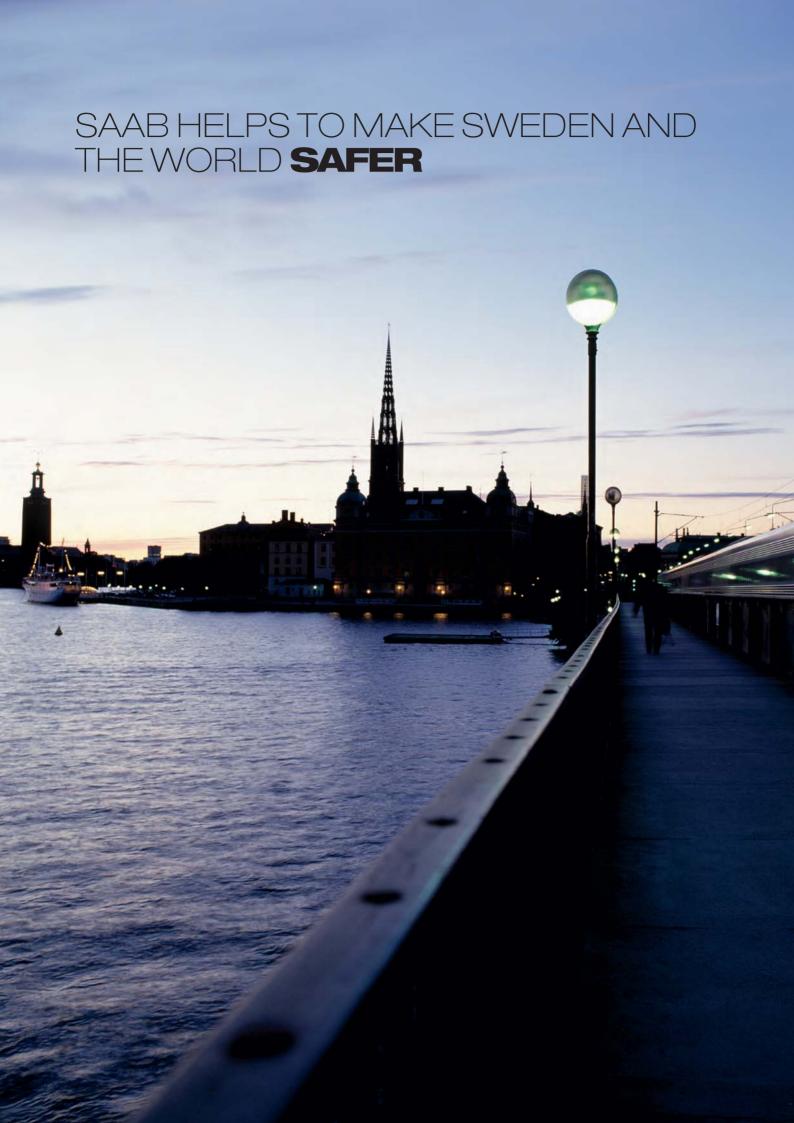


ANNUAL REPORT 2008



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THIS IS **SAAB**

Saab serves the global market with world-leading products, services and solutions for military defence to civil security.

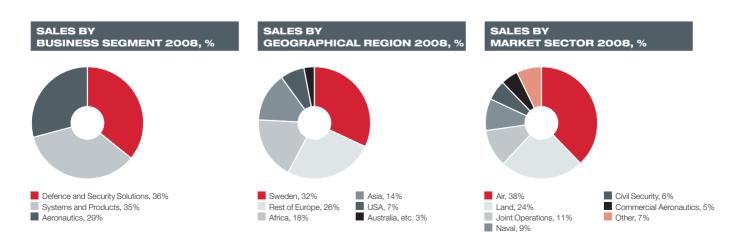
Saab's operations are divided into three business segments: Defence and Security Solutions, Systems and Products, and Aeronautics.

Saab is active in six markets:

- Air
- Naval
- Land
- Joint Operations
- Civil Security
- Commercial Aeronautics

IMPORTANT EVENTS IN 2008

- Thailand decided to purchase an integrated air surveillance system from Sweden, and Saab received an order from the Swedish Defence Materiel Administration in February valued at SEK 2 billion.
- In civil security, Saab signed contracts in January and March to supply surveillance systems to two nuclear power plants. In March, it was also awarded a contract to supply advanced surveillance systems at new maximum security units and remand centers in Sweden.
- Gripen Demo a flying development platform for current and future generations of Gripen was introduced in April. In late May, Saab conducted a successful maiden flight with Gripen Demo.
- In April, Saab submitted its response to Norway for up to 48 Gripen aircraft. Shortly after, Saab submitted its response to India for 126 Gripen aircraft.
- In early July, Saab submitted a Gripen proposal to the Swiss department for procurement of technologically complex systems and defence technology, Armasuisse, in Bern.
- Saab sold Saab Space to the Swiss aerospace and defence group RUAG in early September.
- In early September, Saab reduced its outlook for 2008. The new outlook for organic sales growth was changed to 3–4 percent and the operating margin to 8–9 percent.
- The Gripen NG (Next Generation) was placed on the short list as an alternative to equip the Brazilian Air Force in early October.
- In November, the Norwegian government announced that it recommends the selection of the American alternative competing with Saab.
- Saab signed an agreement with Lockheed Martin Canada to partner in the design and development of a command and control system for the Canadian Navy's twelve Halifax Class frigates.
- The Swedish Defence Material Administration signed a long-term contract with Saab on an overall support commitment for the SK 60 aircraft system. Saab will ensure that the system is airworthy and available in accordance with the requirements for the Armed Forces' Swedish fleet.



DEFENCE AND SECURITY SOLUTIONS

Within the framework of the Defence and Security Solutions business segment, Saab develops and integrates high-technology systems for reconnaissance, surveillance, communication, and command and control for military and civil applications.



SYSTEMS	AND	PROI	DUCTS
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Systems and Products offer a broad-based portfolio of products and entire systems in defence, aeronautics and civil security.



Defence and Security Solutions	2008	2007
Sales, MSEK	9,443	9,300
Operating income, MSEK	732	934
Operating margin, %	7.8	10.0
Adjusted operating margin, %	8.8	9.5
Order bookings, MSEK	9,997	7,259
Order backlog at year-end, MSEK	10,918	10,764

Sales, MSEK 9,095	9,091
Operating income, MSEK 756	756
Operating margin, % 8.3	8.3
Adjusted operating margin, % 11.1	9.0
Order bookings, MSEK 9,345	8,470
Order backlog at year-end, MSEK 17,390	17,830

AERONAUTICS

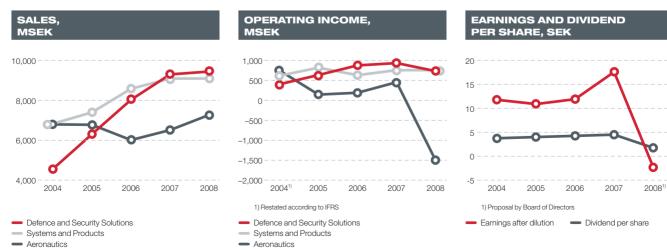
Saab's military and civil aeronautics operations are dominated by the Gripen program, but also comprise commercial aircraft operations and investments in future unmanned aerial vehicles.



Aeronautics	2008	2007
Sales, MSEK	7,269	6,510
Operating income, MSEK	-1,508	454
Operating margin, %	-20.7	7.0
Adjusted operating margin, %	3.6	7.0
Order bookings, MSEK	6,153	7,516
Order backlog at year-end, MSEK	19,626	21,158

Key financial ratios	2008	2007
Sales, MSEK	23,796	23,021
Operating income, MSEK	166	2,607
Operating margin, %	0.7	11.3
Adjusted operating margin, %	8.4	9.4
Non-recurring items	-1,828	453
Income after financial items, MSEK	-406	2,449
Net income, MSEK	-242	1,941
Earnings per share, SEK (after dilution)	-2.31	17.60
Dividend per share, SEK1)	1.75	4.50
Return on equity, %	-2.4	18.5
Equity/assets ratio, %	28.4	32.6
Order bookings, MSEK	23,212	20,846
Order backlog at year-end, MSEK	45,324	47,316
Research and development, MSEK	4,141	4,523
No. of employees at year-end	13,294	13,757
Share of women, %	22.5	22.0
University-educated, %	48.0	41.0
Sick leave ²⁾ , %	2.5	2.7

¹⁾ Proposal by Board of Directors



THIS HAS HAPPENED

As of November 20, 2008, the Dumbarton Oaks system takes effect in Sweden. There are many ways to describe historical developments. For Saab, it is relevant to note the change from defending borders to protecting flows.

DUMBARTON OAKS?

Let's start at the beginning.

Food and shelter have always been among our basic needs. Most societies have sought to maintain peace and prosperity for their citizens, but still been prepared to take up arms to defend their resources, their political system and their freedom. Defence needs have also contributed to prosperity in many ways. For example, in addition to contributing to the gross domestic product, the defence industry has created critical technological breakthroughs. Sweden has had a prominent defence industry since the 17th century. Bofors cannons date back to that time, as do many of the factories that served as the backbone of Swedish industry for centuries to come.

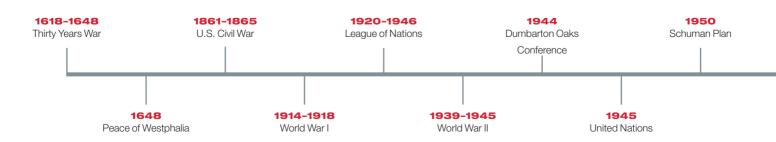
The Thirty Years War that ended with the Peace of Westphalia in 1648 not only redrew the map of Europe but defined a world order that would influence the social structures we still see today, including the security structure. After World War II, following 300 years of constant cross-border conflicts, it was obvious that the system needed re-evaluation. Since then, there has been a gradual systemic transformation.

WORLD ORDER FOCUSED ON STABILITY

In the Westphalian system, peace and prosperity were based on the principles of sovereignty, self-sufficiency and a balance of power

between states. Stability was the goal, and the nation state was thought to be the right design to maintain territorial stability. The nation state was defined by its geographical borders and manifested by its own flag, own laws, own currency and own passports, which citizens needed to cross the border. These borders had to be defended at any price, as did the currency. The terms economics and political science are also products of this world order. Nations preferred to be self-sufficient - and trade was generally limited to areas where they couldn't achieve self-sufficiency. The Industrial Revolution led to the mercantile economy and a gradual expansion of international trade - despite extensive regulations, customs duties and fees designed to protect national economies and the stability of the system. The Westphalian world order came under intense pressure during the first half of the 20th century from two world wars within the span of only 40 years. The entire system was shaken to its very core when some 40 countries to varying degrees became involved in World War II and when nuclear weapons were used in combat for the first time.

Near the end of the war, when it appeared certain that the Allies would be victorious, representatives of the U.S., the Soviet Union, England, France and China gathered at a conference at Dumbarton Oaks, an estate in the Georgetown section of Washington, DC, to prepare a blueprint for a new world organization and a new security doctrine. Of course, the world looked dramatically different three hundred years after Westphalia. International trade had grown many times over, and the prosperity everyone sought had become increasingly dependent on a growing, efficient global market. Borders and geographical separation were not as potent any longer as security instruments. Wars were playing out globally, and distances no longer



offered automatic protection. People accepted that the global interests we share were just as important as those of individual states. If these shared interests grew and became clearer, future wars could be avoided, it was thought. One of the most important results of the Dumbarton Oaks Conference, which concluded on October 7, 1944, was the initial proposal for the United Nations, founded a year later, on October 24, 1945. Membership was opened "to all peace-loving nations" that accept the United Nations Charter, which begins: "We the peoples of the united nations, determined to save succeeding generations from the scourge of war...".

PEACE AND PROSPERITY THROUGH ECONOMIC INTEGRATION

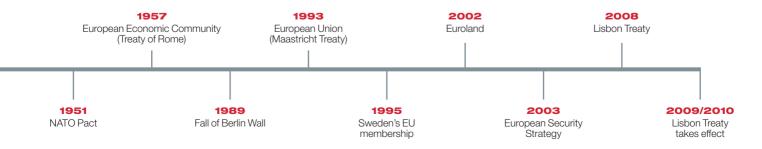
The Dumbarton Oaks system had the same purpose as the Westphalian: peace and prosperity. However, it would be created through the principles of solidarity and mutual dependence. The new security doctrine was based on and aimed at collective security. The basic idea was that war could be eliminated in the future if our shared economic interests were deeply ingrained. The u.s. and President Roosevelt were the driving force behind the initiative. Democracy and market economics were considered essential if the new system was going to work.

The separation of the world into two ideological blocs, one of which believed in neither democracy nor market economics, led to the demise of the system. Instead of peace, the next forty years were overshadowed by the Cold War, which never led to direct military confrontation between the major powers despite extreme tension. Not until the Iron Curtain fell on November 9, 1989 and China and India gradually accepted market economies as a means to create prosperity were conditions ripe for the global community of interests that Dumbarton Oaks had envisioned. This could be considered a breakpoint, when the 350-year-old Westphalian paradigm no longer prevailed. Defence spending has in fact decreased significantly in a number of countries since the end of the Cold War.

The economic integration on the global level is reflected in the scope of the World Trade Organization (WTO), today comprising 153 member states together accounting for more than 95 percent of global trade. Its purpose is to strengthen the multilateral trade system. The forerunner to the WTO – GATT – was established in 1944 at the



Bretton Woods Conference (World Bank, etc.), as was the International Monetary Fund (IMF), in an effort to create a financial system that encouraged trade. The Treaty of Rome, which was signed on March 25, 1957 and established the forerunner to the EU, was also based on the principles of Dumbarton Oaks. At that point, the longstanding conflict between Germany and France that had caused so many wars had already been partially resolved through the European Coal and Steel Community, which was designed to promote "peace and prosperity". The Treaty of Rome identified more clearly than ever before the new, "free flowing" society where the old customs regulations were being replaced by four freedoms - free movement of goods, persons, service and capital – across borders within the union, what became the Eu's inner market. The Maastricht Treaty in 1993 founded the EU as a political, legal and monetary union. The Swedish people voted yes to EU membership in 1994. Around ten years ago, the EU began to draft a common security policy that



emphasized functionality over borders, in keeping with the philosophy of Dumbarton Oaks. Since the passage of the 2004 defence bill, the Eu's security policy applies in Sweden as well. The idea was that the Lisbon Treaty in 2009 would complete the vision of a European Union with closer coordination of foreign and security policy. A national referendum in Ireland delayed that timetable, but on November 20, 2008 the Swedish parliament, the Riksdag, none-

A NEW SECURITY POLICY DILEMMA

The security of strategic transaction systems is our newest common interest. It has necessitated significant changes to military initiatives and alliances and resulted, for example, in multinational rapid response forces designed for areas of conflict around the world. Today's security dilemma is namely that the strategic supplies we are all dependent on often must pass through war-torn areas. Half of the

In Sweden, the state is responsible for defence, preparedness, law enforcement and the judicial system, which together account for approximately 9% of the state budget.

theless voted yes to Lisbon. This means that after 360 years Sweden has also formally abandoned the Westphalian system's principles of self-sufficiency in foreign and security policy.

A NEW WORLD ORDER WITH A DYNAMIC FOCUS

To summarize the entire transformation, we have replaced the vertical structures of the old national states with horizontal flow structures in an intertwined global economy. Whereas the old order concentrated on protecting borders, the new one is more concerned about maintaining flows across borders. The emphasis has shifted from stability to dynamics - preferably stable dynamics. More resources and investments are therefore being targeted to cross-border infrastructures and flow efficiency. The importance of information technology can hardly be overstated. The Internet is linking together more and more of the world through an instantly accessible flow of information. Global flows comprise goods, energy, services, capital, data and people. The volume of these flows has increased as new areas of the world are integrated into the community. The need for better controls, efficiency and security in flows and infrastructures is employing a growing share of the industry on both the civil and defence sides. A number of supranational institutions and intergovernmental initiatives are also designed to promote and protect flows and their nodes. This includes infrastructure such as pipelines, energy systems, IT systems, and nodes such as ports, loading terminals, airports, global IT hubs, financial centers and so on. They also want to create transparency and clarify the rules that govern international trade and to combat the use of corrupt business methods. Anything that keeps transactions flowing.

world's population lives in urban areas and is totally dependent on these flows. If they were cut off, their populations would starve to death, unless they killed each other first in a fight to survive. It is hardly surprising, therefore, that the mayors of the world's megacities today formulates bear security needs in a way we had previously seen only with defence and domestic ministers on a national level.

The financial crisis in 2008 has clearly shown what can happen when one of the global transaction systems fails. It has an immediate, dramatic effect on the volume of transactions. In the long run, it creates not only bankruptcies and unemployment but also the risk of protectionism and new national conflicts and battles over resources and assets. The financial crisis is the first real setback for the new flow-centered society.

To understand the complexity of the global picture, one must realize that the Westphalian and Dumbarton Oaks systems exist simultaneously, but to different degrees in different areas of the world. They are both a part of the overall security structure, but have very different strategies how security can be achieved. Mixing them together makes the international system fragile. There are players in the geopolitical arena that exploit both systems at the same time to achieve their strategic objectives. This explains the anomalies in the international system and the sometimes convoluted debate on peace, security and development. Like every other company, Saab must find its place and role in this new reality and in this business environment. Now and in the future.

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

WHAT HAPPENS NOW -AND NEXT?

From society's perspective, investments in the defence industry almost always deliver a payback many times greater in the form of new technology with civil applications, and often generate new companies that create jobs and generate tax revenues.

ÅS: When we look back on 2008, we can see that we were able to meet our revised forecast after a very strong result in the fourth quarter. This was despite challenges such as the global financial crisis, delays in major projects and continued uncertainty regarding Sweden's defence policy and global uncertainty.

MW: I agree that external conditions are extremely uncertain, which applies to both security policy and the civil sector. The lopsidedness in the global balance of current accounts creates many areas of conflict. The financial crisis has unravelled at a speed and reached an extent few people had anticipated. Conflicts in several places around the world are threatening to escalate. Terrorism remains a scourge. The threat scenarios facing society and our standards of living are indeed complex.

AS: Saab's position in the markets where we operate is strong, but the macro picture is complex. This is even more true if you consider the issue of climate change and global warming's impact on the Arctic Ocean and our neighbouring region. Unfortunately, there are potential conflicts here as well, which can draw closer as the ice melts.

MW: Absolutely. As the ice shelf disappears, it will be possible to exploit the deposits in the area between Murmansk, Svalbard and Kirkenes. The huge Russian gas deposits already being exploited in the Stockman Field outside Murmansk are supposed to be linked to the Baltic pipeline. Many of the conflicts we are seeing involve raw materials and energy. Various development scenarios in the North Calotte have to be considered from a resource standpoint as well.

AS: I believe that an open Arctic Ocean also would change the whole structure of trade flows. The route over the Barents Sea passed the North Calotte could become one of the biggest for global trade, if not the biggest, since it creates a shortcut to and from China. This adds a security concern for the Nordic countries. Global warming is 'heating' things up in more ways than one.

MW: We can assume that the more potential conflicts we see in our neighboring region, the greater the need for a local defence force. It

is not unlikely that we may have to change the way we look at protecting Sweden also here at home considering these changes, at the same time that we participate in stabilizing conflict zones far away.

ÅS: It was similar realization in the late 1930s that marked the launch point for our company's modern history, when Saab Aeroplan Aktiebolaget, Saab, began to develop and supply systems to the air force after it became clear that Sweden could not obtain aircraft abroad.

MW: Yes, today's Saab would not be here if not for the Swedish defence's need for a competent, reliable suppliers here at home. Practically all defence contractors around the world have grown and developed in close symbiosis with their local armed forces. And it will continue that way. Our business model is dependent on longterm action plans from the Swedish government to drive technological developments. Moreover, we cannot develop competitive weapon systems and remain a successful exporter without support from Sweden's government. In this respect, Saab differs from other major Swedish export companies.

AS: We see that in light of the current situation, we will have to selffinance a significant share of product development also in the future, which will require measures we will get back to. But a continued strategic partnership with the Swedish defence is critical to our ability to run our business successfully. We need a development partner, not just one that intends to buy products off the shelf.

MW: Definitely. There is no country where the defence industry can bear all the development costs itself. But from society's perspective, investments in the defence industry almost always deliver a payback many times greater in the form of new technology with civil applications, and often generate new companies that create jobs and generate tax revenues.

AS: You're right. Saab has served as a technology incubator in Sweden for more than 70 years, and has reached a level of technological prowess that has contributed substantially to the development of Swedish industry and, in the long run, to the standard of living in our country. Naturally, we are very proud of this.

MW: Moreover, Saab initiates a number of international industrial cooperations in connection with major contracts. This benefits other Swedish exporters, which gain a stronger foothold in various markets on favorable terms. We have received strong support from a number of companies in the Investor Group and hope they remain positive. This is a must, since these contracts have to be a win-win

situation for everyone concerned. It generates value far beyond the contract itself for years to come.

ÅS: Sales of the Gripen system to date have created industrial cooperations whose value to Swedish industry can conservatively be estimated at tens of billions of kronor. In addition, research and development opportunities have been created for industries and at universities and institutes of technology. The impact on the Swedish economy can hardly be overestimated. All export deals in the military area require state approval, but the biggest deals also require the state's active participation. This commitment produces returns many times over.

MW: Just as much value is created at the other end in the land we sell to. We devote considerable effort to broadening industrial cooperations that benefit businesses and research in the buying country. Gripen is a long-term catalyst for this.

AS: Despite certain setbacks, sales of Gripen have to be considered successful. Today it has been selected in South Africa, Thailand, Hungary and Czech Republic, with the latter two countries choosing leasing arrangements. The fact is that Gripen has won more export contracts than any other current fighter over the last ten-year period, even though competing systems have secured larger deals. In comparison with our competitors, we are small, which is both a strength and a weakness. The strength lies mainly in the fact that we, as a smaller company, are more willing to change and are more flexible. In the same way, it is both an advantage and disadvantage that Sweden is still seen as neutral and non-aligned.

MW: We can only say that Norway was looking for a different type of solution than Gripen. It has a long tradition of working with the u.s. on defence issues, and that alliance has not diminished in light of developments in the North Calotte and the Arctic Ocean.

ÅS: The Gripen's outstanding operational capabilities were most recently on display at Red Flag, a multinational aerial combat exercise together with the u.s., Canadian and Japanese air forces last summer at Nelllis Air Force Base and in previous years in Alaska, when seven of the latest multi-role version of the Gripen performed exceptionally well.

MW: Operational capabilities are very important in these contracts, but their complexity is also high and tends to increase. During the years 1998-2005, Saab had a cooperation agreement on the Gripen system with our previous co-owner, BAE Systems. Basically, BAE assumed responsibility for marketing and sales, while we handled technological development and production. We entered into the cooperation in order to sell internationally on a broader, faster and more efficient scale. It took us a number of years to build up our own organisation, which now manages all Gripen sales for Saab.

AS: In terms of sales work, we have very clear views on professional ethics and business methods. During the year, we drafted even clearer rules and a more restrictive code of conduct, and took also extensive measures so that our own employees as well as all our partners and consultants are aware of them. It is worth noting that we have not found that Saab was involved in any improprieties in connection with any contracts.

MW: We on the Board of Directors cannot stress enough that we can only accept proper behavior from all Saab employees who follow rules and regulations. We are also fully cooperating with the prosecutor in all investigations that are under way. Helping to resolve any issues is in our best interest.

Sweden's positioning on defence issues is the biggest challenge facing Saab. It essentially affects how we move forward as a company, particularly with regard to technological development.



ÅS: We are in total agreement there. We are well aware that our brand and reputation have taken a hit because of this. Restoring full confidence is one of our challenges going forward.

MW: There is no lack of challenges for Saab. Sweden's position on defence issues is the biggest challenge. It essentially affects how we steer the company, not least in terms of technological development. Our technical expertise and innovative capabilities are our biggest strength. They cannot be jeopardized.



AS: In addition to further customer financing, we will therefore have to invest more ourselves in research and development. The Billion+ Program to raise efficiencies will ensure the resources for this. Our ability to continue to develop cutting-edge technology is a critical success factor. Actually, it is a question of survival.

MW: This is also the reason we have decided to apply the accounting principles for R&D expenses more conservatively. In the future, we will take a larger share of these costs to the income statement and we will accelerate amortization of the investments we have already made. This does not mean that the level of R&D investments will decrease. These investments are what Saab will live off in the future. But by taking development charges earlier, we create a more robust, more forward-looking business, at the same time that our risk profile becomes more conservative. The measures will impact our results in the years ahead, and it will take time before we can restore the levels where we want them. But our long-term profitability target remains unchanged.

AS: Naturally, we are not pleased with the financial results for 2008. We issued a profit warning in September for good reason. The year's underlying sales and income are also in line with the revised target. But write-downs and loss provisions became necessary due to delayed orders and delivery schedules. Large writedowns were made in civil aircraft projects as well as on the defencerelated end for the RBS15 missile system. Loss provisions were also allocated to cover any losses in commercial aviation projects and a helicopter project.

MW: A strong contributing reason for the decline in income is the problems that the civil aviation sector has had and continues to have due to the situation in the global economy. For one thing, the economy has struck a blow against both airlines and the industry. Secondly, the new generation of aircraft from both Boeing and Airbus, for which we are a supplier, has suffered technical delays.

ÅS: Because of our exposure to the civil market, also other areas are vital to Saab's strategic shift in the civil market. Avionics and sensor technology are among Saab's strongest core competencies, and this is where we must defend our cutting-edge technology. We are investing heavily in civil security, although the military will dominate our operations for some time to come. Sweden, Europe, South Africa, Australia and the U.S. – in that order – are our largest markets.

MW: Saab's order and tender backlogs look good, and not only with regard to Gripen. When taken together with the fact that the military business cycle differs from the civilian cycle, it means that our shortand intermediate-term outlook is slightly more stable than for many other industrial companies, which are affected faster and harder than we are by the current global financial crisis.

AS: Despite all the challenges, we are positive about the future in Saab's case. With the measures we have taken, we are in a good position to maintain a competitive, sustainable business with a reasonable risk level and to continue to develop Saab, one of Sweden's finest companies.

Stockholm, February 2009

Marcus Wallenberg

Chairman

Åke Svensson

CEO

ONE SAAB -FOR EVERYONE'S FCURI



OUR MISSION IS ESSENTIALLY TO PROVIDE SECURITY

The need for security on the part of people, society and businesses is the ultimate driving force in our business. Demand for security, along with threat scenarios, has changed everything owing to the new structures and trading patterns global society has developed.



PRODUCTS, SERVICES AND SOLUTIONS FOR MILITARY DEFENCE AND CIVIL SECURITY

Saab develops, adapts and continuously improves new technology to meet the changing needs of customers. We supply governments, authorities and companies around the world with products, services and solutions for military defence and civil security. This is our business concept.



WE HELP MAKE SWEDEN AND THE WORLD A LITTLE SAFER

With competence and creativity, we will be a leader in the global development of the defence industry as it adopts innovative technological solutions to keep people safe.



ONE SAAB, THREE BUSINESS SEGMENTS

Saab supplies its services to the market through three segments - Defence and Security Solutions, Systems and Products, and Aeronautics which in turn consist of fifteen business units. Saab's operations are divided into the same three segments for reporting purposes as well.

To serve the market as effectively as possible and provide shareholders with a competitive return on their capital, Saab has an organizational goal- to act and be perceived as "One Saab", an integrated, efficient corporate group. The aim is to forge a clearer image in the market through coordinated, effective actions and by rationalizing internal functions and structures.

SIX MARKETS

SAAB PROVIDES the defence market and the civil security market with solutions, services and products.

In the defence market, Saab focuses on:



ΔIR

The military aviation market contains manned and unmanned fighter aircraft and helicopters, command and control systems for air operations, aircraft subsystems and weapons, support systems, training and support services.



NAVAL

The market is dominated by military vessels for naval forces and coast guards. The trend is toward greater industrial commitments for systems in which integration and lifecycle commitments are



The market is based largely on land forces and their operational needs. Today it is generally focused on preservation (including upgrades and support for existing materiel/systems) and meet-



JOINT OPERATIONS

The market consists of defence systems shared by more than one branch of the armed forces, such as logistical and training systems, management support systems, and airborne reconnaissance, communication and command and

In the civil market, Saab focuses on:



CIVIL SECURITY

The market consists of crisis management systems and systems to protect and monitor infrastructures, as well as command systems for transports on land, at sea and in the air. Changing threat scenarios in society and the need to protect



COMMERCIAL AERONAUTICS

The commercial aeronautics market consists of four segments: business jets, regional aircraft, single aisle aircraft and wide bodies/large aircraft. Long-term annual growth is approximately five

The military aviation market segment is dominated by manned fighter aircraft, annual sales of which are expected to grow from USD 40 billion to over USD 50 billion in the next ten years. Unmanned aviation generates revenue of approximately USD 4 billion per year.

becoming more important. Saab considers the market relatively stable. The size is estimated at USD 45-55 billion per year, of which the U.S. accounts for around one fourth.

ing emergency operational needs. The market is estimated at USD 80-85 billion per year in the next decade.

control systems (Intelligence, Surveillance and Reconnaissance and C41). The market excluding training and support is estimated at USD 30-40 billion a vear.

various flows are the primary driving forces. The market is estimated at the least to USD 20 billion, with the U.S. accounting for half. Annual growth has been around ten percent in recent years. Expectations are that growth will continue.

percent, although the years ahead are expected to be turbulent due to the global economic slowdown. The market for new commercial aircraft is estimated at around USD 90 billion.

SEVEN IMPORTANT DRIVING FORCES

SAAB'S OPERATIONS have been undergoing extensive transformation for a number of years as they shift positioning and expand along three axes:

- Strictly Swedish -> internationally active
- Defending borders -> protecting flows
- Product-focused industry -> service supplier focused on solutions.

The emphasis in the market and customer demand is increasingly shifting in the direction illustrated above. Consequently, Saab's operations are as well.

OUR MARKET, business and development are driven by seven external factors:



- **DEMAND FOR CUTTING-EDGE TECH-NOLOGY IN THE MILITARY AND CIVIL SECURITY INDUSTRY REQUIRES INVESTMENTS IN RESEARCH AND DEVELOPMENT**
- **CHANGING SECURITY NEEDS REQUIRE BROAD-BASED SOLUTIONS AND COMMITMENTS**
- **SECURITY AND ECONOMIC MACRO FACTORS ARE AFFECTING** BUSINESSES
- SOCIETY'S INTEGRATION INCREAS-**INGLY DEMANDS PARTNERSHIPS BETWEEN THE PUBLIC AND PRIVATE SECTORS**
- **COMPLEX SOLUTIONS MEAN COMPLEX DEALS WHERE MULTIPLE** STAKEHOLDERS OPERATE OVER **EXTENDED PERIODS**
- A LOCAL PRESENCE IS IMPORTANT TO CAPITALIZE ON NEW BUSINESS **OPPORTUNITIES**



Changing global threat scenarios for physical and electronic flows are changing the defence industry



WHAT IS DRIVING development in our markets more than anything else are the changing threat scenarios in the military sector and civil society, as well as in the growing gray zone between them.

THE TRANSFORMATION TO a global flow-based society that has been

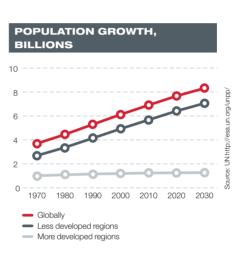
under way for some time is radically changing threat scenarios. Continued integration of the global community and new international structures has led to a refocus on net-centric defence and multinational alliances.

CIVIL SOCIETY IS increasingly reliant on physical and electronic flows of various kinds, which create new vulnerabilities and where disruptions can jeopardize essential systems. This creates new threat scenarios. To a growing extent, military resources are being devoted to protecting the huge global goods flows, as well as critical energy and data flows.

AS IT BECOMES the overriding infrastructure, IT security and defence also grow in importance. This applies to both military and civil operations.

THE VULNERABILITY AND complexity of large cities is growing. Half of the world's population of 6.6 billion lives in cities, which depend on flows of various types for their survival. International terrorism has loosened the boundaries between military and civil security, since the targets are usually civil. At the same time, police resources in the form of special units, for example, are taking on paramilitary forms. The gradual shift in the front line to civil society is driving the development of robust commercial subsystems that can be used in both military and civil security solutions.

IT HAS BECOME more difficult to predict threat scenarios. Future security solutions will have to be based on complex threat scenarios that encompass broader areas.



One successful example is Saab's world-leading coastal Automatic Identification System (AIS). Saab has supplied AIS systems to monitor maritime traffic in China for four years. Full coverage of the entire coast was achieved in 2008, when the system was expanded to comprise a total of 250 AIS base stations and network solutions. This is the largest system of its kind in the world. A further expansion along the country's major rivers is planned in the years ahead. The Yangtze River alone is navigable over 3,300 km. Saab has supplied similar complete systems to Spain, Portugal, Saudi Arabia, Malaysia, Singapore, Iceland, Sweden, Poland and Canada. Practically the entire EU coastline is currently monitored by Saab AIS base stations.



Demand for cutting-edge technology in the military and civil security industry requires investments in research and development



ADVANCED TECHNOLOGY IS critical to success in the military market. Military cutting-edge and niche technology is increasingly finding civil applications not only in civil security but other areas as well. A large part of all technological development in society has been driven by military applications, and with military financing.

THE SHIFT TOWARD a multilateral, net-centric defence means that the defence industry is less able to finance its development through appropriations and national budgets. A growing share of research and development will therefore have to be self-financed. This is a trend the world over, not least in Sweden.

SWEDISH DEFENCE SPENDING have decreased from 2.1 percent of GDP in 1996 to 1.5 percent in 2006. Still, Sweden accounts for 0.4 percent of global defence spending, compared with 0.0014 percent of its population. In total, spending to protect the citizens in the form of defence, police forces and emergency services represents just over 6 percent of the national budget.

GLOBAL DEFENCE SPENDING increased in 2007 by 6 percent compared with 2006. This corresponds to 2.5 percent of global GDP. The u.s. alone accounts for nearly half of the world's defence spending, corresponding to about 3 to 4 percent of the U.S. GDP in 2007 (source: US Bureau of Economic Analysis, BEA).

ADVANCED, CUTTING-EDGE technology is required in order to participate in major European industrial projects. Saab's extensive investments in the development of unmanned aerial vehicles have allowed it to participate in the development of Neuron, the European Unmanned Combat Air Vehicle (UCAV) demonstrator, for example.

MILITARY TECHNOLOGY IS increasingly being utilized in the civil sector. This applies to avionics, command and control, communications, sensors and support systems.

WORLD-CLASS ENGINEERING expertise is Saab's signature. Demand for cutting-edge technology is a fundamental driving force for Saab's entire business, and has always been so. This places extremely high demands on our research and development.

Rank	Country	Military spend- ing (USD billion)	World share (%)
1	USA	547.0	45
2	UK	59.7	5
3	China	58.3	5
4	France	53.6	4
5	Japan	43.6	4
6	Germany	36.9	3
7	Russia	35.4	3
8	Saudi Arabia	33.8	3
9	Italy	33.1	3
10	India	24.2	2
11	South Korea	22.6	2
12	Brazil	15.3	1
13	Canada	15.2	1
14	Australia	15.1	1
15	Spain	14.6	1
	Sweden	5.3	

Military spending at constant (2005) prices and exchange rates Source: SIPRI Yearbook 2008



Changing security needs require broad-based solutions and commitments



DEMAND IN MILITARY and civil security is shifting higher up the value chain. This is a consequence of the growing horizontal integration created by cross-border, and sometimes global, security needs.

DEMAND IS FOCUSED more on broad-based, integrated solutions

with greater service content. The trend is toward operational and functional commitments covering the entire lifecycle, where the products and their interaction are the key to the business.

DEMAND IS SHIFTING toward functions that are ready to ramp up in a surveillance or combat application at a specific time or on a continuous basis. A fighter aircraft is part of an entire air combat system which must be interoperable with other forces in the air, at sea above and below the surface - and on land. The Gripen system is one of the market's best examples of this. In addition to its unique performance, it is interoperable with NATO's combat systems as well as other complex systems.

THE TREND ALSO marks a shift in focus toward software, including everything from advanced electronics to training, support and maintenance. Saab has a significant competitive advantage in the breadth and depth of its software expertise. With regard to Gripen, we have been responsible for the entire airworthiness system from the start.

WITH GRIPEN, IT is already possible to sell "airborne functionality with defined capabilities." Decision-making authority and manpower always rest with the customer, of course.

IN CIVIL SECURITY, we have excellent opportunities to advance up the business chain and shoulder more responsibility for security systems for nuclear power plants, prisons, airports and ports, for example.



Security and economic macro factors affect business



TRANSACTION VOLUMES AND the total flow of goods, capital and data around the world increase or decrease in pace with economic fluctuations. This in turn affects the demand for security solutions.

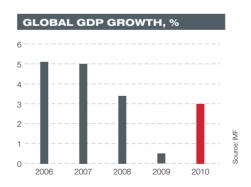
THE IMPACT OF a recession is not entirely negative for the security

industry. To maintain employment and trade during slow economic periods, countries often invest in infrastructure. In the short term, this drives demand for security solutions, while in the long term it creates larger, more efficient flows and greater security needs.

THE CIVIL AVIATION market is directly dependent on the global economy and is affected greatly by the health of the global business community and the consumer market. During parts of 2008, the high price of oil hurt the commercial aircraft market. As a supplier of cutting-edge technology to Airbus and Boeing, Saab is impacted as well.

THE MILITARY MARKET has little co-variation with the global economy.

POLITICAL DEVELOPMENTS NATURALLY affect Saab's development to a greater extent than most other industrial companies. The long-term trend is toward stronger alliances for peacekeeping purposes, which is driving security-oriented demand. Priorities can quickly shift, however, toward more conventional defence technology in connection with local conflicts, which could escalate into international clashes, as was the case, for example, with the war in Georgia in 2008.





Society's integration requires greater partnership between public and private players



SOCIETY'S GROWING INTEGRATION

increasingly requires the participation of many parties to establish efficient structures and ensure frictionless flows.

LARGE DEVELOPMENT PROJECTS in

the military and civil sectors are carried out with the participation of

various combinations of public and private players: public/private, private/private and public/public. This creates new demands and business logics. This is especially true in the infrastructure area, where large facilities and systems - airports, harbours, distribution terminals, railways, highways, energy systems and pipelines - are managed collaboratively by public and private players. These publicprivate partnerships (PPP) are designed differently, but often require that traditional business and control models are replaced with new ones. This applies to financing as well as operations. Two EUfinanced research projects - Clean Sky, which promotes greener air transports, and SESAR, which aims to develop modern air traffic management systems in Europe and reduce their environmental impact - are examples of huge cooperative development projects between public and private players.

PRIVATE PLAYERS, SUCH as Saab, offer to take over and manage all or parts of infrastructures for states and municipalities. Such large contracts specify functional requirements and the quality that will be supplied at what cost. Critical infrastructure represents tremendous value in terms of investments and the flows that they carry. Solutions to maintain security in the systems usually are also of a PPP variety.

PUBLIC-PRIVATE PARTNERSHIPS are also increasing in the defence area. Defence authorities are increasingly outsourcing all of their training, operational and support services. The market for support services represents 6 percent of Europe's total defence spending, according to the European Defence Agency. Saab, for example, has a long-term contract with the Swedish Defence Materiel administration (FMV) to provide all support services for the SK 60 aircraft system. As the main provider, Saab is responsible for operation, support and maintenance of all sk 60 aircraft. Saab ensures that the system is airworthy and available in accordance with the requirements of the Armed Forces' Swedish fleet.

MILITARY AND CIVILIAN cooperation is also becoming increasingly common between countries. For example, the defence authorities in the Nordic countries have stated that they wish to expand their collaboration. Such changes naturally have a direct impact on the industry.



Complex solutions mean complex deals where multiple stakeholders cooperate over extended periods



SALES OF LARGE, complex solutions, systems and products entail lengthy, complex processes involving different parties and contracts. A Gripen order represents a substantial investment for the buyer over an extended period of time. Many interests and stakeholders play a role in specifying such contracts.

EXTENSIVE INDUSTRIAL COOPERATIONS, popularly but somewhat erroneously called offsets or counter-purchases, are normally tied to defence procurements. Practically every country around the world, including Sweden, demands them in connection with major defence contracts. The detailed requirements are often governed by the country's procurement laws.

