



**SAAB**

# **INTERIM REPORT**

## JANUARY–MARCH

### 2010

# **RESULTS** AND SUMMARY JANUARY–MARCH 2010

## **RESULTS JANUARY–MARCH 2010:**

- Order bookings increased to MSEK 5,478 (4,101) and the order backlog at the end of the period amounted to SEK 39.6 billion (44.2 billion)
- Sales amounted to MSEK 5,384 (5,412), with marginal exchange rate effects
- Gross income amounted to MSEK 1,271 (1,365), corresponding to a gross margin of 23.6 percent (25.2). Adjusted for non-recurring items, the gross margin was 24.4 percent (25.2)
- Operating income was MSEK 126 (150), corresponding to an operating margin of 2.3 percent (2.8). Adjusted for non-recurring items, the operating margin was 3.1 percent (2.8)
- A charge of MSEK 160 (including MSEK 20 write-down of capitalised development costs) was taken for projects within Security and Defence Solutions
- Net income for the period was MSEK 72 (-27), with earnings per share after dilution of SEK 0.63 (-0.24)
- Operating cash flow amounted to MSEK -73 (-456)

## **OUTLOOK FOR 2010 REMAINS UNCHANGED:**

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.

## **STATEMENT** BY THE CEO

“The global economic environment continues to impact Saab’s markets negatively, and we still see delays in customers’ decision-making processes. During the first quarter we received significant orders from FMV\* for the continued development of the Gripen system, which confirms Sweden’s long-term commitment.

Sales were on the expected level, but a provision for project overruns within Security and Defence Solutions has had a negative impact on profitability. Our outlook for the Group for 2010 remains unchanged.

Going forward, we will continue to focus efforts on strengthening our world-class technology base, winning new orders and providing value to our customers and shareholders. We will leverage on our strategic priorities to increase our market focus, create a more focused portfolio and more efficient operations. The results from our execution against these targets are visible in the organisation and we continue to follow our plans”, says President and CEO Åke Svensson.

\* The Swedish Defence Materiel Administration

**GROUP**

MSEK	Jan–March 2010	Jan–March 2009	Change, %	Jan–Dec 2009
Order bookings	5,478	4,101	34	18,428
Order backlog	39,554	44,158	-10	39,389
Sales	5,384	5,412	-1	24,647
Gross income	1,271	1,365	-7	6,137
Gross margin, %	23.6	25.2		24.9
Adjusted gross margin, <sup>1)</sup> %	24.4	25.2		24.6
Internally funded investments in research and development	285	275	4	1,194
Operating income before depreciation/amortisation and impairments (EBITDA)	434	435	-	2,598
Margin, %	8.1	8.0		10.5
Operating income (EBIT)	126	150	-16	1,374
Operating margin, %	2.3	2.8		5.6
Adjusted operating margin, <sup>1)2)</sup> %	3.1	2.8		5.4
Income/loss before tax (EBT)	99	-37	-	976
Net income/loss	72	-27	-	699
Earnings per share after dilution	0.63	-0.24	-	6.28
Operating cash flow	-73	-456	84	1,447
Net debt	717	2,215	68	634
Defence/Civil (% of sales)	83/17	83/17		83/17
No. of employees	12,965	13,278	-2	13,159
<sup>1)</sup> Non-recurring items impacting gross income				
Structural costs of lay-offs in Aeronautics	-42			-75
Structural costs of lay-offs in Dynamics				-180
Structural costs of lay-offs in Support and Services				-20
Revaluation of remaining risks in regional aircraft portfolio				350
<sup>2)</sup> Additional non-recurring items impacting operating income				
Structural costs of lay-offs in Aeronautics				-25
<b>TOTAL NON-RECURRING ITEMS</b>	<b>-42</b>			<b>50</b>

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

In addition, 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.

**ORDERS, SALES AND INCOME**

**Orders  
First quarter 2010**

Order bookings for the first quarter amounted to MSEK 5,478 (4,101) and included a contract for further deliveries of the RBS 70 ground based air defence system to the Finnish Army and an order for development of the existing Gripen fleet from FMV. Orders were also received from FMV for system maintenance of Gripen and for the upgrade and further development of the reconnaissance system. A support contract was signed with the British Army covering the maintenance and support of delivered training systems used by the British Army.

In all, 90 percent of order bookings (69) is attributable to defence-related operations and 36 percent (49) is from customers outside Sweden.

Index and price changes affected order bookings by MSEK -18 (495).

Orders received where the order sum was more than MSEK 100 represented 57 percent (51) of total order bookings.

The order backlog at the end of the period was MSEK 39,554 (44,158), compared to 39,389 at the beginning of the year.

ORDER BACKLOG DURATION:

2010: SEK 15.4 billion  
 2011: SEK 9.8 billion  
 2012: SEK 5.7 billion  
 2013: SEK 3.2 billion  
 After 2013: SEK 5.5 billion

THE ORDER BACKLOG PRIMARILY INCLUDES:

- Gripen to Sweden and on export
- Structures and subsystems for the aircraft producers Airbus and Boeing
- Airborne early warning systems
- Active and passive countermeasure systems
- Missile systems for air, sea and land
- Anti-tank systems
- Command and control, avionics and fire control systems
- Radar systems
- Civil security solutions

Sales

First quarter 2010

Sales were marginally affected by currency effects during the first quarter.

Sales in markets outside Sweden amounted to MSEK 3,069 (3,754), or 57 percent (69) of total sales.

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

TOTAL SALES BY REGION

MSEK	Jan– March 2010	Jan– March 2009
Sweden	2,315	1,658
EU excluding Sweden	943	1,361
Rest of Europe	65	67
Americas	498	259
Asia	695	1,087
Africa	664	853
Australia, etc.	204	127
<b>Total</b>	<b>5,384</b>	<b>5,412</b>

TOTAL SALES BY MARKETS

MSEK	Jan– March 2010	Jan– March 2009
Air	2,369	2,604
Land	1,597	1,514
Naval	448	292
Civil Security	323	428
Commercial Aeronautics	364	300
Other	283	274
<b>Total</b>	<b>5,384</b>	<b>5,412</b>

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

Income, margin and profitability

First quarter 2010

The gross margin amounted to 23.6 percent (25.2). Adjusted for non-recurring items, the gross margin was 24.4 percent (25.2). Non-recurring items consisted of structural costs of MSEK 42 in Aeronautics related to lay-offs announced in January 2010 as well as the reorganisation announced in 2009. In addition, a provision of MSEK 140 was taken for project overruns in Security and Defence Solutions. This was mainly related to a project within the civil security business which currently is undergoing an extensive review.

Operating income in the first quarter amounted to MSEK 126 (150), corresponding to an operating margin of 2.3 percent (2.8). Adjusted for non-recurring items, the operating margin was 3.1 percent (2.8).

Internally funded investments in research and development amounted to MSEK 285 (275), of which a total of MSEK 17 (25) has been capitalised. Amortisation and write-down of intangible fixed assets amounted to MSEK 229 (201) in the period, of which amortisation and write-down of capitalised development costs amounted to MSEK 191 (157). This includes a write-down of capitalised development costs in Security and Defence Solutions of MSEK 20.

Depreciation and write-down of tangible fixed assets amounted to MSEK 79 (84), while depreciation of the leasing fleet amounted to MSEK 38 (50).

The Billion+ programme is progressing according to plan. In the first quarter 2010, the cost reductions contributed about 2 percentage points to the reported operating margin (see page 12 for more information).

The share of income in associated companies, MSEK -5 (-31), primarily relates to net income in Hawker Pacific and companies in the Saab Ventures portfolio.

Net financial income and expenses amounted to MSEK -27 (-187), of which project interest from unutilised advance payments reduced financial income by MSEK -3 (-16), while also reducing the cost of goods sold correspondingly. Net interest items for the Group amounted to MSEK -16 (-20) and currency gains of MSEK 40 (-111) related to the tender portfolio. Other net interest items amounted to MSEK -48 (-40) and mainly consisted of amortisation of

actuarial losses for pensions and exchange rate effects.

Current and deferred taxes during the period amounted to MSEK -27 (10), or an effective tax rate of 27 percent (27).

The pre-tax return on capital employed was 10.8 percent (-0.2) and the after-tax return on equity was 7.9 percent (-4.9), both measured over a rolling 12-month period.

FINANCIAL POSITION AND LIQUIDITY

Financial position

Since the start of 2010, net debt has increased by MSEK 83 to MSEK 717 at the end of the quarter. The increase is mainly related to negative operating cash flow.

Intangible assets have decreased due to amortisation of capitalised product development.

Inventories increased during the period 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).

The equity/assets ratio improved mainly due to higher equity and lower intangible assets, as well as cash and marketable securities that was used to amortise liabilities to credit institutions.

