



SAAB

INTERIM REPORT

JANUARY–JUNE
2009

RESULTS AND SUMMARY

JANUARY–JUNE 2009

- Order bookings amounted to MSEK 8,096 (12,955) and the order backlog to SEK 42.4 billion (48.6 billion)
- Sales increased by 6 percent to MSEK 11,695 (11,025), an increase of 8 percent adjusted for divestments and exchange rate effects
- Gross income amounted to MSEK 3,037 (3,045), corresponding to a gross margin of 26.0 percent (27.6)
- Operating income was MSEK 622 (944), corresponding to an operating margin of 5.3 percent (8.6). Adjusted for non-recurring items, the operating margin was 4.9 percent (8.9). A change in the application of accounting principles for development costs as of January 1, 2009 contributed negatively by approximately 3 percentage points
- Net income for the period was MSEK 265 (569), with earnings per share after dilution of SEK 2.46 (5.25)
- The Billion+ program is progressing according to plan
- The previous sales outlook for flat sales in 2009 has changed. Outlook: Saab's future development is dependent on Swedish defence plans and will continue to be affected by the global economy. Saab is therefore facing uncertainties in its business environment. For the full year 2009 sales will increase compared to 2008, however we remain cautious in our outlook for the full year. The operating margin will be reduced by about 4 percentage points due to our more conservative accounting for development costs.

CEO STATEMENT

“Saab received several important orders in key areas despite the financial turmoil and changes in the Swedish defence structure.

The continued sales growth demonstrates our ability to meet project milestones and deliver advanced systems, products and services according to contractual plans.

Ongoing efficiency improvements are progressing according to plan.

Our long-term strategy to grow in markets outside Sweden and broaden the scope of our civil security operations remains a priority.”

GROUP

MSEK	Jan–Jun 2009	Jan–Jun 2008	Change, %	Apr–Jun 2009	Apr–Jun 2008	Jan–Dec 2008
Order bookings	8,096	12,955	-38	3,995	5,206	23,212
Order backlog	42,414	48,571	-13	-1,744 ³⁾	-1,037 ³⁾	45,324
Sales	11,695	11,025	6	6,283	6,046	23,796
Gross income	3,037	3,045		1,672	1,665	4,634
Gross margin, %	26.0	27.6		26.6	27.5	19.5
Adjusted gross margin, ¹⁾ %	25.3	28.0		25.4	28.2	26.5
Internally funded investments in research and development	558	685		283	340	1,439
Operating income before depreciation/amortization and impairments (EBITDA)	1,213	1,421	-15	778	834	1,515
Margin, %	10.4	12.9		12.4	13.8	6.4
Operating income (EBIT)	622	944	-34	472	559	166
Operating margin, %	5.3	8.6		7.5	9.2	0.7
Adjusted operating margin, ^{1) 2)} %	4.9	8.9		6.7	9.9	8.4
Income/loss before tax (EBT)	363	802	-55	400	478	-406
Net income/loss	265	569	-53	292	338	-242
Earnings per share after dilution	2.46	5.25		2.69	3.12	-2.31
Operating cash flow	-243	-936		213	-1,239	659
Net liquidity/debt (-)	-2,157	-2,963		58 ³⁾	-1,709 ³⁾	-1,693
Defence/Civil (% of revenues)	87/13	83/17		90/10	84/16	83/17
No. of employees	13,276	13,793		-2 ³⁾	-70 ³⁾	13,294

¹⁾ Non-recurring items impacting gross income

Revaluation of remaining risks in regional aircraft portfolio	150			150		
Structural costs of lay-offs in Aeronautics	-75			-75		
Gain on regional aircraft contracts at closure		196			196	196
Write-downs in commercial aircraft programs		-234			-234	-1,187
Loss provisions						-582
Goodwill impairment						-103

²⁾ Non-recurring items also impacting operating income

Structural costs of lay-offs in Aeronautics	-25			-25		
Write-down of capitalized development costs in Systems and Products						-250
Capital gains						98

³⁾ Refers to quarterly change

Saab's business units are divided into the three business segments Defence and Security Solutions, Systems and Products and Aeronautics for control and reporting purposes. In addition, Corporate comprises Group staff and departments and peripheral operations. It also includes the leasing fleet of Saab 340 and Saab 2000 aircraft.

MARKET DEVELOPMENT

In general, global markets are reporting weaker demand than in the first half of 2008. Delays in major projects due to a weak economic environment have had a negative impact on demand. Within the commercial aircraft industry, cancellations of orders and project delays are causing lower demand, even though the long-term outlook remains positive.

SALES, INCOME AND ORDERS

Orders

Second quarter 2009

Order bookings for the second quarter amounted to MSEK 3,995 (5,206). Orders received during the second quarter included a contract to produce training systems for the U.S. Marine Corps, an order from FMV (the Swedish Defence Material Administration) for a modular medical

system and a contract to produce and field simulators and targets for five gunnery ranges for the U.S. Army.

January–June 2009

Major orders during the period also included a contract from FMV for studies and concept work in 2009 regarding Gripen's future capabilities. Moreover, Saab signed two civil security contracts: to deliver technology and installation services for a South African command and control network and to develop solutions to protect important public institutions and critical infrastructure. Saab also signed a contract for an air defence system and one to develop a multi-link communication capability in Australia. The first half year 2008 included an order from FMV for an integrated air surveillance system to Thailand valued at SEK 2 billion. Additionally, index and price changes that positively affected the previous period were not repeated in 2009 leading to a variation of SEK 1.5 billion.

In all, 79 percent of order bookings (67) is attributable to defence-related operations and 51 percent (72) is from customers outside of Sweden.

Orders valued at more than MSEK 100 and those of lesser value represented 40 percent (58) and 60 percent (42), respectively.

The order backlog at the end of the period was MSEK 42,414 (48,571).

ORDER BACKLOG DURATION:

2009: SEK 10.7 billion
 2010: SEK 14.2 billion
 2011: SEK 6.6 billion
 2012: SEK 4.0 billion
 After 2012: SEK 6.9 billion

THE ORDER BACKLOG PRIMARILY INCLUDES:

- Gripen to Sweden and on export
- Airborne early warning systems
- Active and passive countermeasure systems
- Missile systems for air, sea and land
- Structures and subsystems for the aircraft producers Airbus and Boeing
- Anti-tank systems

- Command and control, avionics and fire control systems
- Radar systems
- Civil security solutions

Sales

Second quarter 2009

Adjusted for the divestment of Saab Space in September 2008 and exchange rate effects, sales increased with 5 percent.

Sales were affected positively during the second quarter by 2 percentage points owing to the strengthening of the currencies USD, EUR and ZAR relative to the SEK.

January–June 2009

Adjusted for the divestment of Saab Space in September 2008 and exchange rate effects, sales increased with 8 percent.

Sales were affected positively by about 1 percentage point during the period due to the strengthening of the USD, EUR and ZAR relative to the SEK.

Of sales, 87 percent (83) related to the defence market. Sales in markets outside Sweden amounted to MSEK 7,979 (7,259), or 68 percent (66) of total sales.

Total sales by region:

Sweden MSEK 3,716 (3,766), EU excluding Sweden MSEK 2,612 (2,794), Rest of Europe MSEK 144 (110), Americas MSEK 872 (636), Asia MSEK 2,334 (1,491), Africa MSEK 1,603 (1,909) and Rest of the World MSEK 414 (319).

Total sales by market area (percent of total sales):

Air MSEK 4,666 (40 percent), Land MSEK 3,015 (26 percent), Naval MSEK 1,007 (9 percent), Joint Operations MSEK 1,313 (11 percent), Civil Security MSEK 740 (6 percent), Commercial Aeronautics MSEK 416 (4 percent) and Other MSEK 538.

Income, margin and profitability Second quarter 2009

Operating income in the second quarter amounted to MSEK 472 (559), corresponding to an operating margin of 7.5

percent (9.2). A revaluation of remaining risks associated with our regional aircraft portfolio has had a positive impact on Saab's operating income of MSEK 150. On the other hand, structural costs of MSEK 100 were reported within Aeronautics for announced lay-offs during the quarter. The adjusted operating margin amounted to 6.7 percent (9.9).

