



SAAB

INTERIM REPORT

JANUARY–SEPTEMBER

2010

RESULTS AND SUMMARY JANUARY–SEPTEMBER 2010

RESULTS JANUARY–SEPTEMBER 2010:

- Order bookings amounted to MSEK 14,378 (11,381) and the order backlog at the end of the period amounted to MSEK 37,451 (40,307)
- Sales decreased by 3 percent to MSEK 16,381 (16,879), also adjusted for effects of exchange rates and termination of contracts
- Gross income amounted to MSEK 3,951 (4,252), corresponding to a gross margin of 24.1 percent (25.2). Adjusted for non-recurring items, the gross margin was 24.5 percent (24.7)
- Operating income was MSEK 724 (871), corresponding to an operating margin of 4.4 percent (5.2). Adjusted for non-recurring items, the operating margin was 5.1 percent (4.9)
- Net income was MSEK 434 (376), with earnings per share after dilution of SEK 3.89 (3.42)
- Operating cash flow amounted to MSEK 2,149 (177)

CHANGED OUTLOOK FOR 2010:

We remain cautious regarding order intake and foresee sales at about the same level as 2009.

Our reported operating income will be lower compared to 2009, reflecting expected restructuring costs in the fourth quarter 2010. The adjusted operating margin will be at about the same level as 2009.

Our long-term financial targets remain.

Previous outlook:

We remain cautious regarding order intake and foresee sales and profitability at about the same level as 2009. Our long-term financial targets remain.

FINANCIAL HIGHLIGHTS

MSEK	Jan–Sept 2010	Jan–Sept 2009	Change, %	Jul–Sept 2010	Jul–Sept 2009	Jan–Dec 2009
Order bookings	14,378	11,381	26	3,862	3,285	18,428
Order backlog	37,451	40,307	-7	-1,408 ²⁾	-2,107 ²⁾	39,389
Sales	16,381	16,879	-3	5,004	5,184	24,647
Gross income	3,951	4,252	-7	1,239	1,215	6,137
Gross margin, %	24.1	25.2		24.8	23.4	24.9
Adjusted gross margin, ¹⁾ %	24.5	24.7		24.7	23.4	24.6
Operating income (EBIT)	724	871	-17	322	249	1,374
Operating margin, %	4.4	5.2		6.4	4.8	5.6
Adjusted operating margin, ¹⁾ %	5.1	4.9		6.4	4.8	5.4
Net income	434	376	15	188	111	699
Earnings per share before dilution, SEK	4.03	3.50		1.70	0.99	6.45
Earnings per share after dilution, SEK	3.89	3.42		1.64	0.96	6.28
Return on equity, ³⁾ %	7.0	-3.3		-	-	7.0
Operating cash flow	2,149	177	-	-84	420	1,447
Operating cash flow per share after dilution, SEK	19.69	1.62		-0.77	3.85	13.26

¹⁾ Adjusted for non-recurring items, for more information see page 5

²⁾ Refers to quarterly change

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

STATEMENT BY THE PRESIDENT AND CEO, HÅKAN BUSKHE:

"During my first inspiring months as President and CEO I have experienced the amazing know-how behind our leading technology, products and systems, as I have travelled around the world and met with our employees, customers and other important stakeholders.

During the first nine months 2010 we secured important orders even though we are still impacted by delayed customer decision making processes. Due to a different project mix and a lower activity level in some major projects sales declined, and higher costs in the first half year had a negative impact on profitability.

Cash flow generation is strong, driven by excellent project execution, and our balance sheet is solid, providing a strong platform for the future.

Our strategy remains firm. We are increasing our focus on execution of operational priorities to drive growth and leading technology development in prioritized areas.

In order to secure future performance we are evaluating measures for product areas where we see a low demand and will take steps to further reduce administrative costs. Due to changes in demand we see a need to take structural actions already in the fourth quarter 2010.

This will result in additional restructuring costs of up to MSEK 500. Our underlying profitability for the full year 2010 will be about the same level as 2009, whereas our reported operating income will be lower and therefore we change our outlook for 2010," says President and CEO Håkan Buskhe.

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

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

MSEK	Jan–Sept 2010	Jan–Sept 2009	Change, %	Jul–Sept 2010	Jul–Sept 2009	Jan–Dec 2009
Order bookings*	14,378	11,381	26	3,862	3,285	18,428
Order backlog	37,451	40,307	-7	-1,408 ¹⁾	-2,107 ¹⁾	39,389
Sales	16,381	16,879	-3	5,004	5,184	24,647

¹⁾ Refers to quarterly change.

*See note 3, page 29, for more information about the order intake during January–September 2010.

ORDERS, SALES AND INCOME

Orders

Third quarter 2010

Order bookings for the third quarter amounted to MSEK 3,862 (3,285) and included a contract for multispectral camouflage products and services. FMV (the Swedish Defence Materiel Administration) placed an order for the integration of the active radar-guided Beyond Visual Range (BVR) missile, Meteor on the Gripen System as well as an order for the rapid generation and subsequent delivery of 3-dimensional (3D) maps to the Swedish Armed Forces for use in national as well as international operations.

Within civil security an order was received from Prague Transport Company (PTC) for upgrading the security system in Prague's subway.

Order bookings were positively impacted by index and price adjustments of approximately 5 percentage points in the period.

January–September 2010

In addition to the orders mentioned above, the first nine months included an order from FMV for a Tactical Unmanned Aerial Vehicle system (TUAV), orders for the Carl-Gustaf man-portable weapon system

as well as components of the system. Several orders were received from FMV related to the Gripen system, including an order for the upgrade and further development of Gripen's reconnaissance system. An order was received from Kockums AB for overall design of the combat management system for new submarines as well as solutions for integrating the system and subsystems. Orders were also received for an upgrade of the combat management and fire control systems for the Finnish Navy's Rauma class missile boats and further deliveries of the RBS 70 ground-based air defence system to the Finnish Army. A support contract was signed covering the maintenance and support of delivered training systems used by the British Army and an order was received for a civil security solution in the central European market.

For a complete list of major orders received see Note 3, page 29.

Orders of about MSEK 220 were cancelled within Security and Defence Solutions as a result of a terminated civil security contract.

In all, 82 percent of order bookings (76) is attributable to defence-related operations and 49 percent (56) is from customers outside Sweden.

During the first nine months 2010 index and price changes had a positive effect on order bookings of MSEK 125 (470).

Orders received where the order sum was larger than MSEK 100 represented 46 percent (36) of total order bookings.

The order backlog at the end of the period was MSEK 37,451 (40,307), compared to MSEK 39,389 at the beginning of the year.

ORDER BACKLOG DURATION:

2010: SEK 6.8 billion
 2011: SEK 14.1 billion
 2012: SEK 6.1 billion
 2013: SEK 3.6 billion
 After 2013: SEK 6.9 billion

THE ORDER BACKLOG PRIMARILY INCLUDES:

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

Sales
Third quarter 2010

Sales were positively impacted by exchange rate effects of 2 percentage points during the third quarter.

January–September 2010

Sales were positively impacted by exchange rate effects of 1 percentage point during the period.

Approximately 1 percentage point of the sales decrease in the first nine months 2010 compared to 2009 was an effect of lower revenue recognition for the terminated contract in Security and Defence Solutions.

Sales in markets outside Sweden amounted to MSEK 10,271 (11,839), or 63 percent (70) of total sales.

Of sales, 83 percent (84) was related to the defence market.

TOTAL SALES BY REGION

MSEK	Jan–Sept 2010	Jan–Sept 2009
Sweden	6,110	5,040
EU excluding Sweden	3,236	4,039
Rest of Europe	264	201
Americas	1,604	1,415
Asia	2,541	3,089
Africa	1,830	2,491
Australia, etc.	796	604
Total	16,381	16,879

TOTAL SALES BY MARKETS

MSEK	Jan–Sept 2010	Jan–Sept 2009
Air	6,924	7,807
Land	4,982	4,680
Naval	1,597	1,485
Civil Security	977	1,113
Commercial Aeronautics	1,078	867
Other	823	927
Total	16,381	16,879

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

Income, margin and profitability
Third quarter 2010

The gross margin amounted to 24.8 percent (23.4). Adjusted for non-recurring items, the gross margin was 24.7 percent (23.4).

Operating income in the third quarter amounted to MSEK 322 (249), corresponding to an operating margin of 6.4 percent (4.8).

January–September 2010

The gross margin amounted to 24.1 percent (25.2). Adjusted for non-recurring items, the gross margin was 24.5 percent (24.7).

Operating income in the first nine months amounted to MSEK 724 (871), corresponding to an operating margin of 4.4 percent (5.2). Adjusted for non-recurring items, the operating margin was 5.1 percent (4.9).

Operating income included provisions of MSEK 290, related to projects in Security and Defence Solutions, which impacted profitability negatively in the period.

Within Electronic Defence Systems a claim related to a finalized project where Saab has reduced its estimated risk share impacted profitability positively.

