

Annual General Meeting of Saab AB (publ) on 15 April 2008

## **The Board's proposal for a resolution on long-term incentive programs 2008**

### **Agenda item 13**

#### **Complete proposal**

#### **Background and reasons for the proposal**

The Board of Directors find it essential and in all shareholders interest that employees in the group have a long-term interest of a good value development of the share in the company and proposes the Annual General Meeting in view of this the long-term incentive plans for employees described below: (a) Share Matching Plan 2008 and (b) Performance Share Plan 2008.

The purpose of the long-term incentive plans is to stimulate employees to continued loyalty and continued good performance. To participate in the programs it is required that the employee makes his own investment. It is further the view of the Board of Directors that the incentive plans increase the group's attractiveness as an employer.

It is the intention of the Board of Directors to propose the Annual General Meeting long-term incentive plans also for 2009 in accordance with the proposed principles.

#### **Costs**

The total effect on the income statement is estimated to approximately 201 MSEK unevenly distributed over the years 2008 – 2012. The costs shall be compared with Saab's total remuneration costs 2007, including social security fees, amounting to 7,465 MSEK.

The calculations are based on assumptions that all available shares in Share Matching Plan 2008 and Performance Share Plan 2008 will be utilized.

### Costs that affect the income statement, but will not have an effect on the cash flow

Compensation costs, corresponding to the value of matching shares transferred to employees, is estimated to approximately 156 MSEK. The compensation costs are distributed over the plan period 2008 – 2012.

Social security charges as a result of transfer of shares to employees on an assumed average share price at matching at SEK 150 is estimated to amount to approximately 45 MSEK. The social security costs are expected to occur mainly during 2011 – 2012.

### Costs that affect the Income Statement and Cash Flow

Administration costs have been estimated at a maximum of 6 MSEK.

### **Dilution and effects on key figures**

The Company currently has approximately 108 million issued shares. As per 31 December 2007, the Company held 1 000 000 of own shares. In order to implement the Share Matching Plan 2008 and Performance Share Plan 2008 a total of 1 340 000 shares of series B are required, corresponding to approximately 1.2 per cent of the number of outstanding shares. The number of potential shares covered by the existing incentive program as per 31 December 2007, including shares to cover social security payments, amounts to 1 000 000 shares, corresponding to approximately 0.9 per cent of the number of outstanding shares.

Out of the 1 340 000 shares of series B required for the Share Matching Plan 2008 and Performance Share Plan 2008, approximately 1 040 000 shares may be transferred to employees free of consideration, which could cause a dilutive effect of approximately one per cent on earnings per share. The dilutive effect of the matching shares, approximately one per cent, is not affected by the price for the shares at the time of matching since they are transferred free of consideration to the employee. There will, however, be no dilutive effect on earnings per share of the approximately 300 000 shares, which may be transferred at the OMX Nordic Exchange Stockholm in order to cover social security payments, as the shares are sold at market value.

### **Preparation of the matter**

The Share Matching Plan 2008 and Performance Share Plan 2008 have been prepared by the Remuneration Committee and in consultation with the Board of Directors. The proposal has been adopted by the Board of Directors. The CEO has not participated in the preparation and decision of the proposal.

## Outstanding share related incentive programs

The company has an ongoing incentive program according to the below.

### *The Share Matching Plan 2007*

Under the Share Matching Plan 2007, employees can save up to 5 per cent of the gross salary, for purchase of class B shares at market price on the OMX Nordic Exchange Stockholm (purchased shares). If the purchased shares are retained by the employee for three years after the investment and the employment with the Saab group continues during the entire three-year period, the employee will, by the Saab group, be granted a corresponding number of shares free of consideration.

The below table show the period for employees' purchase of shares (savings contribution period) and participation details.

Plan	Savings contribution period	Number of participants at launch	Take-up rate (% of all offered employees)
Share Matching Plan 2007	November 2007 – October 2008	4,750	42%

## Proposals

### **The Long-Term Incentive Programs 2008**

The Board of Directors proposes that the Annual General Meeting resolves on the implementation of (a) Share Matching Plan 2008 and (b) Performance Share Plan 2008, according to the principle guidelines below.

In order to implement the Share Matching Plan 2008 and Performance Share Plan 2008, the Board of Directors proposes that no more than 1,340,000 shares of series B may be transferred to employees in the Saab group and, moreover that a portion of the shares also may be transferred at the OMX Nordic Exchange Stockholm in order to cover inter alia social security payments.

