receivable decreased due to milestone payments received in 2009 and a continued focus on working capital management. During the third quarter, Saab launched an accounts receivable sales programme to strengthen its financial position and increase financial flexibility. The customers in most cases are nations with high credit worthiness. In the programme one hundred percent of the value of the accounts receivable were sold at attractive funding levels. The net amount of accounts receivable of about MSEK 800 were sold in 2009, which had a positive impact on operating cash flow with MSEK 800.

During the year, write-downs of accounts receivable amounted to MSEK 19 (13). Reversals of previous write-downs amounted to MSEK 12 (6).

Accounts receivable in the Parent Company amount to MSEK 990 (1,847). During the year, write-downs of accounts receivable amounted to MSEK 6 (10). Reversals of previous write-downs amounted to MSEK 8 (2). See also Note 41.

NOTE 30

PREPAID EXPENSES AND ACCRUED INCOME

MSEK	Group		Parent Company	
	31-12-2009	31-12-2008	31-12-2009	31-12-2008
Prepaid expenses	430	259	398	446
Accrued leasing fees Saab Aircraft Leasing	11	13	-	-
Other accrued income	264	231	160	83
Total	705	503	558	529

Prepaid expenses relate to pension premiums, rents, licenses and insurance, among other things.

NOTE 31

LIQUID ASSETS

Group

MSEK	31-12-2009	31-12-2008
Cash and bank balances (incl. available overdraft facilities)	1,447	795
Deposits	16	27
Total according to balance sheet	1,463	822
Total according to statement of cash flows	1,463	822

Deposits refer to funds deposited on behalf of customers. The Group's unutilised account overdraft facility amounted to MSEK 124 (421) at year end. With regard to the Group's other loan facilities, refer to Note 36 and Note 41.

NOTE 32

ASSETS HELD FOR SALE

Assets and liabilities held for sale consist of investment properties, operating properties and a real estate company. Both sales are expected to take place in 2010. Assets held for sale in 2008 included the same investment properties, but due to a lack of financing the deal could not be completed. A financial solution is now in place and the sale is expected to take place in early 2010.

Group

MSEK	31-12-2009	31-12-2008
Assets classified as held for sale		
Tangible fixed assets	33	4
Investment properties	287	73
Accounts receivable	5	-
Total	325	77
Liabilities classified as held for sale		
Deferred tax-liabilities	24	-
Other liabilities	1	-
Accrued expenses and deferred income	4	-
Total	29	-

NOTE 33

SHAREHOLDERS' EQUITY

The shares in the Parent Company are divided into two series, A and B. Both classes of shares carry equal rights, with the exception that each Series A share is entitled to ten votes and each share of Series B one vote. The shares have a quota value of SEK 16.

Number of outstanding shares as of

31 December 2009	Number of shares	Per cent of shares	Per cent of votes
Series A	5,254,303	5.0	34.4
Series B	100,256,821	95.0	65.6
Total	105,511,124	100.0	100.0

To secure the Group's Share matching plan, 1,340,000 Series B shares were repurchased in 2009. Following the repurchase, 3,639,220 shares are held in treasury.

Management of the Group's capital

The Group's capital under management consist of equity. The Group's capital management goal is to facilitate continued operating growth and to remain prepared to capitalise on business opportunities. The long-term objective with regard to return on equity attributable to the shareholders is 15 per cent after tax and a long-term equity/asset ratio of at least 30 per cent.

Net gain or loss on cash flow hedges

The net gain or loss on cash flow hedges comprises the effective share of the cumulative net change in fair value of a cash flow hedging instrument attributable to hedge transactions that have not yet taken place.

Translation reserve

The translation reserve comprises exchange rate differences that arise from the translation of financial reports from operations that have prepared their reports in a currency other than the currency that the Group's financial reports are presented in. The Parent Company and the Group present their financial reports in SEK.

Revaluation surplus

The revaluation reserve comprises the difference between the fair value and carrying amount of operating properties reclassified as management properties.

PARENT COMPANY

Restricted reserves

Restricted reserves may not be reduced through profit distribution.

Revaluation reserve

When a tangible or financial fixed asset is revaluated, the revaluation amount is allocated to a revaluation reserve.

Legal reserve

The allocation to the legal reserve has previously been at least 10 per cent of net income for the year until the legal reserve amounts to 20 per cent of the capital stock in the Parent Company. From 2006, the allocation is voluntary and the Parent Company makes no new provisions to the statutory reserve.

Unrestricted equity*Retained earnings*

Consists of last year's unrestricted equity after profit distribution and Group contributions. Retained earnings together with net income for the year comprise unrestricted equity, i.e., the amount available for distribution to the shareholders.

NOTE 34

EARNINGS PER SHARE

	2009	2008
Net income for the year attributable to Parent Company's shareholders (MSEK)	686	-248
Weighted average number of common shares outstanding:		
before dilution (thousands)	106,336	107,515
after dilution (thousands) ¹⁾	109,150	107,515
Earnings per share, before dilution (SEK)	6.45	-2.31
Earnings per share, after dilution (SEK) ¹⁾	6.28	-2.31

1) There is no dilution impact if the result is negative.

NOTE 35

INTEREST-BEARING LIABILITIES

Group

MSEK	31-12-2009	31-12-2008
Long-term liabilities		
Liabilities to credit institutions	1,101	4
Other interest-bearing liabilities	25	9
Total	1,126	13
Current liabilities		
Liabilities to credit institutions	1,869	2,828
Liabilities to joint ventures	632	1,029
Other interest-bearing liabilities	18	13
Total	2,519	3,870
Total interest-bearing liabilities	3,645	3,883

Terms and repayment schedules

Collateral for bank loans amounts to MSEK 0 (0) for the company's land and buildings (see Note 42). Of the long-term liabilities, MSEK 1,118 (4) falls due between one and five years of the closing day and MSEK 8 (9) later than five years of the closing day.

Liabilities to credit institutions largely consist of commercial paper and Medium Term Notes (MTN). For more information on financial risk management, refer to Note 41.

NOTE 36

LIABILITIES TO CREDIT INSTITUTIONS

Parent Company

MSEK	31-12-2009	31-12-2008
Current liabilities		
Overdraft facilities: Available credit/limit	2,222	2,521
Short-term portion of bank loans: Unutilised portion	-2,222	-2,221
Utilised credit amount	-	300
Short-term borrowing to credit institutions	1,800	2,456
Total	1,800	2,756
Long-term liabilities		
Overdraft facilities: Available credit/limit	5,212	5,076
Long-term portion of bank loans: Unutilised portion	-4,000	-4,000
Utilised credit amount	1,212	1,076
Long-term liabilities to credit institutions	1,100	-
Total	2,312	1,076
Total liabilities to credit institutions	4,112	3,832

Of liabilities to credit institutions, MSEK 1,800 are issued under the Commercial Paper programme with the limit of MSEK 5,000.

In December 2009 Saab established a Medium Term Note programme (MTN) of SEK 3 billion in order to enable the issuance of long-term loans on the capital market. Under the terms of this programme Saab has issued bonds and Floating Rate Notes (FRN) of SEK 1.1 billion during 2009, maturing in December 2013.

The Parent Company also has MNOK 975 in financing arranged in connection with the acquisition of 7.5 per cent of the shares in Aker Holding AS in 2007. Saab's investment amounted to approximately NOK 1.2 billion, of which about 80 per cent was financed through the above mentioned loans. The risk associated with the loans has been reduced through agreements that secure this part of the invested amount, because of which the transactions in the financial position for the Group are netted as a receivable.

NOTE 37

EMPLOYEE BENEFITS

Saab has two types of pension plans: defined-benefit and defined-contribution. In defined-benefit plans, post-employment compensation is based on a percentage of the recipient's salary. Saab has around ten types of defined-benefit plans. The predominant plan is the ITP plan, and the second largest plan refers to state-funded retirement pension. Saab's defined-benefit plans are secured in three ways: as a liability in the balance sheet, in pension funds or funded through insurance with Alecta. The Saab Pension Fund, that secured part of the ITP plan, had assets of MSEK 3,609 (3,083) as of 31 December 2009, compared to an obligation of MSEK 5,002 (4,454) according to IAS 19, or a solvency margin of 72 percent (69).

The portion secured through insurance with Alecta refers to a defined-benefit plan that comprises several employers and is reported according to a pronouncement by the Financial Accounting Standards Council's Emerging Issues Task Force, URA 42. For fiscal year 2009, the Group did not have access to the information that would make it possible to report this plan as a defined-benefit plan. The ITP pension plan, which is secured through insurance with Alecta, is therefore reported as a defined-contribution plan. Alecta's surplus can be distributed to policyholders and/or insureds. At year-end 2009, Alecta's surplus in the form of the collective funding ratio amounted to 141 per cent (112). The collective funding ratio is the market value of Alecta's assets as a percentage of the insurance obligations calculated according to Alecta's actuarial assumptions, which does not conform to IAS 19.

In defined-contribution plans, pensions are based on the premiums paid.

Group

MSEK	2009	2008
Wholly or partially funded obligations		
Present value of defined-benefit obligations	5,372	4,792
Fair value of assets under management	-3,907	-3,356
Net, wholly or partially funded obligations	1,465	1,436
Unfunded obligations		
Present value of unfunded defined-benefit obligations	205	212
Present value of net obligation	1,670	1,648
Unreported actuarial losses		
Unreported actuarial losses	-2,145	-2,072
Net obligation employee benefits	-475	-424
The net amount is reported in the following balance sheet item		
Provisions for pensions	4	4
Long-term receivables	479	428
The net amount is divided among plans in the following countries		
Sweden	-435	-393
USA	-44	-35
Germany	4	4
Net amount in balance sheet	-475	-424

Unreported actuarial losses amount to MSEK 2,145 (2,072). Actuarial losses are calculated as the difference between pension obligations and the liability according to the balance sheet. If the actuarial losses are more than 10 per cent of the pension obligation, the portion exceeding 10 per cent is amortised over the remaining period of employment for employees covered by defined-benefit plans. According to the above table, the actuarial losses exceed the pension obligation for 2009 by more than 10 per cent. This means that the difference between MSEK 558 and MSEK 2,145 will be distributed over anticipated remaining years in service.

During 2010 amortisation will be MSEK 142.

Unreported actuarial losses

Group	MSEK	2009	2008	2007	2006
Present value of defined-benefit obligations		-5,577	-5,004	-4,679	-4,449
Fair value of assets under management		3,907	3,356	3,565	3,481
Net obligation in balance sheet		-475	-424	101	412
Losses		-2,145	-2,072	-1,013	-556

The increase in the unreported actuarial loss of MSEK 169 in 2009 was primarily the result of two counteracting factors. The return on assets under management was higher than expected, 12 per cent compared to an anticipated 5 per cent, which produced an actuarial gain of MSEK 219. The actuarial loss on pension commitments amounted to MSEK 388, which was due to a 25 basis points lower discount rate and higher salary increases than expected. The actuarial loss was amortised by MSEK 96 during the year, as a result of which the loss increased by a net of MSEK 73.

NOTE 37, CONT.

Changes in net obligation for defined-benefit plans reported in balance sheet

Group		
MSEK	2009	2008
Net obligation for defined-benefit plans, 1 January	-424	101
Compensation paid	-159	-169
Deposits to pension fund and other funding	-190	-408
Cost reported in income statement	291	185
Settlement/Translation difference	7	-
Withdrawals from pension fund	-	8
Effects of sold operations	-	-141
Net obligation for defined-benefit plans, 31 December	-475	-424

Change in assets under management

Group		
MSEK	2009	2008
Opening fair value, 1 January	3,356	3,565
Assumed return	173	186
Withdrawals	-4	-8
Insurance premium	-	-18
Settlement	-18	-
Contributions	190	408
Actuarial gain/loss	219	-800
Translation differences	-9	23
Closing fair value, 31 December	3,907	3,356

Cost reported in income statement

Group		
MSEK	2009	2008
Costs for employment during current year	155	129
Interest expense for obligation	213	209
Assumed return on assets under management	-173	-186
Amortised actuarial losses	96	29
Insurance premium	-	18
Insured liability	-	-13
Cost of defined-benefit plans in income statement	291	186
Cost of defined-contribution plans	453	457
Payroll tax	169	114
Total cost of post-employment compensation	913	757

The cost is reported on the following lines in the income statement:

Group		
MSEK	2009	2008
Cost of goods sold	641	527
Marketing expenses	45	53
Administrative expenses	48	76
Research and development costs	43	49
Financial expenses	136	52
Total cost of post-employment compensation	913	757

Return on assets under management

Group		
MSEK	2009	2008
Actual return on assets under management	392	-614
Assumed return on assets under management	-173	-186
Actuarial result from assets under management during the year	219	-800

Interest expense and amortisation of actuarial losses less the assumed return on assets under management is classified as financial expense. Other pension costs are divided by function in the income statement in relation to how payroll expenses are charged to the various functions.

Assumptions for defined-benefit obligations

Group				
Per cent	2009	2008	2007	2006
Significant actuarial assumptions as of closing day (expressed as weighted averages)				
Discount rate, 31 December	4.00	4.25	4.50	4.00
Assumed return on assets under management, 31 December	5.00	5.00	5.00	5.00
Future salary increase	3.00	3.00	3.00	3.00
Future increase in pensions	2.00	2.00	2.00	2.00
Employee turnover	5.00	5.00	5.00	5.00
Anticipated remaining years in service	11.2	11.2	11.3	11.3

The following assumptions serve as the basis of the valuation of Saab's pension liability:

Discount rate: The valuation is based on an interest rate curve estimated using the Kingdom of Sweden's inflation-indexed bonds according to the Nelson-Siegel method. Each assumed cash flow is discounted using an interest rate for the corresponding maturity. To obtain an anticipated nominal return, inflation expectations are added in.

Assumed return on investment assets: Of the assets managed by the Saab Pension Fund, 50 per cent are invested in interest-bearing bonds and 50 per cent in equities and hedge funds. The assumed rate of return is 3 per cent on the interest-bearing bonds and 7 per cent on equities and hedge funds.

Long-term salary increases: Assumed to be as high as the increase in the basic income amount. This means that Saab expects the same salary increases as the national average.

Long-term increase in basic income: Data from Statistics Sweden on current wage increases in the private sector provide an historical average during the period 1974–2000 of approximately 1 per cent above inflation.

Long-term rate of inflation: Based on the Riksbank's inflation target of 2 per cent, which mirrors the market's implicit expectations as measured by the difference between nominal and real bonds. It should be stressed that the sensitivity of the valuation to inflation assumptions is limited, since the discount rate is based on the real interest rate curve.

Mortality: Mortality is the same assumption recommended by the Financial Supervisory Authority (FFFS 2007:31), based on Makeham formulas for men and women.

Marriage: Marriage is the same assumption recommended by the Financial Supervisory Authority (FFFS 2001:13).

Employee turnover: The likelihood that an individual ends his/her employment is assumed to be 5 per cent per year.

NOTE 37, CONT.

Parent Company's pension obligations

Funds allocated for pensions according to the balance sheet correspond to the net present value of existing pension obligations.

Parent Company		
MSEK	31-12-2009	31-12-2008
FPG/PRI pensions	257	482
Other pensions	62	65
Other provisions for pensions	60	59
Total	379	606
Of which credit guarantees via FPG/PRI	287	513

MSEK	Group		Parent Company	
	2009	2008	2009	2008
Amount of provision expected to be paid after more than 12 months	4	4	263	484

Share matching plan

In April 2007, Saab's Annual General Meeting resolved to offer employees the opportunity to participate in a Global Share Matching Plan. The Board considers it important that Saab's employees share a long-term interest in the appreciation of the company's shares. Employees who participate in the plan can have up to 5 per cent of their gross base salary withheld to purchase shares on the NASDAQ OMX Stockholm during a twelve-month period. Participants have saved each month beginning with their November 2007 salary. Shares were purchased in January, May, August and November 2008, at which point the contribution period concluded. During 2008 the employees has purchased 673,235 B shares. If the employee retains the purchased shares for three years after the investment date and is still employed by the Saab Group, they will be allotted a corresponding number of Series B shares.

In April 2008, Saab's Annual General Meeting resolved to offer employees a new share matching plan with similar terms as the 2007 plan. In 2009, employees purchased 680,267 Series B shares, corresponding to the maximum number of matching shares. The savings period was concluded in October 2009.

In addition, a performance-based plan was introduced for senior executives entitling them to 2-5 matching shares depending on the category the employee belongs to. In addition to the requirement that the employee remain employed by Saab after three years, there is also a requirement that earnings per share grow in the range of 5 to 15 per cent. In 2009, participants purchased 118,936 Series B shares.

The maximum number of matching shares in the two plans are 1,040,000. The plans were started in November 2008 with purchases from January 2009 through November 2009.

In April 2009, Saab's Annual General Meeting resolved to offer employees a new share matching plan and a performance share plan with corresponding terms as the 2008 plan with the difference that these plans start on 1 January 2010 and continue through the calendar year 2010. The maximum number of matching shares in these two plans is 1,040,000.

Share matching plan	2007 plan	2008 plan	2009 plan	Total
Number of matching shares at beginning of financial year	645,621	-	-	645,621
Allotted during the year	-	680,267	-	680,267
Less early matching	-13,962	-7,512	-	-21,474
Forfeited matching shares	-3,511	-5,613	-	-9,124
Number of remaining matching shares at year-end	628,148	667,142	-	1,295,290
Number of participants, 31 Dec. 2009	5,084	2,979	-	-
% of total number of employees	39	23	-	-
Average remaining maturity, years	1.6	2.6	-	-

Performance share plan	2008 plan	2009 plan	Total
Number of matching shares at beginning of financial year	-	-	-
Allotted during the year	118,936	-	118,936
Less early matching	-	-	-
Forfeited matching shares	-2,796	-	-2,796
Number of remaining matching shares at year-end	116,140	-	116,140
Number of participants, 31 Dec. 2009	193	-	-
Average remaining maturity, years	2.6	-	-

Recognised expense for above-mentioned plan, including social security expenses	2009	2008
Share matching plan 2007	32	15
Share matching plan 2008	12	-
Performance plan 2008	4	-
Total	48	15

The fair value of the services rendered is based on the share price of the matching shares that are expected to be allotted. The share price is determined at the time of the participants' investment adjusted by the dividend that does not accrue to the employee during the vesting period.