OFFICIALS REQUEST INDUSTRIAL cooperations to compensate for a non-domestic procurement and in that way retain and develop production in the country while helping the domestic industry. The supplier must commit to generating and supporting investments in the

country, creating new exports, collaborating on research and development, providing technology transfers, etc. to make local suppliers more competitive and create new businesses and jobs. These cooperations are often used to steer investments to areas of strategic national interest. The long-term goal is to create economic growth and thereby strengthen the national budget, from which the defence contract is financed. The value of industrial cooperations can represent up to 100 percent of the contract value, sometimes even more.

THE DETAILS OF an industrial cooperation take a long time to formulate and considerable resources to negotiate – particularly in the case of competitive procurements. The marketing expenses are extensive.

MOST OF SAAB'S contracts contain cooperative arrangements, particularly those for Gripen and the Erieye radar-based Airborne Early Warning system, sometimes in combination.

SAAB HAS A LARGE network of business partners with lengthy experience with industrial cooperations. It also has extensive cooperations with other Swedish and international companies.



A local presence is important to capitalize on new business opportunities



AT THE SAME time that we are becoming an increasingly global society where everyone has a mutual interest in ensuring that we all prosper, you still need for a local presence. This applies to both the military and civil markets. The winners will be the global companies with strong local positions.

DESPITE A TREND in the defence industry where countries are increasing by cooperating, the need for strong local presence in different markets is crucial to success. Strong local positions are required to be a preferred supplier to customers and to have a portion of development expenditures financed through defence appropriations. The customers in the military area are national militaries, while in the civil area they often include state or semi-state-owned authorities and institutions such as prisons, hospitals or power plants.

FOR SAAB, AUSTRALIA and South Africa are major markets where a strategic local presence is and has been a prerequisite for additional contracts. Alliances and far-reaching cooperations with local companies and extensive local modification of products, systems and solutions have increased our access to the market.

THOUGH GROWING, THE global market for civil security is fragmented. Customers want integrated solutions from companies with local ties that understand local conditions.

HOW THE MARKET'S DRIVING FORCES INTERACT WITH OUR **BUSINESS AND STRATEGIES**

Conditions in the market and operating environment impact our operations in various ways. There are opportunities, threats and challenges - for Saab as a whole and our various business lines.

Understanding changes in threat scenarios and market needs and meeting them is the overriding challenge facing us. Changing threat scenarios affect all of our operations. Sophisticated macro- and market analysis, together with technological development, are vital if Saab is to develop the right systems and solutions for military and civil needs. Maintaining a strategy for sustainable product development is our highest priority.

In recent years, we have seen a trend in the defence industry where development work must be financed internally rather than through defence appropriations. This requires that the development portfolio is more tightly focused on select areas, at the same time that government support for these operations is crucial to further growth.

New technologies must also find broad application, preferably in both the military and civil markets. Moreover, new solutions must be internationally interoperable.

ESTABLISHED POSITION IN DEFENCE AND CIVIL SECURITY

Saab adopted its current strategy in 2005. It is based on not only addressing traditional defence needs but also to a growing extent the security needs of an increasingly global society. This entails is a gradual shift in emphasis in our operations to keep pace with society's needs. Naturally, the strategy is also based on creating value for all stakeholders in the best way possible. As with all choices, our strategy presents a shifting array of business opportunities and risks. The key to success is to meet - and adapt to - customer needs.

It is also important for Saab to develop and implement a sustainable international strategy for civil security solutions.

Civil security

Approx. SEK billion	2008	2007	2006
Sales	1.5	0.8	0.6

In the last three years, we have increased our sales in civil security from MSEK 600 in 2006 to around SEK 1.5 billion. In 2008, it signed agreements to provide surveillance for two nuclear power plants. Saab also received a contract for advanced surveillance systems at new maximum-security units and remand centers in Sweden.

HIGHER UP THE VALUE CHAIN

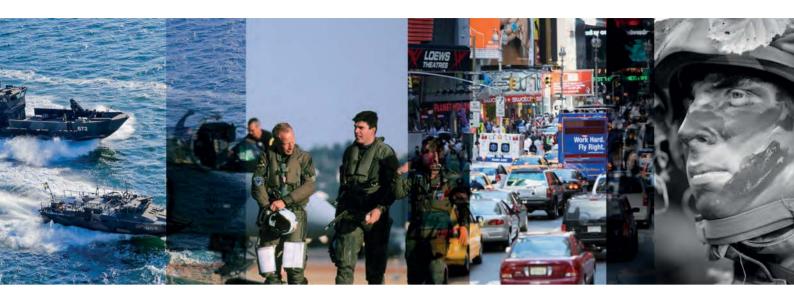
To meet demand in the six markets we focus on, our offering is expanding higher up the value chain. The trend toward larger solutions and full-service commitments requires that Saab sometimes assumes the role of systems integrator, combining its own solutions with others', or that of operator, with or without service and support. In addition, we can supply a product or a system where a competitor plays the role of integrator or operator. This requires new contractual arrangements and types of alliances, as well as the ability to cooperate while at the same time competing.

Saab originated as a distinctly engineering culture. It is a big challenge to transition from an industrial business with a product focus to more of a service supplier with a focus on larger solutions. Saab's success to date shows that it has handled this cultural challenge well.

Service assignments

MSEK	2008	2007	2006	2005
Sales	5,425	4,751	4,236	4,453

In 2008, we increased our share of service assignments. Defence and Security Solutions in particular increased its percentage of services in Sweden. An important part of Saab's strategy is to expand its operations conducted through various types of collaborations between public and private players (public-private partnerships, page 19). One example is the long-term agreement it signed with the Swedish



Defence Materiel administration (FMV) in December 2008 regarding an overall support commitment for the sk 60 aircraft system.

FROM STRICTLY SWEDISH TO INTERNATIONALLY ACTIVE

Swedish defence doctrine is now based on cooperation primarily within the framework of the EU and the UN, and NATO standards have to be met for most material and solutions. Through its defence appropriations, the Swedish state has contributed in decisive fashion to the development of Saab's core competencies. The Swedish state remains our biggest and most important customer, both as a development partner and reference customer.

Reduced Swedish defence spending will require new forms of financing, however, in order to retain the technological advantages that will be critical to meet the competition going forward - in both the military and civil market. Saab remains dependent on partial customer financing for the development of large industrial projects. This requires an ability to establish strategic positions in several important markets. The Nordic market is increasingly important for us. We have long-term commitments in South Africa, as well as in Australia, where defence spending is rising.

We must continue to strengthen our position in new key markets and broaden our global presence. Continued expansion in new and often complex markets places stringent demands on flexibility, at the same time that Saab must comply with its code of conduct to safeguard its reputation and strong brand.

Share of international sales

	2008	2007	2006	2005
Sales (% of total)	68	65	65	56

The trend points to a long-term increase in the share of international sales, in line with the strategy. During the year, we received several major orders outside Sweden, including Thailand's integrated air surveillance system, the AT4 and Carl-Gustaf anti-armour systems to the U.S., and the Giraffe multi mission radar system for the UK. In addition, an agreement worth approximately SEK 1.1 billion was signed with Lockheed Martin Canada, to partner in the design and

development of a command and control system for the Canadian Navy's twelve Halifax Class frigates.

2008 RESULTS IN BRIEF

The Group's order bookings amounted to MSEK 23,212 (20,846) and at year-end the order backlog was MSEK 45,324 (47,316).

The Group's sales increased by 3 percent to MSEK 23,796 (23,021). Excluding Saab Space which was divested on September 1, 2008, and adjusted for exchange rate effects, sales increased by 6 percent (4). Operating income after depreciation/amortization was MSEK 166 (2,607), corresponding to an operating margin of 0.7 percent (11.3). Adjusted for non-recurring items totaling MSEK -1,828 (see Financial review, page 30), operating income was MSEK 1,994 (2,154) corresponding to an operating margin of 8.4 percent (9.4).

LONG-TERM FINANCIAL GOALS AND KEY RATIOS

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

We expect 2009 sales to be flat in relation to 2008.

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

Financial goals	Long term goals	2008	2007	2006	2005	2004
Organic growth as % of sales	5	6	4	3	6	5
Return on equity, %	15	-2.41)	18.5	13.8	13.5	16.7
Operating margin, %	10	0.71)	11.3	8.3	8.6	10.4
Equity/assets ratio, %	30	28.4	32.6	30.6	31.0	29.9
Dividend as % of net income	20–40	_	25	36	37	32
Dividend per share, SEK	_	1.752)	4.50	4.25	4.00	3.75

¹⁾ Was affected by non-recurring items of MSEK -1,828 in 2008

2) Proposal by Board of Directors

MEETING THE NEEDS OF SIX MARKETS

Saab has identified six principal markets, where demand will be met with competitive offerings in the form of products, solutions and systems as well as services and support.

By integrating products, system and services, we have developed a number of effective solutions based on concrete customer needs in prioritized military and civil markets. Based on standardized, open architecture, more or less customized solutions are designed and delivered. In many cases, we can adapt our offering to various needs, customers and applications essentially using the same technologies.

Based on our core competencies - manned and unmanned aircraft, weapon systems, command and control systems, sensor systems, electronic warfare, communications and avionics, simulation and camouflage - we produce nearly 60 different products and systems with related services in four areas: consulting, technical support, training and service packages for industrial cooperations.

Systems and products are often part of larger turn-key solutions. Final integration is done either by the customer itself, by Saab or by another company. We supply system and products in all these ways. (For a more detailed description of Saab's solutions, products, services and support, visit www.saabgroup.com.)

Demand in Saab's six markets varies. Following are examples of Saab's offerings for each market.

In the military area, Saab targets four market segments:

Military aeronautics account for a large part of the total defence market and are an important military resource due to the combination of speed, reach and flexibility.

There is a growing trend toward multilateral operations and interoperability, often with flights over long distances and covering long periods of time. Aircraft fleets are shrinking in number as part of the transition to more modern systems. From a technical standpoint, sensors, communications and precision weaponry are important, as is the ability to quickly adapt systems to suit new requirements.

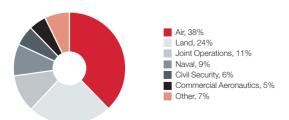
c41 systems (Command, Control, Computing, Communication and Intelligence) are designed to handle a growing volume of information from many different sources and provide effective decision guidance. Today's system solutions use open architecture. They can interact with older systems and are easy to gradually upgrade. New types of military operations and new technology are also driving demand for training and education. Moreover, a growing number of countries are procuring support and services from the industry through multi-year, full-service commitments.

Growth in military aeronautics is being driven by the demand from nations that want to replace older generations of fighter aircraft with new ones that offer better performance, greater impact, flexible application and better overall economic efficiency.

Saab's military aeronautics offering

The Gripen fighter is core of our offering. We have developed worldleading solutions for 70 years and continuously refine our systems to suit various customer needs. Military aircraft also comprise a number of advanced products and systems, including weapons, electronic warfare equipment and early warning and countermeasure systems. Avionics is an increasingly important part of our offering, as are C41 solutions for airborne operations. Development of unmanned aerial vehicles, UAVs, is based on our experience in manned aviation. UAVs complement traditional aircraft in a smart, safe and cost-effective manner. Saab's aeronautics offering is complemented by maintenance, training and support - even responsibility for an aircraft's airand combat worthiness, over time or on a given date.





ΝΑVΑΙ

With regard to navies and coast guards, the trend is toward broaderbased industrial commitments and higher demand for integration and lifecycle solutions. Discussions on public-private partnerships are under way within the market. There is growing interest in longendurance ships with smaller crews, where sensors and combat management take precedence over advanced weapon systems. There is also an ambition to act far from home base, e.g., in the case of advanced amphibious assault ships.

The market is dominated by the u.s., where defence spending is rising and major investments are being made in technological development and materiel. In Europe, appropriations for technological development and defence materiel are shrinking, and large-scale development projects are becoming more multilateral. The Middle East and Southeast Asia are increasingly active and show a greater willingness to invest.

Saab's naval offering

Our solutions for surveillance and combat management, its naval weaponry and its ability to manage threats such as mines in maritime environments are based on the Group's core technologies. A maritime version of the net-centric C41 platform (Command, Control, Communications, Computing, Intelligence) is a key to the offering. Important products and systems include integrated weapon and combat systems, unmanned underwater vehicles for surveillance and mine warfare, and electronic warfare. Extensive tactical training and support complement the offering for the naval market.

LAND

International demand is reflective of the growing use of multinational forces. Land-based forces are the foundation of this capability. The complexity of conflict zones, the multinational element and the growing need to operate in urban areas requires new strategies, new technology and new materiel systems. Multinational missions require cooperation between different types of forces and different countries' forces, which in turn increases the importance of system integration, interoperability and command and control capabilities.

The willingness to engage in and resources for new development are closely linked to the commitment to current international operations.

Saab's land-based offering

Our offering includes unique products and solutions, such as weapon systems, support weapons, air defence systems, sensors, signature management, vehicle protection, radar systems, electronic warfare, and command and control systems. We also offer crossfunctional expertise in system integration as well as design, training, service and support.

As a whole, we have unique products and systems and, in cooperation with partners, can offer integrated and customized solutions to meet the functional demands of all land-based forces.



JOINT OPERATIONS

Certain defence systems are utilized by more than one branch of the military. This applies, for example to surveillance, communication, and command and control systems, as well as shared logistical and training systems. Due to the increasing focus on net-centric defence solutions, demand for these types of systems is growing on a global basis. Expectations that systems can interact with those of other nations and with non-military systems are becoming more common. In the market for air-based surveillance, customers increasingly demand systems that cover land, air and sea. This increases the areas of application, both civil and military.

Saab's Joint Operations offering

On behalf of the Swedish Armed Forces, Saab has played a leading role in the development of net-centric system solutions. As a result, Saab and Sweden have significantly influenced NATO's standardization work. With our solutions, customers gain access to critical information and decision guidance as well as operational logistics. In addition to tactical, combat, operational and strategic command support systems, we offer Wide Area Intelligence, Reconnaissance & Surveillance solutions for the military and civil markets. These in turn are based on around ten different systems and products, the most central of which is usually an airborne system that covers expansive areas. Erieye is one example. Moreover, we offer training and support to maximize the efficiency of every solution and product.

CIVIL SECURITY

Protection of society's infrastructure accounts for approximately 75 percent of the market for civil security, 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 efficiency is driving investments in robust systems and early threat detection from any source. 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 investments in new infrastructure, which are primarily being made 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. Companies with new technology can increase their cost efficiency and competitive strength.

Saab's Civil Security offering

Our Civil Security offering can be divided into three areas: integrated security solutions to protect sensitive infrastructure with command and monitoring systems, transport and traffic control systems for sea, land and air, and national command and control systems and situational awareness for police and other authorities.

In these three areas, we can offer command and control, sensor and mobile communication systems that maintain high standards. We can create complete solutions in a way that suits local, regional or national entities. For example, solutions can be designed for national security and infrastructure, protection of high-risk prisons, and for police and emergency services. Other areas include security for major events, civil air traffic management and vessel traffic systems for the maritime sector.

COMMERCIAL AERONAUTICS

The market for large single aisle and wide body aircraft is dominated by Boeing of the u.s. 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.

Saab's Commercial Aeronautics offering

We develop, build and supply structures and avionics systems for Airbus and Boeing, capitalizing on own aircraft development expertise. Thanks to these capabilities, we can handle not only development and production but aftermarket solutions for the products we supply. It can also be an independent operation for other customers.

Another priority for Saab is the environment. We are therefore working with environmental issues in the industrial process and in development work. We are one of the principal participants in the EU's Clean Sky program. It previously manufactured regional aircraft for between 30 and 50 passengers. The commercial version of the Saab 340 is the world's best-selling 30-seater ever thanks to its low operating costs and reliable performance. The Saab 2000 is the market's most high-tech, cost-effective and flexible regional aircraft, capable of flying at jet speeds with advanced turboprop technology. Saab makes the aircraft it still owns available to regional air carriers through leasing solutions.

To meet demand from its six markets, Saab is expanding its offering higher up the value chain. As a result, it is more frequently taking on the role of integrator of its own and others' solutions and as an operator with functional responsibility.

We also supply solutions that combine our own systems and products without shouldering the responsibility of integrator or operator. Moreover, products and systems are supplied individually with or without service and support.

MARKETS













NAVAL

LAND

JOINT OPERATIONS

CIVIL SECURITY

COMMERCIAL AERONAUTICS

OFFERINGS

ORGANIZATION

SYSTEMS AND SOLUTIONS

PRODUCTS

AND SERVICES

DEFENCE AND SECURITY SOLUTIONS

SYSTEMS AND PRODUCTS **AERONAUTICS**

SAAB



Partnerships produce multiple contracts



A Gripen contract comprises much more than just an aircraft sale. Deals of this size require extensive preparations and collaboration between various parties.

For Saab, a Gripen sale entails large assignments for many parts of the company

For example, when Saab's contract with Thailand was finalised in early 2008, it consisted of far more than six aircraft. They were part of an integrated system with air surveillance, command and control, training and support. Before the agreement was reached, comprehensive preparations were made.

Every Gripen cooperation is by its very nature unique. But there are a few ingredients that typify this type of contract and cooperation where a nation is the customer. (It also applies to the majority of Airborne Early Warning (AEW) deals.)

When the customer, or the country, shows an interest in Gripen, Saab begins preparing a tender. This requires careful analysis to understand the customer's requirements and desires, as well as faceto-face meetings. In addition, Saab, like any company, will seek the help of local advisors to better understand the buying country's local conditions and needs. Saab requires that these advisers have good insight into, and experience with, the customer and can therefore provide us with valuable understanding. They also offer advice during and in connection with the negotiations and serve as a link between us and the potential buyer. We also require that they comply with our clearly stated guidelines regarding professional ethics.

The handover of a tender, in a formal setting attended by representatives of the country's armed forces, political institutions and industry, usually includes demonstrations of the Gripen system. Representatives from the customer often visit Saab's facilities, and we arrange meetings at industry gatherings and air shows. Since the customer usually signs the contract with the Swedish government, it is important that government representatives participate in the sales process early on.

Negotiations begin when the buyer chooses to proceed with our tender. We put together a negotiating team with a range of competencies. A support team is available to respond to the customer's queries. Negotiations take place in the buyer's country and usually take five to ten weeks. The parties review the tender in detail to ensure a consensus and fine-tune the terms. When the agreement is signed, it enters into force after the approval of the buying country's highest legislative body.

Besides having a product that meets the customer's requirements and offering a competitive price and financing solutions, there are two other aspects that can be decisive in determining whether an agreement is reached. For one thing, the buyer's country must have a political interest in working with Sweden and Swedish-based companies. And secondly, industrial cooperations are practically an essential ingredient in all large, defence-related orders today. Most countries stipulate them in their procurement rules. Industrial cooperations are designed, for example, so that certain production or development work takes place in the buying country or such that industrial, commercial or research-related cooperations are tied to the contract. Sometimes the buying country may want strategic investments in particular areas that are a national business priority. The cooperations may have a direct connection to Gripen or other defence materiel, or they may entail investments in other areas such as trade, research, education, energy, the environment or IT. The supplier assists in getting other companies, Swedish or otherwise, to establish operations in the buying country or starts or expands trade with the country or creates other economic operations. The aim is to promote local economic growth and research and create job opportunities.

Saab is in a good position to offer attractive solutions for this type of cooperation through its networks, partnerships and suppliers. Industrial cooperations normally correspond to 100 percent of the contract value, if not more. They generate substantial value for all parties concerned at both the national and company level.

New form of cooperation

It is becoming increasingly common for Saab to take responsibility for services previously provided by public authorities. One such solution is the long-term support commitment that Saab has for the Swedish Defence Materiel administration's (FMV) jet trainer aircraft.

In late 2008, Saab signed an eight-year contract with FMV to take responsibility for operations and maintenance as well as storing all SK 60 aircraft when not in use. Saab ensures that the system is airworthy and available to the Swedish wings whenever the Armed Forces need them.

"Basically, we receive instructions to deliver a specific number of aircraft to a predetermined location and have them ready to take off at a certain time. This turn-key solution requires us to continuously work in close cooperation with the customer to meet their needs," says Saab Aerotech's Managing Director, Lars-Erik Wige. "Saab is responsible for a total of around 80 aircraft, of which the Armed Forces requires an airworthy fleet of around 35–40 at any given time to meet their flight hour requirements."

The cooperation is fully in line with the political wishes that have been expressed to allow specialists to take on assignments they can handle more cost effectively.

"Increased public-private cooperation is positive in many ways for



both parties," he continues. "But this has been a long road to travel to build confidence and have them willing to hand over responsibility to a commercial player. Now it is up to us to prove that FMV made the right decision."

The cooperation extends until mid-year 2017, but can be increased in scope and extended. It could also serve as the basis for new agreements where Saab assumes responsibility for other systems outside Sweden's borders.

The agreement with FMV is expected to fully enter into force by midyear 2009, after initial preparations are completed.



NUCLEAR POWER PLANTS IMPORTANT TO CIVIL SECURITY OPERATIONS

Custom-designed surveillance systems

Saab is taking important steps in its civil security operations. In 2008, it began to equip Sweden's Oskarshamn and Ringhals nuclear power plants with updated surveillance systems.

Protection of strategic infrastructure, e.g., energy production and distribution, airports and harbours, is a growing business area for Saab. The two full-service contracts for the nuclear power plants, which Saab signed during the year, are clear examples of this.

Saab will design and implement customized surveillance systems for both facilities.

"Our integration expertise was decisive to both cooperations. With our platform, we can create single system for everything," explains sales representative Per Brantberg from Saab Security.

Due to global uncertainties, the Swedish Nuclear Power Inspectorate conducted a thorough analysis several years ago of the threat scenarios facing nuclear power plants, which led to stricter security requirements. Saab's solution meets these requirements. The delivery comprises presentation systems, networks, system alarms, cameras for surveillance and immediate verification of security perimeter alarms, surveillance, pass control and telephone entry systems. Saab is also providing a system that guarantees an uninterruptible power supply for the security network in Oskarshamn.



"Our experience with complex military projects, including the strict requirements regarding documentation and systematic work methods, is a benefit in these projects," says Per Brantberg. "At the same time, it demonstrates our ability to transfer military technologies to civil applications."

The contracts with the two nuclear power plants were signed just before Saab consolidated its civil security offering in the business area Saab Security. Saab currently has a strong position in this area in the Nordic region, but the contracts also serve as an important reference in international marketing in the civil security area.

FINANCIAL REVIEW **2008**

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 percent of the shares, corresponding to 38 percent of the votes, and BAE Systems with 21 percent of the shares, corresponding to 20 percent of the votes. The remaining 59 percent of the shares are traded on NASDAG 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 2,320,451 Series B shares had been repurchased to guarantee the Group's share matching plan. The repurchased shares are held as treasury shares.

OPERATIONS

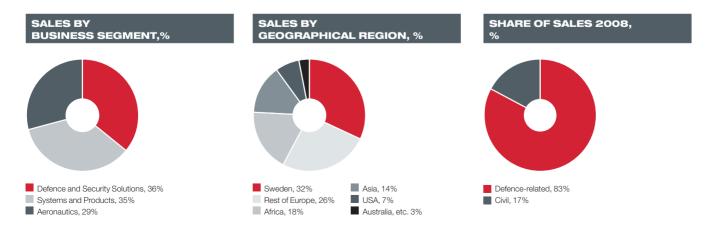
One of the world's leading high technology companies, Saab offers products, solutions and services for military defence and civil security. In 2008, we had customers in over 90 countries, but research, development and production are principally carried out in Sweden. Despite our growing global presence, we are primarily active in Europe, South Africa, Australia and the U.S. Saab is organized in three business segments: Defence and Security Solutions, Systems and Products, and Aeronautics, which in turn consist of 15 business units and around 13,300 employees who stand behind the deliveries

to customers. In order to serve the market as efficiently as possible and provide shareholders with a competitive return, Saab has an organizational objective to act and be perceived as one company – an integrated, efficient group that serves its customers based on their needs.

In addition, Corporate comprises Group staffs and departments and peripheral operations. It also includes the leasing fleet of Saab 340 and 2000 aircraft.

LONG-TERM FINANCIAL OBJECTIVES AND FULFILLMENT

GROWTH Saab's organic growth shall average 5 percent per year over a business cycle. In 2008, organic growth was 6 percent (4). **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/amortization shall amount to at least 10 percent and the operating margin before depreciation/amortization shall be at least 15 percent. The operating margin after depreciation/amortization was 0.7 percent (11.3) in 2008. Adjusted for nonrecurring items, operating income amounted to MSEK 1,994 (2,154) and the adjusted operating margin was 8.4 percent (9.4). The operating margin before depreciation/amortization was 6.4 percent (16.0). RETURN ON EQUITY The return shall average 15 percent. In 2008, Saab reported a return on equity of -2.4 percent (18.5). EQUITY/ASSETS RATIO Saab's equity/assets ratio shall exceed 30 percent. At the end of 2008, the equity/assets ratio was 28.4 percent (32.6). **DIVIDEND POLICY** Saab's long-term dividend objective is to distribute 20–40 percent of net income over a business cycle to shareholders.



For 2008, the Board of Directors proposes a dividend of SEK 1.75 per share (4.50).

On September 4, 2008, Saab lowered its previous forecast for 2008 with regard to organic growth from 5 to 3-4 percent, and the operating margin from 10 to 8-9 percent.

Comment on net income

Saab's order bookings increased by 11 percent to MSEK 23,212 (20,846) in 2008. The order backlog amounted to SEK 45.3 billion (47.3). The international share of the order backlog was 77 percent (78). Sales rose by 3 percent to MSEK 23,796 (23,021). Adjusted for the sale of Saab Space on September 1 2008 and exchange rate effects, sales increased by 6 percent, which is slightly higher than Saab's forecast for 2008. Sales during the period were negatively affected by approximately 1 percentage point 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 U.S. Operating income for the year was MSEK 166 (2,607), corresponding to a margin of 0.7 percent (11.3). Adjusted for non-recurring items of MSEK -1,828, operating income amounted to MSEK 1,994 (2,154), corresponding to an adjusted operating margin of 8.4 percent (9.4), in line with Saab's forecast for 2008.

FORECAST 2009

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

We expect 2009 sales to be flat in relation to 2008.

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

IMPORTANT EVENTS IN 2008

- A cooperation with Thailand on an integrated air surveillance system was finalized early in the year. Saab will supply a turn-key solution comprising six Gripen aircraft, one Saab 340 aircraft equipped with the Erieye radar surveillance system, a command and control system, one Saab 340 aircraft for transports and training, and related equipment and services. The complete system will be used for air surveillance and protection of Thailand's territory. The contract is worth SEK 2 billion.
- Norway decided at the end of the year to proceed with negotiations with a competitor to Saab's Gripen aircraft. Despite the negative decision, Gripen has attracted great interest in the market. During the year, binding responses were submitted to Switzerland, India and Romania. Brazil announced its selection of Gripen as one of three alternatives, and the Netherlands invited Saab to participate in its procurement. Saab is also preparing responses to queries from Bulgaria and Croatia. Moreover, Saab is marketing Gripen in a number of other countries. The goal to sell at least 200 aircraft in the global market remains unchanged.

- The Swedish government proposed further reductions in defence expenditures, which increases uncertainty regarding future development projects. The projects that will be terminated or reduced in scope, according to the Swedish government's budget proposal, could impact Saab's future structure and direction. In the shortterm, Saab expects business volumes to be modestly affected. An assessment of the impact in the long term requires a better understanding of the government's long-term focus.
- Saab Space was sold on September 1, 2008 to the Swiss company RUAG for MSEK 335. The transaction generated a capital gain of MSEK 98 in 2008.
- A new business unit for civil security, Saab Security, was formed in the Defence and Security Solutions segment to showcase Saab's portfolio of products and services in the area. Gunilla Fransson was named head of the new business unit. During the year, Saab Security sign strategically important contracts to supply surveillance and communication systems for the Ringhals and Oskarshamn nuclear power plants, as well as advanced surveillance systems for the Swedish Prison and Probation Service.
- The Danish Defence Acquisition and Logistics Organisation terminated a contract with Saab for the DACCIS command and control system for the Danish Army. Moreover, the Danish authority has requested the repayment of approximately MDKK 143.
- Gripen Demo, a development platform for current and future generations of Gripen, was shown for the first time and made its maiden flight. A new radar, a stronger engine and a new, modular avionics system are among the new features.
- The first Saab 2000 Erieye AEW&C aircraft slated for delivery to Pakistan made its maiden flight.
- Saab sold part of its shareholdings in five spin-off companies -Efield AB, Minesto AB, MX Composites AB, Saab Vidingsjö and WRAP International AB – to Verdane Capital for approximately MSEK 46. The gain amounts to approximately MSEK 39, of which MSEK 6 affects income for 2008 and the remainder affected income for 2007.
- Lena Olving was appointed a new Executive Vice President at Saab, a member of Group Management and head of the Systems and Products segment.
- Saab signed an agreement worth approximately SEK 1.1 billion with Lockheed Martin Canada to partner in the design and development of a command and control system for the Canadian Navy's 12 Halifax Class frigates. Deliveries are planned for 2010-2017.
- A long-term contract was signed with the Swedish Defence Materiel Administration (FMV) regarding a comprehensive support commitment for the $s\kappa$ 60 aircraft system. The contract, valued at approximately мѕек 900, makes Saab the principle provider responsible for operations, maintenance and availability of all 60 aircraft.

Key financial ratios, Group, MSEK	2008	2007
Sales	23,796	23,021
Operating income	166	2,607
Operating margin, %	0.7	11.3
Income after net financial items	-406	2,449
Net income	-242	1,941
Earnings per share, SEK (after dilution)	-2.31	17.60
Dividend per share, SEK 1)	1.75	4.50
Return on equity, %	-2.4	18.5
Equity/assets ratio, %	28.4	32.6
Order bookings	23,212	20,846
Order backlog at year-end	45,324	47,316
Research and development	4,141	4,523
Internally financed R&D expenditures	1,439	1,396
Number of employees at year-end	13,294	13,757
Share of women, %	22.5	22.0
University-educated, %	48.0	41.0
Sick leave ²⁾ , %	2.5	2.7

¹⁾ Proposal by Board of Directors 2) Saah in Swede

Order bookings, order backlog and sales

The Group's order bookings for 2008 amounted to MSEK 23,212 (20,846), of which 76 percent (72) was attributable to defence-related products. Large orders with a value of over MSEK 100 represented 52 percent of order bookings.

Order bookings by business segment

MSEK	2008	2007
Defence and Security Solutions	9,997	7,259
Systems and Products	9,345	8,470
Aeronautics	6,153	7,516
Corporate	156	46
Internal	-2,439	-2,445
Total	23,212	20,846

The order backlog at the end of 2008 was MSEK 45,324 (47,316). International orders accounted for 77 percent (78) of the backlog and 80 percent (83) was defence-related products. The order backlog duration was as follows:

2009: SEK 18.4 billion 2010: SEK 11.2 billion 2011: SEK 5.8 billion 2012: SEK 3.5 billion After 2012: SEK 6.4 billion

The order backlog primarily includes:

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

Order backlog by business segment

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

The Group's sales increased by 3 percent (9) in 2008 to MSEK 23,796 (23,021). Adjusted for the sale of Saab Space and exchange rate effects, sales increased by 6 percent (4). Sales were negatively affected by exchange rate fluctuations of about 1 percentage point during 2008. The effects relate to the translation of foreign subsidiaries from local currency to SEK, primarily relating to South Africa and the U.S.

Of sales, MSEK 16,247 (15,015), or 68 percent (65), came from customers outside Sweden; 83 percent (81) related to defence materiel.

Sales by geographical market

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

Sales by business segment

MSEK	2008	2007	Change,
Defence and Security Solutions	9,443	9,300	2
Systems and Products	9,095	9,091	-
Aeronautics	7,269	6,510	12
Corporate	133	51	_
Internal sales	-2,144	-1,931	_
Total	23,796	23,021	3

Sales by market

MSEK	2008	% of sales
Air	9,183	39
Land	5,680	24
Naval	2,127	9
Joint Operations	2,582	11
Civil Security	1,510	6
Commercial Aeronautics	1,165	5
Other	1,549	6
Total	23,796	100

Income, margin and profitability

Gross income amounted to MSEK 4,634 (6,172), corresponding to a gross margin of 19.5 percent (26.8). Excluding non-recurring items of MSEK 1,676, the adjusted gross margin was 26.5 percent (26.6). The gross margin increased for System and Products, while Defence and Security Solutions' and Aeronautics' gross margins were lower than previous year. Gross income was affected by write-downs totalling MSEK 1,187 within Aeronautics related to commercial aircraft projects and a provision made for these projects of MSEK 232. A provision was also made for a helicopter project of MSEK 350. A goodwill impairment charge of MSEK 103 related to Saab Grintek Technologies became necessary due to the weak market situation in South Africa. These items were partly compensated by gains on contractual settlements of MSEK 196 (60) for regional aircraft.

The Billion+ Program positively affected the gross margin by approximately 1 percentage point in 2008. The largest part of the cost cuts has been achieved in Systems and Products.

Other operating income, MSEK 291 (785), includes currency gains and results from secondary activities. The divestment of Saab Space on September 1, 2008 generated a capital gain of мѕек 98. The previous year was affected by gains of MSEK 501 on the sale of operations and properties.

Marketing expenses increased by MSEK 80 during 2008 to MSEK 1,805 (1,725). The increase is essentially attributable to tenders for Gripen to a number of countries. Administrative expenses increased by MSEK 29 to MSEK 1,404 (1,375).

Internally funded investments in research and development amounted to MSEK 1,439 (1,396), of which a total of MSEK 635 (658) has been capitalized. As of January 2009, a smaller portion will be capitalized due to a change in the application of Saab's accounting principles for development costs. As a result, development costs will be capitalized later during projects than previously. Moreover, the total sum of capitalized development costs on the balance sheet will be amortized over a period of not more than 5-10 years. Total investments in research and development will not change as a consequence of the change in application.

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

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

Operating income before depreciation and amortization (EBITDA) amounted to MSEK 1,515 (3,685). The EBITDA margin was 6.4 percent (16.0). Operating income (EBIT) amounted to MSEK 166 (2,607). The operating margin was 0.7 percent (11.3). Operating income was impacted by a write-down of capitalized development costs for the RBS 15 Mk3 Surface-to-Surface Missile of MSEK 250 and a capital gain from the divestment of Saab Space of MSEK 98. Operating income adjusted for non-recurring items amounted to MSEK 1,994 (2,154) and the adjusted operating margin was 8.4 percent (9.4).

Net financial income and expenses amounted to MSEK -572 (-158), of which the share in income of associated companies held as financial assets amounted to MSEK -36 (-40), primarily relating to EURENCO and Wah Nobel.

Project interest from unutilized advance payments has reduced the financial net by MSEK 151 (142) and reduced the cost of goods sold correspondingly. Losses related to the tender portfolio of MSEK 227 (gain of MSEK 2) further reduced the financial net. Other net interest amounted to MSEK -158 (22), mainly due to the fact that the Group reported a net debt this year, compared to average net liquidity last year. Income before taxes amounted to MSEK -406 (2,449).

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

The net result for 2008 was MSEK -242 (1,941), of which the minority interest amounted to MSEK 6 (20). Diluted earnings per share for the interests of the Parent Company's shareholders amounted to SEK -2.31 (17.60).

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

Depreciation/amortization and impairments by business segment

MSEK	2008	2007
Defence and Security Solutions	287	170
Systems and Products	762	611
Aeronautics	195	163
Corporate – lease assets	165	180
Corporate – other	105	134
Total	1,514	1,258

Operating income by business segment

		% of		% of
MSEK	2008	sales	2007	sales
Defence and Security Solutions	732	7.8	934	10.0
Systems and Products	756	8.3	756	8.3
Aeronautics	-1,508	-20.7	454	7.0
Corporate	186	_	463	_
Total	166	0.7	2,607	11.3

Billion+ program

Saab's market situation is changing rapidly. We will continue to selffinance development of new products and services and increase marketing in the international market. To accomplish this and at the same time reach and maintain a level of profitability in accordance with the company's long-term objective, an efficiency improvement program was launched at the beginning of the year. The aim was to reduce the cost level by MSEK 250 in 2008, an additional MSEK 350 in 2009 and MSEK 400 in 2010. By year-end 2010, the cost level would be SEK 1 billion lower than at the start of 2008.

Due to market conditions, we decided in late 2008 to intensify the efficiency program. One element is the elimination of 500 employees over the next two years. This will be achieved primarily through attrition. The cost reduction by year-end 2010 will therefore amount to SEK 1.5 billion.

Around 70 percent of the initiatives now being implemented reduce the cost of goods sold (development, project implementation, purchasing and production) and will therefore affect the gross margin positively. The remaining cost cuts will come from lower operating expenses, mainly administrative expenses.

The program is progressing in stable fashion, and the results for 2008 slightly exceeded the target. During the year, the program affected profit margins positively by approximately one percentage point. About 60 percent of this cost reduction has affected the gross margin positively. The cost of the program is slightly lower than planned. Efficiency improvements have primarily been made in purchasing, administration and production. A few lay-offs were announced in 2008 as a result of the program.

Financial position and liquidity

MSEK	2008	2007
Total assets	32,890	33,801
Capital employed	13,218	14,769
Return on capital employed, %	1.4	19.4
Shareholders' equity	9,330	11,008
Return on equity, %	-2.4	18.5
Net debt	-1,693	-1,627
Net debt/equity ratio, %	18.1	14.8
Equity/assets ratio, %	28.4	32.6

Intangible fixed assets amounted to MSEK 7,690 (7,940), of which goodwill amounted to MSEK 3,438 (3,404) and was largely attributable to the acquisitions of Celsius in 2000 and Saab Microwave Systems in 2006. Remaining goodwill primarily relates to the acquisitions of Grintek, Saab Avitronics and Combitech. Amortization and impairment of intangible fixed assets for the year amounted to

MSEK 1,016 (674), of which amortization and impairment of capitalized product development amounted to MSEK 728 (515). Other intangible fixed assets amount to MSEK 4,252 (4,536), of which capitalized development costs amounted to MSEK 3,628 (3,732). Other intangible fixed assets consist of acquired product development/technology and customer relations primarily for radar and sensors as well as capitalized development expenses for the export version of Gripen, radar jamming systems and missile systems. Other intangible fixed assets are amortized over their estimated period of use. The exceptions have been capitalized development costs and acquired product development, which have been amortized over their estimated production volume or period of use.

Intangible fixed assets were impacted by impairment charges of MSEK 103 (0) in Defence and Security Solutions and MSEK 250 (108) in Systems and Products.

Tangible fixed assets amounted to MSEK 3,407 (3,619) and refer to property, plant and equipment used in core operations. The decrease is mainly due to the reclassification of operating properties. Investment properties refer to properties leased to outside parties and valued at estimated fair value. Lease assets amounted to MSEK 1,835 (1,822) and primarily relate to the leasing fleet of regional aircraft. During the year, 12 aircraft were sold. Depreciation on tangible fixed assets amounted to MSEK 333 (404) in 2008, while depreciation on the leasing fleet amounted to MSEK 165 (180).

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

Inventories are recognized after deducting utilized advances. Other receivables primarily relate to receivables from customers (after deducting utilized advances). In 2008, Aeronautics' inventory was written down by MSEK 1,187.

Shareholders' equity attributable to the Parent Company's shareholders amounted to MSEK 9,240 (10,981), or SEK 86.49 per share (101.53). The equity/assets ratio was 28.4 percent, compared with 32.6 at the beginning of the year.

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

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

Liquidity and finance

The Group's net debt refers to interest-bearing liabilities and provisions for pensions less cash, short-term investments and interestbearing receivables. During the year, the Group remained in a net debt position and liquidity decreased by MSEK 66, owing to which net debt amounted to MSEK 1,693 at year-end. At the beginning of the year, the Group had net debt of MSEK 1,627.