#### **(a) Share Matching Plan 2008**

The Board of Directors proposes that the Annual General Meeting resolves on the implementation of a Share Matching Plan 2008, including 840,000 shares of series B, according to the principle guidelines below.

- 1) All employees within the Saab group, with the exception of employees that are covered by the Performance Share Plan 2008 and subject to item 3) below, will be offered to participate in the Share Matching Plan 2008.

- 2) Employees who participate in the Share Matching Plan 2008 can during a 12 month period from the implementation of the plan, save up to maximum 5 per cent of the gross salary for the purchase of shares of series B on the OMX Nordic Exchange Stockholm. If the purchased shares are retained by the employee for three years from the date of investment and the employment within the Saab group have remained during the entire three-year period, the employee will be given by the Saab group the corresponding number of shares of series B free of consideration.
- 3) Participation in the Share Matching Plan 2008 presupposes that such participation is legally possible as well as possible with reasonable administrative cost and financial efforts according to the assessment of the Company. The Board of Directors shall however be entitled to implement an alternative incentive solution for employees in such countries where participation in Share Matching Plan 2008 is not advisable. Such alternative incentive solution shall, as far as practicably possible, correspond to the terms for the Share Matching Plan 2008.

### **Majority requirements**

In order for the Annual General Meeting's resolution in accordance with the Board of Directors' proposal under this item to be valid, shareholders representing more than fifty per cent of the votes cast must be in favour of such proposal or, in case of parity of votes, the chairman of the meeting being in favour of such proposal.

### **(b) Performance Share Plan 2008**

The Board of Directors proposes that the Annual General Meeting resolves on the implementation of a Performance Share Plan 2008, including 500,000 shares of series B, according to the principle guidelines below.

- 1) Up to 286 key employees and the CEO with the exception of for what is mentioned in item 3) below will be offered to participate in the Performance Share Plan 2008.
- 2) Employees who participate in the Performance Share Plan 2008 can during a 12 month period from the implementation of the plan, save up to maximum 7.5 per cent of the gross salary for the purchase of shares of series B on the OMX Nordic Exchange Stockholm. If the purchased shares are retained by the employee for three years from the date of investment and the employment within the Saab group have remained during the entire three-year period, the employee will be entitled to the following matching of shares, free of consideration:

- Up to 250 employees in the Business Units' management teams, certain specialists and project managers may be entitled to a performance match of up to two shares for each one purchased
  - Up to 20 General Managers of the Business Units may be entitled to a performance match of up to three shares for each one purchased
  - Up to 15 senior executives in Group Management may be entitled to a performance match of up to four shares for each one purchased.
  - The CEO may be entitled to a performance match of up to five shares for each one purchased.
- 3) Participation in the Performance Share Plan 2008 presupposes that such participation is legally possible as well as possible with reasonable administrative cost and financial efforts according to the assessment of the Company. The Board of Directors shall however be entitled to implement an alternative incentive solution for employees in such countries where participation in Performance Share Plan 2008 is not advisable. Such alternative incentive solution shall, as far as practicably possible, correspond to the terms for the Performance Share Plan 2008
- 4) The terms and conditions of performance match for employees are based on an average annual percentage growth rate in earnings per share ("EPS")<sup>1</sup> between 1 October 2008 and 30 September 2011, with EPS for fourth quarter 2007 and first, second and third quarter 2008 as the starting point. Maximum performance matching shares (i.e. two shares, three shares, four shares and five shares respectively) will be allocated if the annual average EPS growth is at or above 15 per cent. No allocation of matching shares will occur if the annual average EPS growth is below 5 per cent. Matching of shares between annual average EPS growth 5 and 15 per cent is linear. The performance target may be adjusted at the occurrence of an event affecting the operations of the Saab group or the number of outstanding shares of the Company or otherwise affecting the performance target and deemed relevant by the Board of Directors.
- 5) Before the number of performance shares to be matched are finally determined, the Board of Directors shall examine whether the performance matching is reasonable, considering the Company's financial results and position, conditions on the stock market and other circumstances, and if not as determined by the Board of Directors, reduce the number of performance shares to be matched to such lower number of shares as is deemed appropriate by the Board of Directors.

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<sup>1</sup> Earnings Per Share is calculated by dividing the net income for the Saab group by the average number of shares outstanding during the period.

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**Linköping, March 2008**  
**The Board of Directors**