Provisions for pensions amounted to MSEK 4 (4). During the first quarter 2010, the Saab Pension Fund was capitalised with a total of MSEK 56 (37). The purpose of the fund is to secure defined-benefit pension plans. The market value of the Saab Pension Fund was MSEK 3,762 (3,060) at the end of the period, compared to an obligation of MSEK 5,055 (4,479) according to IAS 19. The solvency margin was 74 percent (68). In a comparison with the obligation according to the FPG/PRI system, the solvency margin was 96 percent (82).

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 31 March 2010 consisted of 112 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 Swedish

**KEY INDICATORS**

MSEK	31 March 2010	31 Dec 2009	Change	31 March 2009
Net debt <sup>1)</sup>	717	634	83	2,215
Intangible fixed assets	6,899	7,108	-209	7,592
Goodwill	3,453	3,457	-4	3,448
Capitalised development costs	2,866	3,038	-172	3,505
Other intangible fixed assets	580	613	-33	639
Tangible fixed assets, etc. <sup>2)</sup>	4,822	4,919	-97	5,744
Inventories	5,042	4,698	344	4,831
Accounts receivable	2,940	2,837	103	3,315
Accrued revenues <sup>3)</sup>	3,050	3,010	40	3,939
Advance payments	372	442	-70	1,219
Equity/assets ratio (%)	37.9	35.1		28.6
Return on equity (%)	7.9	7.0		-4.9

<sup>1)</sup> The Group's net debt refers to interest-bearing liabilities and provisions for pensions less cash, short-term investments and interest-bearing receivables.

<sup>2)</sup> Including tangible fixed assets, lease assets, biological assets and investment properties.

<sup>3)</sup> Amounts due from customers (long-term customer contracts according to the percentage of completion method).

Export Credits Guarantee Board (EKN). 69 aircraft are financed internally and recognised as assets in the balance sheet. There is also an obligation to re-purchase one 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.

**Cash flow**

Operating cash flow amounted to MSEK -73 (-456) and was distributed between cash flow from core operating activities of MSEK 106 (-247), acquisitions and divestments of subsidiaries and associated companies of MSEK 0 (0) and the regional aircraft business of MSEK -179 (-209).

During the third quarter 2009, 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 receivables is sold at attractive funding levels. Net receivables of MSEK 411 were sold in the first quarter 2010, compared to MSEK 789 at the end of 2009. The decrease was due to timing differences.

**ACQUISITIONS AND DIVESTMENTS**

No significant acquisitions or divestments were made during the period.

**CAPITAL EXPENDITURES AND PERSONNEL**

**Capital expenditures**

Gross capital expenditures in property, plant and equipment, excluding lease assets, amounted to MSEK 55 (56).

Investments in intangible assets amounted to MSEK 27 (26) and related primarily to capitalised product development.

**Personnel**

At the end of the first quarter 2010, the Group had 12,965 employees, compared to 13,159 at the beginning of 2010. The amount of FTE's (Full Time Equivalents) at the end of the period was 12,550 compared to 12,737 at the beginning of the year.

On 19 January, Saab served notice to 115 factory employees at Saab AB in Linköping, Sweden, as a result of continued streamlining measures and synergies within the Aeronautics business area. Structural costs at approximately MSEK 30 were booked during the first quarter 2010.

On 8 March, Saab announced that Saab Bofors Dynamics will be giving notice to 70 employees in Karlskoga, Sweden, as a result of low order volumes. No structural costs were announced as a result of this measure.

**RISKS AND UNCERTAINTIES**

Saab's operations primarily involve the development, production and supply of technologically advanced hardware and software to customers around the world. The international part of the business is growing.

Projects generally entail significant investments, long periods of time and technological development or refinement of the product. In addition to customer and supplier relations, international operations involve joint ventures and collaborations with other industries as well as the establishment of operations abroad.

Operations entail significant risk-taking in various respects. The key risk areas are political, operating and financial risks. Various policies and instructions govern the management of significant risks.

Saab conducts significant development projects and manages the associated risks.

For a general description of the risk areas for 2010, see pages 52-55 of the annual report for 2009.

Saab has been informed that a judgement will be issued by the Maritime and Commercial Court in Copenhagen in June 2010 in a case related to a Command and Control System called DACCIS, sold to the Danish Defence Acquisition and Logistics Organization (FMT). FMT terminated the DACCIS contract in February 2008 due to Saab's alleged default and claimed Saab for some MDKK 143 plus interest. Saab is of the opinion that the termination was unjustified. Consequently, Saab rejected both FMT's termination and claim and issued a counterclaim for some MDKK 42 plus interest for damages caused by the unjustified termination.

If the judgement is in favour of Saab, then FMT may be ordered by the Court to compensate Saab. The compensation amount will not exceed the damages and costs claimed by Saab. The exact amount will be dependant upon the Court's judgement.

If, however, the judgement is not in favour of Saab, then a provision covering the amount ordered by the Court to be paid by Saab to FMT of about MSEK 225, including interest up until June 2010, will be taken as a provision in the second quarter of 2010.

The Court's judgement can be appealed.

IMPORTANT EVENTS JANUARY – MARCH 2010

- An order for development of the existing Gripen fleet was received from FMV. The order value amounts to SEK 2 billion for Saab, split over a period of four years.
- An order worth approximately MSEK 600 was received from FMV for system maintenance of Gripen. The contract represents a part of continuous system maintenance and updates for Gripen and complies with the Swedish Armed Forces' long-term plan. The order concerns operations to be carried out during 2010 and 2011.
- An order was received from FMV for the upgrade and further development of Gripen's reconnaissance system. The order is worth approximately MSEK 400, distributed over a four-year period.
- A support contract was signed with the British Army, amounting to approximately MSEK 150. The contract, which covers the maintenance and support of delivered training systems used by the British Army, is an extension of an existing support contract and enables the British Army high performance combat training in the UK, Canada and Germany. Saab will provide the service for a period of two years with an option to extend.
- A contract was signed for further deliveries of the RBS 70 ground based air defence system to the Finnish Army. The order has a value of MSEK 260. Initial deliveries of materiel are scheduled for 2011.
- In January 2010 Saab served notice to 115 factory employees at Saab AB in Linköping, Sweden, as a result of continued streamlining measures and synergies within the Aeronautics business area. The notice affected aviation related operations in Linköping and applied to the Aeronautics and Support and Services business areas, which are part of the same selection category.
- In March, Saab announced it will serve notice of 70 redundancies in Karlskoga, Sweden, due to reduced order volumes. Those affected are persons employed under a collective agreement at Saab in Karlskoga, working with support weapons. This down-sizing will be made in 2010.
- Åke Svensson, President and CEO of Saab, announced that he is resigning as President and CEO of Saab. He has been appointed President of the Association of Swedish Engineering Industries and takes up his new position on 1 September, 2010. Åke Svensson will remain as President and CEO of Saab until then.
- Ahead of the Annual General Meeting 2010, Saab announced that the nomination committee has recommended that Joakim Westh, Cecilia Stegö Chilò and Johan Forssell for election to the Board of Directors. Marcus Wallenberg, Erik Belfrage, Sten Jakobsson, George Rose, Per-Arne Sandström, Åke Svensson and Lena Treschow Torell were recommended for re-election. Marcus Wallenberg was recommended as Chairman of the Board. Lennart Johansson, Peter Nygårds and Michael J. O'Callaghan declined re-election.

IMPORTANT EVENTS AFTER THE CONCLUSION OF THE PERIOD

- No important events have occurred after the conclusion of the period.

## AERONAUTICS

MSEK	Jan–March 2010	Jan–March 2009	Change, %	Jan–Dec 2009
Order bookings	2,082	1,090	91	3,417
Order backlog	15,855	18,780	-16	15,476
Sales	1,703	1,843	-8	7,571
Operating income before depreciation/amortisation and impairments (EBITDA)	114	65	75	255
Margin, %	6.7	3.5		3.4
Operating income/loss (EBIT)	53	3	-	6
Operating margin, %	3.1	0.2		0.1
Adjusted operating margin, <sup>1)</sup> %	5.6	0.2		1.4
Operating cash flow	-33	-310	-	-434
Defence/Civil (% of sales)	87/13	93/7		91/9
No. of employees	2,988	3,091	-3	3,015
<sup>1)</sup> Non-recurring items				
Structural costs for lay-offs	-42			-100

For a description of business segment activities, see note 3.

### HIGHLIGHTS

#### ORDERS RECEIVED

- Orders received in the first quarter 2010 included orders from FMV concerning development of the Gripen aircraft. The orders include further adjustments to improve operational capabilities, like for instance upgraded countermeasure and communication systems, measures to further reduce the operating costs, based on experience gathered from more than 130,000 flight hours, an upgrade and further development of the reconnaissance system in Gripen as well as a system maintenance order for the Gripen system.
- Orders received where the order sum was more than MSEK 100 represented 93 percent (68) of total order bookings.