Cash flow

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

Operating cash flow by business segment

MSEK	2008	2007
Defence and Security Solutions	-322	380
Systems and Products	1,484	-1,287
Aeronautics	-1,007	-773
Corporate	504	77
Total	659	-1,603

Capital employed by business segment

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

Gross capital expenditures

MSEK	2008	2007
Defence and Security Solutions	121	129
Systems and Products	522	593
Aeronautics	240	318
Corporate	139	21
Total	1,022	1,061

Specification of operating cash flow 2008

MSEK	Saab excl. acqui- sitions/divest- ments and SAL	Acquisitions and divestments	Saab Aircraft Leasing	Group total
Cash flow from operating activities before changes in working capital	1,877	-	195	2,072
CASH FLOW FROM CHANGES IN WORKING CAPITAL				
Inventories	-4	_	-23	-27
Receivables	-54	-	366	312
Advance payments from customers	-1,615	-	-3	-1,618
Lease obligations	_	-	-220	-220
Other liabilities	768	-	-60	708
Provisions	-85	-	-188	-273
Change in working capital	-990	-	-128	-1,118
Cash flow from operating activities	887	-	67	954
INVESTING ACTIVITIES				
Investments in intangible fixed assets	-636	-	-	-636
Investments in tangible fixed assets	-386	-	-	-386
Sale of tangible fixed assets	41	-	-	41
Sale of lease assets	-	-	212	212
Sale of and investment in financial assets	-38	-	69	31
Sale of Group companies, net effect on liquidity		443	-	443
Cash flow from investing activities excluding change in interest-bearing financial assets	-1,019	443	281	-295
OPERATING CASH FLOW	-132	443	348	659

CAPITAL EXPENDITURES AND PERSONNEL

Capital expenditures

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

Personnel

At year-end, the Group had 13,294 employees, compared with 13,757 at the beginning of the year. Of the change, approximately 500 are due to the sale of Saab Space. As part of Saab's efficiency improvement program, cost cuts of MSEK 500 will result in personnel reductions, which will primarily be achieved through attrition.

CORPORATE

Corporate reported operating income of MSEK 186 (463). Income was positively affected by gains of MSEK 196 (60) on the completion of contracts with respect to regional aircraft. A capital gain of MSEK 98 was reported on the divestiture of Saab Space. Previous year was positively affected by a gain of MSEK 264 on the sales of subsidiaries and other non-recurring items MSEK 139.

PARENT COMPANY

Sales and income

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

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

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

Liquidity, finance, capital expenditures and number of employees

The Parent Company's net debt amounted to MSEK 9,701 (6,242). Gross capital expenditures in property, plant and equipment amounted to MSEK 253 (261). At the end of 2008, the Parent Company had 8,317 employees, compared with 8,256 in the previous year.

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 2008 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 characterized 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

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 biannually as per January 1 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 percent of the fixed salary of the President and between 25 percent and 35 percent of the fixed salary of the rest of Group Management. All senior executives are entitled to participate in the Share Match-

ing Plan approved by the Annual General Meeting 2008. Participants in this program are not covered by the general share saving program approved by the Annual General Meeting 2008.

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

Pension

For pension agreements entered into after January 1, 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 percent 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.

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 January 1, 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 2008 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 Board of Directors intends to propose that the Annual General Meeting resolve to revise fixed salaries annually as of January 1, 2010 instead of biannually. The guidelines are otherwise unchanged, but with the following addition:

Incentive program proposed to the Annual General Meeting 2009: The Board of Directors intends to propose to the Annual General Meeting an additional performance share plan for senior executives and key persons for 2009.

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 Annual General Meeting on April 15, 2008 decided to renew the Board of Directors' mandate to decide to repurchase up to 10 percent of the shares outstanding. The purpose of the authorization is to provide the Board with greater scope in working with the company's capital structure and enable acquisitions when considered appropriate, as well as to secure the Group's share matching plan.

As proposed, the mandate would apply until the next Annual General Meeting. Repurchases may be effected over the stock exchange or through offerings to shareholders. It is also proposed that the Board's mandate include the possibility to transfer repurchased shares as allowed by law.

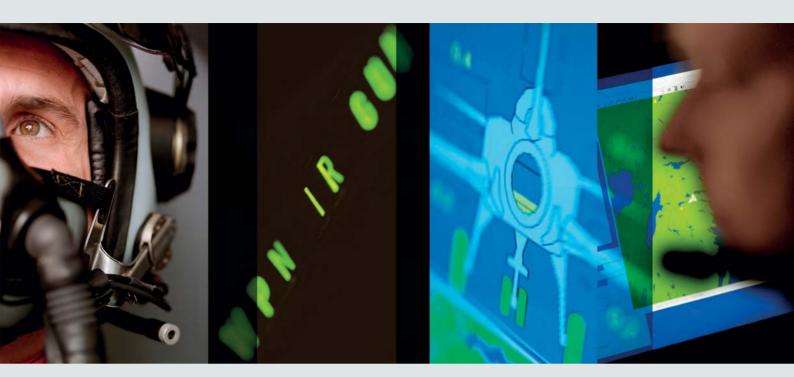
During the third quarter 2008, 1,340,000 shares were repurchased starting on July 21, 2008. The cost for the repurchased shares was MSEK 209.

Proposed dividend

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

EVENTS AFTER THE BALANCE SHEET DATE

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



SEGMENT REPORTING

Saab's operations have been divided into the three business segments Defence and Security Solutions, Systems and Products, and Aeronautics for control and reporting purposes since 2005. The segments face somewhat different challenges depending on the customer's needs and the nature of the contract. On the other hand, the three segments, or the total of 15 business units they comprise, often combine know-how, products and systems in deliveries to customers. In large, complex orders, several business units may work together so that the Group's entire

range of competencies is utilized effectively. One business segment always has prime responsibility for the order.

Saab receives everything from small, one-time orders to billion-SEK contracts from around the world and from a range of customers. Every order demonstrates our breadth and strength as a global player. Interest in our products, solutions and services is reflected in the strategic repositioning Saab is undergoing.

In addition, Corporate comprises Group staffs and departments and peripheral operations. It also includes the leasing fleet of Saab 340 and Saab 2000 aircraft.

Defence and Security Solutions comprise the following business units:

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

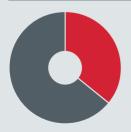
Systems and Products comprise the following business units:

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

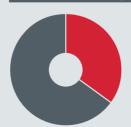
Aeronautics comprises the following business units:

- Saab Aerosystems
- Saab Aerostructures
- Gripen International

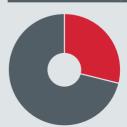
SHARE OF SALES, 36%



SHARE OF SALES, 35%



SHARE OF SALES, 29%



DEFENCE AND SECURITY SOLUTIONS **NEW MARKETS**

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

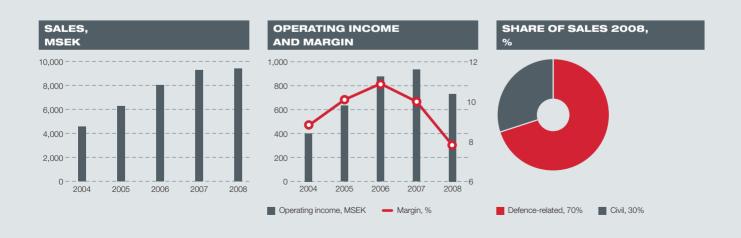
Growth in the civil security market continues. Saab supplies robust systems that protect infrastructure and information flows, and that coordinate contacts between government agencies during crisis situations such as a terrorist threat or natural disaster. The civil security market includes companies based in both the defence industry and the civil sector.

In addition to price and performance, the contracts signed in Defence and Security Solutions are usually the result of longstanding customer relations and a local presence. These are often

Key financial ratios for **Defence and Security Solutions,**

MSEK	2008	2007
Order bookings	9,997	7,259
Order backlog at year-end	10,918	10,764
Sales	9,443	9,300
Operating income	732	934
Operating margin, %	7.8	10.0
Non-recurring items	-103	53
Adjusted operating margin, %	8.8	9.5
Depreciation/amortization and impairments	287	170
Operating cash flow	-322	380
Capital employed	4,510	4,417
Gross capital expenditures	121	129
Number of employees	4,666	5,031

products and solutions that are incorporated into the customer's most highly sensitive systems. It is also becoming more common for our primary customers - defence authorities and other public authorities - to outsource parts of their operations. Saab therefore offers a wide range of lifecycle support solutions.



STRATEGIC PRIORITIES

- Continued focus on the development and upgrade of C4I and Airborne Early Warning (AEW) solutions
- · Expand civil security operations internationally
- Further increase the share of comprehensive service and support solutions
- Strengthen positions in countries or regions where we currently have operations

STRATEGIC PROGRESS IN 2008

Orders

- Saab signed a contract with Ringhals AB to supply the Ringhals nuclear power station with surveillance and protection that meets the Swedish Nuclear Power Inspectorate's requirements. Delivery was completed during the year after Saab designed and implemented a customized system for the surveillance center at the power plant. It comprises presentation systems, networks, system alarms, cameras for surveillance and immediate verification of security perimeter alarms, surveillance, pass control and telephone entry systems.
- Saab signed a contract worth мѕек 392 with око ав to supply the Oskarshamn nuclear power station with physical security that meets the Swedish Nuclear Power Inspectorate requirements.
- Saab signed a contract worth MSEK 282 with Specialfastigheter AB, which is responsible for the Swedish Prison and Probation Services' properties. Saab will supply advanced surveillance systems for four surveillance centers as the general contractor with overall responsibility for the technical solution.
- Saab has received two orders from the Swedish Defence Material Administration (FMV) for continued development, support, and maintenance of the Swedish Armed Force's air defence system StriC and the simulator system Strics. The total value is MSEK 117.
- Saab signed a contract worth approximately SEK 1.1 billion with Lockheed Martin Canada to partner in the design and development of a command and control system for the Canadian Navy's twelve Halifax Class frigates. Deliveries are planned for 2010-2017.
- Saab signed an eight-year cooperation agreement with the Swedish Defence Materiel Administration (FMV) to assume responsibility for operating, supporting and maintaining the sk 60 aircraft. Saab ensures that the system is airworthy and available in accordance with the requirements of the Armed Forces' Swedish fleet. The contract is valued at approximately мѕек 900.

Acquisitions, divestments and strategic alliances

- Saab increased its interest in Cold Cut Systems Svenska AB to 33 percent. Cold Cut Systems, which offers products for extinguishing fires and rescue work, compliments Saab's portfolio of products and services for emergency services. The collaboration supports Saab's investments in civil security.
- A consortium led by Imbani Amandaba (Pty) Ltd has acquired 25 percent plus one share in Saab Grintek Defence (Pty) Ltd of South

Africa. Imbani Amandaba is a so-called Black Economic Empowerment consortium 100 percent owned by South Africans from previously discriminated groups. Imbani Amandaba's ownership interest will increase growth potential and improve Saab's position in the South African and African markets.

• Freetel, one of South Africa's largest private equity firms, also joined as a Black Economic Empowerment partner to Saab Grintek Technologies.

OTHER EVENTS

- Saab's delivery to Pakistan continues successfully. The turn-key contract involves seven units from Saab, which are supplying an Airborne Early Warning (AEW) and a new radar system. Test flights were successfully conducted during the year.
- Saab's contract with Thailand in January 2008 comprises a comprehensive solution from Defence and Security Solutions with AEW and command-and-control systems.

SALES, INCOME AND ORDERS

Orders

Order bookings for Defence and Security Solutions amounted to MSEK 9,997 (7,259). Orders with a value of over MSEK 100 and those with a lesser value represented 32 and 68 percent, respectively.

Sales for Defence and Security Solutions increased by 2 percentage points to MSEK 9,443 (9,300). Sales were negatively affected by 2 percent age points by the weak development of Saab Grintek Technologies in South Africa. The business segment was negatively affected by exchange rate fluctuations on the translation of revenue in South African ZAR, corresponding to 2 percent of sales. The international market accounted for 54 percent (55) of sales; 70 percent (67) was from the defence market. Major orders in Sweden in 2008 contributed to a larger share of sales in the civil security market and slightly less in the international market.

Income and margin

Operating income for Defence and Security Solutions amounted to MSEK 732 (934) with a margin of 7.8 percent (10.0). Acquired goodwill related to Saab Grintek Technologies was written down by мѕек 103 as a consequence of weaker market conditions in South Africa. The result for 2007 includes a capital gain of MSEK 53.

Operating cash flow

Operating cash flow amounted to MSEK -322 (380) and is mainly attributable to an increase in capital tied up in Saab Surveillance Systems.

Employees

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

FOCUSED PORTFOLIO FOR SYSTEMS AND PRODUCTS

Saab offers a broad-based portfolio of products and systems in defence, aeronautics and civil security. This means that the business segment sells its products directly to the customer or as part of a Saab solution. Systems and Products also has long-term maintenance and operational commitments for systems that have been supplied.

In avionics (aeronautical electronics), Saab is a leading supplier to both military and civil aviation manufacturers. In weapon systems, Saab's portfolio ranges from market-leading 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, fighters, transportation and civil aircraft, helicopters, submarines and surface vessels around the world.

The unique radar and sensor products offered by Saab Microwave Systems are vital components in Saab's major systems solutions such as the BAMSE missile platform, the Gripen combat fighter and Saab's airborne surveillance system. But they also include products that command a leading position in the global market. The weapon detecting radar ARTHUR and the search radar GIRAFFE are two examples. Signature management, camouflage which prevents detection by even the most advanced technical equipment, is another area where Saab has a world-leading position.

As more countries participate in international missions, they have to train their troops under realistic conditions. Saab has a

Key financial ratios for Systems and Products, MSEK	2008	2007
Order bookings	9,345	8,470
Order backlog at year-end	17,390	17,830
Sales	9,095	9,091
Operating income	756	756
Operating margin, %	8.3	8.3
Non-recurring items	-250	-63
Adjusted operating margin, %	11.1	9.0
Depreciation/amortization and impairments	762	611
Operating cash flow	1,484	-1,287
Capital employed	8,431	9,115
Gross capital expenditures	522	593
Number of employees	4,869	5,213

strong position in advanced training systems for land-based forces and also now lists special police units among its customers.

In underwater technology for shallow water and harbors, autonomous, unmanned underwater vehicles for military and commercial applications are an important development area.

Saab's customers in Systems and Products mainly consist of defence authorities and other defence contractors around the world. Many customers request finished products and solutions, which requires cooperation with other suppliers.



STRATEGIC PRIORITIES

- Secure development programs in cooperation with customers
- Further develop and strengthen our independent portfolio of products and
- Continued focus on our capabilities in sensors and microwave technology as well as the development of the portfolio of underwater technology
- Expand training operations for land-based forces and lifecycle support

STRATEGIC PROGRESS IN 2008

Orders

- Saab received a service contract for support, repair and overhaul of the Canadian Navy's 14 Sea GIRAFFE 150 HC, a surveillance radar installed on the Halifax Class frigates. The order value is approximately MSEK 150.
- In partnership with Krauss Maffei Wegmann (кмw), Saab received an order from the Swedish Defence Materiel Administration (FMV) for the gunnery training system RB57. The order is for ten RB57 systems for up to six users per system and consists of a support section. The total value of the order is over MSEK 100.
- We signed a contract to deliver five GIRAFFE systems to prime contractor Lockheed Martin UK – INSYS for the United Kingdom. The contract value is approximately MSEK 350.
- Saab received an order from the u.s. government for the Carl-Gustaf weapon system. The order contains weapons and ammunition valued at about MUSD 48 (approx. MSEK 285). Deliveries will take place during 2009.
- Saab received an order for the AT4 CS anti-armour system. The latest generation of the AT4 is designed for greater flexibility and areas of application. The order value is approximately MSEK 185.
- Saab received orders from the Swedish Defence Materiel Administration (FMV) for electronic warfare systems and supplementary weapons pylons for Gripen worth a total of MSEK 574 where Systems and Products is supplying part of the solution together with the Aeronautics business segment.
- Saab received two orders for components for the Carl-Gustaf multi-role weapon worth MSEK 296. The orders are an extension of previous cooperative agreements.
- Saab received an order worth MEUR 10.5 (approx. MSEK 99) for maintenance of the French Air Force's GIRAFFE AMB radar system.
- Saab signed a contract on the lifetime extension of the BILL antitank missile system covering at least an additional ten years. The order value is estimated at MEUR 10 (approx. MSEK 104).
- Saab received an order from the Finnish Defence Forces for an additional number of the new anti-tank weapon NLAW (Next Generation Light Anti-tank Weapon). The system meets the requirements for a modern anti-tank weapon system for international operations in urban environments. The order is valued at MSEK 200.
- Saab will produce an integrated electronic warfare self-protection system for Hindustan Aeronautics Limited (HAL) for installation on the Indian Advanced Light Helicopter, Dhruv. The contract is worth approximately миsd 24 (approx. мsек 191).

Acquisitions, divestments and strategic alliances

 Saab and Syracuse, New York-based Sensis Corporation have entered into a cooperation agreement to promote, enhance and support Saab's GIRAFFE AMB family of radars in the u.s. market. Sensis Corporation, a leading provider of advanced radar detection solutions, will provide modifications and adaptations to the radar systems.

• Saab finalized the sale of all its shares in Saab Space AB, including the Austrian subsidiary Austrian Aerospace, to the Swiss aerospace and defence company RUAG. The reason for the sale was a lack of sufficient synergies with other operations within Saab. The sales price amounted to MSEK 335. In addition to the fixed purchase price, Saab is entitled to additional consideration related to the long-term performance of Saab Space. The transaction generated a capital gain of MSEK 98 in 2008.

OTHER EVENTS

- The BAMSE missile system was supplied to the Swedish defence during the vear
- Development of the latest version of the surface-to-surface missile RBS15 Mk3 was completed through two successful test firings
- In the underwater area, the ROV company Seaeye developed well

SALES, INCOME AND ORDERS

Orders

Order bookings for Systems and Products amounted to MSEK 9,345 (8,470). Major orders received during the year include Carl-Gustaf, the GIRAFFE and ARTHUR radar systems, avionics and electronic warfare systems, RBS 70, NLAW and Remotely Operating Vehicles (ROVS) from customers in the offshore oil and gas market. Large orders with a value of more than MSEK 100 each and those with a lesser value accounted for 37 and 63 percent, respectively.

Sales

Sales for Systems and Products were in line with the previous year and amounted to мѕек 9,095 (9,091). Excluding Saab Space, which was divested on September 1, 2008, sales increased by 3 percent to MSEK 8,653 (8,367). Sales were negatively affected by approximately MSEK 100 by the effects of exchange rate fluctuations on the translation of foreign subsidiaries, corresponding to 1 percent of sales. International sales accounted for 72 percent (71); 91 percent (89) was from the defence market.

Income and margin

Operating income for Systems and Products amounted to MSEK 756 (756), including a write-down of capitalized development costs of MSEK –250 for RBS 15 Mk3 surface-to-surface missile. The 2007 result included a gain of MSEK 45 on a property sale and a write-down of MSEK 108. Adjusted operating income amounted to MSEK 1,006 (819).

Operating cash flow

Operating cash flow amounted to MSEK 1,484 (-1,287). Cash flow in 2007 was mainly affected by major project delays and increased capital tied up.

Employees

The number of employees at year-end was 4,869 (5,213). The decrease is the result of the divestment of Saab Space.

A GLOBAL PLAYER IN AERONAUTICS

Saab's military and civil aeronautics operations are dominated by the Gripen program, but also include investments in future unmanned aerial vehicles, UAVs. In civil operations, Saab is a supplier to the aircraft manufacturers Airbus and Boeing, supplying subsystems and structural components, among other things.

Gripen is currently used in Sweden and by NATO members Czech Republic and Hungary as well as the British Empire Test Pilots School. South Africa placed Gripen into operational service in 2008. Export potential is high, and Saab is working actively in a number of markets to win new contracts. The Gripen program includes significant sales of modifications, training and maintenance. Saab's target to sell at least 200 aircraft on the world market remains firm.

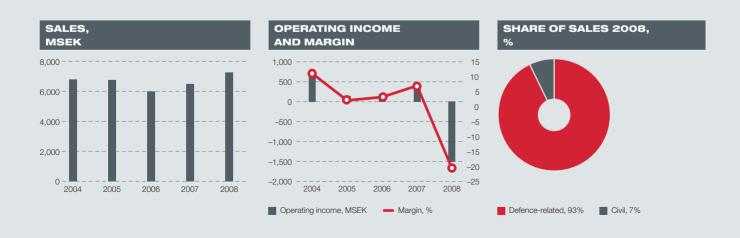
Saab's expertise in aeronautics, sensors and system integration gives it a leading position in the development of unmanned aerial vehicles, UAVS. Successful flights have been conducted with the SHARC and FILUR technical demonstrators as well as the unmanned helicopter Skeldar.

As a subsystem supplier, Saab uses its expertise to develop complex structural units and subsystems for commercial and military aircraft manufacturers. On behalf of Airbus, for example, Saab has

Key financial ratios for Aeronautics, MSEK	2008	2007
Order bookings	6,153	7,516
Order backlog at year-end	19,626	21,158
Sales	7,269	6,510
Operating income	-1,508	454
Operating margin, %	-20.7	7.0
Non-recurring items	-1,769	_
Adjusted operating margin, %	3.6	7.0
Depreciation/amortization and impairments	195	163
Operating cash flow	-1,007	-773
Capital employed	3,022	4,202
Gross capital expenditures	240	318
Number of employees	3,100	2,911

developed the mid and outer wing leading edge for the A₃80 superjumbo and parts of control systems and the doors for the A₄00M.

In Aeronautics, the business logic is often a combination of long relationships that usually conclude with regulated competitions.



STRATEGIC PRIORITIES

- Continue to focus on meeting export targets for Gripen
- Develop UAV operations to promote the development of Gripen
- Expand and broaden the offering in civil aeronautics
- Further development of the lifecycle support offering

STRATEGIC PROGRESS IN 2008

Orders and tender requests

- On January 17, 2008, Switzerland and Norway announced their requirements for a Gripen tender. In Switzerland, Saab is one of four candidates to upgrade the country's aircraft fleet around 2013. Saab submitted its tender in July 2008 and is expecting a decision in 2009. The Swedish Defence Materiel Administration submitted a binding offer to sell up to 48 aircraft, but in November the Norwegian government announced that it instead had selected Saab's competitor.
- Because of Thailand's decision to buy an integrated air surveillance system from Sweden, Saab received an order from the Swedish Defence Materiel Administration valued at SEK 2 billion with delivery scheduled in 2011. It includes six Gripen aircraft, one Saab 340 aircraft equipped with the Erieye radar surveillance system, one Saab 340 aircraft for transports and training, and related equipment and services.
- In late April, Saab handed over its response to the Indian Ministry of Defence Request for Proposal for 126 Gripen NG.
- On August 25, Saab responded to the F16 replacement questionnaire from the Netherlands, offering 85 Gripen NG.
- In October, Brazil announced that it had selected the Gripen NG for its short list as an alternative to equip the Brazilian Air Force.

Acquisitions, divestments and strategic alliances

- Saab and Tata Consultancy Services Limited (TCS) signed a letter of intent regarding establishment of an Aeronautical Design and Development Center (ADDC) in India. The vision for the center is to serve the global aeronautical market and create design and development capabilities in India for military and civil aeronautical applications. The cooperation marks the start of a long-term relationship with Saab undertaking to transfer technology and competencies in the aerospace sector.
- Saab AB and Simrad Optronics ASA are forming a joint venture under the name Vingtech Saab As. The company is owned 51 percent by Simrad Optronics and 49 percent by Saab. The plans for a joint venture were announced in expectation of a Norwegian decision to buy Gripen. But since both Simrad Optronics and Saab expect stronger Nordic defence cooperation in the future, the two agreed to still form the joint venture. The company will develop and sell products mainly in the area of high-tech optronics.

OTHER EVENTS

- Interest in Gripen was never greater than in 2008. Besides the many queries, Saab is involved in intensive marketing in several countries. Saab previously submitted binding responses to Denmark, India, Romania and Switzerland. In addition, it has responded or prepared responses to queries from Bulgaria and Croatia and, as previously mentioned, Brazil and
- In accordance with an order to upgrade 31 Swedish Gripen aircraft to the latest standard. Saab unveiled Gripen DEMO, a flying development platform for the next generation of Gripen, in April 2008. A month later, it conducted a successful maiden flight. Gripen's development is being done in collaboration with some of the world's leading companies in the aircraft industry: General Electric, Volvo Aero, Rockwell Collins, Honeywell, APPH, Terma, Martin-Baker and Meggitt. The aircraft has been equipped with a new, stronger engine and a completely new, modular avionics system. The aircraft will have a heavier payload and a longer range. The order is of major importance to Gripen's long-term development.
- Saab completed another successful maiden flight during the year, in this case the first Saab 2000 Erieye AEW&C aircraft slated for delivery to Pakistan.

SALES, INCOME AND ORDERS

Orders

Order bookings for Aeronautics amounted to MSEK 6,153 (7,516). Orders with a value of over MSEK 100 each and those with a lesser value accounted for 90 and 10 percent, respectively.

Aeronautics' sales amounted to MSEK 7,269 (6,510). The change in revenue recognition applied to the South African Gripen contract contributed strongly to the increase, whereas the delivery of Gripen in Sweden contributed an negative amount due to the final price calculation. International sales accounted for 64 percent (53); 93 percent (94) related to the defence market.

Income and margin

Aeronautics reported an operating result of MSEK -1,508 (454). The operating margin of -20.7 percent (7.0) was adversely affected by low capacity utilization as well as write-downs and a provision allocated for the civilian aircraft programs of MSEK 1,187 and MSEK 232, respectively. In addition, a provision of MSEK 350 was made to cover estimated losses for a helicopter project. The adjusted operating margin was 3.6 percent (7.0).

Operating cash flow

Operating cash flow amounted to MSEK -1,007 (-773). Cash flow was negatively affected by lower customer advances within Aerosystems and low capacity utilization in civil programs, where modifications have been made to production plans.

Employees

The number of employees at year-end was 3,100,compared with 2,911 last year. The increase was mainly due to internal transfers within the Group.

PRODUCT INNOVATION OUR BIG CHALLENGE

Saab currently offers an array of world-leading products, services and solutions. Our expertise is based on 70 years of experience with innovative aeronautics. We have also achieved a leading position as a supplier to military markets thanks in part to our product base, which includes the ARTHUR artillery locating radar, the AT 4CS anti-armour weapon, the Carl-Gustaf multi-role weapon, the Robot 70 missile system. Today our biggest challenge is product innovation to meet changing customer needs in both the military and civil markets.

As one of the world's leading high-technology companies, Saab's operations are distinguished by complex development work. Each year we invest around SEK 4 billion in research and development of our own products and systems as well as technology acquisitions. This represents about 20 percent of Saab's revenues and employs 2,500 people. It makes us one of Sweden's most research-intensive companies.

Different forms of financing

Self-financed development is concentrated in the Systems and Products business segment. Important investments include the further development of the Erieye and GIRAFFE radar systems, the Robot 70 NG missile system, the RBS15 Mk3 surface-to-surface missile system and remotely operated vehicles (ROVS). Another important product in the Group is the Next Generation Light Anti-tank Weapon (NLAW), a short-range combat weapon developed for both Sweden and the UK.

In Aeronautics, we remain dependent on customer financing for our product innovation. Our most important investment is Gripen NG (Next Generation), which is currently under way in cooperation with the Swedish Defence Materiel Administration (FMV). In the Defence and Security Solutions segment, we are working actively to develop a core group of products that we then can adapt to various customer needs.

The acquisition in 2006, of Ericsson Microwave Systems AB is an example where Saab at the same time acquired world-leading radar technology.

Research and development expenditures

MSEK	2008	2007
Defence and Security Solutions	661	829
Systems and Products	1,926	2,038
Aeronautics	1,554	1,656
Total	4,141	4,523
As percent of sales, %	17	20
Internally funded, % of total expenditure	35	31

Internally funded investments in research and development amounted to MSEK 1,439 (1,396), of which a total of MSEK 635 (658) has been capitalized. To date, capitalized development expenditures have been amortized over their estimated production volume or period of use.

The Swedish defence has been a central partner in Saab's research and development for many years. In 2008, the Swedish government announced plans to further reduce defence appropriations, which naturally raises uncertainty about our future development projects. As its internationalization accelerates, we are also seeing a growing share of research and development financed by foreign customers. We expect to have to self-finance a share of development costs going forward. From January 2009, we will therefore change the way we apply our accounting principles for development costs to capitalize a smaller share in the future. Development costs will be capitalized later in a project compared with previous years. In addition, the total sum of capitalized development costs on the balance sheet will be amortized over not more than 5–10 years. Total R&D expenditures will not change due to the change in application.

An important tool for Saab in this adjustment is active product management. We are now working extensively in all our business units to concentrate and modularize the product portfolio. Modularization makes it possible to reuse product solutions in our offerings. Higher reuse also lowers the cost of new development of systems and customized solutions, at the same time that it reduces our risk exposure.

Financing also has to come from higher gross margins on the sale of finished systems and products. The current efficiency improve-



ment program, which is expected to reduce Saab's total yearly costs by SEK 1.5 billion by the end of 2010, will be financed in part through higher costs for Saab's development of products and services.

Development for the future

The Swedish government has reiterated its long-term aim to participate in further development of the Gripen system. The extensive development work being done to bring the Gripen into the future is critical to the Aeronautics business segment - and important to the two other business segments as well. We have equipped the next generation of Gripen with a stronger engine and a completely new modular avionics system. The aircraft will be able to carry heavier loads and fly longer distances. We will also develop a completely new type of radar. As a result, Gripen will retain its position as a supplier of advanced technology for the next 30 to 40 years.

The Gripen program is an example of how Saab maintains its world-leading aeronautics expertise through development projects - its own research and international alliances. Within the Gripen demonstrator program, we have brought together a number of leading aeronautics manufacturers as risk-sharing partners. Saab's development work will increasingly be done both on its own and in cooperation with other players in the market. Through various international collaborative projects, Saab also ensures that the necessary expertise remains in-house.

Saab participates in a number of international missile programs and has principal responsibility for key subsystems in the Neuron program, a European project to develop technology for an unmanned combat aerial vehicle and next-generation fighter aircraft. Saab also plays a prominent role in international research and development programs in the environmental area, such as the Eu's Clean Sky and SESAR projects. All of these R&D programs are important to secure our position in the market.

Saab's research and development at the same time benefit society. Read more about this on pages 50-51.

A LOOK BACK

In the 1950's, there was a growing realization at Saab of the importance of electronics to aircraft navigation and communication. At the end of the decade, its technological department in Linköping therefore developed a socalled transistorized computer to fit inside a missile or an aircraft. That is how the computer industry in Sweden got its start. In addition to its military application, the prototype led Saab to begin developing computers for the commercial market. The department, and later the spinoff, were called Datasaab. The company has since merged with other companies, including Ericsson and Nokia.

SAAB VENTURES

Part of the Saab Group since 2006, Saab Ventures invests in small, fastgrowing businesses that fit into the Group's core business. The goal is that their new technologies will help to improve and complement Saab's product portfolio. Saab has to do so with little tied-up capital. In 2008, Saab Ventures invested in three companies for this purpose. Today, there are 13 companies in the portfolio, six of which Saab invested in specifically for their technologies. The other holdings originated in Saab and became spin-offs because they focus on markets outside Saab's core business.



SAFE AND SUSTAINABLE SOCIETIES

Saab's operations contribute to security and stability in the world. For more than 70 years, we have developed knowledge and technology to benefit society. This has led to industrial development and job opportunities in and outside the company.

The United Nations Charter gives every nation the right to protect itself and its citizens. That right applies regardless of whether the nation has its own defence industry. It is against this background that Saab supplies products, solutions and high-tech know-how not only to Sweden but also South Africa, Australia and around 90 other countries. In this way, our operations contribute to a safer world. Every contract Saab signs is governed by specific rules and guidelines. In Sweden, for example, the production and export of defence materiel are regulated by laws and ordinances adopted by parliament. In similar fashion, Saab abides by the laws and regulations in the other countries where it operates. As it becomes increasingly important to protect flows, Saab is also taking on an important role in civil security. Within the framework of these operations, we utilize our expertise to protect the critical infrastructure necessary for society to function.

Trust is fundamental to Saab. Making responsible decisions in our operations and in relation to the communities we serve therefore means minimizing risks whenever possible. Respect for others, stimulating career opportunities and safe work environments for our employees, consideration for the environment and responsibility for

the local community helps us to achieve our operating objectives. Below we have identified four important stakeholder groups for our operations.

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.



Employees

Saab respects its employees and their rights, offers safe working conditions, does not discriminate and contributes to professional development to help employees improve their skills.



Shareholders

Saab's aim is to provide shareholders with a consistently high return.

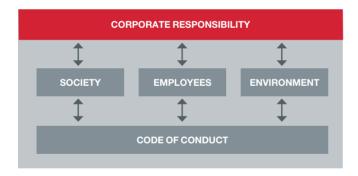


Society

Saab is a responsible member of society and acts in accordance with applicable laws. We express our support, show respect and contribute to the protection of human rights and give consideration to health, safety and environmental issues. Through a successful business, we also contribute to economic growth and create local jobs.

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





Code of Conduct

Saab's Code of Conduct governs everything we do. 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. The Code of Conduct can be found in its entirety on our website, www.saabgroup.com.

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.

Saab has an ethics council to handle ethical issues in operations. In addition to being able to turn to their immediate supervisor with any questions or problems, employees can contact a helpdesk that was created during the year. Efforts to build support for our values and Code of Conduct throughout the organization continued in 2008, partly through web-based training on the code. Employees who have contact with customers through sales and marketing, such as buyers, have also attended extended courses on "Gifts and gratuities" and "Bribery and corruption".

In autumn 2007, the Aerospace and Defence Industries Association of Europe (ASD) adopted a new code of conduct for the European defence industry. The code, which Saab was active in helping to draft, is an extension of joint work on ethics and anti-corruption. It affects over 2,000 aerospace and defence companies in 21 countries in Europe.

We expect all our partners to abide by the same or similar principles. Our advisers and cooperations undergo periodic reviews. The rules on appointing and utilizing marketing consultants require that Saab complies with Swedish law, that it applies the principles in the OECD's guidelines to fight corruption of foreign government representatives in international transactions and that it follows current laws on these principles.

GOOD RELATIONS **BENEFIT SAAB** AND SOCIETY

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

For more than 70 years, Saab has created economic growth and job opportunities in Sweden. Investments in defence materiel have been important to the development of the country's industrial sector and have generated considerable export income. As a research-intensive company, we contribute to society's technological development, often in collaboration with leading universities and institutes of technology. Our research results also benefit other industries, and our technologies have given birth to a number of new companies over the years, including auto maker Saab Automobile AB and C3 Technologies AB, which specializes in 3D technology. Since 2001, Saab has spun off twelve companies. As we internationalize, we take on the same role in the new countries where we are active, such as South Africa and Australia.

Other companies that originated from Saab:

- Marine Electronics AB
- Traffic Systems AB
- Airborne Hydrography AB
- WRAP International AB
- Sanguistech AB
- A2 Acoustics AB
- Svenska Tracab AB

Cooperations benefit society

Every time Saab signs a major international contract, industrial cooperations 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.

A LOOK AHEAD

Saab Bofors Dynamics has jumped into the market for geographical information with both civil and military applications. The business unit is meeting current demand for high-quality maps with its new Rapid 3D mapping system, which creates three-dimensional images in real time based on aerial photos. The information can be used for detailed positioning in 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. Among the civil applications are three-dimensional mapping for search engines, measurements of buildings and forest growth, and helping emergency services to compare terrain before and after a storm.

In South Africa, a consortium led by Imbani Amandaba took a major ownership interest in Saab Grintek Defence in June 2008. Imbani Amandaba is a so-called Black Economic Empowerment consortium that supports economic and social development among previously discriminated groups. This type of partner helps us to develop the business and compete in the South African and African markets, at the same time that the cooperation reflects Saab's commitment to South Africa's industrial development and future.

Joint research and development

In research and development, Saab works with a number of institutes of technology and universities and on various types of projects.

Contacts with universities, institutes of technology and other seats of learning also give us the opportunity to promote itself as an employer and attract talented recruits. For more on Saab as an employer, see "Saab's Employees".

It is important to its future technological development that Saab gets young people interested in the natural sciences and engineering. Saab therefore participates in a number of educational projects in Sweden and South Africa. 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 education. We also have a similar project in Pakistan. Following is a sampling of our projects with ties to educational investments.

Sweden

- Swedsoft is an industrial initiative with the aim of making Sweden more competitive in the research and development of softwareintensive systems and services. Companies such as Saab, ABB and Ericsson collaborate on various projects with institutes of technology and universities.
- Saab and the municipality of Arboga continued to cooperate and in autumn 2009 will open up the Saab Technological Gymnasium, which will provide preparatory training for students high school aged and younger, where they have the opportunity to study five specific areas, including aeronautics, surveillance and logistics. The program includes study visits and practical training at Saab. Employees from Saab are also teachers.
- Saab 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, which was started due to the dangerous trend in fanaticism around the world. In 2007 and 2008, the book was sent to all students aged 17-18. It was then discussed around the country to encourage ideas and thoughts on resisting fanaticism. In 2009, Saab will continue to sponsor a similar school project, also designed for Swedish students of the same age. The Order of the Teaspoon is an initiative that suits Saab well considering the direction the business is taking.
- Kunskapsskolans Naturvetenskapliga Centrum (NTC) opened in Saltsjöbaden, near Stockholm, in autumn 2008. Saab sponsors this private educational center for students and their teachers and sits on its development council.

South Africa

- Together with one of its biggest customers in South Africa, Telkom SA, Saab has established a project to create centers of excellence at South African universities to raise the level of research and development in natural sciences and engineering.
- Friends of Education is a program in Cape Town that supports students in mathematics and sciences at Masiphumelele High School. Saab provides the program with equipment.
- Saab sponsors the charity Oliver's House in Benoni, which offers children day care, schooling and a computer center.
- Aside from educational projects, Saab is committed to social development in general. Since social stability is fundamental to the development of sustainable societies, it is natural that we invest in South Africa's social and economic development through projects with various aims. They also help to strengthen relationships with our customers, employees and partners.

- Saab is helping to open an activity center in the village of Kgopeng, far from the nearest city in rural Mokopane. The center will therefore offer a clinic, HIV/AIDS center, day care facility and compu-
- Through the Children of Fire project, Saab supports the rehabilitation of young survivors of burn injuries, preventive information campaigns in South African townships and short-term research projects.
- Together with Development Outreach (YDO), Saab Grintek has started a project called Saab Grintek Outreach to Youth Alive, in Eersterus, Tshwane. The aim is to reach young people in Mamelodi, Eersterus and Nelmapius to provide them advice and education on HIV/AIDS. The hope is that these young people will then spread their knowledge to others.
- Saab sponsors Criminon New Life Center, which successfully rehabilitates young criminal drug addicts.
- The oncology ward at Kalafong Hospital in Pretoria works with children living with cancer. Saab provides the ward with equipment.
- Lerato House is a refuge for 25 girls from abusive homes or who have been homeless. Saab donates economic assistance.

Pakistan

• In Pakistan, Saab has launched a project called "Changing life one at a time", to improve opportunities for children in poor areas to receive a basic education. Saab cooperates with the international organization Students In Free Enterprise.

BUSINESS GETS DONE BETWEEN **PEOPLE**

As a knowledge-intensive company, Saab's biggest competitive strength is the competence of its employees. This creates a need for continuous skills training, a progressive approach and a stimulating work environment.

Job satisfaction and skills training, along with safe, generous working conditions, make it possible for Saab to face its business challenges. Being a responsible employer also makes Saab more attractive to current and potential employees.

In 2008, we focused on global cooperation within the Group, leadership development, diversity issues and Saab's popularity as an employer.

Uniform processes on the agenda

In 2008, the Saab Group continued to develop and implement uniform processes within the HR unit. We have developed them in seven areas and delegated the work and responsibilities between the Group staffs, the business units and the HR center. In this way, we ensure higher quality in our mission-critical HR issues.

An important issue in 2008 was the ongoing cost savings program, which requires that we reduce the number of employees. This is being done primarily through attrition and by reducing the number of consultants. During the year, we therefore introduced a model to coordinate resources within the Group.

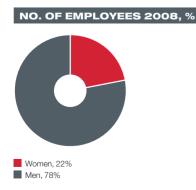
In 2008, we broadened the voluntary share matching plan to cover employees in Sweden, Norway, Denmark, Germany, the UK, the U.S., Switzerland and Australia. Employees in South Africa are expected to join the plan shortly.

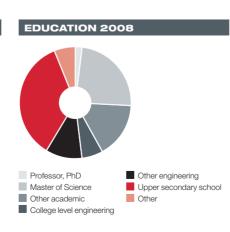
Good leaders generate good business

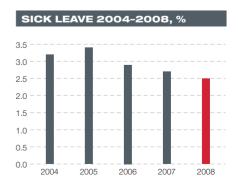
We continue to develop leadership within Saab by focusing on its importance to productivity and profitability. Each year we offer a number of leadership development programs for managers at every level, including current as well as future line managers and project managers.