The company's expense is recognised in the balance sheet as equity and accrued expenses (social security fees). During 2009 the administrative expenses for the share matching plans were MSEK 3.

SENIOR EXECUTIVES' BENEFITS

Remuneration to Board members

In accordance with the resolution of the Annual General Meeting, the fees paid to the members of the Board amount to SEK 3,650,000 (3,650,000), consisting of SEK 1,100,000 (1,100,000) to the Chairman and SEK 425,000 (425,000) to each of the other members elected by the Annual General Meeting, with the exception of the President. The members nominated by BAE Systems – Michael O'Callaghan and George Rose – both of whom are employees of BAE Systems, have declined their fees with reference to BAE Systems' policy.

For audit committee work, committee chairman Peter Nygårds also received fees of SEK 150,000 (150,000) and committee members Lennart Johansson and Per-Arne Sandström SEK 100,000 (100,000) each.

For compensation committee work, committee chairman Lena Treschow Torell also received fees of SEK 135,000 (135,000) and committee member Marcus Wallenberg SEK 80,000 (80,000). George Rose has declined his fees with reference to BAE Systems' policy.

In his capacity as a consultant in 2009, Board member Per-Arne Sandström also received SEK 125,000 from Saab AB for consulting services related to organisational development.

Remuneration to the President

The salary paid to President and CEO Åke Svensson consists of a fixed portion and a variable portion. The variable portion is based on predetermined quantitative and qualitative objectives each year. The variable compensation can amount to a maximum of 50 per cent of the President's fixed salary. The preparation and decision-making process for compensation issues regarding the President is handled by the Board's Remuneration Committee according to the principles laid down by the Annual General Meeting.

During the period November 2007 through October 2008, the President participated in the Saab Share Matching Plan approved by the Annual General Meeting 2007 for all company employees. From November 2008, the President participates in the Saab Global Performance Share Plan approved by the Annual General Meeting 2008. Accumulated outstanding matching rights in Saab Share Matching Plan 2007 amount to SEK 121,411 as of 31 December 2009, and the Saab Global Performance Share Plan 2008 amounts to SEK 299,778 in the event of a maximum outcome. In 2009, the President received salary, variable compensation and other benefits totalling SEK 6,293,894 (7,631,449), of which the variable compensation for 2008 accounted for SEK 588,600 (1,620,000) and other benefits, including a car allowance, for SEK 19,024 (23,137).

NOTE 37, CONT.

Pension terms

The retirement age for the President is 60. The President has a defined-contribution pension plan. He may decide himself on the payment term, though within the provisions of Swedish income tax law. The pension cost for Saab consists of pension premiums amounting to 35 per cent of the fixed salary as long as the President remains an employee of the company. To this is added the cost of pension premiums according to the ITP plan. The pension commitment is vested. For 2009, the cost of the President's pension, including ITP, was SEK 2,444,434 (2,338,435).

Severance terms

If terminated by the company, the President will receive a salary and pension benefits for a period of six months (period of notice). Thereafter he will receive severance pay equivalent to one year of salary, based on his current fixed salary. If the President does not obtain new employment, he will receive an additional one year of severance pay. The salary during the period of notice and severance will be deducted from income received from other employers during the same period. If the President resigns voluntarily, there is a six-month period of notice with salary and pension benefits, but no severance pay.

Remuneration to other senior executives

The group of other senior executives included 12 individuals (15) in 2009, consisting of the Executive Vice Presidents and heads of Group staffs. Mats Warstedt stepped down from Group Management on 16 September 2009 and on 22 September by Jonas Hjelm, who was already a member of Group Management assumed responsibility of his previous tasks and responsibilities. Dan-Åke Enstedt stepped down from Group Management on 31 December 2009. As of 1 January 2010, Group Management therefore consisted of eleven persons, including the President and CEO.

The salaries paid to other senior executives consist of a fixed portion and a variable portion. The variable portion is based on the Group's order bookings, operating income and cash flow. The variable compensation normally amounts to a maximum of 25 per cent of each executive's fixed salary, and in some cases to 35 per cent of fixed salary. A variable compensation agreement is drafted annually and signed by the President. The rules for variable compensation are stipulated in a document issued by the President. Compensation issues regarding the other senior executives are prepared by the head of human resources and presented to the President, who makes a decision pending the approval of the Compensation Committee and the Board.

During the period November 2007 through October 2008, other senior executives participated in the Saab Share Matching Plan approved by the Annual General Meeting 2007 for all company employees. From November 2008, all eligible executives participate in the Saab Global Performance Share Plan approved by the Annual General Meeting 2008. Accumulated outstanding matching rights in Saab Share Matching Plan 2007 amount to SEK 381,211

as of 31 December 2009, and the Saab Global Performance Share Plan 2008 amounts to SEK 971,099 in the event of a maximum outcome.

In 2009, the other senior executives received salaries, variable compensation and other benefits totalling SEK 31,407,483 (44,313,838), of which variable compensation for 2008 accounted for SEK 1,619,100 (4,095,208) and other benefits, including housing and car allowances, for SEK 785,780 (688,906).

Pension terms

As of 1 January 2005, a pension age of 62 years applies to new executives. Among other senior executives, three individuals have a pension age of 60 years.

In addition to ITP or its equivalent, 11 members of the group (12) are affiliated with the Saab plan, which is defined-contribution and vested. The Saab plan provides pensions benefits over and above ITP or its equivalent on salary levels between 20 and 30 basic amounts as well as on salary segments over 30 basic amounts. The individuals themselves can decide on the payment term, though within the provisions of Swedish income tax law. Moreover, an insurance policy finances the period between the ages of 60 or 62 years and 65 years.

The pension cost for Saab consists of pension premiums, which are based on a percentage of qualifying salaries. The percentage rate is determined by each executive's time remaining until the pension age, 60 or 62 years, when joining the plan. The aggregate insurance balance should cover a targeted pension from 65 years of approximately 32.5 per cent of salary levels between 20 and 30 basic amounts and approximately 50 per cent of segments over 30 basic amounts of qualifying salaries. Premium payments continue as long as the individuals remain in their positions or as employees of the company.

Pension obligations are vested. In 2009, pension costs for other senior executives, including ITP and its equivalent, amounted to SEK 10,511,594 (11,269,165). Other senior executives are entitled, or obliged if the company so requests, to retire on pension as of the age of 60 or 62 years.

Severance terms

If terminated by the company, the group of other senior executives will receive a salary and pension benefits for six months (period of notice). Thereafter they will receive severance pay equivalent to one year of salary, based on their current fixed salary. If they do not obtain new employment, they will receive an additional six months of severance. Employees hired before 1 January 2005 who have reached the age of 55 are entitled to another six months of severance.

The salary during the period of notice and severance will be deducted from income received from other employment during the same period. If they resign voluntarily, there is a six-month period of notice with salary and pension benefits, but no severance pay.

Summary of compensation and other benefits during the year

SEK	Base salary/directors' fee	Variable compensation	Other benefits	Pension cost	Total	Provisions 2009 for long-term variable compensation at maximum outcome
Chairman of the Board	1,100,000	-	80,000	-	1,180,000	-
Other Board members	2,550,000	-	485,000 ¹⁾	-	3,035,000	-
President and CEO Åke Svensson	5,686,270	588,600	19,024	2,444,434	8,738,328	380,324
Other senior executives	29,002,603	1,619,100	785,780	10,511,594	41,919,077	1,225,455
Total	38,338,873	2,207,700	1,369,804	12,956,028	54,872,405	1,605,779

1) Excluding consultant's fee payable to member of the Board.

Guidelines for remuneration and other benefits for senior executives are described in the financial review.

NOTE 38

PROVISIONS

Group

MSEK	31-12-2009	31-12-2008
Provisions that are long-term liabilities		
Obligations related to regional aircraft	1,169	1,573
Expenditures for restructuring measures	141	55
Loss contracts	541	502
Other	295	272
Total	2,146	2,402

Provisions that are current liabilities

Obligations related to regional aircraft	108	177
Expenditures for restructuring measures	158	18
Loss contracts	176	303
Other	311	212
Total	753	710

Parent Company

MSEK	31-12-2009	31-12-2008
Obligations related to regional aircraft	480	852
Expenditures for restructuring measures	69	16
Loss contracts	680	772
Other	284	289
Total	1,513	1,929

Obligations related to regional aircraft

MSEK	Group	Parent Company
Opening balance, 1 January 2009	1,750	852
Amount utilised during the year	-55	-22
Unutilised amount that has been reversed	-350	-350
Translation differences and other	-68	-
Closing balance, 31 December 2009	1,277	480

Expenditures for restructuring measures

MSEK	Group	Parent Company
Opening balance, 1 January 2009	73	16
Provisions during the year	250	72
Provisions allocated during the year	-30	-22
Reclassification	6	3
Closing balance, 31 December 2009	299	69

Loss contracts

MSEK	Group	Parent Company
Opening balance, 1 January 2009	805	772
Provisions allocated during the year	160	145
Amount utilised during the year	-241	-233
Reversal of unutilised amount	-7	-4
Reclassification	-5	-
Translation differences and other	5	-
Closing balance, 31 December 2009	717	680

Other provisions

MSEK	Group	Parent Company
Opening balance, 1 January 2009	484	289
Provisions allocated during the year	150	50
Amount utilised during the year	-174	-100
Unutilised amount that has been reversed	-6	-
Reclassification	135	45
Translation differences and other	17	-
Closing balance, 31 December 2009	606	284

Total provisions

MSEK	Group	Parent Company
Opening balance, 1 January 2009	3,112	1,929
Provisions allocated during the year	560	267
Amount utilised during the year	-500	-377
Unutilised amount that has been reversed	-363	-354
Reclassification	136	48
Translation differences and other	-46	-
Closing balance, 31 December 2009	2,899	1,513

Payments

MSEK	Group		Parent Company	
	2009	2008	2009	2008
Amount of provision expected to be paid after more than 12 months	2,146	2,402	1,092	1,540

Commitments regarding regional aircraft

Anticipated deficits within future leasing operations and obligations tied to product and airworthiness responsibility.

Restructuring

Structural costs primarily relate to the costs to adapt resources and change-over costs.

Project losses

Provisions for project losses primarily relate to Helicopter 14 and for civilian aircraft programme.

Other provisions

Other provisions relate to provisions for guarantees and remaining costs in projects as well as for environmental commitments.

NOTE 39

OTHER LIABILITIES

Group		
MSEK	31-12-2009	31-12-2008
Other long-term liabilities		
Long-term prepaid revenue	114	151
Other	173	185
Total	287	336
Other current liabilities		
Liabilities to associated companies	100	28
Liabilities to joint ventures	6	347
Value-added tax	206	127
Withholding tax	157	196
Deposits in leasing operations	23	40
Other	254	393
Total	746	1,131
Liabilities due for payment more than five years after closing day	121	114

Parent Company

MSEK	31-12-2009	31-12-2008
Value-added tax	120	71
Withholding tax	96	161
Valuation of derivatives	-	173
Other	155	117
Total	371	522

Liabilities due for payment more than five years after closing day

- -

Other liabilities in the Parent Company include both interest-bearing and non-interest-bearing liabilities. For a comparison with the Group, see also Note 35.

NOTE 40

ACCRUED EXPENSES AND DEFERRED INCOME

MSEK	Group		Parent Company	
	31-12-2009	31-12-2008	31-12-2009	31-12-2008
Accrued expenses				
Accrued project costs	989	859	548	518
Vacation pay liability	847	793	634	581
Expected invoices	468	354	354	278
Social security expenses	447	546	337	416
Personnel liabilities	211	111	163	119
Accrued leasing costs	174	215	-	-
Cost of customer commitments in regional aircraft	142	152	142	152
Accrued interest	119	110	119	106
Early retirement and redundancies	107	19	103	19
Claims reserve	75	67	1	2
Royalties and commissions	23	10	13	-
Other	133	284	34	106
Total accrued expenses	3,735	3,520	2,448	2,297
Deferred income				
Advance invoicing	3,064	4,510	2,513	3,035
Prepaid insurance compensation ¹⁾	565	254	-	-
Capitalised changes in value related to forward contract rollovers	232	441	618	698
Capitalised project interest	43	65	43	65
Other	29	78	63	33
Total deferred income	3,933	5,348	3,237	3,831
Total	7,668	8,868	5,685	6,128

1) Insurance consideration paid from insurance companies for aircraft leasing operations.

NOTE 41

FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

In its operations, Saab is exposed to various financial risks. Operations consist in large part of long-term projects, which increases the complexity of the financial exposure. Corporate Treasury has operational responsibility for the Group's financial risk management.

Financial risk management

The Board of Directors of Saab has approved a Corporate Treasury Policy, which provides an overall description of the management of financial risks and financial operations in general. The goal is to identify and actively manage financial risks in order to reduce the negative impact on the Group's results, competitive strength and financial flexibility.

The financial risks are defined as follows:

- Foreign currency risk
- Interest rate risk
- Liquidity and financing risk
- Commodity risk
- Credit and counterparty risk

Saab's financial assets and liabilities, contractual obligations in the order backlog and outstanding fixed-price tenders entail various types of risk, which are managed to a large extent with various derivatives. The Group's outstanding derivatives are compiled in a table on page 112.

Saab uses derivatives primarily to:

- convert anticipated commercial cash flows in foreign currency to SEK
- convert borrowings in SEK, or surpluses in SEK, to the currencies in which assets are denominated (primarily relates to aircraft that Saab owns in its leasing fleet)
- convert the fixed interest periods in leases to coincide with leasing revenue and the desired fixed interest rates for other assets and liabilities' financing

Overall responsibility for managing the Group's financial risks and developing methods and principles to manage financial risks is centralised in Corporate Treasury. For this purpose, the operating business units have been supplied with directives and processes that describe how financial risks are managed. In managing these risks, Corporate Treasury utilises derivatives and assumes financial liabilities.

Furthermore, Group Management has issued detailed directives and guidelines for Corporate Treasury's operations.

Management of insurance is centralised in the Group's insurance company, Lansen Försäkrings AB, where external transactions are handled as well. Customer finance, guaranty and finance issues are also managed by Corporate Treasury.

Saab Treasury is responsible for the Group's cash management, financing, interest rate and currency risks, and management of electricity risks. Saab has an agreement with an external party to manage the Group's electricity risks through discretionary management. Other commodity risk is managed primarily through contractual clauses.

Saab Treasury has a risk mandate expressed as VaR (Value at Risk) of MSEK 50 (50), which is divided between trading and management of economic risks, expressed primarily in the Tender to Contract portfolio. VaR is a probability-based method based on historical price fluctuations and correlations and is considered a standard in the financial industry. The method provides a measure of the probability of the maximum loss over a specific number of days. Saab uses three days and a 99-per cent probability.

To a limited extent, the Corporate Treasury Policy allows the Group to trade on its own behalf in foreign exchange and money market instruments. The primary purpose of this trading is to gain access to qualitative market information and stay updated on market developments. The Treasury Risk Analysis unit reports each portfolio's risk, defined according to established risk measures, to Group Management on a daily basis.

Financial instruments

Financial assets in the Group mainly comprise accounts receivable, accrued income, interest-bearing receivables, liquid assets and derivatives with positive market values. Saab's financial liabilities mainly comprise interest-bearing liabilities, accounts payable, accrued expenses and derivatives with negative market values. The following tables show a subdivided balance sheet categorised and classified according to IAS 39. A more detailed description of the categories can be found in note 1, Accounting principles.

NOTE 41, CONT.

Classification and categorisation of financial assets and liabilities 2009	Fair value through profit and loss for trading	Fair value through profit and loss for other	Held-to-maturity investments	Loans and receivables	Financial liabilities	Derivatives identified as cash flow hedges	Derivatives identified as fair value hedges	Total financial assets and liabilities
Financial assets								
Financial investments	-	84	32	-	-	-	-	116
Long-term receivables	-	-	-	1,327	-	-	-	1,327
Derivatives								
Forward exchange contracts	141	-	-	-	-	683	51	875
Currency options	6	-	-	-	-	-	-	6
Interest rate swaps	105	-	-	-	-	-	-	105
Electricity derivatives	16	-	-	-	-	-	-	16
Total derivatives	268	-	-	-	-	683	51	1,002
Other receivables	-	-	-	7,654	-	-	-	7,654
Short-term investments	-	551	-	-	-	-	-	551
Liquid assets	-	-	-	1,463	-	-	-	1,463
Total financial assets	268	635	32	10,444	-	683	51	12,113
Financial liabilities								
Interest-bearing liabilities	-	-	-	-	3,645	-	-	3,645
Derivatives								
Forward exchange contracts	135	-	-	-	-	801	94	1,030
Currency options	10	-	-	-	-	-	-	10
Interest rate swaps	73	-	-	-	-	44	-	117
Electricity derivatives	20	-	-	-	-	-	-	20
Other interest rate derivatives	4	-	-	-	-	-	-	4
Total derivatives	242	-	-	-	-	845	94	1,181
Other liabilities	-	-	-	-	5,574	-	-	5,574
Total financial liabilities	242	-	-	-	9,219	845	94	10,400

NOTE 41, CONT.

Classification and categorisation of financial assets and liabilities 2008	Fair value through profit and loss for trading	Fair value through profit and loss for other	Held-to-maturity investments	Loans and receivables	Financial liabilities	Derivatives identified as cash flow hedges	Derivatives identified as fair value hedges	Total financial assets and liabilities
Financial assets								
Financial investments	-	104	38	-	-	-	-	142
Long-term receivables	-	-	-	1,321	-	-	-	1,321
Derivatives								
Forward exchange contracts	264	-	-	-	-	816	183	1,263
Currency options	11	-	-	-	-	-	-	11
Interest rate swaps	29	-	-	-	-	-	-	29
Other derivatives	12	-	-	-	-	-	-	12
Total derivatives	316	-	-	-	-	816	183	1,315
Other receivables	43	-	-	9,962	-	-	35	10,040
Liquid assets	-	-	-	822	-	-	-	822
Total financial assets	359	104	38	12,105	-	816	218	13,640
Financial liabilities								
Interest-bearing liabilities	-	-	-	-	3,883	-	-	3,883
Derivatives								
Forward exchange contracts	392	-	-	-	-	1,591	207	2,190
Currency options	32	-	-	-	-	-	-	32
Interest rate swaps	84	-	-	-	-	35	-	119
Electricity derivatives	8	-	-	-	-	-	-	8
Other derivatives	14	-	-	-	-	-	-	14
Total derivatives	530	-	-	-	-	1,626	207	2,363
Other liabilities	-	-	-	-	5,679	-	-	5,679
Total financial liabilities	530	-	-	-	9,562	1,626	207	11,925

NOTE 41, CONT.