MSEK	Jan–Sept 2010	Jan–Sept 2009	Change, %	Jul–Sept 2010	Jul–Sept 2009	Jan–Dec 2009
Gross income	3,951	4,252	-7	1,239	1,215	6,137
Gross margin, %	24.1	25.2		24.8	23.4	24.9
Adjusted gross margin*, %	24.5	24.7		24.7	23.4	24.6
Internally funded investments in research and development	768	824	-7	246	266	1,194
Operating income before depreciation/amortisation and write-downs (EBITDA)	1,614	1,746	-8	616	533	2,598
Margin, %	9.9	10.3		12.3	10.3	10.5
Operating income (EBIT)	724	871	-17	322	249	1,374
Operating margin, %	4.4	5.2		6.4	4.8	5.6
Adjusted operating margin*, %	5.1	4.9		6.4	4.8	5.4
Income before tax (EBT)	584	515	13	274	152	976
Net income	434	376	15	188	111	699
Earnings per share before dilution, SEK	4.03	3.50		1.70	0.99	6.45
Earnings per share after dilution, SEK	3.89	3.42		1.64	0.96	6.28

*See page 5 for more information about non-recurring items.

On September 10, the Maritime and Commercial Court in Copenhagen informed that it in a judgement dismissed the Danish Defence Acquisition and Logistics Organization's (DALO) claim against Saab. DALO therefore should pay Saab damages plus interest on damages and cover Saab's court costs. Approximately MSEK 50 was recorded during the third quarter as a result of this and impacted profitability positively.

Internally funded investments in research and development amounted to MSEK 768 (824), of which a total of MSEK 36 (63) has been capitalised. Amortisation and write-down of intangible fixed assets amounted to MSEK 637 (622) in the period, of which amortisation and write-down of capitalised development costs amounted to MSEK 509 (485).

Depreciation and write-down of tangible fixed assets amounted to MSEK 253 (253),

while depreciation of the leasing fleet amounted to MSEK 113 (138).

The Billion+ programme is progressing according to plan. In the first nine months 2010, the cost reductions contributed about 3 percentage points to the reported operating margin (see page 14 for more information).

The share of income in associated companies, MSEK 13 (-64), primarily relates to net income in Taurus GmbH and Hawker Pacific.

Net financial income and expenses amounted to MSEK -140 (-356), of which project interest from unutilised advance payments reduced financial income by MSEK -11 (-33), while also reducing the cost of goods sold correspondingly. Net interest items for the Group amounted to MSEK -27 (-54). Currency gains of MSEK 52 (-97) related

to the tender portfolio. Other net interest items amounted to MSEK -154 (-172) and mainly consisted of amortisation of actuarial losses for pensions, exchange rate effects and share in associated companies.

Current and deferred taxes during the period amounted to MSEK -150 (-139), or an effective tax rate of 26 percent (27).

The pre-tax return on capital employed was 10.1 percent (0.6) and the after-tax return on equity was 7.0 percent (-3.3), both measured over a rolling 12-month period.

FINANCIAL POSITION AND LIQUIDITY

Financial position

Since the start of 2010, the net cash position has increased by MSEK 1,785 to MSEK 1,151 at the end of the period. The increase is mainly related to major milestone payments received.

MSEK	Jan–Sept 2010	Jan–Sept 2009	Jul–Sept 2010	Jul–Sept 2009	Jan–Dec 2009
NON-RECURRING ITEMS					
Non-recurring items impacting gross income					
Structural costs	-65	-75	2		-275
Revaluation of remaining risks in regional aircraft portfolio		150			350
Additional non-recurring items impacting operating income					
Structural costs	-32	-25	1		-25
Results from divestments	-10				
Total non-recurring items	-107	50	3		50

BALANCE SHEET KEY INDICATORS

MSEK	30 Sept 2010	31 Dec 2009	Change	30 Sept 2009
Net liquidity/debt (-) ¹⁾	1,151	-634	1,785	-1,907
Intangible fixed assets	6,538	7,108	-570	7,321
Goodwill	3,466	3,457	9	3,452
Capitalised development costs	2,564	3,038	-474	3,230
Other intangible fixed assets	508	613	-105	639
Tangible fixed assets, etc. ²⁾	4,741	4,919	-178	5,034
Inventories	4,987	4,698	289	5,236
Accounts receivable	2,149	2,837	-688	2,482
Accrued revenues ³⁾	2,412	3,010	-598	3,417
Advance payments	435	442	-7	654
Equity/assets ratio (%)	41.1	35.1	-	32.9
Return on equity ⁴⁾ (%)	7.0	7.0	-	-3.3
Equity per share, SEK	106.94	99.91	7.03	95.63

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

²⁾ Including tangible fixed assets, lease assets, biological assets and investment properties.

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

⁴⁾ The return on equity is measured over a rolling 12-month period.

Intangible assets have decreased due to amortisation of capitalised product development in combination with lower capitalisation of development costs as of 2009. As of 1 January, 2009, Saab changed its view on the application of the accounting principles for development costs. As a result of this more conservative view, development costs are now capitalised at a later stage in all projects and all development costs on the balance sheet are amortised over not more than ten years.

Inventories increased during the period due to delivery preparations for major projects and delays in a few projects. Inventories are recognised after deducting utilised advances. Other receivables decreased due to the reduction of accrued revenues (after deducting utilised advances) and other receivables.

Short-term interest-bearing liabilities decreased by MSEK 1,914 from the beginning of the year to MSEK 605 at 30 September.

Provisions for pensions amounted to MSEK 4 (4). During the first nine months 2010, the Saab Pension Fund was capitalised with a total of MSEK 99 (121). The purpose of the fund is to secure defined-benefit pension plans.

Cash flow

Operating cash flow amounted to MSEK 2,149 (177) in the first nine months and was distributed between cash flow from core operating activities of MSEK 1,949 (-58), acquisitions and divestments of subsidiaries and associated companies of MSEK 133 (-56) and the regional aircraft business of MSEK 67 (291). Cash flow from operating activities improved mainly as an effect of several milestone payments that were received during the period.

During the third quarter 2009, Saab launched an accounts receivable sales programme to strengthen its financial position and increase financial flexibility.

The accounts receivable sold are in most cases related to customers with high credit worthiness and one hundred percent of the value of the receivables is sold at attractive funding levels. As per 30 September, receivables of MSEK 482 were sold, compared to MSEK 734 at 30 June 2010 and MSEK 789 at 31 December 2009.

In Aeronautics, some projects have entered into final stages of completion during 2010. This will lead to a reduction of customer advances and a lower cash flow generation in coming months.

ACQUISITIONS AND DIVESTMENTS

In May 2010, Saab divested a property holding company, Saab Bofors Industrier AB. The price was MSEK 133, which impacted cash flow positively. The transaction generated a capital gain of MSEK 12.

In May 2010, Saab acquired the remaining 66.7 percent of the shares in the associated company OPAX AS in Norway. The purchase price was MNOK 0.1. The purchase agreement contains a supplemental purchase price estimated at MNOK 15. The surplus value of MNOK 15 is allocated to goodwill. The acquisition has a marginal effect on future sales and income.

In June 2010, Saab divested all the shares in the associated company EURENCO S.A. (19.9 percent) to the majority owner of the company. The transaction had no effect on the net liquidity and generated no capital gain or loss.

In June 2010, Saab divested 25 percent of the votes, corresponding to five percent of the capital, in Saab South Africa (Pty) Ltd to the South African holding company Sekunjalo Investment Ltd. Based on the company's performance, the buyer will over time be entitled to increase its share of the capital up to maximum 25 percent. The transaction generated a loss of MSEK 22.

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 160 (161).

Investments in intangible assets amounted to MSEK 63 (74) and mainly related to capitalised product development.

Personnel

At the end of the period 2010, the Group had 12,636 employees, compared to 13,159 at the beginning of 2010. The amount of FTE's (Full Time Equivalentents) at the end of the period was 12,262, compared to 12,737 at the beginning of the year.

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

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

RISKS AND UNCERTAINTIES

Saab's operations primarily involve the development, production and supply of technologically advanced hardware and software to customers around the world.

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

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

Saab conducts significant development projects and manages the associated risks.

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



IMPORTANT EVENTS JANUARY – MARCH 2010

- It was announced that Åke Svensson would resign as President and CEO of Saab. He had been appointed President of the Association of Swedish Engineering Industries and took up his new position on 1 September, 2010.
- Ahead of the Annual General Meeting 2010, Saab announced that the nomination committee had recommended Joakim Westh, Cecilia Stegö Chilö and Johan Forssell for election to the Board of Directors. Marcus Wallenberg, Erik Belfrage, Sten Jakobsson, George Rose, Per-Arne Sandström, Åke Svensson and Lena Treschow Torell were recommended for re-election. Marcus Wallenberg was recommended as Chairman of the Board. Lennart Johansson, Peter Nygårds and Michael J. O’Callaghan declined re-election.
- A provision of MSEK 140 was recorded in Security and Defence Solutions to cover for higher estimated costs to complete deliveries. It was mainly related to a contract signed with OKG Aktiebolag in March 2008, with an order sum of MSEK 392, covering the supply of physical security for the Oskarshamn nuclear power station as a general contractor. In addition, a write-down of capitalised development costs of MSEK 20 was made.

IMPORTANT EVENTS APRIL – JUNE 2010

- Håkan Buskhe was appointed as the new President and CEO of Saab. At this time he was the CEO of E.ON Sweden and President of E.ON Nordic, with operations in the Nordic countries and Poland.
- A contract with OKG Aktiebolag covering the supply of physical security for the Oskarshamn nuclear power station as a general contractor was terminated. A charge of MSEK 150 was reserved in the second quarter of 2010 to cover costs relating to the terminated contract.
- On request by shareholders, 3,347,180 A-shares in Saab AB were converted into B-shares. Through the conversion the total voting rights in the company have been reduced from 156,439,071 to 126,314,451. Saab AB has a total of 109,150,344 registered shares, of which 1,907,123 A-shares and 107,243,221 B-shares.
- A new strategic partner to Saab AB that took up a shareholding position in Saab South Africa (Pty) Ltd, Investment holding company Sekunjalo Investment Ltd led by Chairman Dr M. Iqbal Survé, was announced.