The following internal leadership development programs were offered at various levels of the Group in 2008:

- Self-realization Planning Development
- Saab's Mentoring Program for Women
- New Managers at Saab
- Basic Leadership Training
- Basic Project Management Training
- Leadership for Experienced Managers
- Senior Leadership and Business Management
- Advanced Project Management
- Advanced Corporate Management Network







"Saab offers me constant challenges. There is an unbelievable breadth to the businesses and technology within the organization and tremendous opportunities to work internationally. Obviously, there are plenty of career paths."

Peter Wimmerström is head of the Saab Systems business unit. He began his career at Saab 13 years ago, in 1996, in Gripen's aftermarket program. After an assignment in Australia, he took over responsibility for Saab Systems, which offers, among other things, the C4I systems (Command, Control, Computing, Communication and Intelligence). Today Peter also sits on the boards of various companies in the Saab Group.



In addition, employees participate in a number of advanced, external consortium programs. To achieve the strategies that are in place, we must increase internal recruitment of future leaders by identifying talented individuals in the Group. We do so within each business unit as well as through an annual Talent Management Review, where we examine Saab's talent pool and suggest possible career paths for high potential individuals.

Every manager is responsible for holding at least one performance review with each employee a year to align their needs with those of the company. In 2008, 78 (75) percent of employees had performance reviews. The goal is naturally 100 percent.

Diversifying for success

We want to harness the potential, competence and experience of every employee. By treating differences as an asset, we foster creativity and success. With regard to gender equality, Saab is still a company dominated by men and male managers. We are therefore working conscientiously to increase the share of female managers, which is also helping to attract more women to Saab in general. To place further attention on the issue, we started a project during the year called 30/70 2015. Through various action plans, we want to have 30 percent female managers at Saab in Sweden by 2015. Today the figure is 16 percent. For the fourth consecutive year, Saab also implemented a mentoring program for women, the target group for which are future managers. A large share of the mentors are also women.

Preventive measures promote good health

Good health leads to motivation and profitability. The business units have health strategies that include various wellness and recreational programs as well as other measures to promote healthy living. The concrete activities vary by unit, but health is always a topical issue within the Group. Saab has maintained low sick leave for many years; 80 percent of employees have fewer than five sick days per year.

Voices inside and out

Saab's reputation as an employer in the community and among our employees is important information to us. In the Corporate Barometer survey in 2008, where engineers around Sweden rank the country's most popular employers, Saab placed fourth. In 2007, it was number eleven. In the Career Barometer, which is based on

responses from young professionals, Saab advanced from tenth to fifth place among engineers. Saab achieved its best result ever in both surveys.

For the fourth consecutive year, Saab also conducted a survey of employees in the Group, in which every question received the same or better results than a year earlier. Total employee satisfaction was 69 percent, against 66 percent a year earlier. The response frequency, 89 percent (83), improved as well. This is due in large part to better presentation of the results from the 2007 survey at the unit and Group level and that employees have seen examples of concrete measures.

A new addition to the 2008 survey was that employees were asked to evaluate their immediate supervisor. The idea was that every manager would receive insight into their strengths and areas needing improvement in order to develop as leaders.

Despite the positive results of the survey, there is still a lot of work to be done. The main areas where Saab is focusing in accordance with the survey are:

- Continue to develop leadership, especially the ability of managers to provide feedback and maximize each employee's potential
- Ensure employee development in line with operating objectives
- Expand the dialog on ethics and morality in day-to-day operations.

The table shows the responses to several important questions in the employee survey.

	2008	2007
Total satisfaction (of a total of 100)	69	66
Saab provides employees the opportunity to develop internally	65	61
In my business unit, men and women work on equal terms	74	70
Saab is a company with a future	74	73
I feel proud to work for Saab	74	72

CREATING SHARED **ENVIRONMENTAL**OBJECTIVES FOR THE GROUP

In accordance with Saab's environmental policy, we will meet customers' requirements and laws in the environmental area and contribute to a sustainable society. We are also working with a number of high-priority environmental issues.

SAAB'S ENVIRONMENTAL POLICY

Through well-structured environmental work and continuous improvements, the environmental impact of plants, products and services will be minimized 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 minimize the environmental risks associated with our products and operations
- Minimize 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.

Saab's environmental work is organized at the Group level and the business unit level. The Group's environmental unit is responsible for the development and follow-up of environmental work, while the business units carry out the work based on the specific conditions they face. Cooperation between the Group and the business units is overseen by the Group Council on the Environment, which consists of environmental managers or coordinators from the business units. Current issues are also discussed on Saab's annual environmental days.

Environmental objectives and management

The environmental impact from Saab's business units varies greatly depending on the product, service and nature of operations. An ISO 14001 environmental management system is therefore used in the business units where needed. At present, we are trying to further coordinate and improve efficiencies in environmental management work. ISO 14001 certified systems are currently used by Saab Aerosystems, Saab Aerotech, Saab Barracuda, Combitech, Saab Bofors

Dynamics, Saab Microwave Systems, Saab Security, Saab Shared Services, Saab Systems, Saab Training Systems and Saab Underwater Systems. Saab Avitronics is certifying its operations in 2009. Saab Aerostructures' environmental management system is adapted to ISO 14001.

Together, the business units have over 50 environmental objectives and programs for products and operations. For example, there are objectives for handling chemicals, replacing hazardous chemicals and substances, environmental considerations in development processes, waste sorting and recycling, energy and water, personnel transports, and air and water emissions. In February 2009, Groupwide environmental objectives were established for climate change and the chemicals area.

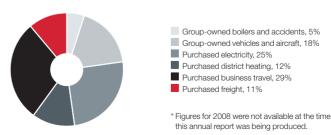
High-priority environmental issues

Saab's highest priority environmental objectives are to more efficiently consume energy and reduce climate impacts, reduce the use of hazardous substances, identify and evaluate environmental risks, and place demands on suppliers. Work in these areas in 2008 is described below.

Active work with climate change

Saab impacts climate change through its use of energy for electricity and heating, business travel, goods transports, and test and target flights. Use of Saab's products by customers also impacts the climate. Business units are analysing and reducing their greenhouse gas emissions as well as improving energy efficiency in their operations and products. A Group-wide climate change directive, which was introduced in stages in 2008, includes requirements for product development, electricity and heat consumption, business travel, goods transports and company cars.

CO₂ EMISSIONS BY SOURCE WITHIN SAAB IN 2007*, %





The directive requires, among other things, that:

- More trips up to 500 km will be taken by train. A collaborative project with the Swedish national railway, SJ, increased in train travel in 2008.
- Video or teleconferencing will be considered as a replacement before any trip.
- The range of company cars available as of 2008 includes only those that meet the Swedish insurance company Folksam's safety and environmental requirements.
- Energy efficiency is increasing continuously in the real estate area.

Since 2006, Saab participates in the international Carbon Disclosure Project (CDP), whose goal is to encourage private and public sector organizations to measure, manage and reduce global climate change impacts. As in the two previous years, Saab received a very high rating in 2008 for its climate work and its awareness of how climate change affects the company and its business. Saab advanced one place since 2007 on the CDP Leadership Index and wound up in fourth place among "Carbon-Intensive Companies".

Energy efficiency is an important issue for many companies today. Saab already exports some of its know-how in waste management and energy recovery to countries that need to reduce their energy consumption. We are currently analysing whether we can also use our know-how and our products and systems to reduce energy consumption in logistical flows, for example.

SPECIAL ACTIVITIES IN 2008

Cooperating on climate solutions

Nordic Climate Cluster

In 2008, Saab joined with Swedish and Norwegian companies from various industries to found the Nordic Climate Cluster (NoCC) to develop smart solutions for climate change. Companies in the network cover many of the technical areas needed to solve problems

related to climate change. For more information, visit www.nordicclimatecluster.com.

Reducing 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 organizations, 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). One of the overall goals is to reduce European aviation's carbon dioxide emissions by 50 percent (measured per passenger km), nitrogen oxide by 80 percent and cut noise emissions in half. Other emissions - e.g., carbon monoxide, hydrocarbons and particles - will be reduced as well. If these targets are reached, the European aeronautics industry will be well-prepared in a market distinguished by tougher climate change targets and growing competition from the other side of the Atlantic. Saab is one of the main suppliers to this project and is investing around 14 million euro. In Clean Sky, Saab will develop innovative technology with less environmental impact based on its expertise in military and civil aeronautics, as well as set up social and marketbased technical goals that impact the entire air transportation system. Saab Aerosystems, Saab Aerostructures and Saab Avitronics are currently affected by Clean Sky projects. In their case, it involves the development of a new smart wing with innovative, fuel-saving technology for the next generation of large commercial aircraft and a system for "green approaches" for the future air transportation system. More of Saab's business units may get involved in the work at a later stage. For more information, visit www.cleansky.nu and www.asd-europe.org.

Chemicals and hazardous substances

To meet security and technical requirements in its products, Saab uses certain substances that are classified as hazardous to humans and the environment. However, we have initiated several national and international development projects to replace hazardous substances. In these efforts, priority has been placed on volatile organic solvents (VOCs), trichloroethylene, ozone-depleting refrigerants, lead, chromates and cadmium. To monitor and control chemical products, the business units use a shared, web-based system, SaabChem/soc.

The products developed and marketed by Saab are not governed by the EU's Waste Electrical and Electronic Equipment (WEEE) directive or Restriction of Hazardous Substances (RoHS). However, Saab has formed a special team, the Technology Transfer Group RoHS, to monitor the development of technologies and methods to replace substances covered by RoHS: lead, cadmium, hexavalent chromium and bromated flame retardants in electronic products. With regard to producer responsibility for packaging, Saab AB and its subsidiaries are registered with the "REPA" scheme.

Saab is also actively implementing the Eu's new chemicals law, REACH (Registration, Evaluation & Authorisation of CHemicals), and is well-prepared for the new requirements. This is being done through participation in the trade groups Teknikföretagen i Sverige and AeroSpace and Defence Industries Association of Europe. We have also formed a special Chemicals Group to support the business units as they adapt to REACH.

Identification and assessment of environmental risks

In addition to overall risk assessments to determine how Saab's operations are impacted by climate change (reported within the frame-

work of the Carbon Disclosure Project) and strict routines to control chemical products in order to reduce the risks to humans and the environment, Saab has identified a number of risks in its operations. We are surveying our operations and properties to determine the risk of soil contamination. When a contaminated area is identified, we investigate liability, conduct an overall environmental risk assessment and document information on the contaminated area. In December 2005, Saab allocated MSEK 82 to decontaminate areas during a period of ten years. In 2008, decontamination measures were taken in Karlskoga and Lindesberg for MSEK 5.

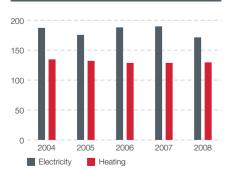
Saab's active efforts to prevent damage to its facilities are also an important part of the environmental work, since a fire, for example, can cause extensive environmental damage in the neighbouring area.

Saab's operations in Tannefors and Malmslätt in Linköping as well as in Karlskoga are governed by the so-called Seveso law. These operations therefore face stringent requirements on the identification and assessment of the risks to humans and the environment.

Demands on suppliers

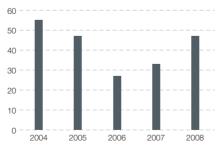
The majority of the high-tech components in Saab's products are purchased from subcontractors around the world. To reduce the environmental impact of our products and solutions, we set environmental requirements for our suppliers. In 2008, we issued Groupwide guidelines for these requirements, which are now being introduced by the business units.

CONSUMPTION OF ELECTRICITY AND HEATING ENERGY, GWh



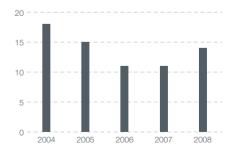
Saab is working actively to improve efficiency in its use of electricity and heating energy. The reduction in electricity consumption during the year was due to savings measures and the divestment of operations. Consumption of energy has decreased slightly in recent years. The sale of Saab Space affected consumption between 2007 and 2008.

EMISSIONS OF VOLATILE ORGANIC SOLVENTS (VOCs),



The increase from 2006 to 2008 is due to higher production in the processes that generate VOCs. From a long-term perspective (>10 years), VOC emissions have declined. Saab Aerostructures and Saab Barracuda account for the largest share of the emissions.

CONSUMPTION OF CHLORINATED VOLATILE ORGANIC SOLVENTS, TONNES



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

OPERATIONS SUBJECT TO PERMIT REQUIREMENT

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 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 emissions of VOCs 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 emissions of VOCs 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.

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 2008, Saab and its subsidiaries did not exceed any conditions of their permits or injunctions, with the exception of a few exceeded target limits.

Saab AB's operations in Järfälla as well as in Tannefors and Malmslätt, have received a permit from the Swedish National Chemicals Inspectorate to use trichloroethylene.

OPERATIONS SUBJECT TO NOTIFICATION REQUIREMENT

Saab AB has operations in Göteborg, Kista, Ljungbyhed 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

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 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 instruments govern the management of significant risks. The following provides a general description of the 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.

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

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 realized.

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.

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. Over the years, the Group has conducted significant development projects and managed the associated risks with great

success. The Group applies the percentage-of-completion method to recognize revenue from long-term customer projects. An estimation of total costs is critical in this method. The outcome of technical and commercial risks may affect income. 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.

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 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 an analysis and assessment of future business opportunities.

Certain development costs are capitalized in accordance with established accounting principles. Amortization of capitalized development costs is scheduled over the estimated production volume or an estimated period of use. As of January 2009, a smaller portion will be capitalized later during projects than previously. Moreover, the total sum of capitalized development costs on the balance sheet will be amortized over a period of not more than 5–10 years. Future business opportunities are periodically reassessed, which can lead to impairment losses. Capitalized development costs are shown in Note 16.

Goodwill

In connection with business combinations (cash-generating units), an acquisition analysis is prepared, where cost is compared with the fair value of acquired assets and liabilities. The difference is booked as goodwill. Estimated goodwill is periodically tested through an estimation of the cash-generating unit's future earning capacity. A significant discrepancy compared with assumptions about future earning capacity can lead to impairment losses. Goodwill is reported in Note 16.

Leasing portfolio of commercial aircraft

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 direct risk-taking in the leasing fleet has been man-

aged primarily through various types of insurance. The leasing fleet is expected to be liquidated around 2020, prior to which Saab will manage the operations in accordance with the terms of its insurance. Saab's lease assets currently consist of 125 turboprop Saab 340 and Saab 2000 aircraft, as indicated in Note 18. Of the fleet, 46 are financed through us leverage leases and 77 are financed internally and recognized as assets in the balance sheet. In addition, two aircraft refer to guarantee commitments.

The lease assets are insured through the Export Credits Guarantee Board in Sweden and a number of international insurance companies, including through a Financial Risk Insurance Policy (FRIP). Saab currently receives compensation under the guarantees issued by the Export Credits Guarantee Board, and it is likely that claims will be submitted under the FRIP insurance within the foreseeable future.

In 2008, however, an agreement was reached with certain reinsurers to Lansen Försäkrings AB (the company that issued the direct insurance) to unwind their interests in return for consideration from Lansen. This consideration has been allocated by Lansen for future claims under the insurance. No further claim reserves are considered necessary. The credit worthiness of the remaining reinsurers is generally good and stable.

Financial risks

Financial risks primarily relate to foreign currency and interest rate risks as well as credit risks. Risk management is governed by a finance policy approved by the Board of Directors. Overall responsibility for managing the Group's financial risks and developing models and principles 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 production costs are in different currencies (economic and transaction exposure). Income is also affected when the income, assets and liabilities of foreign subsidiaries are translated to Swedish kronor (translation exposure).

Saab's financial policy prescribes that the flow in foreign currency - the transaction exposure - for firm orders must be hedged. The purpose of this hedge is to guarantee estimated gross margins on order bookings and major business cases. Over time, however, exchange rate fluctuations, especially against the SEK, will impact Saab's strength relative to competitors with a different currency exposure.

Interest risks

Saab is exposed to interest rate risks when the market value of certain balance sheet items (mainly the pension liability and leasing portfolio) is affected by changes in underlying interest rates as well as through the impact on interest income and interest expenses. Depending on its liquidity situation, Saab's income is directly affected by changes in market interest rates through a change in net financial items and through the impact on gross income of the interest rate effects on advance financing.

Liquidity management and financial credit risks

In 2008, the average of interest-bearing receivables and liquid investments less liabilities to credit institutions and other interest-bearing liabilities was MSEK -2,023 (219). During the year, net debt changed from MSEK -1,693 to MSEK -1,627. Liquidity management and funding for the Group are handled centrally within Saab Treasury. Net debt has been financed through the issuance of commercial paper and utilization of credit facilities as explained below. Liquidity varied during the year, and surplus liquidity was placed in short-term bank deposits.

Refinancing risk

Refinancing 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. As of 31 December 2008, Saab had net debt excluding interest-bearing receivables and provisions for pensions of MSEK -3,061 (-2,802) after deducting liabilities to credit institutions and other interest-bearing liabilities of MSEK 3,883 (3,660). In 2005, Saab obtained a credit facility of MSEK 4,000 to serve as back-up and short-term financing for acquisitions or as working capital, for example. The so-called club loan from eight banks expires in 2012. As of year-end, Saab had utilized MSEK o (2,500) of the credit facility in short maturities.

During the year, a commercial paper program with a limit of мѕек 3,000 was established in the Swedish fixed income market. The framework amount was expanded to MSEK 5,000 in June. The purpose of the commercial paper was to replace the short-term financing through the club loan and thereby ensure an unutilized back-up facility of MSEK 4,000. Furthermore, Saab secured a 364-day back-up facility of MSEK 2,100 for the commercial paper, which expires in 2012. As of year-end, мѕек 300 of the back-up facility for short-term financing had been utilized. In total, MSEK 6,221 (1,858) of confirmed credit facilities was unutilized.

Financial derivatives

To manage and minimize financial risks, Saab regularly uses various types of derivatives such as futures, options and swaps. Interest rate futures, swaps and options are used to manage interest rate risks in the portfolio that manages intra-Group financing in different currencies, interest risks attributable to leasing operations and investments of surplus liquidity in the fixed income market. Interest options and futures are mainly used to hedge fixed orders and projected cash flows.

Export finance

Customer finance provides an important tool to market the Group's products. Export customers increasingly demand financing. 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. To limit 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 reduce the volatility in the reported pension liability, the Board of Directors decided in 2005 to allocate approximately MSEK 2,500 to the Saab Pension Fund. This corresponded to the pension obligation according to FPG/PRI. The pension fund'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.

Saabs principles for capitalisation of the Pension Fund was approved by the Board of Directors during 2008. The decision means that capitalisation should be done based upon new earnings and the interest rate cost of the pension obligation. When the return of the assets in the Pension Fund corresponds to the increase of the pension obligation no capitalization of the Pension Fund is made. If the Pension Fund returns more than the increase of the pension obligation, then the Pension Fund can compensate this.

Non-financial risk management and insurance

For non-financial risks, active risk management is done by the business units, though also by procuring insurance. The central risk management function within the Group Finance Staff is responsible for ensuring that the Group has an efficient process to identify, value and limit risks in order to prevent damage to operations. The function also has responsibility for Group-wide insurance programs. Insurance is obtained on the market or through the Group's own insurance company, Lansen Försäkrings AB.

All insurance obtained from the Group's insurance company, where the risk exceeds the self-retention established by the company for the insurance program in question, is reinsured on the market on an excess of loss basis in order to limit the insurance company's exposure per claim and in total. In total, premiums paid for Saab's external insurance programs, mainly for liability and property insurance, amounted to MSEK 61 (60).

CONSOLIDATED INCOME STATEMENT

January 1 – December 31

MSEK	Note	2008	2007
Sales	3, 4	23,796	23,021
Cost of goods sold		-19,162	-16,849
Gross income		4,634	6,172
Other operating income	5	291	785
Marketing expenses		-1,805	-1,725
Administrative expenses		-1,404	-1,375
Research and development costs		-1,532	-1,253
Other operating expenses	6	-68	-49
Share in income of associated companies	21	50	52
Operating income /loss		166	2,607
Share in income of associated companies	21	-36	-40
Financial income		29	4
Financial expenses		-565	-122
Net financial items	13	-572	-158
Income/loss before taxes		-406	2,449
Taxes	15	164	-508
Net income/loss for the year		-242	1,941
Attributable to:			
Parent Company's shareholders		-248	1,921
Minority interest		6	20
Earnings per share before dilution, (SEK)	34	-2.31	17.68
Earnings per share after dilution ¹⁾ , (SEK)	34	-2.31	17.60

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

CONSOLIDATED **BALANCE SHEET**

as of December 31

MSEK	Note	2008	2007
Assets			
Intangible fixed assets	16	7,690	7,940
Tangible fixed assets	17	3,407	3,619
Lease assets	18	1,835	1,822
Biological assets	19	243	241
Investment properties	20	239	72
Shares in associated companies	21	334	318
Financial investments	25	142	233
Long-term receivables	27	1,321	960
Deferred tax assets	15	841	542
Total fixed assets		16,052	15,747
Inventories	28	4,305	5,383
Derivatives	41	1,315	479
Tax assets		55	122
Accounts receivable	29	4,194	3,724
Other receivables	27	5,567	5,862
Prepaid expenses and accrued income	30	503	556
Liquid assets	31	822	858
Total current assets		16,761	16,984
Assets held for sale	32	77	1,070
TOTAL ASSETS		20.000	22 004
IUIAL ASSEIS		32,890	33,801

as of December 31

MSEK	Note	2008	2007
Shareholders' equity	33		
Capital stock		1,746	1,746
Other capital contributions and other reserves		-240	513
Retained earnings		7,734	8,722
Shareholders' equity attributable to Parent Company's shareholders		9,240	10,981
Minority interests		90	27
Total shareholders' equity		9,330	11,008
Liabilities			
Long-term interest-bearing liabilities	35	13	25
Other liabilities	39	336	284
Provisions for pensions	37	4	101
Other provisions	38	2,402	1,979
Deferred tax liabilities	15	1,105	1,263
Total long-term liabilities		3,860	3,652
Short-term interest-bearing liabilities	35	3,870	3,635
Advance payments from customers		897	2,558
Accounts payable		1,712	1,229
Lease obligations	7, 18	_	204
Derivatives	41	2,363	414
Tax liabilities		149	368
Other liabilities	39	1,131	806
Accrued expenses and deferred income	40	8,868	8,788
Provisions	38	710	752
Total current liabilities		19,700	18,754
Liabilities attributable to assets held for sale	32	-	387
Total liabilities		23,560	22,793
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		32,890	33,801

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

CHANGES IN SHAREHOLDERS' EQUITY FOR THE GROUP

MSEK	Note	2008	2007
Shareholders' equity, opening balance	33	11,008	10,025
Items reported directly in shareholders' equity			
Translation differences for the year		-112	-106
Revaluation in connection with reclassification of fixed assets		51	-
Cash flow hedges			
Change in value		-905	79
Reversed through profit and/or loss		-21	-40
Tax attributable to net gain or loss on cash flow hedges		224	-31
Total items reported directly in shareholders' equity		-763	-98
Net income/loss for the year		-242	1,941
Total income and expenses for the year		-1,005	1,843
Transactions with shareholders			
Dividend to shareholders		-477	-466
Repurchase of shares		-209	-184
Share matching plan		13	-
Acquisitions and sale of operations with minority interests		_	-210
Total transactions with shareholders		-673	-860
SHAREHOLDERS' EQUITY, CLOSING BALANCE		9,330	11,008
Attributable to:			
Parent Company's shareholders		9,240	10,981
Minority interests		90	27

CONSOLIDATED **STATEMENT OF CASH FLOWS**

January 1 – December 31

MSEK	Note	2008	2007
Operating activities			
Income after financial items		-406	2,449
Transferred to and establishment of pension fund		-408	-283
Adjustments for items not affecting cash flow	46	3,068	867
Income tax paid		-182	-216
Cash flow from operating activities before changes in working capital		2,072	2,817
Cash flow from changes in working capital			
Increase(-)/Decrease(+) in inventories		-27	-644
Increase(-)/Decrease(+) in current receivables		312	-1,605
Increase(+)/Decrease(-) in advance payments from customers		-1,618	-934
Increase(+)/Decrease(-) in lease obligations		-220	-251
Increase(+)/Decrease(-) in other current liabilities		708	-287
Increase(+)/Decrease(-) in provisions		-273	-443
Cash flow from operating activities		954	-1,347
Investing activities			
Investments in intangible fixed assets		-1	-8
Capitalized development costs		-635	-658
Investments in tangible fixed assets		-386	-395
Sale of tangible fixed assets		41	45
Sale of lease assets		212	325
Investments in and sale of financial assets		-58	-310
Investments in subsidiaries, net effect on liquidity	8, 46	_	-515
Sale of subsidiaries, net effect on liquidity	8, 46	443	970
Cash flow from investing activities		-384	-546
Financing activities			
Loans raised		85	2,017
Repurchase of shares		-209	-184
Dividend paid to Parent Company's shareholders		-487	-464
Contributions from and dividend paid to minority interest		10	-2
Cash flow from financing activities		-601	1,367
CASH FLOW FOR THE YEAR	46	-31	-526
Liquid assets at beginning of year		858	1,389
Exchange rate difference in liquid assets		-5	-5
Liquid assets at year-end	46	822	858

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

PARENT COMPANY **INCOME STATEMENT**

January 1 - December 31

MSEK	Note	2008	2007
Sales	3, 4	15,496	14,779
Cost of goods sold		-13,927	-11,430
Gross income		1,569	3,349
Marketing expenses		-1,115	-1,024
Administrative expenses		-841	-747
Research and development costs		-931	-864
Other operating income	5	58	173
Other operating expenses	6	-33	-23
Operating income/loss		-1,293	864
Result from financial items:	13		
Result from shares in Group companies		789	1,333
Result from shares in associated companies/joint ventures		84	21
Result from other securities and receivables held as fixed assets		-156	-2
Other interest income and similar items		101	88
Interest expenses and similar items		-563	-324
Income/loss after financial items		-1,038	1,980
Appropriations	14	41	-25
Income/loss before taxes		-997	1,955
Taxes	15	342	-311
Net income/loss for the year		-655	1,644

PARENT COMPANY **BALANCE SHEET**

MSEK	Note	2008	2007
ASSETS			
Fixed assets			
Intangible fixed assets	16	51	55
Tangible fixed assets	17	2,478	2,506
Financial fixed assets			
Shares in Group companies	44	11,662	11,964
Receivables from Group companies	24	140	166
Shares in associated companies and joint ventures	23	317	204
Receivables from associated companies and joint ventures	24	31	25
Other long-term securities holdings	26	1,512	1,514
Other long-term receivables	27	44	45
Deferred tax assets	15	1,207	487
Total financial fixed assets		14,913	14,405
Total fixed assets		17,442	16,966
Current assets			
Inventories, etc.	28	2,649	4,524
Current receivables			
Accounts receivable	29	1,847	1,683
Receivables from Group companies		2,877	3,461
Receivables from associated companies and joint ventures		513	349
Tax assets		26	38
Other receivables	27	6,630	4,137
Prepaid expenses and accrued income	30	529	416
Total current receivables		12,422	10,084
Cash and bank balances		237	387
Total current assets		15,308	14,995
TOTAL ASSETS		32,750	31,961

PARENT COMPANY **BALANCE SHEET**

Continued

MSEK	Note	2008	2007
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	33		
Restricted equity			
Capital stock		1,746	1,746
Revaluation reserve		731	740
Statutory reserve		543	543
Unrestricted equity			
Retained earnings		2,459	2,570
Net income for the year		-655	1,644
Total shareholders' equity		4,824	7,243
Untaxed reserves	45	422	463
Provisions			
Provisions for pensions and similar commitments	37	606	270
Other provisions	38	1,929	1,463
Total provisions		2,535	1,733
Liabilities			
Liabilities to credit institutions	36	3,832	3,658
Liabilities to Group companies		9,939	8,229
Advance payments from customers		3,310	3,164
Accounts payable		1,112	807
Liabilities to associated companies and joint ventures		126	80
Tax liabilities		_	196
Other liabilities	39	522	434
Accrued expenses and deferred income	40	6,128	5,954
Total liabilities		24,969	22,522
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		32,750	31,961
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Assets pledged	42	511	1,711
Contingent liabilities	42	5,903	5,158

CHANGES IN SHAREHOLDERS' EQUITY FOR THE PARENT COMPANY

MSEK	Note	2008	2007
Shareholders' equity, opening balance	33	7,243	6,577
Items reported directly in shareholders' equity			
Group contributions		-1,501	-459
Tax effect of Group contributions		420	129
Total items reported directly in shareholders' equity		-1,081	-330
Net income/loss for the year		-655	1,644
Total income and expenses for the year		-1,736	1,314
Transactions with shareholders			
Dividend to shareholders		-487	-464
Repurchase of shares		-209	-184
Share matching program		13	-
Total transactions with shareholders		-683	-648
SHAREHOLDERS' EQUITY, CLOSING BALANCE		4,824	7,243

PARENT COMPANY

STATEMENT OF CASH FLOWS

January 1 - December 31

MSEK	Note	2008	2007
Operating activities			
Income after financial items		-1,038	1,980
Adjustments for items not affecting cash flow	46	1,972	285
Income tax paid		42	-116
Cash flow from operating activities before changes in working capital		976	2,149
Cash flow from changes in working capital			
Increase(-)/Decrease(+) in inventories		669	247
Increase(-)/Decrease(+) in current receivables		-2,938	-2,909
Increase(+)/Decrease(-) in advance payments from customers		146	545
Increase(+)/Decrease(-) in other current liabilities		1,009	-184
Increase(+)/Decrease(-) in provisions		-116	-261
Cash flow from operating activities		-254	-413
Investing activities			
Shareholders' contributions paid		-65	-220
Investments in intangible fixed assets		-13	-6
Investments in tangible fixed assets		-206	-295
Sale of tangible fixed assets		8	29
Investments in financial assets		-72	-1,520
Sale of financial assets		9	14
Acquisitions of operations		_	-723
Investments in subsidiaries		-3	-349
Sale of subsidiaries		_	388
Cash flow from investing activities		-342	-2,682
Financing activities			
Change in receivables/liabilities, Group companies		639	-280
Repurchase of shares		-209	-184
Loans raised		256	3,479
Dividend paid to shareholders		-487	-464
Group contributions received		382	422
Group contributions paid		-135	-192
Cash flow from financing activities		446	2,781
CASH FLOW FOR THE YEAR		-150	-314
Liquid assets at beginning of year		387	701
Liquid assets at year-end	46	237	387

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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) are organized 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 program critical to Saab. Corporate comprises Group staffs and departments and peripheral operations. The leasing fleet of 125 Saab 340 and Saab 2000 aircraft is reported in Corporate. Saab has Europe as its main market, but has growing markets in Australia, South Africa and the U.S.

On February 13, 2009, 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 April 16, 2009 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. Additionally, the Swedish Financial Reporting Board's recommendation RFR 1.1 Supplementary Accounting Rules for Groups has been applied.

The annual report for Saab AB has been prepared according to the Annual Accounts Act, the Swedish Financial Reporting Board's recommendation RFR 2.1 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 recognized through 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 IFRS 8 Operating Segments effective from fiscal year 2009. IASB has also issued Improvements to IFRS and a revised IFRS 1 First-time Adoption of International Financial Reporting Standards, which have not yet been adopted by the EU, effective for accounting periods beginning on or after January 1, 2009.

In addition, IASB has amended a number of standards including IFRS 2 Share-based Payment, IAS 1 Presentation of Financial Statements, IAS 23 Borrowing Costs, IAS 32 Financial Instruments: Disclosure and Presentation. IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements, all of which will be effective for accounting periods beginning on or after January 1, 2009. These standards have been adopted for application within the EU. Furthermore, there are amendments to IAS 39 Financial Instruments: Recognition and Measurement and IAS 27 Consolidated and Separate Financial Statements, and IFRS 3 Business Combinations has been revised, effective for accounting periods beginning on or after July 1, 2009. These amendments have not been adopted by the EU.

IFRIC has issued the following interpretations which have been adopted by the EU: IFRIC 15 Agreements for the Construction of Real Estate, which is effective for accounting periods beginning on or after January 1, 2009; IFRIC 16 Hedges of a Net Investment in a Foreign Operation, which is effective for accounting periods beginning on or after October 1, 2008; IFRIC 17 Distributions of Non-cash Assets to Owners and IFRIC 18 Transfer of Assets from Customers which is effective for accounting periods beginning on or after July 1, 2009. IFRC 12 Service Concessions Arrangements will be applied as of January 1, 2008 but has not yet been adopted by the EU. The effects of applying the amendments have not yet been reviewed.

For Saab's purposes, IFRS 8 will be applied as of fiscal year 2009. IFRS 8 requires that reported segments and applied accounting principles are based on management's view and that comparative figures are restated. Saab's initial assessment is that the application of IFRS 8 will not result in any significant changes compared with the requirements according to IAS 14.

The amendments to IAS 1 entail certain changes in the presentation of financial statements. For example, items previously presented in the statement of changes in equity but which are not transactions with equity holders will be presented in an extended income statement. In addition, in certain situations two comparable financial periods are required for the balance sheet.

The amendments to IAS 23 are applied prospectively and mean that borrowing costs attributable to the acquisition, construction or production of a qualifying asset which takes a substantial period of time to prepare for its intended use or sale shall be capitalized. At present, Saab expenses all borrowing costs. The effect of this transition is not expected to be significant, since it is applied prospectively.

The revised IFRS 3 means that transactions with minority shareholders whereby control is retained are accounted for as transactions between equity holders (within equity). The rules have likewise been amended for contingent consideration for an acquisition so that the cost is accounted for at one point of time. Adjustments to the cost are recognized in profit or loss. Furthermore, transaction costs are no longer allowed to be included in the cost of a business combination. The new standard is applied prospectively.

Management does not anticipate that the other amended standards and interpretations will have a significant impact on the Group's financial reports in the period they are applied for the first time.

Seament reporting

Saab's primary segments are the parts of the Group that supply goods or services (business segments) identifiable for reporting purposes. Secondary segments are based on geographical areas exposed to risks and opportunities that differ from each other.

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 recognized 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 percent of the votes or where the decisive influence has otherwise been obtained. A decisive influence means the right to determine a company's financial and operating strategies in order to obtain economic benefits. 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 recognized 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 of 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 recognized according to the section on intangible fixed assets. Acquisitions of minorities are recognized 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 recognized 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 percent of the votes. From the point in time when the significant influence arises, the shares in the associated company are recognized 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 recognized 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.

Companies in which the Group, through a cooperative agreement with one of more parties, shares a decisive influence over operating and financial controls are recognized 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 recognized 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.

Fliminated transactions

Intra-Group receivables and liabilities, income 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

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 recognized 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 recognized through profit and loss. Non-monetary assets and liabilities recognized 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 recognized 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 recognized directly in shareholders' equity. The amount is recognized separately as a translation reserve in shareholders' equity.

Revenue

Sales of goods

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

Service assignments

Revenue from service assignments is recognized when the services are rendered. Revenue from services rendered as part of fixed-price contracts is recognized in accordance with the principles that apply to long-term customer agreements; see below. Revenue is recognized 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 recognized.

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 recognized 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 recognized 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 recognized in gross income. The interest amount that affected gross income is indicated in Note 13.

An anticipated loss is recognized through profit or loss as soon as it is identified.

Recognized subcontracting revenue for which the customer has not yet been invoiced is recognized 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/amortization 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 organization, including sales companies, advertising and exhibits.
- Research and development costs are recognized separately and comprise the cost of new and continued product development as well as capitalized development costs; see below.
- Other operating income 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 recognized 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 recognized 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 recognized in the balance sheet as a reduction in the asset's carrying amount.

Financial income and expenses

Financial income 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 recognized 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 recognized 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 indirect expenditures that can reasonably and consistently be attributed to the asset. Other expenditures for development are recognized through profit for loss as an expense when they arise. Expenditures recognized in the balance sheet are carried at cost less accumulated amortization and impairment loss.

Other intangible fixed assets

Other acquired intangible fixed assets are recognized at cost less accumulated amortization and impairment losses.

Amortization is recognized through 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 amortized from the day they are available for use. Estimated periods of use and amortization methods are as follows:

- Patents, trademarks and other technical rights: 5-10 years, straightline amortization
- Capitalized development expenditures: Amortized in connection with production based on estimated production volume or on a straight-line basis over the estimated period of use of 5-15 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 recognized 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 recognized 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 utilized 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. Borrowing costs are not included in the cost of produced fixed assets. 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 recognized 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 recognized 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 capitalized. 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.

Lease assets

Lease assets mainly refer to 77 aircraft owned by legal entities within Saab Aircraft Leasing and leased out via operating leases. Saab Aircraft Leasing's fleet consists of 125 Saab 340 and Saab 2000, of which 46 aircraft are leased in through operating leases and leased out through operating leases, and 2 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

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 recognized as receivables in the balance sheet at an amount corresponding to the net investment according to the lease. Lease payments received are recognized as amortization 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 recognized 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.

At year-end 2008, Saab only had operating leases. The leasing fee for operating leases is expensed over the maturity of the lease on the basis of use.

Borrowing costs directly attributable to the purchase, design or production of an asset that takes considerable time to prepare for its intended use or sale are expensed as they arise and therefore are not capitalized in the asset's cost.

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.

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

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

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 recognized 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).

When a decrease in the fair value of available-for-sale financial assets has previously been recognized in shareholders' equity and there is objective proof that an impairment loss is necessary, the cumulative loss recognized in shareholders' equity is transferred to profit or loss. The decrease in value recognized through profit or loss is the difference between cost and current fair value less any previously expensed impairment losses.

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 recognized, taking into account the depreciation or amortization that would have been recognized.

Impairment of goodwill is not reversed.

Financial assets and liabilities and other financial instruments

Financial instruments recognized 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 recognized 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 recognized in the balance sheet when the company becomes party to the instrument's contractual terms. Accounts receivable are recognized in the balance sheet when an invoice has been sent. Liabilities are recognized when the counterparty has performed and there is a contractual obligation to pay, even if an invoice has not yet been received. Trade accounts payable are recognized 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 recognized as a net amount in the balance sheet when the 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 recognized through 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 recognize 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 recognized at fair value through profit or loss, unless hedge accounting is applied.

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 income and expenses.

Loans receivable and accounts receivable

Loans receivable and accounts receivable are non-derivative financial assets with fixed payments and 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 recognized after acquisition at amortized cost. Amortized cost is determined based on the effective interest rate calculated on the acquisition date.

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

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 recognized at the amount received after deducting transaction expenses. After acquisition, the loans are carried at amortized 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 recognized at amortized cost is calculated using the present value of future cash flows discounted by the effective interest rate in effect when the asset was initially recognized. Assets with a maturity of less than one year are not discounted.

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

Derivatives and hedge accounting

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

Derivatives with positive values are recognized as assets and derivatives with negative values are recognized 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 recognized through 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.

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 recognized in the balance sheet at fair value. Changes in value are recognized directly in shareholders' 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 recognized in the

net gain or loss on cash flow hedges in shareholders' equity and is reported in financial income and expenses when transferred to profit or loss.

When the hedged future cash flow refers to a transaction that will be capitalized in the balance sheet, the net gain or loss on cash flow hedges in shareholders' equity is dissolved when the hedged item is recognized 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 shareholders' 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 shareholders' 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 recognized cumulative gain or loss remains in the net gain or loss on cash flow hedges in shareholders' equity and is recognized 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 recognized through 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 recognized 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 recognized through 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 recognized at fair value with changes in value through profit or loss. Changes in the value of operations-related receivables and liabilities are recognized in operating income, while changes in the value of financial receivables and liabilities are recognized in financial income 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 utilization.

The dividend proposed by the Board of Directors reduces earnings available for distribution and is recognized 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 definedbenefit 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 January 1, 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 proiected 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 recognized 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 January 1, 2004, the date of transition to IFRS, are recognized in shareholders' 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 January 1, 2004, the so-called corridor rule is applied. This means that the portion of the cumulative actuarial gains and losses exceeding 10 percent of the higher of the commitments' present value and the fair value of assets under management is recognized 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 unrecognized actuarial losses and unrecognized costs associated with employment in previous periods as well as the present value of future repayments from the plan or reduced future

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.

A provision is recognized 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 termination 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 recognized 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 recognized 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 recognized in shareholders' equity.

A provision is recognized 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 recognized 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 recognized 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 recognized as a provision.

Loss contracts

A provision for a loss contract is recognized 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 recognized 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.