Outstanding derivatives

Currency derivatives			Market value 2009			Market value 2008			
Million	Currency	Nominal currency	Asset SEK	Liability SEK	Net	Nominal currency	Asset SEK	Liability SEK	Net
Maturity up to one year	EUR	-520	117	154	-37	-269	173	390	-217
	USD	-158	307	218	89	-210	346	467	-121
	Other	-	108	67	41	-	229	137	92
Outstanding currency derivatives with maturities up to one year, total			532	439	93		748	994	-246
Maturity one to three years	EUR	-118	51	84	-33	-124	73	246	-173
	USD	-105	152	248	-96	-145	332	442	-110
	Other	-	59	53	6	-	81	81	-
Outstanding currency derivatives with maturities of 1 to 3 years, total			262	385	-123		486	769	-283
Maturity three to five years	EUR	-19	28	51	-23	-36	16	60	-44
	USD	-122	42	95	-53	-162	18	216	-198
	Other	-	4	7	-3	-	13	22	-9
Outstanding currency derivatives with maturities of 3 to 5 years, total			74	153	-79		47	298	-251
Maturity over five years	EUR	-27	7	21	-14	-29	3	36	-33
	USD	-124	12	43	-31	-90	13	117	-104
Outstanding currency derivatives with maturities over five years, total			19	64	-45		16	153	-137
Currency derivatives, total ¹⁾			887	1,041	-154		1,297	2,214	-917

1) Retained premiums on open contracts amount to MSEK 5 (30).

Interest derivatives			Market value 2009			Market value 2008			
Million	Currency	Nominal currency	Asset SEK	Liability SEK	Net	Nominal currency	Asset SEK	Liability SEK	Net
Maturity up to one year	SEK	300	1	11	-10	-	12	15	-3
Outstanding interest derivatives with maturities up to one year, total			1	11	-10		12	15	-3
Maturity one to three years	SEK	750	1	13	-12	300	-	5	-5
	USD	29	-	22	-22	-	-	-	-
Outstanding interest derivatives with maturities of 1 to 3 years, total			1	35	-34		-	5	-5
Maturity three to five years	SEK	756	-	6	-6	-	-	-	-
	NOK	500	162	145	17	500	-	33	-33
	USD	-	-	-	-	48	-	37	-37
Outstanding interest derivatives with maturities of 3 to 5 years, total			162	151	11		-	70	-70
Maturity over five years	USD	26	-	29	-29	29	-	40	-40
Outstanding interest derivatives with maturities over five years, total			-	29	-29		-	40	-40
Interest derivatives, total ²⁾			164	226	-62		12	130	-118

2) Market value includes accrued interest of MSEK -46 (-25)

Electricity derivatives			Market value 2009			Market value 2008			
Million	Megawatt		Asset SEK	Liability SEK	Net	Megawatt	Asset SEK	Liability SEK	Net
Maturity up to one year	17		13	17	-4	10	6	-	6
Outstanding electricity derivatives with maturities up to one year, total			13	17	-4		6	-	6
Maturity one to three years	17		3	3	-	14	-	14	-14
Outstanding electricity derivatives with maturities of 1 to 3 years, total			3	3	-		-	14	-14
Electricity derivatives, total			16	20	-4		6	14	-8
DERIVATIVES, TOTAL			1,068	1,288	-220		1,315	2,358	-1,043
(of which derivatives used for cash flow hedges)					-162				-810
Accrued interest and retained premiums, see Note 1 and 2 above				-41				5	
Net accrued interest and premiums			-66	-66					
DERIVATIVES ACCORDING TO CONSOLIDATED STATEMENT OF CASH FLOWS			1,002	1,181	-179		1,315	2,363	-1,048

NOTE 41, CONT.

Foreign currency risk

Foreign currency risk refers to the risk that fluctuations in exchange rates will negatively affect income. Exchange rate fluctuations affect Saab's income and equity in various ways:

- income is affected when sales revenue and the cost of goods and services sold are in different currencies (economic and transaction exposure)
- income is affected when the income of foreign Group companies is translated to SEK (translation exposure)
- income or equity is affected when the assets and liabilities of foreign Group companies are translated to SEK (translation exposure)
- income can be affected by impairment tests of non-hedged future cash flows in foreign currency in money-losing contracts (impairment testing)

Saab distinguishes between the above-mentioned types of exposure. Policy descriptions are provided under each exposure.

Framework agreements, which can be said to contain both transaction and economic exposures, are in place mainly for various civil aeronautics programmes.

Economic exposure

Fixed-price tenders in foreign currency entail a foreign currency risk that constitutes an economic exposure. The risk is limited primarily through contract formulations (foreign currency clauses) or by bidding in the same currency as the Group unit's expenses.

In cases where fixed-price tenders are issued in foreign currency, the net exposure is hedged with financial instruments. The foreign currency risk that arises for tenders are managed by Saab Treasury within the framework of the Tender to Contract portfolio. The purpose of the portfolio is to minimise the Group's foreign currency risk during the tender period and reduce hedging costs.

The following table shows outstanding nominal net hedges by currency as of year-end.

Net hedges (million)	Forward contracts ¹⁾		Options ²⁾		Total hedge	
	2009	2008	2009	2008	2009	2008
USD	-33	-132	-35	41	-68	-91
EUR	-216	-80	-90	-49	-306	-129
GBP	-1	-4	-	-14	-1	-18
DKK	14	-	14	-	28	-
CZK	-	-100	-	-25	-	-125

1) Also contains sold call and put options.

2) Refers to the net of purchased call and put options.

The table below shows the risk exposure/unrealised market value given various outcomes.

MSEK	Unrealised market value
All tendered contracts are received	139
No tendered contracts are received	6
Worst case*	-1
No external hedges and all tendered contracts are received	132

* Worst case refers to the most negative outcome in terms of the market value of the internal and external hedges depending on whether or not the contract is received.

The Tender to Contract portfolio is managed by a risk measure based on a probability-weighted VaR comprised of two parts. One is VaR for the internal hedges multiplied by the estimated weighted probability of being awarded the tenders. The other part is VaR for the external hedges. Risk neutrality here means that the above two VaR measures add up to zero, i.e., the probability-weighted amount is hedged externally.

The VaR for tender hedges amounted to MSEK 14 (12) at year-end. The limit on the risk was increased in 2009 because of an increase in the volume of fixed-priced tenders from MSEK 30 to MSEK 40 in VaR.

Hedge accounting is not applied to the portfolio's hedges, due to which the Group's results are affected by the outcome of the tenders and the exchange rate for the underlying currency pair. The portfolio's total result in 2009 was MSEK -85 (-227).

Transaction exposure

Future cash flows in foreign currency from the order backlog and framework agreements are hedged. The purpose of currency hedges is to safeguard gross margins in the order backlog and framework agreements.

Netting is applied to minimise the transaction exposure in foreign currencies, i.e., incoming currency is utilised to pay for purchases in the same currency. Moreover, foreign currency risk neutrality is achieved through contract formulations (currency clauses) or forward exchange contracts in the currency market. Currency hedges are normally arranged for each specific contract. The average forward rate is then used as the contract's rate of revenue recognition.

The order backlog contains contracted flows and therefore constitutes a transaction exposure. In 2009, countries outside Sweden accounted for 69 per cent (68) of Saab's sales. Since a large part of production takes place in Sweden with expenses denominated in SEK, Saab has large net flows in foreign currency. The exposure that results is actively minimised by contracting export customers in SEK and contracting suppliers in the currency of the customer's contract.

The predominant contract currencies in the order backlog of SEK 39.4 billion (45.3) are SEK, USD, EUR and GBP. Of the total order backlog, 74 per cent (63) is in fixed prices with or without indexing, while the remaining 26 per cent (37) contains variable prices with index and/or currency clauses.

An analysis has been made of the sensitivity of the market value of outstanding external hedges for order backlog and framework agreements. The effect of a change in exchange rates where the SEK depreciates or appreciates is shown in the following table. The analysis does not include outstanding contracts for units in South Africa.

	Market value 31-12-2009	Decrease in SEK of 10%	Increase in SEK of 10%
Market value in SEK	-258	-1,030	514

Hedge accounting according to IAS 39 is applied to derivatives intended to hedge the transaction exposure.

Hedge accounting to fair value is applied to foreign exchange contracts and currency swaps, primarily for derivatives entered into before 31 December 2006. The market value of currency derivatives accounted for as fair value hedges and the market value of hedged items are indicated in the table below. For information on the impact on net income for the year of gains and losses on derivatives accounted for as fair value hedges, see Note 6 Other operating expenses.

Hedge accounting to fair value	2009	2008
Foreign currency risk in order backlog (hedged item)	43	35
Currency derivatives (hedging instrument)	-43	-25

Cash flow hedges are applied to forward exchange contracts and currency swaps entered into after 31 December 2006.

Cash flows hedges are expected to affect profit and loss in the period hedged cash flows occur, with the exception of those related to the manufacturing of inventory, which affect profit and loss on the day delivery is made to the customer. The hedge reserve before tax amounted to MSEK 113 (-831), of which the value of derivatives is MSEK -162 (-810) and the effects arising from rollovers of derivatives and items removed from hedge accounting were MSEK 275 (-21). For information on the amount recognised in other comprehensive income and the amount removed from equity and recognised through profit and loss in 2009, see Net comprehensive income. The table below shows the cash flows corresponding to the derivatives recognised as cash flow hedges in 2009 and 2008 expressed in millions in local currency.

NOTE 41, CONT.

Cash flow hedges by currency

Million	CZK			EUR			GBP			NOK			THB			USD			ZAR		
	Out-flow	In-flow	Net	Out-flow	In-flow	Net	Out-flow	In-flow	Net	Out-flow	In-flow	Net	Out-flow	In-flow	Net	Out-flow	In-flow	Net	Out-flow	In-flow	Net
< 90 days	-	-	-	-12	33	21	-19	19	-	-	-	-	-	-	-	-16	89	73	-18	-	-18
91-180 days	-	14	14	-8	42	34	-8	15	7	-1	1	-	-	55	55	-33	43	10	-35	-	-35
181-210 days	-	-	-	-2	16	14	-1	12	11	-	-	-	-	32	32	-26	47	21	-2	-	-2
211-360 days	-	-	-	-4	34	30	-3	5	2	-	1	1	-	-	-	-40	44	4	-17	-	-17
2011	-	14	14	-5	38	33	-4	13	9	-	3	3	-	-	-	-62	133	71	-47	-	-47
2012	-	12	12	-2	15	13	-3	28	25	-1	3	2	-	-	-	-15	101	86	-	-	-
2013	-	8	8	-5	13	8	-3	3	-	-	-	-	-	-	-	80	80	-	-	-	-
2014	-	6	6	-	8	8	-	-	-	-	-	-	-	-	-	-1	64	63	-	-	-
2015 and forward	-	3	3	-	7	7	-	-	-	-	-	-	-	-	-	-1	38	37	-	-	-
Total flows 2009	-	57	57	-38	206	168	-41	95	54	-2	8	6	-	87	87	-194	639	445	-119	-	-119
Total flows 2008	-	73	73	-133	419	286	-114	209	95	-219	197	-22	-	134	134	-438	950	512	-262	57	-205

Translation exposure

The translation exposure in the Group relates to the operations of foreign subsidiaries. Saab Aircraft Leasing's operations in Sweden have their economic environments in USD (functional currency) and are translated from the functional currency to SEK. The translation exposure comprises net assets in foreign currency and arises in connection with acquisitions and divestments. The value of equity subject to translation exposure amounted to MSEK 2,179 (2,375) at year-end; see the table below:

Net assets translated to SEK

MSEK	31-12-2009	31-12-2008
USD	607	1,058
EUR	82	76
AUD	422	343
ZAR	653	617
Other currencies	415	281
Total	2,179	2,375

The foreign currency risk to the Group's income and equity from translation effects – the translation exposure – is not hedged according to the Corporate Treasury Policy. In accordance with the Corporate Treasury Policy, the transaction exposure was hedged as indicated above.

Impairment tests

Long-term contracts in commercial aircraft programs consist of an order backlog and estimated future orders (business case) with cash flows primarily in USD. Cash flows from the latter are normally hedged when they become confirmed offers. In connection with impairment tests of loss contracts (business case), income is affected by the revaluation of future cash flows at spot rates. Larger changes in exchange rates, primarily in USD against SEK, have a significant impact on income. This exposure is not hedged.

Interest rate risks

Interest rate risk refers to the risk that Saab will be negatively affected by changes in interest rate levels.

Interest rate risk has been identified in the following areas:

- Saab is exposed to interest rate risk when the market value of certain balance sheet items is affected by changes in underlying interest rates. Large balance sheet items refer to pension obligations and leasing operations
- Saab's net indebtedness means that results are affected by changes in market rates through a change in net financial items and through the impact on gross income of the interest rate effects on advance financing

Saab attempts to achieve risk neutrality with regard to interest rates by seeking similar interest terms on the asset and liability sides of the balance sheet. Interest rate risks in the Group's financing are managed based on a benchmark with an 18-month duration, with the option of deviating +/-18 months.

Interest rate futures, swaps and options are used for interest risk management to achieve the desired duration in the financing. As of year-end, the fixed-interest duration was 15 months (3). For a sensitivity analysis, see also under liquidity and financing risk. Lending to subsidiaries in foreign currency is normally financed in SEK, which is converted to the subsidiary's currency through swaps. Interest rate swaps in USD are used mainly for interest risk management in the leasing portfolio, where the interest rate risk is fully matched.

The pension liability, the present value of future pension obligations, is the largest interest rate risk due to the liability's long duration. Saab's total interest rate risk has been greatly reduced through the establishment of the Saab Pension Fund (2006).

Liquidity and financing risks

Liquidity and financing risk refers to the risk that the company will not be able to meet its payment obligations due to insufficient liquidity or difficulty raising external loans on acceptable terms.

According to the Corporate Treasury Policy, Saab must always maintain utilised credit facilities or liquid assets corresponding to the higher of:

- 10 per cent of sales
- 50 per cent of outstanding on-demand guarantees.

Liquidity and financing risk are minimised by diversifying financing sources and maturities.

Saab's policy is to insure on-demand guarantees for major projects against unauthorised use. This applies to contracts where the counterparty is classified as a developing country according to the definition of the Export Credits Guarantee Board (EKGN). Insurance can be obtained from state guarantee institutions or the private insurance market.

NOTE 41, CONT.

Saab has access to the following credit facilities:

Loan facilities MSEK	Facility	Utilised	Available
Club loan (mature 2012)	4,000	-	4,000
Backup facilities (mature 2010)	2,100	-	2,100
Account limits (mature 2010)	124	-	124
Total confirmed credit facilities	6,224	-	6,224

MSEK	Limit	Utilised	Available
Commercial paper	5,000	1,800	3,200
Medium Term Notes (MTN)	3,000	1,100	1,900
Receivables financing	1,100	789	311
Total loan programme	9,100	3,689	5,411

Total loan facilities	15,324	3,689	11,635
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The club loan is a credit facility with an equivalent value of MSEK 4,000 from eight banks that expires in 2012. No financial covenants are attached to the club loan or the other credit facilities.

The commercial paper programme, which has a limit of MSEK 5,000 or equivalent value in EUR, has replaced the short-term financing through the club loan and thereby ensures an available backup facility of MSEK 4,000. Furthermore, backup facilities for the commercial paper total MSEK 2,100.

In December 2009, Saab established a Medium Term Note programme (MTN) with a limit of MSEK 3,000 or an equivalent value in EUR. The MTN programme provides access to financing for up to 15 years, which is an element in diversifying loan maturities. In the first transaction, bonds were issued with a value of MSEK 1,100 and a four-year maturity.

During the year, much of the Group's focus was on working capital. Among other things, this has led to a project to free up capital in the balance sheet. By selling accounts receivable as part of a receivables financing programme, capital equivalent to MSEK 789 was freed up to amortise loans. The programme allows Saab to sell 100 per cent of the value of its accounts receivable to selected customers without recourse for Saab. The customers are primarily national and therefore receive favourable financing.

The Parent Company also has MNOK 975 in financing arranged in connection with the acquisition of 75 per cent of the shares in Aker Holding AS in 2007. Saab's investment amounted to approximately NOK 1.2 billion, of which about 80 per cent was financed through the above-mentioned loans. The risk associated with the loans has been reduced through agreements that secure this part of the invested amount, because of which the transactions in the balance sheet are netted as a receivable according to Note 27. The interest on part of the above-mentioned loans is hedged with an interest rate swap that has been identified as a hedging instrument and is therefore recognised according to hedge accounting. No inefficiency has arisen in connection with this hedge.

Sensitivity analysis of financial risk

MSEK	Fixed interest Assets	Liabilities	Net	Effect on market interest rate, 1%	Tied-up capital Assets	Liabilities	Net	Effect on credit spread, 1%	Effect on financial expenses
Maturity									
1 year	-1,944	2,814	870	9	-700	1,820	1,120	11	20
2 year	-	200	200	2	-	-	-	-	2
3 year	-500	400	-100	-1	-500	-	-500	-5	-6
4 year	-	150	150	2	-	1,100	1,100	11	13
5 years and forward	-6	106	100	1	-	-	-	-	1
Total	-2,450	3,670	1,220	13	-1,200	2,920	1,720	17	30

Net liquidity/debt

Net debt excluding interest-bearing receivables and provisions for pensions amounted to MSEK -1,631 (-3,061) on 31 December 2009. During the year, liquidity varied, and surplus liquidity was placed in short-term deposits in the banking market and government bonds. At year-end, bank deposits amounted to MSEK 700 (200) and holdings of government bonds to MSEK 551 (0).