January–June 2009

The gross margin for the first half year amounted to 26.0 percent (27.6). Adjusted for non-recurring items in the second quarter, the gross margin was 25.3 percent (28.0). Adjusted gross margin was affected negatively by the weak market in South Africa and lower profitability in some major contracts compared to the previous period.

Internally funded investments in research and development amounted to MSEK 558 (685), of which a total of MSEK 47 (349) has been capitalized.

Amortization of intangible fixed assets amounted to MSEK 421 (305) in the period, of which amortization of capitalized product development amounted to MSEK 330 (215).

As of January 1, 2009, Saab has changed its application of the accounting principles for development costs. As a result of this more conservative approach, development costs are now capitalized at a later stage in all projects, leading to a lower rate of capitalization. All development costs on the balance sheet are amortized over not more than ten years.

Depreciation of tangible fixed assets amounted to MSEK 170 (172), while depreciation of the leasing fleet amounted to MSEK 96 (80).

Other operating expenses of MSEK 40 (20) mainly consist of exchange rate differences.

The share of income in associated companies, MSEK -53 (7), primarily relates to net income in Denel Saab Aerostructures, Hawker Pacific and associated companies in the venture portfolio.

KEY INDICATORS

MSEK	30/06/ 2009	31/12/ 2008	Change	30/06/ 2008
Net debt ¹⁾	-2,157	-1,693	-464	-2,963
Intangible fixed assets	7,532	7,690	-158	8,090
Goodwill	3,472	3,438	34	3,520
Other intangible fixed assets	681	624	57	718
Capitalized development costs	3,379	3,628	-249	3,852
Tangible fixed assets	5,544	5,724	-180	5,414
Inventories	4,969	4,305	664	5,608
Accounts receivable	3,689	4,194	-505	3,002
Accrued revenues ²⁾	3,482	3,354	128	3,824
Advance payments	890	897	-7	2,009
Equity ratio (%)	30.0	28.4		32.5
Return on equity (%) ³⁾	-5.3	-2.4		17.2

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

²⁾ Amounts due from customers (long-term customer contracts according to the percentage of completion method).

³⁾ The return on equity is measured over a rolling 12-month period.

Net financial income and expenses amounted to MSEK -259 (-142), of which project interest from unutilized advance payments reduced financial income by MSEK 26 (68), while also reducing the cost of goods sold correspondingly. Currency losses related to the tender portfolio of MSEK -142 (gain of 47) further reduced the financial net. The share in income of associated companies held as financial assets amounted to MSEK 1 (-19). Other net interest amounted to MSEK -92 (-102).

Current and deferred taxes during the period amounted to MSEK -98 (-233), or an effective tax rate of 27 percent (29).

The pre-tax return on capital employed was -1.0 percent (17.8) and the after-tax return on equity was -5.3 percent (17.2), both measured over a rolling 12-month period.

FINANCIAL POSITION AND LIQUIDITY

Financial position

Since the start of the year, net debt has increased by MSEK 464 and amounted to MSEK 2,157 at the end of the period. The increase is mainly related to a negative operating cash flow, smaller acquisitions and the dividend paid.

Intangible assets have decreased due to higher amortization of capitalized product development.

Inventories increased during the period due to delivery preparations for major projects and delays in other projects. Inventories are recognized after deducting utilized advances. Other receivables are mainly related to accrued revenues (after deducting utilized advances).

Accounts receivable decreased due to larger payments during the first half year and a continued focus on working capital management.

The equity ratio improved mainly due to exchange rate effects.

Provisions for pensions amounted to MSEK 4 (26). During the period, the Saab Pension Fund was capitalized with a total of MSEK 59. The purpose of the fund is to secure defined-benefit pension plans. The market value of the Saab Pension Fund was MSEK 3,196 at end of the period, compared to an obligation of MSEK 4,525 according to IAS 19. The solvency margin was 70.6 percent. In a comparison with the obligation according to the FPG/PRI system, the solvency margin was 85.2 percent.

Cash flow

Operating cash flow amounted to MSEK -243 (-936) during the first half year and was distributed between cash flow from core operating activities of MSEK -413 (-1,058), acquisitions and divestments of subsidiaries and associated companies of MSEK -57 (40) and the regional aircraft business, MSEK 227 (82).

ACQUISITIONS AND DIVESTMENTS

On June 29, 2009, Saab acquired Tieto's 60 percent of the shares in the former joint venture TietoSaab Systems in Finland. After the transaction, the company is fully owned by Saab and will be integrated in Saab Systems. The purchase price was MSEK 73, resulting in a surplus value of MSEK 60. The overall impact on Saab's net debt was MSEK 66. The acquisition has a marginal effect on future sales and income.

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

CAPITAL EXPENDITURES AND PERSONNEL

Capital expenditures

Gross capital expenditures in property, plant and equipment, excluding lease assets, amounted to MSEK 111 (133).

Investments in intangible assets amounted to MSEK 58 (349) and related primarily to capitalized product development.

Personnel

At the end of the period, the Group had 13,276 employees, compared to 13,294 at the beginning of 2009.

On April, 23 Saab announced the lay-off of 300 employees of Saab AB in Linköping. Salaried and factory employees were both affected. Because the process has progressed faster than expected, a cost of MSEK 100 was included in the second quarter of 2009.

On June 2, Saab announced the lay-off of 370 employees of Saab Bofors Dynamics AB in four locations. Only office personnel will be affected. The total structural cost, estimated at MSEK 200, will be recorded during the fourth quarter 2009.

RISKS AND UNCERTAINTIES

Saab's operations primarily involve the development, production and supply of technologically advanced hardware and software to customers around the world. The international part of the business is growing. Projects generally entail significant investments, long periods of time and technological development or refinement of the product. In addition to customer and supplier relations, international operations involve joint ventures and collaborations with other industries as well as the establishment of operations abroad.

Operations entail significant risk-taking in various respects. The key risk areas are political, operating and financial risks.

Various policies and instructions govern the management of significant risks.

Saab conducts significant development projects and manages the associated risks. Saab applies the percentage-of-completion method to recognize revenue from long-term customer projects. An estimation of total costs is critical to this method, and the outcome of technical and commercial risks may affect income.

For a general description of the risk areas for 2009, see pages 58-60 of the annual report for 2008.

IMPORTANT EVENTS JANUARY – JUNE 2009

- Saab submitted its offer for 36 Gripen NG (Next Generation) fighter aircraft to the Brazilian Air Force. Saab offered a strong industrial co-operation package with positive impacts on the national defence industry, e.g., direct involvement in the development, production and maintenance of the aircraft. Gripen NG also generates transfers of key technology, which will allow full involvement in future capability development.
- Saab received an order from the Swedish Defence Materiel Administration (FMV) for studies of Gripen's future capabilities in 2009. The contract value is MSEK 400.
- Saab received a contract in the civil security field worth approximately MZAR 200 (MSEK 165) to deliver technology and installation services to a command and control network in South Africa.
- Saab signed a contract valued at MSEK 700 within civil security. The contract, which runs over four years and comprises a number of installations, is part of Saab's efforts to develop solutions for protection of important public institutions and critical infrastructure.
- Saab signed an export contract for air defence systems for delivery in 2010-2013 valued at approximately MSEK 340.
- Saab signed a contract with the Australian Defence Material Organisation to develop a multi-link communication capability for the ANZAC and Canberra class ships. The value of the contract is approximately MSEK 195, within a project worth a total of MSEK 252.
- As a result of low production volumes in commercial aircraft production, Saab served notice of lay-offs to 300 employees of Saab AB in Linköping.