Income taxes consist of current tax and deferred tax. Income taxes are recognized through profit or loss unless the underlying transaction is recognized directly in shareholders' equity, in which case the related tax effect is also recognized in shareholders' equity.

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 recognized 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 recognized to the extent it is likely that they will be utilized. The value of deferred tax assets is reduced when it is no longer considered likely that they can be utilized.

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 recognized by the Parent Company according to the acquisition value method. Revenue includes only dividends received, provided that they stem from profits earned after acquisition. Dividends exceeding those earnings are considered a repayment of the investment and reduce the carrying amount of the shares.

Intangible fixed assets

All development costs are recognized through profit or loss.

Tangible fixed assets

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

Investment properties

Investment properties are recognized 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 recognized 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 recognized in the Parent Company as part of untaxed reserves.

Group contributions and shareholders' contributions for legal entities Shareholders' contributions are recognized directly in the shareholders' equity of the recipient and capitalized in the shares and participating interests of the contributor, to the extent impairment is not required.

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

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

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 siginificant 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 regarding future conditions. A significant deviation in the conditions will have an effect on the value of goodwill. Reported value for goodwill amount to MSEK 3,438 (3,404).

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 devolpment projects relating to the export version of Gripen, electronic warfare systems, missile systems, radar and sensors. Capitalized development costs amount to ${\tt MSEK~3,628~(3,732)}.$ The recognition of development expenditures as an asset on the balance sheet requires an assumption that the product is expected to be technically and comercially usable in the future and that future economic benefits are likely. Capitalized development costs are capitalized over the estimated production volume or period of use. Estimated production volume and periods of use may later be reassessed, which could necessitate impairment.

The portfolio consists of 125 aircraft, of which 77 are reported as assets in the balance sheet. All of the 125 aircraft except one are covered by insurance from the Export Credits Guarantee Board in Sweden and other insurance companies that insure future revenue. The creditworthiness of the various insurers is good and stable. As of year-end, there were 13 unleased aircraft, all of which are allocated to customers for delivery during 2009. 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

Saab is one of the world's leading high-technology companies and its operations are distinguished by complex development assignments on the leading edge of technology. Over the years, the Group has conducted significant development projects and managed the associated risks with great success. The Group applies the percentage of completion method to recognize 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

	Group		Parent	Company
MSEK	2008	2007	2008	2007
Sale of goods	4,390	4,956	1,698	1,777
Long-term customer contracts	13,978	13,310	9,954	9,513
Service assignments	5,425	4,751	3,842	3,486
Royalties	3	4	2	3
Total	23,796	23,021	15,496	14,779

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

SEGMENT REPORTING

Segment reporting is prepared for the Group's business segments and geographical areas. The Group's reporting system is designed to track the rate of return on the Group's goods and services, due to which business segments are its primary segment reporting format.

Intra-Group prices between segments are set based on the arm's length principle, i.e., between parties that are independent of each other, wellinformed and have a stake in the transactions. Income, assets and liabilities for the segments include directly attributable items and items that can be distributed by segment in a reasonable and reliable manner. The segments' investments in intangible and tangible fixed assets include all investments with the exception of those in short-term equipment and equipment of minor value.

Business segments

Business segments are the Group's primary segment. The Group consists of the following business segments:

- Defence and Security Solutions: The segment comprises advanced command and control and communication systems for military and civilian applications. The segment also comprises a wide range of integration services, integrated support and logistical solutions, sophisticated consulting services and products for civil security.
- Systems and Products: The segment comprises world-leading systems, products and components for defence and aviation. Also included in the segment are long-term maintenance and operational services for the systems it has delivered.
- Aeronautics: The segment comprises extensive military and civilian aeronautics operations and is dominated by the Gripen program but also includes unmanned aerial vehicles (UAV). In civilian operations, Saab is a supplier of structures and subsystems to the aircraft manufacturers Airbus and Boeing.

Corporate comprises Group staff and departments and peripheral operations. It also includes the leasing fleet of 125 aircraft (Saab 340 and Saab 2000). A more detailed description of the business segments is provided on page 39-45.

Geographical areas

Geographical areas are the Group's secondary segment. Information on the segment's revenue refers to geographical areas grouped by customer locations. Segment assets and investments in tangible and intangible fixed assets during the period are based on the geographical areas and are grouped on the basis of where the assets are located.

The Group's segments are divided into the following geographical areas:

- Sweden: Saab has the world as its market, but research, development and production are primarily carried out in Sweden. Approximately a third of invoiced sales are to Swedish customers.
- Rest of EU: Revenue from EU member states primarily refers to deliveries from Swedish Group companies and to products from every business segment.
- Rest of Europe: Revenue from the Rest of Europe mainly refers to sales from units within Defence and Security Solutions and Systems and Products.
- North America: In the u.s., operations comprise aircraft leasing and the sale of spares for the regional aircraft Saab 340 and Saab 2000. A number of major u.s. air carriers are customers. In addition, operations include the manufacture and sale of signature management systems, for which the u.s. Army is a customer.
- Latin America: Revenue from Latin America refers to deliveries from Defence and Security Solutions and Systems and Products.
- Asia: Revenue from Asia largely refers to sales by units of Defence and Security Solutions
- Australia, etc.: Revenue from Australia mainly refers to command and control systems for the Australian Navy and Army. A large part of these products is developed in Australia.
- Africa: In Africa, Saab offers electronic products and services for markets including telecommunications, defence, air traffic control and security. Sales from Sweden to Africa primarily comprise Gripen exports to the South African defence.

SEGMENT REPORTING (CONT.)

Business segments

Group	Defence Security S		System Prode		Aerona	autics	Corpo elimin		Gro	up
MSEK	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
External revenue	8,491	8,377	8,163	8,351	6,967	6,198	175	95	23,796	23,021
Internal revenue	952	923	932	740	302	312	-2,186	-1,975	-	-
Total revenue	9,443	9,300	9,095	9,091	7,269	6,510	-2,011	-1,880	23,796	23,021
Operating income before share in income of associated companies	732	932	718	717	-1,508	454	174	452	116	2,555
Share in income of associated companies	_	2	38	39	_	_	12	11	50	52
Operating income	732	934	756	756	-1,508	454	186	463	166	2,607
Share in income of associated companies	- 3	_	4	3	_	_	-37	-43	-36	-40
Financial income and expenses	-78	-14	-166	-75	-168	-111	-124	82	-536	-118
Income before taxes ¹⁾	651	920	594	684	-1,676	343	25	502	-406	2,449
Taxes									164	-508
Net income for the year									-242	1,941
Assets	7,088	7,350	14,533	16,646	9,502	10,583	1,767	-778	32,890	33,801
Of which shares in associated companies	3	67	87	16	54	57	190	178	334	318
Liabilities	4,414	4,251	8,511	10,404	10,951	10,246	-316	-2,108	23,560	22,793
Cash flow from operating activities	-322	380	1,484	-1,287	-1,007	-773	504	77	659	-1,603
Capital employed by segment	4,510	4,417	8,431	9,115	3,022	4,202	-2,745	-2,965	13,218	14,769
Investments (excl. lease assets)	121	129	522	593	240	318	139	21	1,022	1,061
Depreciation and amortization	184	170	512	503	195	163	270	314	1,161	1,150
Impairments	103	_	250	108	-	-	-	-	353	108

¹⁾ Of which impairments and loss provision with no effect on cash-flow for the year 2008; Defence and Security Solutions MSEK 103, Systems and Products MSEK 250 and Aeronautics MSEK 1,769.

Geographical areas

Group		Sweden	F	Rest of EU	Resto	of Europe	North	America	Latin	America
MSEK	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
External revenue	7,549	8,006	6,000	6,527	300	297	1,346	1,534	181	85
Assets	27,668	28,673	604	735	296	158	2,188	2,033	1	1
Investments	902	927	12	14	3	1	4	8	_	_

Group	A	sia	Austra	alia, etc.	Α	frica	To	otal
MSEK	2008	2007	2008	2007	2008	2007	2008	2007
External revenue	3,381	2,203	838	848	4,201	3,521	23,796	23,021
Assets	14	21	489	522	1,630	1,658	32,890	33,801
Investments	-	-	15	4	86	107	1,022	1,061

Revenue by business segments

Parent Company

MSEK	2008	2007
Defence and Security Solutions	5,911	5,505
Systems and Products	2,652	2,990
Aeronautics	6,933	6,284
Total	15,496	14,779

Revenue by geographical market

Parent Company

MSEK	2008	2007
Sweden	6,624	6,788
Rest of EU	2,225	3,291
Rest of Europe	124	139
North America	347	273
Latin America	46	45
Asia	2,673	1,838
Australia, etc.	209	240
Africa	3,248	2,165
Total	15,496	14,779

NOTE 5

OTHER OPERATING INCOME

	Group		Parent	Company
MSEK	2008	2007	2008	2007
Gain on sale of Group companies and operations	103	303	-	30
Gain from peripheral activities	49	45	_	29
Exchange rate gains on receivables/ liabilities of an operating nature and change in value of deriva- tives	48	84	29	14
Trading result	12	18	12	18
Gain on sale of associated companies	7	56	_	_
Gain on sale of fixed assets	4	5	-	-
Change in value of biological assets	2	11	_	_
Reversal impairment of receivables	_	139	_	_
Other	66	124	17	82
Total	291	785	58	173

NOTE 6

OTHER OPERATING EXPENSES

	Group		Parent (Company
MSEK	2008	2007	2008	2007
Loss on sale of Group companies	-35	-	-	_
Loss from peripheral activities	-18	-11	-6	-15
Loss on sale of tangible fixed assets	-4	-2	-2	-2
Impairment of receivables	-	-10	-	-
Other	-11	-13	-25	-6
Subtotal	-68	-36	-33	-23
Change in value of derivatives	-81	-276	-	_
Change in value of contracted flows	81	263	_	_
Subtotal	-	-13	-	-
Total	-68	-49	-33	-23
Total	-68	-49	-33	-23

LEASING OPERATIONS

As the former manufacturer of the regional aircraft Saab 340 and Saab 2000, Saab has a great interest in ensuring that these aircraft are utilized in the best way possible. Over 500 aircraft have been delivered and 125 are included in Saab's leasing fleet. Opening and closing leasing operations (and spares for these aircraft types) are carried out by wholly owned Group companies. Income from leasing operations (Saab Aircraft Leasing) is recognized 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 always in USD. The exchange rates used for translation of the financial statements are indicated in Note 49.

Income statement Saab Aircraft Leasing

MSEK	2008	2007
Leasing revenue	383	438
Interest income	136	155
Other revenue	350	782
Total revenue	869	1,375
Leasing expenses	-269	-329
Interest expenses	-94	-174
Depreciation	-165	-180
Other expenses	-333	-426
Total expenses	-861	-1,109
Utilization of loss risk reserve	6	-266
Operating income	14	-

Balance sheet Saab Aircraft Leasing

MSEK	12-31-2008	12-31-2007
Assets		
Lease assets	1,834	1,822
Receivables from Group companies	1,125	610
External receivables	201	940
Inventories	39	11
Liquid assets	27	32
Total assets	3,226	3,415
Shareholders' equity and liabilities		
Shareholders' equity	1,792	1,782
Provisions	898	859
Lease obligations	-	204
Other liabilities	535	570
Total shareholders' equity and liabilities	3,226	3,415

Security pledged for lease obligations amounted to MSEK 0 (335).

NOTE 8

ACQUISITIONS AND DIVESTMENTS OF OPERATIONS

On September 1, 2008, Saab Space, including the subsidiary Austrian Aerospace, was sold to the Swiss industrial group RUAG. In addition to a fixed price of MSEK 335, Saab would receive further compensation, as stipulated in the contract, if Saab Space generates long-term earnings over a certain level. The transaction generated a capital gain of MSEK 98 during the year. The effect on Saab's income statement if the sale had taken place on January 1, 2008 would have been a decrease in sales of MSEK 413 and a decrease in net income of MSEK 13.

In July, Imbani Amandaba (Pty) Ltd acquired 25 percent plus one share in Saab Grintek Defence (Pty) Ltd. The sale to Imbani Amandaba, a so-called Black Economic Empowerment consortium, demonstrates Saab's willingness to develop operations in South Africa and meet the requirements of the country's Black Economic Empowerment policy. The purchase price amounted to MZAR 95 (MSEK 78). The transaction did not generate a capital gain or loss.

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

MSEK	
Price received Saab Space	335
Price received Saab Grintek Defence (Pty) Ltd	78
Price received other sales	30
Increase of the Groups net liquidity	443

NOTE 9

EMPLOYEES AND STAFF COSTS

Average number of employees

	0000	of whom	0007	of whom
D 1 O	2008	men	2007	men
Parent Company	0.404	000/	7.000	000/
Sweden	8,161	80%	7,968	80%
South Africa	26	88%	19	89%
USA	3	100%	1	100%
UK	2	100%	1	100%
India	2	100%	-	-
United Arab Emirates	2	100%	-	-
Belgium	1	-	1	-
Greece	1	100%	-	-
Singapore	1	100%	-	-
France	1	100%	-	-
Malaysia	1	100%	-	-
Thailand	1	100%	-	-
Chile	1	100%	-	-
Poland	-	-	1	100%
Parent Company, total	8,203	80%	7,991	80%
Group companies				
Sweden	2,797	78%	2,889	78%
South Africa	1,019	74%	1,252	71%
Australia	319	77%	285	75%
USA	301	52%	362	52%
Denmark	124	86%	174	86%
UK	102	77%	86	80%
Austria	86	78%	127	80%
Switzerland	42	95%	34	88%
Germany	41	90%	36	89%
Norway	41	85%	1	100%
Nigeria	14	86%	9	78%
Netherlands	12	83%	12	83%
France	11	100%	13	100%
India	6	83%	7	71%
Czech Republic	6	50%	6	50%
Canada	5	100%	4	100%
Hungary	3	67%	3	67%
Finland	3	100%	1	100%
Algeria	1	100%	1	100%
Japan	1	100%	1	100%
Slovenia	1	100%		10070
South Korea	1	100%		
Group companies, total	4,936	76%	5,303	75%
Group companies, total	4,950	70%	5,303	1376
Joint ventures				
Sweden	34	82%	17	71%
Finland	26	73%	26	69%
Joint ventures, total	60	78%	43	70%
Group total	13,199	78%	13,337	78%
aroup total	13,133	7070	10,001	1070

Gender distribution of corporate management

Share of women, percent	2008	2007
Parent Company		_
Board of Directors	15	17
Other senior executives	25	15
Group total		
Board of Directors	13	6
Other senior executives	18	16

Salaries, other remuneration and social security expenses

	20	800	2	007
MSEK	Salaries and other remu- neration	Social security expenses	Salaries and other remuneration	Social security expenses
Parent Company	3,710	2,403	3,547	1,961
of which pension costs	-	1,2011)	-	8101)
Group companies	2,119	7	2,206	447
of which pension costs ³⁾	-	-450	-	-84
Joint ventures	30	12	26	10
of which pension costs	-	6	-	6

Group, total	5,859	2,422	5,779	2,418
of which pension costs	_	7572)	-	7322)

¹⁾ Of the Parent Company's pension costs, MSEK 5 (9) refers to the board and president, including deputies and executive vice presidents. The company's outstanding pension obligations for these individuals amount to MSEK 43 (50) of which MSEK 41 (48) refers to former board members and presidents, including deputies and

Salaries and other remuneration by country and between Board members and President and other employees

	2	800	2	007
MSEK	Board and President	Other employees	Board and President	Other employees
Parent Company		"		
Sweden	29	3,662	13	3,509
of which bonuses, etc.	3	_	2	_
South Africa	_	14	_	18
United Arab Emirates	_	1	_	2
India	-	1	_	-
Malaysia	-	1	_	1
UK	_	1	_	1
Thailand	_	1	_	1
Slovakia	_	_	_	1
USA	_	_	_	1
Parent Company, total	29	3,681	13	3,534
of which bonuses, etc.	3	_	2	_
Group companies in Sweden	22	1,338	24	1,305
of which bonuses, etc.	2	_	3	_
Group companies outside Sweden	_		Ü	
South Africa	8	178	9	284
of which bonuses, etc.	1	_	_	_
USA	8	125	5	119
of which bonuses, etc.	2	_	1	_
Australia	4	178	12	156
Denmark	2	85	_	109
Austria	3	55	4	80
Germany	2	41	_	38
Norway	3	33	1	_
Switzerland	_	17	_	7
UK	_	7	2	33
Netherlands	_	4	_	4
Czech Republic	1	2	_	1
Japan	_	2	_	1
Slovenia	_	1	_	_
France	_	_	_	8
Canada	_	_	_	2
Hungary	_	_	_	2
Group companies, total	53	2,066	57	2,149
of which bonuses, etc.	5	_	4	_
Joint ventures	_			
Sweden	_	17	_	13
Finland	_	13	_	13
Joint ventures, total	_	30	_	26
Group total	82	5,777	70	5,709
of which bonuses, etc.	8		6	- 5,.50
S. WINOT DOLLOGO, GEO.	0		0	

Of the salaries and remuneration paid to other employees in the Group, $\,$ MSEK 44 (35) refers to senior executives other than board members and presidents.

executive vice presidents.
2) Of the Group's pension costs, MSEK 14 (19) refers to the Group's boards and presidents, including Group companies. The Group's outstanding pension obligations for these individuals amount to MSEK 57 (55), of which MSEK 41 (48) refers to former board members and presidents.

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

Sick leave in Parent Company

Percent	2008	2007
Total sick leave as a percentage of normal working hours	3	3
Percentage of total sick leave related to extended absences of 60 days or more	48	53

Sick leave absences by gender as a pe	ercentage of normal working hours:
---------------------------------------	------------------------------------

Women	4	5
Sick leave absences by age as a percentage of normal wo	orking hours:	
29 years or younger	1	1
30-49 years	2	3

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

Saab has an ambitious occupational health and rehabilitation program. Management's responsibility for rehabilitation is underscored in a directive. Occupational health reviews and inspections are conducted on a regular basis, and a systematic program with current plans is in place at all levels of the organization. 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 psychosocial expertise. Rehabilitation is conducted internally and obtained from outside providers. All Saab employees have access to wellness programs that include individual or group exercise options.

NOTE 10

Men

50 years or older

ALIDITORS' FEES AND COMPENSATION

	Grou	p	Parent Cor	npany
MSEK	2008	2007	2008	2007
Ernst & Young			'	
Audit assignments	14	13	8	8
Other assignments	2	4	2	3
Deloitte				
Audit assignments	4	4	1	1
Other assignments	3	2	2	2
Other				
Audit assignments	5	3	-	-
Other assignments	3	3	1	1
Total	31	29	14	15

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

2

3

3

MSEK	2008	2007
Raw materials and consumables	5,930	5,270
Subsystems and equipment	1,559	1,413
Purchased services	2,573	3,288
Change in inventory of finished goods and work in progress, excluding write down	605	385
Personnel costs	8,281	8,197
Depreciation and amortization	996	970
Impairments 1)	1,578	108
Other expenses	2,381	1,571
Total	23,903	21,202

¹⁾ Refers primarily to inventory impairment attributable to civilian aircraft programmes as well as goodwill and capi

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

NOTE 12

DEPRECIATION/AMORTIZATION AND IMPAIRMENTS

Group

MSEK	2008	2007
Depreciation/amortization		
Capitalized development costs	-478	-407
Other intangible fixed assets	-185	-159
Operating properties	-92	-118
Property, plant and equipment	-119	-138
Equipment, tools and installations	-122	-148
Lease assets (see Note 7)	-165	-180
Total	-1,161	-1,150
Impairments		
Goodwill	-103	-
Capitalized development costs	-250	-108
Total	-353	-108

Parent Company

MSEK	2008	2007
Depreciation/amortization		
Other intangible fixed assets	-17	-14
Buildings	-58	-55
Property, plant and equipment	-94	-92
Equipment, tools and installations	-74	-89
Total	-243	-250

NOTE 13		
FINANCIAL INCOME AND EXPENSES		
Group		
MSEK	2008	2007
Interest income	109	132
Net exchange rate differences	70	7
Sales of financial fixed assets	-	1
Less project interest applied to gross income	-151	-142
Other financial income	1	6
Financial income	29	4
Interest expenses	-272	-95
Financial pension cost	-52	-
Net change in value from revaluation of financial	004	0.4
assets/liabilities	-231	-21
Other financial expenses	-10	-6
Financial expenses	-565	-122
Share in income of associated companies	-36	-40
Net financial income and expenses	-572	-158

Parent Company	Result from Group con	0.10.00	Result from s associated nies/joint v	compa-
MSEK	2008	2007	2008	2007
Dividends	535	896	12	4
Group contributions received	317	381	_	-
Capital gain on sale of shares	207	342	6	38
Impairments	-269	-286	-7	-92
Other	-1	_	73	71
Total	789	1,333	84	21

Parent Company	Result from other securities and receivables held as fixed assets		Other interes and similar p item	rofit/loss
MSEK	2008	2007	2008	2007
Interest income, group companies	-	_	228	184
Other interest income	-1	-	-	31
Impairment	-13	-4	-	-
Dividend	42	-	-	-
Translation differences	83	-	-	-
Net change in value from revaluation of financial assets/liabilities	-255	_	_	_
Less project interest applied to gross income	-	_	-127	-127
Other	-12	2		-
Total	-156	-2	101	88

Parent Company	Interest expenses and similar profit/loss items	
MSEK	2008	2007
Interest expenses, Group companies	-266	-233
Other interest expenses	-297	-91
Total	-563	-324

APPROPRIATIONS

Difference between book depreciation and depreciation according to plan

Parent Company

MSEK	2008	2007
Buildings and land	22	24
Property, plant and equipment as well as tools and installations	19	-49
Total	41	-25

NOTE 15

TAXES

Tax reported in income statement

Total reported tax in Group

Group

MSEK	2008	2007
Current tax expense (-)/tax income (+)		
Taxes for the year	-87	-300
Adjustment for taxes related to previous years	57	55
Total	-30	-245
Deferred tax expense (-)/tax income (+)		
Deferred tax related to temporary differences	-408	-76
Deferred tax related to value of tax loss carryforwards capitalized during the year	659	_
Deferred tax expense related to utilization of previously capitalized value of tax loss carryforwards	-15	-141
Deferred tax related to previous years	-42	-46
Total	194	-263

164

-508

Parent Company

MSEK	2008	2007
Current tax expense (-)/tax income (+)		
Taxes for the year	-420	-310
Adjustment for taxes related to previous years	42	49
Total	-378	-261
Deferred tax expense (-)/tax income (+)		
Deferred tax related to temporary differences	99	-13
Deferred tax related to value of tax loss carryforwards capitalized during the year	659	-
Deferred tax related to previous years	-38	-37
Total	720	-50

Total reported tax expense in Parent Company 342 -311

Reconciliation of effective tax

Group

MSEK	2008 (%)	2008	2007 (%)	2007
Income before taxes		-406		2,449
Tax according to current tax rate for Parent Company	28.0	114	-28.0	-686
Effect of other tax rates for foreign Group companies	-3.7	-15	-1.0	-24
Effect of changed tax rate in Sweden	5.7	23	_	_
Non-deductible expenses	-10.1	-41	-3.8	-92
Tax-exempt income	14.3	58	10.3	252
Utilization of tax loss				
carryforwards previously not capitalized	2.7	11	1.5	36
Tax related to previous years	3.7	15	0.3	7
Other	-0.2	-1	-	-1
Reported effective tax rate	40.4	164	-20.7	-508

Parent Company

MSEK	2008 (%)	2008	2007 (%)	2007
Income before taxes		-997		1,955
Tax according to current tax rate for Parent Company	28.0	279	-28.0	-547
Tax related to previous years	0.4	4	0.6	12
Non-deductible expenses	-9.3	-92	-6.0	-118
Tax-exempt income	22.9	228	17.5	342
Effect of changed tax rate in Sweden	-7.8	-78	_	_
Other	0.1	1	-	-
Reported effective tax rate	34.3	342	-15.9	-311

Operations divested during the year have generated tax-exempt capital gains totaling $\ensuremath{\mathsf{MSEK}}$ 98. In connection with distributions from Group companies in certain non-European countries, taxation may exceed normal company tax.

Tax items recognized directly in shareholders' equity

Group

MSEK	2008	2007
Net gain on cash flow hedges	224	-31
Exchange rate differences	15	-14
Acquisitions and disposals	24	14
Total	263	-31

Deferred tax assets and liabilities

	Deferred	Deferred tax	
Group	tax assets	liabilities	Net
MSEK	12-31-2008	12-31-2008	
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 receivables	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 carryforwards	836	-	836
Tax assets/liabilities	2,698	-2,962	-264
Set-off	-1,857	1,857	_
Tax assets /liabilities, net	841	-1,105	-264

0	Deferred	Deferred tax	
Group MSEK	tax assets 12-31-2007	liabilities 12-31-2007	Net
Intangible fixed assets	105	-1,346	-1,241
Tangible fixed assets	4	-474	-470
Lease assets	73	-510	-437
Biological assets	-	-38	-38
Investment properties	-	-3	-3
Long-term receivables	-	-25	-25
Inventories	168	-21	147
Accounts receivable	9	-	9
Prepaid expenses and accrued income	15	-6	9
Long-term receivables	164	-5	159
Provisions for pensions	179	-173	6
Other provisions	756	-22	734
Accrued expenses and deferred income	199	-1	198
Tax allocation reserves	-	-14	-14
Other	172	-118	54
Tax loss carryforwards	191	-	191
Tax assets/liabilities	2,035	-2,756	-721
Set-off	-1,493	1,493	_
Tax assets /liabilities, net	542	-1,263	-721

Parent Company MSEK	Deferred tax assets 12-31-2008	Deferred tax liabilities 12-31-2008	Net
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 carryforwards	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

Parent Company MSEK	Deferred tax assets 12-31-2007	Deferred tax liabilities 12-31-2007	Net
Tangible fixed assets	1	-252	-251
Inventories	56	-9	47
Accounts receivable	3	-	3
Provisions for pensions	120	-	120
Other provisions	395	-	395
Accrued expenses and deferred income	156	-	156
Other	23	-6	17
Tax assets/liabilities	754	-267	487
Set-off	-267	267	-
Tax assets/liabilities, net	487	-	487

Tax deficits in foreign subsidiaries for which tax assets have not been recognized through profit or loss or in the balance sheet amount to MSEK 57 (72).

Deferred tax assets have not been recognized on these items since it is uncertain whether the Group will utilize them against future taxable gains.

Maturity dates of reported deferred tax assets

MSEK	Group	Parent Company
Deferred tax assets expected to be recovered within one year	73	20
Deferred tax assets expected to be recovered after one year	2,625	1,422

Maturity dates of reported deferred tax liabilities

MSEK	Group	Parent Company
Deferred tax liabilities due for payment within one year	51	8
Deferred tax liabilities due for payment after one year	2,911	227

Tax loss carryforwards mature during the years 2018 to 2024.

Change in deferred tax in temporary differences and tax loss carryforwards

Group MSEK	Opening balance Jan. 1, 2008	Reported in income state- ment	Reported in share- holders' equity	Acquisi- tion/di- vestment of opera- tions	Closing balance Dec. 31, 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
Utilization of tax loss carryforwards	191	644	_	1	836
Total	-721	194	239	24	-264
Total	721	101	200	- '	201

Group MSEK	Opening balance Jan. 1, 2007	Reported in income state-ment	Reported in share- holders' equity	Acquisi- tion/di- vestment of opera- tions	Closing balance Dec. 31, 2007
Intangible fixed assets	-1,236	-	-	-5	-1,241
Tangible fixed assets	-463	-7	-	-	-470
Lease assets	-544	114	-7	-	-437
Biological assets	-36	-2	-	-	-38
Investment properties	-3	-	-	-	-3
Long-term receivables	-18	-7	-	-	-25
Inventories	221	-72	-	-2	147
Accounts receivable	10	_	_	-1	9
Prepaid expenses and accrued income	13	-4	-	_	9
Long-term liabilities	158	1	-	-	159
Provisions for pensions	163	-157	-	-	6
Other provisions	684	17	-7	40	734
Tax allocation reserves/ Contingency reserve	-7	-10	_	4	-13
Accrued expenses and deferred income	132	58	_	8	198
Other	167	-53	-31	-30	53
Utilization of tax loss carryforwards	332	-141	_	_	191
Total	-427	-263	-45	14	-721

Changes reported directly in shareholders' equity also include exchange rate differences.

Opening balance Jan. 1, 2008	Reported in income state- ment	Reported in share- holders' equity	Closing balance Dec. 31, 2008
-251	16	-	-235
47	-18	-	29
3	2	-	5
_	7	-	7
120	-25	-	95
395	140	-	535
156	-57	_	99
-	659	-	659
17	-4	_	13
487	720	-	1,207
	balance Jan. 1, 2008 -251 47 3 -120 395 156 -17	balance Jan. 1, 2008 in income statement -251 16 47 -18 3 2 - 7 120 -25 395 140 156 -57 - 659 17 -4	balance Jan. 1, 2008 in income state- state- holders' equity -251 16 - 47 -18 - 3 2 - 120 -25 - 395 140 - 156 -57 - 659 - 17 -4 -

Parent Company MSEK	Opening balance Jan. 1, 2007	Reported in income state- ment	Reported in share- holders' equity	Closing balance Dec. 31, 2007
Tangible fixed assets	-255	4	-	-251
Financial fixed assets	1	-1	-	-
Inventories	58	-11	-	47
Accounts receivable	4	-1	-	3
Prepaid expenses and accrued income	18	-18	_	_
Provisions for pensions	118	2	-	120
Other provisions	411	-16	-	395
Accrued expenses and deferred income	143	13	_	156
Other	39	-22	-	17
Total	537	-50	-	487

NOTE 16				
INTANGIBLE FIXED ASSETS				
	Gı	roup	Parent	Company
MSEK	12-31-2008	12-31-2007	12-31-2008	12-31-2007
Goodwill	3,438	3,404	-	_
Capitalized development costs	3,628	3,732	_	-
Other intangible assets	624	804	51	55
Total	7,690	7,940	51	55
Goodwill	C	roup	Parant	Company
MSEK	2008	2007	2008	2007
Acquisition value	2000	2001	2000	2007
Opening balance, January 1	3,970	3,860	_	_
Acquired through business acquisitions	-	242	-	_
Reclassification to/from assets held for sale	146	-197	-	-
Adjustment of previous business acquisitions ¹⁾	-	77		-
Translation differences	-5	-12	-	-
Closing balance, December 31	4,111	3,970	-	-
Amortization and impairme	nts			
Opening balance, January 1	-566	-566	-	-

Reported value, December 31	3,438	3,404	-	-

-566

-103

-4

-673

Goodwill impairment for the year is attributable to Saab Grintek and was reversed during the year from available-for-sale assets to goodwill.

Capitalized development costs

Impairments for the year

Translationdifferences

Closing balance, December 31

	Group		Parent Cor	npany
MSEK	2008	2007	2008	2007
Acquisition value			'	
Opening balance, January 1	4,696	4,047	_	_
Acquired through business acquisitions	_	55	_	_
Internally developed assets	635	658	-	-
Disposals and reclassifications	-7	-19	_	_
Reclassification to/from assets held for sale	35	-35	_	_
Translation differences	-17	-10	-	-
Closing balance, December 31	5,342	4,696	-	-

	Grou	qı	Parent Cor	mpany
MSEK	2008	2007	2008	2007
Amortization and impairments				
Opening balance, January 1	-964	-486	_	_
Amortization for the year	-478	-407	-	-
Impairments for the year	-250	-108	-	_
Disposals and reclassifications	_	11	_	_
Reclassification to/from assets held for sale	-22	22	_	_
Translation differences	-	4	-	-
Closing balance, December 31	-1,714	-964	-	-

Reported value, December 31	3,628	3,732	-	-

Other intangible assets

	Grou	ap	Parent Cor	npany
MSEK	2008	2007	2008	2007
Acquisition value		'		
Opening balance, January 1	1,454	1,478	346	340
Acquired through business acquisitions	_	95	_	_
Internally developed assets	1	8	-	6
Disposals and reclassifications	17	-21	13	-
Adjustment of previous business acquisitions 1)	-	-105	-	-
Translation differences	-9	-1	-	-
Closing balance, December 31	1,463	1,454	359	346
Amortization and impairments				

Amortization and impairments

ranorazadon ana impairment	•			
Opening balance, January 1	-650	-512	-291	-277
Amortization for the year	-185	-159	-17	-14
Disposals and reclassifications	-4	21	_	-
Closing balance, December 31	-839	-650	-308	-291

Reported value,				
December 31	624	804	51	55

 $^{1) \,} Adjustment \, between \, the \, preliminary \, and \, definitive \, acquisition \, balance \, for \, Ericsson \, Microwave \, System \, AB.$

¹⁾ Adjustment between the preliminary and definitive acquisition balance for Ericsson Microwave Systems AB.

Amortization is included in the following lines in income statement

	G	roup	Parent	Company
MSEK	2008	2007	2008	2007
Cost of goods sold	185	159	17	14
Research and development costs	478	407	_	-

Impairments are included in the following lines in income statement

	Gr	roup	Parent	Company
MSEK	2008	2007	2008	2007
Cost of goods sold	103	_	-	_
Research and development costs	250	108	-	-

Development costs

Amortization of capitalized development costs is based on the asset's use over an estimated production volume or estimated period of use. The production volume or period of use is set using an assumed future sales volume according to a business plan based on identified business opportunities. The significant items in the total capitalization 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 capitalized 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 capitalized costs for development work.

Other intangible fixed assets

Amortization is recognized through profit or loss over the estimated periods of use for intangible fixed assets, which amounts to 5 to 15 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 624, MSEK 569 is attributable to acquired values and MSEK 55 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

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 acquired operation. 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, as a rule by business unit.

The following cash-generating units have significant reported goodwill values in relation to the Group's total recognized goodwill value. Impairment testing on goodwill has been done for every cash-generating unit.

MSEK	12-31-2008	12-31-2007
Saab Microwave Systems	1,538	1,538
Saab Bofors Dynamics	487	487
Saab Avitronics	424	386
Saab Systems	390	371
Saab Aerotech	240	225
Saab Communication 1)	-	127
Saab Security	112	-
Combitech	159	159
Saab Underwater Systems	72	83
Total	3,422	3,376
Units without significant goodwill values, aggregate	16	28
Total goodwill	3,438	3,404

¹⁾ The business unit Saab Communication has been dissolved in connection with the reorganization. Saab Comnunications' goodwill has been redistributed to the receiving cash-generating unit, primarily the new busin unit Saab Security.

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

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 o percent

Operating margin

The operating margin is comprised of the units' operating income after depreciation and amortization. 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 programs.

Capitalized 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.

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):

Percent	Discount rate pre tax (WACC)
Saab Microwave Systems	10
Saab Bofors Dynamics	10
Saab Avitronics	10
Saab Systems	10
Saab Aerotech	12
Saab Security	12
Combitech	12
Saab Underwater Systems	12

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	TANGIBLE	FIXED	ASSETS
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	Group		Parent	Company
MSEK	12-31-2008	12-31-2007	12-31-2008	12-31-2007
Operating properties/ buildings and land ¹⁾	2,187	2,389	1,542	1,549
Property, plant and equipment	623	654	509	553
Equipment, tools and installations	411	436	242	286
Construction in progress	186	140	185	118
Total	3,407	3,619	2,478	2,506

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 land 1)

	Gı	roup	Parent	Company
MSEK	2008	2007	2008	2007
Acquisition value				
Opening balance, January 1	5,360	6,003	1,790	1,778
Acquired through business acquisitions	_	2	_	-
Other acquisitions	91	36	53	19
Reclassification to assets held for sale	-4	_	-	_
Reclassifications	-495	-4	-	-6
Sales	-32	-670	-2	-1
Translation differences	-7	-7	-	-
Closing balance, December 31	4,913	5,360	1,841	1,790
Depreciation and impairments				
Opening balance, January 1	-2,971	-2,990	-1,138	-1,083
Depreciation for the year	-92	-118	-58	-55
Reclassifications	329	8	-	-
Sales	10	129	-	-
Translation differences	-2	-	-	-
Closing balance, December 31	-2,726	-2,971	-1,196	-1,138
Revaluations				
Opening balance, January 1	_	-	897	907
Depreciation for the year of revaluated amount	-	_	_	-10
Closing balance, December 31	-	-	897	897
Penarted value				

December 31	2,187	2,389	1,542	1,549
In the Group, the reported amount refers refers to buildings and land.	to operating prop	perties. In the Parent	Company, the rep	orted amount

Tax assessment values

	Group		Parent	Company
MSEK	12-31-2008	12-31-2007	12-31-2008	12-31-2007
Tax assessment value, buildings (in Sweden)	919	950	658	638
Tax assessment value, land (in Sweden)	443	381	232	217

Property, plant and equipment

	Group		Parent Co	ompany
MSEK	2008	2007	2008	2007
Acquisition value				
Opening balance, January 1	2,278	2,470	1,814	1,536
Acquired through business acquisitions	_	16	_	210
Other acquisitions	100	167	81	119
Reclassification to/from assets held for sale	27	-289	-	_
Other reclassifications	-65	61	-47	57
Sales	-116	-145	-155	-108
Translation differences	-1	-2	-	-
Closing balance, December 31	2,223	2,278	1,693	1,814
Depreciation and impairments				
Opening balance, January 1	-1,624	-1,824	-1,261	-1,083
January 1	-1,624 -119	-1,824 -138	-1,261 -94	-1,083 -92
	•	•	,	
January 1 Depreciation for the year Acquired through business acquisitions Reclassification to/from	•	•	,	-92
January 1 Depreciation for the year Acquired through business acquisitions Reclassification to/from assets held for sale	-119 -	-138 -	,	-92
January 1 Depreciation for the year Acquired through business acquisitions Reclassification to/from assets held for sale Other reclassifications	-119 - -18	-138 - 242	-94 -	-92 -170 - -5
January 1 Depreciation for the year Acquired through business	-119 - -18 54	-138 - 242 -24	-94 - - 32	-92 -170

Reported value,				
December 31	623	654	509	553

Equipment, tools and installations

	Gro	up	Parent Co	mpany
MSEK	2008	2007	2008	2007
Acquisition value				
Opening balance, January 1	2,295	2,362	1,464	801
Acquired through business acquisitions	-	11	_	683
Other acquisitions	79	84	26	25
Reclassification to assets held for sale	35	- 55	_	-
Other reclassifications	24	16	7	13
Sales	-147	-122	-55	-58
Translation differences	-9	-1	-	-
Closing balance, December 31	2,277	2,295	1,442	1,464
Depreciation and impairment	ts			
Opening balance, January 1	-1,859	-1,844	-1,178	-627

Opening balance, January 1	-1,859	-1,844	-1,178	-627
Depreciation for the year	-122	-148	-74	-89
Impairments for the year	_	-	-	-
Acquired through business acquisitions	_	-5	_	-524
Reclassification to assets held for sale	-23	41	_	-
Other reclassifications	-6	-18	-	-
Sales	139	115	52	62
Translation differences	5	-	-	-
Closing balance, December 31	-1,866	-1,859	-1,200	-1,178

Reported value,				
December 31	411	436	242	286

Impairments

Impairments in the Group amounted to MSEK o (o) for machinery and equipment that is no longer used.

Construction in progress

	Group	р	Parent Cor	mpany
MSEK	2008	2007	2008	2007
Acquisition value		,		
Opening balance, January 1	140	118	118	80
Acquired through business acquisitions	_	_	_	21
Other acquisitions	116	108	89	98
Reclassifications	-70	-76	-22	-72
Sales	-	-10	-	-9
Reported value, December 31	186	140	185	118

Collateral

On December 31, 2008, property with a reported value of MSEK 0 (0) was pledged as collateral for bank loans.

NOTE 18

LEASE ASSETS AND LEASES

As the former manufacturer of the regional aircraft Saab 340 and Saab 2000, Saab has a great interest in ensuring that these aircraft are utilized in the best way possible. Over 500 aircraft have been delivered and 125 are included in Saab's leasing fleet. Opening and closing leasing operations (and spares for these aircraft types) are carried out by wholly owned Group companies. Leasing operations are carried out in the global market, with an emphasis on North American and European customers. 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 ${\tt USD}.$

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	2008	2007
Acquisition value		
Opening balance, January 1	4,540	5,386
Purchases	-	9
Sales	-204	-529
Reclassifications	-194	-175
Translation differences	570	-151
Closing balance, December 31	4,712	4,540
Depreciation		
Opening balance, January 1	-2,332	-2,574
Sales	90	208
Reclassifications	183	159
Depreciation for the year	-165	-180
Translation differences	-189	55
Closing balance, December 31	-2,413	-2,332
Impairments		
Opening balance, January 1	-386	-395
Sales and revaluations	-74	7
Translation differences	-5	2
Closing balance, December 31	-465	-386
Total	1,834	1,822
Other Lease assets		
Acquisition value	1	-
Reported value, December 31	1,835	1,822

Of the leasing aircraft held for leasing purposes, according to the table above, a portion were held through finance leases at the beginning of the year; see table on the next page.