#### SALES

- Sales in the first quarter of 2010 decreased by 8 percent compared to 2009. The decrease is mainly related to a lower project activity in major orders, such as the Gripen aircraft delivery to Thailand, in the period compared to last year.
- Markets outside Sweden accounted for 46 percent (65) of sales in the first quarter 2010.

#### INCOME AND MARGIN

- Profitability in the first quarter 2010 improved compared to 2009 due to lower marketing expenses and good results from the reorganisation made within Aeronautics during 2009.
- Structural costs of MSEK 42 were recorded in the period. MSEK 30 was related to lay-offs announced in January 2010 and MSEK 12 to the reorganisation of Aeronautics announced in 2009.

#### CASH FLOW

- Operating cash flow in the first quarter 2010 was negative, but improved compared to last year due to a reduction of working capital.

#### REORGANISATION

- The Aeronautics business area was reorganised in 2009. As a consequence, Saab served notice of lay-offs to 300 employees at Saab AB in Linköping on 24 April 2009. The remaining structural cost related to this reorganisation of about MSEK 90, will be recorded in 2010 and 2011.
- As a result of continued streamlining measures and synergies within the Aeronautics business area, Saab announced it was to serve notice to 115 factory employees at Saab AB in Linköping on 19 January 2010. Structural costs were estimated at approximately MSEK 30 and were booked during the first quarter 2010.

#### EMPLOYEES

- The number of employees decreased during the first quarter as a result of the streamlining measures in the organisation.



## DYNAMICS

MSEK	Jan–March 2010	Jan–March 2009	Change, %	Jan–Dec 2009
Order bookings	634	969	-35	3,133
Order backlog	6,623	8,447	-22	6,980
Sales	986	1,005	-2	4,580
Operating income before depreciation/amortisation and impairments (EBITDA)	124	118	5	466
Margin, %	12.6	11.7		10.2
Operating income (EBIT)	85	75	13	269
Operating margin, %	8.6	7.5		5.9
Adjusted operating margin, <sup>1)</sup> %	8.6	7.5		9.8
Operating cash flow	-11	103	-	369
Defence/Civil (% of sales)	93/7	91/9		91/9
No. of employees	1,682	1,805	-7	1,739
<sup>1)</sup> Non-recurring items				
Structural costs for lay-offs				-180
For a description of the business segment activities, see note 3.				

## HIGHLIGHTS

### ORDERS RECEIVED

- Orders received in the first quarter 2010 included an order for the air defence system RBS 70 to Finland as well as a strong inflow of smaller orders.
- Orders received where the order sum was more than MSEK 100 represented 57 percent (51) of total order bookings.

### SALES

- Sales were slightly below last year's level mainly as a result of delayed deliveries and a lower order intake during 2009.
- Markets outside Sweden accounted for 60 percent (86) of sales in the first quarter 2010.

### INCOME AND MARGIN

- Profitability in the first quarter 2010 increased as a result of more efficient operations.

### CASH FLOW

- Operating cash flow in the first quarter 2010 was negative due to increased inventories as a result of delayed deliveries.

### EMPLOYEES

- On 8 March 2010, Saab announced that it will serve notice of 70 redundancies in Karlskoga, Sweden, due to reduced order volumes. Those affected are employed under a collective agreement and work with support weapons. This down-sizing will be made in 2010. No structural costs were announced as a result of this measure.
- The number of employees decreased in the period mainly as a result of the lay-offs announced in June 2009.

**ELECTRONIC DEFENCE SYSTEMS**

MSEK	Jan–March 2010	Jan–March 2009	Change, %	Jan–Dec 2009
Order bookings	1,101	403	173	2,625
Order backlog	7,275	8,775	-17	7,159
Sales	940	988	-5	4,670
Operating income before depreciation/amortisation and impairments (EBITDA)	171	151	13	551
Margin, %	18.2	15.3		11.8
Operating income (EBIT)	37	27	37	24
Operating margin, %	3.9	2.7		0.5
Operating cash flow	375	333	13	506
Defence/Civil (% of sales)	99/1	100/0		99/1
No. of employees	2,553	2,615	-2	2,601

For a description of the business segment activities, see note 3.

**HIGHLIGHTS**

**ORDERS RECEIVED**

- Orders received during the first quarter 2010 increased strongly as a result of the orders Saab received from FMV for the development of the Gripen aircraft. The orders include further adjustments to improve operational capabilities that includes an upgrade and further development of the reconnaissance system in Gripen.
- Orders received where the order sum was more than MSEK 100 represented 44 percent (0) of total order bookings.

**SALES**

- Sales in the first quarter of 2010 decreased by 5 percent as a result of timing differences and smaller project delays.
- Markets outside Sweden accounted for 66 percent (72) of sales during the first quarter 2010.

**INCOME AND MARGIN**

- In the first quarter 2010 profitability was improved as a result of a more favourable business mix.

**CASH FLOW**

- Operating cash flow improved slightly due to payments related to important project deliveries.

**EMPLOYEES**

- The number of employees decreased as a result of the Billion+ programme.

## SECURITY AND DEFENCE SOLUTIONS

MSEK	Jan–March 2010	Jan–March 2009	Change, %	Jan–Dec 2009
Order bookings	920	1,509	-39	6,045
Order backlog	7,586	7,676	-1	7,746
Sales	1,200	1,060	13	5,800
Operating income before depreciation/amortisation and impairments (EBITDA)	-53	37	-	397
Margin, %	-4.4	3.5		6.8
Operating income (EBIT)	-96	11	-	278
Operating margin, %	-8.0	1.0		4.8
Operating cash flow	-15	-193	-	-217
Defence/Civil (% of sales)	66/34	65/35		67/33
No. of employees	2,563	2,462	4	2,568

For a description of the business segment activities, see note 3.

### HIGHLIGHTS

#### ORDERS RECEIVED

- Orders received in the first quarter 2010 decreased compared to the same period of 2009. The first quarter 2009 contained major order bookings in the area of civil security of about MSEK 900 which were not repeated in 2010.
- Training and Simulation reaffirmed its strong position in combat training as a result of a support contract signed with the British Army. The contract, amounting to approximately MSEK 150, covers the maintenance and support of delivered training systems used by the British Army. Saab will provide services for a period of two years with an option to extend.
- Orders received where the order sum was more than MSEK 100 represented 19 percent (58) of total order bookings.

#### SALES

- Sales rose in the first quarter as a result of an increase in project activity, mainly related to orders received in 2009. In particular Training and Simulation continued to deliver good sales development.
- Markets outside Sweden accounted for 72 percent (72) of sales during the first quarter 2010.

#### INCOME AND MARGIN

- During the first quarter 2010 profitability was negatively impacted by project overruns. A provision of MSEK 140 was recorded in the period to cover for higher estimated costs to complete deliveries. This was mainly related to a project within the civil security business that currently is undergoing an extensive review. In addition, a write-down of capitalised development costs of MSEK 20 was made in the period.

#### CASH FLOW

- Operating cash flow improved due to milestone payments received.

#### EMPLOYEES

- The number of employees decreased slightly as a result of the Billion+ programme.

**SUPPORT AND SERVICES**

MSEK	Jan–March 2010	Jan–March 2009	Change, %	Jan–Dec 2009
Order bookings	924	620	49	4,057
Order backlog	4,196	3,262	29	4,011
Sales	743	814	-9	3,564
Operating income before depreciation/amortisation and impairments (EBITDA)	60	107	-44	426
Margin, %	8.1	13.1		12.0
Operating income (EBIT)	56	103	-46	410
Operating margin, %	7.5	12.7		11.5
Adjusted operating margin, <sup>1)</sup> %	7.5	12.7		12.1
Operating cash flow	250	60	-	81
Defence/Civil (% of sales)	76/24	67/33		77/23
No. of employees	1,768	1,796	-2	1,749

<sup>1)</sup> Non-recurring items

Structural costs for lay-offs

-20

For a description of the business segment activities, see note 3.

**HIGHLIGHTS**

**ORDERS RECEIVED**

- Orders received in the first quarter 2010 saw steady improvement. Several smaller and mid-sized orders were received in Sweden and other regions.
- Orders received where the order sum was more than MSEK 100 represented 17 percent (0) of total order bookings.

**SALES**

- Sales in the first quarter 2010 decreased as a result of timing differences and lower activity level in major projects. In addition the commercial aircraft market continued to see a weak demand.
- Markets outside Sweden accounted for 26 percent (26) of sales during the first quarter 2010.

**INCOME AND MARGIN**

- Profitability was negatively impacted mainly by lower demand in the commercial aircraft market.

**CASH FLOW**

- Operating cash flow improved due to a reduction in working capital.

**EMPLOYEES**

- The number of employees increased slightly to 1,768 as a result of internal transfers.

## CORPORATE

Corporate reported operating income of MSEK -9 (-69).