- Saab signed a contract to produce training systems for the U.S. Marine Corps. Within the framework of the contract, which has a potential value of MUSD 29 (MSEK 238), an initial order worth MUSD 22 (MSEK 181) has been placed.
- Saab received an order from FMV for a modular medical care system. The contract value is approximately MSEK 120 with options through 2013.
- Saab signed a contract worth approximately MSEK 180 with Lockheed Martin Canada to upgrade the 2D radar, Sea Giraffe 150 HC for modernization of the Canadian Navy's Halifax Class frigates. Deliveries are scheduled for 2010-2017.
- Saab served notice of redundancy to 370 employees of Saab Bofors Dynamics AB in four locations.
- The Swedish Chief Prosecutor Christer van der Kwast closed the preliminary investigation into Saab concerning alleged illegal methods in connection with the sale of Gripen.
- Saab received a MUSD 12.4 (MSEK 96) contract to produce and field simulators and targets for five gunnery ranges for the U.S. Army.

IMPORTANT EVENTS AFTER THE CONCLUSION OF THE PERIOD

- Saab received an order valued at approximately MSEK 350 from FMV for further development of the Gripen system. The contract is part of Gripen's continuous development and upgrade.
- Saab signed a contract to provide security services for the South Queensland Correctional Precinct near Gatton, Queensland, Australia. This contract marks the first major international introduction of Saab's security solutions for protection of high-security locations and establishes Saab in the civil security field in Australia.

DEFENCE AND SECURITY SOLUTIONS

MSEK	Jan–Jun 2009	Jan–Jun 2008	Change, %	Apr–Jun 2009	Apr–Jun 2008	Jan–Dec 2008
Order bookings	4,146	4,098	1	1,897	1,848	9,997
Order backlog	11,078	10,208	9	-143 ²⁾	-461 ²⁾	10,918
Sales	4,469	4,461	-	2,427	2,365	9,443
Operating income before depreciation/amortization and impairments (EBITDA)	426	470	-9	244	237	1,019
Margin, %	9.5	10.5		10.1	10.0	10.8
Operating income (EBIT)	334	380	-12	198	187	732
Operating margin, %	7.5	8.5		8.2	7.9	7.8
Adjusted operating margin, ¹⁾ %	7.5	8.5		8.2	7.9	8.8
Operating cash flow	318	-348		301	-196	-322
Defence/Civil (% of revenues)	76/24	72/28		85/15	74/26	70/30
No. of employees	4,696	4,812		31 ²⁾	-126 ²⁾	4,666

¹⁾ Non-recurring items

Goodwill impairment

-103

²⁾ Refers to quarterly change

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

HIGHLIGHTS

ORDERS RECEIVED

- Order bookings during the second quarter as well as the first half year 2009 were flat compared to the previous year. Orders were impacted by a continued tight market.
- Major orders during the first half year 2009 included two contracts in the civil security field, a multi-link communication capability for the ANZAC and Canberra class ships in Australia and an order from FMV concerning a medical care system.
- Orders valued at more than MSEK 100 and those of lesser value represented 35 percent (23) and 65 percent (77), respectively, in the first half year 2009.

SALES

- Sales in the second quarter 2009 increased by 3 percent and sales in the first half year 2009 were flat compared to last year due to delays in major projects.
- Markets outside of Sweden accounted for 48 percent (51) of sales during the first half year 2009.

INCOME AND MARGIN

- Profitability in the first half year was positively impacted by some 2 percentage points by the ongoing Billion+ program, whereas the weaker market in South Africa impacted profitability negatively.

CASH FLOW

- Operating cash flow improved during the first half year 2009 compared to 2008 mainly due to a major milestone payment.

EMPLOYEES

- The number of employees increased by 30 during the first half year due to the acquisition of 60 percent of the shares in the previous joint venture TietoSaab Systems in Finland.

SYSTEMS AND PRODUCTS

MSEK	Jan–Jun 2009	Jan–Jun 2008	Change, %	Apr–Jun 2009	Apr–Jun 2008	Jan–Dec 2008
Order bookings	3,226	5,043	-36	1,788	2,207	9,345
Order backlog	16,507	18,530	-11	-478 ²⁾	-91 ²⁾	17,390
Sales	4,330	3,972	9	2,336	2,238	9,095
Operating income before depreciation/amortization and impairments (EBITDA)	596	607	-2	340	361	1,518
Margin, %	13.8	15.3		14.6	16.1	16.7
Operating income (EBIT)	272	366	-26	168	228	756
Operating margin, %	6.3	9.2		7.2	10.2	8.3
Adjusted operating margin, ¹⁾ %	6.3	9.2		7.2	10.2	11.1
Operating cash flow	122	727		-190	-201	1,484
Defence/Civil (% of revenues)	95/5	87/13		94/6	89/11	91/9
No. of employees	4,783	5,330		-22 ²⁾	-17 ²⁾	4,869

¹⁾ Non-recurring items

Write-down of capitalized development costs

-250

²⁾ Refers to quarterly change

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

HIGHLIGHTS

ORDERS RECEIVED

- Order bookings during the second quarter as well as the first half year 2009 decreased compared to 2008, which included significant order bookings during the first half year.
- Major orders in the first half year 2009 included several contracts for Carl Gustaf and AT4, an order for an air defence system, an upgrade of the 2D radar for the Canadian Navy's Halifax Class frigates and an order to produce training systems for the U.S. Marine Corps.
- Orders valued at more than MSEK 100 and those of lesser value represented 26 percent (39) and 74 percent (61), respectively, in first half year 2009.

SALES

- Sales in the second quarter 2009 increased by 4 percent compared to the second quarter 2008 with a strong performance in all areas of the business.
- Sales in the first half year 2009 increased by 9 percent compared to the first half year 2008. Adjusted for the divestment of Saab Space on September 1, 2008 and exchange rate effects, sales increased by about 16 percent.
- Markets outside of Sweden accounted for 77 percent (72) of sales during the first half year 2009.

INCOME AND MARGIN

- Profitability in the first half year of 2009 was positively impacted by some 2 percentage points by the Billion+ program.

CASH FLOW

- Operating cash flow decreased during the first half year 2009 due to differences in the timing of payments in large projects.

REORGANIZATION

- On June 2, Saab announced the lay-off of 370 employees at Saab Bofors Dynamics AB in four locations. The estimated structural cost of MSEK 200 is expected to be recorded during the fourth quarter this year.

EMPLOYEES

- The number of employees was reduced by 86 during the first half year partly as a result of the ongoing Billion+ program.

AERONAUTICS

MSEK	Jan–Jun 2009	Jan–Jun 2008	Change, %	Apr–Jun 2009	Apr–Jun 2008	Jan–Dec 2008
Order bookings	1,468	5,425	-73	378	2,103	6,153
Order backlog	17,179	22,767	-25	-1,601 ²⁾	-104 ²⁾	19,626
Sales	3,956	3,652	8	2,113	2,040	7,269
Operating income before depreciation/amortization and impairments (EBITDA)	82	148	-45	17	2	-1,313
Margin, %	2.1	4.1		0.8	0.1	-18.1
Operating income/loss (EBIT)	-41	45	-191	-44	-66	-1,508
Operating margin, %	-1.0	1.2		-2.1	-3.2	-20.7
Adjusted operating margin, ¹⁾ %	1.5	7.6		2.7	8.2	3.6
Operating cash flow	-475	-1,162		-165	-993	-1,007
Defence/Civil (% of revenues)	93/7	95/5		94/6	95/5	93/7
No. of employees	3,065	3,023		-26 ²⁾	44 ²⁾	3,100

¹⁾ Non-recurring items

Structural costs for lay-offs in Aeronautics	-100			-100		
Write-downs in commercial aircraft programs		-234			-234	-1,187
Provisions for commercial aircraft programs						-232
Provisions for helicopter project						-350

²⁾ Refers to quarterly change

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

HIGHLIGHTS

ORDERS RECEIVED

- Order bookings during the second quarter as well as the first half year 2009 decreased significantly compared to the previous year. This was mainly because the first half of 2008 included an order from FMV for an integrated air surveillance system to Thailand worth SEK 2 billion. Additionally, index and price changes that positively affected the previous period were not repeated in 2009 leading to a difference of SEK 1.5 billion. The commercial aircraft market is currently weak.
- Major orders during the first half year 2009 included a contract from FMV for studies of Gripen's future capabilities in 2009.
- Cancellations of orders valued at about MSEK 200 were received during the first half year 2009 and related to commercial aircraft projects.
- Orders valued at more than MSEK 100 and those of lesser value represented 72 percent (95) and 28 percent (5), respectively, in first half year 2009.