Leasing aircraft obtained via finance leases

MSEK	2008	2007
Acquisition value		
Opening balance, January 1	392	690
Terminated finance leases	-432	-284
Sales and revaluations	40	-14
Closing balance, December 31	-	392
Depreciation		
Opening balance, January 1	-205	-356
Terminated finance leases	213	173
Depreciation for the year	-8	-22
Closing balance, December 31	-	-205
Reported value, December 31	_	187

The leasing fleet is periodically valuated 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 insurers. Disbursements consist of fees for technical, legal and administrative activities directly related to management of the fleet. For aircraft leased by Saab, lease payments account for a significant share of the valuation.

Insurance protection limits Saab's risk. However, the internal distribution between expected receipts from customers and those from insurers will be $\,$ affected in each instance by current projections.

Leasing fees for aircraft obtained via finance leases and leased out via operating leases

	NOMINAL AMOUNT		NOMINAL AMOUNT PRESENT		NT VALUE
MSEK	Payments to lessors	Payments from airlines	Payments to lessors	Payments from airlines	
Outcome					
2007	63	18	-	-	
2008	26	12	-	-	

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			
2007	337	200	227
2008	297	131	223
Contracted			
2009	290	95	231
2010	284	48	189
2011	284	53	95
2012	284	53	25
2013	297	45	10
2014 and forward	113	9	-
Total, contracted	1,534	303	550

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.

Leasing fees for other assets obtained via operating leases

Other leasing fees refer to premises, computers and automobiles.

Group MSEK	Premises and buildings	Machinery and equip- ment
Outcome		_
2007	133	86
2008	176	82
Contracted		
2009	178	50
2010	167	29
2011	129	7
2012	123	1
2013	118	1
2014 and forward	19	1
Total, contracted	734	89

Parent Company	Premises and	Machinery and equip-
MSEK	buildings	ment
Outcome		
2007	93	76
2008	132	71
Contracted		
2009	135	43
2010	124	25
2011	99	4
2012	99	1
2013	99	1
2014 and forward	-	1
Total, contracted	556	75

NOTE 19		
NUIEIS		

BIOLOGICAL ASSETS

Group

MSEK	2008	2007
Living forests		
Reported value, January 1	241	230
Change in fair value less selling expenses	2	11
Reported value, December 31	243	241
Of which fixed assets	243	241

On December 31, 2008, the biological assets consisted of approximately 392,000 $\mathrm{m^3}$ of spruce, 582,000 $\mathrm{m^3}$ of pine and 63,000 $\mathrm{m^3}$ of hardwood. Forest growth is estimated at 35,000–40,000 m³ timber per year. During the year, approximately 20,000 m³ of timber was felled, which had a fair value in the Group, after deducting selling expenses, of MSEK 8 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 (4,423 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	2008	2007
Reported value, January 1	72	66
Investments in properties	6	4
Unrealized change in value	50	2
Divestment	-2	-
Reclassification from operating properties	186	-
Reclassification to asset held for sale	-73	-
Reported value, December 31	239	72

Investment properties are recognized in the balance sheet at fair value, while changes in the value of these properties are recognized 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 shareholders' equity.

Investment properties comprise a number of rental properties leased to outside tenants. Leases on offices and production space are normally are 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 analyzing 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 percent. 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	2008	2007
Effect on net income/net rental income		
Rental income	9	15
Direct costs for investment properties that generated rental income during the period	-3	-6
Effect on net income /net rental income	6	9

Information on fair value of investment properties in Parent Company

In the Parent Company, investment properties are recognized 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	2008	2007
Accumulated fair value		
Opening fair value, January 1	159	170
Closing fair value, December 31	159	159

Parent Company

MSEK	2008	2007
Effect on net income/net rental income		
Rental income	27	23
Direct costs for investment properties that generated rental income during the period	-25	-23
Effect on net income /net rental income	2	-

Information on reported value of investment properties in Parent Company

Parent Company

MSEK	2008	2007
Accumulated acquisition value		
Opening balance, January 1	122	122
Reclassifications	5	-
Closing balance, December 31	127	122
Accumulated depreciation according to plan		
Opening balance, January 1	-79	-74
Reclassification	5	-
Depreciation according to plan for the year	-4	-5
Closing balance, December 31	-78	-79
Accumulated revaluations		
Opening balance, January 1	81	81
Revaluations for the year	-8	-
Closing balance, December 31	73	81
Reported value, December 31	122	124

Tax assessment value

	Group		Parent	Company
MSEK	12-31-2008	12-31-2007	12-31-2008	12-31-2007
Tax assessment value of buildings	68	47	59	51
Tax assessment value of land	8	9	-	-

NOTE 21

SHARES IN ASSOCIATED COMPANIES CONSOLIDATED ACCORDING TO FQUITY METHOD.

Group

MSEK	2008	2007
Reported value, January 1	318	270
Acquisition of associated companies	56	64
Sale of associated companies	-	-2
Share in associated companies' income 1)	14	12
Reclassifications	18	-28
Translation differences and internal gains	-70	7
Dividends	-2	-5
Reported value, December 31	334	318
Sale of associated companies Share in associated companies' income 1) Reclassifications Translation differences and internal gains Dividends	- 14 18 -70 -2	- 1 -2

¹⁾ Share in associated companies' income after tax and minority interest.

Results from Eurenco Group, Wah Nobel (Pvt) Ltd. and Sörman Intressenter AB, are recognized 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 recognized in operating income. Acquisition of associated companies during 2008 refers to acquisitions within the venture portfolio.

Shares in associated companies as of December 31, 2008 do not include goodwill.

The Group's share of sales, income, assets, shareholders' equity and liabilities are as follows:

2008 MSEK	Country	Revenue	Income
Associated companies			
Denel Saab Aerostructures (Pty) Ltd	South Africa	71	-
Eurenco Group	France	297	-37
Grintek Ewation (Pty) Ltd	South Africa	141	18
Hawker Pacific Airservices Ltd	Australia	988	19
Industrikompetens i Östergötland AB	Sweden	33	1
Omnigo (Pty) Ltd	South Africa	28	1
Sörman Intressenter AB	Sweden	57	-3
Taurus Gmbh	Sweden	343	11
Wah Nobel (Pvt) Ltd	Pakistan	21	4
Other associated companies in the venture portfolio		15	-
Total		1,994	14

12-31-2008		Share- holders'		Oauabin
MSEK	Assets	equity	Liabilities	Ownership interest, %
Associated companies				
Denel Saab Aerostructures (Pty) Ltd	144	54	90	20.0
Eurenco Group	285	-	285	19.9
Grintek Ewation (Pty) Ltd	164	58	106	42.4
Hawker Pacific Airservices Ltd	397	134	263	49.0
Industrikompetens i Östergötland AB	20	8	12	33.0
Omnigo (Pty) Ltd	14	8	6	40.0
Sörman Intressenter AB	27	3	24	27.5
Taurus Gmbh	258	_	258	33.0
Wah Nobel (Pvt) Ltd	26	19	7	27.2
Other associated compa- nies in the venture portfolio	57	50	7	_
Total	1,392	334	1,058	

2007 MSEK	Country	Revenue	Income
Associated companies			
Caran Saab Engineering AB 1)	Sweden	25	3
Denel Saab Aerostructures (Pty) Ltd	South Africa	55	-
Eurenco Group	France	245	-43
Grintek Ewation (Pty) Ltd	South Africa	127	-1
Hawker Pacific Airservices Ltd	Australia	495	9
Industrikompetens i Östergötland AB	Sweden	29	-
Omnigo (Pty) Ltd	South Africa	17	1
SMM Medical AB	Sweden	-	-1
Sörman Intressenter AB	Sweden	46	2
Taurus GmbH	Germany	259	39
Wah Nobel (Pvt) Ltd	Pakistan	22	3
Total		1,318	12

 Associated 	company	until April	1

12-31-2007 MSEK	Assets	Share- holders' equity	Liabilities	Ownership interest, %
Associated companies				
Denel Saab Aerostructures (Pty) Ltd	182	57	125	20.0
Eurenco Group	246	11	235	19.9
Grintek Ewation (Pty) Ltd	127	58	69	42.4
Hawker Pacific Airservices Ltd	393	159	234	49.0
Industrikompetens i Östergötland AB	15	7	8	33.0
MX Composites AB	3	-	3	21.5
Omnigo (Pty) Ltd	17	8	9	40.0
SMM Medical AB	2	1	1	46.3
Sörman Intressenter AB	34	1	33	22.8
Taurus GmbH	266	-	266	33.0
Wah Nobel (Pvt) Ltd	26	16	10	27.2
Total	1,311	318	993	

SHARES IN JOINT VENTURES CONSOLIDATED ACCORDING TO PROPORTIONAL METHOD

The Group has a 50% holding in the joint venture Gripen International, 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

MSEK	12-31-2008	12-31-2007
Fixed assets	17	25
Current assets	1,961	2,010
Total assets	1,978	2,035
Current liabilities	1,819	1,940
Total liabilities	1,819	1,940
Net assets	159	95

NOTE 23

PARENT COMPANY'S SHARES IN ASSOCIATED COMPANIES AND JOINT VENTURES

Parent Company

MSEK	2008	2007
Accumulated acquisition value		
Opening balance, January 1	296	392
Acquisitions	35	78
Sales	-	-8
Reclassifications	19	6
Share of net income for the year	65	-172
Closing balance, December 31	415	296
Accumulated impairments		
Opening balance, January 1	-92	-
Impairments for the year	-6	-92
Closing balance, December 31	-98	-92
Reported value, December 31	317	204

Specification of Parent Company's (co-owner's) directly owned holdings of shares in associated companies and joint ventures.

2008 MSEK	% of votes and capital	Reported value
Associated companies		
Hawker Pacific Airservices Ltd, Australia	49.0	8
Industrikompetens i Östergötland AB, 556060-5478, Linköping	33.0	2
Eurenco 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	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 AS, Norway	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

2007 MSEK	% of votes and capital	Reported value
Associated companies		
Hawker Pacific Airservices Ltd, Australia	49.0	8
MX Composites AB, 556291-6857, Linköping	21.5	6
Industrikompetens i Östergötland AB, 556060-5478, Linköping	33.0	2
Eurenco SA, France	19.9	-
Sörman Intressenter AB, 556741-2233, Stockholm	22.8	2
SMM Medical AB, 556123-6414, Linköping	46.3	2
Cold Cut Systems Svenska AB, 556351-4081, Kungsbacka	26.0	10
Denel Saab Aerostructures (Pty) Ltd, South Africa	20.0	64
Svenska Tracab AB, 556528-1283, Stockholm	26.0	1
Joint ventures		
Gripen International KB, 969679-8231, Linköping	50.0	94
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	60.0	3
Total		204

RECEIVABLES FROM GROUP COMPANIES, ASSOCIATED COMPANIES AND JOINT VENTURES

Parent Company	Receivables from Group companies		associated co	bles from ompanies ventures
MSEK	2008	2007	2008	2007
Accumulated acquisition value				
Opening balance, January 1	166	301	25	15
Acquisitions	-	28	6	10
Sales	-26	-163	_	-
Closing balance, December 31	140	166	31	25

NOTE 25

FINANCIAL INVESTMENTS

Group

MSEK	12-31-2008	12-31-2007
Financial investments held as fixed assets		
Financial investments at fair value through profit or loss:		
Shares and participations	104	199
Investments held to maturity:		
Interest-bearing securities	38	34
Total	142	233

Investments are valued at fair value. The net change in value during the year amounted to MSEK -5 (-21). 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	2008	2007
Accumulated acquisition value		
Opening balance, January 1	1,535	76
Acquisitions	39	1,460
Sales	-9	-1
Reclassifications	-19	-
Closing balance, December 31	1,546	1,535
Accumulated impairments		
Opening balance, January 1	-21	-17
Impairments for the year	-13	-4
Closing balance, December 31	-34	-21
Reported value, December 31	1,512	1,514

Acquisitions in 2007 mainly refer to shares in Aker Holding As.

NOTE 27

LONG-TERM RECEIVABLES AND OTHER RECEIVABLES

Group

MSEK	12-31-2008	12-31-2007
Long-term receivables held as fixed assets		
Receivables from associated companies	77	75
Receivables from joint ventures, interest-bearing	9	-
Other interest-bearing receivables	396	354
Other non-interest-bearing receivables	839	531
Total	1,321	960

Interest-bearing receivables primarily refer to the acquisition of Aker Holding As. Non-interest-bearing receivables primarily consist of unrecognized actuarial losses on pensions according to IAS 19.

MSEK	12-31-2008	12-31-2007
Other receivables held as current assets		
Receivables from associated companies	168	94
Receivables from joint ventures	499	1,001
Advance payments to suppliers	300	123
Other interest-bearing receivables	929	878
Other non-interest-bearing receivables	317	554
Subtotal	2,213	2,650

Receivables from customers Assignment revenue 8,499 6,939 Less utilized advance payments -5 145 -3 727 Subtotal 3,354 3,212

Total	5,567	5,862

Assignment revenue refers to assignment costs incurred plus reported gross income less any losses attributable to the work performed. Unutilized advance payments amount to MSEK 897 (2,558).

Costs attributable to assignment revenue amounted to MSEK 6,840 (5,659). Reported gross income amounted to MSEK 1,659 (1,280).

Parent Company

MSEK	12-31-2008	12-31-2007
Other long-term receivables		
Other interest-bearing receivables	43	45
Other non interest-bearing receivables	1	-
Total	44	45

Parent Company

· arom company		
MSEK	12-31-2008	12-31-2007
Other receivables held as current assets		
Other interest-bearing receivables	21	11
Other non-interest-bearing receivables	138	152
Subtotal	159	163
Receivables from customers		
Assignment revenue	8,019	5,353
Less utilized advance payments	-1,548	-1,379
Subtotal	6,471	3,974
Total	6,630	4,137

Assignment revenue refers to assignment costs incurred plus reported gross income less any losses attributable to the work performed. Unutilized advance payments amount to MSEK 3,310 (3,164).

Costs attributable to assignment revenue amounted to MSEK 6,612 (4,474). Reported gross income amounted to MSEK 1,407 (879).

Parent Company

MSEK	2008	2007
Long-term receivables		
Accumulated acquisition value		
Opening balance, January 1	45	63
Incremental receivables	1	_
Deductible receivables	-2	-18
Closing balance, December 31	44	45

NOTE 28

INVENTORIES

Group

MSEK	12-31-2008	12-31-2007
Raw materials and consumables	2,333	2,305
Work in progress	1,509	3,516
Finished goods and goods for resale	905	728
Less utilized advances from customers 1)	-442	-1,166
Total	4,305	5,383

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 380 project. The co-financing is in the form of a royalty loan maximized at MSEK 350. Repayment will take the form of a royalty on each delivery to Airbus. Through 2008, the National Debt Office paid out MSEK 263 (211), which reduces inventory in the financial statements.

The Group's cost of goods sold includes inventory impairments of MSEK 1,240 (49). The reversal of previous impairments amounts to MSEK 15 (25). Of inventories, MSEK 772 is expected to be realized more than twelve months after the closing day.

Parent Company

MSEK	12-31-2008	12-31-2007
Raw materials and consumables	1,788	1,664
Work in progress	284	3,282
Finished goods and goods for resale	569	510
Advance payments to suppliers	666	676
Less utilized advances from customers 1)	-658	-1,608
Total	2,649	4,524

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 1,223 (35) after the reversal of previous impairments of MSEK 12 (19). The value of inventories reported at net realizable value amounts to MSEK 72 (420). Of the Parent Company's inventories, MSEK 772 is expected to be realized more than twelve months after the closing day.

ACCOUNTS RECEIVABLES

Accounts receivable in the Group amount to MSEK 4,194 (3,724). During the year, write downs of accounts receivable amounted to MSEK 13 (12). Reversals of previous write downs amounted to MSEK 6 (16).

Accounts receivable in the Parent Company amount to MSEK 1,847 (1,683). During the year, write downs of accounts receivable amounted to MSEK 10 (4). Reversals of previous write downs amounted to MSEK 2 (11). See also Note 41.

NOTE 30

PREPAID EXPENSES AND ACCRUED INCOME

	G	roup	Parent	Company
MSEK	12-31-2008	12-31-2007	12-31-2008	12-31-2007
Prepaid expenses	259	376	446	310
Accrued leasing fees Saab Aircraft Leasing	13	14	_	_
Other accrued income	231	166	83	106
Total	503	556	529	416

NOTE 31

LIQUID ASSETS

Group

MSEK	12-31-2008	12-31-2007
Cash and bank balances (incl. available overdraft facilities)	795	825
Deposits	27	33
Total according to balance sheet	822	858
Total according to statement of cash flows	822	858

Deposits refer to funds deposited on behalf of customers. The Group's unutilized credits amounted to ${\tt MSEK~421~(358)}$ at year end. With regard to the Group's other loan facilities, refer to Notes 36 and Note 41.

NOTE 32

ASSETS HELD FOR SALE

The assets held for sale consists of investment properties. Sales are estimated in the beginning of 2009. Assets held for sale in 2007 include the business units Saab Space and Saab Grintek Technologies. During the second quarter of 2008, it was decided not to sell Saab Grintek Technologies after a prospective buyer decided at a late stage not to acquire the company. Despite vigorous efforts, another buyer has not been found. During the third quarter, Saab Space, including the subsidiary Austrian Aerospace, was sold to the Swiss industrial group RUAG.

Group

MSEK	12-31-2008	12-31-2007
Assets classified as held for sale		
Intangible fixed assets	-	210
Tangible fixed assets	77	63
Financial investments	-	3
Deferred tax assets	-	25
Inventories	-	164
Derivatives	-	2
Tax receivables	-	18
Accounts receivable	-	324
Prepaid expenses and accrued income	-	13
Other receivables	-	248
Total	77	1,070
Liabilities classified as held for sale		
Long-term interest-bearing liabilities	-	1
Other provisions	-	29
Deferred tax-liabilities	-	1
Advance payments from customers	-	71
Trade accounts payable	-	84
Derivatives	-	6
Other liabilities	-	86
Accrued expenses and deferred income	-	84
Provisions	-	25
Total	-	387

SHAREHOLDERS' EQUITY

Equity attributable to Parent Company's shareholders

OTHER RESERVES

Group									Total
MSEK	Capital stock	Other capital contributions	Net gain on cash flow hedges	Translation reserve	Revaluation reserve	Retained earnings	Total	Minority interest	share- holders' equity
Shareholders' equity, opening balance, January 1, 2007	1,746	543	72	-8	-	7,449	9,802	223	10,025
Items reported directly in shareholders' equity:									
Cash flow hedges:									
Change in value	-	-	79	-	-	-	79	-	79
Reversed through profit or loss	-	-	-40	-	-	-	-40	-	-40
Tax attributable to net gain or loss on cash flow hedges	-	-	-31	-	-	-	-31	-	-31
Translation differences for the year	-	-	-	-102	-	-	-102	-4	-106
Net income for the year	_	_	-	_	_	1,921	1,921	20	1,941
Transactions with owners:									
Dividend to shareholders	-	-	-	-	-	-464	-464	-2	-466
Repurchase of shares					-	-184	-184	_	-184
Acquisition and sale of operations	-	-	-	-	-	-	-	-210	-210
Shareholders' equity, closing balance, December 31, 2007	1,746	543	80	-110	-	8,722	10,981	27	11,008
Shareholders' equity, opening balance, January 1, 2008	1,746	543	80	-110	-	8,722	10,981	27	11,008
Items reported directly in shareholders' equity:									
Cash flow hedges:									
Change in value	-	-	-891	-	-	-	-891	-14	-905
Reversed through profit or loss	-	-	-21	-	-	-	-21	-	-21
Tax attributable to net gain or loss on cash flow hedges	-	-	220	-	-	-	220	4	224
Revaluation of fixed assets	-	-	-	-	51	-	51	-	51
Translation differences for the year	-	-	-	-112		-	-112	-	-112
Net income for the year	-	-	-	-	-	-248	-248	6	-242
Transactions with owners:									
Dividend to shareholders	-	-	-	-	-	-487	-487	10	-477
Repurchase of shares	_	-	-	-	-	-209	-209	-	-209
Share matching program	-	-	-	-	-	13	13	-	13
Acquisition and sale of operations	-	_	-	-	-	-57	-57	57	-
Shareholders' equity, closing balance, December 31, 2008	1,746	543	-612	-222	51	7,734	9,240	90	9,330

		Restricted equity		Unrestricte		
Parent Company MSEK	Capital stock	Revaluation reserve	Statutory reserve	Retained earnings	Net income for the year	Total share- holders' equity
Shareholders' equity, opening balance, January 1, 2007	1,746	740	543	3,548	–	6,577
Items reported directly in shareholders' equity:						
Group contributions	-	-	-	-459	-	-459
Tax attributable to Group contributions	-	-	-	129	-	129
Net income for the year	-	-	-	-	1,644	1,644
Transactions with shareholders:						
Dividend to shareholders	-	_	-	-464	-	-464
Repurchase of shares	-	_	-	-184	-	-184
Shareholders' equity, closing balance, December 31, 2007	1,746	740	543	2,570	1,644	7,243
Shareholders' equity, opening balance, January 1, 2008	1,746	740	543	4,214	-	7,243
Items reported directly in shareholders' 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 program	-	-	-	13	-	13
Shareholders' equity, closing balance, December 31, 2008	1,746	731	543	2,459	-655	4,824

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

December 31, 2008	Number of shares	Percent of shares	Percent of votes
Series A	5,254,303	4.9	34.1
Series B	101,575,590	95.1	65.9
Total	106,829,893	100.0	100.0

To secure the Group's Share matching plan, 1,340,000 Series B shares were repurchased in 2008. Following the repurchase, 2,320,451 shares are held in treasury.

Management of the Group's capital

The Group's capital under management consist of shareholders' equity. The Group's capital management goal is to facilitate continued operating growth and to remain prepared to capitalize on business opportunities. The longterm objective with regard to return on equity attributable to the shareholders is 15 percent after tax and a long-term equity/asset ratio of at least 30 percent.

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 managament 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 percent of net income for the year until the legal reserve amounts to 20 percent 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.

FARNINGS PER SHARE

	2008	2007
Net income for the year attributable to Parent Company's shareholders (MSEK)	-248	1,921
Weighted average number of common shares outstanding:		
before dilution (thousands)	107,515	108,669
after dilution (thousands)1)	107,515	109,150
Earnings per share, before dilution (SEK)	-2.31	17.68
Earnings per share, after dilution (SEK) ¹⁾	-2.31	17.60

1) There is no dilution impact if the result is negative.

NOTE 35

INTEREST-BEARING LIABILITIES

Group

MSEK	12-31-2008	12-31-2007
Long-term liabilities		
Liabilities to credit institutions	4	18
Other interest-bearing liabilities	9	7
Total	13	25
Current liabilities		
Liabilities to credit institutions	2,828	2,585
Liabilities to joint ventures	1,029	1,041
Other interest-bearing liabilities	13	9
Total	3,870	3,635
Total interest-bearing liabilities	3,883	3,660

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 4 (18) falls due between one and five years of the closing day and MSEK 9 (7) later than five years of the closing day.

Liabilities to credit institutions largely consist of short-term withdrawals from credit facilities. For more information on exposure to interest rate risk and the risk of changes in exchange rates, refer to Note 41.

LIABILITIES TO CREDIT INSTITUTIONS

Parent Company

MSEK	12-31-2008	12-31-2007
Current liabilities		
Overdraft facilities: Available credit/limit	2,521	358
Short-term portion of bank loans: Unutilized portion	-2,221	-358
Utilized credit amount	300	-
Short-term borrowing	2,456	_
Short-term part of long-term liabiliteis	-	2,500
Total	2,756	2,500

Long-term liabilities

Overdraft facilities: Available credit/limit	5,076	5,158
Long-term portion of bank loans: Unutilized portion	-4,000	-1,500
Utilized credit amount	1,076	3,658
Short-term part of long-term liabiliteis	-	-2,500
Total	1,076	1,158

Total liabilities to credit institutions	3,832	3,658

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. In defined-contribution plans, pensions are based on the premiums paid.

Group

MSEK	2008	2007
Wholly or partially funded obligations:		
Present value of defined-benefit obligations	4,792	4,370
Fair value of assets under management	-3,356	3,565
Net, wholly or partially funded obligations	1,436	805
Present value of unfunded defined-benefit obligations	212	309
Present value of net obligation	1,648	1,114
Unreported actuarial losses	-2,072	-1,013
Net obligation employee benefits	-424	101

The net amount is reported in the following balance sheet item

Net amount in balance sheet

Provisions for pensions	4	101
Long-term receivables	428	-
The net amount is divided among plans in the following countries:		
Sweden	-393	82
Austria	-	20
USA	-35	-5
Germany	4	4

-424

101

Unreported actuarial losses amount to MSEK 2,072 (1,013). Actuarial losses are calculated as the difference between pension obligations and the liability according to the balance sheet. If the pension obligation exceeds the liability by more than 10 percent, the portion exceeding 10 percent is amortized over the remaining period of employment for employees covered by defined-benefit plans. According to the above calculation, the actuarial losses exceed 10 percent of the pension obligation for 2008, which amounts to MSEK 5,004. This means that the difference between MSEK 500 and MSEK 2,072 will be distributed over anticipated remaining years in service.

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.

Unreported actuarial losses

Group

MSEK	2008	2007	2006	2005
Present value of defined-benefit obligations	-5,004	-4,679	-4,449	-4,187
Fair value of assets under management	3,356	3,565	3,481	805
Net obligation in balance sheet	-424	101	412	2,939
Losses	-2,072	-1,013	-556	-443

The unreported actuarial loss increased during 2008 by MSEK 1,059 mainly due to actuarial result from assets under management.

Changes in net obligation for defined-benefit plans reported in balance sheet

Group

MSEK	2008	2007
Net obligation for defined-benefit plans, January 1	101	412
Compensation paid	-169	-158
Deposits to pension fund and other funding	-408	-283
Cost reported in income statement	185	130
Effects of sold operations	-141	_
Withdrawals from pension fund	8	_
Net obligation for defined-benefit plans, December 31	-424	101

Change in assets under management

G	ro	u	p
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MSEK	2008	2007
Opening fair value, January 1	3,565	3,481
Assumed return	186	183
Withdrawals	-8	-3
Insurance premium	-18	-
Contributions	408	283
Actuarial loss	-800	-372
Translation differences	23	-7
Closing fair value, December 31	3,356	3,565

Cost reported in income statement

Group

MSEK	2008	2007
Costs for employment during current year	129	137
Interest expense for obligation	209	178
Assumed return on assets under management	-186	-183
Amortized actuarial losses	29	10
Insurance premium	18	-
Insured liability	-13	-
Revaluation	-	-12
Cost of defined-benefit plans in income statement	186	130
Cost of defined-contribution plans	457	495
Payroll tax	114	107
Total cost of post-employment compensation	757	732

The cost is reported on the following lines in the income statement: Group

a. oup		
MSEK	2008	2007
Cost of goods sold	527	564
Marketing expenses	53	55
Administrative expenses	76	74
Research and development costs	49	46
Financial expenses	52	-7
Total cost of post-employment compensation	757	732
Return on assets under management		
Actual return on assets under management	-614	-189

Interest expense and amortization 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.

-186

_800

-183

-372

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 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 2008, the Group has not had 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 2008, Alecta's surplus in the form of the collective funding ratio amounted to 112 percent (152). 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.

Assumptions for defined-benefit obligations

Group

Percent	2008	2007	2006	2005
Significant actuarial assumptions as of closing day (expressed as weighted averages)				
Discount rate, December 31	4.25	4.50	4.00	3.90
Assumed return on assets under management, December 31	5.00	5.00	5.00	4.30
Future salary increase	3.00	3.00	3.00	2.50
Future increase in pensions	2.00	2.00	2.00	1.70
Employee turnover	5.00	5.00	5.00	5.00
Anticipated remaining years in service	11.2	11.3	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, 58 percent are invested in interest-bearing bonds and 42 percent in equities and similar securities. The assumed rate of return is 4 percent on the interest-bearing bonds and 7 percent on equities and similar securities.

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 percent above inflation.

Long-term rate of inflation: Based on the Riksbank's inflation target of 2 percent, 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 2007:24), 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 percent per year.

the period

Assumed return on assets under management

Actuarial result from assets under management during

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	12-31-2008	12-31-2007
FPG/PRI pensions	482	131
Other pensions	65	73
Other provisions for pensions	59	66
Total	606	270
Of which credit guarantees via FPG/PRI	49	136

	Group	Э	Parent Cor	mpany
MSEK	2008	2007	2008	2007
Amount of provision expected to be paid after more than 12 months	4	101	484	150

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 percent 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. If the employee retains the purchased shares three years after the investment date and is still employed by the Saab Group, the employee will be allotted a corresponding number of Series B shares. As of December 31, 2008, there were 4,744 participants in seven countries, or 40 percent of the total number of employees. In 2008, these employees purchased 673,235 Series B shares, corresponding to the maximum number of matching shares. The company's cost including social security expenses amounted to MSEK 15 in 2008, which is recognized in shareholders' equity and accrued expenses (social security expenses). The average remaining term of this plan is 2.6 years. During the year a total of 19,549 shares have been allotted as part of the plan in 2008 due to rules on early share matching.

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 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 percent. The maximum number of matching shares is 1,000,000. The new plans started in November 2008, with share purchases beginning in January 2009.

Share matching plan	2007 plan	2008 plan	Total
Number of matching shares at beginning of financial year	_	_	_
Allotted during the period	673,235	-	673,235
Less early matching	-19,549	-	-19,549
Acquired during the year	-8,065	-	-8,065
Number of remaining matching shares at year-end	645,621	_	645,621
Average value of matching shares during the year	113.87	-	113.87

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 allotment, adjusted for the dividend not accrued to the employee during the vesting period.

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 (2,875,000), consisting of SEK 1,100,000 (1,000,000) to the Chairman and SEK 425,000 (375,000) 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 (120,000) and committee members Lennart Johansson and Per-Arne Sandström SEK 100,000 (70,000) each.

For compensation committee work, committee chairman Lena Treschow Torell also received fees of SEK 135,000 (120,000) and committee member Marcus Wallenberg SEK 80,000 (70,000). George Rose has declined his fees with reference to BAE Systems' policy.

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 a performance bonus with predetermined quantitative and qualitative objectives each year. The performance bonus can amount to a maximum of 50 percent 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.

In 2008, the President received salary, bonus and other benefits totaling SEK 7,631,449 (7,246,798), of which the bonus for 2007 accounted for SEK 1,620,000 (1,564,000) and other benefits, including a car allowance, for SEK 23,137 (17,192).

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 percent 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 2008, the cost of the President's pension, including ITP, was SEK 2,338,435 (2,353,923).

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 15 individuals (13) in 2008, consisting of the Deputy CEO, Executive Vice Presidents and heads of Group staff. Dan-Åke Enstedt, Lennart Sindahl and Mats Warstedt are members of Group Management as of January 1, 2008. Lena Olving is a member of Group Management as of November 1, 2008 and replaces Erik Löwenadler, who stepped down from Group Management on December 31, 2008. Ian McNamee stepped down from Group Management on March 28, 2008, Lars Wahlund stepped down from Group Management on April 1, 2008 and Kenth-Åke Jönsson stepped down from Group Management on June 30, 2008. As of January 1, 2009, Group Management consisted of twelve 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 a performance bonus based on the Group's order bookings, operating income and efficiency. The performance bonus normally amounts to a maximum of 25 percent of each executive's fixed salary, and in some cases to 35 percent of fixed salary. A performance bonus agreement is drafted annually and signed by the President. The rules for performance bonuses 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.

In 2008, the other senior executives received salaries, bonuses and other benefits totalling SEK 44,313,838 (35,472,009), of which bonuses for 2007 accounted for SEK 4,095,208 (4,445,500) and other benefits, including housing and car allowances, for SEK 688,906 (360,942).

Pension terms

As of January 1, 2005, a pension age of 62 years applies to new executives. Among other senior executives, six individuals have a pension age of 60 years

In addition to ITP or its equivalent, 12 members of the group (11) 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 percent of salary levels between 20 and 30 basic amounts and approximately 50 percent 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.

For two individuals in the group of other senior executives, the total pension cost amounts to 35 percent of their fixed salary.

Pension obligations are vested. In 2008, pension costs for other senior executives, including ITP and its equivalent, amounted to SEK 11,269,165 (12,802,054). 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. Their retirement pension up to the ordinary pension age of 65 follows the Saab plan.

New pension agreements are drafted according to Saab's defined-contribution pension.

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 January 1, 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 compen- sation	Other benefits	Pension cost	Total
Chairman of the Board	1,100,000	-	80,000	_	1,180,000
Other Board members	2,550,000	_	485,000	_	3,035,000
President and CEO Åke Svensson	5,988,312	1,620,000	23,137	2,338,435	9,969,884
Other senior executives	39,529,724	4,095,208	688,906	11,269,165	55,583,003
Total	49,168,036	5,715,208	1,277,043	13,607,600	69,767,887

Guidelines for remuneration and other benefits for senior executives are described in the financial review

NOTE 38		
PROVISIONS		
Group		
MSEK	12-31-2008	12-31-2007
Provisions that are long-term liabilities		
Obligations related to regional aircraft	1,573	1,443
Expenditures for restructuring measures	55	28
Loss contracts	502	103
Other	272	405
Total	2,402	1,979
Provisions that are current liabilities		

Parent Company

Loss contracts

Other

Total

Obligations related to regional aircraft

Expenditures for restructuring measures

MSEK	12-31-2008	12-31-2007
Obligations related to regional aircraft	852	900
Expenditures for restructuring measures	16	39
Loss contracts	772	165
Other	289	359
Total	1,929	1,463

Obligations related to regional aircraft

MSEK	Group	Parent Company
Opening balance, January 1, 2008	1,728	900
Amount utilized during the year	-	-13
Reclassification	-	-
Translation differences and other	22	-35
Closing balance, December 31, 2008	1,750	852

Expenditures for restructuring measures

MSEK	Group	Company
Opening balance, January 1, 2008	151	39
Provisions allocated during the year	2	2
Amount utilized during the year	-61	-31
Amount discounted during the year	3	3
Reclassification	-22	3
Closing balance, December 31, 2008	73	16
		

Loss contracts

MSEK	Group	Parent Company
Opening balance, January 1, 2008	255	165
Provisions allocated during the year	700	691
Amount utilized during the year	-145	-84
Reversal of unutilized amount	-6	-3
Amount discounted during the year	3	3
Translation differences and other	-2	-
Closing balance, December 31, 2008	805	772

Other provisions

177

18

303

212

285

123

152

192

752

мѕек	Group	Parent Company
Opening balance, January 1, 2008	597	359
Provisions allocated during the year	215	70
Amount utilized during the year	-162	-113
Reversal of unutilized amount	-14	-3
Reclassification	-158	-24
Translation differences and other	6	-
Closing balance, December 31, 2008	484	289

Total provisions

MSEK	Group	Parent Company
Opening balance, January 1, 2008	2,731	1,463
Provisions allocated during the year	917	763
Amount utilized during the year	-368	-241
Reversal of unutilized amount	-20	-6
Amount discounted during the year	6	6
Reclassification	-180	-21
Translation differences and other	26	-35
Closing balance, December 31, 2008	3,112	1,929

Payments

	Grou	ıp	Parent Company	
MSEK	2008	2007	2008	2007
Amount of provision expected to be paid after more than 12 months	2,402	1,979	1,540	1,237

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 changeover costs.

Project losses

Provisions for project losses primarily relate to Helicopter 14 and for civilian aircraft program.

M	a	т	Е	2	۵

OTHER LIABILITIES

Group

MSEK	12-31-2008	12-31-2007
Other long-term liabilities		
Liabilities to associated companies	-	6
Long-term prepaid revenue	151	203
Other	185	75
Total	336	284
Other current liabilities		
Liabilities to associated companies	28	21
Liabilities to joint ventures	347	137
Value-added tax	127	120
Withholding tax	196	225
Deposits in leasing operations	40	107
Other	393	196
Total	1,131	806
Liabilities due for payment more than five years after closing day	114	36

Parent Company

MSEK	12-31-2008	12-31-2007
Value-added tax	71	63
Withholding tax	161	190
Liability to customer	-	16
Valuation of derivatives	173	-
Other	117	165
Total	522	434

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

	G	roup	Parent Company			
MSEK	12-31-2008	12-31-2007	12-31-2008	12-31-2007		
Accrued expenses						
Cost of customer commit- ments in regional aircraft	152	339	152	339		
Vacation pay liability	793	752	581	555		
Expected invoices	354	432	278	341		
Accrued leasing costs	215	203	-	-		
Social security expenses	546	490	416	347		
Accrued interest	110	25	106	25		
Accrued project costs	859	1,426	518	721		
Personnel liabilities	111	180	119	112		
Early retirement and redundancies	19	25	19	20		
Value of contracted flows	-	47	-	-		
Claims reserve	67	56	2	1		
Royalties and commissions	10	13	-	-		
Other	284	260	106	93		
Total accrued expenses	3,520	4,248	2,297	2,554		
Deferred income						
Advance invoicing	4,510	3,636	3,035	2,360		
Change in value of extended forward contracts	441	388	698	657		
Capitalized project interest	65	333	65	333		
Other	332	183	33	50		
Total deferred income	5,348	4,540	3,831	3,400		
Total	8,868	8,788	6,128	5,954		

NOTE 41

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

In addition to business risks, Saab's operations are exposed to various financial risks, such as foreign currency, interest rate, liquidity, counterparty and credit risks, as well as political risks. Operations consist to a large extent of long-term projects, which increases the complexity of the financial exposure.

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 policy will be described in each area in the notes.

Overall responsibility for managing the Group's financial risks and developing methods and principles to manage financial risks is centralized in the Finance Group Staff. For this purpose, the Finance Group Staff has issued directives and processes to the operating business units describing how financial risks are to be managed. Furthermore, Group Management has issued detailed directives and guidelines for the Finance Group Staff's operations.

Each business unit uses one of the Finance Group Staff's functions to manage risk. Financial risks are centralized in the Group's internal bank, Saab Treasury, while management of insurance is centralized 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 the Finance Group Staff.

Saab Treasury is responsible for the Group's liquidity management, financing, trading, external management of interest rate and currency risks, and management of electricity risks. Saab Treasury manages transactions with internal companies and business units through netting or transactions with external counterparties. Moreover, Saab has an agreement with an external party to manage the Group's electricity risks through discretionary management.

Saab Treasury utilizes five different portfolios, internal bank, financing, tenders and trading, that are managed using Value at Risk (VaR), a probability-based method based on historical price fluctuations and correlations considered a standard in the financial field. Using VaR, the risk for various asset classes can be aggregated in a single measure. 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-percent probability. Saab Treasury has a total risk mandate expressed as VaR on мseк 50 (35), which is divided between trading and management of economic risks. The Treasury Risk Analysis function reports daily to Group Management on each portfolio's risk according to defined risk measures.

Financial instruments

Financial assets in the Group mainly comprise accounts receivable, accrued income, long-term 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 categorized and classified according to IAS 39. A detailed description of the categories can be found in note 1, Accounting principles.