IMPORTANT EVENTS JULY – SEPTEMBER 2010

- Håkan Buskhe took office as President and CEO of Saab on 1 September 2010.
- The Maritime and Commercial Court in Copenhagen issued a judgement dismissing the Danish Defence Acquisition and Logistics Organization’s (DALO) claim against Saab. According to the judgement, DALO was ordered to pay MDKK 32 (about MSEK 40) plus interest on damages to Saab as well as to reimburse Saab’s court costs by approx. MDKK 5 (about MSEK 6). The background for the judgement is the cancelled contract for the DACCIS command and control system.

For information on major orders received during January–September 2010 see page 3, the business area comments on pages 9–13 and note 3 on page 29.

IMPORTANT EVENTS AFTER THE CONCLUSION OF THE PERIOD

- An order was received for an airborne surveillance system. The contract amounts to more than SEK 4.5 billion and includes delivery of the Saab 2000 AEW&C (Airborne Early Warning & Control) system, which comprises of a Saab 2000 aircraft equipped with the advanced ERIEYE radar system. The contract also includes ground equipment as well as logistics and support services. The project will run for a period of approximately 4.5 years from the time the order was received.

AERONAUTICS

MSEK	Jan–Sept 2010	Jan–Sept 2009	Change, %	Jul–Sept 2010	Jul–Sept 2009	Jan–Dec 2009
Order bookings	4,522	1,628	178	993	160	3,417
Order backlog	15,319	15,819	-3	-284 ²⁾	-1,360 ²⁾	15,476
Sales	4,679	5,438	-14	1,278	1,482	7,571
Operating income before depreciation/amortisation and write-downs (EBITDA)	312	117	167	118	35	255
Margin, %	6.7	2.2		9.2	2.4	3.4
Operating income/loss (EBIT)	128	-67	-	57	-26	6
Operating margin, %	2.7	-1.2		4.5	-1.8	0.1
Adjusted operating margin, ¹⁾ %	4.5	0.6		4.2	-1.8	1.4
Operating cash flow	306	-502	-	44	-27	-434
Defence/Civil (% of sales)	89/11	92/8		87/13	90/10	91/9
No. of employees	2,908	3,040	-4	-33 ²⁾	-25 ²⁾	3,015

¹⁾ Non-recurring items

Structural costs

-82 -100

3

-100

²⁾ Refers to quarterly change

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

HIGHLIGHTS

ORDERS RECEIVED

- Orders received in the first nine months 2010 included orders from FMV concerning development of the Gripen system, including an order for the integration of the active radar-guided Beyond Visual Range (BVR) missile, Meteor. An order from FMV for a Tactical Unmanned Aerial Vehicle system (TUAV) was also received.
- Airbus received orders related to the A380 programme that resulted in an increase in order bookings of MSEK 480 for Aeronautics in the third quarter 2010.
- Orders received where the order sum was more than MSEK 100 represented 85 percent (73) of total order bookings.

SALES

- Sales in the first nine months of 2010 decreased by 14 percent compared to 2009. The decrease is mainly related to lower project activity levels in major orders, such as the Gripen aircraft deliveries to Thailand and South Africa, compared to last year.
- Markets outside Sweden accounted for 47 percent (63) of sales in the first nine months 2010.

INCOME AND MARGIN

- Profitability in the first nine months 2010 improved compared to the same period in 2009 due the effects of the reorganisation of Aeronautics, announced lay-offs and the Billion+ programme.

CASH FLOW

- Operating cash flow in the first nine months 2010 improved mainly as a result of advances received in major projects.
- During 2010 some projects have entered final stages of completion. This will lead to a reduction of customer advances and a lower cash-flow generation in coming months.

EMPLOYEES

- The Aeronautics business area was reorganised in 2009. As a consequence, Saab served notice of lay-offs to 300 employees at Saab AB in Linköping, Sweden on 24 April 2009. On 19 January 2010 Saab announced that it would serve notice to further 115 factory employees at Saab AB in Linköping as a result of continued streamlining measures and synergies within the Aeronautics business area. The remaining structural cost related to this of about MSEK 40 will be recorded in 2010 and 2011.

DYNAMICS

MSEK	Jan–Sept 2010	Jan–Sept 2009	Change, %	Jul–Sept 2010	Jul–Sept 2009	Jan–Dec 2009
Order bookings	2,698	2,395	13	938	606	3,133
Order backlog	6,497	7,708	-16	-100 ²⁾	-395 ²⁾	6,980
Sales	3,176	3,099	2	1,023	944	4,580
Operating income before depreciation/amortisation and write-downs (EBITDA)	407	387	5	70	128	466
Margin, %	12.8	12.5		6.8	13.6	10.2
Operating income (EBIT)	290	252	15	31	83	269
Operating margin, %	9.1	8.1		3.0	8.8	5.9
Adjusted operating margin, ¹⁾ %	8.8	8.1		3.0	8.8	9.8
Operating cash flow	595	-21	-	5	54	369
Defence/Civil (% of sales)	94/6	90/10		94/6	90/10	91/9
No. of employees	1,516	1,765	-14	-98 ²⁾	-16 ²⁾	1,739

¹⁾ Non-recurring items

Structural costs for lay-offs

Results from divestments

12

-180

²⁾ Refers to quarterly change

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

HIGHLIGHTS
ORDERS RECEIVED

- Orders received in the first nine months 2010 included an order for the air defence system RBS 70 from Finland. Two contracts were signed for components to, and one order was received for delivery of, the Carl-Gustaf man-portable weapon system. A contract was also signed for multispectral camouflage products and services and an order was received from FMV, for the rapid generation and subsequent delivery of 3-dimensional (3D) maps to the Swedish Armed Forces for use in national as well as international operations.
- Orders received where the order sum was more than MSEK 100 represented 63 percent (21) of total order bookings.

SALES

- Sales increased due to higher activity level within the weapon system area.
- Markets outside Sweden accounted for 79 percent (87) of sales in the first nine months 2010.

INCOME AND MARGIN

- Profitability in the first nine months 2010 increased mainly as a result of the effects from the Billion+ programme. During the third quarter however, profitability was negatively impacted by under absorption of costs in some areas and a changed product mix.
- A property holding company was divested in the second quarter 2010 for MSEK 133, which impacted cash flow positively. The transaction generated a capital gain of MSEK 12.

CASH FLOW

- Operating cash flow in the first nine months 2010 was positive due to deliveries and major milestone payments during the second quarter.

EMPLOYEES

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

ELECTRONIC DEFENCE SYSTEMS

MSEK	Jan–Sept 2010	Jan–Sept 2009	Change, %	Jul–Sept 2010	Jul–Sept 2009	Jan–Dec 2009
Order bookings	2,134	1,541	38	285	539	2,625
Order backlog	6,197	7,673	-19	-709 ¹⁾	-701 ¹⁾	7,159
Sales	3,004	3,267	-8	905	1,180	4,670
Operating income before depreciation/amortisation and write-downs (EBITDA)	547	498	10	134	156	551
Margin, %	18.2	15.2		14.8	13.2	11.8
Operating income (EBIT)	157	93	69	6	18	24
Operating margin, %	5.2	2.8		0.7	1.5	0.5
Operating cash flow	432	199	117	105	31	506
Defence/Civil (% of sales)	99/1	99/1		99/1	100/0	99/1
No. of employees	2,496	2,633	-5	-31 ¹⁾	1 ¹⁾	2,601

¹⁾ Refers to quarterly change

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

HIGHLIGHTS

ORDERS RECEIVED

- Orders received during the first nine months 2010 increased strongly as a result of the orders from FMV for the development of the Gripen system. This includes further adjustments to improve Gripen's operational capabilities, such as the upgrade and further development of its reconnaissance system. An order from the Australian Defence Materiel Organisation (DMO) for provision of the Giraffe AMB radar system and related services was also received.
- Orders received where the order sum was more than MSEK 100 represented 15 percent (31) of total order bookings.

SALES

- Sales in the first nine months 2010 decreased, mainly as a result of delays in major projects 2010 compared to the same period 2009.
- Markets outside Sweden accounted for 63 percent (71) of sales during the first nine months 2010.

INCOME AND MARGIN

- In the first nine months 2010 profitability improved as a result of a claim recorded during the second quarter related to a finalized project where Saab has reduced its estimated risk share in the first half year. During the third quarter profitability was negatively impacted by higher development costs compared to the same period previous year.

CASH FLOW

- Operating cash flow improved in the first nine months due to project milestone deliveries.