## THE BILLION+ PROGRAMME

Saab will continue to invest in marketing, as well as product and service development. The Billion+ 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.

In 2010, Saab's aim is to reduce the cost base by an additional MSEK 650 including the effects of the reduction of 500 employees, mainly through attrition. By the start of 2011, annual costs should be reduced by about SEK 1.5 billion compared to year-end 2007.

Saab estimates that about 60 percent of the cost reduction in 2010 will be generated through a reduction in cost of goods sold.

A major part of the cost reductions has been achieved in aligned processes across the Group. In addition, Saab has increased production efficiency and lowered procurement and travel costs.

The Billion+ programme is progressing according to plan. In the first quarter 2010, the cost reductions contributed about 2 percentage points to the reported operating margin in the period.

## PARENT COMPANY

### Sales and income

The Parent Company includes units within the business areas Aeronautics, Electronic Defence Systems, Security and Defence Solutions and Support and Services. Group staffs and Group support are included as well. The Parent Company's sales for the first quarter 2010 amounted to MSEK 3,462 (3,474). Operating income was MSEK 157 (133).

Net financial income and expenses was MSEK 180 (-297). After appropriations of MSEK 0 (0) and taxes of MSEK -62 (44), net income for the period amounted to MSEK 275 (-120).

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

The Parent Company's net debt amounted to MSEK 5,966 (9,944). Gross capital expenditures in property, plant and equipment amounted to MSEK 34 (34). At the end of the first quarter, the Parent Company had 8,216 employees, compared to 8,337 at the beginning of the year.

## SHARE REPURCHASE

Saab held 3,629,767 treasury shares as of 31 March 2010, which is 9,453 less than at year-end 2009.

The Annual General Meeting on 15 April 2010 authorised the Board of Directors to repurchase 1,340,000 shares to hedge the year's share matching plan and performance share plan. As proposed, the mandate would apply until the next Annual General Meeting.

### Owners

Saab's largest shareholders as of 31 March 2010 are Investor AB, BAE Systems, the Wallenberg foundations, Swedbank Robur funds, Odin Funds, Nordea funds, Lannebo Funds, SEB funds, Orkla ASA, the Fourth AP-Fund and the SHB Funds.

On 5 March, 2010 Investor announced that they had reached an agreement with BAE Systems to acquire 11,166,173 B-shares in Saab AB, corresponding to 10.2 percent of the capital. Following the transaction, Investor will own 1,907,123 A-shares and 30,870,975 B-shares, corresponding to 30.0 percent of the capital and 39.5 percent of the votes.

According to Investor the transaction is subject to review and approval by the relevant authorities. Assuming approval, the transaction is expected to close during the second quarter 2010.

BAE Systems also communicated its intention to divest its remaining holding in Saab AB in due course.

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

Linköping, 21 April 2010

**ÅKE SVENSSON**  
PRESIDENT AND CEO

Saab AB is disclosing the information herein pursuant to the Securities Markets Act and/or the Financial Instruments Trading Act. The information was submitted for publication at 7:30 a.m. on 21 April 2010.

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**Press and financial analyst conference and webcast**

with CEO Åke Svensson and CFO Lars Granlöv

Today, Wednesday, 21 April 2010, 10:00 a.m. (CET)

World Trade Center, Stockholm

Contact Annika Widell to register

and for further information

Tel. +46-8-463 01 47, +46-734-18 71 47

CAPITAL MARKETS DAY, LINKÖPING, SWEDEN

INTERIM REPORT JANUARY–JUNE 2010

INTERIM REPORT JANUARY–SEPTEMBER 2010

**25 MAY 2010**

**PUBLISHED 23 JULY 2010**

**PUBLISHED 20 OCTOBER 2010**

**CONSOLIDATED INCOME STATEMENT**

MSEK	Note	Jan–March 2010	Jan–March 2009	Rolling 12 months	Jan–Dec 2009
Sales	3	5,384	5,412	24,619	24,647
Cost of goods sold		-4,113	-4,047	-18,576	-18,510
Gross income		1,271	1,365	6,043	6,137
Gross margin, %		23.6	25.2	24.5	24.9
Other operating income		36	40	145	149
Marketing expenses		-385	-424	-1,737	-1,776
Administrative expenses		-316	-334	-1,180	-1,198
Research and development costs		-459	-407	-1,865	-1,813
Other operating expenses		-16	-59	-39	-82
Share in income of associated companies		-5	-31	-17	-43
Operating income/loss (EBIT) <sup>1)</sup>	3	126	150	1,350	1,374
Operating margin, %		2.3	2.8	5.5	5.6
Share in income of associated companies		-	-	2	2
Financial income		72	33	89	50
Financial expenses		-99	-220	-329	-450
Net financial items		-27	-187	-238	-398
Income/loss before taxes		99	-37	1,112	976
Taxes	4	-27	10	-314	-277
Net income/loss for the period		72	-27	798	699
of which Parent Company's shareholders' interest		69	-26	781	686
of which non-controlling interest		3	-1	17	13
Earnings per share before dilution, SEK <sup>2)</sup>		0.65	-0.24	7.37	6.45
Earnings per share after dilution, SEK <sup>3)</sup>		0.63	-0.24	7.16	6.28
<sup>1)</sup> INCLUDES DEPRECIATION/AMORTISATION AND IMPAIRMENT		-346	-335	-1,411	-1,400
OF WHICH DEPRECIATION OF LEASING AIRCRAFT		-38	-50	-164	-176
<sup>2)</sup> AVERAGE NUMBER OF SHARES BEFORE DILUTION		105,515,851	106,831,419	106,006,661	106,335,553
<sup>3)</sup> AVERAGE NUMBER OF SHARES AFTER DILUTION. THERE IS NO DILUTION IMPACT IF THE RESULT FOR THE PERIOD IS NEGATIVE.		109,150,344	106,831,419	109,150,344	109,150,344

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

MSEK	Jan–March 2010	Jan–March 2009	Rolling 12 months	Jan–Dec 2009
Net income/loss for the period	72	-27	798	699
Other comprehensive income:				
Translation differences for the period	7	140	82	215
Net gain/loss on cash flow hedges	201	-118	1,263	944
Share of other comprehensive income in associated companies	-	-	31	31
Tax attributable to comprehensive income	-53	31	-331	-247
Other comprehensive income/loss for the period	155	53	1,045	943
<b>Net comprehensive income for the period</b>	<b>227</b>	<b>26</b>	<b>1,843</b>	<b>1,642</b>
OF WHICH PARENT COMPANY'S SHAREHOLDERS' INTEREST	220	18	1,785	1,583
OF WHICH NON-CONTROLLING INTEREST	7	8	58	59



**QUARTERLY INCOME STATEMENT**

MSEK	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009
Sales	5,384	7,768	5,184	6,283	5,412
Cost of goods sold	-4,113	-5,883	-3,969	-4,611	-4,047
Gross income	1,271	1,885	1,215	1,672	1,365
Gross margin, %	23.6	24.3	23.4	26.6	25.2
Other operating income	36	2	74	33	40
Marketing expenses	-385	-515	-371	-466	-424
Administrative expenses	-316	-285	-249	-330	-334
Research and development costs	-459	-567	-405	-434	-407
Other operating expenses	-16	-38	-4	19	-59
Share in income of associated companies	-5	21	-11	-22	-31
Operating income/loss (EBIT) <sup>1)</sup>	126	503	249	472	150
Operating margin, %	2.3	6.5	4.8	7.5	2.8
Share in income of associated companies	-	1	-	1	-
Financial income	72	20	12	-15	33
Financial expenses	-99	-63	-109	-58	-220
Net financial items	-27	-42	-97	-72	-187
Income/loss before taxes	99	461	152	400	-37
Taxes	-27	-138	-41	-108	10
Net income/loss for the period	72	323	111	292	-27
of which Parent Company's shareholders' interest	69	313	105	294	-26
of which non-controlling interest	3	10	6	-2	-1
Earnings per share before dilution, SEK <sup>2)</sup>	0.65	2.97	0.99	2.75	-0.24
Earnings per share after dilution, SEK <sup>3)</sup>	0.63	2.87	0.96	2.69	-0.24
<sup>1)</sup> INCLUDES DEPRECIATION/AMORTISATION AND IMPAIRMENT	-346	-387	-326	-352	-335
OF WHICH DEPRECIATION OF LEASING AIRCRAFT	-38	-38	-42	-46	-50
<sup>2)</sup> AVERAGE NUMBER OF SHARES BEFORE DILUTION	105,515,851	105,506,219	106,169,379	106,835,194	106,831,419
<sup>3)</sup> AVERAGE NUMBER OF SHARES AFTER DILUTION	109,150,344	109,150,344	109,150,344	109,150,344	106,831,419