Liquid investments and interest-bearing liabilities

MSEK	31-12-2009	31-12-2008
Assets		
Liquid assets	1,463	822
Short-term investments	551	-
Total liquid investments	2,014	822

Liabilities

Liabilities to credit institutions	2,970	2,832
Other borrowings and other interest-bearing liabilities	675	1,051
Total interest-bearing liabilities	3,645	3,883

Net debt excluding interest-bearing receivables and provisions for pensions	-1,631	-3,061
Plus: interest-bearing receivables	1,001	1,372
Less: provisions for pensions	4	4
Net debt	-634	-1,693

As of 31 December 2009, net debt amounted to MSEK -634 (-1,693) with an average during the year of MSEK -1,721 (-2,023). The net of interest expenses paid and interest income received amounts to MSEK -68 (-163). Of the liquid investments of MSEK 2,014 (822), MSEK 10 (10) was pledged as trading security to OMX.

Other borrowings and other interest-bearing liabilities consist mainly of liabilities to joint ventures of MSEK 632 (1,029). Other borrowings and other interest-bearing liabilities amount to MSEK 675 (1,051), of which MSEK 650 (1,051) matures within one year, MSEK 17 (0) within 1-5 years and MSEK 8 (0) in more than 5 years.

The maturity structure of liabilities to credit institutions is indicated in the tied-up capital column of the "Sensitivity analysis of financial risk" table. The volume of tied-up capital includes bank deposits of MSEK 700 and a holding of MSEK 500 (nominal amount) in government bonds. The fixed-interest volume includes FRA positions and interest rate swaps. The interest rate risk in the loans given a 1 basis point parallel shift in the yield curve was MSEK 13 (28) as of 31 December 2009. The sensitivity analysis below shows the impact on results of an increase in market interest rates and an equally large increase in the credit margin of 1 basis point for Saab's refinancing of credits.

NOTE 41, CONT.

Commodity risks

Price risks are divided into two parts:

- Commodity price risk refers to the risk that purchasing costs for material will rise
- Electricity price risk refers to the risk that Saab could be negatively affected by changes in electricity prices

According to the Group's policy, commodity risk is minimised and managed primarily through contract clauses with customers/suppliers. To minimise the risk to Saab's operating margin, future electricity consumption is hedged. This is done by hedging projected consumption according to a model where 100 per cent of the next quarter's consumption is hedged. The hedging level then drops on a straight-line basis to 0 per cent in quarter 13. Swedish units consume around 180 GWh per year with a spot price risk of MSEK 2 per every time the price of electricity changes by SEK 0.01. Electricity derivatives are managed through a discretionary management mandate, where the manager has the mandate to accept risks in relation to benchmarks (hedging strategy) at the equivalent of MSEK 1 (1) expressed in VaR. The market value of electricity derivatives as of year-end was MSEK -4 (-8).

Credit and counterparty risks

Credit risk is the risk that the counterparty in a transaction will not be able to fulfill the financial obligations of a contract. In the course of its day-to-day operations, Saab is exposed to credit risks related to counterparties in the form of customers, suppliers and financial players. The Group's aggregate credit risks consist of commercial credit risks and financial credit risks.

Commercial credit risks

According to the Group's policy, commercial credit risks are identified and actively managed on a case-by-case basis. Credit risks that arise in customer contracts with lengthy terms are managed by utilising available banking, insurance or export credit institutions. According to the policy, credit risks that arise through advances paid to suppliers are managed by always maintaining bank-guaranteed security for any advances. Commercial credit risks consist of outstanding accounts receivable and advances paid to suppliers.

Accounts receivable

On 31 December 2009, the Group's outstanding accounts receivable amounted to MSEK 2,837 (4,194). During the third quarter 2009, an agreement was signed to sell accounts receivable. The sale reduced accounts receivable by approximately MSEK 800. Defence-related sales accounted for 83 per cent (83) of total sales, where the counterparties in most accounts receivable are nations with high creditworthiness. The Group's receivables are mainly in the EU, which accounted for 55 per cent (71) of the total. Where counterparties' creditworthiness is deemed unsatisfactory, bank and/or insurance guarantees or guarantees from EKN are secured.

In connection with cash transactions, Saab generally requires that a letter of credit is opened in its name to ensure that payment is received.

Write-downs of accounts receivable amounted to MSEK 32 (27), corresponding to 0.9 per cent (0.6) of total accounts receivable. Write-downs of accounts receivable have changed as follows.

MSEK	2009	2008
Write-downs, 1 January	-27	-26
Write-downs for calculated losses	-19	-13
Reversal of previous write-downs	12	6
Actual credit losses	2	6
Write-downs, 31 December	-32	-27

The following table shows an age analysis of the Group's overdue receivables:

MSEK	31-12-2009	31-12-2008
<30 days	466	848
30 to 90 days	194	631
91 to 180 days	87	148
>181 days	147	244
Accounts receivable overdue	894	1,871
Accounts receivable not overdue	1,943	2,323
Total accounts receivable	2,837	4,194

Since accounts receivable are either secured via bank and/or insurance company guarantees or receivables from states, the commercial credit risk is low despite overdue receivables.

Advances paid to suppliers

Advances paid to suppliers constitute a credit risk, since the counterparty's services have not been fully rendered. As of 31 December 2009, the Group had paid its suppliers advances of MSEK 546 (799). As the Group's policy is to always maintain bank-guaranteed security for any advances it pays, the commercial supplier credit risk is considered low.

Financial credit risks

Financial credit risk consists of exposures to banks through deposits and/or the market value of outstanding derivatives.

The Group's policy for managing financial credit risks is to:

- Ensure that all financial counterparties have a long-term credit rating of no lower than A from Standard and Poor's or Moody's
- Assign each financial counterparty a credit limit based on its long-term credit rating
- Enter into ISDA master agreements with financial counterparties to net the positive and negative market values of outstanding derivatives

Credit risk is calculated on established and anticipated risks according to the recommendations of the Bank of International Settlements (BIS). On 31 December 2009, counterparty risks amounted to MSEK 1,500 (1,766), of which deposits with banks and the Swedish state totalled MSEK 1,200 (200).

Trading

The Board has given Saab Treasury a risk mandate for trading in currency and money market instruments. During the year, MSEK 10 was allocated to trading expressed according to VaR. If the cumulative result for the year is negative, the mandate is reduced correspondingly. In 2009, trading income was MSEK 43 (12), which is reported as other operating income. The average utilised risk mandate (VaR) during the year was MSEK 1 (1).

Valuation methods for financial assets and liabilities

The fair value of listed financial assets is determined using market prices. Furthermore, Saab applies various valuation methods to determine the fair value of financial assets that are traded on an inactive market. These valuation methods are based on the valuation of similar instruments, discounted cash flows or customary valuation methods such as Black-Scholes.

The following instruments valued at fair value (non adjusted) on an active market on the balance sheet date:

- Bonds
- Electricity derivatives
- Other interest derivatives
- Shares and participations listed on a stock exchange

NOTE 41, CONT.

The following instruments are valued at fair value according to accepted valuation models based on observable market data:

- **Forward exchange contracts:** Future payment flows in each currency are discounted by current market rates to the valuation day and valued to SEK at year-end exchange rates
- **Options:** The Black-Scholes option pricing model is used in the market valuation of all options
- **Interest swaps:** Future variable interest rates are calculated with the help of current forward rates. These implicit interest payments are discounted on the valuation date using current market rates. The market value of interest rate swaps is obtained by contrasting the discounted variable interest payments with the discounted present value of fixed interest payments
- **Unlisted shares and participations:** Valued according to accepted principles, e.g., for venture capital firms

Pension fund

The Saab Pension Fund was established in 2006 to secure the main part of the Group's pension obligation. The fund is not consolidated in the Group.

In 2009, the Board approved a new investment policy with an absolute return objective. In connection with the implementation of the new policy, the fund's focus shifted from debt matching to a long-term real yield requirement of 3 per cent per year. The investment policy requires an asset distribution of a maximum of 50 per cent equities/alternative investments (hedge funds) and 50-100 per cent interest-bearing instruments. Investments are made in interest-bearing securities from issuers with a credit rating of no lower than BBB(Baa) according to Standard & Poor's and Moody's.

Of the fund's capital at year-end, 61 per cent (58) was invested in interest-bearing assets and the remaining 39 per cent (42) in equity and alternative investments.

The market value of the fund's assets as of 31 December 2009 was MSEK 3,609 (3,082) and the annual return was 12 per cent (-16). In 2009, refunds of MSEK 2 were paid by the fund. The table below shows the solvency margin for the pension fund.

MSEK	31-12-2009	31-12-2008	31-12-2007
Fair value of assets under management	3,609	3,082	3,304
Present value of defined-benefit obligations ¹⁾	5,002	4,432	3,923
Solvency margin	72%	70%	84%
Pension obligation according to PRI	3,844	3,678	3,427
Solvency margin	94%	84%	96%

1) Refers to the pension obligation that the assets under management are designed to cover.

NOTE 42

ASSETS PLEDGED AND CONTINGENT LIABILITIES

MSEK	Group		Parent Company	
	31-12-2009	31-12-2008	31-12-2009	31-12-2008
Assets pledged for own liabilities and provisions				
Chattel mortgages	200	501	200	501
Bonds and other securities	10	10	10	10
Total	210	511	210	511

MSEK	Group		Parent Company	
	31-12-2009	31-12-2008	31-12-2009	31-12-2008
Contingent liabilities				
Guarantees to insurance company, FPG/PRI	77	74	77	74
Guarantees for Group companies' commitments to customers	-	-	4,470	5,360
Sureties for joint ventures	511	549	-	-
Sureties for associated companies	76	80	423	469
Sureties, other	-	1	-	-
Total	664	704	4,970	5,903

The table below shows the total sum of guarantees and a distribution by category and issuer.

MSEK	31-12-2009	% of total	31-12-2008	% of total
Total guarantees	10,518		12,172	
Parent Company guarantees	2,011	19	2,136	18
Bank guarantees	8,507	81	10,036	82
Bank guarantees	8,507		10,036	
On demand	5,013	59	5,062	50
Proprietary	3,494	41	4,974	50
Type of guarantee (of total)	10,518		12,172	
Advances	4,046	38	5,877	48
Completion	2,866	27	3,445	28
Milestone payments	2,697	26	2,240	19
Tenders, credits and other	909	9	610	5

With regard to the Group's so-called fulfilment guarantees for commitments to customers, the likelihood of an outflow of resources is extremely small and, as a result, no value is recognised.

NOTE 43

TRANSACTIONS WITH RELATED PARTIES

Related parties with which the Group has transactions mainly consist of BAE Systems, which holds 21 per cent of the capital and 21 per cent of the votes in Saab, and half of the jointly owned company Gripen International KB. Sales to and purchases from BAE Systems amounted to MSEK 128 and MSEK 98, respectively. Interest-bearing liabilities also include a loan from BAE Systems of MSEK 7.

The Group's financial agreements conform to market principles. Saab does not have any transactions of importance with Investor. Neither does Saab have any significant transactions with Board members or members of Group Management.

Transactions with BAE Systems, Gripen International and other related parties are conducted in accordance with commercial principles.

Of the Parent Company's sales, 7 per cent referred to sales to Group companies, while 13 per cent of the Parent Company's purchases were from Group companies.

Sales to and purchases from the Group's associated companies amounted to approximately MSEK 172 and MSEK 246, respectively.

NOTE 44

GROUP COMPANIES

Significant Group company holdings

Group company	Group company's registered office, country	Ownership share, per cent	
		2009	2008
Combitech AB	Växjö, Sweden	100	100
Saab Barracuda AB	Västervik, Sweden	100	100
Saab Barracuda LLC	USA	100	100
Saab Bofors Dynamics AB	Karlskoga, Sweden	100	100
Saab Danmark A/S	Denmark	100	100
Saab Grintek Defence (Pty) Ltd	South Africa	75	75
Saab Seaeye Ltd	UK	100	100
Saab Systems Oy	Finland	100	40
Saab Systems Pty Ltd	Australia	100	100
Saab Training Systems AB	Jönköping, Sweden	100	100
Saab Underwater Systems AB	Motala, Sweden	100	100

Parent Company

MSEK	2009	2008
Accumulated acquisition value		
Opening balance, 1 January	21,344	21,377
New issues/shareholders' contributions	42	65
Acquisitions	-	3
Sales and liquidations	-1,382	-101
Reclassifications	-7	-
Closing balance, 31 December	19,997	21,344
Accumulated impairments		
Opening balance, 1 January	-9,682	-9,413
Impairments for the year	-795	-269
Closing balance, 31 December	-10,477	-9,682
Carrying amount, 31 December	9,520	11,662

Impairment reversals and impairments for the year are reported in the income statement on the line "Result from shares in Group companies."

Specification of Parent Company's holdings of shares in Group companies

31-12-2009

Group company/Corp. ID no./Reg. office	No. of shares	Share, per cent	Carrying amount
Celsius AB, 556194-4652, Linköping	5,000	100.0%	144
Celsius Invest AB, 556164-6588, Stockholm	1,720,000	100.0%	155
Combitech AB, 556218-6790, Växjö	100,000	100.0%	964
Combitech CSE AB, 556615-7581, Linköping	1,000	100.0%	23
Elesco Holding Oy, Finland	-	100.0%	90
EMC Services Elmiljöteknik AB, 556315-6636, Mölndal	2,000	100.0%	3
Fastighets AB Linköping Malmen 27, 556354-6349, Linköping	20,000	100.0%	4
Fastighets AB Odengatan Jönköping, 556378-6226, Jönköping	2,000	100.0%	-
Fastighets AB Solhusgatan, 556230-7404, Göteborg	1,000	100.0%	67
FFV Ordnance AB, 556414-8194, Eskilstuna	100,000	100.0%	10
Gripen International AB, 556628-6380, Linköping	1,000	100.0%	5
Kockums Holdings AB, 556036-4100, Linköping	48,000	100.0%	5
Lansen Försäkrings AB, 516401-8656, Linköping	500,000	100.0%	51
Linköping City Airport AB, 556366-8333, Linköping	5,000	100.0%	3
Saab Aerospace Overseas AB, 556628-6448, Linköping	1,000	100.0%	3
Saab Aircraft Leasing Holdings AB, 556124-3170, Stockholm	30,000	100.0%	1,500
Saab Barracuda AB, 556045-7391, Västervik	200,000	100.0%	77
Saab Bofors Dynamics AB, 556264-6074, Karlskoga	500,000	100.0%	357
Saab Czech s.r.o., Czech Republic	-	100.0%	15
Saab Danmark A/S, Denmark	-	100.0%	103
Saab Facilities Stockholm AB, 556244-5683, Järfälla	170,000	100.0%	17
Saab International AB, 556267-8994, Stockholm	50,000	100.0%	6
Saab Microwave Systems AB, 556028-1627, Mölndal	300,000	100.0%	3,757
Saab PerformIT AB, 556569-2919, Karlstad	1,350	60.0%	11
Saab Security Systems AB, 556627-4998, Järfälla	200,000	100.0%	100
Saab South Africa (Pty) Ltd, South Africa	-	100.0%	443
Saab Supporter Ett AB, 556121-2597, Linköping	1,000	100.0%	95
SaabTech AB, 556460-1655, Järfälla	3,000,000	100.0%	363
Saab Technologies Inc., USA	-	100.0%	623
Saab Technologies Norway AS, Norge	-	100.0%	-
Saab Technologies, s.r.o., Czech	-	100.0%	15
Saab Training Systems AB, 556030-2746, Jönköping	150,000	100.0%	42
Saab Training Systems B.V., Netherlands	-	100.0%	6
Saab Underwater Systems AB, 556439-6884, Motala	250,000	100.0%	81
Dormant companies, etc.	-	-	382
Carrying amount at year-end			9,520

NOTE 45

UNTAXED RESERVES

Parent Company

MSEK	2009	2008
Accumulated accelerated depreciation		
Buildings and land		
Opening balance, 1 January	105	127
Under depreciation for the year	-21	-22
Closing balance, 31 December	84	105
Machinery and equipment		
Opening balance, 1 January	317	336
Under/ accelerated depreciation for the year	18	-19
Closing balance, 31 December	335	317
Total untaxed reserves, 31 December	419	422

NOTE 46

STATEMENT OF CASH FLOWS, SUPPLEMENTAL INFORMATION

The Group's operating cash flow and a reconciliation between operating cash flow and cash flow for the year are shown below. Operating cash flow differs in the following respect from the statement of cash flows on page 61:

- investments in or sales of short-term investments and other interest-bearing financial investments as well as interest-bearing receivables are not included in investing activities

OPERATING CASH FLOW

Group

MSEK	2009	2008
Cash flow from operating activities		
Income after financial items	976	-406
Transferred to pension fund	-190	-408
Adjustments for items not affecting cash flow	1,835	3,068
Income tax paid	-183	-182
Cash flow from operating activities before changes in working capital	2,438	2,072
Working capital		
Inventories	-401	-27
Current receivables	1,927	312
Advance payments from customers	-485	-1,618
Lease obligations	-	-220
Other current liabilities	-1,522	708
Provisions	-261	-273
Change in working capital	-742	-1,118
Cash flow from operating activities	1,696	954
Investing activities		
Investments in intangible fixed assets	-81	-636
Investments in tangible fixed assets	-197	-386
Investments in lease assets	-3	-
Sale of tangible fixed assets	9	41
Sale of lease assets	130	212
Acquisition of subsidiaries	-68	-
Sale of subsidiaries	11	443
Acquisition/sale of shares, etc.	-50	31
Cash flow from investing activities excluding change in short-term investments and other interest-bearing financial assets	-249	-295
Operating cash flow	1,447	659

NOTE 46, CONT.