EMPLOYEES

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

SECURITY AND DEFENCE SOLUTIONS

MSEK	Jan–Sept 2010	Jan–Sept 2009	Change, %	Jul–Sept 2010	Jul–Sept 2009	Jan–Dec 2009
Order bookings	2,828	4,180	-32	1,120	1,438	6,045
Order backlog	6,728	8,045	-16	-381 ²⁾	101 ²⁾	7,746
Sales	4,009	3,560	13	1,382	1,161	5,800
Operating income before depreciation/amortisation and write-downs (EBITDA)	20	217	-91	157	62	397
Margin, %	0.5	6.1		11.4	5.3	6.8
Operating income (EBIT)	-72	157	-	130	52	278
Operating margin, %	-1.8	4.4		9.4	4.5	4.8
Adjusted operating margin, ¹⁾ %	-1.4	4.4		9.4	4.5	4.8
Operating cash flow	682	-41	-	-6	-411	-217
Defence/Civil (% of sales)	69/31	65/35		67/33	58/42	67/33
No. of employees	2,529	2,543	-1	-35 ²⁾	25 ²⁾	2,568

¹⁾ Non-recurring items

Structural cost

-15

²⁾ Refers to quarterly change

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

HIGHLIGHTS
ORDERS RECEIVED

- Orders received in the first nine months 2010 included an order for maintenance and support of a combat training system from the British Army, an order from Kockums AB for the overall design of the combat management system as well as solutions for integrating the system aboard next-generation submarines for Sweden. An order was also received for an upgrade of the combat management and fire control systems for the Finnish Navy's Rauma class missile boats. Orders within the civil security area included an order from the Prague Transport Company (PTC) for upgrading the security system in Prague's subway.
- Orders of about MSEK 220 were cancelled during the second quarter as a result of the terminated contract with OKG Aktiebolag.
- Orders received where the order sum was more than MSEK 100 represented 16 percent (40) of total order bookings.

SALES

- Sales increased during the first nine months as a result of higher project activity levels. In particular Training and Simulation continued to deliver good sales development.
- Sales decreased with about MSEK 100 in the first nine months 2010 compared to 2009 as an effect of lower revenue recognition for the terminated contract with OKG Aktiebolag.
- Markets outside Sweden accounted for 76 percent (74) of sales during the first nine months 2010.

INCOME AND MARGIN

- During the first nine months 2010, profitability was negatively impacted by costs mainly related to a terminated contract. Charges of about MSEK 310, including a write-down of capitalised development costs of MSEK 20, were recorded in the first half-year of 2010. The charges were mainly related to a contract with OKG Aktiebolag within the civil security business.
- The Maritime and Commercial Court in Copenhagen issued a judgement dismissing the Danish Defence Acquisition and Logistics Organization's (DALO) claim against Saab in September 2010. DALO therefore should pay Saab damages plus interest on damages and cover Saab's court costs. Approximately MSEK 50 was recorded during the third quarter as a result of this and impacted profitability positively.

CASH FLOW

- Operating cash flow improved due to milestone payments received.

SUPPORT AND SERVICES

MSEK	Jan–Sept 2010	Jan–Sept 2009	Change, %	Jul–Sept 2010	Jul–Sept 2009	Jan–Dec 2009
Order bookings	2,409	2,300	5	522	831	4,057
Order backlog	4,092	3,223	27	-247 ²⁾	80 ²⁾	4,011
Sales	2,333	2,532	-8	756	752	3,564
Operating income before depreciation/amortisation and write-downs (EBITDA)	256	274	-7	73	51	426
Margin, %	11.0	10.8		9.7	6.8	12.0
Operating income (EBIT)	244	262	-7	69	47	410
Operating margin, %	10.5	10.3		9.1	6.3	11.5
Adjusted operating margin, ¹⁾ %	10.5	10.3		9.1	6.3	12.1
Operating cash flow	523	145	261	117	233	81
Defence/Civil (% of sales)	76/24	77/23		79/21	94/6	77/23
No. of employees	1,731	1,757	-1	-32 ²⁾	-8 ²⁾	1,749

¹⁾ Non-recurring items

Structural costs for lay-offs

-20

²⁾ Refers to quarterly change

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

HIGHLIGHTS

ORDERS RECEIVED

- Orders received in the first nine months 2010 increased, driven by smaller orders received mainly in Sweden.
- Orders received where the order sum was more than MSEK 100 represented 15 percent (28) of total order bookings.

SALES

- Sales in the first nine months 2010 decreased as a result of lower activity levels in major projects compared to the same period 2009.
- Markets outside Sweden accounted for 27 percent (29) of sales during the first nine months 2010.

INCOME AND MARGIN

- Profitability improved in the third quarter 2010 compared to the same period 2009 due to more efficient project execution, which led to an overall improved profitability for the first nine months 2010 compared to 2009.

CASH FLOW

- Operating cash flow improved due to received milestone payments.

EMPLOYEES

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

CORPORATE

Corporate reported operating income of MSEK -23 (174). Corporate also includes a loss of MSEK 22 from a transaction in June 2010 when Saab divested 25 percent of the votes, corresponding to five percent of the capital, in Saab South Africa (Pty) Ltd to the South African holding company Sekunjalo Investment Ltd. The previous year included a revaluation of remaining risks associated with the regional aircraft portfolio of MSEK 150.

THE BILLION+ PROGRAMME

Saab will continue to invest in marketing, as well as product and service development. The Billion+ programme was launched at the start of 2008 to improve internal efficiency, so that Saab can remain profitable in keeping with the Group's long-term objective.

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

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

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

The Billion+ programme is progressing according to plan. In the nine months 2010, the cost reductions contributed about 3 percentage points to the reported operating margin in the period.

PARENT COMPANY

Sales and income

The Parent Company includes units within the business areas Aeronautics, Electronic Defence Systems, Security and Defence Solutions and Support and Services. Group staffs and Group support are included as well. The Parent Company's sales for the first nine months 2010 amounted to MSEK 10,055 (10,574). Operating income was MSEK 458 (960). Recurring figures included provisions of MSEK 290 related to projects in Security

and Defence Solutions that impacted profitability negatively in the period.

Net financial income and expenses was MSEK 490 (-198). The deviation between the result for the first nine months 2010 and the same period 2009 is explained by positive currency gains in the tender portfolio, positive currency differences, increased net interest and internal dividends. After appropriations of MSEK 0 (0) and taxes of MSEK -196 (-212), net income for the period amounted to MSEK 752 (550).

Liquidity, finance, capital expenditures and number of employees

The Parent Company's net debt amounted to MSEK 4,790 (7,707). Gross capital expenditures in property, plant and equipment amounted to MSEK 90 (96). At the end of the first nine months, the Parent Company had 8,030 employees, compared to 8,337 at the beginning of the year.

A major part of the group's operations are included in the parent company. Separate notes to the parent company's financial statements and a separate description of risks and uncertainties for the parent company have therefore not been included in this interim report.

Share repurchase

Saab held 4,446,369 treasury shares as of 30 September 2010, which is 807,149 more than at year-end 2009.

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

Saab announced on 16 June 2010 that the Board has decided to utilise its authorization for this purpose. Between 26 July 2010 and 28 August 2010, 838,131 shares were acquired on NASDAQ OMX Stockholm to a total cost of MSEK 80.

Nomination committee of Saab AB for the Annual General Meeting 2011

In accordance with a resolution taken at the Annual General Meeting of Saab AB on 15 April 2010, Saab has announced the shareholder representatives who, together with the Chairman of the Board, constitute the nomination committee.

Members of the nomination committee:

- Marcus Wallenberg, Chairman of Saab AB
- Petra Hedengran, Investor
- Peter Wallenberg Jr, Knut and Alice Wallenberg's Foundation
- Erik Feldt, Nordea Investment Funds
- Thomas Eriksson, Swedbank Robur Funds

The nomination committee will provide proposals to be submitted to the Annual General Meeting for a Board of Directors, the Chairman of the Board and of the Annual General Meeting, auditors, remuneration to the Board and to the auditors, and appointment of the new nomination committee for the Annual General Meeting 2012.

The nomination committee represents approximately 50 percent of the voting rights of Saab AB based on the ownership structure as of 31 August 2010.

BAE Systems has abstained from its right to participate in the nomination committee.

The Annual General Meeting of Saab AB will be held on Thursday, 7 April 2011.

Owners

Saab's largest shareholders as of 30 September 2010 are Investor AB, BAE Systems, the Wallenberg foundations, Nordea Funds, Swedbank Robur funds, Länsförsäkringar Funds, the Fourth AP-Fund, SEB Funds, Orkla ASA, SHB Funds, Odin Funds and the Norwegian State.