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

MSEK	Note	31/3/2010	31/12/2009	31/3/2009
<b>ASSETS</b>				
<b>Fixed assets</b>				
Intangible fixed assets	6	6,899	7,108	7,592
Tangible fixed assets		3,151	3,174	3,337
Lease assets		1,390	1,464	1,926
Biological assets		256	256	243
Investment properties		25	25	238
Shares in associated companies		354	356	341
Financial investments		102	116	142
Long-term receivables		1,265	1,327	1,312
Deferred tax assets		183	284	942
<b>Total fixed assets</b>		<b>13,625</b>	<b>14,110</b>	<b>16,073</b>
<b>Current assets</b>				
Inventories		5,042	4,698	4,831
Derivatives		1,046	1,002	1,436
Tax receivables		30	43	37
Accounts receivable		2,940	2,837	3,315
Other receivables		4,121	4,696	5,791
Prepaid expenses and accrued income		945	705	577
Short-term investments		-	551	-
Liquid assets	8	728	1,463	530
<b>Total current assets</b>		<b>14,852</b>	<b>15,995</b>	<b>16,517</b>
<b>Assets held for sale</b>	9	<b>318</b>	<b>325</b>	<b>77</b>
<b>TOTAL ASSETS</b>	14	<b>28,795</b>	<b>30,430</b>	<b>32,667</b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
(CONT.)**

MSEK	Note	31/3/2010	31/12/2009	31/3/2009
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
<b>Shareholders' equity</b>				
Parent Company's shareholders' interest		10,761	10,542	9,245
Non-controlling interest		147	140	92
<b>Total shareholders' equity</b>		<b>10,908</b>	<b>10,682</b>	<b>9,337</b>
<b>Long-term liabilities</b>				
Long-term interest-bearing liabilities	7	1,125	1,126	39
Other liabilities		295	287	318
Provisions for pensions	11	4	4	4
Other provisions		2,225	2,146	2,542
Deferred tax liabilities		854	905	1,113
<b>Total long-term liabilities</b>		<b>4,503</b>	<b>4,468</b>	<b>4,016</b>
<b>Current liabilities</b>				
Short-term interest-bearing liabilities	7	1,234	2,519	3,897
Advance payments from customers		372	442	1,219
Accounts payable		1,356	1,730	1,667
Derivatives		1,105	1,181	2,539
Tax liabilities		215	212	201
Other liabilities		680	746	919
Accrued expenses and deferred income		7,733	7,668	8,243
Provisions		660	753	629
<b>Total current liabilities</b>		<b>13,355</b>	<b>15,251</b>	<b>19,314</b>
<b>Liabilities attributable to assets held for sale</b>	9	<b>29</b>	<b>29</b>	<b>-</b>
<b>Total liabilities</b>		<b>17,887</b>	<b>19,748</b>	<b>23,330</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	14	<b>28,795</b>	<b>30,430</b>	<b>32,667</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

MSEK	CAPITAL STOCK	OTHER CAPITAL CONTRIBUTIONS	NET RESULT OF CASH FLOW HEDGES	TRANSLATION RESERVE	REVALUATION RESERVE	RETAINED EARNINGS	TOTAL	NON-CONTROLLING INTEREST	TOTAL
Opening balance, 1 January 2009	1,746	543	-612	-222	51	7,734	9,240	90	<b>9,330</b>
<b>Net comprehensive income for the period</b>			-92	136		-26	18	8	<b>26</b>
<b>Transactions with shareholders:</b>									
Share matching plan						6	6		<b>6</b>
Acquisition and sale of operations						-19	-19	-6	<b>-25</b>
Closing balance, 31 March 2009	1,746	543	-704	-86	51	7,695	9,245	92	<b>9,337</b>
Opening balance, 1 January 2010	1,746	543	84	-21	51	8,139	10,542	140	<b>10,682</b>
<b>Net comprehensive income for the period</b>			145	6		69	220	7	<b>227</b>
<b>Transactions with shareholders:</b>									
Share matching plan						11	11		<b>11</b>
Acquisition and sale of operations						-12	-12		<b>-12</b>
Closing balance, 31 March 2010	1,746	543	229	-15	51	8,207	10,761	147	<b>10,908</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS**

MSEK	Note	Jan–March 2010	Jan–March 2009	Jan–Dec 2009
<b>Operating activities</b>				
Income after financial items		99	-37	976
Transferred to pension funds		-56	-37	-190
Adjustments for items not affecting cash flows		612	434	1,835
Income tax paid		-30	-32	-183
<b>Cash flow from operating activities before changes in working capital</b>		<b>625</b>	<b>328</b>	<b>2,438</b>
<b>Cash flow from changes in working capital</b>				
Increase(-)/Decrease(+) in inventories		-293	-483	-401
Increase(-)/Decrease(+) in current receivables		160	495	1,927
Increase(+)/Decrease(-) in advance payments from customers		-72	310	-485
Increase(+)/Decrease(-) in other current liabilities		-318	-904	-1,522
Increase(+)/Decrease(-) in provisions		-109	-97	-261
<b>Cash flow from operating activities</b>		<b>-7</b>	<b>-351</b>	<b>1,696</b>
<b>Investing activities</b>				
Investments in intangible fixed assets		-10	-1	-14
Capitalised development costs		-17	-25	-67
Investments in tangible fixed assets		-55	-56	-197
Investments in lease assets		-	-	-3
Sale of tangible fixed assets		6	6	9
Sale of lease assets		9	-	130
Sale of and investments in short-term investments	8	551	-	-551
Sale of and investments in other financial assets		75	96	224
Investment in subsidiaries, net effect on liquidity	10	-	-	-68
Sale of subsidiaries, net effect on liquidity	10	-	-	11
<b>Cash flow from investing activities</b>		<b>559</b>	<b>20</b>	<b>-526</b>
<b>Financing activities</b>				
Loans raised		-	20	-
Loans amortised		-1,290	-	-279
Repurchase of shares		-	-	-110
Dividend paid to Parent Company's shareholders		-	-	-187
Contribution from non-controlling interest		-	-	6
<b>Cash flow from financing activities</b>		<b>-1,290</b>	<b>20</b>	<b>-570</b>
<b>Cash flow for the period</b>				
		<b>-738</b>	<b>-311</b>	<b>600</b>
Liquid assets at the beginning of the year		1,463	822	822
Exchange rate difference in liquid assets		3	19	41
<b>Liquid assets at the end of period</b>	8	<b>728</b>	<b>530</b>	<b>1,463</b>

**QUARTERLY INFORMATION**

MSEK	JANUARY–MARCH				APRIL–JUNE			
	2010	Operating margin	2009	Operating margin	2010	Operating margin	2009	Operating margin
<b>Sales</b>								
Aeronautics	1,703		1,843				2,113	
Dynamics	986		1,005				1,150	
Electronic Defence Systems	940		988				1,099	
Security and Defence Solutions	1,200		1,060				1,339	
Support and Services	743		814				966	
Corporate	219		226				304	
Internal sales	-407		-524				-688	
<b>Total</b>	<b>5,384</b>		<b>5,412</b>				<b>6,283</b>	
<b>Operating income</b>								
Aeronautics	53	3.1%	3	0.2%			-44	-2.1%
Dynamics	85	8.6%	75	7.5%			94	8.2%
Electronic Defence Systems	37	3.9%	27	2.7%			48	4.4%
Security and Defence Solutions	-96	-8.0%	11	1.0%			94	7.0%
Support and Services	56	7.5%	103	12.7%			112	11.6%
Corporate	-9	-	-69	-			168	-
<b>Total</b>	<b>126</b>	<b>2.3%</b>	<b>150</b>	<b>2.8%</b>			<b>472</b>	<b>7.5%</b>
Net financial items	-27		-187				-72	
<b>Income/loss before taxes</b>	<b>99</b>		<b>-37</b>				<b>400</b>	
<b>Net income/loss for the period</b>	<b>72</b>		<b>-27</b>				<b>292</b>	
attributable to Parent Company's shareholders	<b>69</b>		<b>-26</b>				<b>294</b>	
<b>Earnings per share after dilution</b>	<b>0.63</b>		<b>-0.24</b>				<b>2.69</b>	
<b>No. of shares after dilution, thousands</b>	<b>109,150</b>		<b>106,831</b>				<b>109,150</b>	