 OPERATING CASH FLOW VS. CASH FLOW FOR THE YEAR IN STATEMENT
OF CASH FLOWS

MSEK	2009	2008
Operating cash flow	1,447	659
Investing activities - interest-bearing:		
Short-term investments	-551	-
Other financial investments and receivables	274	-89
Financing activities:		
Loans raised	-	85
Loans amortised	-279	-
Repurchase of shares	-110	-209
Dividend paid to the Parent Company's shareholders	-187	-487
Contribution from minority interest	6	10
Cash flow for the year	600	-31

SUPPLEMENTAL INFORMATION ON STATEMENT OF CASH FLOWS

Liquid assets
Group

MSEK	31-12-2009	31-12-2008
The following components are included in liquid assets:		
Cash and bank balances (incl. available overdraft facilities)	1,447	795
Deposits	16	27
Total according to balance sheet	1,463	822
Total according to statement of cash flows	1,463	822

Parent Company

MSEK	31-12-2009	31-12-2008
The following components are included in liquid assets:		
Cash and bank balances (incl. available overdraft facilities)	788	237
Total according to balance sheet	788	237
Total according to statement of cash flows	788	237

Interest paid and dividends received

MSEK	Group		Parent Company	
	2009	2008	2009	2008
Dividends received	15	2	61	409
Interest received	80	109	141	228
Interest paid	-142	-272	-293	-424
Total	-47	-161	-91	213

Adjustments for items not included in cash flow

MSEK	Group		Parent Company	
	2009	2008	2009	2008
Depreciation and amortisation	1,377	1,161	262	243
Impairments	23	353	1,743	308
Changes in the value of biological assets	-13	-2	-	-
Changes in the value of investment properties	-	1	-	-
Profit shares in associated companies	41	-15	-95	-65
Dividends from associated companies	13	2	-	-
Dividends and Group contributions from Group companies	-	-	-2,763	-438
Capital gain on sale of tangible assets	-3	-78	-133	-
Inventory impairment	-	1,187	-	1,187
Impairment of shares and receivables	47	-	33	-
Provisions	108	538	-73	582
Provisions for pensions	140	31	-227	336
Other	102	-110	50	-181
Total	1,835	3,068	-1,203	1,972

Acquisitions of Group companies and other business units
Group

MSEK	2009	2008
Acquired assets and liabilities		
Operating receivables	14	-
Liquid assets	7	-
Total assets	21	-
Operating liabilities	8	-
Total liabilities	8	-
Purchase price paid	75	-
Less: Liquid assets in acquired operations	-7	-
Effect on liquid assets	68	-
Interest-bearing liabilities	-	-
Effect on net liquidity (liquid assets less interest-bearing liabilities)	68	-

Relate to the acquisition of the remaining 60 per cent of the previous joint venture company TietoSaab Systems in Finland.

NOTE 46, CONT.

Sale of Group companies and other business units

Group		
MSEK	2009	2008
Divested assets and liabilities		
Intangible fixed assets	-	7
Inventories	3	4
Operating receivables	3	54
Assets held for sale	-	564
Total assets	6	629
Provisions	-	2
Deferred tax liability	-	1
Operating liabilities	1	5
Liabilities attributable to assets held for sale	-	239
Total provisions and liabilities	1	247
Sales price	11	443
Purchase price received	11	443
Less: Liquid assets in divested operations	-	-
Effect on liquid assets	11	443
Interest-bearing receivables	-	-
Effect on Group's net liquidity	11	443

NOTE 47

INFORMATION ON PARENT COMPANY

Saab AB (publ) is a limited company registered in Sweden, with its registered office in Linköping. The Parent Company's shares are registered on the NASDAQ OMX Stockholm. The address of the head office is Saab AB, Box 70363, SE-107 24 Stockholm, Sweden.

The consolidated accounts for 2009 comprise the Parent Company and its Group companies, together referred to as the Group. The Group also includes the holdings in associated companies and joint ventures.

NOTE 48

ENVIRONMENTAL REPORT

For further information related to Saab's environmental report, see the Administration report, pages 47–51.

NOTE 49

EXCHANGE RATES USED IN FINANCIAL STATEMENTS

Country			Year-end rate		Average rate	
			2009	2008	2009	2008
Australia	AUD	1	6.43	5.36	6.01	5.53
Denmark	DKK	100	139.15	146.80	142.64	128.84
Euro	EUR	1	10.35	10.94	10.62	9.61
Japan	JPY	100	7.84	8.60	8.18	6.40
Canada	CAD	1	6.89	6.30	6.70	6.17
Norway	NOK	100	124.30	110.35	121.62	117.05
UK	GBP	1	11.49	11.25	11.93	12.09
South Africa	ZAR	100	97.00	82.00	91.20	80.07
USA	USD	1	7.21	7.75	7.65	6.58

NOTE 50

PROFORMA SUMMARY

MSEK	Jan.-Dec. 2009	Jan.-Sep. 2009	Jan.-Jun. 2009	Jan.-Mar. 2009	Jan.-Dec. 2008	Jan.-Sep. 2008	Jan.-Jun. 2008	Jan.-Mar. 2008	Jan.-Dec. 2007
ORDERBOOKINGS									
Aeronautics	3,417	1,628	1,468	1,090	6,153	5,620	5,425	3,322	7,516
Dynamics	3,133	2,395	1,789	969	3,743	2,374	1,834	704	3,870
Electronic Defence Systems	2,625	1,541	1,002	403	4,534	3,022	2,575	1,792	2,421
Security & Defence Solutions	6,045	4,180	2,742	1,509	6,240	3,655	2,499	1,360	5,566
Support & Services	4,057	2,300	1,469	620	3,800	1,990	1,517	909	2,629
Corporate	978	722	515	247	1,588	1,293	1,050	511	1,532
Internal	-1,827	-1,385	-889	-737	-2,846	-1,904	-1,945	-849	-2,688
Total	18,428	11,381	8,096	4,101	23,212	16,050	12,955	7,749	20,846
ORDER BACKLOG									
Aeronautics	15,476	15,819	17,179	18,780	19,626	21,733	22,767	22,871	21,158
Dynamics	6,980	7,708	8,103	8,447	8,453	8,821	8,938	8,795	8,882
Electronic Defence Systems	7,159	7,673	8,374	8,775	9,248	9,132	9,608	10,083	9,390
Security & Defence Solutions	7,746	8,045	7,944	7,676	7,129	6,676	6,645	6,709	6,659
Support & Services	4,011	3,223	3,143	3,262	3,455	2,663	2,873	3,092	3,016
Corporate	176	170	187	224	201	275	1,014	911	815
Internal	-2,159	-2,331	-2,516	-3,006	-2,788	-2,648	-3,274	-2,853	-2,604
Total	39,389	40,307	42,414	44,158	45,324	46,652	48,571	49,608	47,316
SALES									
Aeronautics	7,571	5,438	3,956	1,843	7,269	4,913	3,652	1,612	6,510
Dynamics	4,580	3,099	2,155	1,005	4,281	2,489	1,785	775	3,812
Electronic Defence Systems	4,670	3,267	2,087	988	4,474	2,984	1,983	808	4,440
Security & Defence Solutions	5,800	3,560	2,399	1,060	5,278	3,367	2,288	1,055	5,665
Support & Services	3,564	2,532	1,780	814	3,439	2,341	1,659	820	3,212
Corporate	1,002	753	530	226	1,511	1,163	871	442	1,590
Internal	-2,540	-1,770	-1,212	-524	-2,456	-1,649	-1,213	-533	-2,208
Total	24,647	16,879	11,695	5,412	23,796	15,608	11,025	4,979	23,021
EBITDA									
Aeronautics	255	117	82	65	-1,313	45	148	146	617
Dynamics	466	387	259	118	497	225	181	86	494
Electronic Defence Systems	551	498	342	151	997	531	411	164	776
Security & Defence Solutions	397	217	155	37	501	260	171	61	715
Support & Services	426	274	223	107	433	289	235	123	338
Corporate	503	253	152	-43	400	295	275	7	745
Total	2,598	1,746	1,213	435	1,515	1,645	1,421	587	3,685
EBITDA MARGIN, %									
Aeronautics	3.4	2.2	2.1	3.5	-18.1	0.9	4.1	9.1	9.5
Dynamics	10.2	12.5	12.0	11.7	11.6	9.0	10.1	11.1	13.0
Electronic Defence Systems	11.8	15.2	16.4	15.3	22.3	17.8	20.7	20.3	17.5
Security & Defence Solutions	6.8	6.1	6.5	3.5	9.5	7.7	7.5	5.8	12.6
Support & Services	12.0	10.8	12.5	13.1	12.6	12.3	14.2	15.0	10.5
Total	10.5	10.3	10.4	8.0	6.4	10.5	12.9	11.8	16.0

NOTE 50, CONT.

MSEK	Jan.-Dec. 2009	Jan.-Sep. 2009	Jan.-Jun. 2009	Jan.-Mar. 2009	Jan.-Dec. 2008	Jan.-Sep. 2008	Jan.-Jun. 2008	Jan.-Mar. 2008	Jan.-Dec. 2007
OPERATING INCOME									
Aeronautics	6	-67	-41	3	-1,508	-92	45	111	454
Dynamics	269	252	169	75	112	149	129	59	406
Electronic Defence Systems	24	93	75	27	524	213	184	75	216
Security & Defence Solutions	278	157	105	11	331	213	137	38	615
Support & Services	410	262	215	103	413	274	225	118	321
Corporate	387	174	99	-69	294	218	224	-16	595
Total	1,374	871	622	150	166	975	944	385	2,607
EBIT MARGIN, %									
Aeronautics	0.1	-1.2	-1.0	0.2	-20.7	-1.9	1.2	6.9	7.0
Dynamics	5.9	8.1	7.8	7.5	2.6	6.0	7.2	7.6	10.7
Electronic Defence Systems	0.5	2.8	3.6	2.7	11.7	7.1	9.3	9.3	4.9
Security & Defence Solutions	4.8	4.4	4.4	1.0	6.3	6.3	6.0	3.6	10.9
Support & Services	11.5	10.3	12.1	12.7	12.0	11.7	13.6	14.4	10.0
Total	5.6	5.2	5.3	2.8	0.7	6.2	8.6	7.7	11.3
ADJUSTED OPERATING MARGIN									
Aeronautics	1.4	0.6	1.5	0.2	3.6	2.9	7.6	6.9	7.0
Dynamics	9.8	8.1	7.8	7.5	8.5	6.0	7.2	7.6	9.5
Electronic Defence Systems	0.5	2.8	3.6	2.7	11.7	7.1	9.3	9.3	7.3
Security & Defence Solutions	4.8	4.4	4.4	1.0	8.2	6.3	6.0	3.6	10.3
Support & Services	12.1	10.3	12.1	12.7	12.0	11.7	13.6	14.4	10.0
Total	5.4	4.9	4.9	2.8	8.4	5.9	8.9	7.7	9.4
OPERATING CASH FLOW									
Aeronautics	-434	-502	-475	-310	-1,007	-1,068	-1,162	-169	-773
Dynamics	369	-21	-75	103	830	186	301	438	-822
Electronic Defence Systems	506	199	168	333	175	-340	136	437	-521
Security & Defence Solutions	-217	-41	370	-193	308	561	222	92	55
Support & Services	81	145	-88	60	-285	-281	-269	-182	243
Corporate	1,142	397	-143	-449	638	563	-164	-313	215
Total	1,447	177	-243	-456	659	-379	-936	303	-1,603

NOTE 50, CONT.

MSEK	Jan.-Dec. 2009	Jan.-Sep. 2009	Jan.-Jun. 2009	Jan.-Mar. 2009	Jan.-Dec. 2008	Jan.-Sep. 2008	Jan.-Jun. 2008	Jan.-Mar. 2008	Jan.-Dec. 2007
CAPITAL EMPLOYED									
Aeronautics	2,146	2,675	2,665	2,648	3,022	4,180	4,168	3,984	4,202
Dynamics	2,880	3,169	3,175	2,873	2,942	3,533	3,435	3,187	3,698
Electronic Defence Systems	5,621	5,789	5,564	5,206	5,571	5,401	5,235	4,981	5,130
Security & Defence Solutions	3,159	2,841	2,858	2,599	2,496	2,291	2,806	2,597	2,979
Support & Services	1,807	1,620	1,836	1,623	1,518	1,413	1,414	1,209	977
Corporate	-1,282	-1,567	-1,647	-1,672	-2,331	-1,993	-950	-2,084	-2,217
Total	14,331	14,527	14,451	13,277	13,218	14,825	16,108	13,874	14,769
NUMBER OF EMPLOYEES									
Aeronautics	3,015	3,040	3,065	3,091	3,100	3,043	3,023	2,979	2,911
Dynamics	1,739	1,765	1,781	1,805	1,805	1,793	1,812	1,851	1,849
Electronic Defence Systems	2,601	2,633	2,632	2,615	2,670	2,638	2,631	2,613	2,491
Security & Defence Solutions	2,568	2,543	2,518	2,462	2,449	2,657	2,656	2,769	2,875
Support & Services	1,749	1,757	1,765	1,796	1,814	1,839	1,718	1,742	1,734
Corporate	1,487	1,507	1,515	1,509	1,456	1,436	1,953	1,909	1,897
Total	13,159	13,245	13,276	13,278	13,294	13,406	13,793	13,863	13,757
SPLIT OF SALES DEFENCE/CIVIL, %									
Aeronautics	91/9	92/8	93/7	93/7	93/7	94/6	95/5	93/7	94/6
Dynamics	91/9	90/10	90/10	91/9	90/10	89/11	90/10	87/13	92/8
Electronic Defence Systems	99/1	99/1	99/1	100/0	100/0	100/0	100/0	100/0	100/0
Security & Defence Solutions	67/33	65/35	68/32	65/35	72/28	73/27	76/24	77/23	74/26
Support & Services	77/23	77/23	70/30	67/33	74/26	75/25	72/28	71/29	61/39
Total	83/17	84/16	87/13	83/17	83/17	82/18	83/17	81/19	81/19

NOTE 51

DEFINITIONS OF KEY RATIOS

Operating margin

Operating income as a percentage of sales revenue.

Adjusted operating margin

Operating income adjusted for the result from divestments and non-recurring income/expenses as a percentage of sales revenue.

Capital employed

Total capital less non-interest-bearing liabilities.

Return on capital employed

Operating income plus financial income as a percentage of average capital employed.

Return on equity

Net income for the year as a percentage of average equity.

Profit margin

Operating income plus financial income as a percentage of sales.

Capital turnover

Sales divided by average capital employed.

Net liquidity/net debt

Liquid assets, short-term investments and interest-bearing receivables less interest-bearing liabilities and provisions for pensions.

Equity/assets ratio

Equity in relation to total assets.

Net debt/equity ratio

Net debt in relation to equity.

Interest coverage ratio

Operating income plus financial income divided by financial expenses.

Earnings per share

Net income for the year attributable to Parent Company shareholders' interest, divided by the average number of shares before and after full dilution. There is no dilution impact if the result is negative.

Equity per share

Equity attributable to the Parent Company's shareholders divided by the number of shares at the end of the year.

DIVIDEND MOTIVATION

The Board of Directors' statement according to chapter 18, § 4 of the Companies Act with regard to the proposed dividend – Saab AB

Saab is one of the world's leading high-technology companies, because of which its operations are distinguished by complex development assignments on the cutting edge of technology. Over the years, Saab has conducted significant development projects and managed the associated risks with great success. See also risks and uncertainties in the annual report.

The Board of Directors' proposed dividend amounts to SEK 2,25 per share, corresponding to a total dividend of MSEK 237. Unrestricted equity amounts to MSEK 3,103 in Saab AB and profit and loss carried forward in the Group before the dividend paid amounts to MSEK 8,139.

Net income for the year attributable to Parent Company's shareholders amounted to MSEK 686 for the Group and MSEK 1,675 for the Parent Company.

After paying the dividend, the Group's equity/assets ratio amounts to 35 per cent, compared with the long-term objective of 30 per cent. Since the IPO in 1998, the equity/assets ratio has risen from 22 per cent to 35 per cent in 2009.

The Group's gross capital expenditures in 2009 amounted to MSEK 197, which is considered a good approximation of annual future investments in tangible fixed assets. Investments are also made in research and development, which in 2009 amounted to MSEK 1,194, of which MSEK 67 was capitalised in the balance sheet.

During the year, Saab had a net debt position. Net debt and interest-bearing liabilities, including provisions for pensions less liquid assets and interest-bearing receivables, amounts to MSEK 634. Saab's ability to carry out its commitments is not affected by the proposed dividend either on a short- or a long-term basis.

The proposed dividend is considered justifiable with regard to what is stated in chapter 17, § 3, paragraphs two and three of the Companies Act (2005:551):

1. the demands that the company's nature, scope and risks place on the size of its equity, and
2. the company's consolidation needs, liquidity or financial position in other respects.

The Board of Directors of Saab AB

PROPOSED DISPOSITION OF EARNINGS

The Board of Directors and the President propose that the unappropriated earnings in the Parent Company at disposal of the Annual General Meeting, amounting to:

SEK	
Retained earnings	1,427,919,471
Net income for the year	1,674,940,353
Total	3,102,859,824
Be disposed as follows:	
To the shareholders, a dividend of SEK 2.25 per share	237,400,029
Funds to be carried forward	2,865,459,795
Total	3,102,859,824

After the proposed disposition, equity in the Parent Company will be as follows:

SEK	
Capital stock	1,746,405,504
Statutory reserve	542,471,135
Revaluation reserve	723,939,300
Retained earnings	2,865,459,795
Total	5,878,275,734

The company's policy is to issue a dividend of 20–40 per cent of net income over a business cycle. The Board of Directors and the President propose that MSEK 237 (187), or SEK 2.25 per share (1.75) be issued as a dividend. Saab's equity/assets ratio is currently 35.1 per cent (28.4) and after the proposed disposition of earnings will be 34.6 per cent (28.0).

The undersigned certify that the consolidated accounts and the annual report have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted for use in the European Union, and generally accepted accounting principles, and give a true and fair view of the financial positions and results of the Group and the Parent Company, and that the management report gives a fair review of the development of the operations, financial positions and results of the Group and the Parent Company and describes substantial risks and uncertainties that the Group companies faces.

Linköping, 12 February 2010

Marcus Wallenberg
Chairman

Lennart Johansson
Board member

Erik Belfrage
Board member

Catarina Carlqvist
Board member

Peter Nygårds
Board member

George Rose
Board member

Lena Treschow Torell
Board member

Per-Arne Sandström
Board member

Conny Holm
Board member

Stefan Andersson
Board member

Sten Jakobsson
Board member

Michael O'Callaghan
Board member

Åke Svensson
President and CEO

Our Audit Report was submitted on 12 February 2010

Erik Åström
Authorised Public Accountant

Tommy Mårtensson
Authorised Public Accountant

AUDITORS' REPORT

To the Annual General Meeting of the shareholders of Saab AB (publ),
corporate identity number 556036-0793

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the President of Saab AB (publ) for the year 2009. The annual accounts and the consolidated accounts are included on pages 34–127 in this document. The Board of Directors and the President are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRS as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President and significant estimates made by the Board of Directors and the President when preparing the annual accounts and the consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant deci-

sions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any Board member or the President. We also examined whether any Board member or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with international financial reporting standards IFRS as adopted by the EU and the Annual Accounts Act and give a true and fair view of the Group's financial position and results of operations. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the Annual General Meeting that the income statement and the balance sheet of the Parent Company and the income statement and the statement of financial position of the Group be adopted, that the profit of the Parent Company be dealt with in accordance with the proposal in the administration report and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Linköping, 12 February 2010

Ernst & Young AB

Erik Åström
Authorised Public Accountant

Deloitte AB

Tommy Mårtensson
Authorised Public Accountant

CORPORATE GOVERNANCE REPORT

Introduction

Saab AB is a Swedish public limited liability company listed on the NASDAQ OMX Stockholm and governed by Swedish law. Saab AB is the parent company of the Group with 71 subsidiaries globally.