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

Linköping, 20 October 2010

Håkan Buskhe
President and CEO

CONSOLIDATED INCOME STATEMENT

MSEK	Note	Jan–Sept 2010	Jan–Sept 2009	Rolling 12 months	Jan–Dec 2009
Sales	3	16,381	16,879	24,149	24,647
Cost of goods sold		-12,430	-12,627	-18,313	-18,510
Gross income		3,951	4,252	5,836	6,137
Gross margin, %		24.1	25.2	24.2	24.9
Other operating income		121	147	123	149
Marketing expenses		-1,247	-1,261	-1,762	-1,776
Administrative expenses		-804	-913	-1,089	-1,198
Research and development costs		-1,241	-1,246	-1,808	-1,813
Other operating expenses		-69	-44	-107	-82
Share of income in associated companies		13	-64	34	-43
Operating income (EBIT) ¹⁾	3	724	871	1,227	1,374
Operating margin, %		4.4	5.2	5.1	5.6
Share of income in associated companies		24	1	25	2
Financial income		146	30	166	50
Financial expenses		-310	-387	-373	-450
Net financial items		-140	-356	-182	-398
Income before taxes		584	515	1,045	976
Taxes	4	-150	-139	-288	-277
Net income for the period		434	376	757	699
of which Parent Company's shareholders' interest		425	373	738	686
of which non-controlling interest		9	3	19	13
Earnings per share before dilution, SEK ²⁾		4.03	3.50	6.98	6.45
Earnings per share after dilution, SEK ³⁾		3.89	3.42	6.75	6.28
¹⁾ INCLUDES DEPRECIATION/AMORTISATION AND WRITE-DOWNS		-1,003	-1,013	-1,390	-1,400
OF WHICH DEPRECIATION OF LEASING AIRCRAFT		-113	-138	-151	-176
²⁾ AVERAGE NUMBER OF SHARES BEFORE DILUTION		105,386,764	106,611,997	105,416,627	106,335,553
³⁾ AVERAGE NUMBER OF SHARES AFTER DILUTION		109,150,344	109,150,344	109,150,344	109,150,344

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

MSEK	Jan–Sept 2010	Jan–Sept 2009	Rolling 12 months	Jan–Dec 2009
Net income for the period	434	376	757	699
Other comprehensive income:				
Translation differences for the period	-61	112	42	215
Net gain/loss on cash flow hedges	785	929	800	944
Share of other comprehensive income in associated companies	10	30	11	31
Tax attributable to comprehensive income	-207	-248	-206	-247
Other comprehensive income for the period	527	823	647	943
Net comprehensive income for the period	961	1,199	1,404	1,642
of which Parent Company's shareholders' interest	941	1,142	1,382	1,583
of which non-controlling interest	20	57	22	59

QUARTERLY INCOME STATEMENT

MSEK	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008
Sales	5,004	5,993	5,384	7,768	5,184	6,283	5,412	8,188
Cost of goods sold	-3,765	-4,552	-4,113	-5,883	-3,969	-4,611	-4,047	-7,544
Gross income	1,239	1,441	1,271	1,885	1,215	1,672	1,365	644
Gross margin, %	24.8	24.0	23.6	24.3	23.4	26.6	25.2	7.9
Other operating income	40	45	36	2	74	33	40	103
Marketing expenses	-379	-483	-385	-515	-371	-466	-424	-472
Administrative expenses	-217	-271	-316	-285	-249	-330	-334	-357
Research and development costs	-390	-392	-459	-567	-405	-434	-407	-738
Other operating expenses	7	-60	-16	-38	-4	19	-59	-30
Share of income in associated companies	22	-4	-5	21	-11	-22	-31	41
Operating income/loss (EBIT) ¹⁾	322	276	126	503	249	472	150	-809
Operating margin, %	6.4	4.6	2.3	6.5	4.8	7.5	2.8	-9.9
Share of income in associated companies	-	24	-	1	-	1	-	-11
Financial income	41	33	72	20	12	-15	33	-6
Financial expenses	-89	-122	-99	-63	-109	-58	-220	-204
Net financial items	-48	-65	-27	-42	-97	-72	-187	-221
Income/loss before taxes	274	211	99	461	152	400	-37	-1,030
Taxes	-86	-37	-27	-138	-41	-108	10	322
Net income/loss for the period	188	174	72	323	111	292	-27	-708
of which Parent Company's shareholders' interest	179	177	69	313	105	294	-26	-724
of which non-controlling interest	9	-3	3	10	6	-2	-1	16
Earnings per share before dilution, SEK ²⁾	1.70	1.68	0.65	2.97	0.99	2.75	-0.24	-6.78
Earnings per share after dilution, SEK ³⁾	1.64	1.62	0.63	2.87	0.96	2.69	-0.24	-6.78
¹⁾ INCLUDES DEPRECIATION/AMORTISATION AND WRITE-DOWNS	-331	-326	-346	-387	-326	-352	-335	-725
OF WHICH DEPRECIATION OF LEASING AIRCRAFT	-37	-38	-38	-38	-42	-46	-50	-46
²⁾ AVERAGE NUMBER OF SHARES BEFORE DILUTION	105,118,070	105,526,371	105,515,851	105,506,219	106,169,379	106,835,194	106,831,419	106,828,876
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	109,150,344	109,150,344	109,150,344	109,150,344	106,831,419	106,828,876

QUARTERLY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

MSEK	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008
Net income/loss for the period	188	174	72	323	111	292	-27	-708
Other comprehensive income:								
Translation differences for the period	-158	90	7	103	-180	152	140	84
Net gain/loss on cash flow hedges	638	-54	201	15	616	431	-118	-255
Revaluation in connection with reclassification of fixed assets	-	-	-	-	-	-	-	51
Share of other comprehensive income in associated companies	9	1	-	1	9	21	-	-
Tax attributable to comprehensive income	-168	14	-53	1	-163	-116	31	48
Other comprehensive income/loss for the period	321	51	155	120	282	488	53	-72
Net comprehensive income/loss for the period	509	225	227	443	393	780	26	-780
of which Parent Company's shareholders' interest	504	217	220	441	378	746	18	-786
of which non-controlling interest	5	8	7	2	15	34	8	6

KEY RATIOS BY QUARTER

	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008
Equity/assets ratio (%)	41.1	37.7	37.9	35.1	32.9	30.0	28.6	28.4
Return on capital employed, % ¹⁾	10.1	9.5	10.8	10.3	0.6	-1.0	-0.2	1.4
Return on equity, % ¹⁾	7.0	6.5	7.9	7.0	-3.3	-5.3	-4.9	-2.4
Equity per share, SEK ²⁾	106.94	102.02	101.98	99.91	95.63	91.83	86.54	86.49
Operating cash flow, MSEK	-84	2,306	-73	1,270	420	213	-456	1,038
Operating cash flow per share after dilution, SEK ³⁾	-0.77	21.13	-0.67	11.64	3.85	1.95	-4.27	9.72
¹⁾ MEASURED OVER A ROLLING 12-MONTH PERIOD								
²⁾ NUMBER OF SHARES EXCLUDING TREASURY SHARES	104,703,975	105,532,164	105,520,577	105,511,124	105,501,314	106,837,443	106,832,945	106,829,893
³⁾ AVERAGE NUMBER OF SHARES AFTER DILUTION	109,150,344	109,150,344	109,150,344	109,150,344	109,150,344	109,150,344	106,831,419	106,828,676

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MSEK	Note	30/9/2010	31/12/2009	30/9/2009
ASSETS				
Fixed assets				
Intangible fixed assets	6	6,538	7,108	7,321
Tangible fixed assets		3,069	3,174	3,254
Lease assets		1,179	1,464	1,508
Biological assets		257	256	245
Investment properties		236	25	27
Shares in associated companies		359	356	323
Financial investments		93	116	108
Long-term receivables		1,325	1,327	1,353
Deferred tax assets		-	284	503
Total fixed assets		13,056	14,110	14,642
Current assets				
Inventories		4,987	4,698	5,236
Derivatives		1,038	1,002	1,252
Tax receivables		37	43	37
Accounts receivable		2,149	2,837	2,482
Other receivables		3,489	4,696	5,082
Prepaid expenses and accrued income		957	705	660
Short-term investments		536	551	-
Liquid assets	8	1,423	1,463	1,439
Total current assets		14,616	15,995	16,188
Assets held for sale	9	-	325	288
TOTAL ASSETS	14	27,672	30,430	31,118

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT.)

MSEK	Note	30/9/2010	31/12/2009	30/9/2009
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity				
Parent Company's shareholders' interest		11,197	10,542	10,089
Non-controlling interest		169	140	145
Total shareholders' equity		11,366	10,682	10,234
Long-term liabilities				
Long-term interest-bearing liabilities	7	1,116	1,126	29
Other liabilities		292	287	288
Provisions for pensions	11	4	4	4
Other provisions		2,010	2,146	2,176
Deferred tax liabilities		887	905	956
Total long-term liabilities		4,309	4,468	3,453
Current liabilities				
Short-term interest-bearing liabilities	7	605	2,519	4,260
Advance payments from customers		435	442	654
Accounts payable		1,526	1,730	1,516
Derivatives		711	1,181	1,274
Tax liabilities		199	212	204
Other liabilities		646	746	837
Accrued expenses and deferred income		7,321	7,668	8,011
Provisions		554	753	646
Total current liabilities		11,997	15,251	17,402
Liabilities attributable to assets held for sale	9	-	29	29
Total liabilities		16,306	19,748	20,884
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	14	27,672	30,430	31,118

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 PARENT COMPANY'S SHARE HOLDERS' INTEREST	NON-CONTROLLING INTEREST	TOTAL SHARE HOLDERS' EQUITY
Opening balance, 1 January 2009	1,746	543	-612	-222	51	7,734	9,240	90	9,330
Net comprehensive income for the period			666	103		373	1,142	57	1,199
Transactions with shareholders:									
Repurchase of shares						-110	-110		-110
Share matching plan						23	23		23
Dividend						-187	-187		-187
Purchase and sale of non-controlling interest						-19	-19	-2	-21
Closing balance, 30 September 2009	1,746	543	54	-119	51	7,814	10,089	145	10,234
Opening balance, 1 January 2010	1,746	543	84	-21	51	8,139	10,542	140	10,682
Net comprehensive income for the period			578	-62		425	941	20	961
Transactions with shareholders:									
Repurchase of shares						-80	-80		-80
Share matching plan						30	30		30
Dividend						-237	-237		-237
Purchase and sale of non-controlling interest						1	1	9	10
Closing balance, 30 September 2010	1,746	543	662	-83	51	8,278	11,197	169	11,366