SALES

- Sales in the second quarter 2009 increased by 4 percent and sales in the first half year increased by 8 percent compared to the same period of 2008. The increase is mainly due to a higher level of deliveries of Gripen to South Africa and an order from FMV for an integrated air surveillance system to Thailand.
- Markets outside of Sweden accounted for 64 percent (59) of sales during the first half year 2009.

INCOME AND MARGIN

- Profitability in the second quarter and first half of 2009 was negatively affected by a charge of MSEK 100 related to lay-offs.
- The operating margin remains under pressure from low capacity utilization in commercial aircraft projects and a lower project profitability on major contracts compared to previous period.

CASH FLOW

- Operating cash flow improved during the first half year 2009 compared to the first half year 2008 mainly because the decrease in advances from Gripen customers during first half year 2008 was not repeated in 2009.

REORGANIZATION

- The Aeronautics segment and its business units Aerostructures, Aerosystems and Gripen International are currently being reorganized to create a more efficient organization. This will strengthen Gripen operations, while ensuring that key assets and competencies are retained. The costs related to this are estimated to MSEK 100 and will mainly be taken in 2010.
- Saab served notice of lay-offs to 300 employees of Saab AB in Linköping on April 24, 2009. A cost of MSEK 100 was reported during the second quarter.

EMPLOYEES

- The number of employees was reduced by 35 during the first half year 2009 partly as a result of the ongoing Billion+ program.

CORPORATE

Corporate reported operating income of MSEK 57 (153).

THE BILLION+ PROGRAM

Saab's market situation is changing rapidly. We will continue to invest in marketing and product and service development. A program was launched at the start of 2008 to improve efficiency so that we can remain profitable, in keeping with the company's long-term objective. The program was expanded in the fall of 2008 to avoid replacing employees who leave the Group.

When introduced, the program had sought to reduce costs by MSEK 250 in 2008, which was achieved. The target is to reduce costs by additional MSEK 600 in 2009 and MSEK 650 in 2010, including the effects of the lay-off of 500 employees over a two-year period, mainly through attrition. By the start of 2011, annual costs will be SEK 1.5 billion lower than at the end of 2007. Around 70 percent of the reduced costs will be generated by reducing the cost of goods sold (development, project implementation, purchasing and production). The rest will be generated through lower operating expenses, mainly in administration.

The program is progressing according to plan.

PARENT COMPANY

Sales and income

The Parent Company includes the business units Saab Aerosystems and Saab Aerostructures and the Swedish units within Saab Systems, Saab Avionics, Saab Aerotech, Saab Microwave Systems, Saab Surveillance Systems and Saab Security. Group staffs and Group support are included as well. The Parent Company's sales for the period amounted to MSEK 7,475 (7,328). Operating income was MSEK 532 (465).

Net financial income and expenses was MSEK -187 (-115). After appropriations of MSEK 0 (0) and income tax of MSEK -92 (-77), net income for the period amounted to MSEK 253 (273).

Liquidity, finance, capital expenditures and number of employees

The Parent Company's net debt amounted to MSEK 8,182 (8,333). Gross capital expenditures in property, plant and equipment amounted to MSEK 71 (95). At the end of the period, the Parent Company had 8,396 employees, compared to 8,317 at the beginning of the year.

SHARE REPURCHASE

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

On June 23, 2009, Saab announced that the Board has decided to utilize its authorization for this purpose. Acquisitions will be made on NASDAQ OMX Stockholm as of July 28, 2009 until next year's Annual General Meeting.

Saab holds 2,312,901 treasury shares as of June 30, 2009.

Owners

Saab's largest shareholders as of June 30, 2009 are BAE Systems, Investor AB, the Wallenberg foundations, Odin funds, Orkla ASA, JP Morgan Chase, 4th AP Fund, Nordea funds, Lannebo funds and the First AP Fund.

Saab AB is disclosing the information herein pursuant to the Securities Markets Act and/or the Financial Instruments Trading Act. The information was submitted for publication at 7:30 a.m. on July 24, 2009.

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Press and financial analyst conference

with CEO Åke Svensson and CFO Lars Granlöv

Today, Friday, July 24, 2009, 10:00 a.m. (CET)

World Trade Center, Stockholm

Contact Annika Widell to register

and for further information

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

International teleconference:

Today, Friday, July 24, 2009, 4:00 p.m. (CET)

Contact Annika Widell to register and for further information

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INTERIM REPORT JANUARY–SEPTEMBER 2009
YEAR-END REPORT 2009

PUBLISHED OCTOBER 23, 2009
PUBLISHED FEBRUARY 12, 2010

CONSOLIDATED INCOME STATEMENT

MSEK	Note	Jan–June 2009	Jan–June 2008	Rolling 12 months	Jan–Dec 2008
Sales	3	11,695	11,025	24,466	23,796
Cost of goods sold		-8,658	-7,980	-19,840	-19,162
Gross income		3,037	3,045	4,626	4,634
Gross margin, %		26.0	27.6	18.9	19.5
Other operating income		73	99	265	291
Marketing expenses		-890	-925	-1,770	-1,805
Administrative expenses		-664	-711	-1,357	-1,404
Research and development costs		-841	-551	-1,822	-1,532
Other operating expenses		-40	-20	-88	-68
Share in income of associated companies		-53	7	-10	50
Operating income/loss (EBIT) ¹⁾	3	622	944	-156	166
Operating margin, %		5.3	8.6	-0.6	0.7
Share in income of associated companies		1	-19	-16	-36
Financial income		18	47	-	29
Financial expenses		-278	-170	-673	-565
Net financial items		-259	-142	-689	-572
Income/loss before taxes		363	802	-845	-406
Taxes	4	-98	-233	299	164
Net income/loss for the period		265	569	-546	-242
of which Parent Company's shareholders' interest		268	573	-553	-248
of which minority interest		-3	-4	7	6
Earnings per share before dilution, SEK ²⁾		2.51	5.30	-5.17	-2.31
Earnings per share after dilution, SEK ³⁾		2.46	5.25	-5.17	-2.31
¹⁾ INCLUDES DEPRECIATION/AMORTIZATION AND IMPAIRMENT OF WHICH DEPRECIATION OF LEASE ASSETS		-687 -96	-557 -80	-1,644 -181	-1,514 -165
²⁾ AVERAGE NUMBER OF SHARES BEFORE DILUTION		106,833,307	108,150,440	106,897,573	107,515,049
³⁾ AVERAGE NUMBER OF SHARES AFTER DILUTION. THERE IS NO DILUTION IMPACT IF THE RESULT FOR THE PERIOD IS NEGATIVE.		109,150,344	109,150,344	106,897,573	107,515,049

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

MSEK	Jan–June 2009	Jan–June 2008	Rolling 12 months	Jan–Dec 2008
Net income/loss for the period	265	569	-546	-242
Other comprehensive income:				
Translation differences for the period	292	-249	429	-112
Net gain/loss on cash flow hedges	313	12	-625	-926
Revaluation in connection with reclassification of fixed assets	-	-	51	51
Share of other comprehensive income in associated companies	21	-	21	-
Tax attributable to comprehensive income	-85	-3	142	224
Other comprehensive income/loss for the period	541	-240	18	-763
Net comprehensive income/loss for the period	806	329	-528	-1,005
OF WHICH PARENT COMPANY'S SHAREHOLDERS' INTEREST	764	333	-570	-1,001
OF WHICH MINORITY INTEREST	42	-4	42	-4