Classification and categorization of financial assets and liabilities 2008	Fair value through profit and loss for trading	Fair value through profit and loss for other	Loans and receivables	Financial liabilities	Derivatives identified as cash flow hedges	Derivatives identified as fair value hedges	Finance leases	Total finan- cial assets and liabilities	Non- financial assets and liabilities	12-31-2008
Assets										
Intangible fixed assets	_	_	_	_	_	_	-	_	7,690	7,690
Tangible fixed assets	-	_	-	-	_	-	-	-	3,889	3,889
Lease assets	_	_	_	_	_	_	-	_	1,835	1,835
Shares in associated companies	_	_	_	_	_	_	-	_	334	334
Financial investments	_	142	_	-	_	_	-	142	_	142
Long-term receivables	_	_	1,321	-	_	_	-	1,321	_	1,321
Deferred tax assets	_	_	_	-	_	_	-	-	841	841
Inventories	_	-	-	-	-	_	-	-	4,305	4,305
Derivatives										
Forward exchange contracts	264	_	_	_	816	183	-	1,263	_	1,263
Currency options	11	_	_	-	_	_	-	11	_	11
Interest rate swaps	29	-	-	-	-	_	-	29	-	29
Other derivatives	12	-	-	-	-	_	-	12	-	12
Derivates, total	316	-	-	-	816	183	-	1,315	-	1,315
Other receivables	43	-	9,962	-	-	35	-	10,040	279	10,319
Liquid assets	-	-	822	-	-	-	-	822	-	822
Assets held for sale	-	-	-	-	-	-	-	-	77	77
Total assets	359	142	12,105	-	816	218	-	13,640	19,250	32,890
Shareholders' equity and liabilities										
Shareholders' equity	-	-	-	-	-	-	-	-	9,330	9,330
Provisions for pensions	-	-	-	-	-	-	-	-	4	4
Deferred tax liabilities	-	-	-	-	-	-	-	-	1,105	1,105
Provisions	-	-	-	-	-	-	-	-	3,112	3,112
Advances from customers	-	-	-	-	-	-	-	-	897	897
Interest-bearing liabilities	-	-	-	3,883	-	-	-	3,883	-	3,883
Derivatives										
Forward exchange contracts	392	-	-	-	1,591	207	-	2,190	-	2,190
Currency options	32	-	-	-	-	-	-	32	-	32
Interest rate swaps	84	-	-	-	35	-	-	119	-	119
Electricity derivatives	8	-	-	-	-	-	-	8	-	8
Other derivatives	14	-	_	-	-	_	-	14	-	14
Derivates, total	530	-	-	-	1,626	207	-	2,363	-	2,363
Other liabilities	-	-	-	5,679	-	-	-	5,679	6,517	12,196
Total shareholders' equity and liabilities	530	-	-	9,562	1,626	207	-	11,925	20,965	32,890

Classification and categorization of financial assets and liabilities 2007	Fair value through profit and loss for trading	Fair value through profit and loss for other	Loans and receivables	Financial liabilities	Derivatives identified as cash flow hedges	Derivatives identified as fair value hedges	Finance leases	Total finan- cial assets and liabilities	Non- financial assets and liabilities	12-31-2007
Assets										
Intangible fixed assets	_	_	_	_	_	_	-	_	7,940	7,940
Tangible fixed assets	_	_	_	_	_	_	-	_	3,932	3,932
Lease assets	_	_	_	_	_	_	187	187	1,635	1,822
Shares in associated companies	_	-	_	_	-	_	-	_	318	318
Financial investments	_	233	_	_	-	_	-	233	_	233
Long-term receivables	_	-	960	_	-	_	-	960	_	960
Deferred tax assets	-	-	-	-	-	_	-	-	542	542
Inventories	-	-	-	-	-	-	-	-	5,383	5,383
Derivatives										
Forward exchange contracts	37	-	-	-	245	149	-	431	-	431
Currency options	2	-	-	-	-	-	-	2	-	2
Electricity derivatives	33	-	-	-	-	-	-	33	-	33
Other derivatives	13	-	-	-	-	-	-	13	-	13
Derivates, total	85	-	-	-	245	149	-	479	-	479
Other receivables	12	-	9,755	-	-	-	-	9,767	497	10,264
Liquid assets	-	-	858	-	-	-	-	858	-	858
Assets held for sale	-	-	-	-	-	-	-	-	1,070	1,070
Total assets	97	233	11,573	-	245	149	187	12,484	21,317	33,801
Shareholders' equity and liabilities										
Shareholders' equity	-	-	-	-	-	-	-	-	11,008	11,008
Provisions for pensions	-	-	-	-	-	-	-	-	101	101
Deferred tax liabilities	-	-	-	-	-	-	-	-	1,263	1,263
Provisions	-	-	-	-	-	-	-	-	2,731	2,731
Lease obligations	-	-	-	-	-	-	204	204	-	204
Advances from customers	-	-	-	-	-	-	-	-	2,558	2,558
Interest-bearing liabilities	-	-	-	3,660	-	-	-	3,660	-	3,660
Derivatives										
Forward exchange contracts	68	-	-	-	180	106	-	354	-	354
Currency options	6	-	-	-	-	_	-	6	-	6
Interest rate swaps	41	-	-	-	-	-	-	41	-	41
Other derivatives	13	-	-	-	-	-	-	13	-	13
Derivates, total	128	-	-	-	180	106	-	414	-	414
Other liabilities	-	-	-	5,483	-	_	-	5,483	5,992	11,475
Liabilities for assets held for sale	-	-	-	-	-	-	-	-	387	387
Total shareholders' equity and liabilities	128	-	-	9,143	180	106	204	9,761	24,040	33,801

Saab's financial assets and liabilities, contractual obligations in the order backlog and outstanding fixed-price tenders entail financial risks of various types, which are managed primarily with various derivatives. 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.

The table on the next page provides a detailed description of the Group's outstanding derivatives.

Market value

Market value

Outstanding derivatives

Currency derivatives

Nominal currency Tender portfolio Cur-Million Asset SEK Liability SEK Net Internbank Financing Trading rencv Maturity up to one year **EUR** -269 173 390 -217 -145 USD -210 346 467 -31 -107 20 -3 -121Other 229 137 92 74 18 **Outstanding currency derivatives** with maturities up to one year, total 748 994 -107 -246 -102 -33 -4 EUR 246 Maturity one to three years -124 73 -173 -173 USD -145 332 442 -110 -97 -17 0 Other 81 81 7 -8 **Outstanding currency derivatives** with maturities of 1 to 3 years, total 486 769 -283 -263 -17 Maturity three to five years FUR -36 16 60 -44 -44 USD -162 18 216 -198 -198 Other 13 22

298

36

117

153

2,214

-251

-33

-104

-137

-917

-251

-33

-104

-137

-753

-1242)

-32³⁾

-8

47

3

13

16

1,297

EUR

USD

-29

-90

Currency derivatives, total1)

Maturity over five years

Outstanding currency derivatives with maturities of 3 to 5 years, total

Outstanding currency derivatives with maturities over five years, total

Interest derivatives		Market value Market value							
Million	Cur- rency	Nominal currency	Asset SEK	Liability SEK	Net	Internbank	Financing	Tender portfolio	Trading
Maturity up to one year	SEK	-	12	15	-3	-	-3	-	-
Outstanding interest derivatives with maturities up to one year, total			12	15	-3	_	-3	_	-
Maturity one to three years	SEK	300	-	5	-5		-5	-	-
Outstanding interest derivatives with maturities of 1 to 3 years, total			-	5	-5	_	-5	_	-
Maturity three to five years	USD	48	-	37	-37	-	- 37 ²⁾	-	-
	NOK	500	-	33	-33	-	-33 ³⁾	-	-
Outstanding interest derivatives with maturities of 3 to 5 years, total			-	70	-70	_	-70	_	-
Maturity over five years	USD	29	-	40	-40	-	-40 ²⁾	-	-
Outstanding interest derivatives with maturities over five years, total			-	40	-40	_	-40	_	-
Interest derivatives, total ¹⁾			12	130	-118	-	-118	-	-

¹⁾ Market value includes accrued interest of MSEK –25

³⁾ Refers to hedge of financing in NOK

Electricity derivatives			Market value		Market value				
Million	MW	Asset SEK	Liability SEK	Net	Internbank	Financing	Tender portfolio	Trading	Electricity portfolio
Maturity up to one year	10	6	-	6	-	-	-	-	6
Outstanding electricity derivatives with maturities up to one year, total		6	-	6	-	-	_	_	6
Maturity one to three years	14	-	14	-14	_	-	-	-	-14
Outstanding electricity derivatives with maturities of 1 to 3 years, total		-	14	-14	-	_	_	_	-14
Electricity derivatives, total		6	14	-8	-	-	-	-	-8
DERIVATIVES, TOTAL		1,315	2,358	-1,043	-753	-242	-32	-8	-8
(of which derivatives used for cash flow hedges)				-810	-774	-36			

¹⁾ Market value does not include option premiums paid or received, retained premiums on open contracts amount to MSEK 30

²⁾ Does not affect consolidated income, counteritems can be found in revaluation of foreign subsidiaries' assets

³⁾ Affects consolidated income

²⁾ Does not affect consolidated income, refers interest risk management for leasing portfolio

Foreign currency risk

Foreign currency risk refers to the risk that fluctuations in exchange rates will negatively affect income and cash flow. 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 products 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 ex-

In its risk management, Saab distinguishes between three types of exposure: economic exposure, transaction exposure and translation exposure. The translation exposure consists of net assets in foreign currency and occurs in connection with acquisitions. The economic and transaction exposure is illustrated below.



A foreign currency risk constituting an economic exposure arises in connection with fixed-priced tenders. The order backlog contains contracted cash flows and therefore represents a transaction exposure. Framework agreements can be said to contain both transaction and economic exposures. The transaction exposure arises in connection with call-offs from the framework agreement that are transferred to the order backlog, and the economic exposure for anticipated cash flows in terms of time and volume.

Framework agreements are in place for various civil aeronautics programs with pricing obligations primarily in USD and EUR.

Economic exposure

Foreign currency risk in connection with tenders is limited primarily through contract formulations 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 foreign currency risk is managed centrally within the framework of Saab Treasurys Tender to Contract portfolio, the purpose of which is to minimize the Group's foreign currency risk during the tender period and reduce hedging costs.

When submitting a fixed-price tender in foreign currency with an equivalent value of less than MSEK 1,000 (500) for a single tender (in the Group's most common contract currencies), Saab Treasury hedges the foreign currency risk by combining forward contracts and options, the proportions of which are determined by the probability of an order. Hedges of large fixedprice tenders of more than MSEK 1,000 with a foreign currency risk are decided by Group Management.

During the year, 76 tenders were hedged, of which 32 were outstanding as of year-end for the equivalent of MSEK 4,975 (3,018). A total of MSEK 20,269 has been hedged since the start of 2000. Net option premiums amounted to MSEK 12 (24) during the year, corresponding to 0.25 percent (0.79) of the hedged amount.

The following table shows outstanding nominal net hedges by currency as of year-end to hedge the risk in outstanding tenders.

	Forward cor	ntracts1)	Optio	ns ²⁾	Total hedge		
Net hedges (million)	2008	2007	2008	2007	2008	2007	
USD	-132	-48	41	-52	-91	-100	
EUR	-80	-80	-49	-20	-129	-100	
GBP	-4	-1	-14	-5	-18	-6	
CZK	-100	-	-25	-64	-125	-64	

²⁾ Refers to the net of purchased call and put options

1) Also contains sold call and put options.

Hedge accounting is not applied to the portfolio's hedges, due to which the Group's results were affected by the outcome of the tenders and the exchange rate for the underlying currency pair. The portfolio's total result consists of two parts:

- Realized result
- The tendered contract is not received and external hedges are closed
- The tendered contract is received and external hedges are adjusted to match the exposure
- Unrealized result
 - All outstanding external derivatives are marked to market and affect the portfolio's result.

During the second half 2008, the portfolio's result for outstanding tenders was affected negatively by the depreciation of the krona and increased volatility vis-à-vis primarily the USD and EUR, which the portfolio was a net seller of during the tender period.

The following table shows how hedges of the economic risk have affected

MSEK	2008	2007
Unrealized result	-11	-19
Realized result ¹⁾	-216	21
Total result	-227	2

¹⁾ Of the realized result of MSEK -216, MSEK -239 was rollovers of hedges while tenders were in effect

The risk in the hedges is steered by a risk measure based on a probabilityweighted VaR, which consists 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 VaR adds up to zero, i.e., the probability-weighted amount is hedged externally.

VaR = VaR (Internal hedge) x Probability - VaR (External hedge)

VaR for tender insurance was MSEK 11.7 (0.5) at year-end. The limit on the risk was increased in 2008 because of an increase in the volume fixed-price tenders from MSEK 15 to 30 in VaR.

The table below shows the risk exposure/unrealized market value given various outcomes.

MSEK	Unrealized market value
All tendered contracts are received	396
No tendered contracts are received	30
Worst case*	2
No external hedges and all tendered contracts are received	366

Transaction exposure

In 2008, countries outside Sweden accounted for 68 percent (65) 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 currencies. The exposure that results is actively minimized by contracting export customers in SEK and contracting suppliers in the currency of the customer's contract.

Saab's Corporate Treasury Policy requires that 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 in framework agreements.

Netting is applied to eliminate transaction exposure in foreign currency, i.e., incoming currency is utilized to pay for purchases in the same currency. Moreover, foreign currency risk neutrality is achieved through either contract formulations 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 for revenue recognition.

The predominant contract currencies in the order backlog of SEK 45.3 billion (47.3), are SEK, USD, EUR and GBP. Of the total order backlog, 63 percent (78) is in fixed prices with or without indexing, while the remaining 37 percent (22) contains variable prices with index and/or currency clauses, as follows.

Cur- rency equiv- alent value (bil- lion)	% of total	Varia- ble prices	Varia- ble prices as % of total	Varia- ble prices cur- rency	Varia- ble prices cur- rency as % of total	Fixed prices	Fixed prices as % of total	Fixed prices with index- ing	Fixed prices with index- ing as % of total
SEK	56	14,9	33	-	-	8,8	19	1,5	3
USD	21	0,1	-	0,6	1	8,8	19	-	-
EUR	10	0,4	1	0,5	1	2,6	6	1,3	3
GBP	6	0,1	-	-	-	2,3	5	0,3	1
Other	7	-	_	-	-	2,5	6	0,6	1
Total	100	15,5	34	1,1	2	25,0	55	3,7	8

The table below shows the net of outstanding forward exchange contracts in the internal bank divided by maturity date and currency. The net of outstanding forward exchange contracts is defined as currency sales through forward contracts less currency purchases through forward contracts. It is important to underscore that the net of forward contracts cannot be directly compared with the order backlog in each currency, since the business units try to convert their costs from the functional currency to foreign currency.

Hedge accounting is applied to hedges of the transaction exposure. The unrealized net result amounted to MSEK -752 (96) at year-end; see also Hedge accounting. Retained exchange rate gains on forward contract rollovers amounted to мѕек 476 (434).

An analysis has been made of the sensitivity of the market value of outstanding external hedges to a change in exchange rates, all else being equal. A change in the krona of 10 percent vis-à-vis all currencies changes the market

value by MSEK 785. A depreciation in the krona by 10 percent vis-à-vis all currencies would reduce market value by MSEK 1,509. The appreciation of the krona by 10 percent vis-à-vis all currencies would result in a market value of мѕек 60.

Translation exposure

The translation exposure in the Group relates to the operations of foreign subsidiaries. Certain operations in Sweden within Saab Aircraft Leasing have their economic environments in USD (functional currency) and are translated from the functional currency to SEK. The value of shareholders' equity subject to translation exposure amounted to MSEK 2,375 (2,492) at year-end.

Net assets translated to SEK

MSEK	12-31-2008	12-31-2007
USD	1,058	1,193
EUR	76	82
AUD	343	368
ZAR	617	664
Other currencies	281	185
Total	2,375	2,492

The foreign currency risk to the Group's income and shareholders' equity from translation effects - the translation exposure -is not hedged according to the Corporate Treasury Policy.

Interest rate risks

Saab is exposed to interest rate risk when the market value of certain balance sheet items is affected by changes in underlying interest rates. 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. 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), where interest rate risk is matched against the underlying pension liability. Interest rate swaps in USD are used mainly for interest risk management in the leasing portfolio, where the interest rate risk is fully matched.

Lending to subsidiaries in foreign currency is normally financed in SEK, which is converted to the subsidiary's currency through swaps. 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 and to achieve the desired duration in the financing. As of year-end, the duration of the fixed-interest term was 3 months (0.2). For a further sensitivity analysis, see also under financing.

Net outstanding forward contracts, transaction exposure

		EUR		USD		GBP		ZAR		NOK		CZK		THB		SGD
MSEK	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
<90 days	-72	-133	-3	-48	-32	-21	191	310	-14	-30	-	-	-	-	-4	-
91-180 days	-8	-51	-13	-101	-21	-41	134	263	-132	10	-16	-	-	-	-1	-
181-210 days	-14	27	-49	-72	-3	-6	171	72	-44	9	-	-	-47	-	-2	-
211-360 days	-57	-45	-15	-25	2	-14	143	134	5	9	-	-	-	-	-	_
1 year	-85	-53	-82	-56	-21	-29	355	251	-1	-195	-36	-	-87	-	-21	_
2 years	-39	-51	-68	-104	-9	-9	60	99	-2	-	-36	-	-	-	-6	-
3 years	-22	-18	-84	-100	-24	-7	11	52	-3	-	-12	-	-	-	-8	-
4 years	-16	-19	-78	-34	-	2	45	-	-	-	-8	-	-	-	-	-
>5 years	-29	-42	-90	-25	-	3	-	-	-	-	-10	-	-	-	-	-
Total	-342	-385	-483	-565	-108	-122	1,110	1,181	-190	-197	-118	-	-134	-	-43	-

Financing

In 2008, net debt excluding interest-bearing receivables and provisions for pensions changed from MSEK -2,802 to MSEK -3,061. During the year, liquidity varied, and surplus liquidity was placed in short-term deposits in the banking market. A commercial paper program established in February allows Saab to borrow in Sek and Eur to an equivalent value of MSEK 3,000. In June, the limit on the program was extended to MSEK 5,000. Furthermore, backup facilities for the commercial paper were negotiated totaling MSEK 2,100. Net liquidity has been financed by utilizing a commercial paper program. Liquid investments and interest-bearing liabilities are shown in the

MSEK	12-31-2008	12-31-2007
Assets		
Liquid assets	822	858
Total liquid investments	822	858
Liabilities		
Liabilities to credit institutions	2,832	2,603
Other borrowings and interest-bearing liabilities	1,051	1,057
Total interest-bearing liabilities	3,883	3,660
No. 1 to the second second second		

Net debt excluding interest-bearing receivables and provisions for pensions	-3,061	-2,802
Plus: interest-bearing receivables	1,372	1,276
Less: provisions for pensions	4	101
Net debt	-1,693	-1,627

As of December 31, 2008, net debt amounted to MSEK -1,693 (-1,527) with an average during the year of MSEK -2,023 (219). The net of interest expenses paid and interest income received amounts to MSEK -163 (37). Of the liquid investments of MSEK 822 (858), MSEK 10 (10) was pledged as trading security to omx.

Interest-bearing liabilities of MSEK 3,883 (3,660) mainly consist of shortterm financing of MSEK 2,828 (2,603) and liabilities to joint ventures of MSEK 1,029 (1,041), see the table below.

MSEK	12-31-2008	12-31-2007
Commercial paper program	2,456	-
Club loan	-	2,500
Utilization of backup facilities	300	-
Other financing	76	103
Liabilities to credit institutions	2,832	2,603
Other borrowings and other interest-bearing liabilities	1,051	1,057
Total interest-bearing liabilities	3,883	3,660

The Parent Company also obtained MNOK 975 in financing in connection with an acquisition of 7.5% of the shares in Aker Holding AS in 2007. Saab's investment amounted to approximately NOK 1.2 billion, of which about 80 percent is financed through the above-mentioned loans. Risks associated with the loans have been reduced through agreements that secure this part of the invested amount. The transactions in the balance sheet are accounted for net as a receivable; see Note 27.

The interest rate risk in the loans given a 1 basis point parallel shift in the yield curve was MSEK 0.28 (0.01) as of December 31, 2008. 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 bp for Saab's refinancing of credits.

MSEK	Fixed interest period	Effect on market in- terest rate, 1 %	Tied-up capital	Effect on credit spread, 1 %	Effect on financial expenses
Maturity					
2009	2,828	28	2,828	28	57
2010	4	-	4	-	-
2011	-	-	-	-	-
2012	-	-	-	-	-
2013 and for- ward	-	_	-	_	-
Total	2,832	28	2,832	28	57

Refinancing risks

Refinancing 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.

Maturity dates for the interest-bearing liabilities of MSEK 3,883 is shown in the table below.

MSEK	2009	2010
Liabilities to credit institutions	2,828	4
Other borrowings and interest-bearing liabilities	1,051	_
Total	3,879	4

The commercial paper program has replaced the short-term financing through the club loan and thereby ensures an available backup facility of MSEK 4,000, the purpose of which is to serve as a back-up and short-term financing for acquisitions or working capital, for example. The table below shows the confirmed credit facilities as of year-end.

MSEK	Facilities	Drawings	Available
Club loan (mature 2012)	4,000	-	4,000
Backup facilities (mature 2009)	2,100	300	1,800
Account limits (mature 2009)	421	-	421
Total	6,521	300	6,221

The club loan is a facility is a so-called club loan with an equivalent value of MSEK 4,000 from eight banks that expires in 2012. The credit margin is 0.25 percentage points over STIBOR or similar rate depending on the currency in which the facility is utilized. The commitment fee is 0.08 percent per year on the unutilized amount. No financial covenants are attached to the club loan or the other credit facilities.

According to the Corporate Treasury Policy, Saab must always maintain unutilized credit facilities or liquid assets corresponding to the higher of:

- 10 percent of sales
- 50 percent of outstanding on-demand guarantees, see below.

In the course of its day-to-day operations, Saab faces guarantee requirements, primarily as security for advances from customers and to fulfill contract obligations. Some of these are on-demand guarantees, which can entail a liquidity risk, see also Note 42. As of year-end, unutilized credit facilities were available to meet these obligations.

Saab's policy is to insure on-demand guarantees for major projects against unauthorized use. This option is mainly used in contracts where the counterparty can be classified as a developing country according to the definition of the Export Credits Guarantee Board. Insurance can be obtained from state guarantee institutes or from the private insurance market.

Other financial liabilities mainly refer to accounts payable and accrued expenses that are converted in ordinary operations.

Credit and counterparty risks

Credit risk is the risk that the counterparty in a transaction will not be able to fulfill its financial obligations of a contract and that any collateral it has pledged does not cover the company's claim. In the course of its day-to-day operations, Saab faces credit risks related to customers and suppliers.

Customer credit risks

Outstanding accounts receivable constitute a credit risk. As of December 31 2008, the Group's outstanding accounts receivable amounted to мѕек 4,194 (3,724). Defence-related sales accounted for 83 percent (81) 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 accounts for 71 percent (71) of the total. Where counterparties' creditworthiness is deemed unsatisfactory, bank and/or insurance guarantees or guarantees from the Export Credits Guarantee Board 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 27 (26), corresponding to 0.6 percent (0.7) of total accounts receivable. Write-downs of accounts receivable have changed as follows:

MSEK	2008	2007
Write-downs, January 1	-26	-33
Write-downs for calculated losses	-13	-12
Reversal of previous write-downs	6	16
Actual credit losses	6	3
Write-downs, December 31	-27	-26

The following table shows an age analysis of the Group's overdue receivables:

MSEK	12-31-2008	12-31-2007
<30 days	848	564
30 to 90 days	631	153
91 to 180 days	148	99
>181 days	244	200
Accounts receivable overdue	1,871	1,016

Since the receivables are either secured via bank and/or insurance company guarantees or receivables from states, the credit risk is low despite overdue receivables.

Supplier credit risks

Advances paid to suppliers constitute a credit risk. As of December 31, 2008, the Group had paid its suppliers advances of MSEK 799 (699). The Group's policy is to always maintain bank-guaranteed security for any advances it pays.

Customer finance provides an important tool to market the Group's products. Export customers increasingly demand financing, and this is expected to increase will due to the global financial situation. Saab normally tries to work with banks and guarantee institutes to arrange various solutions to meet customer needs. Saab supplies the customer and receives payment directly from the credit institutions. To limit risk exposure, the risks are sold on the market to state guarantee institutions, banks and insurance companies.

Financial credit risk

Financial credit risk consists of credit risks from banks through deposits and/ or the market value of outstanding derivatives. Credit risk is calculated on established and anticipated risks according to the recommendations of the Bank of International Settlements (BIS). On December 31, 2008, counterparty risks amounted to MSEK 1,766 (1,343), of which deposits with banks accounted for мѕек 200 (201). To limit its credit risk vis-à-vis banks, the following applies:

- Saab has entered into netting agreements (ISDA) to net the positive and negative market values of outstanding derivatives
- All financial counterparties must have a long-term credit rating of no lower than A
- Separate credit limits have been allocated for each counterparty based on credit rating.

Electricity price risks

The price of electricity directly affects the Group's income and operating margin. Swedish units consume around 220 MWh per year with a spot price risk of MSEK 2.2 every time the price of electricity changes by SEK 0.01. To minimize the risk for Saab's operating margin, future electricity consumption is hedged against changes in spot prices. This is done by hedging projected consumption according to a model where 100 percent of the next quarter's consumption is hedged. The hedging level then drops on a straight-line basis by quarter until quarter 13.

Electricity directives 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 1.2 (1.2) expressed in VaR. The market value of electricity derivatives as of year-end was MSEK -8 (33).

Trading

The Board has issued a risk mandate for trading in currency and money market instruments of MSEK 20, expressed according to VaR. If the cumulative result for the year is negative, the mandate is reduced correspondingly. In 2008, trading income was MSEK 12 (18), which is reported as other operating income. The average utilized risk mandate (VaR) during the year was MSEK 1.4 (1.6).

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.

The fund's assets are managed with the aim of reducing interest rate risk by matching the duration of the liability against interest-bearing assets and optimizing the return on the capital within the limits of the investment policy. Investments are made in interest-bearing securities from issuers with credit ratings of no lower than A (A2) according to Standard & Poor's and Moody's, equity and hedge funds, and structured products. The investment policy is dynamic and a function of the risk of falling below the absolute floor for consolidation of 65 percent (70), i.e., the market value of fund assets relative to the present value of defined-benefit obligations; see also Note 34 for the assumptions used to calculate the liability. The Saab Pension Fund had matched the interest rate on 50 percent (50) of the liability's future disbursements as of December 31, 2008. Of its total capital, the fund had invested 58 percent (61) in interest-bearing assets and the remaining 42 percent (39) in equity and hedge funds as well as structured products.

The market value of the fund's assets as of December 31, 2008 was MSEK 3,082 (3,304) and the annual return was -16.1 percent (-5.00). In 2008, refunds of MSEK O (1) were paid by the fund. The table below shows the solvency margin for the pension fund.

MSEK	12-31-2008	12-31-2007	12-31-2006
Fair value of assets under management	3,082	3,304	3,234
Present value of defined-benefit obligations ¹⁾	4,432	3,923	3,618
Solvency margin	70%	84%	89%
Pension obligation according to PRI	3,678	3,427	3,183
Solvency margin	84%	96%	102%

1) Refers to the pension obligation that the assets under management are designed to cover

Hedge accounting

Saab's Corporate Treasury Policy requires that receipts and disbursements for firm orders in foreign currency, the transaction exposure, are hedged against currency fluctuations. Currency hedges eliminate currency and interest rate risks and thereby hedge the estimated gross margins in the order backlog. Hedge accounting is applied to derivatives intended to hedge the transaction exposure in accordance with IAS 39.

Cash flow hedges

Cash flow hedges are applied to forward exchange contracts and currency swaps used to hedge future receipts and disbursements in foreign currency, primarily for derivatives entered into after December 31, 2006. Derivatives entered into before December 31, 2006 and classified at the time as cash flow hedges continue to be recognized in the same way.

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 when the delivery to the customer is made. The hedge reserve before tax amounted to MSEK -831 (111), of which the value of derivatives was MSEK -810 (65) and the effects arising from rollovers of derivatives and items removed from hedge accounting were MSEK -21 (46). For information on the amount recognized in shareholders' equity and the amount removed from shareholders' equity and recognized through profit and loss in 2008, see Note 33, Shareholders' equity.

The table below shows the cash flows corresponding to the derivatives recognized as cash flow hedges in 2008 and 2007. The amounts are expressed in millions in local currency.

In 2008, cash flow hedging was applied to one loan partially hedged with an interest swap in order to achieve the desired fixed interest schedule.

Fair value hedge accounting

Fair value hedge accounting is applied mainly to forward exchange contracts and currency swaps used to hedge future receipts and disbursements in foreign currency for derivatives entered into through December 31, 2006.

The following table shows the market value of the currency derivatives accounted for as fair value hedges. For information on gains and losses on derivatives recognized at fair value according to hedge accounting and the hedged item's affect on net income for the year, see Note 6, Other operating expenses.

Fair value hedge accounting (MSEK)	Market value 2008	Market value 2007
Foreign currency risk in the order backlog (hedged item)	35	-47
Currency derivatives (hedging instruments)	-25	39

Fair value

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.

The following instruments are valued 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 and 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.

Remaining instruments valued according to listed market prices on the balance sheet date:

- Bonds
- Electricity derivatives
- Other interest derivatives

Cash flow hedges by currency

		CZK			EUR			GBP			NOK			THB			USD			ZAR	
Million	Out- flow	In- flow	Net	Out- flow	In- flow	Net	Out- flow	In- flow	Net	Out- flow	In- flow	Net									
< 90 days	_	-	-	-48	125	77	-25	54	29	-198	-	-198	-	-	-	-96	103	7	-49	22	-27
91-180 days	-	16	16	-30	32	2	-11	26	15	-5	137	132	-	-	-	-63	78	15	-47	35	-12
181-210 days	-	-	-	-10	23	13	-8	8	-	-6	50	44	-	47	47	-30	92	62	-6	-	-6
211-360 days	-	-	-	-13	66	53	-31	27	-4	-7	1	-6	-	-	-	-59	63	4	-42	-	-42
2010	-	14	14	-20	101	81	-29	50	21	-2	3	1	-	87	87	-111	200	89	-71	-	-71
2011	-	14	14	-5	32	27	-4	13	9	-1	3	2	-	-	-	-62	133	71	-47	-	-47
2012	-	12	12	-2	13	11	-3	28	25	-	3	3	-	-	-	-15	101	86	-	-	-
2013	-	8	8	-5	16	11	-3	3	-	-	-	-	-	-	-	-	80	80	-	-	-
2014 and forward	-	9	9	-	11	11	-	-	-	-	-	-	-	-	-	-2	100	98	-	-	-
Total flows 2008	-	73	73	-133	419	286	-114	209	95	-219	197	-22	-	134	134	-438	950	512	-262	57	-205
Total flows 2007	-14	307	293	-136	297	161	-69	108	39	-39	24	-15	-	_	_	-250	781	531	-394	99	-295

NOTE 42

ASSETS PLEDGED AND CONTINGENT LIABILITIES

	G	roup	Parent Company					
MSEK	12-31-2008	12-31-2007	12-31-2008	12-31-2007				
Assets pledged for own liabilities and provisions								
Chattel mortgages	501	1,701	501	1,701				
Other assets	-	335	-	-				
Bonds and other securities	10	10	10	10				
Total	511	2,046	511	1,711				

	G	roup	Parent Company		
MSEK	12-31-2008	12-31-2007	12-31-2008	12-31-2007	
Contingent liabilities					
Guarantees to insurance company, FPG/PRI	74	71	74	71	
Guarantees for Group companies' commitments to customers	_	-	5,360	4,678	
Sureties for joint ventures	549	458	-	-	
Sureties for associated companies	80	69	469	409	
Sureties, other	1	5	_	-	
Total	704	603	5,903	5,158	

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 recognized.

The total volume of guarantees amount to MSEK 12,172 (9,759) where of 83 percent (89) consist of bank guarantees and 17 percent (11) Parent Company guarantees. Of bank guarantees, 50 percent are on-demand.

NOTE 43

TRANSACTIONS WITH RELATED PARTIES

Related parties with which the Group has transactions mainly consist of BAE Systems, which holds 21 percent of the capital and 20 percent 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 311 and MSEK 199, respectively. Interest-bearing liabilities also include a loan from BAE Systems of MSEK 7.

Saab and SEB share one board member, and Saab also has financial agreements with SEB.

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, 14 percent referred to sales to Group companies, while 14 percent of the Parent Company's purchases were from Group companies.

Sales to and purchases from the Group's associated companies amounted to approximately MSEK 844 and MSEK 1,728, respectively.

NOTE 44

GROUP COMPANIES

Significant Group company holdings

Significant Group company no	•		nip share, cent
Group company	Group company's registered office, country	2008	2007
Combitech AB	Jönköping, 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	100
Saab Seaeye Ltd	UK	100	100
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		2008	2007
Accumulated acquisition value			
Opening balance, January 1			
Oponing balanco, bandary 1		21,377	21,208
New issues/shareholders' contribut	ions	21,377 65	21,208 220
	ions		
New issues/shareholders' contribut	ions	65	220
New issues/shareholders' contribut Acquisitions	ions	65	220 349
New issues/shareholders' contribut Acquisitions Sales and liquidations	ions	65	220 349 –388
New issues/shareholders' contribut Acquisitions Sales and liquidations Reclassifications	ions	65 3 -101 -	220 349 -388 -12
New issues/shareholders' contribut Acquisitions Sales and liquidations Reclassifications	ions	65 3 -101 -	220 349 -388 -12
New issues/shareholders' contribut Acquisitions Sales and liquidations Reclassifications Closing balance, December 31	ions	65 3 -101 -	220 349 -388 -12
New issues/shareholders' contribut Acquisitions Sales and liquidations Reclassifications Closing balance, December 31 Accumulated impairments	ions	65 3 -101 - 21,344	220 349 -388 -12 21,377
New issues/shareholders' contribut Acquisitions Sales and liquidations Reclassifications Closing balance, December 31 Accumulated impairments Opening balance, January 1	ions	65 3 -101 - 21,344 -9,413	220 349 -388 -12 21,377

Impairment reversals and impairments for the year are reported in the income statement on the line "Result from shares in Group companies."

11,662

Carrying amount, December 31

Specification of Parent Company's holdings of shares in Group companies

1	2	-3	1.	-2	0	0	8	

Group company/Corp. ID no./Reg. office	No. of shares	Share, percent	Carrying amount
Celcius AB, 556194-4652, Stockholm	28,066,038	100	928
Celsius Invest AB, 556164-6588, Stockholm	1,720,000	100	155
Celsius Materialteknik CMT AB, 556354-6349, Linköping	20,000	100	4
Combitech AB, 556218-6790, Växjö	500,000	100	964
Combitech CSE AB, 556615-7581, Linköping	1,000	100	34
C3 Technologies AB, 556628-6414, Linköping	590	59	9
Elesco Holding Oy, Finland	-	100	90
EMC Service Elmiljöteknik AB, 556315-6636, Mölndal	2,000	100	3
FFV Ordnance AB, 556414-8194, Eskilstuna	100,000	100	10
Gripen International AB, 556628-6380, Linköping	1,000	100	4
Götaverken International N.V., Curacao	-	100	5
Kockums Holdings AB, 556036-4100, Malmö	48,000	100	5
Lansen Försäkrings AB, 516401-8656, Linköping	500,000	100	50
Linköping City Airport AB, 556366-8333, Linköping	5,000	100	3
Saab Aerospace Overseas AB, 556628-6448, Linköping	1,000	100	3
Saab Aerotech B.V., Netherlands	-	100	5
Saab Aircraft Leasing Holdings AB, 556124-3170, Stockholm	30,000	100	1,500
Saab Barracuda AB, 556045-7391, Västervik	200,000	100	77
Saab Bofors Dynamics AB, 556264-6074, Karlskoga	500,000	100	357
Saab Communication AB, 556181-4418, Stockholm	21,000	100	3
Saab Czech s.r.o, Czech Republic	_	100	15
Saab Danmark A/S, Denmark	-	100	103
Saab Facilities Stockholm AB, 556244-5683, Stockholm	170,000	100	17
Saab Grintek (Pty) Ltd, South Africa (total ownership 100%, Saab South Africa owns 56%)	-	44	354
Saab Grintek Defence (Pty) Ltd, South Africa (total ownership 75 %, Saab Grintek (Pty) Ltd owns 38%)	_	37	77
Saab Holdings U.S. Inc., USA	-	100	622
Saab International AB, 556267-8994, Stockholm	50,000	100	6
Saab Microwave Systems AB, 556028-1627, Mölndal	300,000	100	3,757
Saab PerformIT AB, 556569-2919, Karlstad	1,350	60	11
Saab Security Systems AB, 556627-4998, Järfälla	200,000	100	100
Saab South Africa (Pty) Ltd, South Africa	-	100	406
Saab Space Fastighetsbolag AB, 556230-7404, Göteborg	1,000	100	67
Saab Supporter Ett AB, 556121-2597, Linköping	1,000	100	95
SaabTech AB, 556460-1655, Järfälla	3,000,000	100	363
Saab Technologies Inc., USA	_	100	1
Saab Training Systems AB, 556030-2746, Jönköping	150,000	100	42
Saab Training Systems B.V., Netherlands	-	100	6
Saab Underwater Systems AB, 556439-6884, Motala	250,000	100	76
Dormant companies, etc.	-	-	1,335
Carrying amount at year-end			11,662

NOTE 45

UNTAXED RESERVES

Parent Company

MSEK	2008	2007
Accumulated accelerated depreciation		
Buildings and land		
Opening balance, January 1	127	151
Under depreciation for the year	-22	-24
Closing balance, December 31	105	127
Machinery and equipment		
Opening balance, January 1	336	201
Accelerated/under depreciation for the year	-19	49
Acquired through business acquisition	-	86
Closing balance, December 31	317	336
Total untaxed reserves, December 31	422	463

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 respects from the statement of cash flows on page 65:

- the establishment of the pension fund is not included in cash flow from operating activities 2007.
- investments in or sales of short-term investments and other interestbearing financial investments as well as interest-bearing receivables are not included in investing activities.

OPERATING CASH FLOW

Cash flow from operating activities

Group MSEK

-uon non operum g uominaco		
Income after financial items	-406	2,449
Transferred to pension fund	-408	-240
Adjustments for items not affecting cash flow	3,068	867
Tax paid	-182	-216
Cash flow from operating activities before changes in working capital excluding establishment of pension fund	2,072	2,860
Working capital		
Inventories	-27	-644
Current receivables	312	-1,605
Advance payments from customers	-1,618	-934
Lease obligations	-220	-251
Other current liabilities	708	-287
Provisions	-273	-443
Change in working capital	-1,118	-4,164
Cash flow from operating activities excluding establishment of pension fund	954	-1,304
Investing activities		
Investments in intangible fixed assets	-636	-666
Investments in tangible fixed assets	-386	-395
Sale of tangible fixed assets	41	45
Sale of lease assets	212	325
Acquisition of subsidiaries	-	-515
Sale of subsidiaries	443	970
Acquisition/sale of shares, etc.	31	-63
Cash flow from investing activities excluding change in interest-bearing financial assets	-295	-299
Operating cash flow	659	-1,603

OPERATING CASH FLOW VS. CASH FLOW FOR THE YEAR IN STATEMENT OF CASH FLOWS

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

SUPPLEMENTAL INFORMATION ON STATEMENT OF CASH FLOWS

Liquid assets

2008

2007

•		
Group		
MSEK	12-31-2008	12-31-2007
The following components are included in liquid assets:		
Cash and bank balances (incl. available overdraft facilities)	795	825
Deposits	27	33
Total according to balance sheet	822	858
Total according to statement of cash flows	822	858
Parent Company		
MSEK	12-31-2008	12-31-2007
The following components are included in liquid assets:		
Cash and bank balances (incl. available overdraft facilities)	237	387
Total according to balance sheet	237	387
Total according to statement of cash flows	237	387

Interest paid and dividends received

	Gro	oup	Parent	Parent Company		
MSEK	2008	2007	2008	2007		
Dividends received	2	5	409	237		
Interest received	109	132	228	214		
Interest paid	-272	-95	-424	-228		
Total	-161	42	213	223		

Adjustments for items not included in cash flow

	G	roup	Parent	Company
MSEK	2008	2007	2008	2007
Depreciation and amortization	1,161	1,150	243	301
Impairments	353	108	308	333
Changes in the value of biological assets	-2	-11	_	_
Changes in the value of investment properties	1	-6	-	-
Profit shares in associated companies	-15	-12	-65	172
Dividends from associated companies	2	5	-	-
Dividends and Group contributions from Group companies	-	_	-438	-564
Capital gain on sale of tangible assets	-78	-362	_	_
Inventory impairment	1,187	-	1,187	-
Reversal impairment of receivables	-	-139	-	_
Provisions	538	283	582	-
Provisions for pensions	31	-28	336	103
Other	-110	-121	-181	-60
Total	3,068	867	1,972	285

Acquisitions of Group companies and other business units

Group

MSEK	2008	2007
Acquired assets and liabilities		
Intangible fixed assets	-	110
Tangible fixed assets	-	26
Financial fixed assets	-	64
Deferred tax assets	-	48
Inventories	-	52
Operating receivables	-	28
Liquid assets	-	70
Total assets	-	398
Deferred tax liability	-	22
Operating liabilities	-	122
Total provisions and liabilities	-	144
Purchase price paid	-	-585
Less: Liquid assets in acquired operations	-	70
Effect on liquid assets	-	-515
Interest-bearing liabilities	-	-
Effect on net liquidity (liquid assets less interest-bearing liabilities)	-	-515

Sale of Group companies and other business units

Group

MSEK	2008	2007
Divested assets and liabilities		
Intangible fixed assets	7	8
Tangible fixed assets	-	547
Inventories	4	102
Operating receivables	54	72
Derivatives	-	21
Assets held for sale	564	134
Liquid assets	-	7
Total assets	629	891
Provisions	2	23
Deferred tax liability	1	10
Operating liabilities	5	161
Liabilities attributable to assets held for sale	239	2
Total provisions and liabilities	247	196
Sales price	443	977
Purchase price received	443	977
Less: Liquid assets in divested operations	-	-7
Effect on liquid assets	443	970
Interest-bearing receivables	_	-51
Effect on Group's net liquidity	443	919

Acquisitions of assets/liabilities and operations

Parent Company

MSEK	2008	2007
Acquired assets and liabilities		
Tangible fixed assets	_	218
Financial fixed assets	_	1
Inventories	_	761
Operating receivables	_	1,624
Total assets	-	2,604
Provisions	-	291
Loans	_	723
Operating liabilities	_	1,590
Total provisions and liabilities	-	2,604

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 2008 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 54-57.