Saab's corporate governance is based on Swedish legislation, primarily the Swedish Companies Act, the listing agreement with NASDAQ OMX Stockholm – which also includes the Swedish Code of Corporate Governance – and other relevant Swedish and foreign laws and guidelines. Saab strives to maintain the highest standards in its corporate governance.

Swedish Code of Corporate Governance

According to the listing requirements of NASDAQ OMX Stockholm, all Swedish companies that are registered on NASDAQ OMX

Stockholm shall apply the Swedish Code of Corporate Governance (“the Code”).

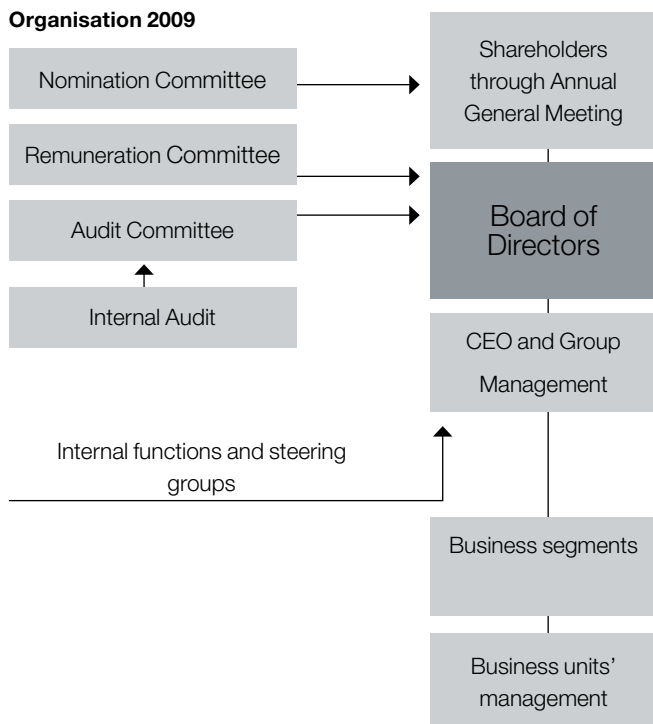
Saab applies the Code. Accordingly, this corporate governance report describes how Saab applied the Code during the financial year 2009. Moreover, the Annual General Meeting will be planned and carried out in accordance with the provisions of the Code. Saab's website has a special area for corporate governance issues, which is updated in accordance with the Code.

The Board annually issues a report on how the internal control of financial reporting is organised, which can be found at the end of this report.

The contents of this corporate governance report have not been reviewed by the company's auditors.

Saab reported no deviations from the Code in 2009.

Organisation 2009



Ownership structure

Saab's capital stock amounted to SEK 1,746,405,504 on 31 December, 2009 and consisted of 103,896,041 listed Series B shares and 5,254,303 unlisted Series A shares. The Saab shares are registered with Euroclear Sweden AB. Series A shares have ten votes each, while Series B shares have one vote each. The quota value per share is SEK 16. The Series B share is listed on the NASDAQ OMX Stockholm on the large cap list. Of the total number of shares, 52,098,153 are Series B shares available via the stock market, representing 48 per cent of the capital and 34 per cent of the votes. A round lot consists of 100 shares. The company's Series A shares are owned by Investor (4,207,123) and BAE Systems (1,047,180).

According to the ownership registry, Saab had 32,555 shareholders as of year-end. Swedish investors accounted for 60 per cent of the capital stock and 65 per cent of the votes. Swedish equity funds owned approximately 13 per cent of the capital stock and 9 per cent of the votes. Individual Swedish investors held approximately 7 per cent of the capital stock and 5 per cent of the votes.

A large share of those shares held by foreign investors are registered by nominees through a foreign bank or other trustees not affiliated with Euroclear Sweden AB. Approximately 40 per cent of the total capital stock was held by foreign shareholders at year-end, according to SIS Ägarservice.

Largest shareholders

	Share of capital, %	Share of votes, %
BAE Systems	20.5	20.8
Investor AB	19.8	38.9
Wallenberg Foundations	8.7	6.2
Swedbank Robur funds	4.8	3.4
Nordea funds	2.8	2.0
Odin funds	2.8	2.0
SEB funds	2.6	1.9
Orkla ASA	1.5	1.0
Forth AP fund	1.3	0.9
SHB funds	1.2	0.9
SEB Foundation	0.9	0.7

Saab held 3.3 percent of the capital as treasuryshares at the end of December 2009. For additional information about the ownership structure, see page 141.

Nomination Committee

The Annual General Meeting in April 2009 resolved that Saab shall have a Nomination Committee consisting of one representative of each of the four shareholders or groups of shareholders with the greatest number of votes, along with the Chairman of the Board. The names of the four owners' representatives and the shareholders they represent shall be announced at least six months prior to the Annual General Meeting 2010 based on known voting rights as per 31 August 2009. The resolution includes procedures, where necessary, to replace a member who leaves the committee before its work has been completed.

According to a resolution by the Annual General Meeting 2009, the Nomination Committee shall provide recommendations on the following issues, to be presented to the Annual General Meeting 2010 for resolution:

- recommendation on the Chairman of the meeting,
- recommendation on the Board of Directors,
- recommendation on the Chairman of the Board,
- recommendation on the remuneration to the members of the Board, allocated between the Chairman and other members of the Board, and remuneration for committee work,
- recommendation on audit fees, and
- recommendation on the appointment of a new Nomination Committee for the Annual General Meeting 2011.

Before the Annual General Meeting of Saab AB on 15 April 2010, it was announced through a press release that, in addition to Chairman of the Board Marcus Wallenberg, the following shareholder representatives had been appointed to Saab's Nomination Committee

(shareholder's name in parentheses): Petra Hedengran (Investor), Peter Wallenberg Jr (Knut and Alice Wallenberg Foundation), Peter Rydell (Swedbank Robur Funds) and Erik Feldt (Nordea Funds). Petra Hedengran is the Chairman of the Nomination Committee.

These persons represent in the aggregate approximately 50 per cent of the votes in Saab based on the ownership structure as of 31 August 2009. BAE Systems has waived the right to representation on the Nomination Committee.

The recommendations of the Nomination Committee will be presented not later than in connection with the notice of the Annual General Meeting 2010.

Members of the Nomination Committee for Annual General Meeting 2010

Member	Representing	% of votes 31-8-2009	% of capital 31-8-2009
Petra Hedengran	Investor	38.9	19.8
Peter Wallenberg Jr	Knut and Alice Wallenberg Foundation	6.1	8.7
Peter Rydell	Swedbank Robur Funds	3.1	4.3
Erik Feldt	Nordea Funds	2.9	4.1
Marcus Wallenberg	Chairman Saab AB	-	-

Board of Directors
Composition of the Board

According to Saab's articles of association, the Board of Directors shall, in addition to the employee representatives, consist of at least six and not more than twelve members with no deputies. Members of the Board shall be elected annually at the Annual General Meeting. Saab's Board of Directors consists of ten members elected by the Annual General Meeting and three members, with an equal number of deputies, appointed by employee organisations.

At the Annual General Meeting on 16 April 2009, Erik Belfrage, Sten Jakobsson, Lennart Johansson, Peter Nygård, Michael J. O'Callaghan, George Rose, Per-Arne Sandström, Lena Treschow Torell, Marcus Wallenberg and Åke Svensson were re-elected.

Marcus Wallenberg was elected Chairman of the Board of Directors. Only Åke Svensson, President of Saab, is employed by the company.

Information on the remuneration to the members of the Board resolved by the Annual General Meeting 2009 is set forth in the annual report, note 37.

Members of the Board elected by the Annual General Meeting

Marcus Wallenberg	Peter Nygårds
Åke Svensson	Michael J. O'Callaghan
Erik Belfrage	George Rose
Sten Jakobsson	Per-Arne Sandström
Lennart Johansson	Lena Treschow Torell

Other significant professional commitments, work experience, etc. are set forth in the presentation of the Board of Directors.

Employee representatives and deputies

Regulars	Deputies
Stefan Andersson	Göran Gustavsson
Catarina Carlqvist	Jan Kovacs
Conny Holm	Nils Lindskog

Independence requirement

The following table sets forth the members of the Board elected by the Annual General Meeting who, according to the definition of the Code, are considered independent in relation to the company and the management, as well as in relation to the company's major shareholders.

Composition of the Board in 2009

Board member	Elected	Independent of the company/ management	Independent of major shareholders
Marcus Wallenberg	1992	Yes	No ¹⁾
Åke Svensson	2003	No ²⁾	Yes
Erik Belfrage	1991	Yes	No ³⁾
Sten Jakobsson	2008	Yes	Yes
Lennart Johansson	2006	Yes	No ⁴⁾
Peter Nygårds	2000	Yes	Yes
Michael J. O'Callaghan	2007	Yes	No ⁵⁾
George Rose	1998	Yes	No ⁵⁾
Per-Arne Sandström	2005	Yes ⁶⁾	Yes
Lena Treschow Torell	2005	Yes	No ⁷⁾

1) Former President and CEO of Investor

2) President and CEO

3) Former member of Investor's board

4) Employed by Investor

5) Employed by BAE Systems

6) From September 2009 consulting agreement with the company for a defined period of time

7) Member of Investor's board

Accordingly, the company fulfils the requirements of the Code that a majority of the Board members appointed by the Annual General Meeting are independent of the company and the management, and that at least two of them are independent of the major shareholders.

Work of the Board

According to the Board's rules of procedure, five ordinary meetings are normally held each year, in addition to the statutory meeting. The

Board may also meet whenever circumstances demand. During 2009, the Board held one statutory meeting, five ordinary meetings and four extraordinary meetings, totalling ten meetings.

The Board annually adopts rules of procedure and an instruction on the allocation of work between the Board and the President and CEO, as well as an instruction on financial reporting to the Board.

The rules of procedure contain, e.g., provisions on the number of board meetings to be held, a list of matters to be considered at the meetings, reporting from the auditors and special decisions to be taken at the statutory meeting. The rules of procedure and special instruction for the President set forth the delegation of responsibilities between the Board and its two committees, the Remuneration Committee and the Audit Committee, as well as between the Board and the President. The instruction for the President sets out the President's duties and authority. The instruction also includes policies on investments, financing and reporting.

During the course of the year, the Board was assisted by the Board Secretary, General Counsel Anne Gynnerstedt, who is not a member of the Board.

In 2009, the Board of Directors considered the establishment of a budget and business plan.

The monthly financial reports which are discussed at each Board meeting are an important part of the Board's work. These reports are presented at each Board meeting and before the quarterly reports and year-end report. To further adapt Saab to the significant changes in the global defence industry, the Board during the year worked on a thorough strategic review, as a result of which a reorganisation will take effect as of 1 January 2010. The aim is to create a more market-oriented Saab with an increased focus on the future needs and requirements of customers. The organisation will also ensure good customer support and an even more competitive product offering, while creating prerequisites to further streamline business operations. The Board has also devoted time during the year to significant export opportunities and related marketing investments.

The efficiency of the cost-savings programme is monitored regularly. Committee work represents a substantial part of the Board's work. After meetings of the Audit and Remuneration Committees, the issues that have been treated are reported to the Board and resolutions are taken in accordance with the committees' recommendations.

Board of Directors' committee work

Audit Committee

The Board of Directors has appointed an Audit Committee consisting of three members. The work of the Audit Committee is mainly of a preparatory nature, i.e., it prepares matters for ultimate resolution by the Board. However, the Audit Committee has decision-making power on some issues in limited areas.

Since the Annual General Meeting in April 2009, the Audit Committee has consisted of the following members: Peter Nygårds (Chairman), Per-Arne Sandström, and Lennart Johansson, of whom Peter Nygårds and Per-Arne Sandström are independent of the company and the management as well as of the major share-

holders. The General Counsel, Anne Gynnerstedt, is secretary to the Audit Committee.

The Audit Committee's assignment is set forth in the Board's rules of procedure. Among other things, the Audit Committee shall be responsible for preparing the work of the Board to ensure the quality of the company's financial reporting, assist the Nomination Committee in making recommendations for auditors and audit fees, monitor the focus of audits, co-ordinate the external and internal audits, evaluate the external audit and review the effectiveness of the internal control systems for financial reporting. The company's internal and external auditors are both co-opted to the meetings of the Audit Committee. During 2009, the Audit Committee focused particularly on Saab's restructuring, the financial reporting and the operational excellence programme.

The Audit Committee keeps minutes of its meetings, which are promptly communicated to the other members of the Board.

In 2009, the Committee held seven meetings.

Remuneration Committee

The Board of Directors has appointed a Remuneration Committee consisting of three members: Marcus Wallenberg, George Rose and Lena Treschow Torell. Lena Treschow Torell is Chairman of the committee. The General Counsel, Anne Gynnerstedt, is secretary to the committee.

The Remuneration Committee is responsible for preparing matters concerning remuneration principles, including programmes for variable compensation and pension terms for Group Management, and preparing the design and proposal of Saab's Share Matching Plan. As of 2006, all decisions regarding such principles shall be made by the Annual General Meeting in accordance with the recommendation by the Board. Matters concerning employment terms, compensation and other benefits for the President are prepared by the Remuneration Committee and adopted by the Board, which is

responsible for interpretation and application of the principles. The Remuneration Committee has no decision-making powers of its own. During the year, the Remuneration Committee was particularly involved in the creation of a performance share plan for senior executives and key employees, which was adopted by the Annual General Meeting in April.

The Remuneration Committee keeps minutes of its meetings, which are promptly communicated to the other members of the Board.

In 2009, the Committee held four meetings.

Evaluation

The Chairman of the Board annually performs an evaluation of the quality of the Board's work and possible improvements to the forms and efficiency of its work. This is done by having members fill out a questionnaire on their opinions of how well the Board is functioning. The results are then compared with previous years. The questionnaire consists of five parts covering the breadth of competence represented in the Board, the manner in which its work is performed, the Chairman, the Board's composition and the co-operative atmosphere. The purpose of the evaluation is to understand how members feel about the Board's work. The results are then discussed by the Board. No external consultants are involved in the evaluation.

The Nomination Committee is also informed of the results of the evaluation in connection with its analysis, evaluation and appointment of Board representatives.

The Board continuously evaluates the President's work by monitoring business results in relation to established objectives.

President and CEO

President Åke Svensson is also a member of the Board of Directors. His significant professional commitments outside the company, work experience, etc. are set forth in the presentation of the Board.

Attendance and Board remuneration in 2009

Name	Audit Committee	Remuneration Committee	Attendance Board-meetings ¹⁾	Committee meetings ²⁾	Board fees kSEK ³⁾	Audit Committee fees, kSEK	Remuneration Committee fees, kSEK	Total remuneration kSEK
Marcus Wallenberg		x	10	4	1,100		80	1,180
Åke Svensson			10					
Erik Belfrage			10		425			425
Sten Jakobsson			9		425			425
Lennart Johansson	x		10	7	425	100		525
Peter Nygårds	x		9	6	425	150		575
Michael J. O'Callaghan			10		-			-
George Rose		x	9	3	-			-
Per-Arne Sandström	x		10	6	425	100		525
Lena Treschow Torell		x	10	4	425		135	560

1) Of a total of 10 meetings.

2) Of a total of 7 meetings for Audit Committee and 4 meetings for Remuneration Committee.

3) BAE Systems' board members do not receive a fee.

Åke Svensson does not own shares in any enterprises with which Saab has material business ties.

Auditors

On behalf of the shareholders and in accordance with current laws and regulations, the external auditors examine the financial statements, group accounts, annual report and administration and management of the company by the Board of Directors and the President. In addition, the semi-annual report has been reviewed by the auditors. The auditor in charge also presents an auditors' report to the Annual General Meeting.

The Annual General Meeting elects the auditors. The auditors elected by the Annual General Meeting are the registered accounting firms Ernst & Young and Deloitte.

Ernst & Young AB

- Re-elected in 2007 for the term 2007-2010
- Member of Ernst & Young's global organisation with operations in around 140 countries
- Auditor in charge since 2007, Erik Åström
- Other audit engagements: Apoteket, Hakon Invest, Hennes & Mauritz, Modern Times Group and Svenska Handelsbanken.

Deloitte AB

- Elected in 2009 for a term not exceeding three years
- Member of Deloitte's global organisation with operations in around 140 countries
- Auditor in charge since 2005, Tommy Mårtensson
- Other audit engagements: Björn Borg, FastPartner, Fortum, Industriefonden and Svevia. Also experience as auditor for SJ and Tele2.

Ernst & Young and Deloitte both have competence and experience in areas important to Saab: auditing of large, listed companies, accounting issues, industry experience and international businesses.

The Audit Committee is responsible for ensuring that the independent position of the auditors is maintained, e.g., by staying informed of ongoing consulting assignments. The Audit Committee has also established guidelines for the services other than auditing that the company may procure from its auditors.

Guidelines for remuneration and other benefits to members of the senior management

Details about the guidelines can be found in the administration report.

Audit fees

Saab's auditors receive a fee according to approved invoices as resolved by the Annual General Meeting.

Ernst & Young and Deloitte have in the past three years carried out services on behalf of the company in addition to their audit assignments. These consultations, which were closely associated with the audits, involved accounting and tax issues in connection

with acquisitions and restructurings, and the structure and implementation of Saab's Share Matching Plan for the employees.

Auditors' fees 2007–2009, the Group

MSEK	2009	2008	2007
Audit assignments:			
Ernst & Young AB	14	14	13
Deloitte AB	4	4	4
Other assignments:			
Ernst & Young AB	2	2	4
Deloitte AB	2	3	2

Financial reporting

The Board documents the manner in which it ensures the quality of the financial reports and how it communicates with the company's auditors.