QUARTERLY INCOME STATEMENT

MSEK	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Q1 2008
Sales	6,283	5,412	8,188	4,583	6,046	4,979
Cost of goods sold	-4,611	-4,047	-7,544	-3,638	-4,381	-3,599
Gross income	1,672	1,365	644	945	1,665	1,380
Gross margin, %	26.6	25.2	7.9	20.6	27.5	27.7
Other operating income	33	40	103	89	61	38
Marketing expenses	-466	-424	-472	-408	-483	-442
Administrative expenses	-330	-334	-357	-336	-368	-343
Research and development costs	-434	-407	-738	-243	-306	-245
Other operating expenses	19	-59	-30	-18	-10	-10
Share in income of associated companies	-22	-31	41	2	-	7
Operating income/loss (EBIT) ¹⁾	472	150	-809	31	559	385
Operating margin, %	7.5	2.8	-9.9	0.7	9.2	7.7
Share in income of associated companies	1	-	-11	-6	-13	-6
Financial income	-15	33	-6	-12	25	22
Financial expenses	-58	-220	-204	-191	-93	-77
Net financial items	-72	-187	-221	-209	-81	-61
Income/loss before taxes	400	-37	-1,030	-178	478	324
Taxes	-108	10	322	75	-140	-93
Net income/loss for the period	292	-27	-708	-103	338	231
of which Parent Company's shareholders' interest	294	-26	-724	-97	341	232
of which minority interest	-2	-1	16	-6	-3	-1
Earnings per share before dilution, SEK ²⁾	2.75	-0.24	-6.78	-0.89	3.15	2.15
Earnings per share after dilution, SEK ³⁾	2.69	-0.24	-6.78	-0.89	3.12	2.13
¹⁾ INCLUDES DEPRECIATION/AMORTIZATION AND IMPAIRMENT	-352	-335	-725	-232	-315	-242
OF WHICH DEPRECIATION OF LEASE ASSETS	-46	-50	-46	-39	-40	-40
²⁾ AVERAGE NUMBER OF SHARES BEFORE DILUTION	106,835,194	106,831,419	106,828,876	107,094,803	108,150,517	108,150,421
³⁾ AVERAGE NUMBER OF SHARES AFTER DILUTION	109,150,344	106,831,419	106,828,876	107,094,803	109,150,344	109,150,344

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MSEK	Note	30/6/2009	31/12/2008	30/6/2008
ASSETS				
Fixed assets				
Intangible fixed assets	6	7,532	7,690	8,090
Tangible fixed assets		3,320	3,407	3,527
Lease assets		1,742	1,835	1,574
Biological assets		243	243	241
Investment properties		239	239	72
Shares in associated companies		354	334	284
Financial investments		135	142	168
Long-term receivables		1,350	1,321	749
Deferred tax assets		770	841	518
Total fixed assets		15,685	16,052	15,223
Current assets				
Inventories		4,969	4,305	5,608
Derivatives		1,289	1,315	784
Tax receivables		41	55	139
Accounts receivable		3,689	4,194	3,002
Prepaid expenses and accrued income		691	503	824
Other receivables		5,415	5,567	5,899
Liquid assets	8	1,224	822	1,311
Total current assets		17,318	16,761	17,567
Assets held for sale	9	77	77	597
TOTAL ASSETS	14	33,080	32,890	33,387

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

MSEK	Note	30/6/2009	31/12/2008	30/6/2008
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity				
Parent Company's shareholders' interest		9,811	9,240	10,830
Minority interest		126	90	29
Total shareholders' equity		9,937	9,330	10,859
Long-term liabilities				
Long-term interest-bearing liabilities	7	8	13	21
Other liabilities		323	336	251
Provisions for pensions	11	4	4	26
Other provisions		2,336	2,402	1,937
Deferred tax liabilities		1,082	1,105	1,253
Total long-term liabilities		3,753	3,860	3,488
Current liabilities				
Short-term interest-bearing liabilities	7	4,501	3,870	5,202
Advance payments from customers		890	897	2,009
Accounts payable		1,503	1,712	1,208
Lease obligations		-	-	72
Derivatives		2,015	2,363	598
Tax liabilities		229	149	345
Other liabilities		1,050	1,131	825
Accrued expenses and deferred income		8,544	8,868	7,978
Provisions		658	710	561
Total current liabilities		19,390	19,700	18,798
Liabilities attributable to assets held for sale	9	-	-	242
Total liabilities		23,143	23,560	22,528
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	14	33,080	32,890	33,387

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

MSEK	CAPITAL STOCK	OTHER CAPITAL CONTRIBUTIONS	NET RESULT OF CASH FLOW HEDGES	TRANSLATION RESERVE	REVALUATION RESERVE	RETAINED EARNINGS	TOTAL	MINORITY INTEREST	TOTAL
Opening balance, January 1, 2009	1,746	543	-612	-222	51	7,734	9,240	90	9,330
Net comprehensive income for the period			215	281		268	764	42	806
Transactions with shareholders:									
Share matching plan						13	13		13
Dividend						-187	-187		-187
Acquisition and sale of operations						-19	-19	-6	-25
Closing balance, June 30, 2009	1,746	543	-397	59	51	7,809	9,811	126	9,937
Opening balance, January 1, 2008	1,746	543	80	-110	-	8,722	10,981	27	11,008
Net comprehensive income for the period			9	-249		573	333	-4	329
Transactions with shareholders:									
Share matching plan						3	3		3
Dividend						-487	-487		-487
Acquisition and sale of operations								6	6
Closing balance, June 30, 2008	1,746	543	89	-359	-	8,811	10,830	29	10,859

CONSOLIDATED STATEMENT OF CASH FLOWS

MSEK	Note	Jan–June 2009	Jan–June 2008	Jan–Dec 2008
Operating activities				
Income after financial items		363	802	-406
Transferred to pension fund		-59	-127	-408
Adjustments for items not affecting cash flows		717	548	3,068
Income tax paid		-62	-139	-182
Cash flow from operating activities before changes in working capital		959	1,084	2,072
Cash flow from changes in working capital				
Increase(-)/Decrease(+) in inventories		-584	-428	-27
Increase(-)/Decrease(+) in current receivables		575	120	312
Increase(+)/Decrease(-) in advance payments from customers		-51	-520	-1,618
Increase(+)/Decrease(-) in lease obligations		-	-142	-220
Increase(+)/Decrease(-) in other current liabilities		-764	-592	708
Increase(+)/Decrease(-) in provisions		-178	-192	-273
Cash flow from operating activities		-43	-670	954
Investing activities				
Investments in intangible fixed assets		-11	-	-1
Capitalized development costs		-47	-349	-635
Investments in tangible fixed assets		-111	-133	-386
Sale of tangible fixed assets		6	16	41
Sale of lease assets		48	85	212
Investments in and sale of financial assets		162	376	-58
Investment in subsidiaries, net effect on liquidity	10	-66	-	-
Sale of subsidiaries, net effect on liquidity	10	9	40	443
Cash flow from investing activities		-10	35	-384
Financing activities				
Loans raised		604	1,576	85
Repurchase of shares		-	-	-209
Dividend paid to Parent Company's shareholders		-187	-487	-487
Contribution from/dividend to minority interest		-	7	10
Cash flow from financing activities		417	1,096	-601
Cash flow for the period				
Cash flow for the period		364	461	-31
Liquid assets at the beginning of the year		822	858	858
Exchange rate difference in liquid assets		38	-8	-5
Liquid assets at end of period	8	1,224	1,311	822