NOTE 49

EXCHANGE RATES USED IN FINANCIAL STATEMENTS

			Year-	end rate	Avera	ige rate
Country			2008	2007	2008	2007
Australia	AUD	1	5.36	5.66	5.53	5.66
Denmark	DKK	100	146.80	127.05	128.84	124.13
Euro	EUR	1	10.94	9.47	9.61	9.25
Japan	JPY	100	8.60	5.72	6.40	5.74
Canada	CAD	1	6.30	6.59	6.17	6.31
Norway	NOK	100	110.35	118.75	117.05	115.46
UK	GBP	1	11.25	12.91	12.09	13.53
South Africa	ZAR	100	82.00	94.00	80.07	95.83
USA	USD	1	7.75	6.47	6.58	6.76

NOTE 50

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 shareholders' 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

Shareholders' 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

Shareholders' 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 means 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 1.75 per share, corresponding to a total dividend of MSEK 187. Unrestricted equity amounts to MSEK 1,804 in Saab AB and profit and loss carried forward in the Group before the dividend paid amounts to

Net income for the year attributable to Parent Company's shareholders amounted to MSEK -248 for the Group and MSEK -655 for the Parent Company.

After paying the dividend, the Group's equity/assets ratio amounts to 28 percent, compared with the long-term objective of 30 percent. Since the IPO IN 1998, the equity/assets ratio has risen from 22 percent to 28 percent in 2008.

The Group's gross capital expenditures in 2008 amounted to MSEK 386, which is considered a good approximation of annual future investments in tangible fixed assets. Investments are also made in research and development, which in 2008 amounted to MSEK 1,439, of which MSEK 635 was capitalized 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 1,693. Saab's ability to carry out its commitments are not affected by the proposed dividend, neither on a short- nor 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 shareholders' 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:

After the proposed disposition, shareholders' equity in the Parent Company will be as follows:

SEK

Retained earnings	2,459,334,607
Net income for the year	-655,201,133
Total	1,804,133,474
Be disposed as follows:	
To the shareholders, a dividend of SEK 1.75 per share	186,952,313
Funds to be carried forward	1,617,181,161
Total	1,804,133,474

Capital stock	1,746,405,504
Statutory reserve	542,471,135
Revaluation reserve	730,635,000

1.617.181.161 4,636,692,800

The company's policy is to issue a dividend of 20-40 percent of net income over a business cycle. The Board of Directors and the President propose that MSEK 187 (491), or SEK 1.75 per share (4.50) be issued as a dividend. Saab's equity/assets ratio is currently 28.4 percent (32.6) and after the proposed disposition of earnings will be 28.0 percent (31.6).

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.

SEK

Total

Retained earnings

Linköping, February 13, 2009

Marcus Wallenberg

Chairman

Lennart Johanssor Board member	1	•		ina Carlqvist ard member	Peter Nygårds Board member
	George Rose Board member		Treschow Torell oard member	Per-Arne S Board m	
Stefan Andersson Board member		Sten Jakobsson Board member		el O'Callaghan ard member	Åke Svensson President and CEO
			conny Holm oard member		

Our Audit Report was submitted on February 13, 2009

Erik Åström Authorized Public Accountant

Tommy Mårtensson Authorized 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 2008. The annual report and the consolidated accounts are included on pages 30-126 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 decisions, 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 statements and the balance sheets of the Parent Company and 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, February 13, 2009

Ernst & Young AB

Erik Åström Authorized Public Accountant Deloitte AB

Tommy Mårtensson Authorized Public Accountant

QUARTERLY INFORMATION

		January-	April–June					
MOFIA	0000	Operating	0007	Operating	2000	Operating	0007	Operating
MSEK	2008	margin	2007	margin	2008	margin	2007	margin
Sales								
Defence and Security Solutions	2,096		2,053		2,365		2,264	
Systems and Products	1,734		1,885		2,238		2,417	
Aeronautics	1,612		1,383		2,040		1,621	
Corporate	10		20		12		11	
Internal sales	-473		-424		-609		-378	
Total	4,979		4,917		6,046		5,935	
Operating income								
Defence and Security Solutions	193	9.2%	230	11.2%	187	7.9%	216	9.5%
Systems and Products	138	8.0%	158	8.4%	228	10.2%	245	10.1%
Aeronautics	111	6.9%	67	4.8%	-66	-3.2%	121	7.5%
Corporate	-57		-41		210		48	
Total	385	7.7%	414	8.4%	559	9.2%	630	10.6%
Net financial items	-61		-34		-81		-58	
Income before taxes	324		380		478		572	
Net income for the period	231		270		338		438	
Attributable to Parent Company's shareholders	232		261		341		434	
Earnings per share after dilution	2.13		2.39		3.12		3.98	
No. of shares after dilution, thousands	109,150		109,150		109,150		109,150	
		July-Sept	tombor			October-D	ocombor	
			terriber	0 "			ecember	
MSEK	2008	Operating margin	2007	Operating margin	2008	Operating margin	2007	Operating margin
Sales								
Defence and Security Solutions	1,904							
Systems and Products			2,069		3,078		2,914	
	1,771		2,069 1,839		3,078 3,352		2,914 2,950	
Aeronautics	1,771 1,261							
Aeronautics Corporate			1,839		3,352		2,950	
	1,261		1,839 1,279		3,352 2,356		2,950 2,227	
Corporate	1,261		1,839 1,279 9		3,352 2,356 100		2,950 2,227 11	
Corporate Internal sales	1,261 11 –364		1,839 1,279 9 –385		3,352 2,356 100 –698		2,950 2,227 11 -744	
Corporate Internal sales Total	1,261 11 –364	5.9%	1,839 1,279 9 –385	6.5%	3,352 2,356 100 –698	7.8%	2,950 2,227 11 -744	12.1%
Corporate Internal sales Total Operating income	1,261 11 -364 4,583	5.9% 3.5%	1,839 1,279 9 -385 4,811	6.5% 5.4%	3,352 2,356 100 –698 8,188	7.8% 9.8%	2,950 2,227 11 -744 7,358	12.1% 8.6%
Corporate Internal sales Total Operating income Defence and Security Solutions	1,261 11 -364 4,583		1,839 1,279 9 -385 4,811		3,352 2,356 100 -698 8,188		2,950 2,227 11 -744 7,358	
Corporate Internal sales Total Operating income Defence and Security Solutions Systems and Products	1,261 11 -364 4,583 112 62	3.5%	1,839 1,279 9 -385 4,811 135	5.4%	3,352 2,356 100 -698 8,188 240 328	9.8%	2,950 2,227 11 -744 7,358 353 253	8.6%
Corporate Internal sales Total Operating income Defence and Security Solutions Systems and Products Aeronautics	1,261 11 -364 4,583 112 62 -137	3.5%	1,839 1,279 9 -385 4,811 135 100 68	5.4%	3,352 2,356 100 -698 8,188 240 328 -1,416	9.8%	2,950 2,227 11 -744 7,358 353 253 198	8.6%
Corporate Internal sales Total Operating income Defence and Security Solutions Systems and Products Aeronautics Corporate	1,261 11 -364 4,583 112 62 -137 -6	3.5% -10.9%	1,839 1,279 9 -385 4,811 135 100 68 15	5.4% 5.3%	3,352 2,356 100 -698 8,188 240 328 -1,416 39	9.8% -60.1%	2,950 2,227 11 -744 7,358 353 253 198 441	8.6% 8.9%
Corporate Internal sales Total Operating income Defence and Security Solutions Systems and Products Aeronautics Corporate Total	1,261 11 -364 4,583 112 62 -137 -6 31	3.5% -10.9%	1,839 1,279 9 -385 4,811 135 100 68 15 318	5.4% 5.3%	3,352 2,356 100 -698 8,188 240 328 -1,416 39 -809	9.8% -60.1%	2,950 2,227 11 -744 7,358 353 253 198 441 1,245	8.6% 8.9%
Corporate Internal sales Total Operating income Defence and Security Solutions Systems and Products Aeronautics Corporate Total Net financial items	1,261 11 -364 4,583 112 62 -137 -6 31 -206	3.5% -10.9%	1,839 1,279 9 -385 4,811 135 100 68 15 318	5.4% 5.3%	3,352 2,356 100 -698 8,188 240 328 -1,416 39 -809	9.8% -60.1%	2,950 2,227 11 -744 7,358 353 253 198 441 1,245 -65	8.6% 8.9%
Corporate Internal sales Total Operating income Defence and Security Solutions Systems and Products Aeronautics Corporate Total Net financial items Income before taxes	1,261 11 -364 4,583 112 62 -137 -6 31 -206 -178	3.5% -10.9%	1,839 1,279 9 -385 4,811 135 100 68 15 318 -1 317	5.4% 5.3%	3,352 2,356 100 -698 8,188 240 328 -1,416 39 - 809 -221 -1,030	9.8% -60.1%	2,950 2,227 11 -744 7,358 353 253 198 441 1,245 -65 1,180	8.6% 8.9%
Corporate Internal sales Total Operating income Defence and Security Solutions Systems and Products Aeronautics Corporate Total Net financial items Income before taxes Net income for the period	1,261 11 -364 4,583 112 62 -137 -6 31 -206 -178 -103	3.5% -10.9%	1,839 1,279 9 -385 4,811 135 100 68 15 318 -1 317 225	5.4% 5.3%	3,352 2,356 100 -698 8,188 240 328 -1,416 39 -809 -221 -1,030 -708	9.8% -60.1%	2,950 2,227 11 -744 7,358 353 253 198 441 1,245 -65 1,180 1,008	8.6% 8.9%

MULTI-YEAR OVERVIEW

MSEK, unless otherwise indicated	2008	2007	2006	2005	20044)	2003	2002	2001
Order bookings	23,212	20,846	27,575	17,512	16,444	19,606	19,521	15,274
Order backlog at year-end	45,324	47,316	50,445	42,198	43,162	45,636	43,082	40,034
Net sales	23,796	23,021	21,063	19,314	17,848	17,250	16,538	15,689
Foreign market sales, %	68	65	65	56	48	46	41	40
Defence sales, %	83	81	79	82	80	80	76	70
Operating income	166	2,607	1,745	1,652	1,853	1,293	1,220	1,594
Operating margin, %	0.7	11.3	8.3	8.6	10.4	7.5	7.4	10.2
Operating margin before depreciation excluding leasing, %	6.4	16.0	12.0	11.3	13.1	11.1	11.2	14.4
Income after financial items	-406	2,449	1,693	1,551	1,712	1,073	993	1,554
Net income for the year	-242	1,941	1,347	1,199	1,310	746	732	1,127
Total assets	32,890	33,801	32,771	30,594	27,509	28,704	28,109	29,901
of which Saab Aircraft Leasing	3,226	3,415	3,397	4,887	5,314	6,181	4,869	5,445
of which advance payments, net	879	2,558	3,642	3,528	2,860	3,990	3,775	4,194
of which shareholders' equity	9,330	11,008	10,025	9,493	8,221	7,003	6,833	6,679
equity per share, SEK 1)	86.49	101.53	89.80	84.10	74.89	65.75	64.17	62.74
Net debt/Net liquidity excluding interest-bearing receivables and after deduction of provisions for pensions	-3,061	-2,802	-261	5,144	3,211	3,149	2,655	2,935
Net debt/Net liquidity	-1,693	-1,627	605	2,856	781	495	352	885
Cash flow from operating activities	954	-1,304	969	2,541	865	1,348	1,060	1,973
Operating cash flow	659	-1,603	-1,900	2,645	325	545	-92	1,642
Average capital employed	13,994	13,430	12,789	12,925	12,386	11,629	11,926	12,253
Return on capital employed, %	1.4	19.4	14.5	14.6	17.3	12.7	11.6	15.5
Return on equity, %	-2.4	18.5	13.8	13.5	16.7	10.8	10.8	18.3
Profit margin, %	0.82	11.4	8.83	9.73	11.74	8.5	8.4	12.1
Capital turnover rate, multiple	1.70	1.71	1.65	1.49	1.47	1.48	1.39	1.28
Equity/assets ratio, %	28.4	32.6	30.6	31.0	29.9	24.4	24.3	22.3
Interest coverage ratio, %	0.35	21.4	13.47	6.08	6.08	3.70	3.55	5.50
Earnings per share, SEK ²⁾	-2.31	17.68	11.91	10.89	11.78	7.00	6.87	10.59
Earnings per share after dilution, SEK ³⁾	-2.31	17.60	11.91	10.89	11.78	6.91	6.78	10.40
Dividend, SEK ⁵⁾	1.75	4.50	4.25	4.00	3.75	3.50	3.50	3.25
Gross capital expenditures tangible fixed assets	386	395	433	296	348	472	623	532
Research and development costs	4,141	4,523	3,537	3,546	3,929	3,690	4,138	3,819
Number of employees at year-end	13,294	13,757	13,577	12,830	11,936	13,414	14,036	14,028

¹⁾ Number of shares as of December 31, 2008: 106,829,893; 2007: 108,150,344; 2006/2005/2004: 109,150,344; 2003: 106,517,563; 2002: 106,510,374 and 2001: 106,459,675.

²⁾ Average number of shares 2008: 107,515,049; 2007: 108,668,700, 2006/2005: 109,150,344; 2004: 108,234,126; 2003: 106,513,969; 2002: 106,487,407 and 2001: 106,459,675.

³⁾ Average number of shares 2008: 107,515,049; 2007/2006/2005: 109,150,344; 2004: 108,234,126; after dilution 2001–2003: 109,247,175. Conversion of debenture loan concluded july 15, 2004.

Restated according to IFRS, previously not restated.

^{5) 2008} Board of Directors proposal.

CORPORATE GOVERNANCE REPORT

Introduction

Saab AB is a Swedish public limited liability company governed by Swedish law. Saab's corporate governance is based on Swedish legislation, primarily on the Swedish Companies Act, the listing contract with NASDAQ OMXStockholm - which also includes the Swedish Code of Corporate Governance - and other relevant laws and guidelines.

Saab strives to maintain the highest standards in its corporate governance. Corporate governance with effective procedures and routines improves Saab's competitiveness and increases confidence in the company in the capital markets.

Swedish Code of Corporate Governance

According to the listing requirements of NASDAQ OMXStockholm, all Swedish companies that are registered on NASDAQ OMXStockholm shall apply the Swedish Code of Corporate Governance ("the Code").

Saab, whose shares are listed on NASDAQ OMXStockholm, applies the Code. The Code requires the annual accounts to be supplemented by this corporate governance report, which describes how Saab has applied the Code during the financial year 2008. The Annual General Meeting will also 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 continuously updated in accordance with the Code.

The Board annually issues a report on how the internal control of financial reporting is organized. The report can be found at the end

The contents of this corporate governance report have not been reviewed by the company's auditors.

Nomination Committee

The Annual General Meeting in April 2008 resolved that Saab shall have a Nomination Committee consisting of one representative of each of the four 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 before the Annual General Meeting 2009 and shall be based on known voting rights immediately before the announcement. The resolution includes procedures, if need be, to replace a member who leaves the committee before its work has been completed.

According to a resolution by the Annual General Meeting 2008, the Nomination Committee shall draft recommendations on the following issues, to be presented to the Annual General Meeting 2009 for resolution:

- (a) recommendation on the Chairman of the meeting,
- (b) recommendation on the Board of Directors,
- (c) recommendation on the Chairman of the Board.
- (d) 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,
- (e) election of the auditors
- (f) recommendation on audit fees, and
- (g) recommendation on the appointment of a new Nomination Committee for the Annual General Meeting 2010.

Before the Annual General Meeting of Saab AB on 16 April 2009, it was made public through a press release that, in addition to the Chairman of the Board Marcus Wallenberg, the following shareholder representatives had been appointed members of Saab's Nomination Committee (the shareholders' names are in parentheses): Petra Hedengran (Investor), Peter Wallenberg Jr (Knut and Alice Wallenberg Foundation), Mats Lagerqvist (Swedbank Robur Funds) and Nils Petter Hollekim (Odin Funds Norway). Petra Hedengran is the Chairman of the Nomination Committee.

These persons represent in the aggregate approximately 50 percent of the votes in Saab according to the VPC's share register as per 30 September 2008. 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 2009.

Members of the Nomination Committee for Annual General Meeting 2009

Member	Representing	% of votes 9-30-2008	% of capital 9-30-2008
Petra Hedengran	Investor	38.02	19.80
Peter Wallenberg Jr	Knut and Alice Wallen- berg Foundation	6.05	8.67
Mats Lagerqvist	Swedbank Robur Funds	2.59	3.72
Nils Petter Hollekim	Odin Funds Norway	2.46	3.52
Marcus Wallenberg	Chairman Saab AB	_	_

The 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 and no deputy members. 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 the employee organizations.

At the Annual General Meeting on 15 April 2008, Erik Belfrage, Lennart Johansson, Peter Nygårds, Michael J. O'Callaghan, George Rose, Per-Arne Sandström, Lena Treschow Torell, Marcus Wallenberg and Åke Svensson were re-elected. Sten Jakobsson was elected as a new member.

Marcus Wallenberg was elected Chairman of Saab. 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 2008 is set forth in the annual report, note 37.

Members of the Board elected by the Annual General Meeting Marcus Wallenberg

Åke Svensson

Erik Belfrage

Sten Jakobsson

Lennart Johansson

Peter Nygårds

Michael J. O'Callaghan

George Rose

Per-Arne Sandström

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

Stefan Andersson

Catarina Carlqvist

Conny Holm

Nils Lindskog

Deputies Göran Gustavsson Jan Kovacs

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 2008

Board member	Elected	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	Yes
Lena Treschow Torell	2005	Yes	No 6)

- 1) Former President and CEO of Investor
- 2) President and CEO
- 3) Former member of Investor's board Employed by Investor
- 5) Employed by BAE System
- 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 indepen-dent of the company's major shareholders.

Work of the Board

According to the rules of procedure adopted by the Board, five ordinary meetings are normally held each year, in addition to the statutory meeting. The Board may also meet whenever circumstances demand. During 2008, the Board held one statutory meeting, five ordinary meetings and three extraordinary meetings, totalling nine meetings.

The Board annually adopts rules of procedure and an instruction on the allocation of work between the Board of Directors 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 Board meetings, reporting from the auditors and the special decisions to be taken at the statutory meeting. The rules of procedure and the 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 2008, the Board of Directors considered the establishment of a budget and business plan. Another important part of the Board's work is the monthly financial reports it receives and which are discussed at each Board meeting and before the quarterly reports and the annual report.

During the year, emphasis was placed on reducing the time devoted to reviewing historical reporting in order to instead spent more time discussing and reviewing strategies and the future. The Board devoted substantial time during the year to the company's strategy, export opportunities for the Gripen fighter aircraft and related marketing investments that will be required, and measures taken to counter uncertainties in the Swedish defence budget. The

effects on Saab and measures taken owing to the financial pressures on the civil aircraft market were also handled by the Board at several meetings. The impact of Saab's cost-savings program is monitored regularly. The Board has also closely monitored the effects of the Billion+ savings program, which will enable Saab to bear the higher costs of research and development and marketing. The work of the committees represents a substantial part of the Board's work. After meetings with the Audit and Remuneration Committees, the issues that have been treated and the recommendations made are reported to the Board.

In order to increase the Board members' knowledge of the company's operations outside of Sweden, one Board Meeting was held in South Africa, where the Board members were able to meet the local managers and visit the facilities.

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 2008, 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 shareholders. The General Counsel, Anne Gynnerstedt, is secretary to the Audit Committee.

Attendance and Board remuneration in 2008

Name	Audit Committee	Remu- neration Committee	Attendance Board- meetings ¹⁾	Committee meetings 2)	Board fees KSEK ³⁾	Audit Com- mittee fees, KSEK	Remuneration Committee fees, KSEK	Total remu- neration KSEK
Marcus Wallenberg		Х	9	6	1,100		80	1,180
Åke Svensson			9					
Erik Belfrage			9		425			425
Sten Jakobsson			54)		425			425
Lennart Johansson	X		9	5	425	100		525
Peter Nygårds	X		8	5	425	150		575
Michael J. O'Callaghan			6		_			_
George Rose		X	9	6	_			_
Per-Arne Sandström	X		9	5	425	100		525
Lena Treschow Torell		×	9	6	425		135	560

²⁾ Of a total of 5 meetings for Audit Committee and 6 meetings for Remuneration Committee

³⁾ BAE Systems' board members do not receive a fee

⁴⁾ Elected in April 2008

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, coordinate external and internal audits, evaluate the external audit and review the effectiveness of the internal control systems for financial reporting. The company's external and the internal auditors are both co-opted to the meetings of the Audit Committee. During 2008, the Audit Committee focused particularly on the financial reporting and operational excellence program.

The Audit Committee keeps minutes of its meetings, which are promptly communicated to the other members of the Board.

In 2008, the Committee held five 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 programs for variable compensation and pension terms to the Group Management, and preparing the design and proposal of Saab's Share Matching Plan. All decisions regarding such principles shall from 2006 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. 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

In 2008, the Committee held six 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 of its work and efficiency. This is done by having members fill out a questionnaire and give 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 cooperative atmosphere. The purpose of the evaluation is to understand how

members feel about the Board's work. The results of the evaluation are then discussed by the Board. No external consultants are involved in the evaluation process.

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 following the development of 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 of Directors. Åke Svensson does not own shares in any enterprises with which Saab has material business ties.

Company's auditors

On behalf of the shareholders and in accordance with current laws and regulations, the external auditors examine the accounts, group accounts, the annual report and the administration and management of the company by the Board of Directors and the President. In addition, the semi-annual report has been briefly examined by the company's auditors. The auditor in charge also presents an auditors' report to the Annual General Meeting.

The Annual General Meeting elects auditors for a term of four years. 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 organization with operations in around 140 countries
- Auditor in charge since 2007, Erik Åström
- Other audit engagements: Apoteket, Hakon Invest, Hennes & Mauritz, Kinnevik, Modern Times Group and Svenska Handelsbanken

Deloitte AR

- Elected in 2005 for the term 2005-2008
- Member of Deloitte's global organization with operations in around 140 countries
- Auditor in charge since 2005, Tommy Mårtensson
- Other audit engagements: Björn Borg, FastPartner, Fortum, Industrifonden 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 and 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 involving consultations closely associated with the audits, 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 2006-2008, the Group

MSEK	2008	2007	2006
Audit assignments: Ernst & Young AB Deloitte AB	14 4	13 4	13 2
Other assignments: Ernst & Young AB Deloitte AB	2 3	4 2	7 1

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 on 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, according to the Board's rules of procedure.

The Board has met with the auditors to discuss their review of the company for the financial year 2008. The Board has also met on one occasion with the auditors without the presence of the CEO or any other members of Group Management.

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 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.

The internal control is based on Saab's organization, where operational responsibilities and powers have been allocated to business units and support units, which are also supported and 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

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.

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.

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.

Control and monitoring of the operations are performed by steering groups in the business units and a stronger management at the business segment level. The steering groups and business segment's management are also responsible for the implementation of and compliance with Group guidelines in each organization.

Each business unit designs its risk management routines and structure for internal control based on overall routines and Group guidelines.

Saab has a chain of controllers from the Group and business segment level through business units to profit units and projects. They are 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 are based on measurements of profitability and the 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 where additions and changes to rules and guidelines in the financial area, as well as planning for information flows, are discussed.

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, coordinating 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 Born 1952 1992. Member of Saab's Remuneration Committee Born 1956 Bachelor of Science of Foreign Service, Lieutenant in Royal Swedish Naval Academy

Other board commitments:

Shares in Saab: 80.150

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 employments and positions

President and CEO, Investor AB; Director, Stora Feldmühle AG. Düsseldorf: Skandinaviska Enskilda Banken, Stockholm, London; Citicorp (Hong Kong) and Citibank N.A. (New York).



ÅKE SVENSSON

Member of the Board since 2003 President and CFO of Saab Shares in Saab: 5.181

Other board commitments: Council Member (and immediate

Past President) of the AeroSpace and Defence Industries Association of Europe (ASD) Board member of the Association of Swedish Engineering Industries Board member of the Royal Swedish Academy of Engineering Sciences Member of the Royal Swedish

Former employments and positions:

Academy of War Sciences

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 employments within 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: 2,000

Other board commitments:

Chairman of Infocare AS and Spring Mobil AB Board Member of Human Care AB. Cellmax AB, Note AB and Incentive AB Chamber of Commerce (ICC)

Former employments and positions:

Deputy CEO and COO of Telefonaktiebolaget I. M. Fricsson: President and CFO. Fricsson Inc., USA: Vice President and General Manager, Business Unit GSM, Ericsson Radio Systems AB; Executive Vice President and Managing Director, Cellular Systems, Fricsson Ltd, UK: Vice President and General Manager, GSM Western Europe, Ericsson Radio Systems AB; Vice President and General Manager, Airborne Radar Division, Fricsson Microwave Systems AB; Department Manager, Naval Command and Control Systems, Ericsson Microwave Systems AB



ERIK BELFRAGE

Member of the Board since 1991 Director of SFB Born 1946 Shares in Saab: 2.500

Other board commitments:

Chairman of Sigtuna Skolstiftelse and the International Council of Swedish Industry (NIR), Chairman International Commission on Business in Society Vice Chairman International Chamber of Commerce (ICC) Finance Committee Board member of Eramet Steel and the Centre for European Policy Studies(CEPS)

Member of the Trilateral Commission Associate Member European Round-

table (ERT)

Former employments and positions

Board member of Investor AB Swedish Embassy in Geneva, Washington, Bucharest, 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 R Sc

Shares in Saab: 175

DEPUTIES

GÖRAN GUSTAVSSON

Deputy Board member since 2008 Chairman of the Engineering Workers' Union local at Saab AB, Linköpina Born 1953 Shares in Saab: 166

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

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: 133

AUDITORS

ERNST & YOUNG AB FRIK ÅSTRÖM

DELOITTE AB TOMMY MÅRTENSSON

Shares in Saab: 184

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

Shares in Saab: 2,400

Other board commitments:

Board member of the Swedish Environmental Research Institute (IVL), Bothniabanan AB and the Swedish Tourist Association

Former employments 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: 3,100

Other board commitments:

Board member of Investor AB, SKF AB, ÅF AB, Micronic Laser Systems AB, Dagens Industri AB and the Chalmers University of Technology Foundation; Chairman of the Board of Euro-CASE (European Council of Applied Sciences) and MISTRA (the Foundation for Strategic Environmental Research)

Former employments 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 CARLOVIST

Shares in Saah: -

Member of the Board since 2007 Member of the Swedish Association of Graduate Engineers' local, Saab Bofors Dynamics, Karlskoga Luleå University of Technology



GEORGE BOSE

Member of the Board since 1998 Member of Saab's Remuneration Committee Finance Director of BAE Systems PLC Non Executive Director of National Grid plc B.A.

Shares in Saah: -

Other board commitments:

Board member of National Grid plc Chairman of National Grid plc Audit Committee

Member of National Grid plc Remuneration Committee and National Grid plc Nomination

Member of UK's Financial Reporting Review Panel

Former employments and positions:

Finance Director of Levland DAF LIK Director Group Control of 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: 4,500

Other board commitments:

Board member of b-business partners BV, IBX Group, Gambro AB and related businesses, and Rotca Holding AB (Mölnlycke Healthcare)

Former employments and positions:

CEO, b-business partners BV CEO, Emerging Technologies ET AB Executive vice president, Atlas Copco AB, other positions in controlling, accounting 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 employments 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 M.Sc.

Shares in Saah: 2 500

Other board commitments:

Board member of Teknikföretagen, Stena Metall AB and World Childhood Foundation

Former employments 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 Avitronics, Jönköping Born 1947

Upper secondary engineering education Shares in Saab: 264

GROUP MANAGEMENT



ÅKE SVENSSON President and CEO Born 1952, M.Sc. Employed 1976 Shares in Saab: 5.181



DAN-ÅKE ENSTEDT Executive Vice President and head of the business segment Defence and Security Solutions. Born 1957 Employed 2001 Shares in Saab: 1,438



LENA OLVING Executive Vice President and head of the business segment Systems and Products. Born 1956 Employed November 2008 Shares in Saab: 561



LENNART SINDAHL Executive Vice President and head of the business segment Aeronautics Born 1956, M.Sc. Employed 1986 Shares in Saab: 199



LARS GRANLÖF Chief Financial Officer Born 1962, MBA Employed 2007 Shares in Saab: 3,591



ANNE GYNNERSTEDT Group Senior Vice President, Legal Affairs and Secretary of the Board of Directors Born 1957, LLB Employed 2004 Shares in Saab: 1,263



MIKAEL GRODZINSKY Group Senior Vice President, Human Resources Born 1958, M.Sc. Employed 1985 Shares in Saab: 1,111



DAN JANGBI AD Group Senior Vice President, Strategy and **Business Development** Born 1958, M.Sc. Employed 2000 Shares in Saab: 1,768



PETER SANDEHED Group Senior Vice President, Mergers and Acquisitions. Born 1952, MBA Employed 1981 Shares in Saab: 6,720



CECILIA SCHÖN JANSSON Group Senior Vice President, Corporate Communications and Public Affairs Born 1956 Employed 2007 Shares in Saab: 928



MATS WARSTEDT Group Senior Vice President, Marketing Born 1962 M.Sc. and MBA Employed 2000 Shares in Saab: 635



JONAS HJELM Group Senior Vice President, Government Relations. Born 1971 Employed 2006. Shares in Saab: 488

GROUP MANAGEMENT ALSO INCLUDED THE FOLLOWING INDIVIDUALS IN 2008

IAN MCNAMEE Group Senior Vice President, Aeronautics. FRIK LÖWENADLER EVP and head of Systems and Products LARS WAHLUND Group Senior Vice President, Finance KENT-ÅKE JÖNSSON

Vice President, Mergers and Acquisitions.

INFORMATION TO SHAREHOLDERS

Annual General Meeting

The Annual General Meeting will be held at 3:00 pm (CET) on Thursday, April 16, 2009 at Aula Magna, Stockholm University, Frescativägen 6, Stockholm, Sweden.

Notification

Shareholders must notify the company of their intention to participate in the meeting not later than Wednesday, April 8, 2009:

- by telephone: +46 13 18 20 55
- by mail with separate invitation
- by mail: Saab AB, Avd CJ-MG, 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 authorization, 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 Center) on Wednesday, April 8, 2009 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 Wednesday, April 8, 2009, they must request re-registration with their nominees several business days in advance.

Dividend

The Board of Directors is recommending a dividend of SEK 1.75 per share and Tuesday, April 21, 2009 as the record day for the dividend. With this record day, Euroclear Sweden AB is expected to distribute the dividend on Friday, April 24, 2009.

THE SAAB SHARE

Capital stock and number of shares

Saab's capital stock amounted to SEK 1,746,405,504 on December 31, 2008 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, 53,416,722 are Series B shares available via the stock market, representing 49 percent of the capital and 36 percent 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 capitalization was SEK 7.8 billion at year-end 2008. The price of the Series B share fell during the year by 45 percent, compared with a decrease of 41 percent 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 -16 percent over the last five years.

Trading volume and statistics

A total of 64,456,956 Series B shares were traded in 2008, corresponding to 124 percent of the shares available. The share closing price reached a high of SEK 180.00 on May 9 and a low of SEK 51.00 on December 2. 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 1.13, 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 0.345, which means that 34.5 percent of the share's price performance is due to the market's development as a whole.

Ownership structure

Saab had 32,164 shareholders as of year-end. Swedish investors accounted for 60 percent of the capital stock and 66 percent of the votes. Swedish equity funds owned approximately 14 percent of the capital stock and 10 percent of the votes. Individual Swedish investors held approximately 6 percent of the capital stock and 4 percent of the votes.

Dividend and dividend policy

Saab's long-term dividend policy is to distribute 20-40 percent of income after tax over a business cycle. For 2008, the Board of Directors is recommending a dividend of SEK 1.75 (4.50) per share.

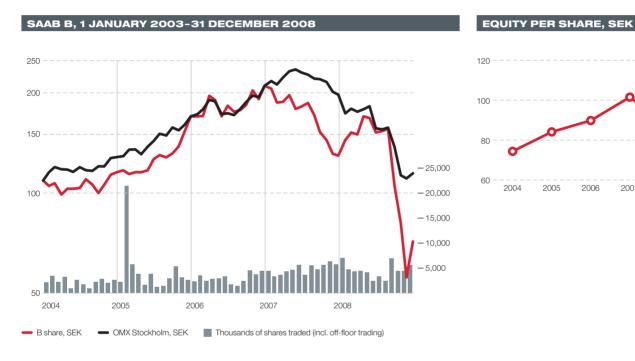
Saab's share matching plan

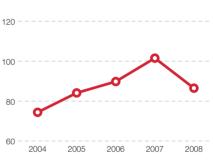
In April 2007, Saab's Annual General Meeting resolved to offer employees the opportunity to participate in a share matching plan where they can purchase Series B shares in Saab during a 12-month period. Purchases are made through withdrawals of between 1 and 5 percent of the employee's monthly gross salary. For every share they purchase and retain for three years, they receive one matching share free of charge. The plan was introduced in Sweden and Norway in autumn 2007 and around 4,700 employees signed on.

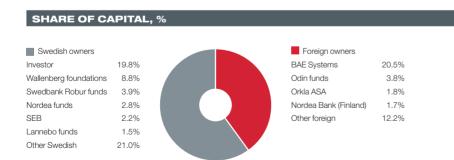
In 2008, we expanded the voluntary share matching plan. It now covers employees in Sweden, Norway, Denmark, Germany, the UK, the u.s., Switzerland and Australia. Employees in South Africa are expected to join the plan shortly.

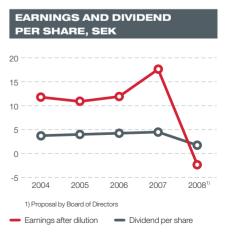
During 2007, Saab repurchased one million shares to guarantee the plan.

The Annual General Meeting on April 15, 2008 resolved to renew the Board of Directors' mandate to decide to repurchase up to 10 percent of the shares outstanding. The purpose of the authorization is to provide the Board with greater scope in working with the company's capital structure and enable acquisitions when considered appropriate, as well as to secure the Group's share matching plan. The mandate applies 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. During the third quarter 2008, 1,340,000 shares were repurchased, beginning on July 21, 2008. The total cost for the repurchased shares was MSEK 209.









Data per B share 2003-2008

	2008	2007	2006	2005	20042)	2003
Closing prices 1)						
at year-end, SEK	71.50	129.50	210.00	170.00	115.50	109.00
high for the year, SEK	180.00	216.50	218.00	170.00	118.50	117.00
low for the year, SEK	51.00	116.50	154.50	113.00	97.75	82.00
Market capitalization, SEK	7,804	14,135	22,921	18,556	12,607	11,610
Average daily turnover, no. of shares1)	255,782	240,390	148,965	229,007	112,279	121,787
Yield, %	2.4	3.5	2.0	2.4	3.2	3.2
Price/equity, %	83	128	234	202	155	166
P/E ratio	-32.2	7.4	17.6	15.5	9.6	15.6
P/EBIT, multiple	47.0	5.4	13.1	11.2	6.8	9.0
Sales						
before dilution, SEK	221.33	211.85	192.97	176.95	164.90	161.95
after full dilution, SEK	218.01	210.91	192.97	176.95	163.52	157.90
Net income of the year (attributable to the Parent Company's shareholders)						
before dilution, SEK	-2.31	17.68	11.91	10.89	11.78	7.00
after full dilution, SEK	-2.31 ³⁾	17.60	11.91	10.89	11.78	6.91
Equity per share, SEK	86.49	101.53	89.80	84.10	74.37	65.77
Cash flow from operating activities						
before dilution, SEK	8.87	-12.40	8.88	22.32	7.99	12.66
after full dilution, SEK	8.74	-12.34	8.88	22.32	7.92	12.34
Dividend (2008 proposal), SEK	1.75	4.50	4.25	4.00	3.75	3.50
Dividend /net income, %	-	25	36	37	32	50
Total dividend, MSEK	187	491	464	437	409	373
Dividend growth, %	-	6	6	7	7	0
No. of shareholders	32,164	28,181	29,413	33,809	36,069	37,688
Share of foreign ownership, capital, %	40	39	38	36	45	39
Share of foreign ownership, votes, %	34	34	32	31	41	37
Average number of shares	107,515,049	108,668,700	109,150,344	109,150,344	108,102,533	106,513,969
Number of shares at year-end	106,829,893	108,150,344	109,150,344	109,150,344	109,150,344	106,517,563
Number of shares after full dilution	109,150,344	109,150,344	109,150,344	109,150,344	109,150,344	109,247,175

Saab B on NASDAQ OMX Stockholm
 Restated according to IFRS, previously not restated
 No dilution effect if net income is negative

Shareholders

As of December 31, 2008 according to Swedish Central Securities Depository	No. of shares thousands	Percent of share capital	Percent of votes
BAE Systems, UK	22,332	20.5	20.3
Investor	21,612	19.8	38.0
Wallenberg foundations	9,614	8.8	6.1
Swedbank Robur funds	4,265	3.9	2.7
Odin Funds (Norway)	4,118	3.8	2.6
Nordea Funds	3,047	2.8	2.0
SEB	3,393	2.2	1.5
Orkla ASA	1,925	1.8	1.2
Nordea Bank (Finland)	1,866	1.7	1.2
Lannebo Fonder	1,639	1.5	1.1
JP Morgan Chase Bank	1,617	1.5	1.0
AMF Pensioninsurance AB	1,270	1.2	0.8
US Residents Omnibus Lending A/A	1,111	1.0	0.7
Fourth AP-Fund	1,105	1.0	0.7
Handelsbanken Funds	1,035	1.0	0.7
SEB-Foundation	1,000	0.9	0.6
First AP-Fund	967	0.9	0.6
AMF Pension Funds	962	0.9	0.6
BT Pension scheme	901	0.8	0.6
Livförsäkringsaktiebolaget	868	0.8	0.6
Subtotal, 20 largest shareholders	85,101	78	85
Other Swedish shareholders	15,972	14.6	6.2
Other international shareholders	8,559	8.6	10.2
Repurchased shares	2,320	2.1	-
Total	109,150	100.0	100.0

Distribution of shareholders

Number of shares	Number of share- holders	Percent of shareholders	Number of shares	Percent of share capital
1–500	29,445	91.6	3,056,590	2.8
501-1,000	1,424	4.4	1,165,815	1.1
1,001-5,000	937	2.9	2,026,302	1.9
5,001-10,000	105	0.3	798,582	0.7
10,001-15,000	37	0.1	480,672	0.4
15,001-20,000	29	0.1	530,586	0.5
20,000-	186	0.6	95,839,244	92.6
Total 1)	32,164	100.0	109,150,344	100.0

¹⁾ Including 2.32 million repurchased B-shares

Shares and votes, December 31, 2008

Share class	Number of shares	Percent of total shares	Number of votes	Percent 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⁾ Number of votes are excluding 2.32 million B-shares which are 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	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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