The Board ensures the quality of financial accounting through its Audit Committee, according to the report submitted above. The Audit Committee considers not only critical accounting questions and the financial reports presented by the company, but also matters of internal control, regulatory compliance, potential material uncertainty in reported values, post-statement events, changes in assessments and evaluations and other circumstances that may affect the quality of the financial statements. The auditors participate in all regular meetings of the Audit Committee except when the election of external auditors is discussed.

The entire Board reviews the interim reports before they are published.

The company's auditors attend the Board meeting when the annual accounts are approved.

The Board has met with the auditors to discuss their review of the company for the financial year 2009.

The Board's report on internal control of the financial reporting

According to the Swedish Companies Act and the Swedish Code of Corporate Governance, the Board is responsible for internal control. This report on internal control of the financial reporting has been drafted on the basis of the code.

Control environment and corporate governance

Saab's system of internal control is designed to assist the business achieve the targets of the operations and manage risks. The system allows for reasonable but not absolute insurance against material errors in the financial reporting.

The delegation of responsibilities is based on the Board's rules of procedure and an instruction, which sets forth the roles, responsibilities and activities of the Board and the President.

Internal control is based on Saab's organisation, where operating responsibilities and powers were delegated in 2009 to business units and support units, which also received support and were supervised by segment managers and Group corporate staffs with specific competencies. These Group Staffs issue Group guidelines that clarify responsibilities and powers and constitute part of the internal control in specific areas such as finance, accounting, investments and tenders.

The Internal Audit department, which is part of the internal control structure, is a dedicated resource for independent review of the efficiency of internal control processes. At the same time, Internal Audit supports locally applied internal controls and serves as a resource to monitor financial reporting routines.

Internal Audit's assignment is initiated by the Audit Committee, Group Management and its members, and at its own initiative.

Risk assessment

Saab's operations are mainly characterised by the development, production and supply of technologically advanced hardware and software for customers around the world. The international part of the business dominates. As a rule, projects entail considerable sums of money, stretch over long periods of time and involve technological development or refinement of products.

Based on Saab's operations, the material risk areas in financial reporting are project accounting, acquisitions and goodwill, development costs, hedging and other financial transactions, leasing operations, taxes and accounting for pensions.

In addition to business risks, the processes are also assessed on the basis of the risk of exposure to any improprieties.

Corporate Financial Control continuously co-ordinates an overall risk assessment of the financial reporting. The current risk assessment is reconciled with Saab's Internal Audit, which adjusts its annual audit plan accordingly. Information on developments in essential risk areas and a report on activities planned and executed in these areas are communicated regularly to Saab's Audit Committee. Saab's risk assessment is also communicated regularly to Saab's external auditors.

Communication and control activities

The Board's oversight of internal control is based on the rules of the Swedish Companies Act, the listing agreement with NASDAQ OMX Stockholm, including the Code, the ethical guidelines adopted by the Board, the Board's rules of procedure, the instruction on the delegation of duties between the Board and the President, and the instruction on financial reporting to the Board.

Internal control within Saab is based on clearly defined areas of responsibility and authority, issued Group guidelines, processes and controls.

Uniform handling of financial reporting is assured by adopting and issuing Group guidelines approved by the President or by function managers appointed by the President. All Group directives are updated on an ongoing basis, are clearly communicated and are available on the internal website.

In 2008, a revised Corporate Treasury Policy was approved by the Board and implemented in operations. In 2009, a corporate directive and processes for financial risk management were implemented. The directive gives an overview of how the company shall treat financial, credit and political risks. The Corporate Treasury Policy is revised by the Board on a yearly basis. No significant changes were made in 2009.

Control and monitoring of the operations were performed in 2009 by steering groups in the business units and a stronger manage-

ment at the business segment level. The steering groups and business segment's management were also responsible for implementation of Group guidelines and compliance within each organisation.

Each business unit designed its risk management routines and structure for internal control based on overall routines and Group guidelines.

In 2009, Saab had a chain of controllers from the Group and business segment level through business units to profit units and projects. They were responsible for ensuring that routines are in place for internal control, that the Group's control processes have been implemented, that any risk exposure is reported, and that the financial reports are correct, complete and delivered on time.

All operating units report monthly and quarterly according to a standardised reporting routine. This quarterly reporting serves as the basis for Saab's external financial reporting. Operating reports were based in 2009 on measurements of the profitability and financial position of each business unit, which are consolidated to measure the total profitability and financial position of the business segments and the Group.

Accountants and controllers are in continuous contact with the Group Accounting Staff regarding accounting and reporting questions. Once a year, the Group Accounting Staff holds a conference to discuss amendments to rules and guidelines in the financial area, as well as planning for information flows.

Financial reporting and information

Saab has an information policy that complies with the rules and regulations of a listed company.

Financial information:

- Year-end reports and interim reports, published as press releases.
- Annual report.
- Press releases on important events considered essential to Saab's valuation.
- Presentations for the media and financial analysts in connection with year-end or quarterly reports can be viewed through a live webcast at Saab's website, www.saabgroup.com, investor relations, where all presentation material can be found.

Monitoring and evaluation

The Board of Directors of Saab AB is ultimately responsible for internal control. The Audit Committee appointed by the Board is responsible for ensuring the quality of the company's financial reporting, monitoring the focus of audits, co-ordinating the external and internal audits, and reviewing the effectiveness of the internal control systems for financial reporting. The Audit Committee has the internal control structure on the agenda of all its meetings.

To assist it in evaluating internal control in each business unit, it uses an annual self-assessment. In addition to the processes that serve as a basis for the financial reporting, these assessments cover operating risks, reputational risks and compliance with laws, regulations and internal rules.

BOARD OF DIRECTORS



MARCUS WALLENBERG

Chairman of the Board since 2006, Deputy Chairman of the Board 1993–2006 and Member of the Board since 1992. Member of Saab's Remuneration Committee

Born 1956

Bachelor of Science of Foreign Service, Lieutenant in Royal Swedish Naval Academy

Shares in Saab: 85,150

Other board commitments:

Chairman of SEB and Electrolux AB, Deputy Chairman of Telefonaktiebolaget L M Ericsson, Honorary Chairman of ICC (International Chamber of Commerce), Board member of AstraZeneca PLC, Stora Enso Oyj, the Knut and Alice Wallenberg Foundation and Temasek Holding Ltd

Former employment and positions:

President and CEO, Investor AB; Director, Stora Feldmühle AG, Düsseldorf; Skandinaviska Enskilda Banken, Stockholm and London; Citicorp (Hong Kong) and Citibank N.A. (New York)



ÅKE SVENSSON

Member of the Board since 2003, President and CEO of Saab

Born 1952

M.Sc.

Shares in Saab: 9,425

Other board commitments:

Council member (and past President) of the AeroSpace and Defence Industries Association of Europe (ASD). Board member of the Association of Swedish Engineering Industries, the Confederation of Swedish Enterprise, Micronic Laser Systems AB and the Royal Swedish Academy of Engineering Sciences. Member of the Royal Swedish Academy of War Sciences

Former employment and positions:

General Manager, business area Saab Aerospace, Saab AB
General Manager, business unit Future Products and Technology, Saab AB Project Manager for RBS15, Saab Dynamics AB
Other positions in the Saab Group.



PER-ARNE SANDSTRÖM

Member of the Board since 2005, Member of Saab's Audit Committee

Born 1947

Upper secondary engineering school

Shares in Saab: 2,500

Other board commitments:

Chairman of Infocare AS and board member of Human Care AB, Cellmax AB, Note AB and Incentive AB

Former employment and positions:

Chairman of Spring Mobil AB; Deputy CEO and COO, Telefonaktiebolaget L M Ericsson; President and CEO, Ericsson Inc., USA; Vice President and General Manager, GSM business unit, Ericsson Radio Systems AB; Executive Vice President and Managing Director, Cellular Systems, Ericsson Ltd, UK; Vice President and General Manager, GSM Western Europe, Ericsson Radio Systems AB; Vice President and General Manager, Airborne Radar Division, Ericsson Microwave Systems AB; Department Manager, Naval Command and Control Systems, Ericsson Microwave Systems AB



ERIK BELFRAGE

Member of the Board since 1991, Director of SEB

Born 1946

MBA

Shares in Saab: 3,100

Other board commitments:

Chairman of Sigtuna Skolstiftelse, the International Council of Swedish Industry (NIR) and the International Chamber of Commerce's (ICC) Commission on Business in Society. Vice Chairman the International Chamber of Commerce's (ICC) Finance Committee. Board member of Eramet Steel and the Centre for European Policy Studies (CEPS). Member of the Trilateral Commission. Associate Member European Roundtable (ERT)

Former employment and positions:

Board member of Investor AB; Swedish Embassies in Geneva, Washington, Bucharest and Paris; Foreign Ministry, Stockholm



STEFAN ANDERSSON

Member of the Board since 2008, Chairman of the Industrial Salaried Employees' Association local at Saab Underwater Systems, Motala

Born 1974

B.Sc

Shares in Saab: 472

DEPUTIES

GÖRAN GUSTAVSSON

Deputy Board member since 2008, Chairman of the Engineering Workers' Union local at Saab AB, Linköping

Born 1953

Shares in Saab: 338

JAN KOVACS

Deputy Board member since 2008, Chairman of the Industrial Salaried Employees' Association local at Saab AB, Linköping

Born 1960

Upper secondary technical school
Shares in Saab: 376

NILS LINDSKOG

Deputy Board member since 2007, Member of the Swedish Association of Graduate Engineers' local at Saab Microwave Systems, Göteborg

Born 1955

M.S.E.E. from Chalmers University of Technology
Shares in Saab: 201

AUDITORS

ERNST & YOUNG AB
ERIK ÅSTRÖM

DELOITTE AB
TOMMY MÅRTENSSON

The shares held by Board members include any holdings by closely affiliated persons.



PETER NYGÅRDS

Member of the Board since 2000
Chairman of Saab's Audit Committee
Director of Swedbank
Born 1950
B.A.
Shares in Saab: 2,950

Other board commitments:

Board member of the Swedish Environmental Research Institute (IVL), Bothniabanan AB and the Swedish Tourist Association

Former employment and positions:

President, Swedish Nuclear Fuel and Waste Management Company (SKB); State Secretary, Ministry of Trade and Industry



LENA TRESCHOW TORELL

Member of the Board since 2005
Chairman of Saab's Remuneration Committee
Professor in Physics
Born 1946
B.Sc. and Ph.D. in Physics
Shares in Saab: 4,300

Other board commitments:

Vice Chairman of ÅF AB and Micronic Laser Systems AB, Board member of Investor AB, SKF AB, Dagens Industri AB and the Chalmers University of Technology Foundation; Chairman of the European Council of Applied Sciences and Engineering (Euro-Case) the Foundation for Strategic Environmental Research (MISTRA) and the Royal Swedish Academy of Engineering Sciences (IVA)

Former employment and positions:

President of the Royal Swedish Academy of Engineering Sciences (IVA); board member of Getinge AB, Telefonaktiebolaget L M Ericsson and Gambro AB; Director, Joint Research Centre, European Commission (Brussels); Vice President, Chalmers; Professor of Material Physics, Chalmers; Professor of Solid State Physics, Uppsala University



CATARINA CARLQVIST

Member of the Board since 2007
Member of the Swedish Association of Graduate Engineers' local, Saab Bofors Dynamics, Karlskoga
Born 1964
Luleå University of Technology
Shares in Saab: -



GEORGE ROSE

Member of the Board since 1998
Member of Saab's Remuneration Committee; Finance Director, BAE Systems PLC; Non-Executive Director of National Grid plc
Born 1952
B.A.
Shares in Saab: -

Other board commitments:

Board member of National Grid plc; Chairman, National Grid plc Audit Committee; Member, National Grid plc Remuneration Committee and National Grid plc Nomination Committee; Member, Industrial Development Advisory Board

Former employment and positions:

Finance Director, Leyland DAF UK; Director Group Control, DAF NV, Netherlands; Company Controller, Rover Group; Non Executive Director, Orange PLC



LENNART JOHANSSON

Member of the Board since 2006
Member of Saab's Audit Committee
Managing Director Investor AB, Operating Investments
Born 1955
MBA
Shares in Saab: 6,000

Other board commitments:

Board member of Gambro AB and related businesses, and of Mölnlycke AB.

Former employment and positions:

CEO, b-business partners BV and Emerging Technologies ET AB; Executive Vice President, Atlas Copco AB; other positions in accounting, control and auditing, Nordic Management AB



MICHAEL J. O'CALLAGHAN

Member of the Board since 2007
Operations Group Managing Director, BAE Systems Regional Aircraft
Born 1952
MBA
Shares in Saab: -

Former employment and positions:

Group Managing Director, Aircraft Services; Managing Director, BAE Systems Regional Aircraft; Deputy Chief Executive Officer, Airbus Industrie Asia; Managing Director, Commercial Aircraft; Managing Director, Jetstream Aircraft, Manufacturing Director, Jetstream Aircraft; Head of Operations, Jetstream Aircraft, Ford Motor Company; various roles in finance, manufacturing and operations



STEN JAKOBSSON

Member of the Board since 2008
President and CEO, ABB Sweden
Born 1949
M.Sc.
Shares in Saab: 3,060

Other board commitments:

Board member of Tekniföretagen, Stena Metall AB and World Childhood Foundation

Former employment and positions:

Executive Vice President, Asea Brown Boveri AB, Sweden; Business Area Manager, Business Area Cables; President, ABB Cables AB; President, Asea Cylinda; Production Manager, Asea Low Voltage Division; Asea central staff - Production; Asea trainee



CONNY HOLM

Member of the Board since 2008 and deputy member since 1995
Chairman of the Engineering Workers' Union local at Saab Avtronics, Jönköping
Born 1947
Upper secondary engineering education
Shares in Saab: 344

GROUP MANAGEMENT



ÅKE SVENSSON
President and Chief Executive Officer (CEO)
Born 1952, M.Sc.
Employed 1976
Shares in Saab: 9,425



LENA OLVING
Executive Vice President and Chief Operating Officer (COO)
Born 1956, M. Sc., Mechanical Engineering
Employed November 2008
Shares in Saab: 3,224



LENNART SINDAHL
Executive Vice President and Head of Business Area Aeronautics
Born 1956, M.Sc.
Employed 1986
Shares in Saab: 1,268



THOMAS SAMUELSSON
Senior Vice President and Head of Business Area Dynamics
Born 1953, M.Sc.
Employed 2000
Shares in Saab: 1,257



MICAEL JOHANSSON
Senior Vice President and Head of Business Area Electronic Defence Systems
Born 1960, B.Sc.
Employed 1985
Shares in Saab: 602



GUNILLA FRANSSON
Senior Vice President and Head of Business Area Security and Defence Solutions
Born 1960, M.Sc. and PhD (Tec. Lic)
Employed 2008
Shares in Saab: 472



LARS-ERIK WIGE
Senior Vice President and Head of Business Area Support and Services
Born 1954
Employed 2001
Shares in Saab: 714



LARS GRANLÖF
Senior Vice President and Chief Financial Officer (CFO), Head of Group Finance
Born 1962, MBA
Employed 2007
Shares in Saab: 5,838



ANNE GYNNERSTEDT
Senior Vice President and Head of Group Legal Affairs. Secretary of the Board of Directors
Born 1957, LLB
Employed 2004
Shares in Saab: 2,734



MIKAEL GRODZINSKY
Senior Vice President and Head of Group Human Resources
Born 1958, M.Sc.
Employed 1985
Shares in Saab: 2,683



JONAS HJELM
Senior Vice President and Chief Marketing Officer (CMO), Head of Group Marketing & Business Development
Born 1971
Employed 2006
Shares in Saab: 1,139



CECILIA SCHÖN JANSSON
Senior Vice President and Head of Group Communications
Born 1956
Employed 2007
Shares in Saab: 2,328



DAN JANGBLAD
Senior Vice President and Chief Strategy Officer (CSO), Head of Group Strategy
Born 1958, M.Sc.
Employed 2000
Shares in Saab: 3,811



PETER SANDEHED
Senior Vice President and Head of Group Corporate Investments
Born 1952, MBA
Employed 1981
Shares in Saab: 8,854

Group Management also included the following persons in 2009:
Dan-Åke Enstedt Executive Vice President and head of the business segment Defence and Security Solutions, and Mats Warstedt, Group Senior Vice President, Marketing

The following individuals were not included in group management 2009:
Thomas Samuelsson, Micael Johansson, Gunilla Fransson and Lars-Erik Wige

INFORMATION TO SHAREHOLDERS

Annual General Meeting

The Annual General Meeting will be held at 3:00 pm (CET) on Thursday, 15 April 2010 at Annexet, Ericsson Globe Arenas, Globentorget 2, Stockholm.

Notification

Shareholders must notify the company of their intention to participate in the meeting not later than Friday, 9 April 2010:

- by telephone: +46 13 18 20 55
- by mail with separate invitation
- by mail: Saab AB, Koncernstab Juridik, SE-581 88 Linköping, Sweden
- online: www.saabgroup.com/arsstamma

Please indicate your name, personal or corporate registration number (Swedish citizens or companies), address and telephone number. If you are attending by power of proxy, registration certificate or other authorisation, please submit your documentation well in advance of the meeting. The information you provide will be used only for the Annual General Meeting.

Shareholders or their proxies may be accompanied at the Annual General Meeting by a maximum of two people. They may only attend, however, if the shareholder has notified Saab AB as indicated above.

Right to participate

Only shareholders recorded in the share register maintained by Euroclear Sweden AB (the Swedish Securities Register Centre) on Friday, 9 April 2010 are entitled to participate in the meeting.

Shareholders registered in the names of nominees through the trust department of a bank or a brokerage firm must temporarily reregister their shares in their own names to participate in the meeting. To ensure that this re-registration is recorded in the share register by Friday, 9 April 2010, they must request re-registration with their nominees several business days in advance.

Dividend

The Board of Directors is recommending a dividend of SEK 2.25 per share and Tuesday, 20 April 2010 as the record day for the dividend. With this record day, Euroclear Sweden AB is expected to distribute the dividend on Friday, 23 April 2010.