MSEK	QUARTERLY INFORMATION				JANUARY–MARCH		APRIL–JUNE	
	2009	Operating margin	2008	Operating margin	2009	Operating margin	2008	Operating margin
Sales								
Defence and Security Solutions	2,042		2,096		2,427		2,365	
Systems and Products	1,994		1,734		2,336		2,238	
Aeronautics	1,843		1,612		2,113		2,040	
Corporate	12		10		61		12	
Internal sales	-479		-473		-654		-609	
Total	5,412		4,979		6,283		6,046	
Operating income								
Defence and Security Solutions	136	6.7%	193	9.2%	198	8.2%	187	7.9%
Systems and Products	104	5.2%	138	8.0%	168	7.2%	228	10.2%
Aeronautics	3	0.2%	111	6.9%	-44	-2.1%	-66	-3.2%
Corporate	-93		-57		150		210	
Total	150	2.8%	385	7.7%	472	7.5%	559	9.2%
Net financial items	-187		-61		-72		-81	
Income/loss before taxes	-37		324		400		478	
Net income/loss for the period	-27		231		292		338	
Attributable to Parent Company's shareholders	-26		232		294		341	
Earnings per share after dilution	-0.24		2.13		2.69		3.12	
Average no. of shares after dilution, thousands	106,831		109,150		109,150		109,150	
JULY–SEPTEMBER								
OCTOBER–DECEMBER								
MSEK	2009	Operating margin	2008	Operating margin	2009	Operating margin	2008	Operating margin
Sales								
Defence and Security Solutions			1,904				3,078	
Systems and Products			1,771				3,352	
Aeronautics			1,261				2,356	
Corporate			11				100	
Internal sales			-364				-698	
Total			4,583				8,188	
Operating income								
Defence and Security Solutions			112	5.9%			240	7.8%
Systems and Products			62	3.5%			328	9.8%
Aeronautics			-137	-10.9%			-1,416	-60.1%
Corporate			-6				39	
Total			31	0.7%			-809	-9.9%
Net financial items			-209				-221	
Income/loss before taxes			-178				-1,030	
Net income/loss for the period			-103				-708	
Attributable to Parent Company's shareholders			-97				-724	
Earnings per share after dilution			-0.89				-6.78	
Average no. of shares after dilution, thousands			107,095				106,829	

MULTI-YEAR OVERVIEW

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

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

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

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

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

⁵⁾ RESTATED ACCORDING TO IFRS.

KEY RATIOS AND TARGETS

	Long-term target	Jan-June 2009	Jan-June 2008	Jan-Dec 2008
Operating margin before depreciation/amortization and impairments, excluding leasing, %	15	10.4	12.9	6.4
Operating margin, %	10	5.3	8.6	0.7
Earnings per share after dilution, SEK ¹⁾		2.46	5.25	-2.31
Return on capital employed, % ²⁾		-1.0	17.8	1.4
Return on equity, % ²⁾	15	-5.3	17.2	-2.4
Equity/assets ratio, %	30	30.0	32.5	28.4

¹⁾ AVERAGE NUMBER OF SHARES AFTER DILUTION Q2 2009: 109,150,344; Q2 2008: 109,150,344; 2008: 107,515,049

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

PARENT COMPANY INCOME STATEMENT

MSEK	Jan–June 2009	Jan–June 2008	Jan–Dec 2008
Sales	7,475	7,328	15,496
Cost of goods sold	-5,629	-5,379	-13,927
Gross income	1,846	1,949	1,569
Gross margin, %	24.7	26.6	10.1
Marketing expenses	-563	-569	-1,115
Administrative expenses	-389	-414	-841
Research and development costs	-384	-479	-931
Other operating income	52	32	58
Other operating expenses	-30	-54	-33
Operating income/loss (EBIT)	532	465	-1,293
Operating margin, %	7.1	6.3	-8.3
Financial income and expenses:			
Results from securities and receivables held as fixed assets	-29	33	972
Other interest income and similar items	9	39	101
Interest expenses and similar items	-167	-187	-818
Income/loss after financial items	345	350	-1,038
Appropriations	-	-	41
Income/loss before taxes	345	350	-997
Taxes	-92	-77	342
Net income/loss for the period	253	273	-655

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

 MSEK 30/6/2009 31/12/2008 30/6/2008

ASSETS			
Fixed assets			
Intangible fixed assets	112	51	59
Tangible fixed assets	2,361	2,478	2,452
Shares in Group companies	11,263	11,662	11,971
Receivables from Group companies	713	140	154
Shares in associated companies and joint ventures	327	317	219
Receivables from associated companies and joint ventures	91	31	11
Other long-term securities holdings	1,511	1,512	1,524
Other long-term receivables	45	44	44
Deferred tax assets	1,114	1,207	504
Total fixed assets	17,537	17,442	16,938
Current assets			
Inventories, etc.	3,705	2,649	3,880
Receivables from Group companies	2,770	2,877	2,883
Receivables from associated companies and joint ventures	275	513	304
Other receivables	8,472	9,032	7,645
Liquid assets	502	237	609
Total current assets	15,724	15,308	15,321
TOTAL ASSETS	33,261	32,750	32,259
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity			
Shareholders' equity	4,650	5,479	6,759
Net income for the period	253	-655	273
Total shareholders' equity	4,903	4,824	7,032
Untaxed reserves	422	422	463
Provisions			
Provisions for pensions and similar commitments	578	606	273
Other provisions	1,872	1,929	1,393
Total provisions	2,450	2,535	1,666
Liabilities			
Interest-bearing liabilities	4,797	3,832	5,523
Liabilities to Group companies	9,773	9,939	7,795
Advance payments from customers	3,107	3,310	2,728
Liabilities to associated companies and joint ventures	166	126	93
Other liabilities	7,643	7,762	6,959
Total liabilities	25,486	24,969	23,098
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	33,261	32,750	32,259

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1

CORPORATE INFORMATION

Saab AB (publ), corporate identity no. 556036-0793, with its registered office in Linköping, Sweden. The address of the company's head office is Kungsbron 1, Stockholm, with the mailing address Box 70 363, SE-107 24 Stockholm, Sweden, and the telephone number +46-8-463 00 00. Saab has been listed on NASDAQ OMX Stockholm since 1998 and on the large cap list from October 2006. The company's operations, including subsidiaries and associated companies, are described in the annual report for 2008.

NOTE 2

ACCOUNTING PRINCIPLES

The consolidated accounts for the first half year 2009 are prepared according to IAS 34 Interim Financial Reporting and the Annual Accounts Act. The Parent Company's accounts have been prepared according to the Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2.2 Reporting by Legal Entities. The accounting principles have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. The Group applies the same accounting principles as described in the annual report for 2008, with the exception of new or revised standards as adopted by the EU for application as of January 1, 2009, as shown below. The Group's accounting principles are described on pages 72-78 of the annual report 2008.

The interim report is abbreviated and does not contain all the information and disclosures available in the annual report and as such should be read together with the annual report for 2008.

IAS 1 Presentation of Financial Statements (revised)

The changes in IAS 1 mean that items previously reported directly against equity are now reported in the income statement as a part of comprehensive income. This refers to items in equity that are not transactions with shareholders. Saab has chosen to report the result down to net income for the period in one statement and the result below this down to comprehensive income in a separate statement.

IAS 23 Borrowing Costs (revised)

The revised standard requires the capitalization of borrowing costs directly attributable to the acquisition, construction or production of an asset which takes a substantial period of time to prepare for its intended use or sale. As indicated in the Group's accounting principles in the annual report for 2008, the Group's previous principle was to expense borrowing costs as they arose. The type of assets that could qualify for capitalization of borrowing costs includes self-financed long-term projects and intangible assets. Saab will capitalize borrowing costs on projects beginning after January 1, 2009 in accordance with the transitional rules in IAS 23. No assets that qualify

for capitalization of borrowing costs were reported during the first half year 2009.

IFRS 8 Operating Segments

As of January 1, 2009, the Group applies the new standard IFRS 8 Operating Segments for its segment reporting. According to the previous standard, IAS 14 Segment Reporting, two types of segments (business segments and geographical areas) were identified using a model based on risks and opportunities. According to IFRS 8, segment information is presented from management's perspective and operating segments are identified based on internal reporting to the company's chief operating decision maker. The Group has identified the Chief Executive Officer as its chief operating decision maker. The internal reporting used by the CEO to monitor operations and decide on resource allocations serves as the basis of the segment information that is presented. Application of IFRS 8 has not necessitated a change in the Group's reportable segments.

The Group has the following three reportable segments:

- Defence and Security Solutions
- Systems and Products
- Aeronautics

A detailed description of the segments can be found in note 3 as well as on pages 39-45 of the annual report for 2008.

The definition of segment assets has not changed compared with the most recent annual report.

Application of IFRS 8 has not required a reallocation of goodwill to new cash-generating units.