CONSOLIDATED STATEMENT OF CASH FLOWS

MSEK	Note	Jan–Sept 2010	Jan–Sept 2009	Jan–Dec 2009
Operating activities				
Income after financial items		584	515	976
Transferred to pension funds		-99	-121	-190
Adjustments for items not affecting cash flows		1,291	1,194	1,835
Income tax paid		-102	-106	-183
Cash flow from operating activities before changes in working capital		1,674	1,482	2,438
Cash flow from changes in working capital				
Increase(-)/Decrease(+) in inventories		-284	-910	-401
Increase(-)/Decrease(+) in current receivables		1,523	1,834	1,927
Increase(+)/Decrease(-) in advance payments from customers		-4	-266	-485
Increase(+)/Decrease(-) in other current liabilities		-384	-1,485	-1,522
Increase(+)/Decrease(-) in provisions		-335	-211	-261
Cash flow from operating activities		2,190	444	1,696
Investing activities				
Investments in intangible fixed assets		-27	-11	-14
Capitalised development costs		-36	-63	-67
Investments in tangible fixed assets		-160	-161	-197
Investments in lease assets		-1	-	-3
Sale of tangible fixed assets		6	8	9
Sale of lease assets		60	47	130
Sale of and investments in short-term investments	8	15	-	-551
Sale of and investments in other financial assets		39	309	224
Investments in subsidiaries, net effect on liquidity	10	-	-67	-68
Sale of subsidiaries, net effect on liquidity	10	133	11	11
Cash flow from investing activities		29	73	-526
Financing activities				
Loans raised		-	368	-
Repayments of loans		-1,923	-	-279
Repurchase of shares		-80	-110	-110
Dividend paid to Parent Company's shareholders		-237	-187	-187
Contribution from non-controlling interest		-	4	6
Cash flow from financing activities		-2,240	75	-570
Cash flow for the period				
		-21	592	600
Liquid assets at the beginning of the year		1,463	822	822
Exchange rate difference in liquid assets		-19	25	41
Liquid assets at the end of period	8	1,423	1,439	1,463

QUARTERLY INFORMATION

MSEK	Q3 2010	Operating margin	Q2 2010	Operating margin	Q1 2010	Operating margin	Q4 2009	Operating margin
Sales								
Aeronautics	1,278		1,698		1,703		2,133	
Dynamics	1,023		1,167		986		1,481	
Electronic Defence Systems	905		1,159		940		1,403	
Security and Defence Solutions	1,382		1,427		1,200		2,240	
Support and Services	756		834		743		1,032	
Corporate	224		233		219		249	
Internal sales	-564		-525		-407		-770	
Total	5,004		5,993		5,384		7,768	
Operating income								
Aeronautics	57	4.5%	18	1.1%	53	3.1%	73	3.4%
Dynamics	31	3.0%	174	14.9%	85	8.6%	17	1.1%
Electronic Defence Systems	6	0.7%	114	9.8%	37	3.9%	-69	-4.9%
Security and Defence Solutions	130	9.4%	-106	-7.4%	-96	-8.0%	121	5.4%
Support and Services	69	9.1%	119	14.3%	56	7.5%	148	14.3%
Corporate	29	-	-43	-	-9	-	213	-
Total	322	6.4%	276	4.6%	126	2.3%	503	6.5%

MSEK	Q3 2009	Operating margin	Q2 2009	Operating margin	Q1 2009	Operating margin	Q4 2008	Operating margin
Sales								
Aeronautics	1,482		2,113		1,843		2,356	
Dynamics	944		1,150		1,005		1,792	
Electronic Defence Systems	1,180		1,099		988		1,490	
Security and Defence Solutions	1,161		1,339		1,060		1,911	
Support and Services	752		966		814		1,098	
Corporate	223		304		226		348	
Internal sales	-558		-688		-524		-807	
Total	5,184		6,283		5,412		8,188	
Operating income								
Aeronautics	-26	-1.8%	-44	-2.1%	3	0.2%	-1,416	-60.1%
Dynamics	83	8.8%	94	8.2%	75	7.5%	-37	-2.1%
Electronic Defence Systems	18	1.5%	48	4.4%	27	2.7%	311	20.9%
Security and Defence Solutions	52	4.5%	94	7.0%	11	1.0%	118	6.2%
Support and Services	47	6.3%	112	11.6%	103	12.7%	139	12.7%
Corporate	75	-	168	-	-69	-	76	-
Total	249	4.8%	472	7.5%	150	2.8%	-809	-9.9%

MULTI-YEAR OVERVIEW

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

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

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

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

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

KEY RATIOS AND TARGETS

	Long-term target	Jan–Sept 2010	Jan–Sept 2009	Jan–Dec 2009
Operating margin before depreciation/amortisation and write-downs, excluding leasing aircraft, %	15	9.9	10.3	10.5
Operating margin, %	10	4.4	5.2	5.6
Earnings per share after dilution, SEK ¹⁾		3.89	3.42	6.28
Return on capital employed, % ²⁾		10.1	0.6	10.3
Return on equity, % ²⁾	15	7.0	-3.3	7.0
Equity/assets ratio, %	30	41.1	32.9	35.1

¹⁾ AVERAGE NUMBER OF SHARES AFTER DILUTION 109,150,344

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

PARENT COMPANY INCOME STATEMENT

MSEK	Jan–Sept 2010	Jan–Sept 2009	Jan–Dec 2009
Sales	10,055	10,574	15,385
Cost of goods sold	-7,810	-7,781	-11,276
Gross income	2,245	2,793	4,109
Gross margin, %	22.3	26.4	26.7
Marketing expenses	-835	-790	-1,138
Administrative expenses	-443	-517	-675
Research and development costs	-531	-566	-811
Other operating income	59	91	68
Other operating expenses	-37	-51	-68
Operating income (EBIT)	458	960	1,485
Operating margin, %	4.6	9.1	9.7
Financial income and expenses:			
Result from shares in Group companies	391	180	1,178
Result from shares in associated companies/joint ventures	5	1	7
Results from other securities and receivables held as fixed assets	135	-197	-238
Other interest income and similar items	44	20	109
Interest expenses and similar items	-85	-202	-309
Income after financial items	948	762	2,232
Appropriations	-	-	3
Income before taxes	948	762	2,235
Taxes	-196	-212	-560
Net income for the period	752	550	1,675

PARENT COMPANY BALANCE SHEET

MSEK	Note	30/9/2010	31/12/2009	30/9/2009
ASSETS				
Fixed assets				
Intangible fixed assets		98	96	105
Tangible fixed assets		2,202	2,280	2,327
Shares in Group companies		9,443	9,520	10,480
Receivables from Group companies		609	760	763
Shares in associated companies and joint ventures		463	430	329
Receivables from associated companies and joint ventures		105	116	91
Other long-term securities holdings		1,479	1,495	1,499
Other long-term receivables		10	44	43
Deferred tax assets		477	689	995
Total fixed assets		14,886	15,430	16,632
Current assets				
Inventories, etc.		3,413	3,310	3,892
Receivables from Group companies		1,646	2,828	2,221
Receivables from associated companies and joint ventures		28	100	130
Other receivables		7,739	7,953	7,595
Short-term investments		536	551	-
Liquid assets		799	788	751
Total current assets		14,161	15,530	14,589
TOTAL ASSETS		29,047	30,960	31,221
SHAREHOLDERS' EQUITY AND LIABILITIES				
Equity				
Shareholders' equity		5,828	4,441	4,550
Net income for the period		752	1,675	550
Total shareholders' equity		6,580	6,116	5,100
Untaxed reserves		419	419	422
Provisions				
Provisions for pensions and similar commitments		284	379	437
Other provisions		1,329	1,513	1,817
Total provisions		1,613	1,892	2,254
Liabilities				
Interest-bearing liabilities	7	2,283	4,112	4,702
Liabilities to Group companies		6,897	7,913	8,376
Advance payments from customers		4,062	3,182	3,200
Liabilities to associated companies and joint ventures		51	139	151
Other liabilities		7,142	7,187	7,016
Total liabilities		20,435	22,533	23,445
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		29,047	30,960	31,221

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1

CORPORATE INFORMATION

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

NOTE 2

ACCOUNTING PRINCIPLES

The consolidated accounts for the first nine months 2010 are prepared according to IAS 34 Interim Financial Reporting and the Annual Accounts Act. The Parent Company's accounts have been prepared according to the Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2.3 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 and methods of computation as described in the annual report for 2009. The Group's accounting principles are described on pages 71-78 of the annual report 2009.

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

New and changed accounting principles in 2010

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

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

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

These changes shall be applied prospectively.

NOTE 3

SEGMENT REPORTING

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

Aeronautics

These operations include the development of civil and military aviation technology at a high level. The product portfolio includes the Gripen fighter and Unmanned Aerial Systems (UAS). Aeronautics also manufactures aircraft components for Saab's own aircraft as well as passenger aircraft produced by others.

Dynamics

The product portfolio comprises various types of advanced weapon systems such as support weapons, missiles, torpedos, Remotely Operated Vehicles (ROVs) and signature management systems that are used to make it more difficult for various types of sensors to detect and identify people or objects.

Electronic Defence Systems

These operations, which are based on Saab's extensive expertise in radar and electronic warfare, develop sophisticated solutions for detection, localisation and protection. The product portfolio includes air and land-based sensor and radar systems, systems for electronic warfare, defence electronics and aeronautics.

Security and Defence Solutions

These operations address both the military and civil security market with a competitive product portfolio consisting of C4ISR (computerized command, control, communications and intelligence) systems, airborne early warning systems, solutions for civil security, training and simulation systems, and solutions for telecom operators.