THE SAAB SHARE

Capital stock and number of shares

Saab's capital stock amounted to SEK 1 746 405 on 31 December 2009 and consisted of 103,896,041 listed Series B shares and 5,254,303 unlisted Series A shares. Series A shares have ten votes each, while Series B shares have one vote each. The quota value per share is SEK 16. The Series B share is listed on the NASDAQ OMX Stockholm, on the large cap list. Of the total number of shares, 52,098,153 are Series B shares available via the stock market, representing 48 per cent of the capital and 34 per cent of the votes. A round lot consists of 100 shares. The company's Series A shares are owned by Investor (4,207,123) and BAE Systems (1,047,180).

Saab's market capitalisation was SEK 12.9 billion at year-end 2009. The price of the Series B share rose during the year by 65 per cent, compared with an increase of 47 per cent for the OMX index. The total return on Saab's Series B share – i.e., the dividend plus the change in the share price – has been 18 per cent over the last five years.

Trading volume and statistics

A total of 58,751,435 Series B shares were traded in 2009, corresponding to 113 per cent of the shares available. The share closing price reached a high of SEK 118.00 on 17 and 30 December and a low of SEK 50.50 on 31 March and on 1 April. Beta shows how much a share fluctuates in relation to the market as a whole. A low beta (<1) indicates a low risk in relation to other stocks in the market. A high beta (>1) means a higher risk. According to SIX's calculations, the beta for Saab's Series B share was 1.14, indicating that it fluctuated in line with the market average, measured according to the Affärsvärlden General Index over a 48-month period. Saab's stock covariance was 0.278, which means that 27.8 per cent of the share's price performance is due to the market's development as a whole.

Ownership structure

Saab had 32,555 shareholders as of year-end. Swedish investors accounted for 60 per cent of the capital stock and 65 per cent of the votes. Swedish equity funds owned approximately 13 per cent of the capital stock and 9 per cent of the votes. Individual Swedish investors held approximately 7 per cent of the capital stock and 5 per cent of the votes.

Dividend and dividend policy

Saab's long-term dividend policy is to distribute 20–40 per cent of income after tax over a business cycle. For 2009, the Board of Directors is recommending a dividend of SEK 2.25 (1.75) per share.

Saab's share matching plan

In April 2007, Saab's Annual General Meeting resolved to offer employees the opportunity to participate in a voluntary share matching plan where they can purchase Series B shares in Saab during a 12-month period. Purchases are made through withdrawals of between 1 and 5 per cent of the employee's monthly gross salary. For every share they purchase and retain for three years, they receive one matching share free of charge. The plan was introduced in autumn 2007 in Sweden and Norway. In 2008, it was expanded to include employees in Denmark, Germany, the UK, the U.S., Switzerland and Australia, and in 2009 it was expanded again to cover employees in South Africa.

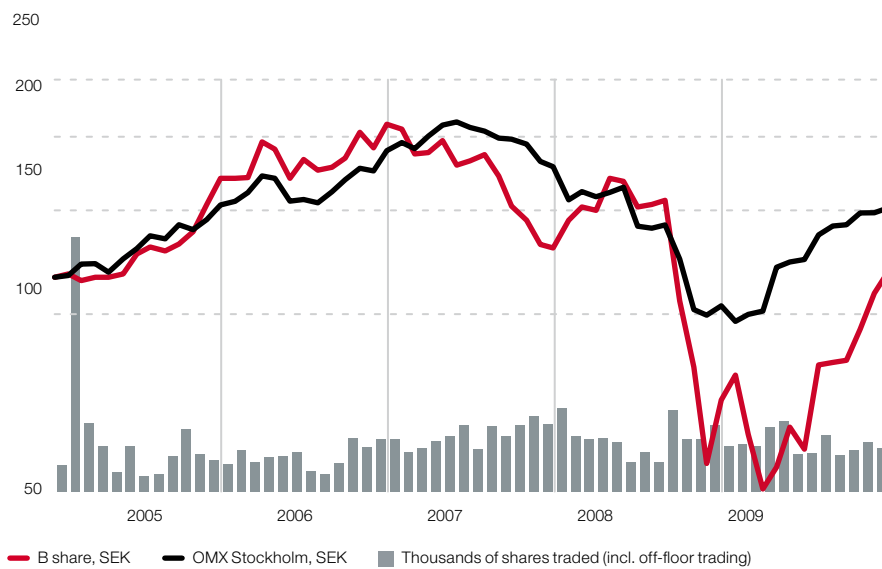
Saab repurchased one million shares in 2007 and 1,340,000 shares in 2008 to guarantee the plan.

The Annual General Meeting on 16 April 2009 resolved to renew the Board of Directors' mandate to decide to repurchase up to 10 per cent of the company's shares. The purpose of the authorisation was 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. The mandate applied until the next Annual General Meeting. Repurchases may be effected over the stock exchange or through offerings to shareholders. It was also proposed that the Board's mandate include the possibility to transfer repurchased shares as allowed by law.

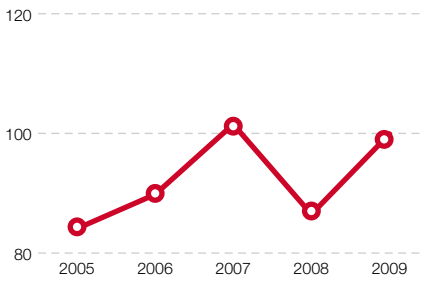
On 23 June 2009, Saab announced that the Board of Directors had decided to implement its authorisation for this purpose. Shares were purchased from 28 July through 28 August on NASDAQ OMX Stockholm. A total of 1,340,000 shares were purchased at an average price of SEK 82.10. The repurchase will secure the 2009 share matching plan.

On 31 December 2009, Saab held 3,639,220 shares as treasury stock.

SAAB B, 1 JANUARY 2005-31 DECEMBER 2009



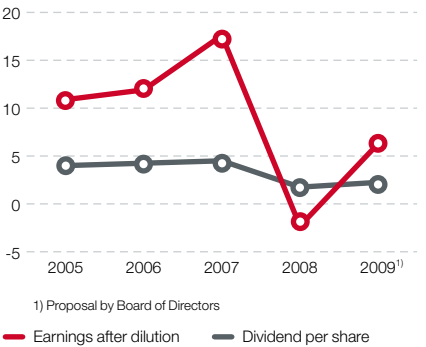
EQUITY PER SHARE, SEK



SHARE OF CAPITAL, %



EARNINGS AND DIVIDEND PER SHARE, SEK



Data per B share 2004–2009

	2009	2008	2007	2006	2005	2004 ²⁾
Closing prices ¹⁾						
at year-end, SEK	118.00	71.50	129.50	210.00	170.00	115.50
high for the year, SEK	118.00	180.00	216.50	218.00	170.00	118.50
low for the year, SEK	50.50	51.00	116.50	154.50	113.00	97.75
Market capitalisation, SEK	12,879	7,804	14,135	22,921	18,556	12,607
Average daily turnover, no. of shares ¹⁾	234,069	255,782	240,390	148,965	229,007	112,279
Yield, %	1.9	2.4	3.5	2.0	2.4	3.2
Price/equity, %	118	83	128	234	202	155
P/E ratio	18.8	-32.2	7.4	17.6	15.5	9.6
P/EBIT, multiple	9.4	47.0	5.4	13.1	11.2	6.8
Sales						
before dilution, SEK	231.8	221.33	211.85	192.97	176.95	164.90
after full dilution, SEK	225.8	218.01	210.91	192.97	176.95	163.52
Net income for the year (attributable to Parent Company's shareholders)						
before dilution, SEK	6.45	-2.31	17.68	11.91	10.89	11.78
after full dilution, SEK	6.28	-2.31 ³⁾	17.60	11.91	10.89	11.78
Equity per share, SEK	99.91	86.49	101.53	89.80	84.10	74.37
Cash flow from operating activities						
before dilution, SEK	15.95	8.87	-12.40	8.88	22.32	7.99
after full dilution, SEK	15.54	8.74	-12.34	8.88	22.32	7.92
Dividend (2009 proposal), SEK	2.25	1.75	4.50	4.25	4.00	3.75
Dividend /net income, %	35	-	25	36	37	32
Total dividend, MSEK	237	187	491	464	437	409
Dividend growth, %	27	-	6	6	7	7
Number of shareholders	32,555	32,164	28,181	29,413	33,809	36,069
Share of foreign ownership, capital, %	40	40	39	38	36	45
Share of foreign ownership, votes, %	35	34	34	32	31	41
Average number of shares	106,335,553	107,515,049	108,668,700	109,150,344	109,150,344	108,102,533
Number of shares at year-end	105,511,124	106,829,893	108,150,344	109,150,344	109,150,344	109,150,344
Number of shares after full dilution	109,150,344	109,150,344	109,150,344	109,150,344	109,150,344	109,150,344

1) Saab B on NASDAQ OMX Stockholm.

2) Restated according to IFRS.

3) No dilution effect if net income is negative.

Shareholders

As of 31 December 2009 according to Swedish Central Securities Depository	Thousands of shares	Per cent of share capital	Per cent of votes
BAE Systems, UK	22,332	20.5	20.8
Investor	21,612	19.8	38.9
Wallenberg foundations	9,469	8.7	6.2
Swedbank Robur funds	5,225	4.8	3.4
Nordea funds	3,058	2.8	2.0
Odin funds (Norway)	3,050	2.8	2.0
SEB funds	2,863	2.6	1.9
Orkla ASA	1,595	1.5	1.0
Fourth AP fund	1,407	1.3	0.9
SHB funds	1,364	1.2	0.9
SEB Foundation	1,000	0.9	0.7
First AP fund	996	0.9	0.7
Pensionsgaranti	876	0.8	0.6
AMF Insurance & Funds	763	0.7	0.5
Kingdom of Norway	719	0.7	0.5
Skandia Liv	640	0.6	0.4
SEB	619	0.6	0.4
SEB Trygg Liv	492	0.5	0.3
Folksam Insurance	456	0.4	0.3
Subtotal, 20 largest shareholders	78,536	72.1	82.4
Other Swedish shareholders	11,229	10.3	7.3
Other international shareholders	15,746	14.4	10.3
Repurchased shares	3,639	3.3	-
Total	109,150	100.0	100.0

Distribution of shareholders

Number of shares	Number of share-holders	Per cent of shareholders	Number of shares	Per cent of share capital
1-500	29,031	89.2	3,332,652	3.1
501-1,000	2,095	6.4	1,608,422	1.5
1,001-5,000	1,043	3.2	2,152,685	2.0
5,001-10,000	140	0.4	1,052,861	1.0
10,001-15,000	36	0.1	451,918	0.4
15,001-20,000	21	0.1	385,076	0.3
20,000-	189	0.6	100,166,730	91.7
Total ¹⁾	32,555	100.0	109,150,344	100.0

1) Including 3,639,220 repurchased B shares

Shares and votes, 31 December 2009

Share class	Number of shares	Per cent of total shares	Number of votes	Per cent of votes
Series A	5,254,303	4.8	52,543,030	34.1
Series B	103,896,041	95.2	101,575,590	65.9
Total ¹⁾	109,150,344	100.0	154,118,620	100.0

1) The number of votes excludes 3,639,220 B shares which were repurchased to secure the Group's Share Matching Plan. The repurchased shares are kept as treasury stock.

Share issues, etc.

		Increase in share capital, MSEK	Paid-in amount MSEK
2002 , Conversion ¹⁾	50,699 shares	0.8	4.6
2003 , Conversion ¹⁾	7,189 shares	0.1	0.7
2004 , Conversion ¹⁾	2,632,781 shares	42.1	239.6

1) 1998 convertible debenture loan

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QUARTERLY INFORMATION

MSEK	January–March				April–June			
	2009	Operating margin	2008	Operating margin	2009	Operating margin	2008	Operating margin
Sales								
Defence and Security Solutions	2,042		2,096		2,427		2,365	
Systems and Products	1,994		1,734		2,336		2,238	
Aeronautics	1,843		1,612		2,113		2,040	
Corporate	12		10		61		12	
Internal sales	-479		-473		-654		-609	
Total	5,412		4,979		6,283		6,046	
Operating income								
Defence and Security Solutions	136	6.7%	193	9.2%	198	8.2%	187	7.9%
Systems and Products	104	5.2%	138	8.0%	168	7.2%	228	10.2%
Aeronautics	3	0.2%	111	6.9%	-44	-2.1%	-66	-3.2%
Corporate	-93		-57		150		210	
Total	150	2.8%	385	7.7%	472	7.5%	559	9.2%
Net financial items	-187		-61		-72		-81	
Income before taxes	-37		324		400		478	
Net income for the period	-27		231		292		338	
Attributable to Parent Company's shareholders	-26		232		294		341	
Earnings per share after dilution	-0.24		2.13		2.69		3.12	
No. of shares after dilution, thousands	106,831		109,150		109,150		109,150	

MSEK	July–September				October–December			
	2009	Operating margin	2008	Operating margin	2009	Operating margin	2008	Operating margin
Sales								
Defence and Security Solutions	2,114		1,904		3,114		3,078	
Systems and Products	2,078		1,771		3,194		3,352	
Aeronautics	1,482		1,261		2,133		2,356	
Corporate	53		11		18		100	
Internal sales	-543		-364		-691		-698	
Total	5,184		4,583		7,768		8,188	
Operating income								
Defence and Security Solutions	146	6.9%	112	5.9%	198	6.4%	240	7.8%
Systems and Products	63	3.0%	62	3.5%	44	1.4%	328	9.8%
Aeronautics	-26	-1.8%	-137	-10.9%	73	3.4%	-1,416	-60.1%
Corporate	66		-6		188		39	
Total	249	4.8%	31	0.7%	503	6.5%	-809	-9.9%
Net financial items	-97		-209		-42		-221	
Income before taxes	152		-178		461		-1,030	
Net income for the period	111		-103		323		-708	
Attributable to Parent Company's shareholders	105		-97		313		-724	
Earnings per share after dilution	0.96		-0.89		2.87		-6.78	
No. of shares after dilution, thousands	109,150		107,095		109,150		106,829	

MULTI-YEAR OVERVIEW

MSEK, unless otherwise indicated	2009	2008	2007	2006	2005	2004 ⁴⁾	2003	2002
Order bookings	18,428	23,212	20,846	27,575	17,512	16,444	19,606	19,521
Order backlog at year-end	39,389	45,324	47,316	50,445	42,198	43,162	45,636	43,082
Net sales	24,647	23,796	23,021	21,063	19,314	17,848	17,250	16,538
Foreign market sales, %	69	68	65	65	56	48	46	41
Defence sales, %	83	83	81	79	82	80	80	76
Operating income	1,374	166	2,607	1,745	1,652	1,853	1,293	1,220
Operating margin, %	5.6	0.7	11.3	8.3	8.6	10.4	7.5	7.4
Operating margin before depreciation excluding leasing, %	10.5	6.4	16.0	12.0	11.3	13.1	11.1	11.2
Income after financial items	976	-406	2,449	1,693	1,551	1,712	1,073	993
Net income for the year	699	-242	1,941	1,347	1,199	1,310	746	732
Total assets	30,430	32,890	33,801	32,771	30,594	27,509	28,704	28,109
of which Saab Aircraft Leasing	3,362	3,226	3,415	3,397	4,887	5,314	6,181	4,869
of which advance payments, net	442	897	2,558	3,642	3,528	2,860	3,990	3,775
of which shareholders' equity	10,682	9,330	11,008	10,025	9,493	8,221	7,003	6,833
equity per share, SEK ¹⁾	99.91	86.49	101.53	89.80	84.10	74.89	65.75	64.17
Net debt/Net liquidity excluding interest-bearing receivables and after deduction of provisions for pensions	-1,631	-3,061	-2,802	-261	5,144	3,211	3,149	2,655
Net debt/liquidity	-634	-1,693	-1,627	605	2,856	781	495	352
Cash flow from operating activities	1,696	954	-1,304	969	2,541	865	1,348	1,060
Operating cash flow	1,447	659	-1,603	-1,900	2,645	325	545	-92
Average capital employed	13,775	13,994	13,430	12,789	12,925	12,386	11,629	11,926
Return on capital employed, %	10.3	1.4	19.4	14.5	14.6	17.3	12.7	11.6
Return on equity, %	7.0	-2.4	18.5	13.8	13.5	16.7	10.8	10.8
Profit margin, %	5.78	0.82	11.4	8.83	9.73	11.74	8.5	8.4
Capital turnover rate, multiple	1.79	1.70	1.71	1.65	1.49	1.47	1.48	1.39
Equity/assets ratio, %	35.1	28.4	32.6	30.6	31.0	29.9	24.4	24.3
Interest coverage ratio, %	3.16	0.35	21.4	13.47	6.08	6.08	3.70	3.55
Earnings per share, SEK ²⁾	6.45	-2.31	17.68	11.91	10.89	11.78	7.00	6.87
Earnings per share after dilution, SEK ³⁾	6.28	-2.31	17.60	11.91	10.89	11.78	6.91	6.78
Dividend, SEK ⁵⁾	2.25	1.75	4.50	4.25	4.00	3.75	3.50	3.50
Gross capital expenditures for tangible fixed assets	197	386	395	433	296	348	472	623
Research and development costs	4,820	4,141	4,523	3,537	3,546	3,929	3,690	4,138
Number of employees at year-end	13,159	13,294	13,757	13,577	12,830	11,936	13,414	14,036

1) Number of shares as of 31 December 2009: 105,511,124; 2008: 106,829,893; 2007: 108,150,344; 2006/2005/2004: 109,150,344; 2003: 106,517,563; and 2002: 106,510,374.

2) Average number of shares 2009: 106,335,553; 2008: 107,515,049; 2007: 108,668,700; 2006/2005: 109,150,344; 2004: 108,234,126; 2003: 106,513,969; and 2002: 106,487,407.

3) Average number of shares 2009: 109,150,344; 2008: 107,515,049; 2007/2006/2005: 109,150,344; 2004: 108,234,126; after dilution 2002-2003: 109,247,175. Conversion of debenture loan concluded 15 July 2004.

4) Restated according to IFRS, previously not restated.

5) 2009 Board of Directors proposal.

FINANCIAL INFORMATION 2010

ANNUAL GENERAL MEETING 2010	15 APRIL
INTERIM REPORT JANUARY-MARCH	23 APRIL
INTERIM REPORT JANUARY-JUNE	23 JULY
INTERIM REPORT JANUARY-SEPTEMBER	20 OCTOBER

Financial information can be ordered by Telephone +46 13 16 92 08 or accessed online at www.saabgroup.com

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