MSEK	JULY–SEPTEMBER				OCTOBER–DECEMBER			
	2010	Operating margin	2009	Operating margin	2010	Operating margin	2009	Operating margin
<b>Sales</b>								
Aeronautics			1,482				2,133	
Dynamics			944				1,481	
Electronic Defence Systems			1,180				1,403	
Security and Defence Solutions			1,161				2,240	
Support and Services			752				1,032	
Corporate			223				249	
Internal sales			-558				-770	
<b>Total</b>			<b>5,184</b>				<b>7,768</b>	
<b>Operating income</b>								
Aeronautics			-26	-1.8%			73	3.4%
Dynamics			83	8.8%			17	1.1%
Electronic Defence Systems			18	1.5%			-69	-4.9%
Security and Defence Solutions			52	4.5%			121	5.4%
Support and Services			47	6.3%			148	14.3%
Corporate			75	-			213	-
<b>Total</b>			<b>249</b>	<b>4.8%</b>			<b>503</b>	<b>6.5%</b>
Net financial items			-97				-42	
<b>Income/loss before taxes</b>			<b>152</b>				<b>461</b>	
<b>Net income/loss for the period</b>			<b>111</b>				<b>323</b>	
attributable to Parent Company's shareholders			<b>105</b>				<b>313</b>	
<b>Earnings per share after dilution</b>			<b>0.96</b>				<b>2.87</b>	
<b>No. of shares after dilution, thousands</b>			<b>109,150</b>				<b>109,150</b>	

**MULTI-YEAR OVERVIEW**

MSEK	2009	2008	2007	2006	2005
Order bookings	18,428	23,212	20,846	27,575	17,512
Order backlog at 31 Dec.	39,389	45,324	47,316	50,445	42,198
Sales	24,647	23,796	23,021	21,063	19,314
Sales in Sweden, %	31	32	35	35	44
Sales in EU excluding Sweden, %	23	25	28	29	28
Sales in Americas, %	8	6	7	9	9
Sales in Rest of the World, %	38	37	30	27	19
Operating income	1,374	166	2,607	1,745	1,652
Operating margin, %	5.6	0.7	11.3	8.3	8.6
Operating margin before depreciation/amortisation and impairments, excluding leasing aircraft, %	10.5	6.4	16.0	12.0	11.3
Income/loss after financial items	976	-406	2,449	1,693	1,551
Net income/loss for the year	699	-242	1,941	1,347	1,199
Total assets	30,430	32,890	33,801	32,771	30,594
Operating cash flow	1,447	659	-1,603	-1,900	2,645
Return on capital employed, %	10.3	1.4	19.4	14.5	14.6
Return on equity, %	7.0	-2.4	18.5	13.8	13.5
Equity/assets ratio, %	35.1	28.4	32.6	30.6	31.0
Earnings per share, SEK <sup>2) 4)</sup>	6.45	-2.31	17.68	11.91	10.89
After dilution, SEK <sup>3) 4)</sup>	6.28	-2.31	17.60	11.91	10.89
Dividend per share, SEK	2.25	1.75	4.50	4.25	4.00
Equity per share, SEK <sup>1)</sup>	99.91	86.49	101.53	89.80	84.10
Number of employees at year-end	13,159	13,294	13,757	13,577	12,830

<sup>1)</sup> NUMBER OF SHARES AS OF 31 DECEMBER 2009: 105,511,124; 2008: 106,829,893; 2007: 108,150,344; 2006/2005: 109,150,344

<sup>2)</sup> AVERAGE NUMBER OF SHARES 2009: 106,335,553; 2008: 107,515,049; 2007: 108,668,700; 2006/2005: 109,150,344

<sup>3)</sup> AVERAGE NUMBER OF SHARES AFTER DILUTION 2009: 109,150,344; 2008: 107,515,049; 2007/2006/2005: 109,150,344

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

**KEY RATIOS AND TARGETS**

	Long-term target	Jan–March 2010	Jan–March 2009	Jan–Dec 2009
Operating margin before depreciation/amortisation and impairments, excluding leasing aircraft, %	15	8.1	8.0	10.5
Operating margin, %	10	2.3	2.8	5.6
Earnings per share after dilution, SEK <sup>1)</sup>		0.63	-0.24	6.28
Return on capital employed, % <sup>2)</sup>		10.8	-0.2	10.3
Return on equity, % <sup>2)</sup>	15	7.9	-4.9	7.0
Equity/assets ratio, %	30	37.9	28.6	35.1

<sup>1)</sup> AVERAGE NUMBER OF SHARES AFTER DILUTION Q1 2010: 109,150,344; Q1 2009: 106,831,419; 2009: 109,150,344

<sup>2)</sup> RETURN ON CAPITAL EMPLOYED AND RETURN ON EQUITY ARE MEASURED OVER A ROLLING 12-MONTH PERIOD

**PARENT COMPANY INCOME STATEMENT**

MSEK	Jan–March 2010	Jan–March 2009	Jan–Dec 2009
Sales	3,462	3,474	15,385
Cost of goods sold	-2,675	-2,682	-11,276
Gross income	787	792	4,109
Gross margin, %	22.7	22.8	26.7
Marketing expenses	-245	-265	-1,138
Administrative expenses	-200	-202	-675
Research and development costs	-190	-181	-811
Other operating income	20	9	68
Other operating expenses	-15	-20	-68
Operating income/loss (EBIT)	157	133	1,485
Operating margin, %	4.5	3.8	9.7
Financial income and expenses:			
Result from shares in Group companies	139	-	1,178
Result from shares in associated companies/joint ventures	1	-7	7
Results from other securities and receivables held as fixed assets	47	-224	-238
Other interest income and similar items	17	5	109
Interest expenses and similar items	-24	-71	-309
Income/loss after financial items	337	-164	2,232
Appropriations	-	-	3
Income/loss before taxes	337	-164	2,235
Taxes	-62	44	-560
Net income/loss for the period	275	-120	1,675



**PARENT COMPANY BALANCE SHEET**

 MSEK 31/3/2010    31/12/2009    31/3/2009

ASSETS			
<b>Fixed assets</b>			
Intangible fixed assets	99	96	98
Tangible fixed assets	2,257	2,280	2,396
Shares in Group companies	9,497	9,520	11,661
Receivables from Group companies	782	760	160
Shares in associated companies and joint ventures	440	430	299
Receivables from associated companies and joint ventures	102	116	56
Other long-term securities holdings	1,486	1,495	1,512
Other long-term receivables	9	44	41
Deferred tax assets	627	689	1,251
<b>Total fixed assets</b>	<b>15,299</b>	<b>15,430</b>	<b>17,474</b>
<b>Current assets</b>			
Inventories, etc.	3,470	3,310	3,698
Receivables from Group companies	2,309	2,828	2,602
Receivables from associated companies and joint ventures	67	100	228
Other receivables	8,330	7,953	8,274
Short-term investments	-	551	-
Liquid assets	83	788	21
<b>Total current assets</b>	<b>14,259</b>	<b>15,530</b>	<b>14,823</b>
<b>TOTAL ASSETS</b>	<b>29,558</b>	<b>30,960</b>	<b>32,297</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Shareholders' equity	6,127	4,441	4,829
Net income/loss for the period	275	1,675	-120
<b>Total shareholders' equity</b>	<b>6,402</b>	<b>6,116</b>	<b>4,709</b>
<b>Untaxed reserves</b>	<b>419</b>	<b>419</b>	<b>422</b>
<b>Provisions</b>			
Provisions for pensions and similar commitments	314	379	626
Other provisions	1,545	1,513	1,977
<b>Total provisions</b>	<b>1,859</b>	<b>1,892</b>	<b>2,603</b>
<b>Liabilities</b>			
Interest-bearing liabilities	2,873	4,112	4,130
Liabilities to Group companies	7,242	7,913	9,326
Advance payments from customers	3,547	3,182	3,361
Liabilities to associated companies and joint ventures	80	139	190
Other liabilities	7,136	7,187	7,556
<b>Total liabilities</b>	<b>20,878</b>	<b>22,533</b>	<b>24,563</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>29,558</b>	<b>30,960</b>	<b>32,297</b>

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 1

### CORPORATE INFORMATION

Saab AB (publ), corporate identity no. 556036-0793, with its registered office in Linköping, Sweden. The address of the company's head office is Kungsbron 1, Stockholm, with the mailing address Box 70 363, SE-107 24 Stockholm, Sweden, and the telephone number +46-8-463 00 00. Saab has been listed on NASDAQ OMX Stockholm since 1998 and on the large cap list from October 2006. The company's operations, including subsidiaries and associated companies, are described in the annual report for 2009.

## NOTE 2

### ACCOUNTING PRINCIPLES

The consolidated accounts for the first quarter 2010 are prepared according to IAS 34 Interim Financial Reporting and the Annual Accounts Act. The Parent Company's accounts have been prepared according to the Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2.2 Reporting by Legal Entities. The accounting principles have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. The Group applies the same accounting principles as described in the annual report for 2009. The Group's accounting principles are described on pages 71-78 of the annual report 2009.

The interim report is abbreviated and does not contain all the information and disclosures available in the annual report and as such should be read together with the annual report for 2009.

### New and changed accounting policies in 2010

A number of new and changed standards and interpretations from IASB and IFRIC are applied as from 2010. Only the revised IFRS 3, Business Combinations and the amended IAS 27, Consolidated and Separate Financial Statements are expected to have a material effect on the Group's financial reports.