Support and Services

These operations offer reliable, cost-effective service and support for all markets where Saab is active. This primarily includes integrated support solutions, technical maintenance and logistics, and products, solutions and services for military and civil missions in locations with limited infrastructure.

SALES AND ORDER INFORMATION

Sales by business area

MSEK	Jan–Sept 2010	Jan–Sept 2009	Change, %	Jul–Sept 2010	Jul–Sept 2009	Rolling 12 months	Jan–Dec 2009
Aeronautics	4,679	5,438	-14	1,278	1,482	6,812	7,571
of which external sales	4,491	5,234	-14	1,194	1,421	6,554	7,297
of which internal sales	188	204	-8	84	61	258	274
Dynamics	3,176	3,099	2	1,023	944	4,657	4,580
of which external sales	3,121	3,013	4	1,003	908	4,568	4,460
of which internal sales	55	86	-36	20	36	89	120
Electronic Defence Systems	3,004	3,267	-8	905	1,180	4,407	4,670
of which external sales	2,308	2,598	-11	648	971	3,435	3,725
of which internal sales	696	669	4	257	209	972	945
Security and Defence Solutions	4,009	3,560	13	1,382	1,161	6,249	5,800
of which external sales	3,926	3,441	14	1,359	1,127	6,106	5,621
of which internal sales	83	119	-30	23	34	143	179
Support and Services	2,333	2,532	-8	756	752	3,365	3,564
of which external sales	2,080	2,104	-1	635	603	2,879	2,903
of which internal sales	253	428	-41	121	149	486	661
Corporate/eliminations	-820	-1,017	19	-340	-335	-1,341	-1,538
of which external sales	455	489	-7	165	154	607	641
of which internal sales	-1,275	-1,506	15	-505	-489	-1,948	-2,179
Total	16,381	16,879	-3	5,004	5,184	24,149	24,647

Sales by geographical market

MSEK	Jan–Sept 2010	% of sales	Jan–Sept 2009	% of sales	Jan–Dec 2009	% of sales
Sweden	6,110	37	5,040	30	7,714	31
Rest of EU	3,236	20	4,039	24	5,675	23
Rest of Europe	264	2	201	1	280	1
Total Europe	9,610	59	9,280	55	13,669	55
North America	1,519	9	1,284	8	1,764	7
Latin America	85	1	131	1	154	1
Asia	2,541	15	3,089	18	4,568	19
Australia, etc.	796	5	604	3	1,015	4
Africa	1,830	11	2,491	15	3,477	14
Total	16,381	100	16,879	100	24,647	100

Information on large customers

Saab has one customer that accounts for 10 percent or more of the Group's sales: the Swedish Defense Materiel Administration (FMV). FMV is a customer of all our business areas, and total sales during the first nine months 2010 amounted to MSEK 4,442 (3,520).

NOTE 3 CONTINUED

Order bookings by business area

MSEK	Jan–Sept 2010	Jan–Sept 2009	Change, %	Jan–Dec 2009
Aeronautics	4,522	1,628	178	3,417
Dynamics	2,698	2,395	13	3,133
Electronic Defence Systems	2,134	1,541	38	2,625
Security and Defence Solutions	2,828	4,180	-32	6,045
Support and Services	2,409	2,300	5	4,057
Corporate	761	722	5	978
Internal	-974	-1,385	-	-1,827
Total	14,378	11,381	26	18,428

Order backlog by business area

MSEK	30/9/2010	31/12/2009	30/9/2009
Aeronautics	15,319	15,476	15,819
Dynamics	6,497	6,980	7,708
Electronic Defence Systems	6,197	7,159	7,673
Security and Defence Solutions	6,728	7,746	8,045
Support and Services	4,092	4,011	3,223
Corporate	261	176	170
Internal	-1,643	-2,159	-2,331
Total	37,451	39,389	40,307

LARGE ORDERS RECEIVED DURING THE FIRST NINE MONTHS 2010

Large orders received	Country	Order value (appr. values MSEK)
Development of the existing Gripen fleet	Sweden	2,000
System maintenance of Gripen	Sweden	600
Upgrade and further development of Gripen's reconnaissance system	Sweden	400
Maintenance and support of training systems	UK	150
RBS 70 ground-based air defence system	Finland	260
Tactical Unmanned Aerial Vehicle system (TUAV)	Sweden	500
Carl-Gustaf man-portable weapon system	-	670
Development of avionics system for Gripen	Sweden	450
Security solutions and installations	-	120
Continuous support of Gripen's operational capabilities	Sweden	230
Design of combat management system for next-generation submarines	Sweden	100
Combat management and fire control systems	Finland	200
Giraffe AMB radar system	Australia	190
Multispectral camouflage products and services	-	670
Integration of active radar-guided missile	Sweden	310
Upgrading of security system in Prague's subway	Czech Rep	100
Delivery of 3-dimensional maps	Sweden	40

OPERATING INCOME

Operating income by business area

MSEK	Jan–Sept 2010	% of sales	Jan–Sept 2009	% of sales	Rolling 12 months	% of sales	Jan–Dec 2009	% of sales
Aeronautics	128	2.7	-67	-1.2	201	3.0	6	0.1
Dynamics	290	9.1	252	8.1	307	6.6	269	5.9
Electronic Defence Systems	157	5.2	93	2.8	88	2.0	24	0.5
Security and Defence Solutions	-72	-1.8	157	4.4	49	0.8	278	4.8
Support and Services	244	10.5	262	10.3	392	11.6	410	11.5
The business areas' total operating income	747	4.7	697	4.3	1,037	4.4	987	4.1
Corporate	-23	-	174	-	190	-	387	-
Total operating income	724	4.4	871	5.2	1,227	5.1	1,374	5.6

Depreciation/amortisation and write-downs by business area

MSEK	Jan–Sept 2010	Jan–Sept 2009	Jul–Sept 2010	Jul–Sept 2009	Rolling 12 months	Jan–Dec 2009
Aeronautics	184	184	61	61	249	249
Dynamics	117	135	39	45	179	197
Electronic Defence Systems	390	405	128	138	512	527
Security and Defence Solutions	93	60	28	10	152	119
Support and Services	12	12	4	4	16	16
Corporate – lease aircraft	113	138	37	42	151	176
Corporate – other	94	79	34	26	131	116
Total	1,003	1,013	331	326	1,390	1,400

OPERATING CASH FLOW AND CAPITAL EMPLOYED

Operating cash flow by business area

MSEK	Jan–Sept 2010	Jan–Sept 2009	Rolling 12 months	Jan–Dec 2009
Aeronautics	306	-502	374	-434
Dynamics	595	-21	985	369
Electronic Defence Systems	432	199	739	506
Security and Defence Solutions	682	-41	506	-217
Support and Services	523	145	459	81
Corporate	-389	397	356	1,142
Total	2,149	177	3,419	1,447

NOTE 3 CONTINUED
Capital employed by business area

MSEK	30/9/2010	31/12/2009	30/9/2009
Aeronautics	2,113	2,146	2,675
Dynamics	2,659	2,880	3,169
Electronic Defence Systems	4,595	5,621	5,789
Security and Defence Solutions	2,332	3,159	2,841
Support and Services	1,528	1,807	1,620
Corporate	-136	-1,282	-1,567
Total	13,091	14,331	14,527

EMPLOYEES

Employees by business area

Number at end of period	30/9/2010	31/12/2009	Change	30/9/2009
Aeronautics	2,908	3,015	-107	3,040
Dynamics	1,516	1,739	-223	1,765
Electronic Defence Systems	2,496	2,601	-105	2,633
Security and Defence Solutions	2,529	2,568	-39	2,543
Support and Services	1,731	1,749	-18	1,757
Corporate	1,456	1,487	-31	1,507
Total	12,636	13,159	-523	13,245

NOTE 4

TAXES

MSEK	Jan–Sept 2010	Jan–Sept 2009
Current tax	-102	-106
Deferred tax	-48	-33
Total	-150	-139

NOTE 5

DIVIDEND TO PARENT COMPANY'S SHAREHOLDERS

The Annual General Meeting on 15 April 2010 approved the Board's proposal that the Parent Company's shareholders receive a dividend of SEK 2.25 per share, totalling MSEK 237. The record day was 20 April 2010 and the dividend was paid on 23 April 2010.

NOTE 6

INTANGIBLE FIXED ASSETS

MSEK	30/9/2010	31/12/2009	30/9/2009
Goodwill	3,466	3,457	3,452
Capitalised development costs	2,564	3,038	3,230
Other intangible assets	508	613	639
Total	6,538	7,108	7,321

NOTE 7

INTEREST-BEARING LIABILITIES

MSEK	30/9/2010	31/12/2009	30/9/2009
Liabilities to credit institutions	1,177	2,971	3,609
Liabilities to associates and JVs	454	632	642
Other interest-bearing liabilities	90	42	38
Total	1,721	3,645	4,289

Committed credit lines

MSEK	Facilities	Drawings	Available
Revolving credit facility (Maturity 2012)	4,000	-	4,000
Overdraft facility (Maturity 2010)	130	3	127
Total	4,130	3	4,127

Parent Company

MSEK	30/9/2010	31/12/2009	30/9/2009
Long-term liabilities to credit institutions	2,221	2,312	1,171
Short-term liabilities to credit institutions	-	1,800	3,531
Other interest-bearing liabilities	62	-	-
Total	2,283	4,112	4,702

Of liabilities to credit institutions, MSEK 1,100 (0) was issued under the Medium Term Note programme (MTN) and MSEK 0 (1,931) under the Commercial Paper programme. The loans are carried at amortised cost.