NOTE 3

SEGMENT REPORTING

Saab is one of the world's leading high-technology companies, with its main operations in defence, aviation and civil security. Operations are primarily focused on well-defined areas in defence electronics and missile systems as well as military and commercial aviation. Saab is also active in technical services and maintenance. While Europe is its main market, Saab has growing markets in Australia, South Africa and Asia. The business segments are described below.

Defence and Security Solutions

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. In the international market, Saab has especially strong positions in the areas of tactical command and combat systems for land, sea and airborne forces.

NOTE 3 CONTINUED

The segment offers a wide range of life-cycle support solutions. The portfolio also includes 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.

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

Systems and Products

Customers in the Systems and Products business segment mainly consist of defence authorities and other defence contractors around the world. Saab has a broad-based portfolio of products and systems.

In avionics (aeronautical electronics), Saab is a leading supplier to both military and commercial aviation manufacturers. In weapon systems, Saab's portfolio ranges from man-portable weapons such as the Carl-Gustaf anti-armour weapon and its successors AT4 and NLAW to the missile systems RBS 15, RBS 70 and BAMSE as well as torpedo systems.

Electronic warfare – warning, jamming and protection against detection and weapons – is another area where Saab has developed world-leading products for a large number of combat vehicles, aircraft, helicopters, submarines and surface vessels around the world. Radar and sensor operations contribute vital components to Saab's major systems solutions such as the BAMSE missile platform, the Gripen combat fighter and Saab's airborne surveillance system. But they also include products that individually command a leading position in the global market. The weapon detecting radar ARTHUR and the search radar GIRAFFE are two examples.

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

Underwater technology for shallow water and harbours is another area where Saab has leading expertise. Significant potential exists in autonomous, unmanned underwater vehicles for both military and commercial applications.

Aeronautics

Saab's aeronautics operations are dominated by the Gripen programme. Gripen, one of the world's most modern fighter aircraft in operational service, is currently used in Sweden and NATO members Czech Republic and Hungary as well as South Africa. During 2008, Saab commenced test flights within the Gripen demonstrator programme.

The objective is to develop future generations of Gripen aircraft and enhance existing Gripen versions. Export potential is high, and Saab is working actively in a number of markets to win new contracts. The Gripen programme includes significant sales of modifications, training and maintenance.

Saab is also a leader in the development of unmanned aerial vehicles, UAVs. In-house products are combined with participation in international development programmes. Saab has primary responsibility for key subsystems in the Neuron programme, a European project to develop an unmanned combat air vehicle and next-generation fighter aircraft.

In its role as a subsystem supplier, Saab develops complex structural units and subsystems for commercial and military aircraft manufacturers.

SALES AND ORDER INFORMATION

Sales by business segment

MSEK	Jan–June 2009	Jan–June 2008	Change, %	April–June 2009	April–June 2008	Rolling 12 months	Jan–Dec 2008
Defence and Security Solutions	4,469	4,461	-	2,427	2,365	9,451	9,443
of which external sales	4,029	4,024	-	2,169	2,079	8,496	8,491
of which internal sales	440	437	1	258	286	955	952
Systems and Products	4,330	3,972	9	2,336	2,238	9,453	9,095
of which external sales	3,801	3,523	8	2,032	2,012	8,441	8,163
of which internal sales	529	449	18	304	226	1,012	932
Aeronautics	3,956	3,652	8	2,113	2,040	7,573	7,269
of which external sales	3,813	3,469	10	2,034	1,950	7,311	6,967
of which internal sales	143	183	-22	79	90	262	302
Corporate/eliminations	-1,060	-1,060	-	-593	-597	-2,011	-2,011
of which external sales	52	9	478	48	5	218	175
of which internal sales	-1,112	-1,069	4	-641	-602	-2,229	-2,186
Total	11,695	11,025	6	6,283	6,046	24,466	23,796

Sales by geographical market

MSEK	Jan–June 2009	% of sales	Jan–June 2008	% of sales	Jan–Dec 2008	% of sales
Sweden	3,716	32	3,766	34	7,549	32
Rest of EU	2,612	22	2,794	25	6,000	25
Rest of Europe	144	1	110	1	300	1
Total Europe	6,472	55	6,670	60	13,849	58
North America	796	7	598	6	1,346	6
Latin America	76	1	38	-	181	1
Asia	2,334	20	1,491	14	3,381	14
Australia, etc.	414	3	319	3	838	3
Africa	1,603	14	1,909	17	4,201	18
Total	11,695	100	11,025	100	23,796	100

Information on large customers

Saab has two customers that account for 10 percent or more of the Group's sales: the Swedish Defense Materiel Administration (FMV) and the South African state through its procurement agency. FMV is a customer of all our segments, and total sales during the first two quarters amounted to approximately MSEK 2,649 (2,796). Deliveries to South Africa are made primarily by the Aeronautics segment; sales during the first two quarters amounted to approximately MSEK 1,125 (1,425).

NOTE 3 CONTINUED

Order bookings by business segment

MSEK	Jan–June 2009	Jan–June 2008	April–June 2009	April–June 2008	Jan–Dec 2008
Defence and Security Solutions	4,146	4,098	1,897	1,848	9,997
Systems and Products	3,226	5,043	1,788	2,207	9,345
Aeronautics	1,468	5,425	378	2,103	6,153
Corporate	44	126	32	9	156
Internal	-788	-1,737	-100	-961	-2,439
Total	8,096	12,955	3,995	5,206	23,212

Order backlog by business segment

MSEK	30/6/2009	31/12/2008	30/6/2008
Defence and Security Solutions	11,078	10,918	10,208
Systems and Products	16,507	17,390	18,530
Aeronautics	17,179	19,626	22,767
Corporate	-	28	102
Internal	-2,350	-2,638	-3,036
Total	42,414	45,324	48,571

OPERATING INCOME

Operating income by business segment

MSEK	Jan–June 2009	% of sales	Jan–June 2008	% of sales	Rolling 12 months	% of sales	Jan–Dec 2008	% of sales
Defence and Security Solutions	334	7.5	380	8.5	686	7.3	732	7.8
Systems and Products	272	6.3	366	9.2	662	7.0	756	8.3
Aeronautics	-41	-1.0	45	1.2	-1,594	-21.0	-1,508	-20.7
The segments' total operating income	565	4.4	791	6.5	-246	-0.9	-20	-0.1
Corporate	57	-	153	-	90	-	186	-
Total operating income	622	5.3	944	8.6	-156	-0.6	166	0.7

Depreciation/amortization and impairments by business segment

MSEK	Jan–June 2009	Jan–June 2008	April–June 2009	April–June 2008	Rolling 12 months	Jan–Dec 2008
Defence and Security Solutions	92	90	46	50	289	287
Systems and Products	324	241	172	133	845	762
Aeronautics	123	103	61	68	215	195
Corporate – lease assets	96	80	46	40	181	165
Corporate – other	52	43	27	24	114	105
Total	687	557	352	315	1,644	1,514

OPERATING CASH FLOW AND CAPITAL EMPLOYED

Operating cash flow by business segment

MSEK	Jan–June 2009	Jan–June 2008	Rolling 12 months	Jan–Dec 2008
Defence and Security Solutions	318	-348	344	-322
Systems and Products	122	727	879	1,484
Aeronautics	-475	-1,162	-320	-1,007
Corporate	-208	-153	449	504
Total	-243	-936	1,352	659

Capital employed by business segment

MSEK	30/6/2009	31/12/2008	30/6/2008
Defence and Security Solutions	5,277	4,510	4,689
Systems and Products	8,472	8,431	8,901
Aeronautics	2,665	3,022	4,168
Corporate	-1,963	-2,745	-1,650
Total	14,451	13,218	16,108

PERSONNEL

Personnel by business segment

Number at end of period	30/6/2009	31/12/2008	Change	30/6/2008
Defence and Security Solutions	4,696	4,666	30	4,812
Systems and Products	4,783	4,869	-86	5,330
Aeronautics	3,065	3,100	-35	3,023
Corporate	732	659	73	628
Total	13,276	13,294	-18	13,793

NOTE 4

TAXES

MSEK	Jan–June 2009	Jan–June 2008
Current tax	-72	-223
Deferred tax	-26	-10
Total	-98	-233

NOTE 5

DIVIDEND TO PARENT COMPANY'S SHAREHOLDERS

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

The Annual General Meeting on April 16, 2009 approved the Board's proposal and set April 20, 2009 as the record day and decided that the dividend would be paid on April 23, 2009.