IFRS 3 and IAS 27, are applied for reporting acquisitions and disposals of businesses. The new rules can be summarised as follows:

- Transaction costs incurred in connection with business combinations must be expensed in the income statement.
- Contingent consideration shall be recognised and measured at fair value at the acquisition date and the effect of remeasurement shall be recognised in the income statement.
- Acquisition analysis according to IFRS 3 is prepared only at the date that control is achieved. In step acquisition, consequently, net assets are remeasured to fair value only in respect of the transaction that achieved control. Any previously held interests in the acquiree are remeasured to fair value, with any gain or loss recognised in the income statement.
- Once control has been achieved, any subsequent transactions in subsidiary equity interests between the parent and non-controlling interests are accounted for within equity.
- Non-controlling interests (formerly minority interest) can be measured either at their fair value or at their proportionate interest in the net identifiable assets of the acquiree.
- The definition of business has been changed

These changes shall be applied prospectively.

During the first quarter 2010 Saab made no acquisitions.

**NOTE 3**

SEGMENT REPORTING

Saab is one of the world's leading high-technology companies, with its main operations in defence, aviation and civil security. Operations are primarily focused on well-defined areas in defence electronics and missile systems as well as military and commercial aviation. Saab is also active in technical services and maintenance. While Europe is its main market, Saab has growing markets in Australia, South Africa and Asia. Saab's operating and management structure as of 1 January 2010 is divided into five business areas, which also represents operating segments, Aeronautics, Dynamics, Electronic Defence Systems, Security and Defence Solutions and Support and Services. The business segments are described below.

**Aeronautics**

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.

**Dynamics**

The product portfolio comprises various types of advanced weapon systems such as support weapons, missiles, torpedos, 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.

**Electronic Defence Systems**

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.

**Security and Defence Solutions**

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.

**Support and Services**

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.

SALES AND ORDER INFORMATION

**Sales by business segment**

MSEK	Jan– March 2010	Jan– March 2009	Change, %	Rolling 12 months	Jan–Dec 2009
Aeronautics	1,703	1,843	-8	7,431	7,571
of which external sales	1,650	1,780	-7	7,167	7,297
of which internal sales	53	63	-16	264	274
Dynamics	986	1,005	-2	4,561	4,580
of which external sales	971	981	-1	4,450	4,460
of which internal sales	15	24	-38	111	120
Electronic Defence Systems	940	988	-5	4,622	4,670
of which external sales	770	781	-1	3,714	3,725
of which internal sales	170	207	-18	908	945
Security and Defence Solutions	1,200	1,060	13	5,940	5,800
of which external sales	1,170	1,024	14	5,767	5,621
of which internal sales	30	36	-17	173	179
Support and Services	743	814	-9	3,493	3,564
of which external sales	672	703	-4	2,872	2,903
of which internal sales	71	111	-36	621	661
Corporate/eliminations	-188	-298	-37	-1,428	-1,538
of which external sales	151	143	6	649	641
of which internal sales	-339	-441	-23	-2,077	-2,179
<b>Total</b>	<b>5,384</b>	<b>5,412</b>	<b>-1</b>	<b>24,619</b>	<b>24,647</b>

**Sales by geographical market**

MSEK	Jan– March 2010	% of sales	Jan– March 2009	% of sales	Jan–Dec 2009	% of sales
Sweden	2,315	43	1,658	31	7,714	31
Rest of EU	943	18	1,361	25	5,675	23
Rest of Europe	65	1	67	1	280	1
<b>Total Europe</b>	<b>3,323</b>	<b>62</b>	<b>3,086</b>	<b>57</b>	<b>13,669</b>	<b>55</b>
North America	475	9	240	5	1,764	7
Latin America	23	-	19	-	154	1
Asia	695	13	1,087	20	4,568	19
Australia, etc.	204	4	127	2	1,015	4
Africa	664	12	853	16	3,477	14
<b>Total</b>	<b>5,384</b>	<b>100</b>	<b>5,412</b>	<b>100</b>	<b>24,647</b>	<b>100</b>

**NOTE 3 CONTINUED**

**Information on large customers**

Saab has two customers that account for 10 percent or more of the Group's sales: the Swedish Defense Materiel Administration (FMV) and the South African state through its procurement agency. FMV is a customer of all our segments, and total sales during the first quarter 2010 amounted to MSEK 1,409 (1,300). Deliveries to South Africa were made primarily by the Aeronautics segment; sales during the first quarter 2010 amounted to MSEK 362 (600).

**Order bookings by business segment**

MSEK	Jan–March 2010	Jan–March 2009	Change, %	Jan–Dec 2009
Aeronautics	2,082	1,090	91	3,417
Dynamics	634	969	-35	3,133
Electronic Defence Systems	1,101	403	173	2,625
Security and Defence Solutions	920	1,509	-39	6,045
Support and Services	924	620	49	4,057
Corporate	236	247	-4	978
Internal	-419	-737	43	-1,827
<b>Total</b>	<b>5,478</b>	<b>4,101</b>	<b>34</b>	<b>18,428</b>

**Order backlog by business segment**

MSEK	31/3/2010	31/12/2009	31/3/2009
Aeronautics	15,855	15,476	18,780
Dynamics	6,623	6,980	8,447
Electronic Defence Systems	7,275	7,159	8,775
Security and Defence Solutions	7,586	7,746	7,676
Support and Services	4,196	4,011	3,262
Corporate	193	176	224
Internal	-2,174	-2,159	-3,006
<b>Total</b>	<b>39,554</b>	<b>39,389</b>	<b>44,158</b>

**OPERATING INCOME**

**Operating income by business segment**

MSEK	Jan–March 2010	% of sales	Jan–March 2009	% of sales	Rolling 12 months	% of sales	Jan–Dec 2009	% of sales
Aeronautics	53	3.1	3	0.2	56	0.8	6	0.1
Dynamics	85	8.6	75	7.5	279	6.1	269	5.9
Electronic Defence Systems	37	3.9	27	2.7	34	0.7	24	0.5
Security and Defence Solutions	-96	-8.0	11	1.0	171	2.9	278	4.8
Support and Services	56	7.5	103	12.7	363	10.4	410	11.5
<b>The segments' total operating income</b>	<b>135</b>	<b>2.4</b>	<b>219</b>	<b>3.8</b>	<b>903</b>	<b>3.5</b>	<b>987</b>	<b>3.8</b>
Corporate	-9	-	-69	-	447	-	387	-
<b>Total operating income</b>	<b>126</b>	<b>2.3</b>	<b>150</b>	<b>2.8</b>	<b>1,350</b>	<b>5.5</b>	<b>1,374</b>	<b>5.6</b>

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

MSEK	Jan–March 2010	Jan–March 2009	Change, %	Rolling 12 months	Jan–Dec 2009
Aeronautics	61	62	-2	248	249
Dynamics	39	43	-9	193	197
Electronic Defence Systems	134	124	8	537	527
Security and Defence Solutions	43	26	65	136	119
Support and Services	4	4	-	16	16
Corporate – lease aircrafts	38	50	-24	164	176
Corporate – other	27	26	4	117	116
<b>Total</b>	<b>346</b>	<b>335</b>	<b>3</b>	<b>1,411</b>	<b>1,400</b>

**OPERATING CASH FLOW AND CAPITAL EMPLOYED**

**Operating cash flow by business segment**

MSEK	Jan–March 2010	Jan–March 2009	Rolling 12 months	Jan–Dec 2009
Aeronautics	-33	-310	-157	-434
Dynamics	-11	103	255	369
Electronic Defence Systems	375	333	548	506
Security and Defence Solutions	-15	-193	-39	-217
Support and Services	250	60	271	81
Corporate	-639	-449	952	1,142
<b>Total</b>	<b>-73</b>	<b>-456</b>	<b>1,830</b>	<b>1,447</b>

**Capital employed by business segment**

MSEK	31/3/2010	31/12/2009	31/3/2009
Aeronautics	2,017	2,146	2,648
Dynamics	2,912	2,880	2,873
Electronic Defence Systems	4,553	5,621	5,206
Security and Defence Solutions	2,977	3,159	2,599
Support and Services	1,624	1,807	1,623
Corporate	-812	-1,282	-1,672
<b>Total</b>	<b>13,271</b>	<b>14,331</b>	<b>13,277</b>

**PERSONNEL**

**Personnel by business segment**

Number at end of period	31/3/2010	31/12/2009	Change	31/3/2009
Aeronautics	2,988	3,015	-27	3,091
Dynamics	1,682	1,739	-57	1,805
Electronic Defence Systems	2,553	2,601	-48	2,615
Security and Defence Solutions	2,563	2,568	-5	2,462
Support and Services	1,768	1,749	19	1,796
Corporate	1,411	1,487	-76	1,509
<b>Total</b>	<b>12,965</b>	<b>13,159</b>	<b>-194</b>	<b>13,278</b>

**NOTE 4**

TAXES

MSEK	Jan–March 2010	Jan–March 2009
Current tax	-30	-32
Deferred tax	3	42
<b>Total</b>	<b>-27</b>	<b>10</b>

**NOTE 5**

DIVIDEND TO PARENT COMPANY'S SHAREHOLDERS

At its meeting on 11 February 2010, the Board of Directors decided to propose to the Annual General Meeting that the Parent Company's shareholders receive a dividend of SEK 2.25 per share, totaling MSEK 237.