The Parent Company also has MNOK 975 in financing arranged in connection with the acquisition of 7.5 percent of the shares in Aker Holding AS in 2007. Saab's investment amounted to approximately NOK 1.2 billion, of which about 80 percent was financed through the above-mentioned loans. The risk associated with the loans has been reduced through agreements that secure this part of the invested amount, because of which the transactions in the financial position for the Group are netted as a receivable.

NOTE 8

SUPPLEMENTAL INFORMATION ON STATEMENT OF CASH FLOWS

Liquid assets

MSEK	30/9/2010	30/9/2009	31/12/2009
The following components are included in liquid assets:			
Cash and bank balances (incl. available overdraft facilities) ¹⁾	1,410	1,420	1,447
Deposits	13	19	16
Total according to balance sheet	1,423	1,439	1,463

Total according to statement of cash flows	1,423	1,439	1,463
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¹⁾ Cash and bank balances refer to short-term deposits with banks.

Operating cash flow vs. statement of cash flows

MSEK	Jan–Sept 2010	Jan–Sept 2009	Jan–Dec 2009
Operating cash flow	2,149	177	1,447
Investing activities – interest-bearing:			
Short-term investments ¹⁾	15	-	-551
Other financial investments and receivables	55	340	274
Financing activities:			
Loans raised	-	368	-
Repayments of loans	-1,923	-	-279
Repurchase of shares	-80	-110	-110
Dividend paid to the Parent Company's shareholders	-237	-187	-187
Contribution from non-controlling interest	-	4	6
Cash flow for the period	-21	592	600

¹⁾ Short-term investments refer to government and mortgage bonds.

Specification of operating cash flow January–September 2010

MSEK	Saab excl. acquisitions / divestments and SAL	Acquisitions and divestments	Saab Aircraft Leasing	Total Group	Total Group Jan–Sept 2009
Cash flow from operating activities before changes in working capital	1,595	-	79	1,674	1,482
CASH FLOW FROM CHANGES IN WORKING CAPITAL					
Inventories	-329	-	45	-284	-910
Receivables	1,590	-	-67	1,523	1,834
Advance payments from customers	-4	-	-	-4	-266
Other liabilities	-296	-	-88	-384	-1,485
Provisions	-365	-	30	-335	-211
Change in working capital	596	-	-80	516	-1,038
Cash flow from operating activities	2,191	-	-1	2,190	444
INVESTING ACTIVITIES					
Investments in intangible fixed assets	-63	-	-	-63	-74
Investments in tangible fixed assets	-160	-	-	-160	-161
Investments in lease assets	-1	-	-	-1	-
Sale of tangible fixed assets	6	-	-	6	8
Sale of lease assets	-	-	60	60	47
Sale of and investment in shares, etc.	-24	-	8	-16	-31
Investments in subsidiaries, net effect on liquidity	-	-	-	-	-67
Sale of subsidiaries, net effect on liquidity	-	133	-	133	11
Cash flow from investing activities excluding change in short-term investments and other interest-bearing financial assets	-242	133	68	-41	-267
OPERATING CASH FLOW	1,949	133	67	2,149	177

NOTE 9

ASSETS AND LIABILITIES HELD FOR SALE

No assets and liabilities are held for sale.

NOTE 10

ACQUISITIONS AND DIVESTMENTS OF OPERATIONS

In May 2010, Saab divested the shares in a property holding company, Saab Bofors Industrier AB, to the associated company, Kontorsbolaget i Karlskoga AB. The sales price was MSEK 133. The transaction generated a capital gain of MSEK 12 during the period. The divestment has a marginal effect on future sales and income.

In May 2010, Saab acquired the remaining 66.7% of the shares in the associated company OPAX AS in Norway. The purchase price was MNOK 0.1. The purchase agreement contains a supplemental purchase price estimated at MNOK 15. The surplus value of MNOK 15 is allocated to goodwill. The acquisition has a marginal effect on future sales and income.

In June 2010, Saab divested 25 percent of the votes, corresponding to 5 percent of the capital, in Saab South Africa (Pty) Ltd to the South African holding company Sekunjalo Investment Ltd. Based on the company's performance, the buyer will over time be entitled to increase its share of the capital up to maximum 25 percent. The transaction generated a loss of MSEK 22.

In June 2010, Saab divested all the shares in the associated company EURENCO S.A. (19.9%) to the majority owner of the company. The transaction generated no capital gain/loss or effect on the net liquidity.

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 3,887 (3,517) as of 30 September 2010, compared to an obligation of MSEK 5,160 (4,572) according to IAS 19, or a solvency margin of 75 percent (77). In comparison with the obligation according to the FPG/PRI system, the solvency margin was 97 percent (93).

NOTE 12

CONTINGENT LIABILITIES

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

NOTE 13

TRANSACTIONS WITH RELATED PARTIES

No significant transactions have occurred during the first nine months 2010.

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

NOTE 14

CONDENSED SUBDIVIDED FINANCIAL POSITION AS OF 30 SEPT 2010

MSEK	Saab	Saab Aircraft Leasing	Eliminations	Saab Group
ASSETS				
Intangible fixed assets	6,538	-	-	6,538
Tangible fixed assets, etc.	3,562	-	-	3,562
Lease assets	4	1,175	-	1,179
Long-term interest-bearing receivables	530	-	-	530
Shares, etc.	1,922	-	-1,500	422
Other long-term receivables	811	14	-	825
Deferred tax assets	-	220	-220	-
Inventories	4,971	16	-	4,987
Short-term interest-bearing receivables	387	1,627	-1,627	387
Other current assets	6,232	13	-	6,245
Derivatives	1,038	-	-	1,038
Liquid assets and short-term investments	1,922	37	-	1,959
Total assets	27,917	3,102	-3,347	27,672
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity	11,278	1,588	-1,500	11,366
Provisions for pensions	4	-	-	4
Deferred tax liabilities	1,107	-	-220	887
Other provisions	1,809	755	-	2,564
Interest-bearing liabilities	3,348	-	-1,627	1,721
Advance payments from customers	435	-	-	435
Derivatives	711	-	-	711
Other liabilities	9,225	759	-	9,984
Total shareholders' equity and liabilities	27,917	3,102	-3,347	27,672

Saab decided in 1997 to discontinue the manufacture of turboprop aircraft. As with other manufacturers, Saab had a business model that included lease financing in connection with aircraft sales on the market. Saab's lease assets at 30 September 2010 consisted of 108 turboprop Saab 340 and Saab 2000 aircraft. Of the fleet, 42 are financed through US leverage leases. Rents from these leases are insured through The Swedish Export Credits Guarantee Board (EKN); 65 aircraft are financed internally and recognised as assets in the balance sheet. There is also an obligation to repurchase one aircraft. Provisions on the balance sheet related to the leasing portfolio are deemed sufficient for the remaining risks.

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

NOTE 15

CHANGED OUTLOOK 2010

We remain cautious regarding order intake and foresee sales at about the same level as 2009.

Our reported operating income will be lower compared to 2009, reflecting expected restructuring costs in the fourth quarter 2010. The adjusted operating margin will be at about the same level as 2009.

Our long-term financial targets remain.

NOTE 16

DEFINITIONS

Gross margin

Gross income as a percentage of sales revenue.

Adjusted gross margin

Gross income adjusted for the result from divestments and non-recurring income/expenses as a percentage of sales revenue.

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.

EBITDA margin

Operating income before depreciation/amortisation and write-downs less depreciation/amortisation and write-downs on lease assets 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 (measured over a rolling 12-month period).

Return on equity

Net income for the period as a percentage of average equity (measured over a rolling 12-month period).

Net liquidity/net debt

Liquid assets, short-term investments and interest-bearing receivables less interest-bearing liabilities and provisions for pensions.

Equity/assets ratio

Equity in relation to total assets.

Earnings per share

Net income for the period attributable to Parent Company shareholders' interest, divided by the average number of shares before and after full dilution. There is no dilution impact if the result is negative.

Equity per share

Equity attributable to the Parent Company's shareholders divided by the number of shares excluding treasury shares at the end of the period.

Operating cash flow per share

Operating cash flow divided by the average number of shares after dilution.

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 20 October 2010.

FOR FURTHER INFORMATION, PLEASE CONTACT

Media:

Press center

Tel. +46-734-18 00 18

Ulrika Fager, Press Secretary

Tel. +46-8-463 00 32

Cecilia Schön Jansson, Head of Corporate Communications

Tel. +46-8-463 01 80

Financial market:

Ann-Sofi Jönsson, Investor Relations

Tel. +46-8-463 02 14, +46-734-18 72 14

Lars Granlöf, CFO

Tel. +46-8-463 01 48

Press and financial analyst conference and webcast

with CEO Håkan Buskhe and CFO Lars Granlöf

Today, Wednesday, 20 October 2010, 10:00 a.m. (CET)

World Trade Center, Stockholm

Contact Carin Edman to register

and for further information

Tel. +46 8 463 01 17

www.saabgroup.com

To see a live webcast of the event, visit <http://www.saabgroup.com/en/InvestorRelations> where it will be available together with the presentation material. All viewers will be able to post questions to the presenters. The webcast will also be available on Saab's website after the event.

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