NOTE 6

INTANGIBLE FIXED ASSETS

MSEK	30/6/2009	31/12/2008	30/6/2008
Goodwill	3,472	3,438	3,520
Capitalized development costs	3,379	3,628	3,852
Other intangible assets	681	624	718
Total	7,532	7,690	8,090

NOTE 7

INTEREST-BEARING LIABILITIES

MSEK	30/6/2009	31/12/2008	30/6/2008
Liabilities to credit institutions	3,705	2,832	4,441
Liabilities to associates and JVs	768	1,029	763
Other interest-bearing liabilities	36	22	19
Total	4,509	3,883	5,223

Committed credit lines

MSEK	Facilities	Drawings	Available
Revolving credit facility (Maturity 2012)	4,000	700	3,300
Back-up facility (Maturity 2010)	2,100	-	2,100
Overdraft facility (Maturity 2010)	123	1	122
Total	6,223	701	5,522

Parent Company

MSEK	30/6/2009	31/12/2008	30/6/2008
Long-term liabilities to credit institutions	1,172	1,076	1,154
Short-term liabilities to credit institutions	3,625	2,756	4,369
Total	4,797	3,832	5,523

Of short-term liabilities to credit institutions, MSEK 2,425 is issued under the Commercial Paper program with a limit of MSEK 5,000.

NOTE 8

SUPPLEMENTAL INFORMATION ON STATEMENT OF CASH FLOWS

Liquid assets

MSEK	30/6/2009	31/12/2008	30/6/2008
The following components are included in liquid assets:			
Cash and bank balances (incl. available overdraft facilities)	1,203	795	1,283
Deposits	21	27	28
Total according to balance sheet	1,224	822	1,311
Total according to statement of cash flows	1,224	822	1,311

Operating cash flow vs. statement of cash flows

MSEK	Jan–June 2009	Jan–Dec 2008	Jan–June 2008
Operating cash flow	-243	659	-936
Investing activities – interest-bearing:			
Financial investments and receivables	190	-89	301
Financing activities:			
Loans raised	604	85	1,576
Repurchase of shares	-	-209	-
Dividend paid to the Parent Company's shareholders	-187	-487	-487
Contribution from/dividend to minority interest	-	10	7
Cash flow for the period	364	-31	461

Specification of operating cash flow for Jan–June 2009

MSEK	Saab excl. acquisitions / divestments and SAL	Acquisitions and divestments	Saab Aircraft Leasing	Total Group
Cash flow from operating activities before changes in working capital	886	-	73	959
CASH FLOW FROM CHANGES IN WORKING CAPITAL				
Inventories	-606	-	22	-584
Receivables	613	-	-38	575
Advance payments from customers	-51	-	-	-51
Other liabilities	-1,011	-	247	-764
Provisions	-49	-	-129	-178
Change in working capital	-1,104	-	102	-1,002
Cash flow from operating activities	-218	-	175	-43

INVESTING ACTIVITIES

Investments in intangible fixed assets	-58	-	-	-58
Investments in tangible fixed assets	-111	-	-	-111
Sale of tangible fixed assets	6	-	-	6
Sale of lease assets	-	-	48	48
Sale of and investment in shares, etc.	-32	-	4	-28
Investments in subsidiaries, net effect on liquidity	-	-66	-	-66
Sale of subsidiaries, net effect on liquidity	-	9	-	9
Cash flow from investing activities excluding change in interest-bearing financial assets	-195	-57	52	-200
OPERATING CASH FLOW	-413	-57	227	-243

NOTE 9

ASSETS AND LIABILITIES HELD FOR SALE

Assets and liabilities held for sale comprise investment properties.

NOTE 10

ACQUISITIONS AND DIVESTMENTS OF OPERATIONS

On June 29, 2009, Saab acquired Tieto's 60 percent of the shares in the former joint venture TietoSaab Systems in Finland. After the transaction, the company is fully owned by Saab and will be integrated in Saab Systems. The purchase price was MSEK 73, resulting in a surplus value of MSEK 60. The overall impact on Saab's net debt was MSEK 66. The acquisition has a marginal effect on future sales and income.

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

NOTE 11

DEFINED-BENEFIT PLANS

Saab has defined-benefit pension plans where post-employment compensation is based on a percentage of the recipient's salary. The predominant plan is the ITP plan, which is secured through a pension fund. The Saab Pension Fund had assets of MSEK 3,196 as of June 30, 2009, compared to an obligation of MSEK 4,525 according to IAS 19, or a solvency margin of 70.6 percent. In a comparison with the obligation according to the FPG/PRI system, the solvency margin was 85.2 percent.

NOTE 12

CONTINGENT LIABILITIES

No additional obligations have been added during the year. With regard to the Group's so-called fulfillment guarantees regarding commitments to customers, the likelihood of an outflow of resources is extremely small and, as a result, no value is recognized.

NOTE 13

TRANSACTIONS WITH RELATED PARTIES

No significant transactions have occurred during the first two quarters of 2009.

Related parties with which the Group has transactions are described in the annual report for 2008, note 43.

NOTE 14

CONDENSED SUBDIVIDED FINANCIAL POSITION AS OF JUNE 30, 2009

MSEK	Saab	Saab Aircraft Leasing	Eliminations	Saab Group
ASSETS				
Intangible fixed assets	7,532	-	-	7,532
Tangible fixed assets, etc.	3,802	-	-	3,802
Lease assets	1	1,741	-	1,742
Long-term interest-bearing receivables	445	-	-	445
Shares, etc.	1,948	2	-1,500	450
Other long-term receivables	924	20	-	944
Deferred tax assets	623	147	-	770
Inventories	4,951	18	-	4,969
Short-term interest-bearing receivables	687	1,620	-1,620	687
Other current assets	9,100	49	-	9,149
Derivatives	1,289	-	-	1,289
Liquid assets	1,202	22	-	1,224
Assets held for sale	77	-	-	77
Total assets	32,581	3,619	-3,120	33,080
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity	9,621	1,816	-1,500	9,937
Provisions for pensions	4	-	-	4
Deferred tax liabilities	1,082	-	-	1,082
Other provisions	2,186	808	-	2,994
Interest-bearing liabilities	6,129	-	-1,620	4,509
Advance payments from customers	890	-	-	890
Derivatives	2,015	-	-	2,015
Other liabilities	10,654	995	-	11,649
Total shareholders' equity and liabilities	32,581	3,619	-3,120	33,080

NOTE 15

FORECAST 2009

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

For the full year 2009 sales will increase compared to 2008, however we remain cautious in our outlook for the full year.

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

The Board of Directors and the President have ensured that the six-month report provides an accurate overview of the Parent Company's and the Group's operations, financial position and results, and that it describes the significant risks and uncertainties faced by the Parent Company and the companies in the Group.

LINKÖPING, JULY 24, 2009

Marcus Wallenberg
Chairman

Lennart Johansson
Board member

Erik Belfrage
Board member

Catarina Carlqvist
Board member

Peter Nygårds
Board member

Sten Jakobsson
Board member

George Rose
Board member

Lena Treschow Torell
Board member

Per-Arne Sandström
Board member

Conny Holm
Board member

Stefan Andersson
Board member

Michael O'Callaghan
Board member

Åke Svensson
President and CEO

AUDITORS' REVIEW REPORT

Introduction

We have reviewed the interim report for the period January 1, 2009 to June 30, 2009 for Saab AB (publ). The Board of Directors and the President are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information, in all material respects, is not prepared for the Group's part in accordance with IAS 34 and the Annual Accounts Act and for the Parent Company's part in accordance with the Annual Accounts Act.

LINKÖPING, JULY 24, 2009

Ernst & Young AB
Erik Åström
Authorized Public
Accountant

Deloitte AB
Tommy Mårtensson
Authorized Public
Accountant