The Annual General Meeting on 15 April 2010 approved the Board's proposal and set 20 April 2010 as the record day and decided that the dividend would be paid on 23 April 2010.

**NOTE 6**

INTANGIBLE FIXED ASSETS

MSEK	31/3/2010	31/12/2009	31/3/2009
Goodwill	3,453	3,457	3,448
Capitalised development costs	2,866	3,038	3,505
Other intangible assets	580	613	639
<b>Total</b>	<b>6,899</b>	<b>7,108</b>	<b>7,592</b>

**NOTE 7**

INTEREST-BEARING LIABILITIES

MSEK	31/3/2010	31/12/2009	31/3/2009
Liabilities to credit institutions	1,712	2,971	3,009
Liabilities to associates and JVs	555	632	880
Other interest-bearing liabilities	92	42	47
<b>Total</b>	<b>2,359</b>	<b>3,645</b>	<b>3,936</b>

**Committed credit lines**

MSEK	Facilities	Drawings	Available
Revolving credit facility (Maturity 2012)	4,000	-	4,000
Overdraft facility (Maturity 2010)	121	1	120
<b>Total</b>	<b>4,121</b>	<b>1</b>	<b>4,120</b>

**Parent Company**

MSEK	31/3/2010	31/12/2009	31/3/2009
Long-term liabilities to credit institutions	2,283	2,312	1,197
Short-term liabilities to credit institutions	535	1,800	2,933
Other interest-bearing liabilities	55	-	-
<b>Total</b>	<b>2,873</b>	<b>4,112</b>	<b>4,130</b>

Of liabilities to credit institutions, MSEK 0 (2,136) was issued under the Commercial Paper programme with a limit of MSEK 5,000, compared to 1,800 at year end. Under the Medium Term Note programme (MTN) of SEK 3 billion, MSEK 1,100 was issued. MSEK 535 was short-term bank funding. The loans are carried at amortised cost.

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 8**

## SUPPLEMENTAL INFORMATION ON STATEMENT OF CASH FLOWS

**Liquid assets**

MSEK	31/3/2010	31/3/2009	31/12/2009
The following components are included in liquid assets:			
Cash and bank balances (incl. available overdraft facilities)	714	501	1,447
Deposits	14	29	16
<b>Total according to balance sheet</b>	<b>728</b>	<b>530</b>	<b>1,463</b>

<b>Total according to statement of cash flows</b>	<b>728</b>	<b>530</b>	<b>1,463</b>
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**Operating cash flow vs. statement of cash flows**

MSEK	Jan–March 2010	Jan–March 2009	Jan–Dec 2009
<b>Operating cash flow</b>	<b>-73</b>	<b>-456</b>	<b>1,447</b>
Investing activities – interest-bearing:			
Short-term investments <sup>1)</sup>	551	-	-551
Other financial investments and receivables	74	125	274
Financing activities:			
Loans raised	-	20	-
Loans amortised	-1,290	-	-279
Repurchase of shares	-	-	-110
Dividend paid to the Parent Company's shareholders	-	-	-187
Contribution from non-controlling interest	-	-	6
<b>Cash flow for the period</b>	<b>-738</b>	<b>-311</b>	<b>600</b>

1) Short-term investments were governments bonds acquired in 2009 and sold during the first quarter 2010.

**Specification of operating cash flow first quarter 2010**

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	594	-	31	625
CASH FLOW FROM CHANGES IN WORKING CAPITAL				
Inventories	-295	-	2	-293
Receivables	199	-	-39	160
Advance payments from customers	-72	-	-	-72
Other liabilities	-153	-	-165	-318
Provisions	-86	-	-23	-109
Change in working capital	-407	-	-225	-632
<b>Cash flow from operating activities</b>	<b>187</b>	<b>-</b>	<b>-194</b>	<b>-7</b>
INVESTING ACTIVITIES				
Investments in intangible fixed assets	-27	-	-	-27
Investments in tangible fixed assets	-55	-	-	-55
Sale of tangible fixed assets	6	-	-	6
Sale of lease assets	-	-	9	9
Sale of and investment in shares, etc.	-5	-	6	1
<b>Cash flow from investing activities excluding change in short-term investments and other interest-bearing financial assets</b>	<b>-81</b>	<b>-</b>	<b>15</b>	<b>-66</b>
<b>OPERATING CASH FLOW</b>	<b>106</b>	<b>-</b>	<b>-179</b>	<b>-73</b>

**NOTE 9**

ASSETS AND LIABILITIES HELD FOR SALE

Assets and liabilities held for sale comprise investment properties, operating properties and a real estate company.

**NOTE 10**

ACQUISITIONS AND DIVESTMENTS OF OPERATIONS

No significant acquisitions or divestments were made during the period.

**NOTE 11**

DEFINED-BENEFIT PLANS

Saab has defined-benefit pension plans where post-employment compensation is based on a percentage of the recipient's salary. The predominant plan is the ITP plan, which is secured through a pension fund. The Saab Pension Fund had assets of MSEK 3,762 (3,060) as of 31 March 2010, compared to an obligation of MSEK 5,055 (4,479) according to IAS 19, or a solvency margin of 74 percent (68). In a comparison with the obligation according to the FPG/PRI system, the solvency margin was 96 percent (82).

**NOTE 12**

CONTINGENT LIABILITIES

No additional obligations have been added during the period. With regard to the Group's performance guarantees regarding commitments to customers, the likelihood of an outflow of resources is extremely small and, as a result, no value is recognised.

Saab has been informed that a judgement will be issued by the Maritime and Commercial Court in Copenhagen in June 2010 in a case related to a Command and Control System called DACCIS, sold to the Danish Defence Acquisition and Logistics Organization (FMT). FMT terminated the DACCIS contract in February 2008 due to Saab's alleged default and claimed Saab for some MDKK 143 plus interest. Saab is of the opinion that the termination was unjustified. Consequently, Saab rejected both FMT's termination and claim and issued a counterclaim for some MDKK 42 plus interest for damages caused by the unjustified termination.

If the judgement is in favour of Saab, then FMT may be ordered by the Court to compensate Saab. The compensation amount will not exceed the damages and costs claimed by Saab. The exact amount will be dependant upon the Court's judgement. If, however, the judgement is not in favour of Saab, then a provision covering the amount ordered by the Court to be paid by Saab to FMT of about MSEK 225, including interest up until June 2010, will be taken as a provision in the second quarter of 2010.

The Court's judgement can be appealed.

**NOTE 13**

TRANSACTIONS WITH RELATED PARTIES

No significant transactions have occurred during the first quarter 2010.

Related parties with which the Group has transactions are described in the annual report for 2009, note 43.

**NOTE 14**

CONDENSED SUBDIVIDED FINANCIAL POSITION AS OF 31 MARCH, 2010

MSEK	Saab	Saab Aircraft Leasing	Eliminations	Saab Group
<b>ASSETS</b>				
Intangible fixed assets	6,899	-	-	6,899
Tangible fixed assets, etc.	3,432	-	-	3,432
Lease assets	4	1,386	-	1,390
Long-term interest-bearing receivables	422	-	-	422
Shares, etc.	1,924	-	-1,500	424
Other long-term receivables	860	15	-	875
Deferred tax assets	-	218	-35	183
Inventories	4,988	54	-	5,042
Short-term interest-bearing receivables	496	1,402	-1,402	496
Other current assets	7,452	88	-	7,540
Derivatives	1,046	-	-	1,046
Liquid assets and short-term investments	714	14	-	728
Assets held for sale	318	-	-	318
<b>Total assets</b>	<b>28,555</b>	<b>3,177</b>	<b>-2,937</b>	<b>28,795</b>

SHAREHOLDERS' EQUITY AND LIABILITIES

Shareholders' equity	10,824	1,584	-1,500	10,908
Provisions for pensions	4	-	-	4
Deferred tax liabilities	889	-	-35	854
Other provisions	2,106	779	-	2,885
Interest-bearing liabilities	3,761	-	-1,402	2,359
Advance payments from customers	372	-	-	372
Derivatives	1,105	-	-	1,105
Other liabilities	9,465	814	-	10,279
Liabilities regarding assets held for sale	29	-	-	29
<b>Total shareholders' equity and liabilities</b>	<b>28,555</b>	<b>3,177</b>	<b>-2,937</b>	<b>28,795</b>

**NOTE 15**

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.